





## Certificate of Achievement for Excellence in Financial Reporting

Presented to

### Delaware River Port Authority

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



  
President

  
Executive Director

For the eighteenth consecutive year the Delaware River Port Authority was awarded the

Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada for its 2009 Comprehensive Annual Financial Report.

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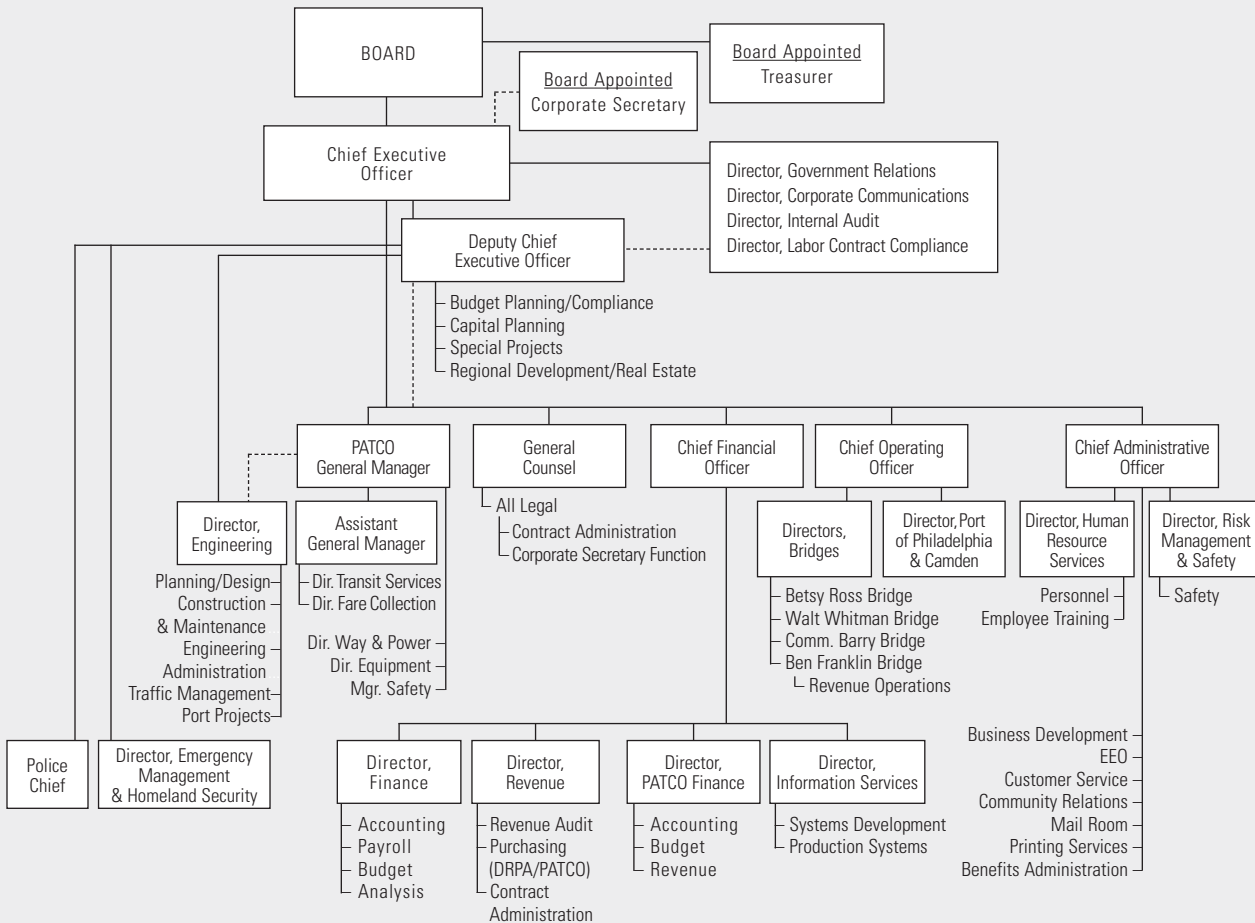
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*Prepared by the Office of the Chief Financial Officer*

INTRODUCTORY SECTION



# ORGANIZATIONAL CHART



## OFFICERS & EXECUTIVE STAFF

**JOHN J. MATHEUSSEN**  
Chief Executive Officer, DRPA  
President, PATCO

**ROBERT P. GROSS**  
Deputy Chief Executive Officer

**ARCHER & GREINER**  
New Jersey Counsel

**DUANE MORRIS, LLP**  
Pennsylvania Counsel

**ROBERT A. BOX**  
PATCO General Manager

**CHERYL Y. SPICER**  
PATCO Assistant  
General Manager

**RICHARD L. BROWN, ESQ.**  
General Counsel  
Corporate Secretary

**TONI P. BROWN, ESQ.**  
Chief Administrative Officer

**JOHN T. HANSON, CPA**  
Chief Financial Officer  
Treasurer

**TIMOTHY M. PULTE**  
Chief Operating Officer



# FACILITIES



**Benjamin Franklin Bridge**  
Opened: July 1, 1926  
Average Weekday Traffic: 108,210



**Commodore Barry Bridge**  
Opened: February 1, 1974  
Average Weekday Traffic: 40,446



**PATCO**  
Opened: February 15, 1969  
Average Weekday Ridership: 35,578



**Walt Whitman Bridge**  
Opened: May 16, 1957  
Average Weekday Traffic: 116,010



**Betsy Ross Bridge**  
Opened: April 30, 1976  
Average Weekday Traffic: 34,694



**RiverLink Ferry System**  
DRPA assumed operations of the ferry on April 1, 2000  
Ferry Ridership for 2010: 160,000



**Philadelphia Cruise Terminal**  
Opened: May 25, 1998  
2010 Cruises: 2  
2010 Port Calls: 2

## MISSION STATEMENT

**We Keep the Region Moving!**

Emphasizing safety and customer service, the Delaware River Port Authority provides quality transportation services across the river, and invests in the economic growth of Southeastern Pennsylvania and Southern New Jersey.

INTRODUCTORY SECTION

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# REPORT OF THE CHIEF EXECUTIVE OFFICER

The year 2010 was marked by the Delaware River Port Authority continuing with its core mission of which supports the area's economy by helping commuters and visitors reach their destination. We maintained tight financial controls over all areas and made sure any dollars spent were done so in a fiscally responsible manner. Quality of life issues such as reducing traffic congestion and providing reliable mass transit continue to be our prime goals. We also set the groundwork in 2010 for two historic capital improvement projects, the overhaul of PATCO's 120 car fleet and the re-decking of the main span of the Walt Whitman Bridge.

At our four bridges, toll revenue continued to rise to a total of \$244 million compared to \$243 million in 2009. We carried close to 101 million vehicles on all four bridges. PATCO transported over 10.1 million riders in 2010, up from just over 10 million riders in 2009, and the RiverLink Ferry carried 160,000 passengers, down from 165,500 in 2009, establishing a one day ridership record of 7,500 passengers.

We are continuing to introduce new programs and initiatives aimed at further enhancing the services we provide to our PATCO customers. PATCO will be conducting an "Open Payment Pilot" project that will allow customers to pay their fares at the fare gate using a credit or debit card. Another customer amenity for FREEDOM Card holders will be access to PATCO's new web-based program allowing FREEDOM Card customers to load their cards on-line, register on-line and download all transactions. The "FREEDOM to Save" rider savings program is popular with both our customers and area merchants and the "PATCO Cares" program provides an opportunity for local charitable and non-profit organizations to promote their causes to PATCO riders.

The Authority continues moving forward on two important programs. One is the "Lean Government" program designed to improve organizational and operational processes. Lean Government combines proven "Lean" and "Six Sigma" organizational improvement methodologies with team building tools designed to empower employees across all functions and at all levels of the organization to meet strategic objectives. The other is a Fleet Management Program which benefits the environment and has resulted in significant budgetary savings. Consolidation efforts in the Fleet Management Program have resulted in 57 fewer vehicles, smaller vehicles, the use of hybrids and a more efficient assignment and maintenance of vehicles.

Our accomplishments and achievements in 2010 come as a direct result of the support received from Pennsylvania Governor, Edward G. Rendell, New Jersey Governor Chris Christie and our Board of Commissioners. Thanks to their guidance and the hard work of staff, I am proud to present our Comprehensive Annual Financial Report for the Fiscal Year ending December 31, 2010.



**JOHN J.  
MATHEUSSEN**  
*Chief Executive Officer, DRPA  
President of PATCO*



## BRIDGES

We are moving forward with our five-year \$1 billion dollar capital improvement program with major projects scheduled for all four of our bridges including the redecking of the Walt Whitman Bridge, deck truss rehabilitation at the Ben Franklin Bridge and improvements to both the Betsy Ross and Commodore Barry Bridges.

In January, we began the implementation of the design phase for Express E-ZPass on the Betsy Ross Bridge and continued discussions for Express E-ZPass at the Commodore Barry Bridge, all in an effort to make things more convenient for our customers and improve traffic flow. We completed the Ben Franklin Bridge West Side Congestion Mitigation Study and we began discussions with PENNDOT on the design phase for the recommended short term projects. The goal is to mitigate traffic congestion on the Philadelphia side of the bridge.

On April 25, the New Jersey Chapter of the March of Dimes sponsored the 2010 March for Babies Camden Waterfront Walk. The 4 mile walk took place along the Camden Waterfront and across the Ben Franklin Bridge to midspan and back to Camden to raise funds for the March of Dimes' programs of research, community service, education and the advocacy to save babies. Over 2,000 people registered for the walk.

In June, a contract was awarded to complete the fifth and final phase of the Walt Whitman Bridge Corridor Reconstruction. Under the work of this contract, the suspension spans and anchorage spans deck of the Walt Whitman Bridge will be entirely replaced. The project is scheduled to be completed in the Spring of 2014. The engineering staff also began preparations to start the Biennial Inspection on each of the bridges. The biennial inspection of all bridges is a requirement of our governing Bond Indentures. We are working with the City of Philadelphia and its consultant on the proposed

extension of Delaware Avenue under the Betsy Ross Bridge. At the Walt Whitman Bridge we continued a project to install three new Variable Message Signs on the New Jersey approach to the bridge to replace the three single message overhead blank-out signs on the New Jersey approach. Also included in the project are new variable speed limit signs and bridge deck joint strip seal work.

The Ben Franklin Bridge was closed to all traffic on Sunday, July 11, between 6:30 a.m. and 7:45 a.m. so 4,500 people could take part in the 38th annual American Cancer Society Bike-A-Thon. The bridge was also closed on Sunday, July 18, between 7:15 a.m. and 8:30 a.m. for the Irish Pub Tour de Shore, an event which attracted 1,275 participants. The event raises funds for several police charities including The Daniel Faulkner Educational Grant Fund, FOP Survivor's Fund and The Police Athletic League of Philadelphia.

In September, a contractor conducted mobilization activities for the Walt Whitman Bridge Re-decking Project as we continued to move forward with our commitment to "Keep The Region Moving." Construction of the work platform on the underside of the suspension span began. As part of the project the moveable concrete barrier was replaced with a moveable steel barrier. The steel barrier will allow more room for vehicles and is lighter.

In October, field work began to rehabilitate the deck truss spans on the Ben Franklin Bridge Camden and Philadelphia approaches. The work to be completed under this contract consists of structural repairs, bearing replacement, drainage improvements, electrical improvements and under bridge lighting. This work will continue in 2011.

In November, field work began to perform structural repairs to the Betsy Ross Bridge and five approach structures. The types of repairs include bearing replacement, maintenance, walkway railing modifications, drainage repairs and structural steel repairs. This work will continue through 2011.



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On November 7, the Ben Franklin Bridge was the site of the 7th Annual Cooper-Norcross Run the Bridge presented by AmeriHealth New Jersey. An estimated 4,000 runners and 1,000 walkers participated in the event. The event benefits the Larc School in Bellmawr, New Jersey, a private non-profit organization which provides educational, therapeutic and recreational services to individuals with severe disabilities from pre-school to adult students.

## PATCO

In January, we held our first PATCO Cares event of the year by hosting Our Lady of Lourdes Medical Center. This program allows our customers to see the important work done by non-profit and charitable institutions in the region. It also provides the opportunity for a one-on-one interaction with representatives from those institutions and agencies. Hospital representatives were on hand at PATCO's Lindenwold Station to greet riders with free hand

sanitizers and tip cards with information about the H1N1 virus. The PATCO Cares program continued on January 25 with a fundraising effort to support the Red Cross and its efforts to help earthquake victims in Haiti. Representatives from the Red Cross were on hand at the Lindenwold, Ashland, Woodcrest, Haddonfield, Collingswood and Ferry Avenue Stations for the fundraising campaign and collected \$2,600.

In February, PATCO celebrated the first anniversary of its FREEDOM to Save program with events at the 8th and Market Station in Philadelphia and the Woodcrest Station in Cherry Hill, New Jersey. The FREEDOM to Save program has become very popular with our customers as well as with the participating merchants. Over 150 businesses in South Jersey and Philadelphia give discounts and special offers to customers who show their PATCO FREEDOM Card. In exchange for their participation, the businesses are promoted through events, a special page on PATCO's website

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along with Facebook and Twitter updates and in-station events.

In March, field work began on the PATCO Power Cable and Pole Line Replacement project. The purpose of this project is to replace aging wooden poles with new, more durable fiberglass poles, as well as replace power cables along the PATCO line between Lindenwold and Camden. This work will continue through 2011.

In September, the Delaware River Port Authority and PATCO received an excellent review following two days of intense examination by a Federal Transit Administration compliance reviewer. Of the 22 areas of compliance that were reviewed the Authority received perfect scores in 21 of those areas. All agencies receiving Federal Transit Money must undergo an FTA review every three years. The compliance reviewer praised the Authority for its excellent preparation in advance of the review. As it has for the past 21 years, PATCO hosted the

start and finish of the 30th Annual Bike MS event the last weekend in September. It's a two-day event and those who start and end their ride at PATCO's Woodcrest Station in Cherry Hill, New Jersey, travel 150 miles round trip to Ocean City, New Jersey, and back. The annual event benefits the National Multiple Sclerosis Society. 7,000 riders took part in the event. This is the biggest charity cycling event on the East Coast for the organization and the second largest in the United States. The event raised more than \$5 million for MS programs and research. Also in September, we completed concourse improvements at City Hall Station in Camden and 8th and Market Streets Station in Philadelphia. This is part of a \$9.6 million program to improve two PATCO stations in Camden and four in Philadelphia. The improvements include the installation of new flooring, lighting and wall applications. In keeping with the Authority's Green Initiative, the improved lighting will use low energy and very minimal maintenance LED fixtures.



In October, we began work on a pilot program in which Visa, MasterCard or American Express cards could be used to pay PATCO fares at existing fare collection system gates. The pilot is being financed by Cubic Transportation Systems and there is no cost to PATCO. The pilot program will last for one year.

In December, approval was given to a \$194 million contract with Alstom Transportation Inc. to rebuild 120 PATCO cars. This is the largest capital improvement program in the Authority's history and the end result will be an improved ride for our customers. The work includes retaining the stainless steel transit car bodies and transit car trucks. All other systems including braking, propulsion control, HVAC, communications and messaging, door operators and vehicle diagnostics will be upgraded or replaced. The cars will also receive new ADA-compliant interiors. The overhaul will take about six years to complete.

## PHILADELPHIA CRUISE TERMINAL

On May 5, the Greater Philadelphia Chamber of Commerce hosted its "Region on the Rise" event at the Cruise Terminal. PATCO General Manager, Bob Box, participated in a panel discussion about Authority projects and their positive impact on the region.

Hapag Lloyd's MV Hanseatic made a Port Call to the Philadelphia Cruise Terminal on May 22. The Hanseatic is a small cruise ship that gives its passengers a taste of two worlds, luxury cruising and adventure cruising.

In June, the Cruise Terminal hosted its first wedding and welcomed back WMMR radio personalities Preston and Steve for the third consecutive year to hold their annual American Red Cross Blood Drive. This drive has become one of the American Red Cross' most popular blood drive events in the region.

In July, we welcomed American Cruise Lines The American Spirit for two seven day cruises out of the Cruise Terminal. The "Spirit" left the Terminal on July 3 and July 17.

In November the Cruise Terminal hosted a Port Call for the Crystal Symphony.

## RIVERLINK FERRY

We welcomed Hornblower Marine Services back for its seventh consecutive season to operate the RiverLink Ferry. The RiverLink Ferry operated daily between Memorial Day and Labor Day, offering express concert service from May through September. The ferry had a record setting day on September 4 as 7,500 passengers rode the ferry to attend the Red Bull Flugtag event along the Delaware River. For the year our ridership totaled 159,638, down from 165,500 in 2009.

## ADMINISTRATION

In September, the DRPA approved the creation of a new Fleet Management Department. At the start of 2009, a new universal method for managing DRPA fleet assets began. From the outset, new best practices were introduced. An Operating System known as "Mainstar" is being implemented. This computerized management tool will provide for precise historical vehicle data collection, parts inventory, tracking and secured inventory control and assure that vehicles are replaced and disposed of when the vehicles have reached their respective maximized full life cycle. Other changes such as vehicle sharing, new standards and procedures for vehicle use, maintenance and repairs, rust prevention, consolidation and mid life overhauls on heavy equipment were implemented under the leadership of a small group of employees. To date, this new systematic approach to fleet management has resulted in \$1.2 million in cost savings and it is anticipated the DRPA will benefit by repeated annual savings of at least \$400,000

## INTRODUCTORY SECTION



as a direct result of this new business method. In addition, as part of the Authority's "Go Green" efforts, the Fleet Management Program has resulted in 57 fewer vehicles, and the use of smaller vehicles and hybrids. There has also been a significant reduction in Authority fuel consumption along with a reduction of vehicle emissions. The new department will be responsible for all DRPA fleet assets and will be a unit of Bridge Operations.

The Authority is continuing the implementation of a "Lean Government" program. The focus of this initiative is to improve operational and organizational processes and decision-making throughout the Authority and to improve overall performance as we continue to deliver safe, secure and serviceable transportation facilities for the benefit of the public and all of our stakeholders. Lean Government combines "Lean" and "Six Sigma" organizational improvement methodologies with team building tools designed to empower employees across all functions and at all levels of the organization to meet strategic objectives.

### CEO PRESENTATIONS

The CEO had the opportunity to provide presentations to a number of regional organizations in 2010. The organizations include the New Jersey Chamber of Commerce, Cherry Hill Rotary, Delaware Valley Regional Planning Commission Freight Committee, Transaction 2010, PENJERDEL Council, Mantua Grove Community Advisory Council, Haddonfield Rotary Club and the Washington Township Rotary. Topics discussed included plans for mass transit expansion in Southern New Jersey and Philadelphia, the Walt Whitman Bridge main span re-decking, Express E-ZPass at the Betsy Ross Bridge, and the Authority's 5-year Capital Improvement Program.

### PUBLIC SAFETY

In January, DRPA lost a member of its family. Corporal Christopher Milito was killed while assisting with a traffic stop on the Walt Whitman Bridge. This was a tremendous loss for DRPA and a stark reminder of the sacrifices police officers make each day to keep the public safe. Corporal Milito is remembered as a man of honor and a dedicated public servant.

In June, DRPA's Public Safety Department joined other law enforcement agencies in the region to participate in the "Click It or Ticket" campaign. The goal is to step up enforcement and education of New Jersey's Primary Seat Belt Law. The campaign is sponsored and funded by the National Highway Traffic Safety Administration.

In August, our Public Safety Department participated in the "Over the Limit Under Arrest 2010" statewide crackdown on motorists who may be driving while under the influence of alcohol or drugs.

In September, Public Safety began a new initiative to increase safety in and around the PATCO stations. This new initiative is being led by a specialized DRPA Police Unit called VIPR, "Visible Intermodal Prevention and Response." VIPR operational planning is a collaborative effort between DRPA/PATCO, the Federal Security Director, the Federal Air Marshal Service and the Transportation Security Administration. VIPR operations provide a visible presence to detect, deter, disrupt and defeat suspicious activity while instilling confidence in the traveling public.

In October, the DRPA Public Safety Department joined state and local police departments in New Jersey for "Put the Brakes on Fatalities Day". This national initiative is designed to unite the country in moving toward zero fatalities for one full day by encouraging safe driving behavior.



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### AWARDS AND ACKNOWLEDGEMENTS

Throughout the year our staff was recognized for its outstanding dedication to the region. Our congratulations are extended to the following employees who were selected as Employee of the Month: James Comose, Auxiliary Supervisor, PATCO, January Employee of the Month; John Weber and David Fowler, PATCO Way and Power, February Employees of the Month; Eulisis Delgado, PATCO custodian, March Employee of the Month; Michael DiGiamberardino, Senior Reproduction Technician, Printing Services, April Employee of the Month; Kevin Price, Plaza Supervisor, Ben Franklin Bridge and Yhanne Battle, Toll Collector, Ben Franklin Bridge, May Employees of the Month; Thomas Reber, Electrician, Ben Franklin Bridge, June Employee of the Month and Vincent Contino, PATCO Train Operator, October Employee of the Month.

Congratulations are extended to Karen Dougherty, Administrative Coordinator at PATCO. Karen was named Employee of the Year during our annual Employee Recognition Ceremony.

Each year the Authority sponsors a “Make it Better” Program encouraging our employees to come up with ideas that would improve safety at DRPA/PATCO as well as improve the manner in which we conduct our business. The winner of the Safety Process Award is Mike Hegeman, an Equipment Mechanic at PATCO. Mike created a system to lift the ground cables when working on the trains that prevents trip hazards and equipment fires. The winner of the Work Process Award is David Brown, also an Equipment Mechanic at PATCO. David created a console cover lock system on the trains creating enhanced security in addition to making it easier to maintain and use the current system.

INTRODUCTORY SECTION



In April, Police Lieutenant Jack Stief graduated from the FBI Academy Program at Quantico, Virginia. Lt. Stief was one of 253 law enforcement officers from 50 states and 20 counties who attended the 240th session of the Academy. Internationally known for its academic excellence, the National Academy Program offers 10 weeks of advanced investigative management and fitness training for selected officers having proven records as professionals within their agencies.

Also in April, COO Tim Pulte was honored by his Alma Mater, Indiana University of Pennsylvania, by being one of five alumni inducted into the Eberly College of Business and Information Hall of Distinction in 2010.

In May, then DRPA Chairman, John Estey, was honored by the American Diabetes Association at its 2010 Father of the Year Awards Dinner. John was recognized as an “exceptional father who has demonstrated the ability to balance his personal life and successful career with the demands of being an exemplary role model for his children.”

Also in May, Vice Chairman, Jeff Nash, was honored by the Senator Walter Rand Institute for Public Affairs at Rutgers-Camden for his leadership contributions to the region. Jeff was selected on the basis of his efforts to promote regional approaches to growth and exemplary service in the public, private and non-profit sectors. Commissioner Robert Bogle received an honorary degree in May from Lincoln University located in Oxford, Pennsylvania. DRPA COO Tim Pulte was named to the board of the Maritime Exchange for the Delaware River and Bay and, the Women’s Business Enterprise Council of Pennsylvania, Delaware and South Jersey recognized the Authority with its “Done Deals Award.” The Award is presented in recognition of the Authority having the highest number of actual deals over the past year with women business enterprises within the region.

In October, Plaza Supervisor at the Betsy Ross Bridge, Robert Rodriguez, was selected as an honoree at the 2010 Prominent Hispanic Awards dinner hosted by the Camden County Board of Chosen Freeholders. Robert was honored for his hard work and accomplishments and for making a positive difference in the quality of life of the residents of our region.

## COMMUNITY SERVICE

Our employees remained very active in 2010 with charity giving drives throughout the year.

In February, Authority staff dressed in red tops and jeans in support of the American Heart Association’s Wear Red for Women Day. Also in February, Authority employees and PATCO customers took part in the annual Valentine Food Drive, benefiting the Food Bank of South Jersey and joined with Cooper Hospital Radiation Oncology for the American Cancer Society’s “Daffodil Days,” a campaign to raise awareness and money for the fight against cancer.

In March, staff donated food products to the Easter Food Drive benefiting City Team Ministries of Chester, Pennsylvania.

In April, employees raised money for the March of Dimes “Wear Jeans for Babies” campaign and we held our “ReadStrong” Community outreach program for local schoolchildren. Also in April, staff assisted with two tree plantings in Camden, New Jersey, by off loading trees for the New Jersey Tree Foundation. Twenty trees were planted at the Molina School and six were planted at the ECO Charter School.

In November, employees participated in the Authority’s United Way drive.

In December, employees participated in a Holiday Toy Drive benefiting local agencies in Philadelphia and Camden, New Jersey.

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## 2011 WORK AGENDA

**Finances.** DRPA and PATCO will continue our cost containment measures and manage costs to keep operating expenses under budget. DRPA/PATCO Finance will continue implementation of a “Lean Government” program. At its foundation is a renewed focus on strategic planning, process improvement and accountability. It emphasizes the use of meaningful metrics as a way to measure organizational performance. Over 100 employees are now actively involved from Finance, Strategic Initiatives, Bridge Ops, Human Resources, PATCO, Information Systems, Purchasing, Engineering and the Executive Office. There are 5 teams that have been formed to analyze specific problems or opportunities for improvement.

**Bridges.** Looking ahead to 2011, the Authority is positioned to be a leader in economic stimulus efforts in our region. Our 5 year \$1 Billion Capital Improvement Plan will create jobs, maintain our iconic assets and continue to provide outstanding transportation services to the public in a fiscally responsible manner. According to the Chief Economist at the U.S. Department of Transportation, our \$1 billion in capital spending on infrastructure will support 27,800 jobs for the region. Our Capital Program is slated to literally put thousands of Delaware Valley residents to work.

**Benjamin Franklin** – Rehabilitation of the bridge deck truss will continue throughout 2011. We expect to complete the project in the first half of 2012. This \$15 Million project will support 470 jobs.

**Walt Whitman** – The major portion of the Walt Whitman Bridge Deck Replacement Project is scheduled to begin in the summer. This is a major capital project that involves removing the entire suspended portion of the bridge roadway down to the steel, lane by lane, over a three to four year

period of time. 3,840 jobs will be supported by this \$128 million project. We will be implementing a comprehensive traffic management plan and a public relations plan during the construction to cause the least amount of inconvenience for our customers. Some examples of our plan include; utilization of 530 AM radio station and Variable Message Signs to transmit timely traffic updates, a dedicated project website, [www.deckthewalt.com](http://www.deckthewalt.com), and coordination with transportation partners and regional employers on suggested travel routes and travel times. In 2011 we also will continue to study the possibility of implementing Express E-ZPass at the Walt Whitman Bridge. Work should be completed in 2011 in the permit vehicle staging area in Gloucester City.

**Commodore Barry** – In 2011, PENNDOT should complete its project involving new ramp construction on the Commodore Barry Bridge to provide direct access to and from Chester and I-95. DRPA will begin construction to perform structural repairs on the Commodore Barry Bridge. The repairs include bearing replacements, walkway modifications, concrete repairs, application of deck corrosion inhibitor, drainage improvements and structural steel repairs. This work will continue through 2011. Also underway are plans to install Express E-ZPass at the Commodore Barry Bridge. The \$20 million in repair work will support 613 jobs.

**Betsy Ross** – A major structural rehabilitation project will continue for the Betsy Ross Bridge in 2011. This \$14 million project will support 424 jobs. We also will be moving forward on plans to install Express E-ZPass at the Betsy Ross Bridge.

**PATCO.** We will begin to overhaul our fleet of 120 train cars. The estimated overall cost of the fleet upgrade is \$200 million over the next four to six years. To date we have a commitment of \$70 million in federal funding for the project.



We will be involved with Transit Oriented Development at the Ferry Avenue Station in Camden. This will include mixed use development including residential, office space and a supermarket. We will be completing renovations at the 9/10th and Locust, 12/13th and Locust and 15/16th and Locust concourses in Philadelphia. Elevator installation is scheduled for Ferry Avenue and 9th/10th and Locust while escalator work is scheduled for Woodcrest, 12th/13th and Locust and 15th/16th and Locust. We will also continue our plans to reopen the Franklin Square Station in Philadelphia's historic district. Our Pole Line Replacement Project will continue in 2011 and should be completed in 2012. Several projects involving \$7.7 million in federal funding are planned for the Lindenwold rail yard including upgrading our ability to control train movement and replacing ties.

**Vendor Diversity and Affirmative Action.** We will continue to sponsor training and outreach programs to encourage small businesses to compete for contracts with DRPA and PATCO.

**Community Activities.** We will encourage our staff to continue working on outreach projects as part of their everyday functions and as volunteers.

As 2010 drew to a close, staff worked hard to produce a cost-conscious budget for the upcoming year. The operating budget was actually reduced by 2.3% when compared to 2010. Combined DRPA/PATCO actual expenses for 2010 were 7.6% under budget.

We also executed two major bond issuances during the year, a \$350 million partial refunding of DRPA 1999 Revenue Bonds, and a new money issue for \$308 million to finance a portion of the Authority's \$1 billion 5 year capital program. In addition, the Authority, in keeping with the Board's directives with regard to interest rate hedge agreements, terminated one of its outstanding swaps in the amount of \$33.7 million, thereby reducing its swap exposures.

As 2011 began, DRPA welcomed Pennsylvania Governor Tom Corbett as the new Board Chair and 5 new Pennsylvania Board Members, Joann Bell, Joanna Cruz, Walter D'Alessio, William Sasso and David Simon. They join current Board Members, Pennsylvania State Treasurer Robert McCord, Pennsylvania Auditor General Jack Wagner and New Jersey Commissioners, Vice Chair Jeff Nash, Frank DiAntonio, Charles Fentress, Albert Frattali, Tamarisk Jones, Denise Mason, Richard Sweeney and Rick Taylor.

We look forward to continuing efficient operations in the future as we connect the region through our core mission of providing safe and reliable transportation services to the people of the Philadelphia and Southern New Jersey region.

Yours truly,

John J. Matheussen  
 CEO, Delaware River Port Authority  
 President, Port Authority Transit Corporation

INTRODUCTORY SECTION





**DELAWARE RIVER PORT AUTHORITY**  
*of Pennsylvania & New Jersey*

June 28, 2011

**TO THE BOARD OF COMMISSIONERS  
OF THE DELAWARE RIVER PORT AUTHORITY**

The comprehensive annual financial report of the Delaware River Port Authority (“the Authority”) for the year ended December 31, 2010, is hereby submitted. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the combined financial position and results of operations of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority’s financial activities have been included.

The Authority’s Indentures of Trust require an annual audit of the Authority’s financial statements by a firm of independent auditors. Additionally, as a recipient of funds from the Federal Transit Administration for projects involving the PATCO transit system, the Authority is required to have a single audit performed annually by an independent auditor in accordance with the Single Audit Act of 1984, as amended in 1996, and OMB Circular A-133. The purpose of the single audit is to determine the adequacy of the Authority’s internal controls and compliance with applicable laws and regulations relating to the receipt of federal assistance. The Authority retains an independent auditor to satisfy these audit requirements. The report of the independent auditor on the combined financial statements of the Authority is included in the financial section of this report. The Authority’s management is responsible for the content and presentation of the audited financial report.

Management of the Authority is responsible for establishing and maintaining a system of internal control designed to ensure that the assets of the Authority are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) in the United States. The internal controls are designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the resulting benefits; and (2) the analysis of costs and benefits requires estimates and judgments by management.

In addition, as a recipient of federal financial assistance, the Authority is required to ensure that adequate internal controls are in place which ensure compliance with applicable laws and regulations relating to that assistance. These internal controls are subject to periodic evaluation by the Office of Internal Audit and by the management of the Authority.

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

## PROFILE OF GOVERNMENT

The Delaware River Port Authority is a public corporate instrumentality of the Commonwealth of Pennsylvania and the State of New Jersey created with the consent of Congress by compact legislation between the Commonwealth of Pennsylvania and the State of New Jersey. The Authority, which has no stockholders or equity holders, was created in 1952 as a successor to the Delaware River Joint Commission, which was created in 1931. The Authority is governed by a 16-member Board of Commissioners. The Governor of New Jersey appoints eight commissioners with the advice and consent of the Senate of New Jersey. The Governor of Pennsylvania appoints six commissioners, with the Auditor General and the State Treasurer of Pennsylvania serving as ex-officio commissioners for Pennsylvania. Commissioners serve five-year terms without compensation. 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 is vested with the ownership, control, operation, and collection of tolls and revenues of certain bridges spanning the Delaware River; namely, the Benjamin Franklin, Walt Whitman, Commodore Barry and Betsy Ross bridges. The Authority has also constructed and owns a high-speed transit system which is operated by the Port Authority Transit Corporation (PATCO). The transit system operates between Philadelphia, Pennsylvania and Lindenwold, New Jersey. The Authority's Port of Philadelphia and Camden Department (PPC) is responsible for the marketing and operation of the Philadelphia Cruise Terminal at Pier 1 at the former Navy Yard and the RiverLink Ferry System. (The Cruise Terminal operation is slated for closure in June 2011).

## BUDGET PROCESS

The Authority prepares both operating and capital budgets annually. The annual operating budget is a financial planning tool for the associated fiscal year; it also sets the maximum spending limit for the Authority. Each of the Authority's Chief Officers 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. After individual departmental budgets are reviewed at budget hearings conducted by the Operating Budget Review Committee (which consists of the Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, General Counsel, the General Manager of PATCO and other senior staff), a proposed operating budget is presented by the Chief Executive Officer to the Board of Commissioners for its review and approval. Any subsequent addition of funds to the total operating budget requires the approval of the Board of Commissioners.

A capital budget is also prepared through a similar process and submitted to the Board of Commissioners for approval. The capital budget is a planning document identifying the Authority's potential commitments. The approval of the capital budget does not in itself authorize any specific project. Specific approval by the Board of Commissioners is required before any capital project may commence.

Expenditures are monitored continuously throughout the year by the Finance Division to ensure that each department is in compliance with the approved operating budget and the established Policies and By-Laws of the Authority.

A Master Plan, detailing Port District and economic development projects is distributed to the States, county and municipal governments, commissions, public corporations and authorities, and the private sector, when prepared by the Authority. When updated, the Authority approves amendments to each Master Plan as necessary to facilitate the implementation of new projects within the Port District. Updates and amendments to the Master Plan are approved through the Board of Commissioners.

In accordance with the Authority's governing Revenue and Port District Project Bond Indentures, the next year's annual budget must be submitted to the respective Bond Trustees by December 31 of each year.

## **FACTORS AFFECTING FINANCIAL CONDITION**

During the past several years, the Authority has taken significant strategic steps to strengthen its financial position through: cost-containment of personnel and non-personnel expenditures, increasing its liquidity through growth in its General Fund, and restructuring its debt and swap portfolios. The latter policy is primarily in response to: changing financial markets, the exercise of various swaptions issued in 2001, a board resolution mandating the liquidation of the Authority's swap portfolio in an orderly and strategic fashion, and the necessity of funding its roughly \$1.0 billion Five Year Capital Program (net of federal/state grant funding).

## **DEBT MANAGEMENT**

During fiscal year 2010, the Authority was very active in management of its debt and swap portfolios. In January 2010, the Authority cash-settled and terminated the 1999 PDP swaption with UBS AG in the amount of \$33.7 million, thereby reducing its swap exposure. On March 31, 2010, the Authority completed a partial current refunding of its 1999 Revenue Bonds with the \$350.0 million issuance of its 2010 Revenue Refunding Bonds (Series A, B and C), as variable rate bonds, after securing letters of credit from three (3) banks: \$53 million in bonds were not refunded.

Also, in mid-July, the Authority issued \$308 million in "new money bonds" to finance a portion of its 2010 Capital Program. The Authority expects to issue additional revenue bonds in late 2011 or early 2012 dependent on market conditions and the status of projects in its 2011 capital plan.

## **LOCAL ECONOMY**

From the latest data available, it appears that population growth in the region is still at very modest levels, in both Pennsylvania and New Jersey counties within the Port District. The unemployment rate in the both areas has jumped significantly since 2008. Additional information can be found in the Statistical Section of this report.

## **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. With assistance from its Financial Advisors, the Authority uses a long-term forecasting model, which creates a multi-year forecast of its revenues and expenses. The model incorporates numerous independent variables (including operating revenue and expense estimates, debt service coverages and capacity, etc.) in order to determine the annual cash flow required to create sufficient bonding capacity to finance its five-year capital plan. Results from this model assisted the Authority in the development of its multi-year strategy to increase bridge tolls and PATCO system passenger fares in mid-2008, and is updated regularly to determine new revenue bond capacity and sizing. The Authority engaged a traffic engineering firm to conduct a traffic study during 2009 to project traffic and revenues over a ten-year horizon using the existing toll schedule and one alternative toll scenario. The traffic engineer's report was included in the Official Statement for the aforementioned revenue bond issue, which was completed in July of 2010.

As mentioned in an earlier section of this document, the Authority develops a five-year capital plan which details the anticipated capital expenditures during this period. The 2010 Capital Plan, developed in late 2009, outlined numerous bridge, transit system, security and technology project expenditures approaching \$1.0 billion (net of federal/state funding), for the five-year period commencing in 2010. The 2010 Capital Plan was funded through use of the General Fund, until July

## INTRODUCTORY SECTION

2010, when new bond proceeds became available. (As noted, the General Fund was reimbursed with proceeds from the new bond issuance). The 2010 Capital Plan has been updated, through the Authority's annual capital budgeting process, and as of January 1, 2011, the Authority's \$1.0 billion five-year capital plan became effective.

## BRIDGE TOLL AND PASSENGER FARE SCHEDULES

In 2008, the Authority's Board of Commissioners enacted a comprehensive toll increase plan; tolls were increased by 33.3% (or \$1.00 for passenger vehicles) in September 2008, and had been scheduled to be increased by 25% (another \$1.00 per passenger vehicle) in September, 2010. Cost-of-living toll increases were scheduled to occur every two years thereafter.

At its December 2009 meetings, the Board postponed the implementation of the September 2010 passenger fare and toll increases until January 1, 2011 and July 1, 2011, respectively. Later, at its December 2010 meeting, the Board postponed the PATCO 10% fare increase until July 1, 2011 to coincide with the effective date on the second part of the toll increase program. Both the 25% bridge toll increase and the 10% PATCO fare increase are scheduled to occur on July 1, 2011.

Additional information on the toll and fare schedules can be found in the financial footnotes and in the statistical section of this report.

## AWARDS AND ACCOMPLISHMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Delaware River Port Authority for its comprehensive annual financial report for the fiscal year ended December 31, 2009. This was the eighteenth consecutive year that the Authority has received 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 GAAP and applicable legal requirements and employ best practices identified by the GFOA.

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

The preparation of this report would not have been possible without the dedication and efficiency of the entire staff of the Finance, Administrative Services and Government & Corporate Communications Departments. I would like to express my appreciation to the members of these Departments who contributed to the preparation of this report. Special thanks must also be given to the Chairman, Vice-Chairman, Chief Executive Officer, Deputy Chief Executive Officer and the Finance and Audit Committees of the Board for maintaining the highest standards in the management and oversight of the Delaware River Port Authority's finances.

Respectfully submitted,



John T. Hanson  
Chief Financial Officer

# FINANCIAL SECTION

# FINANCIAL SECTION



**INDEPENDENT AUDITOR'S REPORT**

To the Commissioners of the  
Delaware River Port Authority:

We have audited the accompanying financial statements of the Delaware River Port Authority and subsidiaries, as of December 31, 2010 and 2009, as listed in the Financial Section of the foregoing table of contents, which collectively comprise the Authority's combined financial statements. These combined financial statements and supplemental schedules are the responsibility of the Authority's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined 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 audits provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the net assets of the Delaware River Port Authority as of December 31, 2010 and 2009, and the statements of revenues, expenses, and changes in net assets and cash flows 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 and schedule of funding progress for health benefits plan, as listed in the table of contents is not a required part of the combined financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquires 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.

In addition, the introductory section, supplemental schedules, and statistical information listed in the table of contents are also presented for purposes of additional analysis and are not a required part of the combined financial statements. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, are fairly stated in all material respects in relation to the combined financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the combined financial statements, and accordingly, we express no opinion on them.

Respectfully submitted,

*BOWMAN & COMPANY LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
June 28, 2011

# MANAGEMENT'S DISCUSSION & ANALYSIS

As management of the Delaware River Port Authority (the Authority), we offer readers of our financial statements this narrative overview and analysis of the financial activities of the Authority for the years ended December 31, 2010, 2009 and 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 23-26 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

## FINANCIAL HIGHLIGHTS (IN THOUSANDS)

- Operating revenues were \$274,727 in 2010, an increase of \$1,440 or 0.53% over 2009. Most of the increase was related to the increase in toll revenues.
- The \$1,259 increase in toll revenues during the year was primarily attributable to a slight increase in the average toll. The average toll increased from \$4.7914 in 2009 to \$4.8375 for 2010, as a result of a slight increase in commercial vehicle and bus traffic while passenger traffic decreased.
- Bridge traffic decreased by 223 thousand vehicles (down 0.44%) during the year 2010. Traffic on the bridges was largely impacted by general economic conditions in the region.
- PATCO passenger fare revenues decreased slightly (or by 0.10%), primarily resultant from the impact of a slight decrease in the average fare per ride. Ridership increased slightly during the year increasing by 0.86%.
- Total "temporary restricted" investments increased by \$128,164, a 48.9% increase, attributable to higher bond project fund balances resultant from a new revenue bond issue.
- Total "non-restricted" investments increased by \$78,568. General Fund investment balances increased by \$74,526 (up by 40.46%) to total \$258,739 at year end. Upon issuance of the revenue bonds, the General Fund was reimbursed, through the bond project fund, for approximately \$62 million in capital expenditures which occurred during the period October 2008 thru December 31, 2009.
- Bridge and general administration expenses increased a combined \$13,093 (or by 14.62%) vs. 2009 expenses. Total expenses and net assets included the impact of the Authority's non-cash accrual of \$9,513 in expenses related to GASB 45 (other post-employment benefits other than pensions).
- The Authority's total debt increased by \$261,939 or by 23.66% during the current year, primarily a result of the new revenue bond issuance of \$308 million to fund a portion of the Authority's capital program. (The Authority also issued \$350 million in variable rate debt to redeem a large portion of the 1999 Revenue Bonds.)
- Two interest rate hedge agreements became effective as of January 1, 2010, these being the 1999 Revenue Bond and the 1999 Series B Port District Bond (PDP) swaptions. The Authority terminated and cash-settled the 1999 B PDP Series B swaption by remitting \$33.7 million to the swap counterparty.
- Economic development expenditures were \$39,657 in 2010, an increase in such expenditures of \$12,863 over 2009. The large increase is primarily attributable to the transfer of \$17,000 to the Philadelphia Industrial Development Corporation.
- The assets of the Authority exceeded its liabilities at the close of the year by \$222,544 (net assets). Net assets decreased by \$47,787 during the year.
- For the year ended December 31, 2010, the Authority was required to implement Governmental Accounting Standards Board Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, with retroactive implementation for the year ended December 31, 2009. As a result of the retroactive implementation, the previously issued financial statements for the year ended December 31, 2009 have been restated. The implementation significantly impacted total "non-operating revenues (expenses)", "income before capital contributions," and "total non-current liabilities."

## FINANCIAL POSITION SUMMARY

A large portion of the Authority's net assets are capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets mainly to provide bridge facilities and transit services to customers; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Delaware River Port Authority's Net Assets

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current and other assets	\$717,956	\$517,205	\$572,712
Capital assets	1,094,884	1,073,436	1,045,907
Total assets	<u>1,812,840</u>	<u>1,590,641</u>	<u>1,618,619</u>
Deferred outflows	125,108	218,284	-
Long-term liabilities outstanding	1,625,164	1,451,126	1,204,348
Other liabilities	90,240	87,468	79,592
Total liabilities	<u>1,715,404</u>	<u>1,538,594</u>	<u>1,283,940</u>
Net assets:			
Invested in capital assets, net of related debt	239,390	325,973	281,146
Restricted	158,589	142,435	147,850
Unrestricted (deficit)	(175,435)	(198,077)	(94,317)
Total net assets	<u>\$222,544</u>	<u>\$270,331</u>	<u>\$334,679</u>

In 2010, net assets decreased in the amount of \$47,787. This decrease was primarily attributable to the loss in fair value of derivative instruments, as a result of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 53 for derivatives. (GASB 53 is the "Accounting and Financial Reporting for Derivative Instruments.") Other major factors include the increase in economic development expenditures and increases in interest expense. The decrease in 2009 was primarily attributable due to the restatement of 2009's net assets, again attributable to GASB 53. (Note: The figures for the year 2008 do not reflect GASB 53 implementation.)

### Summary of Changes in Net Assets

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenues (See page 40 for detail)	\$274,727	\$273,287	\$238,983
Operating expenses (See page 40 for detail)	(154,438)	(142,096)	(140,316)
Excess before depreciation and other non-operating income and expenses	120,289	131,191	98,667
Depreciation	(47,751)	(45,776)	(45,486)
Operating income	72,538	85,415	53,181
Non-operating income and expenses, net	(140,928)	(86,001)	(62,918)
Income before capital contributions	(68,390)	(586)	(9,737)
Capital contributions	20,603	11,443	14,417
Discontinued operations	-	-	-
Change in net assets	<u>(\$47,787)</u>	<u>\$10,857</u>	<u>\$4,680</u>

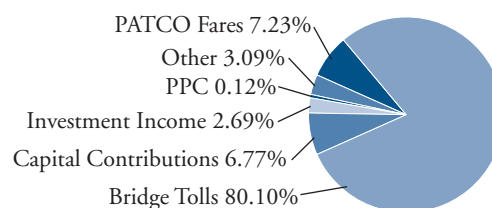
## REVENUE SUMMARY

Summary of revenues for the year ended December 31, 2010 and the amount and percentage change in relation to prior year amounts is as follows:

	<b>2010 Amount</b>	<b>Percent of Total</b>	<b>Increase/ (Decrease) From 2009 (Restated)</b>	<b>Percent Increase (Decrease)</b>
<b>Operating:</b>				
Bridge tolls	\$243,879	80.10%	\$1,259	0.52%
PATCO passenger fares	22,006	7.23%	(22)	(0.10%)
Other	8,472	2.78%	466	5.82%
River Link Ferry	61	0.02%	(1)	(1.61%)
Cruise Terminal	309	0.10%	(262)	(45.88%)
<b>Total Operating</b>	<u>274,727</u>	<u>90.23%</u>	<u>1,440</u>	<u>0.53%</u>
<b>Non-Operating:</b>				
Investment income	8,176	2.69%	(1,076)	(11.63%)
Other	956	0.31%	(271)	(22.09%)
Capital contributions	20,603	6.77%	9,160	80.05%
<b>Total Revenues (before change in fair value)</b>	<u>\$304,462</u>	<u>100.00%</u>	<u>\$9,253</u>	<u>(3.13%)</u>
Change in fair value of derivatives	<u>(34,043)</u>	<u>-</u>	<u>(33,509)</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<u>\$270,419</u>	<u>-</u>	<u>(24,256)</u>	<u>-</u>

- Total revenues decreased by 8.23%, primarily due to a decrease in the change in the fair value of derivatives. Bridge toll revenue increased 0.52%, despite an overall decrease in traffic during 2010. Traffic was down 0.44% but revenue increased \$1,259.
- Investment income decreased primarily attributable to lower interest rates.
- PATCO passenger fare revenues decreased by 0.10% primarily resultant from the impact of a slight decrease in the average fare per ride.
- The Cruise Terminal revenue decrease of 45.88% was due to a decrease in the number of cruises during 2010. The Cruise Terminal operation is scheduled to be discontinued in fiscal year 2011.
- The year-to-year average toll rate increase (from \$4.7914 to \$4.8375) reflected an increase in commercial vehicle traffic which more than offset the decrease in passenger car traffic.

### REVENUES BY SOURCE



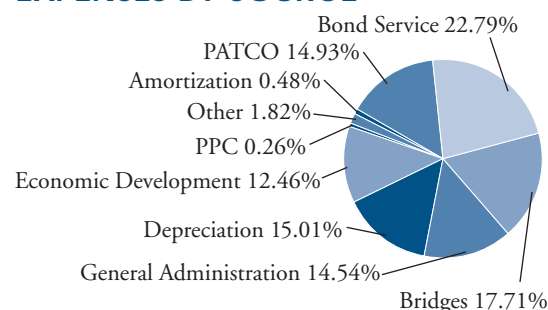
## EXPENSE SUMMARY

A summary of expenses for the year ended December 31, 2010 and the amount and percentage change in relation to prior year amounts is as follows:

	2010 Amount	Percent of Total	Increase/ (Decrease) From 2009	Percent Increase (Decrease)
<b>Operating:</b>				
Bridge	\$56,354	17.71%	\$2,278	4.21%
PATCO	47,515	14.93%	(296)	(0.62%)
General Administration	46,272	14.54%	10,815	30.50%
Other	3,473	1.09%	(10)	(0.29%)
River Link Ferry	8	0.00%	(2)	(20.00%)
Cruise Terminal	794	0.25%	(228)	(22.31%)
Maritime Services	22	0.01%	(215)	(90.72%)
Depreciation	47,751	15.01%	1,975	4.31%
Total Operating	<u>202,189</u>	<u>63.54%</u>	<u>14,317</u>	<u>7.62%</u>
<b>Non-Operating:</b>				
Bond Service	72,527	22.79%	6,943	10.59%
Amortization	1,511	0.48%	155	11.43%
Other	2,322	0.73%	110	4.97%
Economic Development	39,657	12.46%	12,863	48.01%
Total Non-Operating	<u>116,017</u>	<u>36.46%</u>	<u>20,071</u>	<u>20.92%</u>
<b>TOTAL EXPENSES</b>	<u>\$318,206</u>	<u>100.00%</u>	<u>\$34,388</u>	<u>12.12%</u>

- Bridge and General Administration (G&A) expenses for DRPA operations increased by a combined \$13,093 (or 14.62%) versus 2009. Most of the increase is resultant from the increase in G&A of \$10,815 (primarily higher bank letter of credit fees, workmen's compensation and health insurance costs).
- PATCO expenses decreased by a small amount, \$296 or (0.62%).
- Total operating expenses increased by \$14,317 or 7.62%, attributable to the increase in Bridge and General Administration expenses and other factors cited above.
- Depreciation expenses increased by \$1,975 up 4.31% during the year. This increase was attributable to a \$48,713 net increase in total capital assets being depreciated in 2010 (Note 7).
- Economic development expenditures were \$39,657 in 2010, an increase of \$12,863 over 2009. The large increase is primarily attributable to the transfer of \$17,000 to the Philadelphia Industrial Development Corporation.
- Total expenses increased by \$34,388, largely attributable to the increases in G&A of (\$10,815), bond service of \$(6,943) and economic development expenses (\$12,863).

### EXPENSES BY SOURCE



## SUMMARY OF CASH FLOW ACTIVITIES

The following shows a summary of the major sources and uses of cash and cash equivalents.

Cash equivalents are considered highly liquid investments with a maturity of three months or less.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash flow from operating activities	\$140,144	\$144,295	\$109,466
Cash flow from non-capital financing activities	(79,426)	(26,864)	(15,113)
Cash flow from capital and related financing activities	138,631	(159,969)	(148,996)
Cash flow from investing activities	(198,989)	42,528	52,942
Net (decrease) increase in cash and cash equivalents	360	(10)	(1,701)
Cash and cash equivalents, beginning of year	<u>5,877</u>	<u>5,887</u>	<u>7,588</u>
Cash and cash equivalents, end of year	<u>\$6,237</u>	<u>\$5,877</u>	<u>\$5,887</u>

### Capital Assets and Debt Administration

**Capital Assets.** The Authority's investment in capital assets for its activities through December 31, 2010 amounted to \$1,094,884 (net of accumulated depreciation), an increase of \$21,448 over the previous year. This investment in capital assets includes land, bridges, transit system, port enhancements, buildings and machinery. The total percentage increase in the Authority's investment in capital assets for the current year was 2.00%.

Major capital asset events during the current year included the following:

- Redecking of suspended span and anchorage spans at the Walt Whitman Bridge in the amount of \$21,373.
- Replaced PATCO pole line and power cable in the amount of \$9,755.
- Fender rehabilitation at the Commodore Barry Bridge in the amount of \$8,089.
- Rehabilitation of track structure on viaducts at Collingswood Station in the amount of \$4,824.
- Improving PATCO Concourse in the amount of \$3,779.
- Rehabilitation of "Salt Mine" Area below Philadelphia Plaza at the end of the Ben Franklin Bridge in the amount of \$1,536.

**Delaware River Port Authority's Capital Assets**

(Net of depreciation)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Land	\$74,225	\$74,225	\$76,325
Bridges and related buildings and equipment	632,461	619,303	631,628
Transit property and equipment	230,759	232,061	240,654
Port enhancements	11,950	13,703	15,744
Construction in progress	145,489	134,144	81,556
Total	<u>\$1,094,884</u>	<u>\$1,073,436</u>	<u>\$1,045,907</u>

Additional information on the Authority's capital assets can be found in Note 7 on page 51 of this report.

**Long-term debt.** The Authority's total debt increased by \$261,939 (or by 23.66%) during 2010. At the end of the current year, the Authority had total bonded debt outstanding of \$1,368,929 (shown below by issue). Of this amount, \$1,050,815 represents debt backed by toll revenue from the Authority's bridges. The remaining debt of \$318,114 represents subordinated obligations of the Authority. The Authority's debt portfolio consists of \$683,455 in fixed rate debt, with the remaining \$685,474 in variable rate mode, the latter debt is backed by five (5) individual bank letter of credits. The Authority issued \$308,000 in new fixed rate revenue bonds and partially refunded the bulk of the 1999 Revenue Bonds thru the issuance of \$350,000 in variable rate bonds.

**Delaware River Port Authority's Outstanding Debt**

(Revenue, Revenue Refunding and Port District Project Bonds)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
1998 Revenue Refunding Bonds	\$2,365	\$5,066	\$26,911
1998 Port District Project Bonds	60,476	62,940	65,285
1999 Revenue Bonds	57,565	421,811	421,777
1999 Port District Project Bonds	136,638	140,090	150,515
2001 Port District Project Bonds	121,000	127,782	134,244
2008 Revenue Refunding Bonds	338,733	349,301	348,803
2010 Revenue Refunding Bonds	344,376	-	-
2010 Revenue Bonds	307,776	-	-
Total (net of amortizing premium and discount and loss on defeasance)	<u>\$1,368,929</u>	<u>\$1,106,990</u>	<u>\$1,147,535</u>

*Bond Ratings:* In July 2009, Standard and Poor’s raised the Authority’s underlying ratings on all of its outstanding revenue bonds from “BBB+” to “A-”, with a “stable” outlook. The Authority’s S&P bond ratings remain unchanged. Moody’s changed its ratings on the Authority’s bonds from “stable” to a “negative outlook” in March 2010. No further ratings changes occurred on the underlying bond ratings during 2010.

The underlying debt ratings on the Authority’s bond issues, as of December 31, 2010, are shown below:

<u>Issue:</u>	<u>Moody’s:</u>	<u>S &amp; P:</u>
Revenue and Revenue Refunding Bonds (1998, 1999, 2008 and 2010 bonds)	A3	A-
1998, 1999 and 2001 Port District Project Bonds	Baa3	BBB-

Additional information related to the Authority’s bond ratings, including its “jointly supported transactions” ratings on its 2008 and 2010 Revenue Refunding Bonds, can be found in the sub-sections entitled “Bond Ratings” under Note 12 on pages 67-69 and “Commitments” under Note 17 on pages 72-73 of this report.

**Economic Factors and Next Year's Budgets**

The following factors were considered in preparing the Authority's budget for the 2011 year:

- Little or no growth in the overall regional economy.
- Bridge toll and PATCO fare increases effective on July 1, 2011.
- Bridge toll revenues projected to approach \$270 million attributable to an increase of \$27.6 million in budgeted toll revenues vs. 2010. This increase is primarily attributable to a 25% across-the-board toll increase on all vehicles. Traffic is expected to dip slightly, attributable to the economic factors and elasticity of demand (net toll revenues include a three-day adjustment for the projected impact of snowstorms).
- Elimination in mid-year of the restructured E-ZPass commuter credit discount program wherein commuters presently receive a discount of \$6 for taking 18 trips a month across the Authority's bridges.
- Increase of 6.9% in budgeted PATCO fares and revenues over 2010 attributable to a 10% passenger fare increase effective on July 1, 2011. Passenger ridership expected to remain flat at 10.0 million riders annually.
- Operating budget-to-budget decrease of \$1.9 million (2.3% decrease) for all DRPA operations.
- No biennial inspection costs.
- Shut-down of the Cruise Terminal operation effective on or about June 30, 2011.
- PATCO budget-to-budget decrease of \$1.0 million in operating costs. PATCO subsidy projected to decrease by \$1.6 million.
- Increase of approximately \$3.8 million in budgeted total debt service primarily related to the anticipated issuance of new revenue bonds in late 2011 to finance the second portion of the Authority's five year capital plan. Debt service costs on its variable rate bonds are expected to remain stable, although bank letter of credit costs (related to the 2008 and 2010 Revenue Refunding variable rate bonds) are expected to increase approximately \$350,000, a 3.3% increase.

The Authority's actual financial results could vary materially from management's expectations because of changes in such factors, and other risks and uncertainties, that adversely impact the Authority's operations.

**Requests for Information**

This financial report is designed to provide a general overview of the Authority's activities for all of those with an interest in the Authority's activities through December 31, 2010. Questions from interested parties concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Chief Financial Officer, Delaware River Port Authority, One Port Center, 2 Riverside Drive, P.O. Box 1949, Camden NJ 08101-1949.

## FINANCIAL SECTION

**COMBINED STATEMENTS OF NET ASSETS**  
**December 31, 2010 and 2009 (In Thousands)**

ASSETS	<u>Notes</u>	<u>2010</u>	<u>(Restated) 2009</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	1, 2	\$ 2,571	\$ 4,508
Investments	1, 2	263,731	185,163
Accounts receivable (net of allowance for uncollectibles)	5	8,326	12,051
Accrued interest receivable		635	781
Transit system and storeroom inventory	1	6,192	6,561
Economic development loans - current	1, 17	2,479	561
Prepaid expenses		4,524	4,051
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	1, 2	3,666	1,369
Investments	1, 3	390,259	262,095
Accrued interest receivable		4	4
Total current assets		<u>682,387</u>	<u>477,144</u>
<b>NONCURRENT ASSETS</b>			
Capital assets (net of accumulated depreciation):			
Land	7	74,225	74,225
Construction in progress	7	145,489	134,145
Bridges and related buildings and equipment	7	632,461	619,304
Transit property and equipment	7	230,759	232,060
Port enhancements	7	11,950	13,702
Total capital assets		<u>1,094,884</u>	<u>1,073,436</u>
Other:			
Economic development loans (net of allowance for uncollectibles)	1, 17	19,716	22,192
Deferred charges:			
Debt issuance costs (net of amortization)	1, 12	15,853	17,869
Total other assets		<u>35,569</u>	<u>40,061</u>
Total noncurrent assets		<u>1,130,453</u>	<u>1,113,497</u>
<b>TOTAL ASSETS</b>		<u>1,812,840</u>	<u>1,590,641</u>
<b>DEFERRED OUTFLOWS</b>			
Accumulated decrease in fair value of hedging derivatives	4	<u>125,108</u>	<u>218,284</u>

*The notes to the financial statements are an integral part of this statement.*

**COMBINED STATEMENTS OF NET ASSETS**  
**December 31, 2010 and 2009 (In Thousands)**

<b>LIABILITIES</b>	<b>Notes</b>	<b>2010</b>	<b>(Restated) 2009</b>
<b>CURRENT LIABILITIES:</b>			
Accounts payable:			
Retained amounts on contracts		\$ 5,300	\$ 3,943
Other		16,410	14,693
Accrued liabilities:			
Pension	9	175	569
Sick and vacation leave benefits		3,655	2,499
Other		866	755
Deferred revenue	1, 4	2,972	2,675
Liabilities payable from restricted assets:			
Accrued interest payable	12	18,187	21,889
Bonds payable - current	12	42,675	40,445
Total current liabilities		90,240	87,468
 <b>NONCURRENT LIABILITIES:</b>			
Accrued liabilities:			
Repainting	1	64,385	60,034
Self- insurance	16	4,191	4,946
Sick and vacation leave benefits		1,218	2,038
Other	10	38,713	29,201
Deferred Revenue	1, 4	6,438	6,994
Premium payment payable - derivative companion instrument	4	46,982	61,144
Derivative instrument - interest rate swap	4	136,983	220,224
Bonds payable (net of unamortized discounts, premiums and loss on defeasance)	4, 12	1,326,254	1,066,545
Total noncurrent liabilities		1,625,164	1,451,126
Total liabilities		1,715,404	1,538,594
 <b>NET ASSETS</b>			
Invested in capital assets, net of related debt	19	239,390	325,973
Restricted for:			
Debt requirements		125,653	105,970
Port projects		32,936	36,465
Unrestricted (deficit)		(175,435)	(198,077)
Total net assets		\$ 222,544	\$ 270,331

*The notes to the financial statements are an integral part of this statement.*

## FINANCIAL SECTION

## COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Years ended December 31, 2010 and 2009 (In Thousands)

	Notes	2010	(Restated) 2009
<b>OPERATING REVENUES:</b>			
Bridges:			
Tolls	5, 18	\$ 243,879	\$ 242,620
Other operating revenues		4,753	4,944
Total bridge operating revenues		<u>248,632</u>	<u>247,564</u>
Transit system:			
Passenger fares	18	22,006	22,028
Other operating revenues		1,918	1,606
Total transit system operating revenues		<u>23,924</u>	<u>23,634</u>
Port of Philadelphia and Camden:			
Cruise Terminal	20	309	571
River Link Ferry		61	62
Total Port of Philadelphia and Camden		<u>370</u>	<u>633</u>
Other:			
Miscellaneous		1,801	1,456
Total operating revenues		<u>274,727</u>	<u>273,287</u>
<b>OPERATING EXPENSES:</b>			
Operations		103,869	101,887
Lease and community impact	17	3,473	3,483
General and administrative		46,272	35,457
Port of Philadelphia and Camden		824	1,269
Depreciation	1, 7	47,751	45,776
Total operating expenses		<u>202,189</u>	<u>187,872</u>
<b>OPERATING INCOME</b>		<u>72,538</u>	<u>85,415</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest revenue:			
Investment income	3	8,176	9,252
Change in fair value of derivative instruments	1, 4	(34,043)	(534)
		<u>(25,867)</u>	<u>8,718</u>
Interest expense	12	(72,527)	(65,584)
Amortization expense	1	(1,511)	(1,356)
Economic development activities	17	(39,657)	(26,794)
Other nonoperating revenues		956	1,227
Other nonoperating expenses		(2,322)	(2,212)
Total other nonoperating revenues (expenses)		<u>(140,928)</u>	<u>(86,001)</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>		(68,390)	(586)
<b>CAPITAL CONTRIBUTIONS:</b>			
Federal and state capital improvement grants	15	20,603	11,443
<b>CHANGE IN NET ASSETS</b>		<u>(47,787)</u>	<u>10,857</u>
<b>NET ASSETS, JANUARY 1</b>	19	270,331	259,474
<b>NET ASSETS, DECEMBER 31</b>	19	<u>\$ 222,544</u>	<u>\$ 270,331</u>

The notes to the financial statements are an integral part of this statement.

**COMBINED STATEMENTS OF CASH FLOWS**  
**Years ended December 31, 2010 and 2009 (In Thousands)**

	<b>2010</b>	<b>(Restated) 2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 277,524	\$ 269,643
Payments for other goods or services	(79,554)	(65,129)
Payments for employees services	(57,826)	(61,390)
Other receipts (payments)	-	1,171
Net cash provided by operating activities	<u>140,144</u>	<u>144,295</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Economic development activities	(39,362)	(24,709)
Proceeds from economic development loans	563	741
Proceeds from other economic development activity	53	54
Repayment of premium payment payable - derivative companion instrument	(6,985)	(2,950)
Derivative instrument termination payment	(33,695)	-
Net cash used by noncapital financing activities	<u>(79,426)</u>	<u>(26,864)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(70,717)	(76,808)
Proceeds from sales of capital assets	37	-
Capital contributions	19,621	12,385
Proceeds from capital debt	652,301	-
Payment on capital debt refunding	(349,360)	-
Principal paid on funded debt	(40,445)	(33,930)
Interest paid on debt	(72,806)	(61,616)
Net cash used in capital and related financing activities	<u>138,631</u>	<u>(159,969)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	179,184	33,537
Purchase of investments	(385,278)	-
Interest received	7,105	8,991
Net cash provided by investing activities	<u>(198,989)</u>	<u>42,528</u>
Net decrease in cash and cash equivalents	<u>360</u>	<u>(10)</u>
Cash and cash equivalents, January 1 (including \$1,369 and \$537 reported as restricted)	\$ 5,877	\$ 5,887
Cash and cash equivalents, December 31 (including \$3,666 and \$1,369 reported as restricted)	<u>\$ 6,237</u>	<u>\$ 5,877</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	\$ 72,538	\$ 85,415
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	47,751	45,776
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	2,700	(1,651)
Decrease (increase) in transit system and storeroom inventories	369	(333)
(Increase) in prepaid expenses	(473)	(205)
Increase in accounts payable and accrued wages	3,998	2,689
(Decrease) in accrued pension payable	(394)	(14)
Increase (decrease) in deferred revenue	98	(821)
Increase in repainting reserves	4,351	4,152
Decrease in self-insurance reserves	(756)	(140)
Increase (decrease) in sick and vacation leave benefits payable	338	(53)
Increase in other accrued liabilities	9,624	9,480
Net cash provided by operating activities	<u>\$ 140,144</u>	<u>\$ 144,295</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>		
Accretion of interest on premium payment payable - derivative companion instrument	\$ 2,411	\$ 2,865
Extinguishment of premium payment payable - derivative companion instrument		
resulting from termination of associated derivative instrument - interest rate swap	9,588	
Decrease in accumulated change in fair value of hedging derivatives resulting from change in fair value	59,983	78,136
Decrease in accumulated change in fair value of hedging derivatives resulting from termination of derivative instrument - interest rate swap	33,193	
Increase in allowance for doubtful accounts on economic loans	2,000	

*The notes to the financial statements are an integral part of this statement.*

**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2010 (Dollars in Thousands)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Operations** - The Delaware River Port Authority (the "Authority") is a public corporate instrumentality of the Commonwealth of Pennsylvania (the "Commonwealth") and the State of New Jersey (the "State"), created with the consent of Congress by compact legislation between the Commonwealth and the State. The Authority has no stockholders or equity holders. The Authority is vested with the ownership, control, operation, and collection of tolls and revenues of certain bridges spanning the Delaware River; namely, the Benjamin Franklin, Walt Whitman, Commodore Barry, and Betsy Ross bridges. The Authority has also constructed and owns a high-speed transit system that is operated by the Port Authority Transit Corporation (PATCO). The transit system operates between Philadelphia, Pennsylvania and Lindenwood, New Jersey. The Authority's Port of Philadelphia and Camden Department (PPC) is responsible for the operation of the Philadelphia Cruise Terminal at Pier 1 at the former Navy Yard, and the Riverlink Ferry System. The costs of providing facilities and services to the general public on a continuing basis are recovered primarily in the form of tolls and fares. The Authority is a member of the E-ZPass Interagency Group, the largest interoperable Electronic Toll Collection System in the world, comprised of twenty-two (22) agencies in eleven (11) states. Through December of 2010, customer participation in the E-ZPass electronic toll collection process grew to approximately sixty-seven percent (67%) of its toll collection activity during rush hour periods. E-ZPass revenues now exceed sixty three percent (63%) of total toll revenues.

**B. Basis of Presentation** - The Authority is a single enterprise fund and maintains its 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 the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when the related liability is incurred. The Authority has elected not to follow any FASB pronouncements issued after November 30, 1989.

**C. Cash and Cash Equivalents** - The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents (Note 2). In addition, according to the various Indentures of Trust which govern the flow and accounting of the Authority's financial resources, certain accounts are required to be maintained in order to comply with the provisions of the Indentures of Trust. For the accounts that are restricted, the Authority has recorded the applicable cash and cash equivalents as restricted on the combined financial statements (Note 11).

**D. Investment in Securities** - Investment in securities is stated at amortized cost, which approximates fair value. Certain investments are maintained in connection with the Authority's funded debt (Notes 3 and 12). Likewise, as with cash and cash equivalents, the accounts that are restricted as per the various Indentures of Trust have been recorded as restricted investments on the combined financial statements (Note 11).

**E. Transit System Inventory** - Transit system inventory, consisting principally of spare parts for maintenance of transit system facilities, is stated at the lower of cost (first-in, first-out method) or market.

**F. Debt Issuance Costs, Bond Premiums, and Bond Discounts** - Debt issuance costs and the premiums and discounts arising from the issuance of the revenue bonds and port district project bonds are amortized by the straight-line method from the issue date to maturity.

**G. Investment in Facilities** - Investment in facilities is stated at cost, which generally includes expenses for administrative and legal expenses incurred during the construction period. Investment in facilities also includes the cost incurred for port-related projects, and improvements, enlargements and betterments to the original facilities. Replacements of existing facilities (except for primarily police and certain other vehicles whose estimated useful life is two years or less) are also recorded at cost. The related costs and accumulated depreciation of the property replaced are removed from the respective accounts, and any gain or loss on disposition is credited or charged to non-operating revenues or expenses. Assets capitalizable generally have an original cost of five thousand dollars (\$5) or more and a useful life in excess of three years. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the related assets, including those financed by federal and state contributions (Notes 7 and 15).

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

Bridges, freeways, and tunnels	100 years
Buildings, stations, and certain bridge components	35 - 50 years
Electrification, signals, and communication system	30 - 40 years
Transit cars, machinery, and equipment	10 - 25 years
Computer equipment, automobiles, and other equipment	3 - 10 years

**H. Maintenance and Repainting** - Maintenance and repair costs considered necessary to maintain bridge facilities in good operating condition are charged to operations as incurred. The Authority uses accrual accounting to record the projected

cost of bridge repainting (a non-cash charge that involves debiting an expense and crediting an associated liability). Amounts sufficient to meet the estimated cost to repaint the bridges are provided by periodic charges to operations.

**I. Other Provisions** - The Authority provides for the uninsured portion of potential public liability claims and workers' compensation claims through self-insurance programs and charges current operations for estimated claims to be paid (Note 16).

**J. Economic Development Activities** - The Authority establishes loan loss provisions for economic development loans receivable.

**K. 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 Net Assets** - 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.

**L. 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), PATCO operations (passenger fare, advertising and parking), 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, PATCO, PPC operations, and general administrative expenses. Non-operating expenses principally include expenses attributable to the Authority's interest on funded debt and economic development activities.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

**M. Debt Management** - Total outstanding bond debt reflected on the balance sheet is net of unamortized bond discounts, premiums, and loss on defeasance (Note 12). The Authority presently has two active interest rate hedge (swap) agreements (derivative instruments) with UBS AG (Paine Webber) to hedge interest rates on a portion of its outstanding long-term debt (Note 4).

**N. Derivative Instruments and related Companion Instruments** - The Authority has entered into interest rate swap agreements for the primary purposes of investing and for the aforementioned purpose of hedging interest rates on its outstanding long-term debt. For the year ended December 31, 2010, the Authority was required to implement Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, with retroactive implementation for the year ended December 31, 2009. As a result, all activity related to the interest rate swap agreements has been recorded on the combined financial statements and is further detailed in Note 4.

**O. Budget** - In accordance with Section 5.15 of the 1998 Revenue Refunding Bonds Indenture of Trust and its Supplemental Indentures and Section 5.07 of the 1998, 1999 and 2001 Port District Project Bond Indentures of Trust, the Authority must annually adopt an Annual Budget on or before December 31 for the ensuing year. Section 5.15 of the 1998 Revenue Bond Indenture of Trust requires that the Authority, on or before December 31, in each fiscal year, adopt a final budget for the ensuing fiscal year of (i) operational expenses, (ii) the PATCO Subsidy, (iii) the amount to be deposited to the credit of the Maintenance Reserve Fund, and (iv) the estimated amounts to be deposited into the Debt Service Fund, the Debt Service Reserve Fund, and the Rebate Fund. Each Annual Budget must also contain the Authority's projections of revenues for the ensuing fiscal year demonstrating compliance with the covenant as to facility charges as set forth in Section 5.09 of the Indentures of Trust. On or before December 31 in each fiscal year, the Authority must file a copy of the Annual Budget for the ensuing fiscal year with the Trustees.

The Port District Project Bond Indentures require the following: the adopted budget must set forth, inter alia, the PATCO Subsidiary, the amount of any operating subsidy paid or payable by the Authority to or for the account of any other subsidiary of the Authority (including, without limitation, the Port of Philadelphia and Camden) and all other material operating expenses of the Authority payable from the General Fund. The Authority must also include the debt service payable on the Bonds and any Additional Subordinated Indebtedness during the ensuing fiscal year and all amounts required to be paid by the Authority into the Debt Service Reserve Fund or the Rebate Fund or to any Reserve Fund Credit Facility Issuer during the ensuing fiscal year. On or before December 31, in each fiscal year, the Authority must file a copy of the Annual Budget for the ensuing fiscal year with the Trustees and Credit Facility Issuer.

The Authority may at any time adopt an amended or supplemental Annual Budget for the remainder of the then-current fiscal year, which shall be treated as the Annual Budget under the provisions of the Indentures of Trust. A copy of any amended or supplemental Annual Budget must be promptly filed with the Trustee.

FINANCIAL SECTION

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

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

R. *Income Taxes* - The Authority is a public corporate instrumentality of the State of New Jersey and the Commonwealth of Pennsylvania, and as described in its amended governing Compact, has been "deemed to be exercising an essential government function in effectuating such purposes," and therefore is exempt from income taxes pursuant to the Internal Revenue Code (Section 115).

**2. CASH AND CASH EQUIVALENTS**

*Custodial Credit Risk Related to Deposits* - Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2010 and December 31, 2009, the Authority's bank balances of \$19,702 and \$15,158 respectively, were exposed to custodial credit risk as follows:

	<u>2010</u>	<u>2009</u>
Uninsured and uncollateralized	<u>\$ 17,661</u>	<u>\$ 13,124</u>

**3. INVESTMENT IN SECURITIES**

The Authority's investments in various securities are maintained for specified funds in accordance with the provisions of the Indenture of Trust adopted as of July 1, 1998.

*Custodial Credit Risk Related to Investments* - 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 investments or collateral securities that are in possession of an outside party. Of the Authority's total \$653,990 of investments at December 31, 2010, \$11,529 of investments in asset backed securities, collateralized mortgage obligations, commercial paper, corporate bonds and notes, mortgage pass-through securities, municipal bonds, repurchase agreements, U.S. federal agency notes and bonds, and U.S. government treasuries, are uninsured, not registered in the name of the Authority, and held by the counterparty, and \$237,440 are uninsured, not registered in the name of the Authority, and held by the counterparty's trust department or agent but not in the Authority's name.

As of December 31, 2010, the Authority had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Amortized Cost</u>
Asset backed securities	137.85 months average	\$ 2,802
Collateralized mortgage obligations	306.75 months average	346
Commercial paper	6.20 months average	51,575
Corporate bonds and notes	34.69 months average	47,038
Mortgage pass-through securities	316.06 months average	4,677
Municipal bonds	282.35 months average	2,075
Repurchase agreements	daily	784
Short-term investments	1.00 months average	363,070
U.S. federal agency notes and bonds	33.62 months average	22,185
U.S. government treasuries	31.54 months average	<u>159,438</u>
Total		<u>\$ 653,990</u>

The short-term investments listed above consist of cash reserve funds, money market funds, and certificates of deposit. Since it is the policy of the Authority to utilize these funds for the purchase of investments with longer maturities, these amounts have been classified as investments as opposed to cash and cash equivalents.

**Interest Rate Risk** - The Authority's policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates is as follows: the average effective duration of the portfolio is not to exceed twenty-four months, and the maximum effective duration of any individual security is not to exceed five years, unless otherwise specified.

**Credit Risk** - Investments are purchased in accordance with the 1998 Indenture of Trust and its Supplemental Indentures and General Fund investment parameters and generally include U.S. government obligations, money market funds, obligations of U.S. agencies or instrumentalities, and obligations of public agencies or municipalities rated in either of the two highest rating categories by Standard & Poor's Ratings or Moody's Investors Services. In accordance with the 1998 Indenture of Trust and its Supplemental Indentures, the Authority invests in corporate bonds and commercial paper rated A-1 by Standard and Poor's Corporation. Guaranteed Income Contracts are collateralized by U.S. government and agency securities, and debt obligations having a rating in the highest rating category from Moody's Investors Service or Standard and Poor's Rating Services.

As of December 31, 2010, the Authority's investments had the following ratings:

<u>Investment</u>	<u>Standard &amp; Poor's</u>	<u>Moody's</u>
Asset backed securities	*	*
Collateralized mortgage obligations	*	*
Commercial paper	*	*
Corporate bonds and notes	* to AAA	* to AAA
Mortgage pass-through securities	*	*
Municipal bonds	* to AAA	BAA3 to Aaa
U.S. federal agency notes and bonds	* to AAA	* to AAA
U.S. government treasuries	* to AAA	* to Aaa
Repurchase agreements	*	*

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\* investment not rated or no rating available.

**Concentration of Credit Risk** - The Authority's policy on the concentration of credit risk states that no limitations exist on the purchase of investments in obligations of the U.S. government and U.S. federal agencies since they are fully guaranteed by the U.S. government. For the purchase of investments in obligations of all other issuers, total investments held from any one issuer shall not exceed ten percent (10%) of the aggregate market value of the entire portfolio, except for repurchase agreements, which, from any one issuer, shall not exceed twenty-five percent (25%) of the aggregate market value of the portfolio. As of December 31, 2010, more than five percent (5%), or \$40,830, of the Authority's investments is in Natexis Banques Commercial Paper. These investments represent six percent (6%) of the Authority's total investments.

## FINANCIAL SECTION

## 4. DERIVATIVE INSTRUMENTS

In accordance with the required implementation schedule for GASB 53 related to derivative instruments, the Authority engaged a financial advisory firm to analyze the effectiveness of the two “cash-flow hedges” (specifically the 1995 and 1999 Revenue Bond swaptions). Both swaptions were found to be substantially effective.

The fair value balances and notional amounts of derivative instruments outstanding at December 31, 2010, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2010 financial statements are as follows (debit (credit)):

	Changes in Fair Value		Fair Value at December 31, 2010		
	Classification	Amount	Classification	Amount	Notional
Investment derivatives:					
Receive-fixed interest rate swaption (1999 PDP, Series B, Debt Service Reserve Fund)	Interest revenue	\$ 17	Derivative instrument	\$ (422)	\$ 10,436
Receive-fixed interest rate swaption (1999 Revenue Bonds Debt Service Reserve Fund)	Interest revenue	66	Derivative instrument	(1,602)	39,657
Pay-fixed interest rate swap	Interest revenue	9,850	Derivative instrument	(9,850)	57,565
Cash flow hedges:					
Pay-fixed interest rate swap (1995 Revenue Bonds Swaption)	Deferred outflow	(21,131)	Derivative instrument	(60,994)	347,070
Pay-fixed interest rate swap (1999 Revenue Bonds Swaption)	Deferred outflow	(38,852)	Derivative instrument	(64,115)	403,035
Pay-fixed interest rate swap (1999 PDP, Series B, Bonds Swaption)	Interest revenue	33,695 * -		-	108,470

\* represents termination payment made on January 11, 2010

As of December 31, 2010, the Authority determined that a portion of the cash flow hedge, pay-fixed interest rate swap, with a notional amount of \$403,035, no longer met the criteria for effectiveness due to the partial 2010 refunding of the 1999 Revenue Bonds (Note 12). Accordingly, the accumulated changes in fair value of the swap that were reported as a deferred outflow of \$9,850 at December 31, 2009 are reported within the interest revenue classification for the year ended December 31, 2010.

The fair values of the interest rate swaptions and swaps are indicative values based on mid-market levels as of the close of business on December 31, 2010, and were derived from proprietary models based upon well-recognized financial principles and reasonable estimates about relevant future market conditions.

**Objective and Terms of Hedging Derivative Instruments** - The following table summarizes the objective and terms of the Authority's hedging instruments outstanding at December 31, 2010.

<u>Type</u>	<u>Objective</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>
Pay-fixed interest rate swap (1995 Revenue Bonds Swaption)	Hedge of changes in cash flows of the 2008 Revenue Refunding Bonds	\$ 358,215	01/01/06	01/01/26	Pay 5.447%; receive 66% of one-month LIBOR
Pay-fixed interest rate swap (1999 Revenue Bonds Swaption)	Hedge of changes in cash flows of the 2010 Revenue Refunding Bonds	403,035	01/01/10	01/01/26	Pay 5.738%; receive 66% of one-month LIBOR

**1995 Revenue Bonds Swaption** - On May 2, 2001, the Authority entered into the 1995 Revenue Bonds Swaption with UBS AG in the initial notional amount of \$358,215. Under the 1995 Revenue Bonds Swaption, UBS AG had the option, exercisable 120 days preceding January 1, 2006, January 1, 2007, and January 1, 2008, to elect to have the 1995 Revenue Bonds Swaption commence on the January 1 next succeeding the exercise of the option. Under the 1995 Revenue Bonds Swaption, (i) UBS AG was obligated to pay to the Authority \$7,144 on January 1, 2006, as an exercise premium amount; (ii) UBS AG is obligated to pay periodic payments (payable monthly) to the Authority based upon a variable rate of 66% of the USD-LIBOR-BBA index; and (iii), the Authority is obligated to pay periodic payments (payable monthly) to UBS AG based upon a fixed rate of 5.447% per annum. The periodic interest rates are applied to the notional amount of the 1995 Revenue Bonds Swaption, which amortizes annually, commencing January 1, 2007, from its initial notional amount. Only the net difference in the periodic payments is to be exchanged between the Authority and UBS AG.

The periodic payment obligations of the Authority under the 1995 Revenue Bonds Swaption are secured and payable equally and ratably with Bonds issued under the 1998 Revenue Bond Indenture. Regularly scheduled periodic payments to be made by the Authority under the 1995 Revenue Bonds Swaption are insured by Ambac Assurance. In addition to other Events of Default and Termination Events (as defined in the 1995 Revenue Bond Swaption), there exists an Additional Termination Event with respect to the Authority if the credit rating of Bonds issued under the 1998 Revenue Bond Indenture (without reference to municipal bond insurance or credit enhancement) falls below "Baa3" with respect to Moody's Investors Service ("Moody's") or "BBB-" with respect to Standard & Poor's Ratings Group ("S&P") or Fitch Ratings ("Fitch"), or the Bonds cease to be rated by one of Moody's, S&P or Fitch (and such rating agencies are still in the business of rating obligations such as the Bonds). However, as provided in the 1995 Revenue Bond Swaption, so long as no Insurer Credit Event (as defined therein) has occurred, no Early Termination Date can be designated unless Ambac Assurance has consented in writing thereto.

In consideration for entering into the 1995 Revenue Bonds Swaption, the Authority received a net up-front, non-refundable option payment in the amount of \$22,446 from UBS AG, which has been recorded on the combined financial statements as a noncurrent liability (premium payment payable - derivative companion instrument). In accordance with the provisions of Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, this derivative companion instrument is considered a "borrowing" resulting from the intrinsic value of the swaption at inception. During the option period, interest accretes at the effective rate implied by the cash flows on the borrowing at inception. Once the swaption is exercised, and becomes an active swap, a portion of the swap interest payments are attributed to principal and interest payments on the borrowing. The following schedule represents the accretion of interest and amortization of the premium payment payable - derivative companion instrument through the term of the interest rate swap agreement, at an effective interest rate of 4.62324%:

<u>Year Ending</u> <u>Dec. 31,</u>	<u>Beginning</u> <u>Balance</u>	<u>Interest</u> <u>Accrual</u>	<u>Imputed</u> <u>Debt</u> <u>Payment</u>	<u>Ending</u> <u>Balance</u>
2011	\$ 19,181	\$ 887	\$ (2,763)	\$ 17,305
2012	17,305	800	(2,639)	15,466
2013	15,466	715	(2,508)	13,673
2014	13,673	632	(2,371)	11,934
2015	11,934	552	(2,226)	10,260
2016-2020	10,260	1,675	(8,659)	3,276
2021-2025	3,276	365	(3,641)	-

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On September 3, 2005, UBS AG advised the Authority that it was exercising its option on this swaption as of January 1, 2006. As a result, UBS AG paid the Authority \$7,144 on January 3, 2006 as an exercise premium, which has been recorded as a deferred revenue and is being amortized as interest revenue over the life of the interest rate swap agreement. The Authority made its initial net monthly swap payment in February 2006. The Authority is current on its monthly net swap interest payments to UBS AG, which totaled \$18.9 million in 2010.

The ratings of the counterparty (UBS AG) to the 1995 Revenue Bonds Swap of Moody's, S&P, and Fitch are Aa3, A+, and A+, respectively.

**1999 Revenue Bonds Swaption** - On May 2, 2001, the Authority entered into the 1999 Revenue Bonds Swaption with UBS AG in the initial notional amount of \$403,035. Under the 1999 Revenue Bonds Swaption, UBS AG had the option, exercisable 120 days preceding January 1, 2010, January 1, 2011, and January 1, 2012, to elect to have the 1999 Revenue Bonds Swaption commence on the January 1 next succeeding the exercise of the option. Under the 1999 Revenue Bonds Swaption, if exercised, (i) UBS AG is obligated to pay periodic payments (payable monthly) to the Authority based upon a variable rate of 66% of the USD-LIBOR-BBA index, and (ii), the Authority is obligated to pay periodic payments (payable monthly) to UBS AG based upon a fixed rate of 5.738% per annum. The periodic interest rates are applied to the notional amount of the 1999 Revenue Bonds Swaption, which amortizes annually, commencing January 1, 2011, from its initial notional amount. Only the net difference in the periodic payments is to be exchanged between the Authority and UBS AG.

Once exercised, the 1999 Revenue Bonds Swaption would continue (unless earlier terminated) through January 1, 2026. The periodic payment obligations of the Authority under the 1999 Revenue Bonds Swaption (if exercised) are secured and payable equally and ratably with Bonds issued under the 1998 Revenue Bond Indenture. Regularly scheduled periodic payments to be made by the Authority under the 1999 Revenue Bonds Swaption are insured by Ambac Assurance. In addition to other Events of Default and Termination Events (as defined in the 1999 Revenue Bonds Swaption), there exists an Additional Termination Event with respect to the Authority if the credit rating of Bonds issued under the 1998 Revenue Bond Indenture (without reference to municipal bond insurance or credit enhancement) falls below "Baa3" with respect to Moody's or "BBB-" with respect to S&P or Fitch, or the Bonds cease to be rated by one of Moody's, S&P or Fitch (and such rating agencies are still in the business of rating obligations such as the Bonds). However, as provided in the 1999 Revenue Bond Swap, so long as no Insurer Credit Event (as defined therein) has occurred, no Early Termination Date can be designated unless Ambac Assurance has consented in writing thereto.

In consideration for entering into the 1999 Revenue Bonds Swaption, the Authority received a net up-front, non-refundable option payment in the amount of \$20,142 from UBS AG, which has been recorded on the combined financial statements as a noncurrent liability (premium payment payable - derivative companion instrument). In accordance with the provisions of Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, this derivative companion instrument is considered a "borrowing" resulting from the intrinsic value of the swaption at inception. During the option period, interest accretes at the effective rate implied by the cash flows on the borrowing at inception. Once the swaption is exercised, and becomes an active swap, a portion of the swap interest payments are attributed to principal and interest payments on the borrowing. The following schedule represents the accretion of interest and amortization of the premium payment payable - derivative companion instrument through the term of the interest rate swap agreement, at an effective interest rate of 4.71425%:

<u>Year Ending</u> <u>Dec. 31,</u>	<u>Beginning</u> <u>Balance</u>	<u>Interest</u> <u>Accrual</u>	<u>Imputed</u> <u>Debt</u> <u>Payment</u>	<u>Ending</u> <u>Balance</u>
2011	\$ 27,801	\$ 1,311	\$ (3,960)	\$ 25,152
2012	25,152	1,186	(3,835)	22,503
2013	22,503	1,061	(3,649)	19,915
2014	19,915	939	(3,453)	17,401
2015	17,401	820	(3,245)	14,976
2016-2020	14,976	2,499	(12,665)	4,810
2021-2025	4,810	547	(5,357)	-

On September 3, 2009, UBS AG advised the Authority that it was exercising its option on this swaption as of January 1, 2010. The Authority began making net interest payments to UBS AG, the counterparty, commencing in February 2010, representing January's net interest payment. The Authority is current on its monthly net interest swap payments, having paid \$22.4 million to UBS AG in 2010.

The ratings of the counterparty (UBS AG) to the 1999 Revenue Bonds Swap of Moody's, S&P, and Fitch are Aa3, A+, and A+, respectively.

**1999 Port District Project Bonds, Series B Swaption** - On May 2, 2001, the Authority entered into the 1999 Port District Project Bonds, Series B Swaption with UBS AG in the initial notional amount of \$108,470. Under the 1999 Port District Project Bonds, Series B Swaption, UBS AG had the option, exercisable 120 days preceding January 1, 2010, January 1, 2011, and January 1, 2012, to elect to have the 1999 Port District Project Bonds, Series B Swaption commence on the January 1 next succeeding the exercise of the option. Under the 1999 Port District Project Bonds, Series B Swaption, if exercised, (i) UBS AG is obligated to pay periodic payments (payable monthly) to the Authority based upon a variable rate of 66% of the USD-LIBOR-BBA index; and (ii), the Authority is obligated to pay periodic payments (payable monthly) to UBS AG based upon a fixed rate of 5.595% per annum. The periodic interest rates are applied to the notional amount of the 1999 Port District Project Bonds, Series B Swaption, which amortizes annually, commencing January 1, 2011, from its initial notional amount. Only the net difference in the periodic payments is to be exchanged between the Authority and UBS AG.

Once exercised, the 1999 Port District Project Bonds, Series B Swaption would continue (unless earlier terminated) through January 1, 2026. The Authority's obligations under the 1999 Port District Project Bonds, Series B Swaption are unsecured general corporate obligations. Regularly scheduled periodic payments to be made by the Authority under the 1999 Port District Project Bonds, Series B Swaption are insured by Ambac Assurance. In addition to other Events of Default and Termination Events (as defined in the 1999 Port District Project Bonds, Series B Swaption), there exists an Additional Termination Event with respect to the Authority if the credit rating of Bonds issued under the 1998 Revenue Bond Indenture or bonds issued under the 1999 Port District Project Bond Indenture (hereinafter defined) under which the 1999 Port District Project Bonds were issued (without consideration of municipal bond insurance or credit enhancement) falls below "Baa3" with respect to Moody's or "BBB-" with respect to S&P or Fitch, or Bonds or bonds issued under the 1999 Port District Project Bond Indenture cease to be rated by Moody's, S&P or Fitch (and such rating agencies are still in the business of rating obligations such as the Bonds or bonds issued under the 1999 Port District Project Bond Indenture). However, as provided in the 1999 Port District Project Bonds, Series B Swaption, so long as no Insurer Credit Event (as defined therein) has occurred, no Early Termination Date can be designated unless Ambac Assurance has consented in writing thereto.

In consideration for entering into the 1999 Port District Project Bonds, Series B Swaption, the Authority received a net up-front, non-refundable option payment in the amount of \$6,340 from UBS AG, which was recorded on the combined financial statements as a noncurrent liability (premium payment payable - derivative companion instrument). In accordance with the provisions of Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, this derivative companion instrument is considered a "borrowing" resulting from the intrinsic value of the swaption at inception. During the option period, interest accretes at the effective rate implied by the cash flows on the borrowing at inception. Once the swaption is exercised, and becomes an active swap, a portion of the swap interest payments are attributed to principal and interest payments on the borrowing.

On September 3, 2009, UBS AG advised the Authority that it was exercising its option on this swaption as of January 1, 2010. As a result, on January 11, 2010, the Authority made a payment of \$33,695 to UBS AG to terminate the 1999 Port District Project Bonds, Series B Swaption. The termination payment was recorded by the Authority as a reduction of the corresponding noncurrent liability for the derivative instrument - interest rate swap (\$33,194), and the corresponding removal of the deferred outflow of accumulated decrease in fair value of hedging derivatives was recorded as a reduction to interest revenue (\$33,194). The corresponding noncurrent liability for the premium payments payable - companion derivative instrument was extinguished, and recorded by the Authority as an increase to interest revenue (\$9,588).

**Objective and Terms of Investment Derivative Instruments** - On August 21, 2000, the Authority entered into two (2) interest rate agreements with Bank of America N.A. in the notional amounts of \$39,657 (the "2000 Swaption #1") and \$10,436 (the "2000 Swaption #2", and together with the 2000 Swaption #1, the "2000 Swaptions"). Under the 2000 Swaptions, Bank of America N.A. has the option on certain future dates (two business days preceding July 1, 2005 and each January 1 and July 1 thereafter through and including July 1, 2025 with respect to the 2000 Swaption #1 and two business days preceding January 2, 2006 and each July 1 and January 1 thereafter through and including July 1, 2025 with respect to the 2000 Swaption #2) to cause the 2000 Swaption #1 or the 2000 Swaption #2, as applicable, to commence on the next succeeding January 1 or July 1. Neither option relating to the 2000 Swaptions has been exercised by Bank of America N.A. If an option is exercised, the 2000 Swaption #1, or the 2000 Swaption #2, as applicable, would continue (unless earlier terminated) through January 1, 2026. The Authority's obligations under the 2000 Swaptions are general unsecured corporate obligations.

If the options relating to the 2000 Swaption #1 or the 2000 Swaption #2 are exercised by Bank of America N.A., Bank of America N.A. is obligated to pay periodic interest payments (payable monthly) to the Authority based upon a fixed rate of 5.9229% per annum and the Authority is obligated to pay periodic interest payments (payable monthly) to Bank of America N.A. at a variable rate based upon the Securities Industry and Financing Markets Association (SIFMA) (formerly the BMA Municipal Swap Index) (a tax-exempt variable rate index). Only the net difference in the periodic payments owed would be exchanged between Bank of America N.A. and the Authority.

In consideration for entering into the 2000 Swaptions, the Authority received net up-front, non-refundable option payments in the aggregate amount of \$1,400 from Bank of America N.A., which represented the time value for holding the written option. Such payments have been recorded as deferred revenue and amortized as interest revenue in prior years.

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**Risks Related to Derivatives Instruments**

**Credit Risk** - For the year ended December 31, 2010, the Authority is not exposed to credit risk on its hedging derivative instruments or investment derivatives as all such derivative instruments are in a liability position based on their fair values. The credit ratings of the counterparties, however, are Aa3, A+, and A+ as rated by Moody's, S&P, and Fitch, respectively.

**Interest Rate Risk** - The Authority is exposed to interest rate risk on its derivative instruments. On its pay-variable, received-fixed interest rate swaptions, as the Securities Industry and Financing Markets Association (SIFMA) rate increases, the Authority's net payments on the swaptions, if exercised, increases. On its pay-fixed, receive-variable interest rate swaps, as the LIBOR rate decreases, the Authority's net payments on the swaps increases.

**Basis Risk** - The Authority is exposed to basis risk on its pay-fixed interest rate swap hedging derivative instruments because the variable-rate payments received by the Authority on these hedging derivative instruments are based on a rate or index other than interest rates the Authority pays on its hedged variable-rate debt, which is remarketed every five (5) days.

**Termination Risk** - The Authority or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract.

**Rollover Risk** - The Authority is not exposed to rollover risk on its hedging derivative instruments. The Authority's hedging derivative instruments terminate on the same day as the hedged debt matures, unless the Authority opts for earlier termination.

**Market-Access Risk** - If a particular option is exercised and refunding bonds are not issued, the affected series of bonds would not be refunded, and the Authority would make net swap payments as required by the terms of the applicable aforementioned contracts. If the option is exercised and the variable-rate bonds issued, the actual difference ultimately recognized by the transaction will be affected by the relationship between the interest rate terms of the to-be-issued variable-rate bonds versus the payment as stipulated in the swaption agreement.

**Swap Management Policy**

On December 28, 2009, the Authority's Board approved a resolution (DRPA#09-099, entitled "Use of Debt-Related Swap Agreements") which, among other things, declared: (i) "that it is the direction and intention of the Board that the DRPA not enter into any new debt-related swap agreements..", and (ii) that the staff of the Authority "take all steps necessary to immediately begin the process of recommending to the Board whether, when, and how to terminate the Authority's current swaps, with all such terminations, if determined to be advisable, to occur in a methodical and careful manner which avoids to the fullest extent possible additional costs or risks that may be associated with termination; and that staff report to the Finance Committee of the Board on a monthly basis the status of all current swap agreements..."

As noted earlier, the Authority terminated its 1999 PDP Swap in January 2010, pursuant to this resolution.

**5. ACCOUNTS RECEIVABLE AND TOLL REVENUES**

Accounts receivable for December 31, 2010 and December 31, 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Reimbursements from governmental agencies - capital improvements to the PATCO system due from the Federal Transit Administration and New Jersey Transit	\$ 2,634	\$ 1,652
Cruise terminal receivables	6	126
Development projects	3,533	3,537
Other	<u>5,653</u>	<u>8,236</u>
Gross receivables	11,826	13,551
Less: Allowance for uncollectibles	<u>(3,500)</u>	<u>(1,500)</u>
Net total receivables	<u>\$ 8,326</u>	<u>\$ 12,051</u>

Of the total development projects receivables of \$3,533 above, \$3,500 is not expected to be collected within one year.

**6. CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended December 31, 2010 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within 1 Year</u>
Bonds and loans payable:					
1998 Revenue Refunding Bonds	\$ 4,610		\$ (2,245)	\$ 2,365	\$ 2,365
1999 Revenue Bonds	422,310		(364,745)	57,565	16,230
1998 Port District Project Bonds	63,280		(2,485)	60,795	2,600
1999 Port District Project Bonds	150,375		(2,555)	147,820	2,740
2001 Port District Project Bonds	126,010		(6,690)	119,320	7,050
2008 Revenue Refunding Bonds	358,155		(11,085)	347,070	11,690
2010 Revenue Refunding Bonds		\$ 350,000		350,000	
2010 Revenue Bonds		308,375		308,375	
Less issuance discounts / premiums	(17,750)	(6,233)	(398)	(24,381)	
<b>Total bonds payable</b>	<b>1,106,990</b>	<b>652,142</b>	<b>(390,203)</b>	<b>1,368,929</b>	<b>42,675</b>
Other liabilities:					
Bridge repainting	60,034	4,351		64,385	
Self-insurance	4,946	2,938	(3,693)	4,191	
Sick and vacation leave	4,537	336		4,873	3,655
Deferred revenue	9,669		(259)	9,410	2,972
Other (includes OPEB unfunded liability)	29,201	9,512		38,713	
Premium payment payable - derivative companion instrument	61,144	2,411	(16,573)	46,982	6,723
Derivative instrument - interest rate swap	220,224		(83,241)	136,983	
<b>Total long-term liabilities</b>	<b>\$ 1,496,745</b>	<b>\$ 671,690</b>	<b>\$ (493,969)</b>	<b>\$ 1,674,466</b>	<b>\$ 56,025</b>

**7. INVESTMENT IN FACILITIES**

Capital assets for the year ended December 31, 2010 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 74,225			\$ 74,225
Construction in progress	134,144	\$ 58,251	\$ (46,906)	145,489
<b>Total capital assets not being depreciated</b>	<b>208,369</b>	<b>58,251</b>	<b>(46,906)</b>	<b>219,714</b>
Capital assets being depreciated:				
Bridges and related building and equipment	1,004,277	43,843	(8,244)	1,039,876
Transit property and equipment	404,885	14,077	(963)	417,999
Port enhancements	27,145			27,145
<b>Total capital assets being depreciated</b>	<b>1,436,307</b>	<b>57,920</b>	<b>(9,207)</b>	<b>1,485,020</b>
Less accumulated depreciation for:				
Bridges and related building and equipment	(384,974)	(30,679)	8,238	(407,415)
Transit property and equipment	(172,824)	(15,319)	903	(187,240)
Port enhancements	(13,442)	(1,753)		(15,195)
<b>Total accumulated depreciation</b>	<b>(571,240)</b>	<b>(47,751)</b>	<b>9,141</b>	<b>(609,850)</b>
<b>Total capital assets being depreciated, net</b>	<b>865,067</b>	<b>10,169</b>	<b>(66)</b>	<b>875,170</b>
<b>Total capital assets, net</b>	<b>\$ 1,073,436</b>	<b>\$ 68,420</b>	<b>\$ (46,972)</b>	<b>\$ 1,094,884</b>

Total depreciation expense for the year ended December 31, 2010 was \$47,751.

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**8. DEFERRED COMPENSATION PLAN**

The Authority offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, available to all full-time employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Authority does not make any contributions to the plan. To comply with changes in federal regulations and GASB 32, "Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans," the Authority amended the Plan in 1998 so that all amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property of the employees.

**9. PENSION PLANS**

Employees of the Authority participate in the Pennsylvania State Employees' Retirement System, the Public Employees' Retirement System of New Jersey, or the Teamsters Pension Plan of Philadelphia and Vicinity.

**Pennsylvania State Employees' Retirement System**

**Plan Description** - Permanent full-time and part-time employees are eligible and required to participate in this cost-sharing multiple-employer defined benefit plan that provides pension, death and disability benefits. A member may retire after completing three years of service and after reaching normal retirement age (the age of 60, except police officers at age 50, or the age at which 35 years of service has been completed, whichever occurs first). Benefits vest after five years of service. If an employee terminates his or her employment after at least five years of service but before the normal retirement age, he or she may receive pension benefits immediately or defer pension benefits until reaching retirement age. Employees who retire after reaching the normal retirement age with at least three years of credited service are entitled to receive pension benefits equal to 2.50% of their final average compensation (average of the three highest years in earnings) times the number of years for which they were a participant in the plan. The pension benefits received by an employee who retires after five years of credited service but before normal retirement age are reduced for the number of years that person is under normal retirement age.

Pension provisions include death benefits, under which the surviving beneficiary may be entitled to receive the employee's accumulated contributions less the amount of pension payments that the employee received, the present value of the employee's account at retirement less the amount of pension benefits received by the employee, the same pension benefits formerly received by the employee, or one-half of the monthly pension payment formerly received by the employee. The maximum pension benefit to the employee previously described may be reduced depending on the benefits elected for the surviving beneficiary.

The Pennsylvania State Employees' Retirement System issues a publicly available annual financial report, including financial statements, which may be obtained by writing to Pennsylvania State Employees' Retirement System, 30 North Third Street, Harrisburg, Pennsylvania, 17108-1147.

**Funding Policy** - The contribution requirements of plan members and the Authority are established and amended by the Pennsylvania State Employees' Retirement System Board. As of January 1, 2002, employees are required to contribute 6.25% of their gross earnings to the plan. The Authority was required to, and did, contribute an actuarially determined amount to the plan, which equaled 4.18%, 3.68%, and 3.72%, of covered payroll in 2010, 2009, and 2008, respectively. In 2010, 2009, and 2008, the Authority's required contributions to the plan were \$1,817, \$1,647, and \$1,607, respectively, which represented 100% of the required contribution for the aforementioned years.

**New Jersey Public Employees Retirement System (NJ PERS)**

**Plan Description** - Permanent full-time employees, hired after January 1, 2002, who were members of NJPERS when they were hired, are eligible to participate in this cost-sharing multiple-employer defined benefit plan (administered by the New Jersey Division of Pensions and Benefits). The PERS was established in 1955. The PERS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

**Funding Policy** - The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2007, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2007, the increase is effective with the payroll period that begins immediately after July 1, 2007. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, the statute also requires the return to the normal rate when such surplus pension assets no longer exist. The Authority is billed annually for its normal contribution, plus any accrued liability. The Authority began sending employee contributions to NJ PERS beginning in January 2006. The fiscal year 2008 was the first year that the Authority was required to, and did, contribute an actuarially determined amount to the plan. For the year

ended December 31, 2010 and 2009, the Authority's total contribution to the plan was \$196 and \$63, respectively, which represented 100% of the required contribution for the aforementioned years. For the years ended December 31, 2010 and 2009, the contributions consisted of a normal contribution amount of \$80 and \$29, respectively and an accrued liability amount of \$117 and \$34, respectively.

#### **Teamsters Pension Plan of Philadelphia and Vicinity**

**Plan Description** - Certain represented employees are eligible and required to participate in the Teamsters Pension Plan of Philadelphia and Vicinity, which is a cost-sharing, multiple-employer benefit plan which provides pension, death and disability benefits. A member may retire at the later of (a) the date the employee reaches 65 or (b) the tenth anniversary of the employee's commencement of participation in the plan. Additionally, employees are eligible for early retirement after 10 years of participation in the plan and (a) completion of 30 years of vested service or (b) attainment of age 50 and completion of 10 years of vested service. Benefits vest after 10 years of service. An employee who retires on or after his or her normal retirement age is entitled to receive benefits based on his or her credited years of service multiplied by a monthly benefit rate, which is determined based on the employer's daily contributions. The benefits are subject to maximum rates that vary according to employer daily contribution rates. Members may also receive benefits after early retirement at reduced rates depending on age at retirement.

An employee who qualifies for disability retirement benefits (total and permanent disability with 10 years of vested service and 5 years of continuous service with at least 300 covered days of contributions) is entitled to receive two hundred dollars per month until retirement age, when retirement benefits would commence.

Provisions include surviving spouse death benefits, under which the surviving spouse is entitled to a 50% survivor annuity in certain cases.

The Teamsters Pension Plan of Philadelphia and Vicinity issues a publicly available annual financial report, including financial statements, which may be obtained by writing to Teamsters Pension Plan of Philadelphia and Vicinity, Fourth and Cherry Streets, Philadelphia, Pennsylvania, 19106.

**Funding Policy** - The Teamsters Pension Plan is controlled by the Teamsters Pension Plan of Philadelphia and Vicinity Board. The employer's contribution requirements are determined under the terms of one Collective Bargaining Agreement in force between the employer and the Teamsters. During 2010, the Authority was required to and did contribute the following amounts for PATCO employees: twenty one dollars and forty cents (\$21.40) per day from January 1, 2010 through May 31, 2010 and twenty-one dollars and eighty cents (\$21.80) from June 1, 2010 through December 31, 2010 per participating employee. The Authority's contributions totaled 9.6%, 9.89%, and 10.02% of covered payroll in 2010, 2009, and 2008, respectively. The employees of the Authority make no contributions to the plan. The Authority contributed \$1,090, \$1,068, and \$1,029 in 2010, 2009, and 2008, respectively, which represented 100% of the required contribution for the aforementioned years.

### **10. POSTEMPLOYMENT HEALTHCARE PLAN**

**Plan Description** - The Authority provides certain health care and life insurance benefits for retired employees, where such benefits are established and amended by the Authority's Board of Commissioners. The Authority's plan provides two agent multiple-employer post-employment healthcare plans which cover two retiree populations: eligible retirees under the age of sixty-five (65) receive benefits through Amerihealth and eligible retirees sixty-five (65) and over receive benefits through the United Health Group (in partnership with AARP) and Aetna. Life insurance benefits to qualifying retirees are provided through Prudential. The plans are administered by the Authority; therefore, premium payments are made directly by the Authority to the insurance carriers.

**Funding Policy** - Employees become eligible for retirement benefits based on hire date and years of service. The contribution requirements of plan members and the Authority are established and may be amended by the Authority's Board of Commissioners. Plan members receiving benefits contribute the following amounts: \$55 per month for retiree-only coverage for the base plan, \$110 per month for retiree/spouse (or retiree/child) coverage, and \$165 per month for retiree/family (or children) coverage to age sixty-five (65) for the base plan, and \$55 per month, per retiree, per dependent for both the United Health Group (in partnership with AARP) and Aetna coverages. An additional amount is required for those retirees, under age sixty-five (65), who opt to participate in the "buy-up plan" for retirees and their dependents.

**Retirees** - The Authority presently funds its current retiree post employment benefit costs on a "pay-as-you-go" basis and, as shown above, receives annual contributions from retirees to offset a portion of this annual cost. The Authority's contributions to the plan for the years ended 2010, 2009, and 2008 were \$4,256, \$4,251, and \$4,625, respectively.

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**Future Retirees** - In accordance with Statement No. 45 of the Governmental Accounting Standards Board, the Authority is required to expense the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The ARC includes the costs of both current and future retirees. The current ARC was determined to be \$13,763 at an unfunded discount rate of 5%. As stated above, the Authority has funded the cost of existing retirees in the amount of \$4,256, and in 2010, the Authority has accrued the benefit costs for future eligible employees, but has not yet begun funding this outstanding liability. The Authority plans to begin funding a portion of this outstanding liability in 2011.

**Annual OPEB Cost** - For 2010, the Authority's annual OPEB cost (expense) of \$15,236 for the plan was equal to the ARC plus the interest on the beginning net OPEB obligation. The Authority's annual required contribution (ARC), the interest on the net OPEB obligation, the adjustment to the ARC, the increase or decrease in the net OPEB obligation, the net OPEB obligation, and the percentage of annual OPEB cost contributed to the plan for 2010, 2009, and 2008 are as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Annual Required Contribution (ARC)	\$ 13,763	\$ 13,763	\$ 14,470
Interest on the Net OPEB Obligation	1,439	975	492
Adjustment to the ARC	<u>(1,782)</u>	<u>(1,208)</u>	<u>(689)</u>
Annual OPEB Cost	13,420	13,530	14,273
Pay as You Go Cost (Existing Retirees)	<u>(4,256)</u>	<u>(4,251)</u>	<u>(4,625)</u>
Increase (Decrease) in the Net OPEB Obligation	9,164	9,279	9,648
Net OPEB Obligation, January 1	<u>28,771</u>	<u>19,492</u>	<u>9,844</u>
Net OPEB Obligation, December 31	<u>\$ 37,935</u>	<u>\$ 28,771</u>	<u>\$ 19,492</u>
Percentage of Annual OPEB Cost Contributed	32%	31%	32%

**Funded Status and Funding Progress** - As of January 1, 2009, the most recent actuarial valuation date, the Authority's Plan was 0% funded. The actuarial accrued liability for benefits was \$132,467, and the actuarial value of plan assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$132,467. The covered payroll (annual payroll of active employees covered by the plan) was \$56,034, and the ratio of the UAAL to the covered payroll was 236.4%. (For additional information, please refer to the "Required Supplementary Information Schedule of Funding Progress for Health Benefits Plan" shown at the end of the footnote section.) Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the January 1, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. Under this method, an actuarial accrued liability is determined as the actuarial present value of the portion of projected benefits which is allocated to service before the current plan year. In addition, a normal cost is determined as the actuarial present value of the portion of projected benefits which is allocated to service in the current plan year for each active participant under the assumed retirement age. The UAAL is being amortized (straight-line) for thirty (30) years on an open basis. The actuarial assumptions included the following:

- **Mortality.** The mortality table employed in the valuation was the 1994 sex distinct Group Annuity Mortality Table.
- **Discount Rate.** Future costs have been discounted at the rate of 5.00% compounded annually for GASB 45 purposes.

- *Turnover.* Assumptions for terminations of employment other than for death or retirement will occur in the future in accordance with the U.S. Office of Personnel Management regarding the experience of the employee group covered by the Federal Employees Retirement System, some excerpts from which are:

<u>Age</u>	<u>% Terminating</u>
20	70.4%
40	15.9%
50	0.0%

- *Disability.* No terminations of employment due to disability were assumed. Retirees resulting from a disability were factored into the determination of age at retirement.
- *Age of Retirement.* The assumption that the active participants, on average, will receive their benefits when eligible, but no earlier than age 55.
- *Spousal Coverage.* Married employees will remain married.
- *Prior Service.* No prior service for active employees was assumed.
- *Health Care Inflation.* Health care gross costs were assumed to increase at an annual rate of 7.0% for Pre-Medicare medical benefits and 5.0% for Post-Medicare medical benefits.
- *Administration Expenses.* The annual cost to administer the retiree claims was assumed at 2.0%, which was included in the annual health care costs.
- *Employee Contributions.* It was assumed that employees will contribute two thousand three hundred forty dollars (\$2,340) per year for family medical coverage and seven hundred eighty dollars (\$780) for single medical coverage.
- *PATCO Medical Expenses.* The medical and prescription drug expenses provided in the actuarial data were adjusted to be consistent with the medical and prescription drug expenses of \$1,083 reflected in the 2008 financial report.
- *Change in Assumptions.* Effective January 1, 2009, assumptions were changed for medical trend costs, turnover, and retirement age; however, none of these changes were deemed significant changes compared to the assumptions utilized in the previous actuarial valuation.

In accordance with Statement No. 45 of the Governmental Accounting Standards Board, the Authority will engage an actuarial consultant during 2011 to update its present analysis.

## 11. INDENTURES OF TRUST

The Authority is subject to the provisions of the following Indentures of Trust: Revenue Refunding Bonds of 1998 with TD Bank N.A. (as successor trustee to Commerce Bank NA), dated July 1, 1998; and the Revenue Bonds of 1999 with TD Bank N.A., dated December 1, 1999; the Revenue Refunding Bonds of 2008, with TD Bank, National Association as Trustee, dated July 25, 2008 and the Revenue Refunding Bonds of 2010 and the 2010 Revenue Bonds (Series D), with TD Bank National Association as Trustee dated May 15, 2010 and July 15, 2010, respectively (collectively the "Bond Resolution"); Port District Project Bonds of 1998 with The Bank of New York Mellon (as successor trustee to U.S. Trust Company of New Jersey), dated August 15, 1998; Port District Project Bonds of 1999 with The Bank of New York Mellon (as successor trustee to Summit Bank), dated December 1, 1999; Port District Project Bonds of 2001 with TD Bank N.A., dated December 1, 2001. The Bond Resolution requires the maintenance of the following accounts:

**Project Fund** - This *restricted* account was established in accordance with Section 6.02 of the Bond Resolution. The Project Fund is held by the Trustee and is applied to pay the cost of the Projects and is pledged, pending application to such payment of costs for the security of the payment of principal and interest on the Revenue, Revenue Refunding, and Project Bonds (the "Bonds").

**Debt Service Fund** - This *restricted* account was established in accordance with Section 6.04 of the Bond Resolution for the payment of maturing interest and principal on the Bonds. The balance on deposit must be sufficient to enable the Trustee to withdraw amounts equal to interest due on the Bonds, principal amounts maturing on Bonds, accrued interest included in the purchase price of the Bonds purchased for retirement, and sinking fund installments when payments are required.

**Debt Service Reserve Fund** - This *restricted* account was established in accordance with Section 6.05 of the Bond Resolution. The amount of funds on deposit must be maintained at a level equal to the Maximum Debt Service to insure funds are available for payment of Debt Service.

**Bond Redemption Fund** - This *restricted* account was established in accordance with Section 6.06 of the Bond Resolution to account for amounts received from any source for the redemption of Bonds, other than mandatory sinking fund payments.

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**Rebate Fund** - This *restricted* account was established in accordance with Section 6.07 of the Bond Resolution to account for amounts deposited from time to time in order to comply with the arbitrage rebate requirements of Section 148 of the Code as applicable to any Series of Tax-Exempt Bonds issued.

In addition, in accordance with the Indentures of Trust for the Revenue Refunding Bonds of 1998 the following additional accounts are required to be maintained:

**Revenue Fund** - This *unrestricted* account was established in accordance with Section 6.03 of the Bond Resolution for the Authority to deposit all Revenues. On or before the 20<sup>th</sup> day of each calendar month, the Trustee shall, to the extent money is available, transfer to or credit funds needed in the following order: (1) the Debt Service Fund, (2) the Debt Service Reserve Fund, (3) any Reserve Fund Credit Facility Issuer, (4) the Trustee's Rebate Fund, (5) the Maintenance Reserve Fund, (6) the General Fund.

**Maintenance Reserve Fund** - This *restricted* account was established in accordance with Section 6.08 of the Bond Resolution. These funds are maintained for reasonable and necessary expenses with respect to the system for major repairs, renewals, replacements, additions, betterments, enlargements, improvements, and extraordinary expenses, all to the extent not provided for in the then current Annual Budget. Money in this account is pledged for the security of payment principal and interest on the Bonds. Whenever the amount in this account exceeds the "Maintenance Reserve Fund Requirement", the excess shall be deposited in the General Fund. The "Maintenance Reserve Fund Requirement" on any date is at least \$3,000.

**General Fund** - This *unrestricted* account was established in accordance with Section 6.09 of the Bond Resolution. All excess funds of the Authority are recorded in the General Account. 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.

**12. FUNDED AND LONG-TERM DEBT**

At December 31, 2010, the Authority had \$1,368,929 in Revenue, Revenue Refunding, and Port District Project Bonds outstanding, consisting of bonds issued in 1998, 1999, 2001, 2008, and 2010. The 1998 Revenue Refunding Bonds were issued pursuant to the Indenture of Trust, dated July 1, 1998, and a First Supplemental Indenture thereto. The 1998 Port District Project Bonds were issued pursuant to an Indenture of Trust dated August 15, 1998. The 1999 Revenue Bonds were issued pursuant to the Indenture of Trust dated July 1, 1998, a Second Supplemental Indenture dated August 15, 1998, and a Third Supplemental Indenture dated December 1, 1999. The 1999 Port District Project Bonds were issued pursuant to an Indenture of Trust dated December 1, 1999. Under the terms of the 1998 Revenue Refunding Bonds Indenture of Trust, the Authority covenanted not to issue any additional bonds under the 1995 Indenture of Trust. The 2001 Port District Project Bonds were issued pursuant to an Indenture of Trust dated December 1, 2001. The 2008 Revenue Refunding Bonds were issued pursuant to the Indenture of trust dated July 1, 1998, as supplemented by a Fourth Supplemental Indenture dated October 1, 2007 and a Fifth Supplemental Indenture dated July 15, 2008. The 2010 Revenue Refunding Bonds were issued pursuant an Indenture of Trust dated as of July 1, 1998 as previously supplemented by five supplemental indentures thereto and as further supplemented by a Sixth Supplemental Indenture dated as of March 15, 2010. The 2010 Revenue Bonds are being issued pursuant to the Compact, the New Jersey Act, the Pennsylvania Act (as such terms are defined herein) and an Indenture of Trust, dated as of July 1, 1998, by and between the Authority and TD Bank, National Association, Cherry Hill, New Jersey, as successor to Commerce Bank, National Association (the "Trustee"), as supplemented by a First Supplemental Indenture, dated as of July 1, 1998, a Second Supplemental Indenture, dated as of August 15, 1998, a Third Supplemental Indenture, dated as of December 1, 1999, a Fourth Supplemental Indenture, dated as of October 1, 2007, a Fifth Supplemental Indenture, dated as of July 15, 2008, a Sixth Supplemental Indenture, dated as of March 15, 2010, and a Seventh Supplemental Indenture, dated as of July 1, 2010 (collectively, the "1998 Revenue Bond Indenture").

**1998 Revenue Refunding Bonds** - On July 6, 1998, the Authority issued \$63,190 of Revenue Refunding Bonds, Series A, to provide funds, together with other funds available, to advance refund \$79,980 principal amount of the Authority's Capital Appreciation Bonds, Series of 1989. In addition, the Authority issued on October 6, 1998, \$125,200 of Revenue Refunding Bonds, Series B, for the purpose of refunding \$120,380 aggregate principal amount of the Serial and Term Bonds, Series of 1989, which completed the defeasance of all bonds issued under the 1985 General Bond Resolution.

The 1998 Revenue Refunding Bonds, Series B, serial bonds outstanding at December 31, 2010 are as follows:

	<b><u>Maturity Date</u></b> <b><u>(January 1)</u></b>	<b><u>Interest</u></b> <b><u>Rate / Yield</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>
	2011	5.25%	\$ 2,365
Total 1998 Refunding Bonds			<u>\$ 2,365</u>

The 1998 Revenue Refunding Bonds, together with the Authority’s 1999 Revenue Bonds, and any parity obligations hereafter issued under the 1998 Revenue Bond Indenture, are equally and ratably payable solely from and secured by a lien on and security interest in (i) the amounts on deposit in the Funds established under the 1998 Revenue Bond Indenture, except for the 1998 General Fund and the 1998 Rebate Fund. With the defeasance of the Authority’s Revenue Bonds, Series of 1995 (the “1995 Revenue Bonds”), the 1999 Revenue Bonds are now secured by a lien on or security interest in the Net Revenues of the Authority.

The 1998 Revenue Refunding Bonds Series A are not subject to mandatory redemption prior to maturity. The 1998 Revenue Refunding Bonds Series B are subject to redemption prior to maturity at the option of the Authority on or after January 1, 2009, in whole at any time or in part at any time and from time to time in any order of maturity as specified by the Authority, in any principal amount which is an integral multiple of \$5 as specified by the Authority, and within a maturity as allocated by the Trustee or by lot at the respective redemption prices expressed as percentages of the principal amount of such 1998 Revenue Refunding Bonds Series B or portions thereof to be redeemed as set forth below, together with accrued interest to the redemption date:

<u>Optional Redemption Dates (Inclusive)</u>	<u>Redemption Price</u> <u>1998 Refunding Bonds, Series B</u>
January 1, 2009 through December 31, 2009	101.00%
January 1, 2010 and thereafter	100.00%

The issuance of the 1998 Revenue Refunding Bonds resulted in a loss of \$16,044 which represents the costs associated with the defeasance or call of the 1989 Bonds. These costs were deferred and were amortized over the life of the 1998 issue through the year ended December 31, 2010.

**1998 Port District Project Bonds** - On September 2, 1998, the Authority issued \$84,705 of Port District Project Bonds, Series of 1998, to provide funds to finance (a) all or a portion of the cost of certain economic development and capital projects, including reimbursing the Authority for the cost of economic development projects financed with Authority funds, (b) a deposit to the Port District Debt Service Reserve Fund established under the 1998 Port District Indenture, and (c) all or a portion of the costs and expenses of the Authority relating to the issuance and sale of the 1998 Port District Bonds.

The 1998 Port District Project Bonds are general corporate obligations of the Authority. Except as expressly provided in the 1998 Port District Indenture, the 1998 Port District Project Bonds are not secured by a lien or charge on, or pledge of, any revenues or other assets of the Authority. No tolls, rents, rates or other such charges are pledged for the benefit of the 1998 Port District Project Bonds. The 1998 Port District Project Bonds are payable from such funds and from other monies of the Authority legally available.

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The 1998 Port District Project Bonds outstanding at December 31, 2010 are as follows:

<u>Maturity Date (January 1)</u>	<u>Interest Rate / Yield</u>	<u>Principal Amount</u>	<u>Maturity Date (January 1)</u>	<u>Interest Rate / Yield</u>	<u>Principal Amount</u>
Serial Bonds					
			2012	4.75%	\$ 2,720
			2013	5.00%	2,845
			2014	4.75%	2,990
2011	4.63%	\$ 2,600	2015	5.00%	3,130
					14,285
Term Bonds					
2016	4.75%	\$ 3,290	2021	5.00%	\$ 4,175
2017	4.75%	3,445	2022	5.00%	4,385
2018	5.00%	3,605	2023	5.00%	4,605
2019	5.00%	3,790	2024	5.00%	4,835
2020	5.00%	3,975	2025	5.00%	5,075
			2026	5.00%	5,330
					46,510
Total par value of 1998 Port District Project Bonds Outstanding					60,795
Less unamortized bond discount					(319)
Total 1998 Port District Project Bonds, net					\$ 60,476

The 1998 Port District Project Bonds are subject to redemption prior to maturity on or after January 1, 2008, in whole at any time, or in part at any time and from time to time in any order of maturity as specified by the Authority, in any principal amount within a maturity as specified by the Authority, and within a maturity as selected by the Trustee by lot at the respective redemption prices expressed as percentages of the principal amount of such Port District Project Bonds or portions thereof to be redeemed as set forth below, together with accrued interest to the redemption date:

<u>Optional Redemption Dates (Inclusive)</u>	<u>Redemption Price Port District Project Bonds</u>
January 1, 2009 and thereafter	100.00%

**1999 Revenue Bonds** - On December 22, 1999, the Authority issued \$422,310 of Revenue Bonds of 1999 to provide funds, together with other funds available, (i) to finance, refinance or reimburse a portion of the costs of certain capital projects undertaken or to be undertaken by the Authority, (ii) to fund a portion of the interest on the 1999 Revenue Bonds during the period of construction and acquisition of the aforesaid projects, (iii) to fund the Debt Service Reserve Requirement for the 1999 Revenue Bonds, and (iv) to pay the costs of issuance of the 1999 Revenue Bonds.

The 1999 Revenue Bonds, together with the Authority's Revenue Refunding Bonds, Series A of 1998 and Series B of 1998 (the "1998 Revenue Bonds") and any parity obligations hereafter issued under the 1998 Revenue Bond Indenture, are equally and ratably payable solely from and secured by a lien on and security interest in (i) the amounts on deposit in the 1995 General Fund established under the Indenture of Trust dated as of November 15, 1995, as supplemented as of November 15, 1995 (collectively, the "1995 Revenue Bond Indenture"), (ii) the amounts on deposit in the Funds established under the 1998 Revenue Bond Indenture, except for the 1998 General Fund and the 1998 Rebate Fund. So long as the Authority's Revenue Bonds, Series of 1995 (the "1995 Revenue Bonds") remain outstanding, the 1999 Revenue Bonds will not be secured by any lien on or security interest in the Net Revenues of the Authority.

The 1999 Revenue Bonds outstanding at December 31, 2010 are as follows:

<u>Maturity Date</u> <u>(January 1)</u>	<u>Interest</u> <u>Rate / Yield</u>	<u>Principal</u> <u>Amount</u>
Serial Bonds		
2011	5.50%	\$ 16,230
2012	5.50%	12,110
2012	5.25%	5,000
2013	5.63%	18,055
2014	5.75%	1,170
2014	5.40%	<u>5,000</u>
Total par value of 1999 Revenue Bonds		<u>\$ 57,565</u>

**Optional Redemption** - The 1999 Revenue Bonds are subject to redemption prior to maturity at the option of the Authority on or after January 1, 2010, in whole at any time or in part at any time and from time to time in any order of maturity as specified by the Authority, in any principal amount which is an integral multiple of \$5 as specified by the Authority, and within a maturity as allocated by the Trustee or by lot (and, if 1999 Revenue Bonds of a maturity bear interest at different rates, as allocated by the Trustee or by lot among 1999 Revenue Bonds of the interest rate or rates specified by the Authority) at a redemption price equal to 100% of the principal amount of such 1999 Revenue Bonds or portions thereof to be redeemed, together with accrued interest to the redemption date. On March 31, 2010, the Authority partially redeemed \$349,360 in bonds with the issuance of \$350 million in 2010 Revenue Refunding Bonds.

**1999 Port District Project Bonds** - On December 22, 1999, the Authority issued \$272,095 to provide funds to finance (a) all or a portion of the cost of certain port improvement and economic development projects within the Port District, (b) a deposit of cash or a Reserve Fund Credit Facility to the credit of the Debt Service Reserve Fund established under the 1999 Port District Project Bond Indenture, and (c) all or a portion of the costs and expenses of the Authority relating to the issuance and sale of the 1999 Port District Project Bonds.

The 1999 Port District Project Bonds are general corporate obligations of the Authority. The 1999 Port District Project Bonds are not secured by a lien or charge on, or pledge of, any revenues or other assets of the Authority other than the monies, if any, on deposit from time to time in the Funds established under the 1999 Port District Project Bond Indenture. No tolls, rents, rates or other such charges are pledged for the benefit of the 1999 Port District Project Bonds. The 1999 Port District Project Bonds are equally and ratably secured by the funds on deposit in the Funds established under the 1999 Port District Project Bond Indenture, except for the Rebate Fund. The 1999 Port District Project Bonds are payable from such Funds and from other monies of the Authority legally available.

The 1999 Port District Project Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity as more fully described herein.

The scheduled payment of principal and interest on the 1999 Port District Project Bonds when due are guaranteed under an insurance policy issued concurrently with the delivery of the 1999 Port District Project Bonds by Financial Security Assurance Inc.

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The 1999 Port District Project Bonds outstanding at December 31, 2010 are as follows:

<u>Maturity Date (January 1)</u>	<u>Interest Rate / Yield</u>	<u>Principal Amount</u>	<u>Maturity Date (January 1)</u>	<u>Interest Rate / Yield</u>	<u>Principal Amount</u>
Series A Bonds					
			2011	7.46%	\$ 2,740
			2012	7.50%	2,950
			2013	7.54%	<u>3,170</u>
					<u>8,860</u>
Term Bonds					
2014	7.63%	\$ 3,405	2018	7.63%	\$ 4,570
2015	7.63%	3,665	2019	7.63%	4,920
2016	7.63%	3,945	2020	7.63%	5,295
2017	7.63%	4,245	2021	7.63%	<u>1,035</u>
					<u>31,080</u>
Series B Bonds					
2021	5.70%	\$ 13,060	2022	5.70%	\$ 16,930
			2023	5.70%	<u>17,895</u>
					<u>47,885</u>
Term Bonds					
2024	5.63%	\$ 18,915	2025	5.63%	\$ 19,980
			2026	5.63%	<u>21,100</u>
					<u>59,995</u>
Total par value of 1999 Port District Project Bonds					147,820
Less unamortized bond discount					<u>(1,958)</u>
Total 1999 Port District Project Bonds, net					<u>\$ 145,862</u>

**Optional Redemption** - The Series A Port District Project Bonds are redeemable by the Authority on any interest payment date in whole or in part, and if in part, in any order of maturity specified by the Authority and in any principal amount within a maturity as specified by the Authority. Any such redemption shall be made at a redemption price equal to accrued interest to the redemption date plus the greater of: (i) the principal amount of the Series A Port District Project Bonds to be redeemed, and (ii) an amount equal to the discounted remaining fixed amount payments applicable to the Series A Port District Project Bonds to be redeemed. Allocation of the amounts of Series A Port District Project Bonds to be redeemed shall be proportionate nearly as reasonably possible having due regard for minimum authorized denominations of the 1999 Port District Project Bonds among the respective interest of the holders of the Series A Port District Project Bonds to be redeemed at the time of selection of such Series A Port District Project Bonds for redemption.

The Series B Port District Project Bonds shall be subject to redemption prior to maturity on or after January 1, 2010, in whole at any time, or in part at any time and from time to time in any order of maturity as specified by the Authority, in any principal amount within a maturity as specified by the Authority, and within a maturity as selected by the Trustee by lot at a redemption price equal to 100% of the principal amount of such Series B Port District Project Bonds or portions thereof to be redeemed, together with accrued interest to the redemption date.

**2001 Port District Project Bonds** - On December 27, 2001, the Authority issued \$128,395 of Port District Project Refunding Bonds, Series A of 2001, and \$31,180 Port District Project Bonds, Series B of 2001. The 2001 Port District Project Bonds are being issued to provide funds to finance (a) the current refunding of \$100,500 of the Authority's Port District Project Bonds, Series A of 1999 (Federally Taxable), (b) all or a portion of the cost of certain port improvement and economic development projects within the Port District, (c) a deposit of cash to the credit of the Debt Service Reserve Fund established under the 2001 Port District Project Bond Indenture, and (d) all or a portion of the costs and expenses of the Authority relating to the issuance and sale of the 2001 Port District Project Bonds.

The 2001 Port District Project Bonds outstanding at December 31, 2010 are as follows:

<u>Maturity Date</u> <u>(January 1)</u>	<u>Interest</u> <u>Rate / Yield</u>	<u>Principal</u> <u>Amount</u>	<u>Maturity Date</u> <u>(January 1)</u>	<u>Interest</u> <u>Rate / Yield</u>	<u>Principal</u> <u>Amount</u>
Series A Refunding Bonds (Federally Taxable)					
			2015	5.50%	\$ 7,260
			2016	5.50%	7,660
			2017	5.50%	8,080
			2018	5.50%	8,525
			2019	5.10%	8,995
2011	5.25%	\$ 5,935	2020	5.10%	9,450
2012	5.25%	6,255	2021	5.10%	1,580
2013	5.50%	5,570	2022	5.13%	1,300
2014	5.50%	6,880	2023	5.15%	<u>1,300</u>
					78,790
Term Bonds					
2024	5.20%	\$ 1,300	2026	5.20%	\$ 1,300
2025	5.20%	1,300	2027	5.20%	<u>12,900</u>
					<u>16,800</u>
Total par value of Series A Refunding Bonds					95,590
Plus unamortized bond premium					1,911
Less unamortized loss on defeasance					<u>(9,223)</u>
Total 2001 Series A Refunding Bonds, net					<u>88,278</u>

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<u>Maturity Date</u> <u>(January 1)</u>	<u>Interest</u> <u>Rate / Yield</u>	<u>Principal</u> <u>Amount</u>	<u>Maturity Date</u> <u>(January 1)</u>	<u>Interest</u> <u>Rate / Yield</u>	<u>Principal</u> <u>Amount</u>
Series B Refunding Bonds					
			2017	5.00%	\$ 1,470
2011	4.50%	\$ 1,115	2018	5.00%	1,540
2012	4.60%	1,165	2019	5.10%	1,620
2013	4.63%	1,215	2020	5.10%	1,700
2014	4.75%	1,270	2021	5.10%	1,785
2015	4.85%	1,335	2022	5.13%	1,880
2016	5.00%	1,400	2023	5.15%	<u>1,975</u>
					19,470
Term Bonds					
2024	5.20%	\$ 2,075	2025	5.20%	<u>\$ 2,185</u>
					<u>4,260</u>
Total par value of Series B Bonds					23,730
Less unamortized bond discount					<u>(232)</u>
Total 2001 Series B Bonds, net					<u>23,498</u>
Total 2001 Port District Project Bonds, net					<u>\$ 111,776</u>

The 2001 Port District Project Bonds are general corporate obligations of the Authority. The 2001 Port District Project Bonds are not secured by a lien or charge on, or pledge of, any revenues or other assets of the Authority other than the monies, if any, on deposit from time to time in the Funds established under the 2001 Port District Project Bond Indenture. No tolls, rents, rates or other such charges are pledged for the benefit of the 2001 Port District Project Bonds.

**Optional Redemption** - The Series A Port District Project Refunding Bonds maturing on or after January 1, 2013 are subject to redemption prior to maturity at the option of the Authority on or after January 1, 2012, in whole at any time, or in part at any time and from time to time, in any order of maturity as specified by the Authority and within a maturity as selected by the Trustee by lot, at a redemption price equal to 100% of the principal amount of such Series A Port District Project Bonds or portions thereof to be redeemed, together with accrued interest to the redemption date.

The issuance of the 2001 Port District Project Refunding Bonds, Series A resulted in a loss of \$16,770 which represents the costs associated with the defeasance or call of the 1999 Port District Project Bonds, Series A. These costs were deferred and will be amortized over the life of the 2001 issue to the year 2021.

**2008 Revenue Refunding Bonds** - On July 25, 2008, the Authority issued \$358,175 in Revenue Refunding Bonds as variable rate demand obligations (VRDO's). The 2008 Refunding Revenue Bonds were issued to provide funds, together with other funds available: (a) to finance the current refunding of \$358,175 aggregate principal amount of the Authority's Revenue Refunding Bonds, Series of 2007, constituting all of the outstanding bonds of such series; and (b) to pay the costs of issuance of the 2008 Revenue Refunding Bonds.

The 2008 Revenue Refunding Bonds were issued pursuant to the Compact, the New Jersey Act, the Pennsylvania Act (as such terms are defined herein) and an Indenture of Trust dated as of July 1, 1998, by and between the Authority and TD Bank, N.A, Cherry Hill, New Jersey, as successor to Commerce Bank, National Association (the "Trustee"), as supplemented by a First Supplemental Indenture dated as of July 1, 1998, a Second Supplemental Indenture dated as of August 15, 1998, a Third Supplemental Indenture dated as of December 1, 1999, a Fourth Supplemental Indenture dated as of October 1, 2007 and a Fifth Supplemental Indenture dated as of July 15, 2008 (the "Fifth Supplemental Indenture") (collectively, the "1998 Revenue Bond Indenture").

The 2008 Revenue Refunding Bonds, together with all other indebtedness outstanding under the 1998 Revenue Bond Indenture and any parity obligations hereafter issued under the 1998 Revenue Bond Indenture, are equally and ratably payable solely from and secured by a lien on and security interest in (i) the Net Revenues described herein, (ii) all moneys, instruments

and securities at any time and from time to time held by the Authority or the Trustee in any Fund created or established under the 1998 Revenue Bond Indenture and (iii) the proceeds of all the foregoing, except for the moneys, instruments and securities held in the 1998 General Fund and the 1998 Rebate Fund. The 2008A Letter of Credit (as defined herein) secures only the 2008A Revenue Refunding Bonds and the 2008B Letter of Credit (as defined herein) secures only the 2008B Revenue Refunding Bonds.

The 2008 Revenue Refunding Bonds outstanding at December 31, 2010 are as follows:

Series A			Series B		
<u>Maturity Date (January 1)</u>	<u>Interest Rate / Yield</u>	<u>Principal Amount</u>	<u>Maturity Date (January 1)</u>	<u>Interest Rate / Yield</u>	<u>Principal Amount</u>
2026	Variable	<u>\$ 164,400</u>	2026	Variable	<u>\$ 182,670</u>
Total par value of 2008 Revenue Refunding Bonds					347,070
Less unamortized loss on defeasance					<u>(8,337)</u>
Total 2008 Revenue Refunding Bonds, net					<u><u>\$ 338,733</u></u>

Interest Rate Mode: Weekly

Rate Determination Date: Generally each Wednesday

Interest Payment Dates: First Business Day of each month

**Optional Redemption** - While in the Weekly Mode, the 2008A Revenue Refunding Bonds are subject to optional redemption by the Authority, in whole or in part, in Authorized Denominations on any Business Day, at redemption price equal to the principal amount thereof, plus accrued interest, if any, to the Redemption Date. While in the Weekly Mode, the 2008B Revenue Refunding Bonds are subject to optional redemption by the Authority, in whole or in part, in Authorized Denominations on any Business Day, at a redemption price equal to the principal amount thereof, plus accrued interest, if any, to the Redemption Date.

**Sinking Fund Redemption** - The 2008 Revenue Refunding Bonds are subject to mandatory redemption in part on January 1 of each year and in the respective principal amounts set forth below at one hundred percent (100%) of the principal amount of 2008 Revenue Refunding Bonds to be redeemed, plus interest accrued to the Redemption Date, from funds which the Authority covenants to deposit in the 2008A Bonds Sinking Fund Account created in the 1998 Debt Service Fund established pursuant to 1998 Revenue Bond Indenture, in amounts sufficient to redeem on January 1 of each year the principal amount of such 2008 Revenue Refunding Bonds for each of the years set forth below:

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**Sinking Fund Installments**

<b><u>January 1</u></b>	<b><u>Series A</u></b>	<b><u>Series B</u></b>	<b><u>Total</u></b>
2011	\$ 5,535	\$ 6,155	\$ 11,690
2012	7,115	7,910	15,025
2013	7,505	8,340	15,845
2014	7,915	8,795	16,710
2015	8,345	9,275	17,620
2016	8,800	9,775	18,575
2017	9,280	10,310	19,590
2018	9,785	10,870	20,655
2019	10,315	11,465	21,780
2020	10,880	12,090	22,970
2021	11,475	12,745	24,220
2022	12,100	13,440	25,540
2023	12,755	14,175	26,930
2024	13,455	14,945	28,400
2025	14,185	15,760	29,945
2026	14,955	16,620	31,575
	<u>\$ 164,400</u>	<u>\$ 182,670</u>	<u>\$ 347,070</u>

**2010 Revenue Refunding Bonds** - On March 31, 2010 the Authority issued \$350,000 in Revenue Refunding Bonds, Series A of 2010, Revenue Refunding Bonds, Series B of 2010 and Revenue Refunding Bonds, Series C of 2010. The 2010 Revenue Refunding Bonds were issued pursuant to the Indenture of Trust dated as of July 1, 1998 by and between the Authority and TD Bank, National Association, Cherry Hill, New Jersey, as successor to Commerce Bank, National Association ("Trustee"), as previously supplemented by five supplemental indentures thereto and as further supplemented by a Sixth Supplemental Indenture ("Sixth Supplemental Indenture") dated as of March 15, 2010 (collectively, "1998 Revenue Bond Indenture"). The 2010 Revenue Refunding Bonds were issued to provide funds, together with other available funds, to (i) currently refund \$349,360 aggregate principal amount of the Authority's outstanding Revenue Bonds, Series of 1999, (ii) fund any required deposit to the 1998 Debt Service Reserve Fund (defined herein), and (iii) pay the costs of issuance of the 2010 Revenue Refunding Bond.

The 2010 Revenue Refunding Bonds outstanding at December 31, 2010 are as follows:

	<b><u>Maturity Date</u></b> <b><u>(January 1)</u></b>	<b><u>Interest</u></b> <b><u>Rate / Yield</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>
Series A	2026	Variable	\$ 150,000
Series B	2026	Variable	150,000
Series C	2026	Variable	<u>50,000</u>
Total par value of 2010 Revenue Refunding Bonds			350,000
Less unamortized loss on defeasance			<u>(5,624)</u>
Total 2010 Revenue Refunding Bonds, net			<u>\$ 344,376</u>

Interest Rate Mode: Weekly

Rate Determination Date: Generally each Wednesday

**Redemption Prior to Maturity**

The 2010 Revenue Refunding Bonds shall be subject to redemption prior to maturity as follows:

**Optional Redemption** - While in the Weekly Mode, each Series of the 2010 Revenue Refunding Bonds is subject to optional redemption by the Authority, in whole or in part, in Authorized Denominations on any Business Day, at a redemption price equal to the principal amount thereof, plus accrued interest, if any, to the applicable Redemption Date.

The issuance of the 2010 Revenue Refunding Bonds resulted in a loss of \$5,624 which represents the costs associated with the defeasance or call of the 1999 Revenue Bonds. These costs were deferred and will be amortized over the life of the 2010 issue to the year 2025.

**Mandatory Sinking Fund Redemption** - The 2010 Revenue Refunding Bonds are subject to mandatory redemption in part on January 1 of each year and in the respective principal amounts set forth below at 100% of the principal amount of 2010 Revenue Refunding Bonds to be redeemed, plus interest accrued to the Redemption Date, from funds which the Authority covenants to deposit in the 2010A Bonds Sinking Fund Account, 2010B Bonds Sinking Fund Account, and 2010C Bonds Sinking Fund Account created in the 1998 Debt Service Fund established pursuant to 1998 Revenue Bond Indenture, in amounts sufficient to redeem on January 1 of each year the principal amount of such 2010 Revenue Refunding Bonds for each of the years set forth below:

**Sinking Fund Installments**

<u>January 1</u>	<u>Series A</u>	<u>Series B</u>	<u>Series C</u>	<u>Total</u>
2014	\$ 5,460	\$ 5,460	\$ 1,825	\$ 12,745
2015	8,700	8,700	2,900	20,300
2016	9,195	9,195	3,070	21,460
2017	9,730	9,730	3,240	22,700
2018	10,280	10,280	3,430	23,990
2019	10,875	10,875	3,625	25,375
2020	11,500	11,500	3,830	26,830
2021	12,160	12,160	4,055	28,375
2022	12,855	12,860	4,285	30,000
2023	13,595	13,595	4,530	31,720
2024	14,375	14,375	4,790	33,540
2025	15,200	15,200	5,065	35,465
2026	16,075	16,070	5,355	37,500
	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 50,000</u>	<u>\$ 350,000</u>

**2010 Revenue Bonds** - On July 15, 2010, The Authority issued its Revenue Bonds, Series D of 2010 (the "2010 Revenue Bonds"). The 2010 Revenue Bonds were issued by means of a book-entry-only system evidencing ownership and transfer of 2010 Revenue Bonds on the records of The Depository Trust Company, New York, New York ("DTC"), and its participants. Interest on the 2010 Revenue Bonds will be payable semi-annually on January 1 and July 1 of each year commencing January 1, 2011 (each an "Interest Payment Date").

The 2010 Revenue Bonds were issued pursuant to the Compact, the New Jersey Act, the Pennsylvania Act (as such terms are defined herein) and an Indenture of Trust, dated as of July 1, 1998, by and between the Authority and TD Bank, National Association, Cherry Hill, New Jersey, as successor to Commerce Bank, National Association (the "Trustee"), as supplemented by a First Supplemental Indenture, dated as of July 1, 1998, a Second Supplemental Indenture, dated as of August 15, 1998, a Third Supplemental Indenture, dated as of December 1, 1999, a Fourth Supplemental Indenture, dated as of October 1, 2007, a Fifth Supplemental Indenture, dated as of July 15, 2008, a Sixth Supplemental Indenture, dated as of March 15, 2010, and a Seventh Supplemental Indenture, dated as of July 1, 2010 (collectively, the "1998 Revenue Bond Indenture"). The 2010 Revenue Bonds were issued for the purpose of: (i) financing a portion of the costs of the Authority's approved Capital Improvement Program; (ii) funding the Debt Service Reserve Requirement for the 2010 Revenue Bonds; and (iii) paying the costs of issuance of the 2010 Revenue Bonds (Series D). (Note: As per its 2008 Reimbursement Resolution, upon issuance of the 2010 Revenue Bonds, the Authority reimbursed its General Fund, for approximately \$100 million, for prior capital expenditures made during the period October 2008 through July 2010).

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The 2010 Revenue Bonds are limited obligations of the Authority and are payable solely from the sources referred to in the 2010 Revenue Bonds and the 1998 Revenue Bond Indenture. Neither the credit nor the taxing power of the Commonwealth of Pennsylvania (the "Commonwealth") or the State of New Jersey (the "State") or of any county, city, borough, village, township or other municipality of the Commonwealth or the State is or shall be pledged for the payment of the principal, redemption premium, if any, or interest on the 2010 Revenue Bonds. The 2010 Revenue Bonds are not and shall not be deemed to be a debt or liability of the Commonwealth or the State or of any such county, city, borough, village, township or other municipality, and neither the Commonwealth nor the State nor any such county, city, borough, village, township or other municipality is or shall be liable for the payment of such principal or, redemption premium, or interest. The Authority has no taxing power.

**Mandatory Sinking Fund Redemption** - The 2010 Revenue Bonds maturing January 1, 2035 and January 1, 2040 are subject to mandatory redemption prior to maturity by the Authority, in part, on January 1 of each year in the respective principal amounts set forth below at 100% of the principal amount thereof, plus accrued interest to the Redemption Date from sinking fund installments which are required to be paid in amounts sufficient to redeem on January 1 of each year the principal amount of such 2010 Revenue Bonds specified for each of the years set forth below. Payment of principal and interest on the 2010 Revenue Bonds (the "2010 Insured Bonds"), in the principal amount of \$60,000 maturing January 1, 2040 is guaranteed under an insurance policy issued by Assured Guaranty Municipal Corp. (formerly known as Financial Security Assured, Inc.).

<u>Maturity Date</u> <u>(January 1)</u>	<u>Interest</u> <u>Rate / Yield</u>	<u>Principal</u> <u>Amount</u>	<u>Maturity Date</u> <u>(January 1)</u>	<u>Interest</u> <u>Rate / Yield</u>	<u>Principal</u> <u>Amount</u>
Serial Bonds					
			2027	5.00%	\$ 3,465
			2028	5.00%	17,210
			2029	5.00%	18,070
			2030	5.00%	<u>18,975</u>
					<u>57,720</u>
Term Bonds					
2031	5.00%	\$ 16,245	2036	5.00%	\$ 14,575
2031	5.05%	3,675	2036	5.00%	10,860
2032	5.00%	17,055	2037	5.00%	15,310
2032	5.05%	3,865	2037	5.00%	11,400
2033	5.00%	17,905	2038	5.00%	16,075
2033	5.05%	4,060	2038	5.00%	11,970
2034	5.00%	18,810	2039	5.00%	16,875
2034	5.05%	4,260	2039	5.00%	12,570
2035	5.00%	19,750	2040	5.00%	17,720
2035	5.05%	4,475	2040	5.00%	<u>13,200</u>
					<u>250,655</u>
Total par value of 2010 Revenue Bonds					308,375
Less unamortized bond discount					<u>(599)</u>
Total 2010 Revenue Bonds, net					<u>\$ 307,776</u>

**Optional Redemption** - The 2010 Revenue Bonds are subject to redemption at the option of the Authority, prior to maturity, in whole or in part (and if in part, in such order of maturity or within a maturity as the Authority shall specify, or if the Authority shall fail to specify, by lot or by such other method as the Paying Agent determines to be fair and reasonable and in any principal amount in Authorized Denominations) at any time on or after January 1, 2020. Any such redemption shall be made at a redemption price equal to 100% of the principal amount of the 2010 Bonds to be redeemed, plus accrued interest to the Redemption Date.

The following recapitulates the principal and interest due on all bonds outstanding as of December 31, 2010:

<b>Year Ending December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 42,675	\$ 38,507	\$ 81,182
2012	45,225	37,404	82,629
2013	46,700	35,693	82,393
2014	50,170	33,810	83,980
2015	53,310	32,497	85,807
2016-2020	315,445	145,456	460,901
2021-2025	421,705	110,780	532,485
2026-2030	167,425	74,573	241,998
2031-2035	110,100	49,466	159,566
2036-2040	140,555	18,255	158,810
	<u>1,393,310</u>	<u>\$ 576,441</u>	<u>\$ 1,969,751</u>
Net unamortized bond discounts, premiums, and loss on defeasance	<u>(24,381)</u>		
	<u>\$ 1,368,929</u>		

Interest on the 1998, 1999, 2001 and 2010 Revenue Bonds is payable semi-annually on January 1 and July 1 in each year. Interest on the 2008 and 2010 Revenue Refunding Bonds is payable monthly on the first business day of each month. Interest expense includes interest on the bonds and amortization of bond discounts and loss on defeasance.

Total funded debt and long-term debt as of December 31, 2010 totaled \$1,368,929 of which \$42,675 is short term and \$1,326,254 is long term. The Authority is current on all of its monthly debt service payments on all obligations.

**Debt Authorized but not Issued** - In September 2009, as a result of UBS' exercise of its option on the underlying swaption, the Authority's Board approved Resolution DRPA-09-065 authorizing either the: refunding of the 1999 B Port District Project Bonds, cash settlement (termination), or issuance of any necessary interest rate agreements. The swap was terminated in January 2010, but no action with regards to refunding has occurred.

At its November 2009 Board meeting, the Authority's Board approved the following resolutions related to its outstanding bonds and its proposed "new money issuance" to fund its 2010 Capital Program:

1. DRPA-09-064 authorized the Authority to issue new revenue bonds, up to a maximum of \$510 million to fund a portion of the 2010 Capital Plan. (This resolution rescinded the earlier "new money" authorization passed in October 2008.) The new bonds can be issued as fixed or variable rate bonds, along with any interest rate hedge agreements, if necessary. The DRPA issued \$308 million in fixed rate bonds in July 2010, pursuant to this resolution.
2. DRPA-09-066 authorized the Authority to refund the 1999 Revenue Bonds (as either fixed or variable rate bonds), issue any necessary interest rate hedge agreements, if necessary, or to terminate the swap. These bonds were partially redeemed with the issuance of \$350 million in 2010 Revenue Refunding Bonds on March 31, 2010.
3. DRPA-09-067 authorized the Authority to: refund the 1998B Port District Project Bonds, as tax exempt or taxable, fixed or variable rate bonds, to achieve debt service savings and to issue any necessary interest rate hedge agreements to hedge interest costs. (Note: No further actions have been taken with regards to these bonds)

**Bond Ratings - Moody's Investors Service Bond Ratings** - In September 2007, concurrent with the issuance of the 2007 Revenue Refunding Bonds, Moody's affirmed the Authority's existing underlying ratings on all revenue and port district project bonds (which were A3 and Baa3, respectively) and assigned a rating of A3 to the 2007 Revenue Refunding Bonds. In addition, Moody's revised its outlook on the Authority's bonds to "stable".

Concurrent with the issuance of \$358 million in Revenue Refunding Bonds on July 9, 2008, Moody's assigned an A3 rating to the new issue, with a "stable outlook". Moody's also affirmed the A3 ratings on all outstanding revenue bond debt issued under the 1998 Indenture, and its Baa3 ratings on all existing port district project bonds.

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Concurrent with the issuance of \$350 million in revenue refunding bonds on March 31, 2010, in its report dated March, 2010, Moody's assigned its A3 underlying ratings to the Authority's 2010 Revenue Refunding Bonds Series (A thru C). Moody's affirmed its 'A3 underlying ratings, on the Authority's existing revenue bond debt, and the 'Baa3' long term ratings on its PDP Bonds. The outlook was changed from "stable" to a "negative outlook" on all of the Authority's bonds.

Concurrent with the issuance of \$308.4 million in revenue bonds on July 15, 2010, in its report dated May 4, 2010, Moody's assigned its A3 underlying ratings to the Authority's 2010 Revenue Bonds (Series D). Moody's affirmed its 'A3 underlying ratings, on the Authority's existing revenue bond debt, and the 'Baa3' long term ratings on its PDP Bonds. (Note: Moody's also assigned a rating of Aa3 "negative outlook" to the 2010 Insured Revenue Bonds). As of December 31, 2010, all Authority bonds remain with a negative outlook.

*Standard & Poor's Ratings Services Bond Ratings* - On October 2, 2007, concurrent with the issuance of the 2007 Revenue Refunding Bonds, S&P affirmed the Authority's existing underlying BBB+ ratings on all revenue bonds and assigned a rating of BBB+ to the 2007 Revenue Refunding Bonds. S&P also affirmed its BBB- underlying ratings on all port district project bonds and revised its outlook on the Authority's bonds to "stable from negative."

On July 8, 2008, concurrent with the issuance of the 2008 Revenue Refunding Bonds described herein, S&P assigned its BBB+ rating to the new bonds. S&P also affirmed its BBB+ underlying ratings on all outstanding revenue bonds and revised its outlook on these bonds from "stable" to "positive". S&P also affirmed its BBB- ratings on all Port District Project Bonds, which carry a "stable" outlook.

On July 13<sup>th</sup>, 2009, S & P raised the underlying rate (SPUR) on all of the Authority's revenue / revenue refunding bonds from BBB + to A- with a stable outlook. S & P reaffirmed the existing BBB- ratings on the port district project bonds with a "positive outlook".

Concurrent with the issuance of \$350 million in revenue refunding bonds on March 31, 2010, in its report dated February 24, 2010, S&P assigned its 'A-' underlying rating (SPUR) to the Authority's 2010 Revenue Refunding Bond Series A thru C. S&P affirmed its 'A-' underlying ratings, on the Authority's existing revenue bond debt, and the 'BBB'- long term ratings on its PDP Bonds. The outlook remained as "stable".

Concurrent with the issuance of \$308.4 million in revenue bonds on July 15, 2010, in its report dated May 4, 2010, S&P assigned its 'A-' underlying rating (SPUR) to the Authority's 2010 Revenue Bonds (Series D). S&P affirmed its 'A-' underlying ratings, on the Authority's existing revenue bond debt, and the 'BBB'- long term ratings on its PDP Bonds. (Note: S&P also assigned a rating of AAA "negative outlook" to the 2010 Insured Revenue Bonds). As of December 31, 2010, the outlook remains as "stable" on all of the Authority's bonds.

*Ratings on Jointly Supported Transactions* - Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), initially assigned their municipal bond ratings to the 2008 Revenue Refunding Bonds as set forth in the following chart based upon the understanding that upon delivery of the 2008A Revenue Refunding Bonds or 2008B Revenue Refunding Bonds, the respective Letter of Credit securing the payment when due of the principal of, or purchase price of 2008A Revenue Refunding Bonds or 2008B Revenue Refunding Bonds tendered for purchase and not otherwise remarketed and interest on the 2008A Revenue Refunding Bonds or 2008B Revenue Refunding Bonds will be delivered by Bank of America, N.A. and TD Bank, N.A., respectively.

		<u>Long-term</u>	<u>Short-term</u>
2008A Revenue Refunding Bonds	Moody's:	Aaa	VMIG 1
	S&P:	AA+	A-1+
2008B Revenue Refunding Bonds	Moody's:	Aaa	VMIG 1
	S&P:	AA-	A-1+

The long-term ratings assigned by Moody's and S&P reflect each organization's approach to rating jointly supported transactions and are based upon the Direct Pay Letters of Credit provided by Bank of America, N.A for the 2008A Revenue Refunding Bonds and TD Bank, N.A. for the 2008B Revenue Refunding Bonds. Since a loss to a bondholder of a 2008A Revenue Refunding Bond or a 2008B Revenue Refunding Bond would occur only if both the bank providing the applicable Letter of Credit and the Authority default in payment, Moody's and S&P have assigned a long-term rating to the 2008 Revenue Refunding Bonds based upon the joint probability of default by both applicable parties. In determining the joint probability of default, Moody's considers the level of correlation between the bank providing the applicable Letter of Credit and the Authority. Moody's has determined that there is a low level of correlation between the bank providing the applicable Letter of Credit and the Authority. Given this correlation, Moody's believes the joint probability of default results in credit risk consistent with a Aaa rating for the 2008 Revenue Refunding Bonds.

No provider of a Letter of Credit is obligated to maintain its present or any other credit rating and shall have no liability if any such credit rating is lowered, withdrawn, or suspended.

In May 2009, the Authority was advised that Standard & Poor's Ratings Services has updated its methodology and assumptions for rating "jointly supported obligations" when each obligor is fully responsible for the entire obligation. In this situation, a default on the obligation would occur only if both obligors default. As a result, in its report dated April 22, 2009 ("*List of U.S. Public Finance Ratings Placed on CreditWatch Positive As A Result of Joint-Supported Criteria Update*"), S&P changed its ratings on the 2008 Revenue Refunding Bonds (Series A), supported by a Letter of Credit by Bank of America, N.A., from AA+/A-1+ to A+/A-1.

### 13. CURRENT REFUNDING OF DEBT

As detailed in Note 12, on March 31, 2010, the Authority issued \$350,000 in Revenue Refunding Bonds to currently refund \$349,360 aggregate principal amount of the Authority's outstanding 1999 Revenue Bonds. The refunding was executed by the Authority to manage the interest rate risk related to the counterparty's (USB AG) exercising of the 1999 Revenue Bonds Swaption, which was effective on January 1, 2010.

As a result of the current refunding of the 1999 Revenue Bonds, the Authority incurred a loss on defeasance of \$5,624, which has been recorded as a contra-asset account against the noncurrent liability of bonded debt, and is being amortized as a component of interest expense over the life of the newly issued, refunding debt.

The following schedule details the difference between the cash flow required to service the old debt (the refunded portion of the 1999 Revenue Bonds) and the new debt (2010 Revenue Refunding Bonds). In addition, the economic loss from the refunding, which represents the difference between the present value of the aforementioned old debt service and the present value of the aforementioned new debt service requirements, discounted at the effective interest rate of 5.0%, adjusted for any additional cash, is as follows:

#### Cash Flow Difference

Old debt service cash flows		\$ 569,719
New debt service cash flows	\$ 563,926	
Add: Authority contribution	5,863	
Add: Refunding Expenses	<u>60,726</u>	
		<u>630,515</u>
		<u><u>\$ (60,796)</u></u>

#### Economic Gain (Loss)

Present value of cash flow difference		<u><u>\$ (46,050)</u></u>
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### 14. CONDUIT DEBT OBLIGATIONS

The Authority is authorized to plan, finance, develop, acquire, construct, purchase, lease, maintain, market, improve and operate any project within the Port District including, but not limited to, any terminal, terminal facility, transportation facility, or any other facility of commerce or economic development activity, from funds available after appropriate allocation for maintenance of bridge and other capital facilities. Utilizing this authorization, the Authority has issued certain debt bearing its name to lower the cost of borrowing for specific governmental entities. This debt is commonly referred to as conduit (or non-commitment) debt. Typically, the debt proceeds are used to finance facilities within the Authority's jurisdiction that are transferred to the third party either by lease or by sale. The underlying lease or mortgage loan agreement, which serves as collateral for the promise of payments by the third party, calls for payments that are essentially the same as those required by the debt. These payments are made by the third-party directly to an independent trustee, who is appointed to service and administer the arrangement. The Authority assumes no responsibility for repayment of this debt beyond the resources provided by the underlying leases or mortgage loans.

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As of December 31, 2010, there was one series of Charter School Project Bonds outstanding, issued for the LEAP Academy Charter School, Inc. The corresponding aggregate principal totaling \$8,500 is treated strictly as conduit debt obligations under Interpretation No. 2 of the Governmental Accounting Standards Board (GASB) and accordingly is not included in the financial statements. The following schedule details the series together with the amount outstanding:

<u>Issue</u>	<u>Issue Date</u>	<u>Issued Amount</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Paid</u>	<u>Ending Balance</u>
Charter School Project Bonds, Series 2003	09/01/03	\$ 8,500	<u>\$ 7,570</u>	<u>-</u>	<u>\$ 260</u>	<u>\$ 7,310</u>

**15. GOVERNMENT CONTRIBUTIONS FOR CAPITAL IMPROVEMENTS, ADDITIONS AND OTHER PROJECTS**

The Authority receives contributions in aid for financing capital improvements to the rapid transit system from the Federal Transit Administration and New Jersey Transit. Capital improvement grant funds of \$20,603 and \$11,443 were received in 2010 and 2009, respectively. The Authority receives federal and state grants for specific construction purposes that are subject to review and audit by the grantor agencies. Although such audits could result in disallowances under terms of the grants, it is the opinion of management that any required reimbursements will not be material to the Authority's net assets.

**16. CONTINGENCIES**

Public Liability claim exposures are self-insured by the Authority within its self insured retention limit of \$5 million for each occurrence, after which, exists a \$25 million limit of Claims made Excess Liability insurance per occurrence, and in the aggregate, to respond to any large losses exceeding the retention. The Authority, excluding PATCO, self-insures the initial \$1 million limit, per accident, for Workers' Compensation claims, after which a \$5 million limit of Excess Workers' Compensation insurance is retained to respond to significant claims. PATCO is completely self-insured for Workers' Compensation claims.

The Authority is involved in various actions arising in the ordinary course of business and from workers' compensation claims. In the opinion of management, the ultimate outcome of these actions will not have a material adverse effect on the Authority's combined financial position and combined results of operations.

The Authority reviews annually and where appropriate adjusts policy loss limits and deductibles as recommended by our insurance consultants in response to prevailing market conditions, loss experience, and revenues. Policy loss limits are established with the professional assistance of independent insurance and engineering consultants to ensure that sufficient coverage exists to accommodate the maximum probable loss that may result in the ordinary course of business. In addition, the amounts of settlements for the last three years have not exceeded the insurance coverage provided in those years.

Self-insurance

	<u>2010</u>	<u>2009</u>
Beginning balance	\$ 4,946	\$ 5,086
Incurred claims	2,938	2,361
Payment of claims	(3,693)	(2,501)
Other - administrative fees, recoveries	-	-
Ending balance	<u>\$ 4,191</u>	<u>\$ 4,946</u>

**17. COMMITMENTS**

**A. Development Projects** - In accordance with the economic development powers and responsibilities granted to the Authority by its amended compact, the Board of Commissioners authorized the Authority to participate in the funding of certain projects or activities of various organizations in support of regional economic development. The funding of these projects is provided through loans, grants or other means. The Authority formalizes its participation with these organizations by written agreement, and may retain a legal or equitable interest in certain projects. The Authority has established a loss reserve in the amount of \$1,345 for its economic development loans outstanding.

In support of various economic development projects, the Authority had entered into loan guarantees with various banks to complete the financing aspects of a particular project. The Authority's Board has authorized loan guarantees in an amount not to exceed \$27,000.

As of December 31, 2010, the Authority had executed loan guarantees with various banks, totaling \$21,500. The loan guarantees include: L3 Communications (\$10.0 million), World Trade Center (\$8.0 million), and the Home Port Alliance (\$1.0 million). These guarantees all remain in force; however, the Authority has made no cash outlays relating to these guarantees.

**L3 Communications Loan Guaranty** - At its March 2010 meeting, the Authority's Board approved a modification of the \$10 million guarantee relating to a letter of credit (LOC) supporting the L3 Communications project in order to accommodate a change in the bank providing the letter of credit, following the expiration of the original LOC. The guarantee survives the expiration of the original LOC. Following the modification, in April 2010, NJ EDA provided a \$20 million guarantee to the LOC provider, while the Authority provided a \$10 million guarantee in favor of NJ EDA, (and not the bank). The changes in the guarantee do not increase exposure or risk. As was the case with the original guarantee, the Authority's guarantee will be accessed only if NJ EDA must pay more than \$10 million on its guarantee.

**FastShip Loan Guaranty** - Since 1994, the Authority has guaranteed a \$3.5 million loan from Mellon Bank to FastShip, which guarantee is now held by Citizens Bank. No revenues or assets of the Authority have been pledged to secure the guarantee. The guarantee has been extended on several occasions and it remains in full force. In May of 2010, Citizens Bank demanded payment under the guarantee. On June 30<sup>th</sup>, 2010, as a result of discussions between the Authority and Citizens Bank, the Authority made a payment of \$3.54 million from its 1998 General Fund in full satisfaction of the Authority's obligation under the guarantee. As a result of such payment, the guarantee has been terminated and the Authority has no further obligations to Citizens Bank with regard to FastShip. The Authority has acquired Citizens Bank's security priority.

**B. Leases** - The Authority currently leases certain subway properties from the City of Philadelphia (City) for use by the PATCO high-speed transit system. During 1995, the Authority and City agreed to amend and extend the lease agreement, which will now expire on December 21, 2050. For the lease years 1998 through 2000, the Authority was required to pay \$1,000 in base rent to the City and \$6,000 annually in Special Economic and Community Development Grants (SECD Grants) to the City. In 2010, the base rent payable to the City totaled \$2,973 as adjusted for the cumulative increases in the Consumer Price Index (CPI) between 1999 and 2009. Base rent payments for 2011 through 2017 shall equal the previous year's base rent adjusted by any increase in the CPI for that year. For the years 2018 through 2050, annual base rent shall equal one dollar. No SECD Grants are payable to the City for the lease years 2001 through 2050.

In addition, for the duration of the lease the Authority is required to annually create a PATCO Community Impact Fund in the amount of \$500, with payment of such fund to be divided annually between communities within the Commonwealth and the State, based on PATCO track miles in the respective states. The significant minimum lease commitments, based on current operations and including future adjustments for CPI, are as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 3,612
2013	3,665
2014	3,720
2015	3,775

**C. Letters of Credit** - In May 2008, the Authority entered into two new separate irrevocable standby Letter of Credits with TD Bank, N.A. (formerly Commerce Bank) and Wachovia Bank in support of the Authority's "Owner Controlled Insurance Program (OCIP)." Under this program, the Authority purchased coverage for all contractors working on major construction projects.

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The Letter of Credit with Wachovia Bank is for a four-year term in the amount of \$5,000 with an expiration date of May 7, 2012. The Letter of Credit with TD Bank, N.A. (formerly Commerce Bank) is in an initial amount of \$3,015 and automatically increases annually each May, in the amount of \$816, until its expires on May 7, 2012.

As of December 31, 2010, the unused amount of the Letter of Credits totaled \$9,647. No draw downs have been made against any Letter of Credit.

***Direct Pay Letters of Credit (2008 Revenue Refunding Bonds)***

The Authority’s 2008 Revenue Refunding Bonds (Series A and B), are secured by irrevocable transferable Direct Pay Letters of Credit (DPLOC) issued by two credit providers, the Bank of America, N.A. and TD Bank, N.A, in the initial amounts of \$172.6 million and \$191.8 million, respectively. The Authority entered into separate Reimbursement Agreements with each credit provider to facilitate the issuance of said DPLOCs.

Each Letter of Credit is in an original stated amount which is sufficient to pay the unpaid principal amount of and up to fifty-three (53) days’ of accrued interest (at a maximum interest rate of 12%) on the related 2008A Revenue Refunding Bonds or 2008B Revenue Refunding Bonds, when due, and the Purchase Price of the 2008A Revenue Refunding Bonds or the 2008B Revenue Refunding Bonds tendered or deemed tendered for purchase and not remarketed. The Credit Provider for the 2008A Revenue Refunding Bonds is only responsible for payments with respect to the 2008A Revenue Refunding Bonds for which the 2008A Letter of Credit was issued and the Credit Provider for the 2008B Revenue Refunding Bonds is only responsible for payments with respect to the 2008B Revenue Refunding Bonds for which the 2008B Letter of Credit was issued. The 2008A Letter of Credit and the 2008B Letter of Credit were renewed in July of 2010 to expire in July of 2013.

As described in the Official Statement for the 2008 Revenue Refunding Bonds, “any draw under a Letter of Credit for principal, interest or Purchase Price creates a reimbursement obligation on the part of the Authority that is secured by the 1998 Revenue Bond Indenture on a parity basis with the 2008 Revenue Refunding Bonds.” (Additional information related to this transaction and the accompanying Letters of Credit can be found under Note 12).

The 2008 Direct Pay Letters of Credit were renewed with the Bank of America and TD Bank N.A, in July 2010 for a three-year period ending in July 2013. Pursuant to the Amendatory Agreements to the respective Reimbursement Agreement with each bank, the Authority cannot request a replacement DPLOC prior to July 2012, unless a termination fee is paid to the banks.

*Letter of Credit Provider Ratings* - Ratings for these banks, as of December 31, 2010, are shown below:

	Long-Term		Short-Term	
	Moody’s	S&P	Moody’s	S&P
Bank of America, N.A. (Series A)	Aa3 Negative	A+ Negative	P-1	A-1
TD Bank (Series B)	Aa2 Negative	AA- Stable	P-1	A-1+

***Direct Pay Letters of Credit (2010 Revenue Refunding Bonds)***

The Authority’s 2010 Revenue Refunding Bonds (Series A,B and C), are secured by irrevocable transferable Direct Pay Letters of Credit (DPLOC) issued by three credit providers, the Bank of America, N.A., JP Morgan Chase Bank, National Association and PNC Bank, National Association in the initial amounts of \$152.6 million , \$152.6 million and \$50.9 million, respectively. The Authority entered into separate Reimbursement Agreements with each credit provider to facilitate the issuance of said DPLOCs.

Each Letter of Credit will be an irrevocable transferable direct-pay obligation of the respective issuing Credit Provider to pay to the Trustee, upon request and in accordance with the terms thereof, amounts sufficient to pay the unpaid principal amount and up to fifty-three (53) days' (or such greater number of days as required by the rating agencies) days' accrued interest (at the maximum interest rate of 12%) on the related 2010 Revenue Refunding Bonds, 2010 Revenue Refunding Bonds or 2010 Revenue Refunding Bonds when due, whether at the stated maturity thereof or upon acceleration or call for redemption, and amounts sufficient to pay the Purchase Price of the 2010 Revenue Refunding Bonds, the 2010 Revenue Refunding Bonds or the 2010 Revenue Refunding Bonds, as applicable, tendered for purchase and not remarketed. A draw under a Letter of Credit for principal and interest or Purchase Price creates a Reimbursement Obligation (as defined in the 1998 Revenue Bond Indenture) on the part of the Authority.

Each Letter of Credit will expire on the earliest to occur of any of the following under the applicable Letter of Credit (the "Termination Date"): (i) the close of business on March 29, 2013 or if such date is extended pursuant to the terms of the corresponding Reimbursement Agreement, the date as so extended; (ii) earlier of (A) the date which is five (5) days following the date on which all of the applicable Series of 2010 Revenue Refunding Bonds are converted to a mode other than the Weekly Mode or (B) the date on which the Credit Provider honors a drawing under the Letter of Credit on or after the Conversion Date (as defined in each Letter of Credit); (iii) the date which is five (5) days following receipt by the Credit Provider of written notice from the Authority that no 2010 Revenue Refunding Bonds of the applicable Series remain outstanding, within the meaning of the 1998 Revenue Bond Indenture, all drawings required to be made under the 1998 Revenue Bond Indenture and available under the Letter of Credit have been made and honored or an Alternate Credit Enhancement has been issued to replace the Letter of Credit pursuant to the 1998 Revenue Bond Indenture and the Reimbursement Agreement; and (iv) the date which is fifteen (15) days following the date the Trustee receives a written notice from the Credit Provider specifying the occurrence of an "Event of Default" under the Reimbursement Agreement and directing the Trustee to cause a mandatory tender of the applicable Series of 2010 Revenue Refunding Bonds. (Additional information related to this transaction and the accompanying Letters of Credit can be found under Note

*Letter of Credit Provider Ratings* -. Ratings for these banks, as of December 31, 2010, are shown below:

	Long-Term		Short-Term	
	Moody's	S&P	Moody's	S&P
JP Morgan Chase Bank N.A. (Series A)	Aa1 Negative	AA- Stable	P-1	A-1
Bank of America, N.A. (Series B)	Aa3 Negative	A+ Negative	P-1	A-1
PNC Bank, N.A. (Series C)	A2 Positive	A+ Stable	VMIG1	A-1

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**D. Contractual Commitments** - As of December 31, 2010, the Authority had board-approved capital projects with remaining balances as follows (in thousands):

	<u><b>Total</b></u>
<b>Benjamin Franklin Bridge:</b>	
Deck truss rehabilitation	\$17,714
Structural improvements	10,656
Engineering services- program management	11,914
Engineering services- task orders	4,408
Other	595
<b>Walt Whitman Bridge:</b>	
Permit vehicle staging area	1,927
Deck condition assessment and design	119,565
Replacing of variable message signs	357
Other	670
<b>Commodore Barry Bridge:</b>	
Structural repairs	20,441
Fender replacement	2,141
Lighting and security improvements	1,420
Other	417
<b>Betsy Ross Bridge:</b>	
Structural repairs	15,001
Other	121
<b>PATCO System:</b>	
Lindenwold yard diamond crossover	1,906
Car Overhaul program	200,674
Power cable and pole line replacement	21,261
Track rehab across BFB	2,747
Bridge painting and structural repairs	6,928
Parking lots paving and repairs	1,639
Concourse improvements	4,938
Other	2,913
<b>Other:</b>	
Ferry System	271
	<u><u>\$450,624</u></u>

**18. BRIDGE AND PATCO FARE SCHEDULES**

At its monthly August 2008 commission meeting, the Authority's Board approved changes to the DRPA's bridge toll schedule and PATCO's passenger fare schedule. The increases were enacted to fund the Authority's on-going 5-year \$ 1.1 billion capital plan. (The Board Resolution includes language stating that no proceeds from toll schedule changes can be used for regional economic development purposes.)

Effective September 14, 2008 tolls for passenger cars increased from \$3 to \$4, with commercial truck pricing increasing by \$1.50 /axle, across all commercial vehicle classes. The commuter discount was adjusted to provide commuters with a \$12 discount for 18 trips during the month and the E-ZPass discount for commercial vehicles was eliminated. (The commuter discount will ultimately be phased out in 2011). Senior citizen discount program was restructured to include an increase of the toll from \$1 to \$2 for manual tolls. Senior citizens utilizing E-ZPass are subject to a \$1.75 toll, a discount of \$0.25 per trip. As of December 31, 2008, sale of the senior discount coupons were discontinued, although coupons can still be used.

The toll schedule is shown below:

	<u>Old Schedule</u>	<u>New Schedule</u>	<u>Increase</u>
Class 1 - Motorcycle	\$2.00	\$4.00	\$2.00
Class 2 - Automobile	3.00	4.00	1.00
Class 3 - Two Axle Trucks	9.00	12.00	3.00
Class 4 - Three Axle Trucks	13.50	18.00	4.50
Class 5 - Four Axle Trucks	18.00	24.00	6.00
Class 6 - Five Axle Trucks	22.50	30.00	7.50
Class 7 - Six Axle Trucks	27.00	36.00	9.00
Class 8 - Bus	4.50	6.00	1.50
Class 9 - Bus	6.75	9.00	2.25
Class 10 - Senior Citizen (With 2 Tickets Only)	1.00	2.00	1.00
Class 13 - Auto w/trailer (1 axle)	5.25	6.00	0.75

Effective September 1, 2009, the commuter discount was adjusted to prorate commuters with a six dollar for eighteen trip discount during the month. The commuter discount program was originally scheduled to end as of September 2010. The program was later extended until July 1, 2011, at which point it will expire.

At its 2009 December Board meeting, the Authority's Board approved a 10-month delay in the implementation of the previously scheduled September 1, 2010 toll increase. The next toll increase is now scheduled for a July 1, 2011 implementation date.

On August 25, 2010, the Authority's Board approved a resolution to postpone the: 1) elimination of the E-ZPass commuter discount (\$6/18 trips), 2) elimination of the green discount and the, 3) \$0.25 increase in senior citizens discount until July 1, 2011.

*PATCO Passenger Fares:* In addition, effective September 14th, 2008, PATCO's passenger fares increased by 10% across all zones. The fare schedule is shown below:

	<u>Old Schedule</u>	<u>New Schedule</u>	<u>Increase</u>
Lindenwold/Ashland/Woodcrest	\$2.45	\$2.70	\$0.25
Haddonfield/West Haddonfield/Collingswood	2.15	2.35	0.20
Ferry Avenue	1.85	2.05	0.20
New Jersey	1.30	1.45	0.15
City Hall/Broadway/Philadelphia	1.15	1.25	0.10
Off-peak Reduced Fare Program	0.57	0.62	0.05

As noted above, PATCO has a federally mandated reduced off-peak fare program for "elderly persons and persons with disabilities". These off-peak rates increased from \$0.57/trip to \$0.62/trip.

At its December 2009 meeting, the Authority's Board approved a delay in the implementation of the previously scheduled 10% fare increase from September 1, 2010 to January 1, 2011. At a December 2010 Board meeting, the Authority's Board approved another delay in the fare increase from the revised date of January 1, 2011 to July 1, 2011.

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**19. RECLASSIFICATION IN PRESENTATION OF COMPARATIVE STATEMENTS**

For the year ended December 31, 2010, the Authority was required to implement Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, with retroactive implementation for the year ended December 31, 2009. As a result of the retroactive implementation to the year ended December 31, 2009, net assets, as of January 1, 2009, was restated as follows:

Net Assets, January 1, 2009 ( <i>as previously reported</i> )		\$ 334,679
Recording of Derivative Instruments (Fair Value) at Jan. 1, 2009	\$ (1,407)	
Recording of Up-Front Premium Payment (Borrowing) at Jan. 1, 2009	(61,229)	
Recognition of Unamortized Termination Payments at Jan. 1, 2009	<u>(13,221)</u>	
		(75,857)
Recognition of Unamortized Exercise Premium at Jan. 1, 2009		<u>652</u>
Net Assets, January 1, 2009 ( <i>Restated</i> )		<u><u>\$ 259,474</u></u>

**20. SUBSEQUENT EVENTS**

**US Vision Loan** - As of December 31, 2010 the DRPA had a loan receivable from US Vision in the amount of \$2.03 million. In February 2011, the Authority was advised that US Vision was interested in fully repaying its loan which was restructured based on a May 2010 Board Resolution. U.S. Vision repaid the remaining loan balance and all accrued interest, in its entirety, on March 23, 2011.

**Cruise Terminal** - In its Board Resolution DRPA# 11-003 dated January 5, 2011, the Authority's Board approved the closure of the Cruise Terminal in mid-2011, and, subsequently, the Authority has executed a termination agreement with The Philadelphia Authority for Industrial Development (PIDC). Under the terms of the executed agreement the DRPA stopped paying rent at the end of 2010 and will receive a \$250 lease termination payment from PIDC. DRPA has budgeted expenses assuming a six-month phase out of all aspects of the operation, including catered events. The capital investment in the Cruise Terminal totaled \$ 20.8 million through December 31, 2010. The Authority is now in the process of disposing of equipment, etc. used for the operation of the facility. DRPA will reflect the Cruise Terminal as a discontinued operation in its 2011 financials, once the facility has closed.

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS FOR HEALTH BENEFITS PLAN  
(In thousands)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
01/01/09	-	\$ 132,467	\$ 132,467	-	\$ 56,034	236.4%
01/01/07	-	\$ 146,638	\$ 146,638	-	\$ 53,695	273.1%

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION:**

**Other Postemployment Benefits**

The information presented in the required supplementary schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation is as follows:

Valuation Date	January 1, 2009
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Straight - Line
Amortization Period	Open
Remaining Amortization Period	30 years
Asset Valuation Method	To be determined upon funding
<b>Actuarial Assumptions:</b>	
Mortality	1994 sex distinct Group Annuity Mortality Table
Discount Rate	5%
Turnover	age 20, 70.4%; age 40, 15.9%; age 50, 0.0%
Disability	no terminations of employment due to disability
Age of Retirement	no earlier than age 55
Spousal Coverage	married employees will remain married
Prior Service	non for active employees assumed
Health Care Inflation (annual increase)	70% for Pre-Medicare; 5.0% for Post-Medicare
Administration Expenses (annual cost)	2.0% (included in annual health care costs)
Employee Contributions (annual)	\$2,340 family coverage; \$780 single coverage

For determining the annual required contribution (ARC), the rate of employer contributions to the Plan is composed of the normal cost plus amortization of the unfunded actuarial accrued liability (UAAL), multiplied by the sum of 1 plus the discount rate, or 1.05. The normal cost is a portion of the actuarial present value of plan benefits and expenses which is allocated to a valuation year by the actuarial cost method. The actuarial accrued liability (AAL) is that portion of the present value of projected benefits that will not be paid by future employer normal costs. The difference between this liability and the funds accumulated as of the same date is the unfunded actuarial liability (UAL).

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COMBINED SUPPLEMENTAL SCHEDULE OF NET ASSET INFORMATION BY FUND  
December 31, 2010 (In Thousands)

	Capital Fund	Revenue Fund	Maint. Reserve Fund	General Fund	Combined Bond Funds	Combined Project Funds	2010 Total
<b>ASSETS</b>							
<b>CURRENT ASSETS:</b>							
Cash and cash equivalents				\$ 2,571			\$ 2,571
Investments		\$ 3,894	\$ 1,098	258,739			263,731
Accounts receivable (net of allowance for uncollectibles)		4,275		4,051			8,326
Accrued interest receivable				635			635
Transit system and storeroom inventories		366		5,826			6,192
Economic development loans - current				2,479			2,479
Prepaid Expenses		3,040		1,484			4,524
Restricted assets:							
Temporarily restricted:							
Cash and cash equivalents		3,129				\$ 537	3,666
Investments		9,558	3,000		\$ 177,662	200,039	390,259
Accrued interest receivable						4	4
Total current assets	<u>-</u>	<u>24,262</u>	<u>4,098</u>	<u>275,785</u>	<u>177,662</u>	<u>200,580</u>	<u>682,387</u>
<b>NONCURRENT ASSETS:</b>							
Capital assets (net of accumulated depreciation):							
Land	\$ 74,200			25			74,225
Construction in progress	145,489						145,489
Bridges, related buildings and equipment	632,461						632,461
Transit property and equipment	230,759						230,759
Port enhancements	11,950						11,950
Total capital assets	<u>1,094,859</u>	<u>-</u>	<u>-</u>	<u>25</u>	<u>-</u>	<u>-</u>	<u>1,094,884</u>
Other:							
Economic development loans (net of allowance for uncollectibles)				19,716			19,716
Deferred charges:							
Debt issuance costs (net of amortization)	9,078			6,775			15,853
Total other assets	<u>9,078</u>	<u>-</u>	<u>-</u>	<u>26,491</u>	<u>-</u>	<u>-</u>	<u>35,569</u>
Total noncurrent assets	<u>1,103,937</u>	<u>-</u>	<u>-</u>	<u>26,516</u>	<u>-</u>	<u>-</u>	<u>1,130,453</u>
Total assets	<u>\$ 1,103,937</u>	<u>\$ 24,262</u>	<u>\$ 4,098</u>	<u>\$ 302,301</u>	<u>\$ 177,662</u>	<u>\$ 200,580</u>	<u>\$ 1,812,840</u>
<b>DEFERRED OUTFLOWS</b>							
Accumulated decrease in fair value of hedging derivatives	<u>\$ 125,108</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,108</u>

**COMBINED SUPPLEMENTAL SCHEDULE OF NET ASSET INFORMATION BY FUND**  
**December 31, 2010 (In Thousands)**

	Capital Fund	Revenue Fund	Maint. Reserve Fund	General Fund	Combined Bond Funds	Combined Project Funds	2010 Total
<b>LIABILITIES</b>							
<b>CURRENT LIABILITIES:</b>							
Accounts payable:							
Retained amounts on contracts		\$ 125		\$ 5,175			\$ 5,300
Other		8,403		8,007			16,410
Accrued liabilities:							
Pension				175			175
Sick and vacation leave benefits		2,361		1,294			3,655
Other		405		461			866
Deferred revenue		138		2,834			2,972
Liabilities payable from restricted assets:							
Accrued interest payable					\$ 18,187		18,187
Bonds payable - current					42,675		42,675
Total current liabilities	<u>-</u>	<u>11,432</u>	<u>-</u>	<u>17,946</u>	<u>60,862</u>	<u>-</u>	<u>90,240</u>
<b>NONCURRENT LIABILITIES:</b>							
Accrued liabilities:							
Repainting		64,385					64,385
Self-insurance		2,425		1,766			4,191
Sick and vacation leave benefits		787		431			1,218
Other		24,462		14,251			38,713
Deferred Revenue		6,438					6,438
Premium payment payable - derivative companion instrument	\$ 46,982						46,982
Derivative instrument - interest rate swap	134,959				2,024		136,983
Bonds payable (net of unamortized discounts, premiums and loss on defeasance)	\$ 855,495			303,115		\$ 167,644	1,326,254
Total noncurrent liabilities	<u>1,037,436</u>	<u>98,497</u>	<u>-</u>	<u>319,563</u>	<u>2,024</u>	<u>167,644</u>	<u>1,625,164</u>
Total liabilities	<u>\$ 1,037,436</u>	<u>\$ 109,929</u>	<u>-</u>	<u>\$ 337,509</u>	<u>\$ 62,886</u>	<u>\$ 167,644</u>	<u>\$ 1,715,404</u>
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	\$ 239,365			\$ 25			\$ 239,390
Restricted for:							
Debt requirements		\$ 12,687	\$ 3,000		\$ 109,966		125,653
Port projects						\$ 32,936	32,936
Unrestricted (deficit)	<u>(47,756)</u>	<u>(98,354)</u>	<u>1,098</u>	<u>(35,233)</u>	<u>4,810</u>		<u>(175,435)</u>
Total net assets	<u>\$ 191,609</u>	<u>\$ (85,667)</u>	<u>\$ 4,098</u>	<u>\$ (35,208)</u>	<u>\$ 114,776</u>	<u>\$ 32,936</u>	<u>\$ 222,544</u>

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**COMBINED SUPPLEMENTAL SCHEDULE OF CHANGES IN FUND NET ASSETS INFORMATION BY FUND**  
**December 31, 2010 (In Thousands)**

	Capital Fund	Revenue Fund	Maint. Reserve Fund	General Fund	Combined Bond Funds	Combined Project Funds	Total
Net assets (deficit), January 1 (restated)	\$ 283,566	\$ (74,379)	\$ 3,950	\$ (91,658)	\$ 112,387	\$ 36,465	\$ 270,331
Revenues and expenses:							
Operating revenues		249,132		25,595			274,727
Operating expenses	(47,751)	(52,876)		(55,290)			(155,917)
General administration expenses		(45,772)		(500)			(46,272)
Investment income	(9,850)	365	148	(20,159)	3,368	261	(25,867)
Interest expense	(2,516)			(907)	(69,104)		(72,527)
Economic development activities				(39,657)			(39,657)
Other nonoperating revenues (expenses)	(3,307)	(50)		480			(2,877)
Total revenues and expenses	(63,424)	150,799	148	(90,438)	(65,736)	261	(68,390)
Government contributions for capital improvements, additions and other projects	-	715	-	19,888	-	-	20,603
Interfund transfers and payments:							
Bond service		(88,387)		(25,657)	114,044		
Funds free and clear of any lien or pledge		(74,797)		74,797			
Retirement of bonds	28,715			11,730	(40,445)		
Funds for permitted capital expenditures				134,965		(134,965)	
Funds for permitted port projects		415		35,866		(36,281)	
Net equity from 2010 revenue refunding bonds	(302,333)			(1,408)	3,741	300,000	
Capital additions	71,494			(71,494)			
Interfund transfers	173,591	(33)		(31,799)	(9,215)	(132,544)	
Total interfund transfers and payments	(28,533)	(162,802)	-	127,000	68,125	(3,790)	-
Net assets (deficit), December 31	\$ 191,609	\$ (85,667)	\$ 4,098	\$ (35,208)	\$ 114,776	\$ 32,936	\$ 222,544

**SUPPLEMENTAL SCHEDULE OF NET ASSET INFORMATION FOR BOND AND PROJECT FUNDS  
December 31, 2010 (In Thousands)**

	Bond Reserve <u>Funds</u>	Bond Service <u>Funds</u>	1998 Port District Project <u>Fund</u>	1999 Project <u>Fund</u>	1999 Port District Project <u>Fund</u>	2001 Port District Project <u>Fund</u>	2010 Project <u>Fund</u>	Total Combined <u>Funds</u>
<b>ASSETS</b>								
CURRENT ASSETS:								
Restricted assets:								
Temporarily restricted:								
Cash and cash equivalents			\$ 4	\$ 60	\$ 473			\$ 537
Investments	\$ 111,856	\$ 65,806	3,967		23,859	\$ 7,100	\$ 165,113	377,701
Accrued interest receivable					4			4
Total current assets	<u>111,856</u>	<u>65,806</u>	<u>3,971</u>	<u>60</u>	<u>24,336</u>	<u>7,100</u>	<u>165,113</u>	<u>378,242</u>
Total assets	<u>111,856</u>	<u>65,806</u>	<u>3,971</u>	<u>60</u>	<u>24,336</u>	<u>7,100</u>	<u>165,113</u>	<u>378,242</u>
<b>LIABILITIES</b>								
CURRENT LIABILITIES:								
Liabilities payable from restricted assets:								
Accrued interest payable		18,187						18,187
Bonds payable - current		42,675						42,675
Total current liabilities	<u>-</u>	<u>60,862</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,862</u>
NONCURRENT LIABILITIES:								
Derivative instrument - interest rate swap	2,024							2,024
Bonds payable (net of unamortized discounts, premiums, and loss on defeasance)					64	2,545	165,035	167,644
Total noncurrent liabilities	<u>2,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64</u>	<u>2,545</u>	<u>165,035</u>	<u>169,668</u>
Total liabilities	<u>2,024</u>	<u>60,862</u>	<u>-</u>	<u>-</u>	<u>64</u>	<u>2,545</u>	<u>165,035</u>	<u>230,530</u>
<b>NET ASSETS</b>								
Restricted for:								
Revenue and port district project bonds	105,022							105,022
Revenue and port district bond service		4,944						4,944
Port projects			3,971	60	24,272	4,555	78	32,936
Unrestricted	4,810							4,810
Total net assets	<u>\$ 109,832</u>	<u>\$ 4,944</u>	<u>\$ 3,971</u>	<u>\$ 60</u>	<u>\$ 24,272</u>	<u>\$ 4,555</u>	<u>\$ 78</u>	<u>\$ 147,712</u>

FINANCIAL SECTION

**SUPPLEMENTAL SCHEDULE OF CHANGES IN NET ASSET INFORMATION FOR BOND AND PROJECT FUNDS  
December 31, 2010 (In Thousands)**

	Bond Reserve Funds	Bond Service Funds	1998 Port District Project Fund	1999 Project Fund	1999 Port District Project Fund	2001 Port District Project Fund	2010 Project Fund	Total Combined Funds
Net assets, January 1 (restated)	\$ 105,169	\$ 7,218	\$ 7,752	\$ 60	\$ 24,133	\$ 4,520	-	\$ 148,852
Revenues and expenses:								
Investment income	3,291	77	9		139	35	\$ 78	3,629
Interest expense		(69,104)						(69,104)
Total revenues and expenses	3,291	(69,027)	9	-	139	35	78	(65,475)
Interfund transfers and payments:								
Bond service		114,044						114,044
Funds in excess of bond reserve requirement	(2,369)	2,369						-
Funds for permitted capital expenditures							(134,965)	(134,965)
Retirement of bonds		(40,445)						(40,445)
Funds for permitted port projects			(3,790)		(30,109)	(2,382)		(36,281)
Net equity from 2010 revenue refunding bonds	3,741						300,000	303,741
Interfund transfers		(9,215)			30,109	2,382	(165,035)	(141,759)
Total interfund transfers and payments	1,372	66,753	(3,790)	-	-	-	-	64,335
Net assets, December 31	\$ 109,832	\$ 4,944	\$ 3,971	\$ 60	\$ 24,272	\$ 4,555	\$ 78	\$ 147,712



# STATISTICAL SECTION

**CONNECTING THE REGION**  
*Safe. Secure. Serviceable.*

# STATISTICAL SECTION

**FINANCIAL TREND DATA**

The Authority experienced positive growth in net assets during the period from 2004 through 2006. While a small decrease in net assets is apparent for 2007, this reduction is directly related to the 9.8 million accrued (non-cash) expenses charged to operating expenses due to GASB 45 pronouncement concerning Accounting and Financial Reporting of Post-employment Benefits (OPEB). Net assets increased in 2008 due to an increase in overall operating income but decreased in 2010 due to Capital Assets decreasing by \$86.6 million from 2009. (Note: 2009 has been re-stated).

As noted below, bridge operations generate the most revenue for the Authority, accounting for more than 90% of total operating revenues during 2010. Total operating income for 2010 decreased by \$12.9 million from the previous year due to the \$14.3 million increase in operating expenses from 2009. The year-to-year decrease in net assets of \$58.6 million, in 2010, can be attributed to four main factors: 1) a \$34.5 million adjustment related to the implementation of GASB 53, 2) a \$10.9 million increase in G&A expenses (primarily bank LOC and salary-related costs), 3) a \$12.9 million increase in economic development activities from 2009, and 4) a \$6.9 million increase in interest expense. These factors were partially offset by a \$9.2 million increase in capital contributions. Please refer to the following schedules for a historical view of the Authority's financial performance.

**Last Nine Fiscal Years (In Thousands)**

**NET ASSETS**

	2010 *	2009 *	2008	2007	2006	2005	2004	2003	2002
Invested in Capital Assets, Net of Related Debt	\$ 239,390	\$ 325,973	\$ 281,146	\$ 245,959	\$ 244,194	\$ 245,211	\$ 224,189	\$ 180,741	\$ 275,718
Restricted	158,589	142,435	147,850	176,895	199,758	236,796	257,111	249,155	236,737
Unrestricted	(175,435)	(198,077)	(94,317)	(92,855)	(113,329)	(158,624)	(173,185)	(128,777)	(197,287)
<b>Total Net Assets</b>	<b>\$ 222,544</b>	<b>\$ 270,331</b>	<b>\$ 334,679</b>	<b>\$ 329,999</b>	<b>\$ 330,623</b>	<b>\$ 323,383</b>	<b>\$ 308,115</b>	<b>\$ 301,119</b>	<b>\$ 315,168</b>

\* Figures for the years 2010 and 2009 include the implementation of Governmental Accounting Standards Board Statement No. 53, Accounting and Financial Reporting for Derivative Instruments

**CHANGES IN NET ASSETS**

	2010 *	2009 *	2008	2007	2006	2005	2004	2003	2002
<b>Operating Revenues</b>									
Bridges:									
Tolls	\$ 243,879	\$ 242,620	\$ 208,856	\$ 196,069	\$ 194,958	\$ 190,930	\$ 188,809	\$ 175,622	\$ 174,418
Other operating revenues	4,753	4,944	5,815	5,540	4,170	4,219	6,194	5,914	3,220
Total bridge operating revenues	248,632	247,564	214,671	201,609	199,128	195,149	195,003	181,536	177,638
Transit system:									
Passenger fares	22,006	22,028	21,459	18,978	19,014	19,067	18,647	18,430	19,251
Other operating revenues	1,918	1,606	1,507	1,438	1,600	1,871	1,221	1,151	1,252
Total transit system operating revenues	23,924	23,634	22,966	20,416	20,614	20,938	19,868	19,581	20,503
Port of Philadelphia and Camden:									
AmeriPort	-	-	-	-	-	1,838	1,734	1,018	1,085
Cruise terminal	309	571	683	1,043	1,608	1,264	839	601	510
RiverLink	61	62	73	50	72	51	50	877	745
Total Port of Philadelphia and Camden	370	633	756	1,093	1,680	3,153	2,623	2,496	2,340
Other:									
Miscellaneous	1,801	1,456	590	852	1,697	623	142	701	-
<b>Total operating revenues</b>	<b>274,727</b>	<b>273,287</b>	<b>238,983</b>	<b>223,970</b>	<b>223,119</b>	<b>219,863</b>	<b>217,636</b>	<b>204,314</b>	<b>200,481</b>
<b>Operating Expenses:</b>									
Operations	103,869	101,887	100,515	94,762	88,482	82,239	81,857	80,179	72,964
Lease and community impact	3,473	3,483	3,380	3,306	3,198	3,078	3,021	2,952	2,917
General and administration	46,272	35,457	34,974	31,025	27,780	26,857	29,355	32,567	30,307
Port of Philadelphia and Camden	824	1,269	1,447	1,698	1,824	3,548	3,683	6,828	6,884
Depreciation	47,751	45,776	45,486	44,634	42,355	38,432	34,702	30,819	28,139
<b>Total operating expenses</b>	<b>202,189</b>	<b>187,872</b>	<b>185,802</b>	<b>175,425</b>	<b>163,639</b>	<b>154,154</b>	<b>152,618</b>	<b>153,345</b>	<b>141,211</b>
<b>Operating Income</b>	<b>72,538</b>	<b>85,415</b>	<b>53,181</b>	<b>48,545</b>	<b>59,480</b>	<b>65,709</b>	<b>65,018</b>	<b>50,969</b>	<b>59,270</b>
<b>Non-operating Revenues (Expenses)</b>									
Interest revenue (net of change in fair value of derivative instruments)	(25,867)	8,718	17,592	26,704	28,383	27,282	28,391	38,111	45,072
Interest expense	(72,527)	(65,584)	(75,654)	(74,668)	(78,267)	(72,213)	(73,621)	(74,770)	(77,039)
Amortization expense	(1,511)	(1,356)	(1,353)	(1,353)	(1,346)	(2,059)	(2,114)	(1,871)	(1,007)
Economic development activities	(39,657)	(26,794)	(3,960)	(9,841)	(7,050)	(9,704)	(14,850)	(34,013)	(55,506)
Other	(1,366)	(985)	457	(35)	(1,065)	(1,533)	(2,280)	(526)	(289)
<b>Total non-operating revenues (expenses)</b>	<b>(140,928)</b>	<b>(86,001)</b>	<b>(62,918)</b>	<b>(59,193)</b>	<b>(59,345)</b>	<b>(58,227)</b>	<b>(64,474)</b>	<b>(73,069)</b>	<b>(88,769)</b>
<b>Income (Loss) Before Capital Contributions and Special Items and Discontinued Operations</b>	<b>(68,390)</b>	<b>(586)</b>	<b>(9,737)</b>	<b>(10,648)</b>	<b>135</b>	<b>7,482</b>	<b>544</b>	<b>(22,100)</b>	<b>(29,499)</b>
<b>Capital Contributions:</b>									
Federal and state capital improvement grants	20,603	11,443	14,417	10,024	12,076	7,786	6,452	9,646	13,023
<b>Special Items:</b>									
Employee incentive and layoff expense	-	-	-	-	-	-	-	(1,595)	-
<b>Special Items:</b>									
Loss on disposal of AmeriPort	-	-	-	-	(4,971)	-	-	-	-
<b>Change in Net Assets</b>	<b>\$ (47,787)</b>	<b>\$ 10,857</b>	<b>\$ 4,680</b>	<b>\$ (624)</b>	<b>\$ 7,240</b>	<b>\$ 15,268</b>	<b>\$ 6,996</b>	<b>\$ (14,049)</b>	<b>\$ (16,476)</b>

\* Figures for the years 2010 and 2009 include the implementation of Governmental Accounting Standards Board Statement No. 53, Accounting and Financial Reporting for Derivative Instruments

STATISTICAL SECTION

**REVENUE CAPACITY DATA**

Major Revenues, consisting primarily of bridge operating and PATCO transit system revenues, have shown positive growth since 2004, increasing from \$245.9 million to \$281.1 million, or an increase of \$35.2 million (or 14.3%) during this period. In September 2008, bridge tolls and transit system revenues increased with the passage by the Authority's Board of new bridge toll and transit system passenger rate schedules. Bridge operating revenues grew from \$201.6 million in 2007 to \$248.6 million in 2010, or an increase of \$47 million (or 23.3%). Bridge traffic grew throughout the period from 2001 thru 2007, until implementation of the new toll schedule in 2008.

Economic factors, including higher gas prices, revenue days lost to snow, and lower regional economic activity have had significant impact during the years 2009 and 2010. Interest income has decreased each year since 2006 and from 2009 levels, primarily attributable to lower interest rates. Total revenues increased by \$0.19 million from 2009 revenues (from \$281.08 to \$281.10), primarily attributable to toll revenues increasing from 2009 and PATCO operating revenue increasing from 2009. PATCO operating revenues grew at a rate of 1.2% from 2009 to 2010, which was fueled by a small increase in passengers from 10,022 passengers in 2009 to 10,109 passengers in 2010. For additional historical information on the Authority's bridge traffic, passenger trips, and other revenues, please refer to the schedule below.

**Last Ten Fiscal Years (In Thousands)**

**MAJOR REVENUES BY SOURCE**

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Bridge operating revenues	\$248,632	\$247,564	\$214,671	\$201,609	\$199,128	\$195,149	\$195,003	\$181,536	\$177,638	\$176,389
PATCO transit system operating revenues	23,924	23,634	22,966	20,416	20,614	20,938	19,868	19,581	20,503	20,473
Port of Philadelphia and Camden	370	633	756	1,093	1,680	3,153	2,623	2,496	2,340	3,180
Interest income	8,176	9,252	17,592	26,704	28,383	27,282	28,391	38,111	45,072	50,301
Total revenues	<u>\$281,102</u>	<u>\$281,083</u>	<u>\$255,985</u>	<u>\$249,822</u>	<u>\$249,805</u>	<u>\$246,522</u>	<u>\$245,885</u>	<u>\$241,724</u>	<u>\$245,553</u>	<u>\$250,343</u>

The toll rates shown below are cash toll rates in effect for the period indicated. The Authority has for many years provided a commuter program and senior citizen program for its passenger vehicle customers. In January 2000, the Authority fully implemented E-ZPass, an electronic toll collection system, in conjunction with a toll increase. At implementation, as an incentive to use E-ZPass, a 10% discount was offered to E-ZPass customers, and a modified commuter program became effective and available through E-ZPass. In 2004, most discount programs were eliminated and the commuter program was further modified. On September 14, 2008, the Authority implemented a new bridge toll schedule which increased tolls in each vehicle class and restructured the E-ZPass and senior citizen programs. Please see Note 18 for additional information.

**TOLL REVENUE BY BRIDGE**

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Walt Whitman Bridge	\$95,180	\$96,319	\$82,198	\$77,109	\$77,528	\$76,255	\$75,001	\$68,214	\$68,168	\$66,923
Ben Franklin Bridge	80,083	79,848	67,188	62,235	61,577	60,550	60,377	58,261	57,890	56,633
Betsy Ross Bridge	30,610	29,062	27,590	26,734	26,906	26,305	26,581	24,627	24,609	24,916
Commodore Barry Bridge	38,006	37,391	31,880	29,991	28,947	27,820	26,850	24,520	23,751	25,193
Total toll revenues	<u>\$243,879</u>	<u>\$242,620</u>	<u>\$208,856</u>	<u>\$196,069</u>	<u>\$194,958</u>	<u>\$190,930</u>	<u>\$188,809</u>	<u>\$175,622</u>	<u>\$174,418</u>	<u>\$173,665</u>

The toll rates shown below are cash toll rates in effect for the period indicated. The Authority has for many years provided a commuter program and senior citizen program for its passenger vehicle customers. In January 2000, the Authority fully implemented E-ZPass, an electronic toll collection system, in conjunction with a toll increase. At implementation, as an incentive to use E-ZPass, a 10% discount was offered to E-ZPass customers, and a modified commuter program became effective and available through E-ZPass. In 2004, most discount programs were eliminated and the commuter program was further modified. On September 14, 2008, the Authority implemented a new bridge toll schedule which increased tolls in each vehicle class and restructured the E-ZPass and senior citizen programs. Please see Note 18 for additional information.

**BRIDGE CASH TOLL RATES**

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Class 1 - Motorcycle	\$4.00	\$4.00	\$4.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00
Class 2 - Automobile	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Class 3 - Two Axle Trucks	12.00	12.00	12.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Class 4 - Three Axle Trucks	18.00	18.00	18.00	13.50	13.50	13.50	13.50	13.50	13.50	13.50
Class 5 - Four Axle Trucks	24.00	24.00	24.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00
Class 6 - Five Axle Trucks	30.00	30.00	30.00	22.50	22.50	22.50	22.50	22.50	22.50	22.50
Class 7 - Six Axle Trucks	36.00	36.00	36.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00
Class 8 - Bus	6.00	6.00	6.00	4.50	4.50	4.50	4.50	4.50	4.50	4.50
Class 9 - Bus	9.00	9.00	9.00	6.75	6.75	6.75	6.75	6.75	6.75	6.75
Class 10 - Senior Citizen (With Ticket Only)	2.00	2.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Class 13 - Auto w/trailer (1 axle)	6.00	6.00	6.00	5.25	5.25	5.25	5.25	5.25	5.25	5.25
Class 14 - Senior Citizens (With 2 Tickets Only)	-	-	-	0.70	0.70	0.70	0.70	0.70	0.70	0.70

The toll rates shown above are cash toll rates in effect for the period indicated. The Authority has for many years provided a commuter program and senior citizen program for its passenger vehicle customers. In January 2000, the Authority fully implemented E-ZPass, an electronic toll collection system, in conjunction with a toll increase. At implementation, as an incentive to use E-ZPass, a 10% discount was offered to E-ZPass customers, and a modified commuter program became effective and available through E-ZPass. In 2004, most discount programs were eliminated and the commuter program was further modified. On September 14, 2008, the Authority implemented a new bridge toll schedule which increased tolls in each vehicle class and restructured the E-ZPass and senior citizen programs. Please see Note 18 for additional information.

**REVENUE CAPACITY DATA (Continued)**

**BRIDGE TRAFFIC BY VEHICLE CLASSIFICATION**

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Vehicle classification:										
Automobiles & light trucks	46,245	46,580	48,310	49,678	49,395	48,667	48,345	46,683	46,225	45,411
Trucks	2,603	2,548	2,890	3,038	3,035	2,974	2,965	2,824	2,724	2,786
Buses	260	276	287	301	314	317	331	327	333	340
Senior citizens	1,305	1,229	1,906	1,998	2,032	2,005	2,054	2,018	2,063	2,003
Other	1	4	6	61	89	102	113	115	286	126
<b>Total traffic</b>	<b>50,414</b>	<b>50,637</b>	<b>53,399</b>	<b>55,076</b>	<b>54,865</b>	<b>54,065</b>	<b>53,808</b>	<b>51,967</b>	<b>51,631</b>	<b>50,666</b>

**BRIDGE TRAFFIC BY BRIDGE**

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Walt Whitman Bridge	19,579	20,022	20,877	21,473	21,577	21,293	21,070	19,869	19,876	19,345
Ben Franklin Bridge	18,459	18,571	19,296	19,759	19,600	19,363	19,371	19,298	19,139	18,579
Betsy Ross Bridge	5,821	5,595	6,511	6,900	6,906	6,788	6,909	6,653	6,583	6,627
Commodore Barry Bridge	6,555	6,449	6,715	6,944	6,782	6,621	6,458	6,147	6,033	6,115
<b>Total traffic</b>	<b>50,414</b>	<b>50,637</b>	<b>53,399</b>	<b>55,076</b>	<b>54,865</b>	<b>54,065</b>	<b>53,808</b>	<b>51,967</b>	<b>51,631</b>	<b>50,666</b>

**PATCO TRANSIT SYSTEM OPERATING REVENUES**

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Passenger fares (net)	\$22,006	\$22,028	\$21,459	\$18,978	\$19,014	\$19,067	\$18,647	\$18,430	\$19,251	\$18,942
Other revenues	1,918	1,606	1,507	1,438	1,600	1,871	1,221	1,151	1,252	1,531
<b>Total operating revenues</b>	<b>\$23,924</b>	<b>\$23,634</b>	<b>\$22,966</b>	<b>\$20,416</b>	<b>\$20,614</b>	<b>\$20,938</b>	<b>\$19,868</b>	<b>\$19,581</b>	<b>\$20,503</b>	<b>\$20,473</b>

Fare increases for 2001, 2000 and 1999, were effective on July 29, 2001, August 25, 2000, and July 25, 1999, respectively. On September 14, 2008, passenger fares, were increased by 10% across all zones. Please see Note 18 for additional information.

**PATCO PASSENGER FARES**

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Lindenwold/Ashland/Woodcrest	\$2.70	\$2.70	\$2.70	\$2.45	\$2.45	\$2.45	\$2.45	\$2.45	\$2.45	\$2.45
Haddonfield/West Haddonfield/Collingswood	2.35	2.35	2.35	2.15	2.15	2.15	2.15	2.15	2.15	2.15
Ferry Avenue	2.05	2.05	2.05	1.85	1.85	1.85	1.85	1.85	1.85	1.85
New Jersey	1.45	1.45	1.45	1.30	1.30	1.30	1.30	1.30	1.30	1.30
City Hall/Broadway/Philadelphia	1.25	1.25	1.25	1.15	1.15	1.15	1.15	1.15	1.15	1.15

Fare increases for 2001, 2000 and 1999, were effective on July 29, 2001, August 25, 2000, and July 25, 1999, respectively. On September 14, 2008, passenger fares, were increased by 10% across all zones. Please see Note 18 for additional information.

**PATCO TRANSIT SYSTEM RIDERSHIP**

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Passengers	10,109	10,022	10,338	9,406	9,377	9,363	9,150	8,864	9,288	10,037

STATISTICAL SECTION

**DEBT CAPACITY DATA**

Debt Service coverage, as calculated in accordance with the Authority's governing Bond Indenture (s), for their period 2001 through 2010, is shown below. For 2010, the net revenues available for debt service coverage decreased by \$12.0 million, which is directly related to a \$13.1 million increase in expenses. Debt service expenses for 2010, this increase attributable to higher swap interest costs and a new fixed-rate revenue bond issue. As a result, the debt service coverage (times), under the 1998 Indenture, decreased from 2.45x in 2009 to 1.81x in 2010. The total amount of outstanding funded debt significantly decreased, by \$333.6 million, during the period 2001 through 2009. In 2010, total funded debt increased to \$1.37 billion (from \$1.11 billion), primarily resultant from the issuance of \$308 million in new revenue bond debt to fund a portion of the Authority's five-year capital program. For additional information on the Authority's debt service coverage, total outstanding debt, and the ratio of revenue bond debt per customer, please refer to the schedules below.

**Last Ten Fiscal Years (In Thousands)**

**DEBT SERVICE COVERAGE**

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenues available for Debt Service:										
Bridge operating	\$248,632	\$247,564	\$214,671	\$201,609	\$199,128	\$195,149	\$195,003	\$181,536	\$177,638	\$176,389
Interest income	513	559	777	3,516	4,392	2,635	2,249	2,247	2,347	2,604
	<u>\$249,145</u>	<u>\$248,123</u>	<u>\$215,448</u>	<u>\$205,125</u>	<u>\$203,520</u>	<u>\$197,784</u>	<u>\$197,252</u>	<u>\$183,783</u>	<u>\$179,985</u>	<u>\$178,993</u>
Less expenses:										
Bridge operating	56,354	54,076	54,393	52,294	50,644	46,505	47,686	43,241	41,574	39,879
General and administration	46,272	35,457	34,974	31,025	27,780	26,856	29,355	32,567	30,307	26,549
	<u>\$102,626</u>	<u>\$89,533</u>	<u>\$89,367</u>	<u>\$83,319</u>	<u>\$78,424</u>	<u>\$73,361</u>	<u>\$77,041</u>	<u>\$75,808</u>	<u>\$71,881</u>	<u>\$66,428</u>
Net revenues available for Debt Service:										
1995 Revenue Bond Indenture	-	-	-	-	\$125,096	\$124,423	\$120,211	\$107,975	\$108,104	\$112,565
Add:										
Bridge Repainting Expense	\$4,351	\$4,152	\$4,363	\$4,498	\$3,892	\$3,779	\$3,973	\$5,664	\$5,653	\$6,397
GASB 45 Expense (exclusive of PATCO)	6,012	6,012	6,219	6,219	-	-	-	-	-	-
Interest Income:										
1998, 1999, 2007, 2008, 2010 Revenue Bonds	2,473	2,602	3,226	2,989	2,776	3,195	2,832	2,746	3,139	3,257
Net revenues available for Debt Service:										
1998 Revenue Bond Indenture	<u>\$159,355</u>	<u>\$171,356</u>	<u>\$139,889</u>	<u>\$135,512</u>	<u>\$131,764</u>	<u>\$131,397</u>	<u>\$127,016</u>	<u>\$116,385</u>	<u>\$116,896</u>	<u>\$122,219</u>
Debt Service (Revenue Bonds):										
1995 Revenue Bonds	-	-	-	14,652	19,535	19,535	19,535	19,535	19,535	19,535
Swap Payments (net)	40,687	18,793	12,634	7,045	7,538	-	-	-	-	-
1998, 1999, 2007 Revenue Bonds	26,956	42,026	56,839	51,803	48,519	48,527	48,519	48,117	47,100	47,214
2008 Revenue Bonds	12,497	12,189	3,584	-	-	-	-	-	-	-
2010 Revenue Refunding and Revenue Bonds	7,823	-	-	-	-	-	-	-	-	-
Total Debt Service	<u>\$ 87,963</u>	<u>\$ 73,008</u>	<u>\$ 73,057</u>	<u>\$ 73,500</u>	<u>\$75,592</u>	<u>\$68,062</u>	<u>\$68,054</u>	<u>\$67,652</u>	<u>\$66,635</u>	<u>\$66,749</u>
Debt Service coverage (Times) :										
1995 Indenture	-	-	-	-	4.62	6.37	6.15	5.53	5.53	5.76
Debt Service coverage (Times) :										
1998 Indenture	1.81	2.35	1.91	1.84	1.74	1.93	1.87	1.72	1.75	1.83

For 2006, the Authority has reflected the net swap debt service expense related to its annual payment under the 1995 Revenue Bond swap, which was exercised in January 2006. The Authority believes that this calculation, based on Generally Accepted Accounting Principles, fairly, clearly and completely represents the economic condition of the Authority as it relates to the debt service coverage calculation. For periods prior to 2006, the schedule reflects calculations made in accordance with the Authority's 1995 and 1998 Indentures of Trust. The Authority believes that this calculation is also consistent with Generally Accepted Accounting Principles and fairly, clearly and completely represents the economic condition of the Authority as it relates to the debt service coverage calculation for the periods specified. "Under a "legally enacted basis" (as prescribed by the governing Revenue Bond Indentures), debt service coverage under the 1995 and 1998 Indentures, for 2006, would be 3.21 and 1.51 times, respectively. (Under a legally enacted basis, only the gross swap interest payment to the counter party, or \$19.46 million, is used in the calculation, while the net interest revenue payment of \$11.92 million to the DRPA is not included in the calculation). In 2007, the supplemental indenture to the 1998 Indenture was revised which changed the "legally enacted basis" calculation to allow for inclusion of the swap interest paid to the Authority in the debt service coverage calculation.

Since 2006, debt service coverage numbers have trended upwards from the previous year's numbers. In 2010, debt service coverage decreased primarily due to a \$12 million decrease in net revenues and \$15.0 million in higher debt service expenses. The higher debt service costs resulted from a new revenue bond issue and higher net swap payment costs (primarily related to the 1999 Revenue Bond swap which became effective in January 2010).

**FUNDED DEBT**

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Outstanding debt	\$1,368,929	\$1,106,990	\$1,147,535	\$1,180,902	\$1,212,187	\$1,245,209	\$1,273,127	\$1,299,338	\$1,319,446	\$1,440,614
Net of amortizing premiums and discounts.										

**RATIO OF DEBT PER CUSTOMER**

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Outstanding revenue bonds	\$1,065,375	\$785,075	\$807,890	\$820,392	\$847,472	\$867,277	\$886,098	\$903,609	\$919,191	\$934,057
Total annual debt service	\$87,963	\$73,008	\$73,057	\$73,500	\$75,592	\$68,062	\$68,054	\$67,652	\$66,635	\$66,749
Total traffic	50,414	50,637	53,399	55,076	54,865	54,065	53,808	51,967	51,631	50,666
Outstanding debt per customer	\$21.13	\$15.50	\$15.13	\$14.90	\$15.45	\$16.04	\$16.47	\$17.39	\$17.80	\$18.44
Debt service per customer	\$1.74	\$1.44	\$1.37	\$1.33	\$1.38	\$1.26	\$1.26	\$1.30	\$1.29	\$1.32

Reflects Revenue Bond debt only.

**DEMOGRAPHIC AND ECONOMIC DATA**

The following figures provide four key external factors during the ten years from 2000-2009 that affected the geographic region in which the Authority functions; this region consists of the Port District comprising of the counties of Bucks, Chester, Delaware, Montgomery, and Philadelphia in Pennsylvania, and the counties of Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean, and Salem in New Jersey. Based on the most recent data, population growth in the region is at very modest levels with growth in the New Jersey counties at 7% since 2000 and in the Pennsylvania counties at 5% since 2000. The unemployment rate in the Philadelphia Metropolitan Region averaged 5.25% for the period of 2004 through 2009, reflecting a high of 7.91% in 2009 and a low of 4.26% in 2006. Four of the regions top ten major employers were health care organizations. The unemployment rate in the New Jersey Metropolitan Region averaged 6.35% for the period of 2004 through 2009, reflecting a high of 10.84% in 2009 and a low of 5.14% in 2005. Six of the region's top ten major employers were health care organizations. Please refer to the following schedules below for a historical view of the demographic information and area employers within the Port District.

**Last Ten Fiscal Years**

**PENNSYLVANIA PORT DISTRICT**

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Population <sup>(1)</sup>	4,012,573	3,991,897	3,882,564	3,879,207	3,873,792	3,870,442	3,863,296	3,859,756	3,855,162	3,852,215
Total Personal Income <sup>(1)</sup>	\$191,619,984	\$189,058,438	\$184,342,322	\$174,120,302	\$164,091,035	\$155,961,239	\$147,697,927	\$142,858,681	\$138,218,681	\$135,225,323
Per Capita Personal Income <sup>(1)</sup>	\$47,755	\$47,361	\$47,480	\$44,886	\$42,359	\$40,295	\$38,231	\$37,012	\$35,853	\$35,103
Unemployment Rate <sup>(2)</sup>	7.91%	5.37%	4.36%	4.26%	4.58%	5.00%	5.22%	5.16%	4.28%	3.82%

Sources:

(1) Bureau of Economic Analysis, Regional Economic Accounts, Metropolitan Divisions (Philadelphia, PA Metropolitan Division)

(2) United States Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics

**PENNSYLVANIA PORT DISTRICT TOP TEN EMPLOYERS**

	# of Employees	% of Employment		# of Employees	% of Employment
1. Jefferson Health System	23,000	1.17%	6. Aramark	9,532	0.49%
2. University of Pennsylvania	20,000	1.02%	7. Independence Blue Cross	9,500	0.48%
3. University Of Pennsylvania Health System	14,000	0.71%	8. Comcast Spectacor	9,301	0.47%
4. Merck & Company, Inc	12,000	0.61%	9. Children's Hospital of Philadelphia	9,000	0.46%
5. United Parcel Service	10,261	0.52%	10. Vanguard Group	8,500	0.43%

List excludes Federal Government Agencies (Federal Reserve Bank, U.S. Mint, U.S. District Court, Internal Revenue Service and U.S. Military), City Departments (Police and Fire Departments, Streets Department, Courts and the Water and Gas Company) and area School Systems (including Board of Education).

Source: Select Greater Philadelphia, Regional Data

**NEW JERSEY PORT DISTRICT**

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Population	2,419,475	2,411,118	2,401,441	2,391,435	2,378,301	2,364,176	2,342,408	2,317,310	2,287,197	2,268,020
Total Personal Income	\$99,031,079	\$98,568,702	\$92,444,597	\$89,285,614	\$84,062,922	\$80,794,632	\$77,083,605	\$74,580,994	\$72,109,982	\$69,029,512
Per Capita Personal Income	\$40,931	\$40,881	\$38,495	\$37,336	\$35,346	\$34,175	\$32,908	\$32,184	\$31,528	\$30,436
Unemployment Rate	10.84%	6.07%	5.16%	5.44%	5.14%	5.45%	6.29%	6.10%	4.81%	4.39%

Source: United States Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics

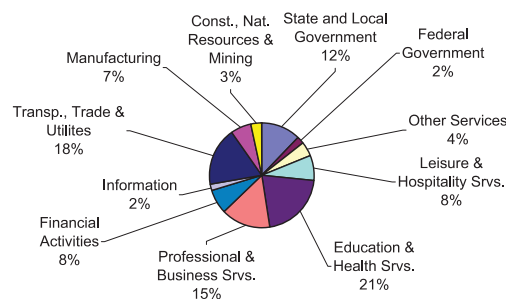
**NEW JERSEY PORT DISTRICT TOP TEN EMPLOYERS**

	# of Employees	% of Employment		# of Employees	% of Employment
1. Virtua Health	8,375	0.75%	6. AtlantiCare Health System	4,465	0.40%
2. Our Lady of Lourdes Health Care System	5,370	0.48%	7. TD Bank Corp	4,328	0.39%
3. Lockheed Martin	5,000	0.44%	8. Six Flags Theme Park	4,300	0.38%
4. St. Barnabus Health Care	4,703	0.42%	9. Kennedy Health System	3,531	0.31%
5. PHH Mortgage	4,500	0.40%	10. Cooper Health System	3,000	0.27%

List excludes Federal Government Agencies, City Departments, area School Systems (including Board of Education) and NJ Casinos

Sources: Select Greater Philadelphia, Regional Data, Ocean County Data Book, The Press, Atlantic City

**EMPLOYMENT SHARES BY SECTOR: GREATER PHILADELPHIA REGION 2010**



STATISTICAL SECTION

**OPERATING INFORMATION**

Overall bridge operating revenues, and more specifically bridge toll revenues, have shown positive growth for the ten-year period shown below. As mentioned earlier, revenues for the fiscal years 2008, 2009, and 2010, jumped significantly due to the 2008 toll increase. Since 2005, total general expense growth is explained by higher costs of bridge and PATCO operations and since 2007, due to accrued expenses related to GASB 45. During this period, total expenses increased from \$187.9 million to \$226.9 million. General administrative expenses have trended upwards from \$35.5 million in 2009 to \$46.2 million in 2010. Total expenses increased by \$19.2 million from \$207.7 million in 2009 to \$226.9 million in 2010. This is primarily attributable to a higher interest expense and a higher general administrative expenses, including higher bank LOC costs. Please refer to the schedules below for a historical view of the Authority's bridge operating revenues and general expenses during the past ten fiscal years.

**Last Ten Fiscal Years (In Thousands)**

**BRIDGE OPERATING REVENUES**

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Toll revenues by vehicle classification:										
Automobiles, light trucks and commuters	\$184,439	\$184,260	\$155,009	\$144,835	\$143,843	\$141,057	\$139,471	\$130,399	\$129,888	\$129,431
Trucks	54,856	53,697	49,467	47,363	47,145	45,618	45,099	40,946	40,029	41,210
Buses	2,074	2,187	1,640	1,434	1,500	1,515	1,655	1,573	1,730	1,559
Senior citizens	2,308	2,268	2,389	1,999	2,033	2,005	2,054	2,018	2,065	2,002
Other	202	208	351	438	437	735	530	686	842	282
Discounts and deductions	-	-	-	-	-	-	-	-	(136)	(819)
Total toll revenues	\$243,879	\$242,620	\$208,856	\$196,069	\$194,958	\$190,930	\$188,809	\$175,622	174,418	173,665
Other bridge operating revenues	4,753	4,944	5,815	5,540	4,170	4,219	6,194	5,914	3,220	2,724
Total bridge operating revenues	\$248,632	\$247,564	\$214,671	\$201,609	\$199,128	\$195,149	\$195,003	\$181,536	177,638	\$176,389

The Authority has for many years provided a commuter program and senior citizen program for its passenger vehicle customers. In January 2000, the Authority fully implemented E-ZPass, an electronic toll collection system, in conjunction with a toll increase. At implementation, as an incentive to use E-ZPass, a 10% discount was offered to E-ZPass customers, and a modified commuter program became effective and available through E-ZPass. In 2004, most discount programs were eliminated and the commuter program was further modified. On September 14, 2008, the Authority implemented a new bridge toll schedule which increased tolls in each vehicle class and restructured the E-ZPass and senior citizen programs. Please see Note 18 for additional information.

**GENERAL EXPENSES BY FUNCTION**

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Bridge operations:										
Salaries and employee benefits	\$31,743	\$32,496	\$31,551	\$30,047	\$29,059	\$26,954	\$27,450	\$25,318	\$24,931	\$23,884
Equipment and supplies	259	212	212	176	156	136	106	170	84	68
Maintenance and repairs	3,433	3,234	3,417	3,277	2,966	1,511	1,599	2,245	2,167	2,349
Utilities	2,819	2,562	2,783	2,621	2,386	1,678	1,678	1,862	1,320	1,353
Insurance	5,765	5,130	4,644	5,093	5,813	6,617	6,727	4,401	1,765	1,220
Other	12,335	10,442	11,786	11,080	10,264	9,609	10,126	9,245	11,307	11,005
Total bridge operations	56,354	54,076	54,393	52,294	50,644	46,505	47,686	43,241	41,574	39,879
PATCO transit system:										
Maintenance of way and power	11,261	11,552	10,229	9,774	9,438	8,884	8,618	8,140	6,681	7,364
Maintenance of equipment	7,666	7,156	6,696	6,679	6,370	7,046	6,345	6,417	6,195	5,533
Purchased power	5,667	5,359	5,656	4,933	4,984	3,335	2,852	3,041	2,772	2,905
Transportation	13,986	15,114	14,489	13,015	11,800	11,622	11,725	11,217	10,713	9,377
General insurance	876	767	1,256	692	704	823	502	856	1,373	1,210
Administration	8,059	7,863	7,795	7,375	4,542	4,024	4,129	3,943	3,655	3,258
Total PATCO transit system	47,515	47,811	46,121	42,468	37,838	35,734	34,171	33,614	31,389	29,647
Lease and community impact	3,473	3,483	3,380	3,306	3,198	3,078	3,021	2,952	2,920	2,857
General administration	46,272	35,457	34,974	31,025	27,780	26,857	29,355	32,567	30,307	26,549
Port of Philadelphia and Camden	824	1,269	1,447	1,698	1,824	3,548	3,683	6,828	6,884	6,629
Interest	72,527	65,584	75,654	74,668	78,267	72,213	73,621	74,770	77,039	77,195
Total expenses	\$226,965	\$207,680	\$215,969	205,459	\$199,551	\$187,935	\$191,537	\$193,972	\$190,113	\$182,756

**OPERATING INFORMATION (Continued)**

**OPERATING STATISTICS**

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>DRPA</b>										
Total Traffic	50,414	50,637	53,399	55,076	54,865	54,065	53,808	51,967	51,631	50,666
Non-Commercial Traffic	47,811	48,089	50,509	52,038	51,830	51,091	50,843	49,143	48,907	47,880
Commercial Traffic	2,603	2,548	2,890	3,038	3,035	2,974	2,965	2,824	2,724	2,786
Average Daily Traffic (365 day basis)	138	139	146	151	150	148	147	142	141	139
Average Toll per Customer	\$4.84	\$4.79	\$3.91	\$3.56	\$3.55	\$3.53	\$3.51	\$3.38	\$3.37	\$3.43
E-ZPass Traffic	28,911	28,367	28,130	27,987	26,946	25,522	24,481	22,819	21,458	15,669
% of E-ZPass Traffic	57.3%	56.0%	52.7%	50.8%	49.1%	47.2%	45.5%	43.9%	41.6%	30.9%
<b>PATCO</b>										
Total Passengers	10,109	10,022	10,338	9,406	9,377	9,363	9,150	8,864	9,288	10,037
Average Passengers (365 day basis)	28	27	28	26	26	26	25	24	25	27
Average Fare Per Passenger	\$2.18	\$2.20	\$2.08	\$2.02	\$2.03	\$2.04	\$2.04	\$2.08	\$2.07	\$1.89

Average fare per passenger based on PATCO net passenger fare revenues.

**FULL TIME AUTHORITY EMPLOYEES**

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
DRPA	582	595	589	589	553	554	570	632	625	554
PATCO	309	305	301	302	355	358	373	373	368	344
<b>Total Full-time</b>	<b>891</b>	<b>900</b>	<b>890</b>	<b>891</b>	<b>908</b>	<b>912</b>	<b>943</b>	<b>1005</b>	<b>993</b>	<b>898</b>

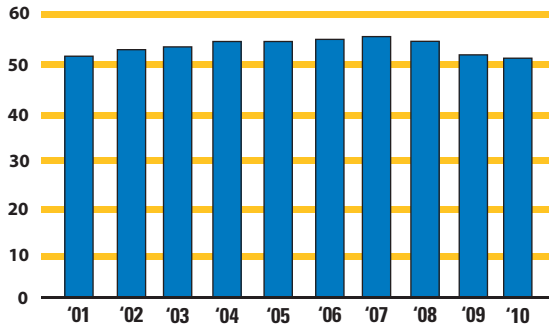
**CAPITAL EXPENDITURES**

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Bridge and Transit System	\$71,494	\$75,481	\$58,498	\$23,395	\$31,109	\$44,501	\$74,435	\$98,108	\$98,154	\$68,288

# BRIDGE & PATCO OPERATIONS

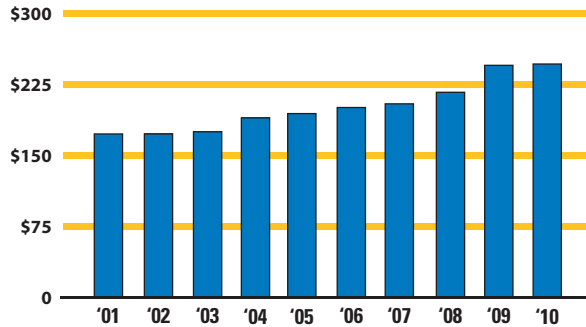
## DRPA Bridge Traffic 2001-2010<sup>(1)</sup>

(in millions of vehicles)



## DRPA Bridge Toll Revenues 2001-2010<sup>(1)</sup>

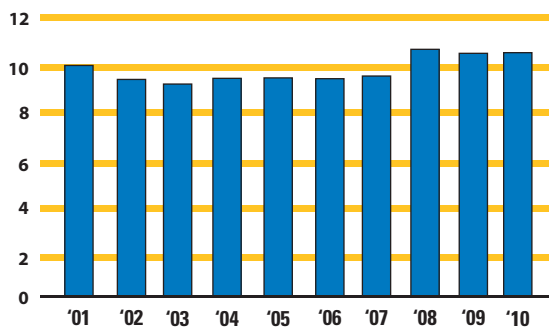
(in millions of dollars)



(1) On September 14, 2008, the Authority implemented a new bridge toll schedule which increased tolls in each vehicle class and restructured the E-ZPass and senior citizen programs. Please see Note 18 for additional information.

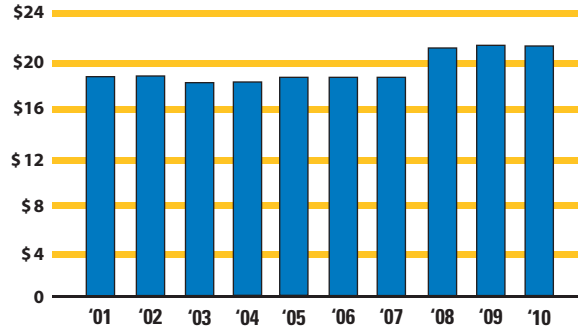
## PATCO Passenger Ridership 2001-2010<sup>(2)(3)</sup>

(in millions of passengers)



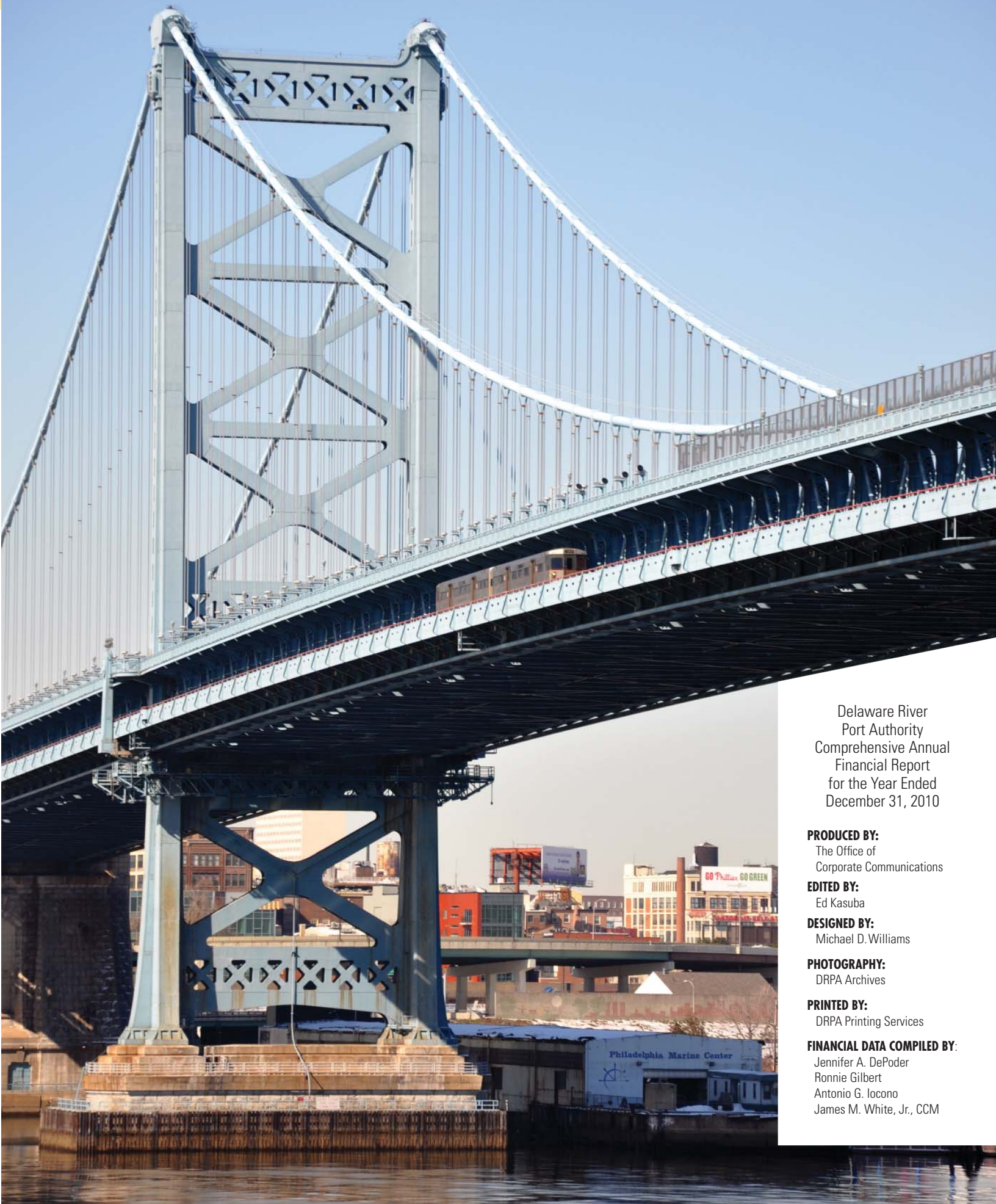
## PATCO Passenger Fare Revenues 2001-2010<sup>(2)(3)</sup>

(in millions of dollars)



(3) In July 2001, PATCO Implemented the third and final phase of the fare increases.

(4) On September 14, 2008, passenger fares, with the exception of fares for elderly persons and persons with disabilities, were increased by 10% across all zones. Please see Note 18 for additional information.



Delaware River  
Port Authority  
Comprehensive Annual  
Financial Report  
for the Year Ended  
December 31, 2010

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