# we keep the region *moving*®

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR YEAR ENDED DECEMBER 31, 2012

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## 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, 2011

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.


For the twentieth 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 2011 Comprehensive Annual Financial Report.

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*Prepared by the Office of the Chief Financial Officer*

# CHAIRMAN'S LETTER

July 26, 2013

To Our Customers and Bondholders:

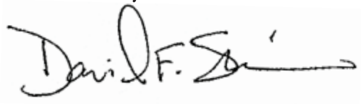
In August 2012, Pennsylvania Gov. Tom Corbett announced his intention to step down as chairman of the Board of Commissioners. After just 18 months on the board, the governor had achieved his strategic goal of returning the DRPA to its original core mission: Providing safe, reliable, customer-friendly transportation to the people of southeastern Pennsylvania and southern New Jersey.

Under Gov. Corbett's leadership, the board also presided over tactical successes that benefitted our bridge users and rail passengers. Authority finances were stabilized, monthly debt service costs were reduced, a comprehensive management audit was commissioned and major capital improvement projects at PATCO and on the Walt Whitman Bridge moved forward. The board also appointed the first inspector general in DRPA history and committed the authority to operating more transparently and in accordance with a comprehensive set of reform resolutions.

Our 2013 operating budget reflected a reduction in expenditures of 6.3 percent that should help preserve the current bridge-toll and rail-fare structures for the foreseeable future. As a reflection of our improved financial discipline, Standard & Poor's in late-2012 revised its outlook for all outstanding DRPA bonds from "stable" to "positive," while Moody's changed its outlook from "negative" to "stable."

The DRPA now possesses every tool it needs to become one of the most efficient, customer-focused and respected transportation agencies in the country. Under my chairmanship, the board will wield those tools to build a progressively improving DRPA, with its sole mission being safe and reliable interstate transportation. We will continue to pursue management efficiencies, act transparently and, most importantly, add value on our customers' terms, not our own.

Sincerely,



David F. Simon, Chairman
Delaware River Port Authority
of Pennsylvania and New Jersey

# Governors

**Honorable**
**Tom Corbett**
*Governor*
Commonwealth
of Pennsylvania

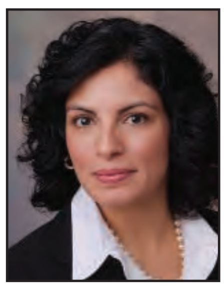
**Honorable**
**Chris Christie**
*Governor*
State of
New Jersey

# Board of Commissioners

## PENNSYLVANIA

David F.
**SIMON**
Chairman
*Executive Vice President and Chief Legal Officer*
Jefferson Health System

Joann
**BELL**
*Government Relations Executive*
Pugliese Associates



Joanna
**CRUZ**
*Attorney*
Kerns, Pearlstine, Onorato & Hladik

Walter
**D'ALESSIO**
*Vice Chairman*
NorthMarq Capital

Hon. Robert M.
**MCCORD**
*State Treasurer*
Commonwealth
of Pennsylvania

Andrew J.
**REILLY**
*Attorney*
Swartz Campbell

William R.
**SASSO**
*Board Chairman*
Stradley Ronon
Stevens & Young

Hon. Jack
**WAGNER**
*Auditor General*
Commonwealth
of Pennsylvania

## NEW JERSEY

Jeffrey L.
**NASH**
Vice Chairman
*Freeholder*, Camden County
Board of Chosen Freeholders

E. Frank
**DIANTONIO**
*President*, Construction
& General Laborers
Union Local 172

Tamarisk L.
**JONES**
*Director of Health*
*and Senior Services*
Gloucester County

Charles
**FENTRESS**
*Retired Police Sergeant*
Delaware River
Port Authority

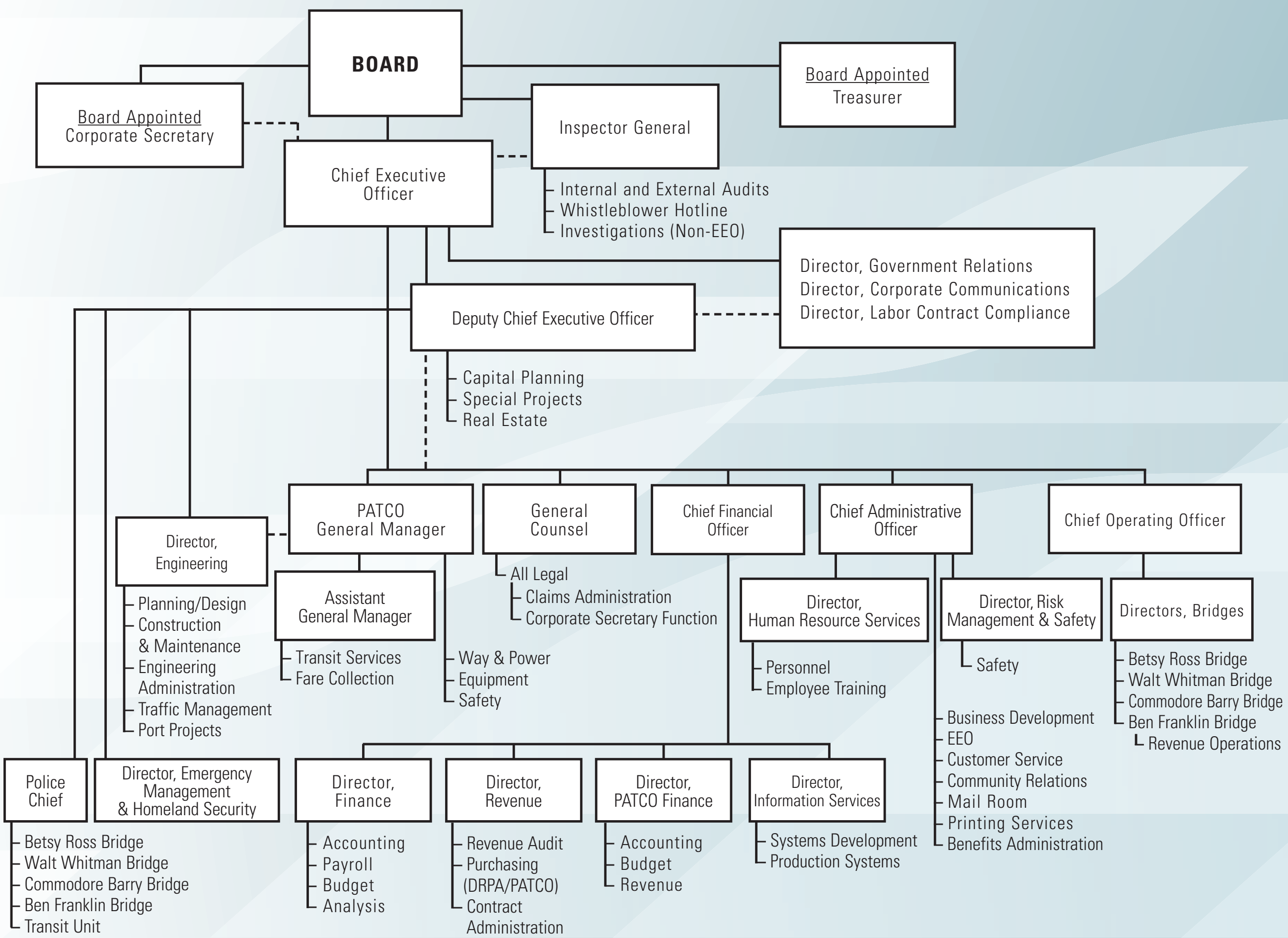
Albert F.
**FRATTALI**
*Business Manager*
Reinforced Iron Workers
Local 405

Denise Y.
**MASON**
*Vice President*
HSBC Bank USA

Richard
**SWEENEY**
*Financial Secretary,*
*Business Representative*
Ironworkers #399

Ricardo V.
**TAYLOR, JR.**
*School Administrator*
Pennsauken Township

# ORGANIZATIONAL CHART




# OFFICERS & EXECUTIVE STAFF

**John J. Matheussen**
Chief Executive Officer, DRPA
President, PATCO

**Michael J. Conallen, Jr.**
Deputy Chief Executive Officer

**Archer & Greiner**
New Jersey Counsel

**Duane Morris, LLP**
Pennsylvania Counsel

**John D. Rink**
PATCO General Manager

**Cheryl Y. Spicer**
PATCO Assistant General Manager

**Danielle L. McNichol, 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

**Walt Whitman Bridge**
Opened: May 16,1957

**Commodore Barry Bridge**
Opened: February 1,1974

**Betsy Ross Bridge**
Opened: April 30,1976

**PATCO**
Opened: February 15,1969

**RiverLink Ferry System**
DRPA assumed operations of the ferry on April 1,2000

# 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.

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

# Report of the Chief Executive Officer

In December 2011, the Board of Commissioners approved the DRPA's last economic development allocations. No longer would we fund new capital projects not owned and directly controlled by the DRPA.

We rededicated ourselves in 2012 to our core mission: Providing safe, secure, affordable transportation between Southern New Jersey and the five-county Philadelphia metropolitan area. We also reinforced our business fundamentals by embarking on a multi-year, comprehensive financial plan to reduce both long-term debt and debt carrying costs.

In April, we redeemed almost $96 million in debt securitized as DRPA Revenue Bonds and higher interest Port District Project Bonds. The redemption reduced DRPA debt service by about $2.5 million per month and lowered the authority's aggregate debt and borrowing costs without compromising liquidity.

In December, we sold $153 million in investment-grade, tax-exempt, refunding bonds and again used the proceeds to refund higher interest Port District Project Bonds. The transaction resulted in a net present value savings of nearly $37 million.

By the end of 2012, we had reduced DRPA aggregate debt by approximately $185 million (based on par value), leaving us with approximately $1.1 billion in total outstanding debt.

Wall Street noticed. In late November, two bond ratings agencies rewarded the DRPA for improved financial management. Standard & Poor's revised its outlook for all outstanding DRPA bonds from "stable" to "positive." Moody's changed its outlook from "negative" to "stable."

Our attention to fundamentals yielded other benefits as well. The new focus on proprietary assets, transportation and finance encouraged DRPA and PATCO management to pursue operating efficiencies aggressively and creatively.

In May, for example, the DRPA completed an electricity reverse auction estimated to save about $1.3 million annually. We also signed fee-based – rather than premium-based – health insurance contracts that are expected to save toll and fare payers about $490,000 per year.

In addition, an organization-wide Lean Six Sigma® initiative – supported enthusiastically by the Board of Commissioners and involving more than 100 employees –produced 12 completed projects that either established or streamlined business-critical processes in ways that should save thousands of dollars over the coming years.

The projects included introduction of a monthly key-performance indicator (KPI) dashboard for commissioners and managers, a streamlined employee-training approval process, a standardized procedure for modifying IT infrastructure and a more effective process for planning capital projects.

Our use of management efficiencies to contain costs found its most significant expression in the $257.7 million DRPA/PATCO annual budget approved by the Board of Commissioners in December. Despite a nearly 70 percent jump in employee pension costs, the Finance Department and the board's Finance Committee were able to reduce 2013 operating and debt-service spending projections by $17.3 million or 6.3 percent.

Finally, 2012 was the year we received findings from a comprehensive management audit mandated by the Board of Commissioners.

Conducted by CGR Management Consultants LLP of Los Angeles and overseen by the DRPA Office of the Inspector General, the audit assessed the effectiveness and efficiency of DRPA administrative, support, public safety and homeland security functions. The auditors applied the "yellow book" standards set by the U.S. General Accounting Office (GAO).

The auditors recommended ways in which the DRPA could improve internal communications, pay structure, management diagnostic processes, management controls, information technology infrastructure and occupational safety program management.

A newly established Strategic Planning Committee of the Board of Commissioners is studying the auditors' recommendations and looking for ways to integrate them into DRPA operations.

We fully expect the Strategic Planning Committee to present us with a variety of challenges in 2013. Some of them will be difficult, as changes often are.

We are committed, however, to continuous improvement, and we believe that our bridge, rail and ferry customers will appreciate our critical introspection and hard work.

**Activities and accomplishments over last year included the following:**

- Carried an estimated 96.2 million vehicles across the Betsy Ross, Benjamin Franklin, Walt Whitman and Commodore Barry bridges.
- Transported more than 10.6 million passengers aboard the PATCO commuter rail line.
- Conveyed 145,395 passengers across the Delaware River aboard the seasonal RiverLink Ferry.

## Bridges, Finance and Administration

• The Finance Department prepared and the Board of Commissioners approved a $257.7 million DRPA/PATCO annual budget for 2013. Despite a nearly 70 percent jump in employee pension costs, staff and the board reduced projected 2013 operating and debt service expenditures by $17.3 million or 6.3 percent.

• Created the Office of the Inspector General to investigate potential waste, fraud and abuse and hired FBI veteran Thomas W. Raftery III to fill the newly created position of inspector general. The IG issued his first report in June.

• Established the Strategic Planning and Labor committees of the DRPA Board of Commissioners.

• Completed the first five phases of a seven-phase, three-year $140 million project to remove and replace the Walt Whitman Bridge road deck.

• Commissioned biennial inspections at all four bridges and PATCO.

• Made substantive structural improvements on the Benjamin Franklin Bridge and built a new salt storage building at the bridge maintenance complex.

• Deployed DRPA personnel to design and complete a series of in-house capital projects, including a bridge ladder safety system at the Ben Franklin Bridge, an automatic security gate at the Ben Franklin Bridge maintenance building, a reconfigured conduit at a Walt Whitman Bridge access ramp in Pennsylvania, rehabilitation of the Walt Whitman Bridge foreman office and chiller replacements at the Commodore Barry Bridge administration building.

• Conducted the DRPA's first reverse auction for electricity in May. The auction resulted in contracts with four energy suppliers: South Jersey Energy of Folsom, N.J.; Integrys Energy Group of Chicago; the Hess Corporation of New York; and Reliant Energy of Houston.

• Weathered Sandy relatively unscathed. Total storm damage to all DRPA facilities amounted to about $80,000, which was partly offset by about $60,000 in federal disaster relief. Although the bridges and PATCO were closed on Oct. 29 at the height of the storm, all of our facilities were open for business the following day.

• Evaluated and integrated many recommendations made by the New Jersey Office of the State Comptroller in an audit report released in March.

• Held a series of site-specific safety fairs and published a safety edition of the employee/retiree newsletter "The Bridge" during National Safety Month in June.

• Worked with the City of Philadelphia on a proposed extension of Delaware Avenue under the Betsy Ross Bridge. The city agreed to take possession of the DRPA-owned portion of Hedley Street during the second phase of the Delaware Avenue extension project.

• Worked with the City of Philadelphia on the street dedications and vacations necessary to advance redevelopment of the Pincus Brothers site near the Benjamin Franklin Bridge approach.

• Completed miscellaneous structural work at the Commodore Barry Bridge: Concrete spall repairs, walkway railing modifications, application of corrosion inhibitor, bridge deck line painting, bearing repairs, gusset plate repairs and girder span/truss span replacements.

• Started designing a new bicycle/pedestrian ramp slated for construction on the south side of the Benjamin Franklin Bridge landing in Camden.

• Participated in state and national highway safety campaigns, including *Click It or Ticket*, *Drive Sober or Get Pulled Over* and *Put the Brakes on Fatalities.*

• Hosted two mid-October health fairs, one for PATCO employees and the other for DRPA employees. Attendees were able to obtain flu shots, healthy cooking lessons, DermaScan screenings, biometric screenings and benefit information from DRPA/PATCO health care and wellness providers. About 180 employees attended the fairs.

• Staff prepared and the Board of Commissioners passed the last resolutions associated with a series of management reforms begun in 2010.

## PATCO

• Sold advertising space for the first time on commuter fare tickets. The first customer, Rutgers University – Camden, purchased space on 200,000 paper tickets, the amount PATCO passengers typically consume during one month. The tickets began circulating in July, and the advertisements produced $5,000 to offset the high-speed line's operating expenses.

• Successfully completed a PATCO "open fare" pilot project, in which passengers could use wave-and-pay, radio activated (RFID) MasterCard, Visa or American Express credit cards – or PATCO-branded, pre-loaded Visa debit cards – to pay rail fares at station turnstiles.

• Oversaw an ongoing, multi-year, $194 million project to rebuild PATCO's 120 rail cars. Last year, the first 26 cars were shipped to the Alstom facility in Hornell, N.Y. The first completely rebuilt cars are scheduled to return to Lindenwold in 2013.

• Held an annual field disaster drill near Collingswood Station in November. More than 200 local emergency responders participated.

• After completing a popular pilot program, PATCO established the "Quiet Car" as a permanent feature on weekday rush-hour trains. Passengers on PATCO quiet cars are expected to limit cell phone use to silent texting and silent games, to keep conversations brief and whispered and to play music through headphones in a manner that cannot be heard by other passengers.

• Hosted the start and finish of the 32nd Annual Bike MS event at the end of September. PATCO has served as host for the past 23 years.

• Hosted the holiday-themed "Santa Train" in early December.

## Law Enforcement

• Protected life, property and public assets on four Delaware River toll bridges, along the 13-station PATCO high-speed line, on other DPRA/PATCO property, on the Pennsylvania and New Jersey highways leading to the bridges, in municipalities located at the bridge landings (including Philadelphia, Chester, Pa. and Camden, N.J.) and in the Delaware River waterway itself.

• Supervised bridge and rail emergency operations during October's Hurricane Sandy.

• Joined law enforcement professionals from across the United States in the *Click it or Ticket* seat belt awareness campaign for two weeks beginning on May 21. DRPA police stepped up enforcement of New Jersey's primary seat belt law and educated motorists about the importance of buckling up in moving vehicles.

• Conferred the DRPA's Second Annual Christopher Milito Awards on 25 police officers and public safety support staff for heroism and meritorious service. The annual awards honor a DRPA corporal who died in the line of duty in January 2010.

• Supported the successful passage of New Jersey legislation that enables DRPA police to enforce hazardous material transportation laws in New Jersey. Before the law passed, police from the DRPA Commercial Vehicle Unit already had been trained in hazmat carrier enforcement and were enforcing similar laws in Pennsylvania.

• Joined *Put the Brakes on Fatalities Day*, a national effort to promote safe driving and keep Pennsylvania and New Jersey roadways free of fatalities for one day, Wednesday, October 10. Bridge operations programmed variable message signs at the Benjamin Franklin, Walt Whitman, Commodore Barry and Betsy Ross bridges with the reminder, "Oct. 10: Be Safe, Be Alert, Arrive Home Alive."

• Hosted the Police Unity Tour's bicycle ride across the Commodore Barry Bridge in May. Tour cyclists, who represent law enforcement agencies from across the United States, pedal to Washington, D.C. to raise money for the National Law Enforcement Officers Memorial and Museum and raise awareness of police officers who have fallen in the line of duty.

• Participated state and local driver safety and sobriety enforcement campaigns.

## Significant Changes in Management and Corporate Governance Personnel

Pennsylvania Gov. Tom Corbett announced in August that he would be stepping down as chairman of the Delaware River Port Authority Board of Commissioners. Gov. Corbett appointed himself to the board and was subsequently elected chairman in March 2011.

During his tenure, the DRPA ended a costly, controversial economic development program, reduced aggregate debt, moved forward on bridge and rail capital projects, decreased the authority's debt service, increased its operational liquidity, created the DRPA Office of the Inspector General, completed its first reverse auction for electricity and kept spending in check by submitting nearly flat annual operating budgets for two years in a row.

The governor named Commissioner David F. Simon of Gwynedd Valley, Pa. to replace him as chairman. Gov. Corbett also announced that Andrew J. Reilly of Middletown Township, Pa. would be filling the vacancy created by the governor's resignation from the board.

Robert P. Gross, who served since April 2003 as deputy CEO, retired in January and was replaced by Michael J. Conallen Jr. of Yardley, Pa. That same month, the DRPA appointed Thomas W. Raftery III of Ocean City, N.J. as its first inspector general.

In April, Richard Brown announced his retirement as corporate secretary and general counsel after 22 years of service. He was replaced by Danielle Peyakovich McNichol of Glen Mills, Pa.

DRPA Police Chief David J. McClintock retired in May after 36 years of service.

## Awards and Recognition

The DRPA was honored on May 31 as a Philadelphia Business Journal Healthiest Employer. The award recognizes the excellence of DRPA Administration Department health and wellness programs.

The Camden County Hero Scholarship Fund honored nine Delaware River Port Authority police officers on for valor in the line of duty during two separate emergencies in 2011. In both cases, DRPA officers rescued people imperiled by fire. Five of the officers escorted passengers from a smoke-filled rail car. Four others saved a girl trapped in a burning automobile.

The officers – Sgt. Christopher Bell, Acting Cpl. Tim Hoagland, Officer J.T. Hogan, Officer Larry Goodwin, Officer Matthew Murray, Officer Hugh McIntyre, Officer Robert Crean, Officer Joseph Graziano and Officer Sean Longfellow – accepted their awards on Feb. 24 during the 46th Annual Hero Scholarship Fund Dinner in Berlin, N.J.

Sgt. Bell, Acting Corporal Hoagland, and Officer Goodwin were later honored with Heroism Awards from the Citizens Crime Commission for risking their lives to rescue the victim of an automobile fire.

Jack Costello of the Purchasing Department penned the winning entry – "Safety is the Key to Accident Free" – in the 2012 DRPA Safety Slogan Contest. The winner was one of 31 submissions evaluated by the DRPA Central Safety & Health Committee. Jack's safety slogans have won twice before.

Acting DRPA Police Sergeant Steven Hogan received the Corporal Christopher Milito Police Officer of the Year award for his leadership, work ethic and consistently superior professional performance.

For the 20th consecutive year, the DRPA annual report team – led by Chief Financial Officer John Hanson and supported by personnel from Finance, Corporate Communications and the Print Shop – earned the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA). The award recognizes the DRPA's Comprehensive Annual Financial Report for Year Ended December 31, 2011.

## Citizens Advisory Committee (CAC)

The DRPA CAC began its second full year of operation. Established in a 2010, the CAC works in cooperation with the DRPA but is an independent, advisory body. It comprises 24 members – 12 each from Pennsylvania and New Jersey – who proportionately represent DRPA toll-payers and PATCO passengers.

## Community Engagement

Management and the Board of Commissioners make DRPA and PATCO facilities available at little or no charge to qualified non-profit organizations whose representatives apply in advance for permission to use them.

Last year, our facilities hosted a series of events that benefitted the March of Dimes, regional multiple sclerosis organizations, a southern New Jersey school for children with disabilities and various police and firefighter charities.

At the request of civic leaders and non-profit representatives, the DRPA also lights the Benjamin Franklin Bridge in colors that commemorate non-profit fundraising drives, holidays, regional milestones and significant events of interest to our stakeholders in Southern New Jersey and the Philadelphia metropolitan area.

In addition, our employees raised money for the United Way, as well as for charities that fight breast cancer and heart disease.

# 2013 Work Agenda

## Finance

• The DRPA and PATCO will continue to manage costs in ways that keep operating expenses below budget limits and that preserve the current toll and fare structures for as long as possible.

• The DRPA will continue to pursue finance strategies that minimize debt costs, take advantage of historically low interest rates, preserve operating liquidity and maximize the value of DRPA debt instruments for owners and potential buyers.

• The DRPA and PATCO will continue to incorporate management efficiencies identified in completed Lean Six Sigma projects.

## Bridges and Administration

• The DRPA will continue the $140 million Walt Whitman Bridge deck rehabilitation project, which includes the design, construction, and construction inspection efforts associated with removing existing suspension span deck and installation of a new deck. The work also will include replacing the existing reinforced concrete deck covering the Philadelphia and Gloucester City, N.J. anchorages. Construction began in 2010 and is expected to be completed during the second quarter of 2014.

• The DRPA is scheduled to begin a two-year, $15.5 million project to resurface the Betsy Ross Bridge. Work will include milling, waterproofing and repaving, removal of unsound concrete, repairing spalls in the concrete deck, improving highway safety, improving bridge drainage and repairing headers at expansion joints.

• The DRPA will install security cameras at the Walt Whitman and Betsy Ross bridges at a cost of approximately $1.5 million.

• The DRPA will continue the design phase of a $3.5 million project to build a bike and pedestrian access ramp on the south walkway of the Benjamin Franklin Bridge. The project is slated for completion in 2015.

• The DRPA will begin design and conceptual work in preparation for a $71 million project to paint the Walt Whitman Bridge and an $87 million project to paint Commodore Barry Bridge. Painting at both bridges is scheduled to be completed in 2017.

• The DRPA will begin a two-year, $5.1 million investigation of the main suspension cables on the Benjamin Franklin Bridge. The project includes the design of a dehumidification system for the main cables to improve corrosion protection.

• The DRPA will begin a $2 million project – slated for completion in 2014 – to renovate the toll booths and other toll island infrastructure at the Walt Whitman Bridge.

• The DRPA will begin work on a $3.2 million anchorage dehumidification project at the Walt Whitman Bridge.

## PATCO

• PATCO will continue its $194 million rail car overhaul program. Pilot cars are scheduled for delivery to Lindenwold by the third quarter of 2013. All 120 cars are scheduled to be completed by the fourth quarter of 2016.

• PATCO and the DRPA are scheduled to begin a $102 million project to rehabilitate the north and south passenger rail tracks crossing the Delaware River on the Benjamin Franklin Bridge. Plans call for the replacement of wood ties, running rails, electrical cabling and information/switching systems and supporting steel trusses by the end of 2015.

• PATCO will complete an approximately $30 million power cable and pole line replacement project in the third quarter of 2013.

• PATCO will repave parking lots at the Ferry Avenue and Collingswood stations. The $2.6 million project should be completed by the fall of 2013.

• PATCO will complete a $5.5 million project to install elevators at the 9/10th and Locust Street and Ferry Avenue stations. The project is part of an approximately $22 million program to install elevators in all currently unequipped PATCO stations by 2017.

• PATCO will finish the $8.2 million construction of an annex to its Lindenwold machine shop. The new annex building will provide additional shop facilities for maintenance of rolling stock.

• PATCO is scheduled to complete a $4.8 million escalator replacement at the Woodcrest, 12th/13th and Locust Street and 15th/16th and Locust Street rail stations.

• PATCO will begin the $2.3 million second phase of a multi-year project to replace transformers at the Lindenwold, Ashland East, Collingswood and Ferry Avenue electrical substations.

• PATCO is scheduled to start and complete a $389,000 project to replace variable message signs on station platforms. The project also includes upgrades and replacements to station public address systems.

## Vendor Diversity Programs

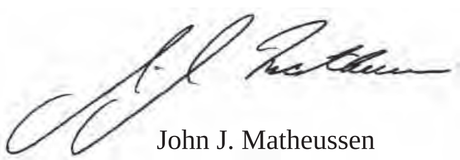
Since 1994, the year the DRPA first implemented non-discrimination programs, we have awarded more than $291 million to certified disadvantaged, minority and women-owned businesses.

We will continue to sponsor training and outreach programs and participate in business expos to encourage small and minority-owned businesses to compete for contracts with the DRPA and PATCO.

## Community Activities

We will continue to encourage our employees to work on outreach projects as part of their everyday functions and to volunteer personal time to their communities.

Yours truly,



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


LEFT LANE CLOSED
SPEED LIMIT 45

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

July 26, 2013

**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, 2012, is hereby submitted. Responsibility for both 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 net 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 to ensure compliance with applicable laws and regulations relating to that federal assistance. These internal controls are subject to periodic evaluation by the Office of the Inspector General 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's 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.


Mailing Address: PO Box 1949 Camden New Jersey 08101-1949 Telephone: (856) 968-2000

## 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 and 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 Board of Commissioners of the Delaware River Port Authority has five committees established under the authority of its Bylaws. They are: the Operations and Maintenance Committee, Projects Committee, Executive Committee, Finance Committee, and Export Development and International Trade Committee. These committees adhere to the rules and leadership structure outlined in Article IX of the DRPA Bylaws. These Committees act pursuant to the power vested under the bylaws.

The Board of Commissioners of the Delaware River Port Authority has also established, under the Authority of resolution DRPA-10-040, an Audit Committee that is chaired by the Auditor General of Pennsylvania. The Audit Committee is charged with overseeing an independent financial, forensic and performance audit. The Board of The Delaware River Port Authority also adopted an Audit Committee charter through resolution DRPA-10-141. This resolution specifies that the purpose of the Audit Committee is to assist the board in fulfilling its oversight responsibility relating to: (1) the Authority's internal and external audit process, the financial reporting process, and the risk assessment and internal controls over financial reporting; (2) Compliance with applicable laws, policies, and accounting and auditing standards, and (3) Communication between the Authority's management, internal and external auditors, experts, other advisors, and the Board.

The Audit Committee adheres to the rules and leadership structure outlined in resolutions DRPA-10-040 and DRPA-10-141. The Audit Committee acts pursuant to the power vested under these two resolutions. It is not vested with any power under the bylaws.

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 its wholly owned subsidiary, the Port Authority Transit Corporation (PATCO). The transit system operates between Philadelphia, Pennsylvania and Lindenwold, New Jersey. The Authority's Office of the Chief Operating Officer manages the RiverLink Ferry System which runs daily between Penn's Landing in Philadelphia and the Camden Waterfront.

## 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 and staff contribute 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 and safe 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 Finance Committee and ultimately 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 five year capital budget is also prepared through a similar process and submitted to the Finance Committee, and subsequently 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. The foundation for the major capital budget projects (those projects greater than $200K) is the biennial inspection which inspects all four bridges and PATCO. This inspection is required by the 1998 Revenue Bond Indenture. Smaller capital projects are identified by various operating and administrative departments.

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, which were issued in 2001, passage of 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 $837.9 million 2012 Five Year Capital Program.

## DEBT MANAGEMENT

In February, the Authority's Board approved a comprehensive finance plan to use the Authority's General Fund for the early redemption of up to $120 million of its fixed-rate debt, restructure its variable rate debt and reduce the costs of its underlying letters of credit (on its 2008 and 2010 Revenue Refunding Bonds), and to refund a large portion of its port district project bond debt. The Authority successfully took actions to pay down approximately $96 million in revenue bond and port district project bond debt in April 2012, substantially reducing its 2012 debt service and improving its debt coverage ratio on its senior debt.

During December, the Authority executed the second part of its finance plan by issuing $153 million in Port District Project Refunding Bonds, Series 2012, to refund and redeem all of the outstanding principal balance and interest accrued on the Authority's outstanding Port District Project Bonds, Series B of 1998, Series B of 1999 and Series A of 2001. As a result of these actions, the par amount of the Authority's Port District Bond debt decreased from approximately $315 million to approximately $187 million. As of year-end, the Authority's subordinate PDP debt is approximately 16% of the outstanding debt during the year. (As noted in the "Subsequent Events" section of the notes to the financial statements, the Authority has successfully completed the Direct Pay Letter of Credit substitution on the 2010 Revenue Refunding Bonds and has completed the execution of amendments for its 2008 Revenue Refunding Bonds. The Authority will see savings in excess of $4 million annually as a result of the completion of this third phase of the plan.)

As a result of the early redemption and refunding of debt, the Authority's total debt decreased by over $162 million, to total $1.17 billion at year-end.

## LOCAL ECONOMY

From the latest data available, it appears that population growth increased slightly in the Pennsylvania and New Jersey counties within the Port District since 2010. The unemployment rate in the both areas has decreased slightly since 2010. 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. The Authority is expecting to have a traffic engineering study completed in the third quarter of 2013, which will contain projections for a 10-year period. This traffic engineer's report will be included in the Official Statement for the bond issue discussed below.

As mentioned in the "Budget Process" section of this document, each year, the Authority develops a five-year capital plan which details the anticipated capital expenditures during this five-year period. The 2013 Capital Plan, developed, during the year, and approved in December 2012, outlined numerous bridge, transit system, security and technology project expenditures approaching $746.0 million (net of federal funding), for the five-year period commencing in 2013. (In a resolution adopted in February 2013, the Authority's Board authorized the issuance of up to $510 million in new revenue bonds). As of December 31, 2012, the Authority has funded approximately $33.8 million in capital expenditures from its General Fund which it expects to reimburse from its future anticipated revenue bond issuance.

## BRIDGE TOLL AND PASSENGER FARE SCHEDULES

There have been no changes to the Authority's bridge toll and passenger fare schedules since July 2011.

## 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, 2011. This was the twentieth consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both 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 especially 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 of the Delaware River Port Authority's finances. Special thanks also to the DRPA Inspector General Thomas W. Raftery III for his leadership in facilitating this financial audit.

Respectfully submitted,

John T. Hanson

John T. Hanson
Chief Financial Officer

# Financial Section

# Financial Section

McGladrey

**Independent Auditor's Report**

To the Board of Commissioners
Delaware River Port Authority

**Report on the Financial Statements**

We have audited the accompanying combined financial statements of Delaware River Port Authority and subsidiary, which comprise the combined statements of net position as of December 31, 2012 and 2011, and the related combined statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the combined financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the net position of the Delaware River Port Authority and subsidiary as of December 31, 2012 and 2011, and the changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedule of funding progress for health benefits be presented to supplement the combined financial statements. Such information, although not a part of the combined financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the combined financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the combined financial statements, and other knowledge we obtained during our audit of the combined financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental schedules on pages 86 to 90 and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the combined financial statements.

The supplemental schedules on pages 86 to 90 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements 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 do not express an opinion or provide any assurance on them.

McGladrey LLP

Blue Bell, Pennsylvania
July 26, 2013

# Management's Discussion & Analysis
(Unaudited)

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, 2012 and 2011. 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 17-20 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

## FINANCIAL HIGHLIGHTS (IN THOUSANDS)

- Operating revenues were $327,400 in 2012, an increase of $27,852 or 9.30% over 2011. The increase was primarily related to the increase in toll revenues.
- The $25,125 increase in toll revenues (up 9.39%) during the year was primarily attributable to the full year's impact of the prior year's toll increase, which was implemented on July 1, 2011. The average toll increased from $5.4638 in 2011 to $6.0901 in 2012.
- Bridge traffic decreased by 0.9 million vehicles (down 1.86%) during the year 2012. Traffic on the bridges was largely impacted by general economic conditions in the region and, to some degree, from the previous year's toll increase.
- The Port Authority Transit Corporation (PATCO) is a wholly-owned subsidiary of the Delaware River Port Authority (DRPA) and is subsidized by the Delaware River Port Authority. Operating expenses exceeded operating revenues for PATCO by $14,264 in 2012 and by $19,069 in 2011. The operating loss decreased by $4,805 from 2012 to 2011.
- PATCO passenger fare revenues increased by 8.46%, primarily resultant from the impact of increased PATCO ridership of 107 thousand (up 1.02%), and the full year's impact of the prior year's 10% passenger fare increase (enacted on July 1, 2011), which resulted in an increase in the average fare/ride. Net fare revenues increased by $2.0 million.
- Total "non-restricted" investments decreased by $22,776, a decrease of 7.09%. General Fund investment balances decreased by $23,194 (down 7.50%) to total $285,880 at year end. The General Fund decrease resulted from early redemption, of approximately $96 million in fixed-rate debt, and the funding of approximately $34 million in capital expenditures.
- Total "restricted investments for capital projects" (revenue bond project funds) dropped by $59.0 million, attributable to capital expenditure activity during 2012.

- Bridge and general administration expenses increased a combined $10,697 (or by 11.90%) vs. 2011 expenses. Total expenses and the net position included the impact of the Authority's non-cash accrual of $1,635 in expenses related to GASB 45 (Other Post-Employment Benefits other than pensions).
- The Authority's total debt decreased $162,326 or by 12.18% during the current year, a function of maturing revenue, revenue refunding and port district project bond debt on January 1st, 2012 ($45.2 million), the early redemption of almost $96 million in fixed-rate debt, and a refunding of its Port District Project bonds (completed in late 2012).
- Economic development expenditures totaled $8,695 in 2012, an increase in such expenditures of $6,670 over 2011. The Authority's economic development spending now reflects only previously committed projects, as the Authority's Board approved a discontinuation of any new economic development projects in 2010.
- The assets of the Authority exceeded its liabilities at the close of 2012 resulting in net position of $427,547. Net position increased by $86,266 during the year.

## FINANCIAL POSITION SUMMARY

A large portion of the Authority's net position 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 Position

| | 2012 | 2011 | 2010 (Restated) |
|---|---|---|---|
| Current and other assets | $503,037 | $658,607 | $717,956 |
| Capital assets | 1,240,928 | 1,177,891 | 1,094,884 |
| Total assets | 1,743,965 | 1,836,498 | 1,812,840 |
| Deferred outflows | 166,703 | 173,789 | 125,108 |
| Long-term liabilities outstanding | 1,413,717 | 1,566,719 | 1,560,779 |
| Other liabilities | 69,404 | 102,287 | 90,240 |
| Total liabilities | 1,483,121 | 1,669,006 | 1,651,019 |
| Net position: | | | |
| Net invested in capital assets | 272,905 | 214,632 | 239,390 |
| Restricted | 143,692 | 185,219 | 158,589 |
| Unrestricted (deficiency) | 10,950 | (58,570) | (111,050) |
| Total net position | $427,547 | $341,281 | $286,929 |

In 2012, net position increased in the amount of $86,266. Factors impacting this increase include: significantly higher revenues and a significant decrease in non-operating expenses (which includes an $11.3 million reduction in interest expense from 2011).

In 2011, net position increased in the amount of $54,352. Factors impacting this increase include: significantly reduced economic development spending, increased revenues and lower operating expenses, a decrease in the OPEB expense, a gain in the fair value of derivative instruments, and an increase in capital contributions.

### Summary of Changes in Net Position

| | 2012 | 2011 | 2010 (Restated) |
|---|---|---|---|
| Operating revenues | $327,400 | $299,548 | $274,727 |
| Operating expenses | (146,498) | (138,601) | (150,087) |
| Excess before depreciation and other non-operating income and expenses | 180,902 | 160,947 | 124,640 |
| Depreciation | (55,018) | (49,216) | (47,751) |
| Operating income | 125,884 | 111,731 | 76,889 |
| Non-operating loss and expenses, net | (64,660) | (90,400) | (140,928) |
| Income (loss) before capital contributions | 61,224 | 21,331 | (64,039) |
| Capital contributions | 25,042 | 33,021 | 20,603 |
| Change in net position | $86,266 | $54,352 | ($43,436) |

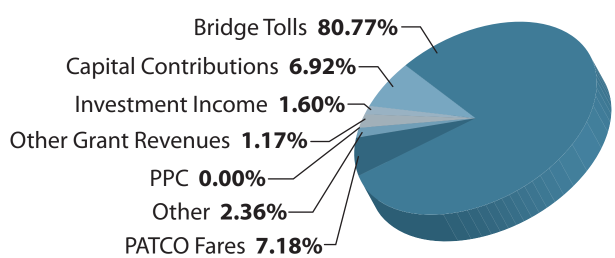
## REVENUE SUMMARY

Summary of revenues for the year ended December 31, 2012 and the amount and percentage change in relation to prior year amounts is as follows:

| | 2012 Amount | Percent of Total | Increase/ (Decrease) From 2011 | Percent Increase (Decrease) |
|---|---|---|---|---|
| **Operating:** | | | | |
| Bridge tolls | $292,810 | 80.77% | $25,125 | 9.39% |
| PATCO passenger fares | 26,035 | 7.18% | 2,031 | 8.46% |
| Other | 8,553 | 2.36% | 1,131 | 15.24% |
| Cruise Terminal | 2 | 0.00% | (435) | -99.54% |
| Total operating | 327,400 | 90.31% | 27,852 | 9.30% |
| **Non-Operating:** | | | | |
| Investment income | 5,803 | 1.60% | 835 | 16.81% |
| Other | 44 | 0.00% | (629) | -93.46% |
| Other grant revenues | 4,232 | 1.17% | 1,850 | 77.67% |
| Capital contributions | 25,042 | 6.92% | (7,979) | -24.16% |
| Total Revenues (before change in fair value) | $362,251 | 100.00% | $21,929 | 6.44% |
| Change in fair value of derivatives | 1,835 | - | (6,830) | -78.82% |
| **TOTAL REVENUES** | $364,356 | - | $15,099 | 4.32% |

- Total revenues in 2012 increased by 4.32%, primarily due to the increase in total operating revenues. Total operating revenues in 2012 increased by 9.30%, primarily due to an increase in bridge toll and PATCO revenues.
- Bridge toll revenue increased by $25.1 million, or by 9.39%, despite an overall decrease in traffic during 2012. (Bridge tolls accounted for almost 81% of total revenues.) Traffic decreased by 1.86% but revenue increased $25,125 due to the full year's impact of the new toll schedule implemented on July 1st, 2011.
- The year-to-year average toll rate increase (from $5.4638 to $6.0901) reflects the higher toll schedule and a higher decrease in passenger vs. commercial vehicle traffic.
- PATCO passenger fare revenues increased by 8.46% primarily resultant from the full-year impact of the 10% fare increase (July 1, 2011), and the increase in ridership (up 107) and in the average fare per ride.

## REVENUES BY SOURCE



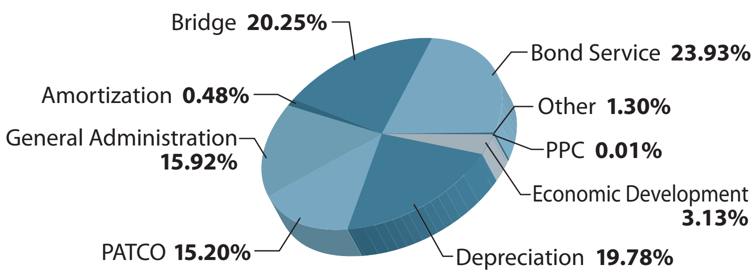
## EXPENSE SUMMARY

A summary of expenses for the year ended December 31, 2012 and the amount and percentage change in relation to prior year amounts is as follows:

| Operating: | 2012 Amount | Percent of Total | Increase/ (Decrease) From 2011 | Percent Increase/ (Decrease) |
|---|---|---|---|---|
| Bridge | $56,325 | 20.25% | $6,956 | 14.09% |
| PATCO | 42,256 | 15.20% | (2,634) | -5.87% |
| General Administration | 44,277 | 15.92% | 3,741 | 9.23% |
| Other | 3,611 | 1.30% | 51 | 1.43% |
| River Link Ferry | 29 | 0.01% | (217) | -88.21% |
| Depreciation | 55,018 | 19.78% | 5,802 | 11.79% |
| Total operating | 201,516 | 72.46% | 13,699 | 7.29% |
| **Non-Operating:** | | | | |
| Bond Service | 66,540 | 23.93% | (11,330) | -14.55% |
| Amortization | 1,339 | 0.48% | 393 | 41.54% |
| Other | - | 0.00% | (26,247) | -100.00% |
| Economic Development | 8,695 | 3.13% | 6,670 | 329.38% |
| Total Non-Operating | 76,574 | 27.54% | (30,514) | (28.49)% |
| **TOTAL EXPENSES** | $278,090 | 100.00% | ($16,815) | (5.70)% |

- Bridge and General Administration (G&A) expenses for DRPA operations increased by a combined $10,697 (or 11.90%) versus 2011. Major factors impacting the expenses include: increased healthcare expenses and employer pension contributions, biennial inspection costs and increased fees related to the E-ZPass operation.
- PATCO expenses decreased by $2,634 or (5.87%), primarily attributable to lower purchased power costs and a decrease in self-insurance reserve expenses.
- Total operating expenses increased by $13,699 or 7.29%, attributable to the increases in Bridge and General Administration (as cited above), and depreciation expenses.
- Depreciation expenses increased by $5,802 up 11.79% during the year. This increase was attributable to a $28,504 net increase in total capital assets being depreciated in 2012 (Note 7).
- Economic development expenditures totaled $8,695 in 2012, an increase of $6,670 from expenditures in 2011. The increase reflects the Authority's funding of previously authorized projects committed to prior to the Authority's discontinuation of any new economic development projects in 2010.
- Total Non-Operating expenses decreased by $30,514, attributable to lower bond service payments (down $11,330), and the $26.2 million reduction in one-time costs of capital asset disposals recognized in 2011.
- Total expenses decreased by $16,815 largely attributable to the large decrease in non-operating expenses, which more than offset the increases in bridge, G&A and depreciation expenses.

### 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.

| | 2012 | 2011 | 2010 |
|---|---|---|---|
| Cash flow from operating activities | $186,336 | $168,451 | $140,144 |
| Cash flow from non-capital financing activities | (696) | 2,653 | (79,426) |
| Cash flow from capital and related financing activities | (338,655) | (235,361) | 138,631 |
| Cash flow from investing activities | 153,002 | 63,932 | (198,989) |
| Net increase (decrease) in cash and cash equivalents | (13) | (325) | 360 |
| Cash and cash equivalents, beginning | 5,912 | 6,237 | 5,877 |
| Cash and cash equivalents, ending | $5,899 | $5,912 | $6,237 |

### Capital Assets and Debt Administration

**Capital Assets.** The Authority's investment in capital assets for its activities through December 31, 2012 amounted to $1,240,928 (net of accumulated depreciation), an increase of $63,037 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 5.35%.

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

- Redecking suspended span and anchorage spans work at the Walt Whitman Bridge in the amount of $40,858.
- Walkway maintenance and structural repairs at the Commodore Barry Bridge in the amount of $12,701.
- PATCO transit car overhaul in the amount of $11,051.
- Replacement of PATCO pole line and power cable in the amount of $10,179.
- Deck truss rehabilitation at the Ben Franklin Bridge in the amount of $5,366.

**Delaware River Port Authority's Capital Assets**
(Net of depreciation)

| | 2012 | 2011 | 2010 |
|---|---|---|---|
| Land | $74,225 | $74,225 | $74,225 |
| Bridges and related buildings and equipment | 604,153 | 600,506 | 632,461 |
| Transit property and equipment | 256,381 | 258,971 | 230,759 |
| Port enhancements | 2,139 | 2,441 | 11,950 |
| Construction in progress | 304,030 | 241,748 | 145,489 |
| Total | $1,240,928 | $1,177,891 | $1,094,884 |

Additional information on the Authority's capital assets can be found in Note 7 on pages 54-55 of this report.

**Long-term debt.** The Authority's total debt decreased by $162,326 (or by 12.18%) during 2012. At the end of the current year, the Authority had total bonded debt outstanding of $1,170,540 (shown below by issue). Of this amount, $967,868 (or 82.69%) represents debt backed by toll revenue from the Authority's bridges. The remaining debt of $202,672 represents subordinated obligations of the Authority. The Authority's debt portfolio consists of $510,501 (or 43.61%) in fixed rate debt, with the remaining $660,039 in variable rate mode; the latter are backed by five (5) direct-pay bank letters of credit, from several banks.

**Delaware River Port Authority's Outstanding Debt**
(Revenue, Revenue Refunding, Port District Project and Port District Refunding Bonds)

| | 2012 | 2011 | 2010 |
|---|---|---|---|
| 1998 Revenue Refunding Bonds | $ - | $ - | $2,365 |
| 1998 Port District Project Bonds | - | 58,005 | 60,476 |
| 1999 Revenue Bonds | - | 41,335 | 57,565 |
| 1999 Port District Project Bonds | 34,250 | 143,341 | 145,862 |
| 2001 Port District Project Bonds | - | 108,678 | 111,776 |
| 2008 Revenue Refunding Bonds | 314,527 | 328,759 | 338,733 |
| 2010 Revenue Refunding Bonds | 345,512 | 344,944 | 344,376 |
| 2010 Revenue Bonds | 307,829 | 307,804 | 307,776 |
| 2012 Port District Project Refunding Bonds | 168,422 | - | - |
| Total (net of amortizing premium and discount and loss on refunding) | $1,170,540 | $1,332,866 | $1,368,929 |

*Bond Ratings:* In late 2012, with the issuance of new port district project refunding bonds, both Moody's and Standard and Poor's (S&P) raised the outlook on the Authority's Revenue, Revenue Refunding, and Port District Project Bonds. Moody's increased the Authority's outlook, on all bonds, from "negative" to "stable," while S&P increased the Authority's outlook, on all bonds, from "stable" to "positive". The changes in outlook reflected the Authority's strong revenues and its liquidity position, a reduced total five-year capital budget, and many years of demonstrated cost-control of operating expenses.

The underlying debt ratings on the Authority's bond issues, as of December 31, 2012, are shown below:

| Issue: | Moody's: | S & P: |
|---|---|---|
| Revenue and Revenue Refunding Bonds (1998, 1999, 2008 and 2010 bonds) | A3 Stable | A- Positive |
| Port District Project and Port District Project Refunding Bonds (1998, 1999, 2001 and 2012 bonds) | Baa3 Stable | BBB- Positive |

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-section entitled "Bond Ratings" under Note 12 on pages 72-74 and "Commitments" under Note 17 on pages 76-81 of this report.

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

The following factors were considered in preparing the Authority's budget for the 2013 year:

- Little or no growth in the overall regional economy.
- No bridge toll or PATCO fare increases during 2013.
- Budgeted bridge traffic is expected to dip by 1.2 million vehicles to 48.1 million vehicles, attributable to economic factors.
- Bridge toll revenues projected to approach $290.5 million, attributable to an increase of $3.1 million in budgeted toll revenues vs. 2012. (Net toll revenues include a three-day adjustment for the projected impact of inclement weather).
- Increase of 4.6% in projected PATCO fares and revenues over 2012, increasing to $26.8 million Passenger ridership is budgeted to increase by 370,000 riders (or by 3.7%) vs. the 2012 budget, or 10.37 million riders annually.
- Biennial inspection costs estimated to be $0.25 million in 2013, a budgeted decrease of $2.75 million.
- DRPA operating expense increase of $2.8 million, or a 3.5% increase, primarily attributable to increased health care and employer contribution pension costs higher and E-ZPass transaction costs. The PATCO operating budget increased by $1.3 million, or by 3.0%, attributable primarily to payroll and pension-related costs. The combined DRPA and PATCO budgeted operating expenses are expected to increase by $4.2 million to total $131.05 million.
- Budgeted decrease of approximately $14.3 million in budgeted total debt service. Total debt service projected to be $115.8 million for 2013. Reduced debt service in 2013 reflects the reduction in principal and interest payments related to the early redemption of debt and the refunding of the port district project bonds in 2012. Debt service costs on the Authority's variable rate bonds are expected to remain stable.
- Bank direct pay letters of credit costs (related to the 2008 and 2010 Revenue Refunding variable rate bonds) are expected to decrease significantly by approximately $4.4 million, a 40.6% decrease.
- Capital Budget expenditures for 2013 expected to be approximately $119.3 million.

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, 2012. 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.

**Delaware River Port Authority**

**Combined Statements of Net Position**
**December 31, 2012 and 2011**
*(amounts expressed in thousands)*

| | 2012 | 2011 |
|---|---|---|
| **Assets** | | |
| Current Assets | | |
| Cash and cash equivalents | $ 829 | $ 1,533 |
| Investments | 298,513 | 321,289 |
| Accounts receivable, net of allowance for uncollectibles | 8,866 | 12,081 |
| Accrued interest receivable | 540 | 569 |
| Transit system and storeroom inventories | 6,794 | 6,111 |
| Economic development loans - current | 1,830 | 1,630 |
| Prepaid expenses | 1,354 | 4,257 |
| Restricted assets | | |
| Temporarily restricted | | |
| Cash and cash equivalents | 5,070 | 4,379 |
| Investments | 151,631 | 214,816 |
| Accrued interest receivable | 4 | 4 |
| **Total current assets** | 475,431 | 566,669 |
| Noncurrent Assets | | |
| Restricted investments for capital projects | - | 58,986 |
| Capital assets, net of accumulated depreciation | | |
| Land | 74,225 | 74,225 |
| Construction in progress | 304,030 | 241,748 |
| Bridges and related buildings and equipment | 604,153 | 600,506 |
| Transit property and equipment | 256,381 | 258,971 |
| Port enhancements | 2,139 | 2,441 |
| Total capital assets | 1,240,928 | 1,177,891 |
| Other | | |
| Economic development loans, net of allowance for uncollectibles | 17,392 | 18,048 |
| Deferred charges | | |
| Debt issuance costs, net of amortization | 10,214 | 14,904 |
| Total other assets | 27,606 | 32,952 |
| Total noncurrent assets | 1,268,534 | 1,269,829 |
| Total assets | 1,743,965 | 1,836,498 |
| **Deferred Outflows** | | |
| Accumulated decrease in fair value of hedging derivatives | 166,703 | 173,789 |

(Continued)

**Delaware River Port Authority**

**Combined Statements of Net Position (Continued)**
**December 31, 2012 and 2011**
*(amounts expressed in thousands)*

| | 2012 | 2011 |
|---|---|---|
| **Liabilities** | | |
| Current Liabilities | | |
| Accounts payable | | |
| Retained amounts on contracts | $ 10,065 | $ 14,784 |
| Other | 21,816 | 20,841 |
| Accrued liabilities | | |
| Claims and judgments | 1,490 | - |
| Self-insurance | 1,907 | - |
| Pension | 555 | 946 |
| Sick and vacation leave benefits | 1,099 | 1,172 |
| Other | 1,099 | 847 |
| Deferred revenue | 3,245 | 665 |
| Liabilities payable from restricted assets | | |
| Accrued interest payable | 9,113 | 17,807 |
| Bonds payable - current | 19,015 | 45,225 |
| **Total current liabilities** | 69,404 | 102,287 |
| Noncurrent Liabilities | | |
| Accrued liabilities | | |
| Claims and judgments | 4,402 | 3,996 |
| Self-insurance | 1,345 | 3,141 |
| Sick and vacation leave benefits | 3,295 | 3,519 |
| Other post employment benefits | 41,363 | 39,550 |
| Deferred revenue | 5,741 | 9,415 |
| Premium payment payable - derivative companion instrument | 37,969 | 42,458 |
| Derivative instrument - interest rate swap | 168,077 | 176,999 |
| Bonds payable, net of unamortized discounts, premiums, and loss on refunding | 1,151,525 | 1,287,641 |
| Total noncurrent liabilities | 1,413,717 | 1,566,719 |
| Total liabilities | 1,483,121 | 1,669,006 |
| **Net Position** | | |
| Net investment in capital assets | 272,905 | 214,632 |
| Restricted for: | | |
| Debt requirements | 122,010 | 152,762 |
| Port projects | 21,682 | 32,457 |
| Unrestricted (deficiency) | 10,950 | (58,570) |
| Total net position | $ 427,547 | $ 341,281 |

See Notes to Combined Financial Statements.

**Delaware River Port Authority**

**Combined Statements of Revenues, Expenses and Changes in Net Position**
**Years Ended December 31, 2012 and 2011**
*(amounts expressed in thousands)*

| | 2012 | 2011 |
|---|---|---|
| **Operating revenues** | | |
| Bridges | | |
| Tolls | $ 292,810 | $ 267,685 |
| Other operating revenues | 6,372 | 5,049 |
| Total bridge operating revenues | 299,182 | 272,734 |
| Transit system | | |
| Passenger fares | 26,035 | 24,004 |
| Other operating revenues | 1,957 | 1,817 |
| Total transit system operating revenues | 27,992 | 25,821 |
| Port of Philadelphia and Camden | | |
| Cruise terminal | 2 | 369 |
| RiverLink | - | 68 |
| Total Port of Philadelphia and Camden | 2 | 437 |
| Other | | |
| Miscellaneous | 224 | 556 |
| Total operating revenues | 327,400 | 299,548 |
| **Operating expenses** | | |
| Operations | 98,581 | 94,259 |
| Community impact | 3,611 | 3,560 |
| General and administration | 44,277 | 40,536 |
| Port of Philadelphia and Camden | 29 | 246 |
| Depreciation | 55,018 | 49,216 |
| Total operating expenses | 201,516 | 187,817 |
| Operating income | 125,884 | 111,731 |

(Continued)

**Delaware River Port Authority**

**Combined Statements of Revenues, Expenses and Changes in Net Position (Continued)**
**Years Ended December 31, 2012 and 2011**
*(amounts expressed in thousands)*

| | 2012 | 2011 |
|---|---|---|
| **Nonoperating revenues (expenses)** | | |
| Investment income | $ 5,803 | $ 4,968 |
| Change in fair value of derivative instruments | 1,835 | 8,665 |
| | 7,638 | 13,633 |
| Interest expense | (66,540) | (77,870) |
| Amortization expense | (1,339) | (946) |
| Economic development activities | (8,695) | (2,025) |
| Other nonoperating revenues | 44 | 673 |
| Other grant revenues | 4,232 | 2,382 |
| Loss on abandonment of Aerial Tram project | - | (18,318) |
| Loss on disposal of capital assets | - | (7,929) |
| Total nonoperating revenues (expenses) | (64,660) | (90,400) |
| Income before capital contributions | 61,224 | 21,331 |
| Capital contributions | | |
| Federal and state capital improvement grants | 25,042 | 33,021 |
| **Change in net position** | 86,266 | 54,352 |
| Net position, January 1, | 341,281 | 286,929 |
| Net position, December 31, | $ 427,547 | $ 341,281 |

See Notes to Combined Financial Statements.

**Delaware River Port Authority**

**Combined Statements of Cash Flows**
**Years Ended December 31, 2012 and 2011**
*(amounts expressed in thousands)*

| | 2012 | 2011 |
|---|---|---|
| Cash Flows from Operating Activities | | |
| Receipts from customers and users | $ 326,211 | $ 297,347 |
| Payments for other goods or services | (77,799) | (70,598) |
| Payments for employees services | (62,120) | (58,871) |
| Other receipts | 44 | 573 |
| **Net cash provided by operating activities** | 186,336 | 168,451 |
| Cash Flows from Noncapital Financing Activities | | |
| Payments for economic development activities | (8,695) | (2,025) |
| Repayments of economic development loans | 458 | 2,517 |
| Grants received | 7,541 | 2,161 |
| **Net cash provided by (used in) noncapital financing activities** | (696) | 2,653 |
| Cash Flows from Capital and Related Financing Activities | | |
| Acquisition and construction of capital assets | (122,921) | (149,318) |
| Proceeds from sales of capital assets | 146 | 435 |
| Capital contributions received | 25,043 | 32,358 |
| Proceeds from capital debt | 175,557 | - |
| Payment of bond issuance costs | (1,374) | - |
| Payment on capital debt refunding | (196,760) | - |
| Principal paid on bonded debt | (140,895) | (42,675) |
| Interest paid on debt | (77,451) | (76,161) |
| **Net cash used in capital and related financing activities** | (338,655) | (235,361) |
| Cash Flows from Investing Activities | | |
| Proceeds from sales and maturities of investments | 1,273,801 | 868,960 |
| Purchase of investments | (1,127,253) | (811,928) |
| Interest received | 6,454 | 6,900 |
| **Net cash provided by investing activities** | 153,002 | 63,932 |
| **Net decrease in cash and cash equivalents** | (13) | (325) |

(Continued)

**Delaware River Port Authority**

**Combined Statements of Cash Flows (Continued)**
**Years Ended December 31, 2012 and 2011**
*(amounts expressed in thousands)*

| | 2012 | 2011 |
|---|---|---|
| Cash and Cash Equivalents, January 1, (including $3,666 and $1,369 reported as restricted) | $ 5,912 | $ 6,237 |
| Cash and Cash Equivalents, December 31, (including $4,379 and $3,666 reported as restricted) | $ 5,899 | $ 5,912 |
| **Reconciliation of Operating Income to Net Cash Provided by Operating Activities:** | | |
| Operating income | $ 125,884 | $ 111,731 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 55,018 | 49,216 |
| Changes in assets and liabilities: | | |
| Increase in accounts receivable | (95) | (2,871) |
| (Increase) decrease in transit system and storeroom inventories | (683) | 81 |
| Decrease in prepaid expenses | 2,903 | 267 |
| Increase in accounts payable and accrued wages | 975 | 4,431 |
| Increase (decrease) in accrued pension payable | (391) | 771 |
| Increase (decrease) in deferred revenue | (1,094) | 670 |
| Increase in claims and self-insurance | 2,007 | 2,946 |
| Decrease in sick and vacation leave benefits payable | (297) | (182) |
| Increase in other accrued liabilities | 2,065 | 818 |
| Other revenues | 44 | 573 |
| **Net cash provided by operating activities** | $ 186,336 | $ 168,451 |
| Noncash Investing, Capital and Financing Activities: | | |
| Accretion of interest on premium payment payable - derivative companion instrument | $ 1,985 | $ 2,197 |
| (Increase) decrease in accumulated change in fair value of hedging derivatives resulting from change in fair value | (7,086) | 48,681 |

See Notes to Combined Financial Statements.

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

**Note 1. Summary of Significant Accounting Policies**

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 Lindenwold, New Jersey. The Authority's Port of Philadelphia and Camden Department ("PPC") was responsible for the operation of the Philadelphia Cruise Terminal at Pier 1 at the former Navy Yard. (The Authority discontinued operations related to the Philadelphia Cruise Terminal effective July 1, 2011). The Office of the Chief Operating Officer manages the RiverLink Ferry System which runs daily between Penn's Landing in Philadelphia and the Camden Waterfront. 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 2012, customer participation in the E-ZPass electronic toll collection process grew to approximately sixty-seven (67%) of its toll collection activity during rush hour periods. Toll revenues collected through E-ZPass now exceed sixty-three percent (63%) of total toll revenues.

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.

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).

Investment in Securities: Investments are stated at fair value, generally based on quoted market prices. 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).

Accounts Receivable: The Authority establishes a provision for the estimated amount of uncollectible accounts based upon periodic analysis of collection history.

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.

Debt Issuance Costs, Bond Premiums, Bond Discounts and Loss on Refunding: Debt issuance costs are amortized by the straight-line method from the issue date to maturity. Premiums, discounts and loss on refunding arising from the issuance of the revenue bonds and port district project bonds are amortized by the effective interest method from the issue date to maturity.

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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 |

Maintenance and Repairs: Maintenance and repair costs considered necessary to maintain bridge facilities in good operating condition are charged to operations as incurred.

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

Economic Development Activities: The Authority establishes loan loss provisions for economic development loans receivable, based upon collection history and analysis of creditor's ability to pay. The Authority has established a loss reserve in the amount of $1,345 for its economic development loans outstanding.

Net Position: Net position is classified in the following three components:

Net Investment in Capital Assets: This component of net position 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 net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted: This component of net position 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 position.

Unrestricted: This component of net position consists of a net position that does not meet the definition of "restricted" or "net investment in capital assets." This component includes net position that may be allocated for specific purposes by the Board. A deficiency will require future funding.

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

**Note 1. Summary of Significant Accounting Policies (Continued)**

Operating and Non-operating Revenues and Expenses: Operating revenues include all revenues derived from facility charges (i.e., toll revenues, which include E-ZPass revenues), 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.

Debt Management: Total outstanding bond debt reflected on the balance sheet is net of unamortized bond discounts, premiums, and loss on refunding (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).

Derivative Instruments and the Related Companion Instruments: The Authority has entered into two interest rate swap agreements with Bank of America, N.A. for the primary purposes of investing and for the aforementioned purpose of hedging interest rates on its outstanding long-term debt. In accordance with Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, all activity related to the interest rate swap agreements has been recorded on the combined financial statements and is further detailed in Note 4.

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. (See Note 11 for description of funds established under the Trust Indentures.) 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.

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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.

Reclassifications: Certain reclassifications have been made in the 2011 comparative statements to be in conformity with the 2012 presentation.

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

Income Taxes: The Authority is a public corporate instrumentality of the State of New Jersey and the Commonwealth of Pennsylvania, and is 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).

**Note 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, 2012 and 2011, the Authority's bank balances of $55,806 and $84,951 (including certificates of deposit of $46,427 and $67,018 classified as investments in the statement of net position), respectively, were exposed to custodial credit risk as follows:

| | 2012 | 2011 |
|---|---|---|
| Uninsured and uncollateralized | $ 51,889 | $ 76,484 |
| Uninsured and collateralized (collateral held by bank's department or agent, but not in the Authority's name) | $ 7,260 | $ 7,088 |

**Note 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 investments at December 31, 2012 and 2011, $403,717 and $528,073, respectively, consisted of investments in asset backed securities, 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's trust department or agent but not in the Authority's name.

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

**Note 3. Investment in Securities (Continued)**

As of December 31, 2012 and 2011, the Authority had the following investments:

| Investment | Maturities | 2012 | 2011 |
|---|---|---|---|
| Asset backed securities | 132.34 months average | $ 2,990 | $ 2,759 |
| Commercial paper | 6.20 months average | 51,575 | 51,575 |
| Corporate bonds and notes | 19.46 months average | 55,848 | 54,692 |
| Mortgage pass-through securities | 231.41 months average | 1,681 | 5,302 |
| Municipal bonds | 230.53 months average | 2,430 | 1,541 |
| Repurchase agreements | daily | 881 | 822 |
| Short-term investments | 1.00 months average | 249,949 | 368,173 |
| U.S. federal agency notes and bonds | 26.78 months average | 1,801 | 17,149 |
| U.S. government treasuries | 26.64 months average | 36,562 | 26,060 |
| | | 403,717 | 528,073 |
| Certificates of deposits held at banks | | 46,427 | 67,018 |
| Total | | $450,144 | $595,091 |

The short-term investments listed above consist of money market funds. 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 in the statement of net position as opposed to cash and cash equivalents.

Interest Rate Risk: The Authority's General Fund investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates and 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 Indenture 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.

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

**Note 3. Investment in Securities (Continued)**

As of December 31, 2012, the following are the actual ratings by Standard & Poors:

| Actual Rating | Asset Backed Securities | Commercial Paper | Corporate Bonds | Mortgage Pass-through Securities | Municipal Bonds | Repurchase Agreements | Federal Agency Notes | U.S. Government Treasuries |
|---|---|---|---|---|---|---|---|---|
| AAA | $ 1,520 | $ - | $ 845 | $ - | $ 69 | $ - | $ - | $ - |
| AA+ | 5 | - | 5,272 | 1,681 | 254 | - | 1,801 | 36,562 |
| AA | - | - | 3,984 | - | - | - | - | - |
| AA- | - | - | 10,211 | - | 207 | - | - | - |
| A+ | - | - | 12,589 | - | - | - | - | - |
| A | - | - | 11,159 | - | - | - | - | - |
| A- | - | - | 11,249 | - | - | - | - | - |
| BBB+ | - | - | 154 | - | - | - | - | - |
| BBB | 300 | - | 385 | - | - | - | - | - |
| CCC | 295 | - | - | - | - | - | - | - |
| CC | 620 | - | - | - | - | - | - | - |
| Unrated | 250 | 51,575 | - | - | 1,900 | 881 | - | - |
| | $ 2,990 | $ 51,575 | $ 55,848 | $ 1,681 | $ 2,430 | $ 881 | $ 1,801 | $ 36,562 |

As of December 31, 2012, the following are the actual ratings by Moody's:

| Actual Rating | Asset Backed Securities | Commercial Paper | Corporate Bonds | Mortgage Pass-through Securities | Municipal Bonds | Repurchase Agreements | Federal Agency Notes | U.S. Government Treasuries |
|---|---|---|---|---|---|---|---|---|
| AAA | $ 1,270 | $ - | $ 1,161 | $ 1,681 | $ 69 | $ - | $ 1,801 | $ 36,562 |
| AA1 | - | - | 2,856 | - | 254 | - | - | - |
| AA2 | - | - | 5,462 | - | 207 | - | - | - |
| AA3 | 5 | - | 9,215 | - | - | - | - | - |
| A1 | - | - | 11,324 | - | - | - | - | - |
| A2 | - | - | 18,493 | - | - | - | - | - |
| A3 | - | - | 5,250 | - | - | - | - | - |
| Baa1 | - | - | 994 | - | - | - | - | - |
| Baa2 | - | - | 767 | - | - | - | - | - |
| Ba1 | - | - | - | - | 1,900 | - | - | - |
| Ca | 300 | - | - | - | - | - | - | - |
| C | 915 | - | - | - | - | - | - | - |
| Unrated | 500 | 51,575 | 326 | - | - | 881 | - | - |
| | $ 2,990 | $ 51,575 | $ 55,848 | $ 1,681 | $ 2,430 | $ 881 | $ 1,801 | $ 36,562 |

Concentration of Credit Risk: The Authority's investment policy on the concentration of credit risk for its General Fund investments 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, 2012 and 2011, the Authority has $51,575 and $51,575 of investments in Fortis Funding commercial paper and Abbey North commercial paper, respectively. These investments are held under the Indentures of Trust (Debt Service Reserve Funds) and represent 11% and 9% of the Authority's total investments, respectively.

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

## Note 4. Derivative Instruments

In accordance with the requirements of 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. At December 31, 2012 and 2011, the value of the Pay-fixed interest rate swap (1995 Revenue Bond Swaption) was $75,803 and $79,479, respectively. At December 31, 2012 and 2011, the value of the Pay-fixed interest rate swap (1999 Revenue Bond Swaption) was $90,900 and $94,310, respectively. The Pay-fixed interest rate swaps are classified as deferred outflows on the Combined Statement of Net Position and total $166,703 and $173,789 at December 31, 2012 and 2011, respectively.

The fair value balances and notional amounts of derivative instruments outstanding at December 31, 2012 and 2011, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2012 and 2011 financial statements are as follows (debit (credit)):

| | Changes in Fair Value | | | Fair Value at December 31, | | | | |
|---|---|---|---|---|---|---|---|---|
| | Classification | Amount | | Classification | Amount | | Notional | |
| | | 2012 | 2011 | | 2012 | 2011 | 2012 | 2011 |
| Investment derivatives: | | | | | | | | |
| Receive-fixed interest rate swaption (1999 PDP, Series B, Debt Service Reserve Fund) | Interest revenue | $ 159 | $ 78 | Derivative instrument | $ (185) | $ (344) | $10,436 | $10,436 |
| Receive-fixed interest rate swaption (1999 Revenue Bonds Debt Service Reserve Fund) | Interest revenue | 605 | 296 | Derivative instrument | (701) | (1,306) | 39,657 | 39,657 |
| Pay-fixed interest rate swap | Interest revenue | 1,071 | 8,290 | Derivative instrument | (489) | (1,560) | 24,595 | 36,775 |
| Cash flow hedges: | | | | | | | | |
| Pay-fixed interest rate swap (1995 Revenue Bonds Swaption) | Deferred outflow | 3,675 | (18,485) | Derivative instrument | (75,803) | (79,479) | 320,355 | 335,380 |
| Pay-fixed interest rate swap (1999 Revenue Bonds Swaption) | Deferred outflow | 3,410 | (30,196) | Derivative instrument | (90,900) | (94,310) | 350,000 | 350,000 |

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

**Note 4. Derivative Instruments (Continued)**

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). 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, 2012 and 2011, 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, 2012:

| Type | Objective | Notional Amount | Effective Date | Maturity Date | Terms |
|---|---|---|---|---|---|
| Pay-fixed interest rate swap (1995 Revenue Bonds Swaption) | Hedge of changes in cash flows of the 2008 Revenue Refunding Bonds | $ 320,355 | 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 | 374,595 | 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.

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

**Note 4. Derivative Instruments (Continued)**

1995 Revenue Bonds Swaption (Continued): 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.

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 have totaled $15.1 million in 2012.

On June 21, 2012, Moody's downgraded UBS' long-term ratings from Aa3 to A2. The ratings of the counterparty (UBS AG) to the 1995 Revenue Bonds Swap by Moody's, S&P, and Fitch are A2, A, and A, respectively, as of December 31, 2012. As of December 31, 2012, the 1995 Revenue Bond Swaption had a mark- to- mark value of ($99,317).

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%:

| Year Ending December 31, | Beginning Balance | Interest Accrual | Imputed Debt Payment | Ending Balance |
|---|---|---|---|---|
| 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 | 10,260 | 474 | (2,073) | 8,661 |
| 2017 | 8,661 | 401 | (1,911) | 7,151 |
| 2018-2022 | 7,151 | 1,058 | (6,811) | 1,398 |
| 2023-2025 | 1,398 | 110 | (1,508) | - |

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 obliged 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.

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

## Note 4. Derivative Instruments (Continued)

1999 Revenue Bonds Swaption (Continued): 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.

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 USB 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 $18.2 million to UBS AG in 2012.

On June 21, 2012, Moody’s downgraded UBS’ long-term ratings from Aa3 to A2. The ratings of the counterparty (UBS AG) to the 1999 Revenue Bonds Swap by Moody’s, S&P, and Fitch are A2, A, and A, respectively, as of December 31, 2012. As of December 31, 2012, the 1999 Revenue Bond Swaption had a mark- to- mark value of ($124,404).

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%:

| Year Ending December 31, | Beginning Balance | Interest Accrual | Imputed Debt Payment | Ending Balance |
|---|---|---|---|---|
| 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 | 14,976 | 706 | (3,025) | 12,657 |
| 2017 | 12,657 | 597 | (2,793) | 10,461 |
| 2018-2022 | 10,461 | 1,580 | (9,984) | 2,057 |
| 2023-2025 | 2,057 | 164 | (2,221) | - |

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

### Note 4. Derivative Instruments (Continued)

Net Swap Payments: Using rates as of December 31, 2012 and assuming the rates are unchanged for the remaining term of the bonds, the following table shows the debt service requirements and net swap payments for the Authority's hedged variable rate bonds:

| Year Ending December 31, | Variable Rate Bonds Principal | Interest | Total | Swap Interest Payments Fixed Pay | Var. Received | Net Pay | Total Bonds and Swaps |
|---|---|---|---|---|---|---|---|
| 2013 | $ 15,845 | $ 779 | $ 16,624 | $ 37,039 | $ 931 | $ 36,108 | $ 52,732 |
| 2014 | 29,455 | 745 | 30,200 | 35,028 | 881 | 34,147 | 64,347 |
| 2015 | 37,920 | 699 | 38,619 | 32,904 | 827 | 32,077 | 70,696 |
| 2016 | 40,035 | 652 | 40,687 | 30,660 | 771 | 29,889 | 70,576 |
| 2017 | 42,290 | 601 | 42,891 | 28,291 | 711 | 27,580 | 70,471 |
| 2018-2022 | 249,735 | 2,147 | 251,882 | 100,997 | 2,539 | 98,458 | 350,340 |
| 2023-2026 | 255,075 | 477 | 255,552 | 22,419 | 564 | 21,855 | 277,407 |
| | $ 670,355 | $ 6,100 | $ 676,455 | $ 287,338 | $ 7,224 | $ 280,114 | $ 956,569 |

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. 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, 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. As of December 31, 2012, Bank of America, N.A. has not exercised its options on the aforementioned swaptions with a value totaling ($885).

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.

Risks Related to Derivative Instruments:

Credit Risk: For the year ended December 31, 2012, 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.

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

**Note 4. Derivative Instruments (Continued)**

Risks Related to Derivative Instruments (Continued):

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. While the Authority's net payments may increase, these increases are partially offset by the variable rate bonds rate.

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 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" takes 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 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…"

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

## Note 5. Accounts Receivable

Accounts receivable for December 31, 2012 and 2011 are as follows:

| | 2012 | 2011 |
|---|---|---|
| Reimbursements from governmental agencies - capital improvements to the PATCO system due from the Federal Transit Administration | $ 3,296 | $ 3,297 |
| Reimbursements from governmental agencies - FTA, DOT, FEMA, PEMA, and U.S. and NJ Homeland Security | 412 | 3,721 |
| Development projects | 3,500 | 3,715 |
| E-ZPass in transit | 4,031 | 4,032 |
| Other | 1,127 | 816 |
| Gross receivables | 12,366 | 15,581 |
| Less: allowance for uncollectibles | (3,500) | (3,500) |
| Net total receivables | $ 8,866 | $ 12,081 |

## Note 6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2012 is as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due within 1 year |
|---|---|---|---|---|---|
| Bonds and loans payable: | | | | | |
| 1999 Revenue Bonds | $ 41,335 | $ - | $ (41,335) | $ - | $ - |
| 1998 Port District Project Bonds | 58,195 | - | (58,195) | - | - |
| 1999 Port District Project Bonds | 145,080 | - | (110,830) | 34,250 | 3,170 |
| 2001 Port District Project Bonds | 112,270 | - | (112,270) | - | - |
| 2008 Revenue Refunding Bonds | 335,380 | - | (15,025) | 320,355 | 15,845 |
| 2010 Revenue Refunding Bonds | 350,000 | - | - | 350,000 | - |
| 2010 Revenue Bonds | 308,375 | - | - | 308,375 | - |
| 2012 Port District Project Refunding Bonds | - | 153,030 | - | 153,030 | - |
| Less: issuance discounts/premiums and loss on refunding | (17,769) | 15,561 | 6,738 | 4,530 | - |
| Total bonds payable | 1,332,866 | 168,591 | (330,917) | 1,170,540 | 19,015 |
| Other liabilities: | | | | | |
| Claims and judgments | 3,996 | 2,120 | (224) | 5,892 | 1,490 |
| Self-insurance | 3,141 | 1,924 | (1,813) | 3,252 | 1,907 |
| Sick and vacation leave | 4,691 | 273 | (570) | 4,394 | 1,099 |
| Deferred revenue | 10,080 | 20,257 | (21,351) | 8,986 | 3,245 |
| Other (includes net OPEB obligation) | 39,550 | 6,055 | (4,242) | 41,363 | - |
| Premium payment payable - derivative companion instrument | 42,458 | 1,985 | (6,474) | 37,969 | 6,157 |
| Derivative instrument - interest rate swap | 176,999 | - | (8,922) | 168,077 | - |
| Total long-term liabilities | $ 1,613,781 | $ 201,205 | $ (374,513) | $ 1,440,473 | $ 32,913 |

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

## Note 6. Changes in Long-Term Liabilities (Continued)

Long-term liability activity for the year ended December 31, 2011 is as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due within 1 year |
|---|---|---|---|---|---|
| Bonds and loans payable: | | | | | |
| 1998 Revenue Refunding Bonds | $ 2,365 | $ - | $ (2,365) | $ - | $ - |
| 1999 Revenue Bonds | 57,565 | - | (16,230) | 41,335 | 17,110 |
| 1998 Port District Project Bonds | 60,795 | - | (2,600) | 58,195 | 2,720 |
| 1999 Port District Project Bonds | 147,820 | - | (2,740) | 145,080 | 2,950 |
| 2001 Port District Project Bonds | 119,320 | - | (7,050) | 112,270 | 7,420 |
| 2008 Revenue Refunding Bonds | 347,070 | - | (11,690) | 335,380 | 15,025 |
| 2010 Revenue Refunding Bonds | 350,000 | - | - | 350,000 | - |
| 2010 Revenue Bonds | 308,375 | - | - | 308,375 | - |
| Less: issuance discounts/premiums and loss on refunding | (24,381) | - | 6,612 | (17,769) | - |
| Total bonds payable | 1,368,929 | - | (36,063) | 1,332,866 | 45,225 |
| Other liabilities: | | | | | |
| Claims and judgments | 1,286 | 3,022 | (312) | 3,996 | - |
| Self-insurance | 2,905 | 2,237 | (2,001) | 3,141 | - |
| Sick and vacation leave | 4,873 | - | (182) | 4,691 | 1,172 |
| Deferred revenue | 9,410 | 670 | - | 10,080 | 665 |
| Other (includes net OPEB obligation) | 38,713 | 5,079 | (4,242) | 39,550 | - |
| Premium payment payable - derivative companion instrument | 46,982 | 2,197 | (6,721) | 42,458 | 6,474 |
| Derivative instrument - interest rate swap | 136,983 | 40,016 | - | 176,999 | - |
| Total long-term liabilities | $ 1,610,081 | $ 53,221 | $ (49,521) | $ 1,613,781 | $ 53,536 |

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

## Note 7. Investment in Facilities

Capital assets for the year ended December 31, 2012 were as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Capital assets not being depreciated | | | | |
| Land | $ 74,225 | $ - | $ - | $ 74,225 |
| Construction in progress | 241,748 | 118,056 | (55,774) | 304,030 |
| Total capital assets not being depreciated | 315,973 | 118,056 | (55,774) | 378,255 |
| Capital assets being depreciated | | | | |
| Bridges and related building and equipment | 1,039,623 | 35,965 | (16,219) | 1,059,369 |
| Transit property and equipment | 461,995 | 16,229 | (7,468) | 470,756 |
| Port enhancements | 6,257 | 17 | (20) | 6,254 |
| Total capital assets being depreciated | 1,507,875 | 52,211 | (23,707) | 1,536,379 |
| Less: accumulated depreciation for: | | | | |
| Bridges and related building and equipment | (439,118) | (32,319) | 16,221 | (455,216) |
| Transit property and equipment | (203,024) | (22,345) | 10,994 | (214,375) |
| Port enhancements | (3,815) | (354) | 54 | (4,115) |
| Total accumulated depreciation | (645,957) | (55,018) | 27,269 | (673,706) |
| Total capital assets being depreciated, net | 861,918 | (2,807) | 3,562 | 862,673 |
| Total capital assets, net | $1,177,891 | $ 115,249 | $ (52,212) | $1,240,928 |

Capital assets for the year ended December 31, 2011 were as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Capital assets not being depreciated | | | | |
| Land | $ 74,225 | $ - | $ - | $ 74,225 |
| Construction in progress | 145,489 | 129,080 | (32,821) | 241,748 |
| Total capital assets not being depreciated | 219,714 | 129,080 | (32,821) | 315,973 |
| Capital assets being depreciated | | | | |
| Bridges and related building and equipment | 1,039,876 | - | (253) | 1,039,623 |
| Transit property and equipment | 417,999 | 43,996 | - | 461,995 |
| Port enhancements | 27,145 | - | (20,888) | 6,257 |
| Total capital assets being depreciated | 1,485,020 | 43,996 | (21,141) | 1,507,875 |
| Less: accumulated depreciation for: | | | | |
| Bridges and related building and equipment | (407,415) | (31,955) | 252 | (439,118) |
| Transit property and equipment | (187,240) | (15,784) | - | (203,024) |
| Port enhancements | (15,195) | (1,477) | 12,857 | (3,815) |
| Total accumulated depreciation | (609,850) | (49,216) | 13,109 | (645,957) |
| Total capital assets being depreciated, net | 875,170 | (5,220) | (8,032) | 861,918 |
| Total capital assets, net | $1,094,884 | $ 123,860 | $ (40,853) | $1,177,891 |

Total depreciation expense for the years ended December 31, 2012 and 2011 was $55,018 and $49,216, respectively.

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

**Note 7. Investment in Facilities (Continued)**

Loss on Abandonment of Aerial Tram Project: In its Board Resolution DRPA # DRPA-11-105, dated December 14, 2011, the Authority's Board approved the 2012 Capital Budget. In doing so, the Board approved the termination of the Aerial Tram project. As a result, the construction in progress for the Aerial Tram project was written off in 2011 and the loss on abandonment of the project was $18,318.

Loss on Disposal of Capital Assets: In its Board Resolution DRPA #11-003, dated January 5, 2011, the Authority's Board approved the closure of the Cruise Terminal. The Board authorized staff to negotiate a termination agreement for the Cruise Terminal and parking lot, with the right to remain in the terminal rent free (except operating expenses) to accommodate booked events through June 30, 2011. Upon acceptance of the lease termination agreement offered by Philadelphia Authority Industrial Development ("PAID"), PAID agreed to pay the Authority $250. In addition, the Authority received approximately $92 in cash receipts related to the disposal. The loss on the disposal of the capital assets relating to the Cruise Terminal for the year ending 2011 was $7,929.

**Note 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.

**Note 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.

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

**Note 9. Pension Plans (Continued)**

Pennsylvania State Employees' Retirement System (Continued):

*Plan Description (Continued)*: 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 employees' 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 9.42%, 6.03%, and 4.18%, of covered payroll in 2012, 2011 and 2010, respectively. In 2012, 2011 and 2010, the Authority's required contributions to the plan were $4,084, $2,604 and $1,817, 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 the 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 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members enrolled in the Public Employees' Retirement System were required to contribute 5.5% of their annual covered salary, effective July 1, 2007. However, under the new provisions of Chapter 78, P.L. 2011, employee pension contribution rates will be increased by the following amounts: the employee pension contribution rate will increase from 5.5% to 6.5% of salary, effective October 1, 2011. An additional increase to be phased over the next 7 years will bring the total pension contribution rate to 7.5% of salary. The phased increase from 6.5% to 7.5% will be applied equally over a 7-year period beginning July 1, 2012. The contribution rate will increase by 0.14% each year with the first payroll of July 2012 until the 7.5% contribution rate is reached in July 2018. 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 years ended December 31, 2012, 2011, and 2010, the Authority's total contribution to the plan was $117, $135 and $197, respectively, which represented 100% of the required contribution for the aforementioned years. For the years ended December 31, 2012, 2011 and 2010, the contributions consisted of a normal contribution amount of $33, $45 and $80, respectively and an accrued liability amount of $84, $90 and $117, respectively.

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

**Note 9. Pension Plans (Continued)**

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 2012, the Authority was required to and did contribute twenty-one dollars and eighty cents ($21.80) per day for each PATCO participating employee. The Authority's contributions totaled 8.22%, 9.81% and 9.6% of covered payroll in 2012, 2011 and 2010, respectively. The employees of the Authority make no contributions to the plan. The Authority contributed $1,076, $1,077 and $1,090 in 2012, 2011 and 2010, respectively, which represented 100% of the required contribution for the aforementioned years.

**Note 10. Post-Employment 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.

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

**Note 10. Post-Employment Healthcare Plan (Continued)**

Funding Policy: Employees become eligible for retirement benefits based on hire date and years of service. For employees hired after January 1, 2007, no subsidized retiree benefits are offered. 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: $65 per month for retiree-only coverage for the base plan, $130 per month for retiree/spouse (or retiree/child) coverage, and $195 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 2012, 2011 and 2010 were $4,242, $4,242 and $4,256, respectively.

Future Retirees: In accordance with Statement No.45 of the Government 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 $5,347 at an unfunded discount rate of 5%. As stated above, the Authority has funded the cost of existing retirees in the amount of $4,242, and in 2012, 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 during the third quarter of 2013.

Annual OPEB Cost: 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 2012, 2011 and 2010 are as follows:

| | 2012 | 2011 | 2010 |
|---|---|---|---|
| Annual Required Contribution (ARC) | $ 5,347 | $ 5,230 | $ 13,763 |
| Interest on the net OPEB Obligation | 1,978 | 1,897 | 1,439 |
| Adjustment to the ARC | (1,270) | (1,270) | (1,782) |
| Annual OPEB Cost | 6,055 | 5,857 | 13,420 |
| Pay as You Go Cost (Existing Retirees) | (4,242) | (4,242) | (4,256) |
| Increase (Decrease) in the Net OPEB Obligation | 1,813 | 1,615 | 9,164 |
| Net OPEB Obligation, January 1 | 39,550 | 37,935 | 28,771 |
| Net OPEB Obligation, December 31 | $ 41,363 | $ 39,550 | $ 37,935 |
| Percentage of Annual OPEB Cost Contributed | 70% | 72% | 32% |

Funded Status and Funding Progress: As of January 1, 2011, the most recent actuarial valuation date, the Authority's Plan was 0% funded. The actuarial accrued liability for benefits was $113,422, and the actuarial value of plan assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $113,422. The covered payroll (annual payroll of active employees covered by the plan) was $56,820 and the ratio of the UAAL to the covered payroll was 199.6%. (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.

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

**Note 10. Post-Employment Healthcare Plan (Continued)**

Funded Status and Funding Progress (Continued): 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, 2011 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) year on an open basis. The actuarial assumptions included the following:

Mortality: The mortality table employed in the valuation was the RP2000 Table Male and Female.

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 vary by age and years of service with rates of turnover based on State Employees Retirement System of Pennsylvania.

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 Cost Trend Rate:

| | Year | Pre-65 | Post 65 |
|---|---|---|---|
| Initial Trend | 01/01/13 to 01/01/17 | 10.0% | 10.0% |
| Ultimate Trend | 01/01/18 to later | 5.0% | 5.0% |
| Grading Per Year | | 1.0% | 1.0% |

Projected Salary Increase: Annual salary increase is 2.5%.

Administration Expenses: The annual cost to administer the retiree claims was assumed at 2.5% which was included in the annual health care costs.

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

**Note 10. Post-Employment Healthcare Plan (Continued)**

Actuarial Methods and Assumptions (Continued):

Employee Contributions: It was assumed that employees will contribute two thousand three hundred forty-five dollars ($2,345) per year for family medical coverage and seven hundred ninety-two dollars ($792) for single medical coverage.

Change in Assumptions: Effective January 1, 2011, assumptions were changed for mortality, medical trend costs and turnover.

**Note 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, N.A.), 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, N.A. as Trustee, dated July 25, 2008 and the Revenue Refunding Bonds of 2010 and the 2010 Revenue Bonds (Series D), with TD Bank, N.A. as Trustee dated May 15, 2010 and July 15, 2010, respectively (collectively the “Bond Resolution”); the 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; the Port District Bonds of 1999 with The Bank of New York Mellon (as successor trustee to Summit Bank), dated December 1, 1999; the Port District Project Bonds of 2001 with TD Bank, N.A., dated December 1, 2001 and the 2012 Port District Project Refunding Bonds with TD Bank, N.A., dated December 1, 2012. 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.

Rebate Fund: This *restricted* account was established in accordance with Section 6.07 of the bond Resolution 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.

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 20th day of each calendar month, the Trustee shall, to the extent money is available, after deduction of cash and investment balances for the 15% working capital reserve, 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.

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

## Note 11. Indentures of Trust (Continued)

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.

## Note 12. Funded and Long-Term Debt

At December 31, 2012, the Authority had $1,170,540 in Revenue, Revenue Refunding, and Port District Project Bonds outstanding, consisting of bonds issued in 1999, 2008, 2010 and 2012. 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 to an Indenture of Trust dated December 1, 1999. 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 to 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 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, as successor to Commerce Bank, N.A. (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 2012 Port District Project Refunding Bonds were issued pursuant to an Indenture of Trust dated December 1, 2012.

1998 Port District Project Bonds (fully redeemed in 2012): 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.

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

**Note 12. Funded and Long-Term Debt (Continued)**

<u>1998 Port District Project Bonds (fully redeemed in 2012) (Continued)</u>: The 1998 Port District Project Bonds were general corporate obligations of the Authority. Except as expressly provided in the 1998 Port District Indenture, the 1998 Port District Project Bonds were not secured by a lien or charge on, or pledge of, any revenue or other assets of the Authority. No tolls, rents, rates or other such charges were pledged for the benefit of the 1998 Port District Project Bonds. The 1998 Port District Project Bonds were payable from such funds and from other monies of the Authority legally available.

On December 20, 2012, all remaining 1998 Port District Project Bonds were redeemed, prior to maturity, at a redemption price of 100% using proceeds from the issuance of the 2012 Port District Project Refunding Bonds.

<u>1999 Revenue Bonds (fully redeemed in 2012)</u>: 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 were 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. With the defeasance of the Authority’s Revenue Bonds, Series of 1995 (the “1995 Revenue Bonds”), and the 1998 Revenue Refunding Bonds, the 1999 Revenue Bonds were then secured by a lien on or security interest in the Net Revenue of the Authority.

On June 30, 2010, the Authority partially redeemed $349,360 in bonds with the issuance of $350,000 in 2010 Revenue Refunding Bonds. On April 26, 2012, the Authority fully redeemed, prior to maturity, the remaining $24,225 of its 1999 Revenue Bonds.

<u>1999 Port District Project Bonds</u>: 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.

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

**Note 12. Funded and Long-Term Debt (Continued)**

1999 Port District Project Bonds (Continued): On December 20, 2012, all remaining 1999 Series B Port District Project Bonds were redeemed, prior to maturity, at a redemption price of 100% using proceeds from the issuance of the 2012 Port District Project Refunding Bonds.

The 1999 Port District Project Bonds outstanding at December 31, 2012 are as follows:

| Maturity Date (January 1) | Interest Rate/Yield | Principal Amount | Maturity Date (January 1) | Interest Rate/Yield | Principal Amount |
|---|---|---|---|---|---|
| | | Series A Bonds | | | |
| | | | 2013 | 7.54% | $ 3,170 |
| | | | | | 3,170 |
| | | 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% | 1,035 |
| | | | | | 31,080 |
| Total par value of 1999 Port District Project Bonds | | | | | 34,250 |
| Less unamortized bond discount | | | | | - |
| Total 1999 Port District Project Bonds, net | | | | | $ 34,250 |

*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.

2001 Port District Project Bonds (fully redeemed in 2012): 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 (now fully redeemed). The 2001 Port District Project Bonds were 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.

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

**Note 12. Funded and Long-Term Debt (Continued)**

2001 Port District Project Bonds (fully redeemed in 2012) (Continued): On April 26, 2012, the Authority redeemed, prior to maturity, $71,445 of its 2001 Series A & B Port District Project Bonds. As a result, the 2001 PDP Series B bonds were redeemed in full. The redeemed bonds had interest rates varying from 4.625% to 5.750% with maturities through 2025. The remaining 2001 Port District Project Bonds were fully refunded on December 20, 2012, prior to maturity, at a redemption price of 100% using proceeds from the issuance of the 2012 Port District Project Refunding Bonds.

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 Revenue Refunding 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, consisting of 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, N.A. (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, 1997 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 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 are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days' notice and delivery to the Authority's tender agent, TD Bank, N.A. The tender agent shall provide a copy of said notice to the applicable remarketing agent, who is authorized to use its best efforts to sell the repurchased bonds at a price equal to 100 percent of the principal plus accrued interest to the purchase date.

Under irrevocable letters of credit issued by Bank of America, N.A. and TD Bank, N.A., the trustee or the remarketing agent is entitled to draw an amount sufficient to pay the purchase price of the bonds delivered to it. The letters of credit are valid through July 23, 2013 and require the Authority to make immediate payment of any draws under the line. (See Note 17.)

The Authority is required to pay annual facility fees to Bank of America, N.A. and TD Bank, N.A. for the letters of credit. The fee is calculated based on 1.35% of the gross amount available under the line based on the Authority's bond ratings, as determined by Moody's and S&P. In addition, the Authority is required to pay an annual remarketing fee, payable quarterly in arrears, equal to 0.07% of the aggregate principal amount of the bonds outstanding at the beginning of the period.

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

**Note 12. Funded and Long-Term Debt (Continued)**

2008 Revenue Refunding Bonds (Continued): The 2008 Revenue Refunding Bonds outstanding at December 31, 2012 are as follows:

| Series A | | | Series B | | |
|---|---|---|---|---|---|
| Maturity Date (January 1) | Interest Rate/Yield | Principal Amount | Maturity Date (January 1) | Interest Rate/Yield | Principal Amount |
| 2026 | Variable | $ 151,750 | 2026 | Variable | $ 168,605 |
| Total par value of 2008 Revenue Refunding Bonds | | | | | 320,355 |
| Less unamortized loss on refunding | | | | | (5,828) |
| Total 2008 Revenue Refunding Bonds, net | | | | | $ 314,527 |

Interest Rate Mode: Weekly
Rate Determination Date: Generally each Wednesday
Interest Payment Dates: First Business Day of each month
Rate in Effect at December 31, 2012: Series A - 0.120%; Series B - 0.110%

*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:

| Sinking Fund Installments | | | |
|---|---|---|---|
| January 1 | Series A | Series B | Total |
| 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 |
| | $ 151,750 | $ 168,605 | $ 320,355 |

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

**Note 12. Funded and Long-Term Debt (Continued)**

2010 Revenue Refunding Bonds: On June 30, 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 as variable rate demand obligations ("VRDOs"). 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, N.A., Cherry Hill, New Jersey, as successor to Commerce Bank, N.A. ("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 Bonds.

The 2010 Revenue Refunding Bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days' notice and delivery to the Authority's tender agent, TD Bank, N.A. The tender agent shall provide a copy of said notice to the applicable remarketing agent, who is authorized to use its best efforts to sell the repurchased bonds at a price equal to 100 percent of the principal plus accrued interest to the purchase date.

Under irrevocable letters of credit issued by J.P. Morgan Chase, N.A., Bank of America, N.A. and PNC Bank, N.A., the trustee or the remarketing agent is entitled to draw an amount sufficient to pay the purchase price of the bonds delivered to it. The letters of credit are valid through March 29, 2013 and require the Authority to make immediate payment of any draws under the line. (See Note 17 and Note 20.)

The Authority is required to pay annual facility fees to J.P. Morgan Chase, N.A., Bank of America, N.A. and PNC Bank, N.A. for the letters of credit in percentages varying from 1.35% to 1.675% of the gross amount available under the line, based on the Authority's bond ratings as determined by Moody's and S&P. In addition, the Authority is required to pay an annual remarketing fee, payable quarterly in arrears, equal to 0.10% of the aggregate principal amount of the bonds outstanding at the beginning of the period.

The 2010 Revenue Refunding Bonds outstanding at December 31, 2012 were as follows:

| | Maturity Date (January 1) | Interest Rate/Yield | Principal Amount |
|---|---|---|---|
| Series A | 2026 | Variable | $ 150,000 |
| Series B | 2026 | Variable | 150,000 |
| Series C | 2026 | Variable | 50,000 |
| Total par value of 2010 Revenue Refunding Bonds | | | 350,000 |
| Less unamortized loss on refunding | | | (4,488) |
| Total 2010 Revenue Refunding Bonds, net | | | $ 345,512 |

Interest rate Mode: Weekly
Rate Determination Date: Generally each Wednesday
Rate in Effect at December 31, 2012: Series A - 0.130%; Series B - 0.120%; Series C - 0.110%

The issuance of the 2010 Revenue Refunding Bonds resulted in a loss of $5,624 which represents the costs associated with the refunding of the 1999 Revenue Bonds.

*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.

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

**Note 12. Funded and Long-Term Debt (Continued)**

2010 Revenue Refunding Bonds (Continued):

*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 | | | |
|---|---|---|---|---|
| January 1 | Series A | Series B | Series C | Total |
| 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 |
| | $ 150,000 | $ 150,000 | $ 50,000 | $ 350,000 |

2010 Revenue Bonds: On July 15, 2010, the Authority issued $308,375 in 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, N.A., Cherry Hill, New Jersey, as successor to Commerce Bank, N.A. (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).

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

## Note 12. Funded and Long-Term Debt (Continued)

2010 Revenue Bonds (Continued): 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.).

The 2010 Revenue Bonds outstanding at December 31, 2012 are as follows:

| Maturity Date (January 1) | Interest Rate/Yield | Principal Amount | Maturity Date (January 1) | Interest Rate/Yield | Principal Amount |
|---|---|---|---|---|---|
| | | Serial Bonds | | | |
| | | | 2027 | 5.00% | $ 3,465 |
| | | | 2028 | 5.00% | 17,210 |
| | | | 2029 | 5.00% | 18,070 |
| | | | 2030 | 5.00% | 18,975 |
| | | | | | 57,720 |
| | | 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% | 13,200 |
| | | | | | 250,655 |
| Total par value of 2010 Revenue Bonds | | | | | 308,375 |
| Less unamortized bond discount | | | | | (546) |
| Total 2010 Revenue Bonds, net | | | | | $ 307,829 |

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

**Note 12. Funded and Long-Term Debt (Continued)**

2010 Revenue Bonds (Continued):

*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.

2012 Port District Project Refunding Bonds: On December 20, 2012, the Authority issued $153,030 in Port District Project Refunding Bonds, Series 2012. The Port District Project Refunding Bonds, Series 2012 (the "2012 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 (the "Indenture") dated as of December 1, 2012, between the Authority and TD Bank, N.A., Cherry Hill, New Jersey, as trustee (the "Trustee").The 2012 Bonds were issued to (i) refund and redeem all of the outstanding principal balance of and interest accrued on the Authority's outstanding Port District Project Bonds, Series B of 1998, (the "1998 Refunded Bonds"), Port District Project Bonds, Series B of 1999 (the "1999 Refunded Bonds"), and Port District Project Bonds, Series A of 2001 (the "2001 Refunded Bonds").

The refunding resulted in a loss (difference between the reacquisition price and the net carrying amount of the old debt) of $7 million. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2025 using the effective interest method. The Authority completed the refunding to reduce its total debt service payments over the next 15 years by $69.3 million and to obtain an economic gain (difference between the present values of the old debt and new debt service payments) of $37 million. See Note 13.

The 2012 Bonds are general corporate obligations of the Authority. The 2012 Bonds are not secured by a lien or charge on, or pledge of, any revenues or other assets of the Authority other than the moneys, if any, on deposit from time to time in the Funds established under the Indenture, except for the Rebate Fund. No tolls, rents, rates or other charges are pledged for the benefit of the 2012 Bonds. The 2012 Bonds are equally and ratably secured by the monies, if any, on deposit in the Funds established under Indenture, except for the Rebate Fund. The 2012 Bonds are payable from such Funds and from other monies of the Authority legally available therefore.

Redemption Provisions:

*Optional Redemption*: The 2012 Bonds maturing on or after January 1, 2024 are subject to redemption prior to maturity at the option of the Authority on or after January 1, 2023, in whole at any time, or in part at any time and from time to time, in any order of maturity specified by the Authority and within a maturity as selected by the Trustee as provided in the Indenture and as summarized below under the subheading "Redemption Provisions – Selection of 2012 Bonds to be Redeemed." Any such redemption shall be made at a redemption price equal to the principal amount of the Bonds to be redeemed plus interest accrued to the date fixed for redemption.

*Payment of Redemption Price*: Notice of redemption having been given in the manner provided in the Indenture, or written waivers of notice having been filed with the Trustee prior to the date set for redemption, the 2012 Bonds (or portions thereof) so called for redemption shall become due and payable on the redemption date so designated and interest on such 2012 Bonds (or portions thereof) shall cease to accrue from the redemption date whether or not such Bonds shall be presented for payment. The principal amount of all 2012 Bonds so called for redemption, together with the redemption premium, if any, payable with respect thereto and accrued and unpaid interest thereon to the date of redemption, shall be paid (upon presentation and surrender of such 2012 Bonds) by the Paying Agent out of the appropriate Fund or other funds deposited for the purpose.

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

**Note 12. Funded and Long-Term Debt (Continued)**

2012 Port District Project Refunding Bonds (Continued):

Redemption Provisions (Continued):

*Selection of 2012 Bonds to be Redeemed*: If less than all of the 2012 Bonds are to be redeemed and paid prior to maturity, 2012 Bonds registered in the name of the Authority shall be redeemed before other 2012 Bonds are redeemed. Thereafter, the portion of 2012 Bonds to be redeemed shall be selected by the Authority, or if no such selection is made, by lot by the Trustee from among all Outstanding 2012 Bonds eligible for redemption. In the case of a partial redemption of 2012 Bonds when 2012 Bonds of denominations greater than the minimum Authorized Denomination are Outstanding, then for all purposes in connection with such redemption, each principal amount equal to the minimum Authorized Denomination shall be treated as though it were a separate 2012 Bond for purposes of selecting the 2012 Bonds to be redeemed, provided that no 2012 Bonds shall be redeemed in part if the principal amount to be Outstanding following such partial redemption is not an Authorized Denomination.

*Notice of Redemption*: The Trustee shall cause a notice of redemption to be mailed to the applicable 2012 Bondholders. Such notice shall specify (a) the complete official name of the 2012 Bonds, with series designation; (b) if less than all of the then Outstanding Bonds are to be redeemed, the numbers, including CUSIP numbers if applicable, of the 2012 Bonds to be redeemed which may, if appropriate, be expressed in designated blocks of numbers; (c) the date of issue of each 2012 Bond being redeemed as originally issued; (d) the maturity date of each 2012 Bond being redeemed; and (e) any other descriptive information considered appropriate by the Authority or the Trustee to accurately identify the 2012 Bonds to be redeemed. Such notice shall also state the redemption price and the date fixed for redemption, that on such date the 2012 Bonds called for redemption will be due and become payable at the designated office of the Paying Agent, and that from and after such date interest thereon shall cease to accrue; provided, however, that the Owners of 2012 Bonds to be redeemed may file written waivers of notice with the Trustee, and if so waived, such 2012 Bonds may be redeemed and all rights and liabilities of said Owners shall mature and accrue on the date set for such redemption, without the requirement of written notice. If a notice is given with respect to an optional redemption prior to moneys for such redemption being deposited with the Trustee, such notice shall be conditioned upon the deposit of the redemption moneys with the Trustee before the date fixed for redemption and such notice shall be of no effect (and shall so state) unless such moneys are so deposited.

Each redemption notice to 2012 Bondholders shall be deposited by the Trustee in the United States mail, first-class postage prepaid, at least thirty (30) days, but not more than sixty (60) days, prior to the redemption date, addressed to the Owners of 2012 Bonds called for redemption at their respective addresses appearing upon the Bond Register.

Not more than sixty (60) days following the applicable redemption date, a further notice shall be mailed as provided above to the 2012 Bondholders of any 2012 Bonds called for redemption and not then presented for payment containing substantially the same information set forth above.

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

**Note 12. Funded and Long-Term Debt (Continued)**

2012 Port District Project Refunding Bonds (Continued): The 2012 Port District Project Refunding Bonds outstanding at December 31, 2012 are as follows:

| Maturity Date (January 1) | Interest Rate/Yield | Principal Amount | Maturity Date (January 1) | Interest Rate/Yield | Principal Amount |
|---|---|---|---|---|---|
| 2014 | 3.00% | $ 5,790 | 2021 | 5.00% | $ 12,350 |
| 2015 | 4.00% | 5,800 | 2022 | 5.00% | 14,085 |
| 2016 | 5.00% | 6,030 | 2023 | 3.00% | 240 |
| 2017 | 5.00% | 6,335 | 2023 | 5.00% | 14,545 |
| 2018 | 2.00% | 225 | 2024 | 5.00% | 15,520 |
| 2018 | 5.00% | 6,425 | 2025 | 5.00% | 16,300 |
| 2019 | 5.00% | 6,975 | 2026 | 5.00% | 17,115 |
| 2020 | 5.00% | 7,320 | 2027 | 5.00% | 17,975 |
| | | | | | 153,030 |

| | |
|---|---|
| Total par value of 2012 Port District Project Refunding Bonds | 153,030 |
| Add unamortized bond premium | 22,323 |
| Less unamortized loss on refunding | (6,932) |
| Total 2012 Port District Project Refunding Bonds, net | $ 168,421 |

Maturities of Principal and Interest on Bonds: The following presents the principal and interest due on all bonds outstanding as of December 31, 2012 (assuming the letter of credit agreements with respect to the variable rate 2008 and 2010 Revenue Refunding Bonds are renewed over the term of the bonds and the bonds are remarketed):

| Years Ending December 31, | Principal | Interest* | Total |
|---|---|---|---|
| 2013 | $ 19,015 | $ 26,285 | $ 45,300 |
| 2014 | 38,650 | 26,076 | 64,726 |
| 2015 | 47,385 | 25,799 | 73,184 |
| 2016 | 50,010 | 25,450 | 75,460 |
| 2017 | 52,870 | 25,083 | 77,953 |
| 2018-2022 | 312,935 | 113,273 | 426,208 |
| 2023-2027 | 340,235 | 86,016 | 426,251 |
| 2028-2032 | 95,095 | 62,472 | 157,567 |
| 2033-2037 | 121,405 | 34,842 | 156,247 |
| 2038-2040 | 88,410 | 4,564 | 92,974 |
| | 1,166,010 | $ 429,860 | $ 1,595,870 |
| Net unamortized bond discounts, premiums, and loss on refunding | 4,530 | | |
| | $ 1,170,540 | | |

* Does not include the net swap payments on the Authority's hedged variable rate bonds as detailed on page 50 (Note 4).

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

**Note 12. Funded and Long-Term Debt (Continued)**

Maturities of Principal and Interest on Bonds (Continued): The interest on variable rate debt is computed using the interest rate effective at December 31, 2012. The interest rates on the Authority's variable rate debt are set by the remarketing agent and are reset weekly. As of December 31, 2012, the outstanding balance on the 2008 and 2010 Revenue Refunding Bonds was $670,355, which is reported in the table above as maturing in 2013 through 2026.

In June 2013, the letters of credit supporting the 2008 variable rate bonds were renewed and extended with Bank of America, N.A. and TD Bank, N.A. to July 2016 and December 2017, respectively (Note 20). If the letter of credit agreements supporting the 2008 variable rate bonds are not renewed in 2016 and 2017 and the 2008 bonds are mandatorily redeemed, the 2016 debt service requirements will be $169,195, rather than the $50,010 shown in the table above and the 2017 debt service requirements will be $174,980, rather than the $52,870 shown in the table above.

In March 2013, the letters of credit supporting the 2010 variable rate bonds were replaced with new letters of credit from Royal Bank of Canada (Series A), Barclay's Bank PLC (Series B), and The Bank of New York Mellon (Series C), which expire in March 2016, March 2015, and March 2016, respectively (Note 20). If the letter of credit agreements supporting the 2010 Series A and Series C variable rate bonds are not renewed in 2016 and the 2010 Series A and Series C bonds are mandatorily redeemed, the 2016 debt service requirements will be $206,595, rather than the $50,010 shown in the table above. If the letter of credit agreement supporting the 2010 Series B variable rate bonds is not renewed in 2015 and the 2010 Series B bonds are mandatorily redeemed, the 2015 debt service requirement will be $165,330, rather than the $47,385 shown in the table above.

Interest on all of the Authority's fixed rate debt (revenue bonds and port district project bonds issued in 1999, 2010 and 2012) 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. The Authority is current on all of its monthly debt service payments on all obligations.

Debt Authorized But Not Issued: At its November 2009 Board meeting, the Authority's Board approved the following resolution related to its proposed "new money issuance".

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 Authority issued $308 million in fixed rate bonds in July 2010, pursuant to this resolution.

Bond Ratings:

*Moody's Investors Service Bond Ratings*: Concurrent with the issuance of $350 million in Revenue Refunding Bonds on June 30, 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).

Concurrent with the issuance of the $153.03 million in Port District Project Refunding Bonds, on November 30, 2012, Moody's affirmed the ratings on all Authority Revenue and Port District Project Bonds; however the outlook improved from "negative" to "stable" on all bonds. As of December 31, 2012, all Authority bonds remain with a "stable" outlook.

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

**Note 12. Funded and Long-Term Debt (Continued)**

Bond Ratings (Continued):

*Standard & Poor's Ratings Services Bond Ratings*: On July 13, 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 June 30, 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 through 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).

Concurrent with the issuance of $153.03 million in Port District Project Refunding Bonds, on November 30, 2012, S&P affirmed the ratings on all Authority Revenue and Port District Project Bonds; however the outlook improved from "stable" to positive on all bonds. As of December 31, 2012, the outlook remains as "positive" 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.

| | | Long-term | Short-term |
|---|---|---|---|
| 2008A Revenue Refunding Bonds | Moody's: | Aaa | VMIG 1 |
| | S&P: | AA+ | A-1+ |
| 2008 B 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.

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

### Note 12. Funded and Long-Term Debt (Continued)

Bond Ratings (Continued):

*Ratings on Jointly Supported Transactions (Continued)*: 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 had 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.

### Note 13. Current Refunding of Debt

As detailed in Note 12, on December 20, 2012, the Authority issued $153,030 in Port District Project Refunding Bonds to currently refund $196,760 aggregate principal amount of the Authority's outstanding 1998 Series B Port District Project Bonds ($55,475), 1999 Series B Port District Project Bonds ($107,880), and 2001 Series A Port District Project Bonds ($33,405). The refunding was executed by the Authority to reduce its total debt service payments by $69.3 million over the next 15 years.

As a result of the current refunding of the Port District Bonds, the Authority incurred a loss on refunding of $6,966, which has been recorded as a contra-liability 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 Port District Project Bonds) and the new debt (2012 Port District Project Refunding Bonds). In addition, the economic gain 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 2.89%, adjusted for any additional cash, is as flows:

| | |
|---|---|
| **Cash Flow Difference** | |
| Old debt service cash flows | $ 303,610 |
| Less prior receipts | 11,291 |
| Prior net cash flows | 292,319 |
| New debt service cash flows | 222,997 |
| Cash flows savings | $ 69,322 |
| **Economic Gain** | |
| Present value of cash flow difference | $ 36,975 |

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

## Note 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 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.

As of December 31, 2012, 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:

| Issue | Issue Date | Issued Amount | 1/1/2011 Beginning Balance | Paid | 12/31/2011 Ending Balance | Paid | 12/31/2012 Ending Balance |
|---|---|---|---|---|---|---|---|
| Charter School Project Bonds, Series 2003 | 09/01/03 | $8,500 | $ 7,310 | $270 | $ 7,040 | $ 285 | $ 6,755 |

See Note 20, "Subsequent Events" for additional information related to LEAP Bonds.

## Note 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 other government agencies. Capital improvement grant funds of $25,042 and $33,021 were received in 2012 and 2011, 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 position.

## Note 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.

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

### Note 16. Contingencies (Continued)

| Self-Insurance | 2012 | 2011 |
|---|---|---|
| Beginning balance | $ 3,141 | $ 2,905 |
| Incurred claims | 1,924 | 2,225 |
| Payment of claims | (1,813) | (2,001) |
| Other - administrative fees, recoveries | - | 12 |
| Ending balance | $ 3,252 | $ 3,141 |

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 net position and combined results of operations.

The Authority purchases commercial insurance for all other risks of loss, e.g. bridge and non-bridge property, crime, terrorism, etc. The Authority reviews annually, and where appropriate, adjusts policy loss limits and deductibles as recommended by its 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.

Per Article 5.11 of the 1998 Bond Indenture, the Authority must certify and submit to the bond trustee, by April 30 of each year, that it has sufficient coverage with regards to "multi-risk insurance" (on DRPA and PATCO facilities), "use and occupancy insurance" (i.e., business interruption), etc. The Authority submitted its annual certification to the bond trustee, prior to the deadline, in April 2012.

### Note 17. Commitments

Development Projects: In support of previously authorized economic development projects, the DRPA's Board of Commissioners authorized loan guarantees to 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, 2012, the Authority had executed loan guarantees with various banks, totaling $19,400. The loan guarantees are as follows: L3 Communications ($10.0 million), World Trade Center ($8.0 million), the Home Port Alliance ($0.9 million), and Ship Recycling Research ($0.5 million). These guarantees all remain in force; however, the Authority has made no cash outlays relating to these guarantees.

L3 Communications Loan Guarantee: 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.

Home Port Alliance Guarantee (extended 2012): On June 6, 2012, the Authority negotiated a three-year extension of the existing $0.9 million loan guarantee that supports a loan from TD Bank, N.A. to the Home Port Alliance for the Battleship New Jersey.

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

**Note 17. Commitments (Continued)**

Community Impact: The Authority has an agreement with the City of Philadelphia (City) for Community Impact regarding the PATCO high-speed transit system ("Locust Street Subway Lease"). The agreement expires on December 31, 2050. In 2012, the base amount payable to the City totaled $3,111 as adjusted for the cumulative increases in the Consumer Price Index (CPI) between 1999 and 2011. Base payments for 2013 through 2017 shall equal the previous year's base payment adjusted by any increase in the CPI for that year. For the years 2018 through 2050, the annual base payment shall equal one dollar.

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 minimum commitment, adjusted for the effect of the increase in the CPI at December 31, 2012, is as follows:

| Year | Amount |
|---|---|
| 2013 | $ 3,670 |
| 2014 | 3,726 |
| 2015 | 3,784 |
| 2016 | 3,842 |
| 2017 | 3,902 |
| Thereafter | 16,500 |
| | $ 35,424 |

OCIP Letters of Credit: In May 2008, the Authority entered into two new separate irrevocable standby Letters of Credit 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.

The Letter of Credit with Wells Fargo Bank (formerly Wachovia Bank) was 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) was in an initial amount of $3,015 and automatically increased annually each May, in the amount of $816, until it expired on May 7, 2012.

During 2012, the Authority extended its OCIP for a six-month period. As a consequence, in consultation with the insurance carrier, the Authority's LOC requirement supporting the program was reduced by $5,000. The Letter of Credit with TD Bank, N.A. was renewed on May 7, 2012 in the amount of $5,462. The OCIP Letter of Credit with Wells Fargo Bank, in the amount of $5,000, was not renewed. There are no additional increases on this letter of credit through its expiration on December 31, 2013.

As of December 31, 2012, the unused amount of the Letter of Credits totaled $5,462. No drawdowns 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.

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

**Note 17. Commitments (Continued)**

Direct Pay Letters of Credit (2008 Revenue Refunding Bonds) (Continued): 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 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, N.A. 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. As described in Note 20, these letters of credit were renewed with the Bank of America, N.A. and TD Bank, N.A. subsequent to year end. The new letters of credit with Bank of America, N.A. and TD Bank, N.A. expire on July 22, 2016 and December 31, 2017, respectively.

*Letter of Credit Provider Ratings*: Ratings for these banks, as of December 31, 2012 are shown below:

| | Long-Term | | | Short-Term | | |
|---|---|---|---|---|---|---|
| | Moody's | S&P | Fitch * | Moody's | S&P | Fitch * |
| Bank of America, N.A. (Series A) | A3<br>Stable | A<br>Negative | A<br>Stable | P-2 | A-1 | F1 |
| TD Bank, N.A. (Series B) | Aa2<br>Negative | AA-<br>Stable | AA-<br>Stable | P-1 | A-1+ | F1+ |

* In April 2012, at the Authority’s request, Fitch Ratings assigned a rating of “A/F1” (stable outlook) to the Authority’s 2008 Series A Revenue Refunding Bonds, based on the DPLOC support provided by the Bank of America, N.A. (“A/F1”, stable outlook) on the bonds.

On June 21, 2012, Moody's Investor's Service ("Moody's") lowered certain bank ratings. Moody’s: (i) lowered the long-term financial strength rating of Bank of America, N.A. from "A2" to "A3" with a "stable" outlook; and (ii) lowered the short-term financial strength rating of Bank of America, N.A. from "P-1" to "P-2". As a result of such ratings downgrades, Moody's: (i) lowered the respective long-term ratings assigned to the 2008A Revenue Refunding Bonds and 2010B Revenue Refunding Bonds to "A2" from "A1", based upon a joint rating criteria methodology consisting of, among other things, the financial strength of each of Bank of America, N.A. and the Authority, and placed the long-term review status of each of the 2008A Revenue Refunding Bonds on "Review for Downgrade"; and (ii) lowered the respective short-term ratings assigned to the 2008A Revenue Refunding Bonds to "VMIG2" from "VMIG1", based solely on the financial strength of Bank of America, N.A. and placed the short-term review status of the 2008A Revenue Refunding Bonds and on "Review for Downgrade".

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

**Note 17. Commitments (Continued)**

Direct Pay Letters of Credit (2008 Revenue Refunding Bonds) (Continued):

*Letter of Credit Provider Ratings (Continued)*: None of the ratings heretofore assigned to the Bonds by Standard and Poor's Rating Services, a division of The McGraw Hill Companies ("S&P"), have been revised as of the date of the filing of the Material Event Notice. In addition, none of the ratings heretofore assigned to the 2008A Revenue Refunding Bonds or the 2010B Revenue Refunding Bonds by Fitch Ratings ("Fitch") have been revised as of the date of the filing of the Material Event Notice.

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, N.A. and PNC Bank, N.A. 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 is 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 his 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.

As described in Note 20, the Authority terminated the above direct pay letters of credit subsequent to year end. The terminated direct pay letters of credit were replaced with new letters of credit from Royal Bank of Canada (Series A), Barclay's Bank PLC (Series B), and Bank of New York Mellon (Series C). These new letters of credit expire on March 18, 2016, March 20, 2015, and March 18, 2016, respectively.

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

**Note 17. Commitments (Continued)**

Direct Pay Letters of Credit (2010 Revenue Refunding Bonds) (Continued):

*Letter of Credit Provider Ratings*: Ratings for these banks, as of December 31, 2012 are shown below:

| | Long-Term | | | Short-Term | | |
|---|---|---|---|---|---|---|
| | Moody's | S&P | Fitch * | Moody's | S&P | Fitch * |
| JP Morgan Chase Bank N.A. (Series A) | Aa3 Stable | A+ Stable | A+ Stable | P-1 | A-1 | F1 |
| Bank of America, N.A. (Series B) | A3 Stable | A Negative | A Stable | P-2 | A-1 | F1 |
| PNC Bank, N.A. (Series C) | A2 Stable | A Stable | A+ Stable | P-1 | A-1 | F1 |

* In April 2012, at the Authority's request, Fitch Ratings assigned a rating of "A/F1" (stable outlook) to the Authority's 2010 Series B Revenue Refunding Bonds, based on the DPLOC support provided by the Bank of America, N.A. ("A/F1", stable outlook) on the bonds.

On June 21, 2012, Moody's Investor's Service ("Moody's") lowered certain bank ratings. Moody's: (i) lowered the long-term financial strength rating of Bank of America, N.A. from "A2" to "A3" with a "stable" outlook; and (ii) lowered the short-term financial strength rating of Bank of America, N.A. from "P-1" to "P-2". As a result of such ratings downgrades, Moody's: (i) lowered the respective long-term ratings assigned to the 2010B Revenue Refunding Bonds to "A2" from "A1", based upon a joint rating criteria methodology consisting of, among other things, the financial strength of each of Bank of America, N.A. and the Authority, and placed the long-term review status of the 2010B Revenue Refunding Bonds on "Review for Downgrade"; and (ii) lowered the respective short-term ratings assigned to the 2010B Revenue Refunding Bonds to "VMIG2" from "VMIG1", based solely on the financial strength of Bank of America, N.A. and placed the short-term review status of the 2010B Revenue Refunding Bonds on "Review for Downgrade".

Moody's also lowered the long-term financial strength rating of JPMorgan Chase from "Aa1" to "Aa3" with a "stable" outlook. As a result of such rating downgrade, Moody's lowered the long-term rating assigned to the 2010A Revenue Refunding Bonds to "Aa2" from "Aa1", based upon a joint rating criteria methodology consisting of, among other things, the financial strength of each of JPMorgan Chase and the Authority, and placed the long-term review status of the 2010A Revenue Refunding Bonds on "Review for Downgrade". The respective underlying unenhanced ratings assigned by Moody's to the Bonds remain "A3".

As a result of these bank downgrades, the Authority issued a Material Event Notice on June 26, 2012. None of the ratings heretofore assigned to the Bonds by Standard and Poor's Rating Services, a division of The McGraw Hill Companies ("S&P"), have been revised as of the date of the filing of the Material Event Notice. In addition, none of the ratings heretofore assigned to the 2008A Revenue Refunding Bonds or the 2010B Revenue Refunding Bonds by Fitch Ratings ("Fitch") have been revised as of the date of the filing of the Material Event Notice.

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

**Note 17. Commitments (Continued)**

Contractual Commitments: As of December 31, 2012, the Authority had board-approved capital projects with remaining balances as follows:

| | Total |
|---|---|
| Benjamin Franklin Bridge: | |
| Temporary toll collectors | $ 1,100 |
| Pavement repairs | 3,636 |
| Engineering services - program management | 10,715 |
| Engineering services - task orders | 1,112 |
| Other | 4,782 |
| Walt Whitman Bridge: | |
| Camera installation | 1,291 |
| Deck condition assessment and design | 34,682 |
| Suspension rope investigation | 447 |
| Other | 60 |
| Commodore Barry Bridge: | |
| Structural repairs | 327 |
| Emergency generator replacement | 343 |
| Fire alarm replacement | 303 |
| Other | 78 |
| Betsy Ross Bridge: | |
| Structural repairs | 64 |
| Resurfacing design services | 83 |
| Other | 109 |
| PATCO System: | |
| Lindenwold yard diamond crossover | 1,060 |
| Car overhaul program | 175,512 |
| Power cable and pole line replacement | 3,442 |
| Annex building design and construction | 4,739 |
| Radio system upgrades | |
| Track rehabilitation | 8,147 |
| Escalator replacement | 7,259 |
| Other | 5,449 |
| Other: | |
| Ferry system | 193 |
| | $ 264,933 |

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

## Note 18. Bridge and PATCO Fare Schedules

Bridge Fares: On July 1, 2011, the approved new bridge toll schedule was implemented as shown:

| | Old Schedule | New Schedule | Increase |
|---|---|---|---|
| Class 1 - Motorcycle | $ 4.00 | $ 5.00 | $ 1.00 |
| Class 2 - Automobile | 4.00 | 5.00 | 1.00 |
| Class 3 - Two Axle Trucks | 12.00 | 15.00 | 3.00 |
| Class 4 - Three Axle Trucks | 18.00 | 22.50 | 4.50 |
| Class 5 - Four Axle Trucks | 24.00 | 30.00 | 6.00 |
| Class 6 - Five Axle Trucks | 30.00 | 37.50 | 7.50 |
| Class 7 - Six Axle Trucks | 36.00 | 45.00 | 9.00 |
| Class 8 - Bus | 6.00 | 7.50 | 1.50 |
| Class 9 - Bus | 9.00 | 11.25 | 2.25 |
| Class 10 - Senior Citizen (With 2 Tickets Only) | 2.00 | 2.50 | 0.50 |
| Class 13 - Auto w/trailer (1 axle) | 6.00 | 8.75 | 2.75 |

PATCO Passenger Fares: Effective September 14, 2008, PATCO's passenger fares increased by 10% across all zones. At its December 2009 meeting, the Authority's Board approved a 10-month 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. On July 1, 2011, the new fare schedule was implemented as shown:

| | Old Schedule | New Schedule | Increase |
|---|---|---|---|
| Lindenwold/Ashland Woodcrest | $ 2.70 | $ 3.00 | $ 0.30 |
| Haddonfield/West Haddonfield/Collingswood | 2.35 | 2.60 | 0.25 |
| Ferry Avenue | 2.05 | 2.25 | 0.20 |
| New Jersey | 1.45 | 1.60 | 0.15 |
| City Hall/Broadway/Philadelphia | 1.25 | 1.40 | 0.15 |
| Off-peak Reduced Fare Program | 0.62 | 0.70 | 0.08 |

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 $0.62/trip to $0.70/trip.

## Note 19. New Governmental Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several statements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34,* issued November 2010, will be effective for the Authority beginning with its year ending December 31, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude.

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

**Note 19. New Governmental Accounting Pronouncements (Continued)**

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34 (Continued),* The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.

*GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*, issued March 2012, will be effective for the Authority beginning with the year ending December 31, 2013. The objective of this Statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognized certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These determinations are based on the definitions of that element in Concepts Statements No. 4, *Elements of Financial Statements*.

*GASB Statement No. 66, Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, issued March 2012, will be effective for the Authority beginning with its year ending December 31, 2013. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

*GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, issued in June 2012, will be effective for the Authority beginning with the year ending December 31, 2015. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures,* as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

*GASB Statement No. 69, Government Combinations and Disposals of Government Operations*, issued January 2013, will be effective for the Authority beginning with the year ending December 31, 2014. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.

*GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees,* issued April 2013, will be effective for the Authority beginning with the year ending December 31, 2014. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

**Delaware River Port Authority**

**Notes to Combined Financial Statements**

**Note 19. New Governmental Accounting Pronouncements (Continued)**

*GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees* (Continued): This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees.

**Note 20. Subsequent Events**

Letter of Credit Substitutions and Extensions: In March 2013, the Authority terminated the Direct Pay Letter of Credits (DPLOC) supporting the 2010 Revenue Refunding Bonds Series A, Series B and Series C, with JPMorgan Chase, Bank of America, N.A. and PNC Bank, respectively, and then replaced these DPLOCs by securing new letters of credit from the following banks: Royal Bank of Canada (Series A), Barclay's Bank PLC (Series B) and The Bank of New York Mellon (Series C). The outstanding principal amount of the remarketed variable rate bonds (remarketed in weekly mode), remains at $350.0 million. The Authority issued a "Remarketing Memorandum Dated March 12, 2013" describing this letter of credit substitution transaction.

On June 28, 2013, the Authority amended and extended its DPLOC with TD Bank, N.A. supporting the 2008 Revenue Refunding Bonds, Series B, to expire on December 31, 2017. In addition, the Authority amended and extended its DPLOC with the Bank of America, N.A., effective on July 22, 2013, to expire on July 22, 2016.

Material Event Notices – TD Bank, N.A. and Assured Guaranty: During January, the Authority filed two (2) material event notices related to Moody's downgrade of TD Bank, N.A. ratings and its downgrade of Assured Guaranty's ratings (from Aa3 to A2). TD Bank, N.A.'s DPLOC supports the Authority's 2008 Revenue Refunding Bonds and Assured Guaranty guarantees the principal and interest payments on certain Authority bond issues. The long-term debt ratings of the Authority remain unchanged as shown in the ratings section in Note 12.

LEAP Academy: The Authority was advised by the bond trustee, and counsel for LEAP Academy, that LEAP had lost its tax exemption for failure to file Form 990 for the past three years. LEAP bonds were issued through the Authority; however, DRPA has no responsibility for repayment of this debt, as the debt is guaranteed by Rutgers University. LEAP filed a material event notice in January 2013. This issue has been partially resolved by an IRS ruling reinstating its tax exemption status for a partial period; however, LEAP is still in the process of resolving this matter. The 501(c)3 status was not retroactively reinstated for the bond period 2010-2012 but an appeal is being filed.

Debt Authorized, Not Issued: At its regularly scheduled February meeting, the Authority's Board approved Resolution #13-030, which authorized the Authority to issue up to $500 million in new fixed-rate revenue bonds to fund a large portion of its $746.0 million five year 2013 Capital Plan. The Authority expects to issue new revenue bonds in the $400-$500 million principal amount sometime in the early third quarter, after completion of a new traffic study, which is in progress. (Approved resolutions can be found on the Authority website, www.drpa.org under "*Board Information, Approved Resolutions").*

Investment Policy: At its February 20, 2013 meeting, the Authority's Board approved Resolution #13-034, adopting a new comprehensive General Fund investment policy which revised and refined its existing conservative investment policy. The policy clearly defines the approved, and non-approved, investment vehicles, in which its existing investment management firms may invest the Authority's funds. This policy became effective July 1, 2013.

**Delaware River Port Authority**

**Required Supplementary Information (Unaudited)**
**Schedule of Funding Progress for Health Benefits Plan**
**Year Ended December 31, 2012**
*(amounts expressed in thousands)*

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued 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] |
|---|---|---|---|---|---|---|
| 01/01/11 | $ - | $ 113,422 | $ 113,422 | - | $ 56,820 | 199.6% |
| 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 Suplementary Information**

Other Post-employment 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, 2011 |
| 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 |
| Actuarial Assumptions: | |
| Mortality | RP2000 Table Male and Female |
| Discount Rate | 5% |
| Turnover | Assumptions for terminations of employment other than for death or retirement will vary by age and years of service with rates of turnover based on State Employees Retirement System of Pennsylvania. |
| 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 | none for active employees assumed |
| Health Care Inflation (annual increase) | |

| | Year | Pre-65 | Post 65 |
|---|---|---|---|
| Initial Trend | 01/01/13 to 01/01/17 | 10.0% | 10.0% |
| Ultimate Trend | 01/01/18 to later | 5.0% | 5.0% |
| Grading Per Year | | 1.0% | 1.0% |

| | |
|---|---|
| Administration Expense (annual cost) | 2.5% (included in annual health care costs) |
| Employee Contributions (annual) | $2,345 family coverage; $792 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).

**Delaware River Port Authority**

**Combined Supplemental Schedule of Net Position Information by Fund**
**December 31, 2012**
*(amounts expressed in thousands)*

| | Capital Fund | Revenue Fund | Maintenance Reserve Fund | General Fund | Combined Bond Funds | Combined Project Funds | Total |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Current Assets | | | | | | | |
| Cash and cash equivalents | $ - | $ - | $ - | $ 829 | $ - | $ - | $ 829 |
| Investments | - | 12,633 | - | 285,880 | - | - | 298,513 |
| Accounts receivable, net of allowance for uncollectibles | - | 4,270 | - | 4,596 | - | - | 8,866 |
| Accrued interest receivable | - | - | - | 540 | - | - | 540 |
| Transit system and storeroom inventories | - | 399 | - | 6,395 | - | - | 6,794 |
| Economic development loans - current | - | - | - | 1,830 | - | - | 1,830 |
| Prepaid expenses | - | 676 | - | 678 | - | - | 1,354 |
| Restricted assets | | | | | | | |
| Temporarily restricted | | | | | | | |
| Cash and cash equivalents | - | 4,533 | - | - | - | 537 | 5,070 |
| Investments | - | - | 4,393 | - | 126,097 | 21,141 | 151,631 |
| Accrued interest receivable | - | - | - | - | - | 4 | 4 |
| **Total current assets** | - | 22,511 | 4,393 | 300,748 | 126,097 | 21,682 | 475,431 |
| Noncurrent Assets | | | | | | | |
| Restricted investments for capital projects | - | - | - | - | - | - | - |
| Capital assets, net of accumulated depreciation | | | | | | | |
| Land | 74,200 | - | - | 25 | - | - | 74,225 |
| Construction in progress | 304,030 | - | - | - | - | - | 304,030 |
| Bridges and related buildings and equipment | 604,153 | - | - | - | - | - | 604,153 |
| Transit property and equipment | 256,381 | - | - | - | - | - | 256,381 |
| Port enhancements | 2,139 | - | - | - | - | - | 2,139 |
| Total capital assets | 1,240,903 | - | - | 25 | - | - | 1,240,928 |
| Other | | | | | | | |
| Economic development loans, net of allowance for uncollectibles | - | - | - | 17,392 | - | - | 17,392 |
| Deferred charges | | | | | | | |
| Debt issuance costs, net of amortization | 8,205 | - | - | 2,009 | - | - | 10,214 |
| Total other assets | 8,205 | - | - | 19,401 | - | - | 27,606 |
| Total noncurrent assets | 1,249,108 | - | - | 19,426 | - | - | 1,268,534 |
| Total assets | 1,249,108 | 22,511 | 4,393 | 320,174 | 126,097 | 21,682 | 1,743,965 |
| **Deferred Outflows** | | | | | | | |
| Accumulated decrease in fair value of hedging derivatives | 166,703 | - | - | - | - | - | 166,703 |

(Continued)

**Delaware River Port Authority**

**Combined Supplemental Schedule of Net Position Information by Fund (Continued)**
**December 31, 2012**
*(amounts expressed in thousands)*

| | Capital Fund | Revenue Fund | Maintenance Reserve Fund | General Fund | Combined Bond Funds | Combined Project Funds | Total |
|---|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | | |
| Current Liabilities | | | | | | | |
| Accounts payable | | | | | | | |
| Retained amounts on contracts | $ - | $ 114 | $ - | $ 9,951 | $ - | $ - | $ 10,065 |
| Other | - | 8,971 | - | 12,845 | - | - | 21,816 |
| Accrued liabilities | | | | | | | |
| Claims and judgments | - | 190 | - | 1,300 | - | - | 1,490 |
| Self-insurance | - | 1,026 | - | 881 | - | - | 1,907 |
| Pension | - | 127 | - | 428 | - | - | 555 |
| Sick and vacation leave benefits | - | 764 | - | 335 | - | - | 1,099 |
| Other | - | 415 | - | 684 | - | - | 1,099 |
| Deferred revenue | - | - | - | 3,245 | - | - | 3,245 |
| Liabilities payable from restricted assets | | | | | | | |
| Accrued interest payable | - | - | - | - | 9,113 | - | 9,113 |
| Bonds payable - current | - | - | - | - | 19,015 | - | 19,015 |
| **Total current liabilities** | - | 11,607 | - | 29,669 | 28,128 | - | 69,404 |
| Noncurrent Liabilities | | | | | | | |
| Accrued liabilities | | | | | | | |
| Claims and judgments | - | 562 | - | 3,840 | - | - | 4,402 |
| Self-insurance | - | 725 | - | 620 | - | - | 1,345 |
| Sick and vacation leave benefits | - | 2,291 | - | 1,004 | - | - | 3,295 |
| Other | - | 27,102 | - | 14,261 | - | - | 41,363 |
| Deferred revenue | - | 5,645 | - | 96 | - | - | 5,741 |
| Premium payment payable - derivative companion instrument | 37,969 | - | - | - | - | - | 37,969 |
| Derivative instrument - interest rate swap | 167,192 | - | - | - | 885 | - | 168,077 |
| Bonds payable, net of unamortized discounts, premiums, and loss on refunding | 952,023 | - | - | 199,502 | - | - | 1,151,525 |
| Total noncurrent liabilities | 1,157,184 | 36,325 | - | 219,323 | 885 | - | 1,413,717 |
| Total liabilities | 1,157,184 | 47,932 | - | 248,992 | 29,013 | - | 1,483,121 |
| **Net Position** | | | | | | | |
| Net investment in capital assets | 288,880 | - | - | 25 | (16,000) | - | 272,905 |
| Restricted for: | | | | | | | |
| Debt requirements | - | 4,533 | 4,393 | - | 113,084 | - | 122,010 |
| Port projects | - | - | - | - | - | 21,682 | 21,682 |
| Unrestricted (deficiency) | (30,253) | (29,954) | - | 71,157 | - | - | 10,950 |
| Total net position | $ 258,627 | $ (25,421) | $ 4,393 | $ 71,182 | $ 97,084 | $ 21,682 | $ 427,547 |

**Delaware River Port Authority**

**Combined Supplemental Schedule of Changes in Fund Net Position Information by Fund**
**For the Year Ended December 31, 2012**
*(amounts expressed in thousands)*

| | Capital Fund | Revenue Fund | Maintenance Reserve Fund | General Fund | Combined Bond Funds | Combined Project Funds | Total |
|---|---|---|---|---|---|---|---|
| Net position (deficiency), January 1 | $ 211,186 | $ (22,304) | $ 4,245 | $ 1,814 | $ 113,883 | $ 32,457 | $ 341,281 |
| Revenues and expenses | | | | | | | |
| Operating revenues | - | 299,184 | - | 28,216 | - | - | 327,400 |
| Operating expenses | (55,018) | (48,747) | - | (53,474) | - | - | (157,239) |
| General administration expenses | - | (43,947) | - | (330) | - | - | (44,277) |
| Investment income | 1,071 | 363 | 148 | 1,980 | 4,038 | 38 | 7,638 |
| Interest expense | (3,372) | - | - | (886) | (62,282) | - | (66,540) |
| Economic development activities | - | - | - | (8,695) | - | - | (8,695) |
| Other nonoperating revenues (expenses) | (393) | - | - | (902) | - | - | (1,295) |
| Other grant revenues | - | - | - | 4,232 | - | - | 4,232 |
| Total revenues and expenses | (57,712) | 206,853 | 148 | (29,859) | (58,244) | 38 | 61,224 |
| Government contributions for capital improvements, additions and other projects | - | 509 | - | 24,533 | - | - | 25,042 |
| Interfund transfers and payments | | | | | | | |
| Bond service | - | (74,901) | - | (89,996) | 164,896 | 1 | - |
| Funds free and clear of any lien or pledge | - | (135,578) | - | 117,520 | 18,058 | - | - |
| Retirement of bonds | 56,360 | - | - | 84,535 | (140,895) | - | - |
| Funds for permitted capital expenditures | - | - | - | 58,992 | - | (58,992) | - |
| Funds for permitted port projects | - | - | - | 12,105 | - | (12,105) | - |
| Net equity transfers | 4,489 | - | - | 20,350 | (24,839) | - | - |
| Capital additions | 118,056 | - | - | (118,056) | - | - | - |
| Interfund transfers | (73,752) | - | - | (10,756) | 24,225 | 60,283 | - |
| Total interfund transfers and payments | 105,153 | (210,479) | - | 74,694 | 41,445 | (10,813) | - |
| Net position (deficiency), December 31 | $ 258,627 | $ (25,421) | $ 4,393 | $ 71,182 | $ 97,084 | $ 21,682 | $ 427,547 |

**Delaware River Port Authority**

**Supplemental Schedule of Net Position Information for Bond and Project Funds**
**December 31, 2012**
*(amounts expressed in thousands)*

| | Bond Reserve Fund | Bond Service Fund | 1998 Port District Project Fund | 1999 Project Fund | 1999 Port District Project Fund | 2001 Port District Project Fund | 2010 Project Fund | Total Combined Funds |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Current Assets | | | | | | | | |
| Restricted assets | | | | | | | | |
| Temporarily restricted | | | | | | | | |
| Cash and cash equivalents | $ - | $ - | $ 4 | $ 60 | $ 473 | $ - | $ - | $ 537 |
| Investments | 95,924 | 30,173 | - | - | 19,640 | 1,501 | - | 147,238 |
| Accrued interest receivable | - | - | - | - | 4 | - | - | 4 |
| **Total current assets** | 95,924 | 30,173 | 4 | 60 | 20,117 | 1,501 | - | 147,779 |
| Noncurrent Investments | - | - | - | - | - | - | - | - |
| Total assets | 95,924 | 30,173 | 4 | 60 | 20,117 | 1,501 | - | 147,779 |
| **Liabilities** | | | | | | | | |
| Current Liabilities | | | | | | | | |
| Liabilities payable from restricted assets | | | | | | | | |
| Accrued interest payable | - | 9,113 | - | - | - | - | - | 9,113 |
| Bonds payable - current | - | 19,015 | - | - | - | - | - | 19,015 |
| **Total current liabilities** | - | 28,128 | - | - | - | - | - | 28,128 |
| Noncurrent Liabilities | | | | | | | | |
| Derivative instrument - interest rate swap | 885 | - | - | - | - | - | - | 885 |
| Bonds payable, net of unamortized discounts, premiums, and loss on refunding | - | - | - | - | - | - | - | - |
| Total noncurrent liabilities | 885 | - | - | - | - | - | - | 885 |
| Total liabilities | 885 | 28,128 | - | - | - | - | - | 29,013 |
| **Net Position** | | | | | | | | |
| Restricted for: | | | | | | | | |
| Revenue and port district project bonds | 95,039 | - | - | - | - | - | - | 95,039 |
| Revenue and port district bond service | - | 2,045 | - | - | - | - | - | 2,045 |
| Port projects | - | - | 4 | 60 | 20,117 | 1,501 | - | 21,682 |
| Total net position | $ 95,039 | $ 2,045 | $ 4 | $ 60 | $ 20,117 | $ 1,501 | $ - | $ 118,766 |

**Delaware River Port Authority**

**Supplemental Schedule of Changes in Net Position Information for Bond and Project Funds**
**For the Year Ended December 31, 2012**
*(amounts expressed in thousands)*

| | Bond Reserve Fund | Bond Service Fund | 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 position, January 1 | $ 110,412 | $ 3,471 | $ 3,978 | $ 60 | $ 23,747 | $ 4,560 | $ 112 | $ 146,340 |
| Revenues and expenses | | | | | | | | |
| Investment income | 3,948 | 90 | 6 | - | 26 | - | 6 | 4,076 |
| Interest expense | - | (62,282) | - | - | - | - | - | (62,282) |
| Total revenues and expenses | 3,948 | (62,192) | 6 | - | 26 | - | 6 | (58,206) |
| Interfund transfers and payments | | | | | | | | |
| Bond service | - | 164,896 | - | - | - | 1 | - | 164,897 |
| Funds in excess of bond reserve requirement | (4,977) | 23,035 | - | - | - | - | - | 18,058 |
| Funds for permitted capital expenditures | - | - | - | - | - | - | (58,992) | (58,992) |
| Retirement of bonds | - | (140,895) | - | - | - | - | - | (140,895) |
| Funds for permitted port projects | - | - | (3,980) | - | (3,656) | (4,469) | - | (12,105) |
| Net equity transfers | (14,344) | (10,495) | - | - | - | - | - | (24,839) |
| Interfund transfers | - | 24,225 | - | - | - | 1,409 | 58,874 | 84,508 |
| Total interfund transfers and payments | (19,321) | 60,766 | (3,980) | - | (3,656) | (3,059) | (118) | 30,632 |
| Net position, December 31 | $ 95,039 | $ 2,045 | $ 4 | $ 60 | $ 20,117 | $ 1,501 | $ - | $ 118,766 |

# Statistical Section

## FINANCIAL TREND DATA (Unaudited)

As noted below, bridge operations generate the most revenue for the Authority, accounting for more than 90% of total operating revenues in the past few years. (Bridge operating revenues have either approached or exceeded this 90% mark for the time period shown below.) Total net operating income for 2012 increased by $14.2 million from the previous year due primarily to the increases in bridge toll revenues ($27.9 million) and PATCO revenues ($2.2 million), attributable to the full-year impact of the 2011 toll and fare increases. The year-to-year increase in net position of $86.3 million in 2012, can be attributed to the following main factors: 1) the $14.2 million increase in net operating income; and, 2) a reduction of $26.1 million in non-operating expenses (the 2011 non-operating expenses reflected $26.2 million in losses related to the abandonment of the Aerial Tram project and the disposal of capital assets.) Please refer to the following schedules for a historical view of the Authority's financial performance.

### Last Ten Fiscal Years (In Thousands)

### NET POSITION

| | 2012 * | 2011 * | 2010 * | 2009 * | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|---|---|
| Invested in Capital Assets, Net of Related Debt | $ 272,905 | $ 214,632 | $ 239,390 | $ 325,973 | $ 281,146 | $ 245,959 | $ 244,194 | $ 245,211 | $ 224,189 | $ 180,741 |
| Restricted | 143,692 | 185,219 | 158,589 | 142,435 | 147,850 | 176,895 | 199,758 | 236,796 | 257,111 | 249,155 |
| Unrestricted | 10,950 | (58,570) | (111,050) | (138,043) | (94,317) | (92,855) | (113,329) | (158,624) | (173,185) | (128,777) |
| Total Net Assets | $ 427,547 | $ 341,281 | $ 286,929 | $ 330,365 | $ 334,679 | $ 329,999 | $ 330,623 | $ 323,383 | $ 308,115 | $ 301,119 |

* Figures for the years 2012, 2011, 2010 and 2009 include the implementation of Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* Figures for t years 2010 and 2009 have been restated to remove the projected cost of bridge repainting.

### CHANGES IN NET POSITION

| | 2012 * | 2011 * | 2010 * | 2009 * | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Operating Revenues** | | | | | | | | | | |
| Bridges: | | | | | | | | | | |
| Tolls | $ 292,810 | $ 267,685 | $ 243,879 | $ 242,620 | $ 208,856 | $ 196,069 | $ 194,958 | $ 190,930 | $ 188,809 | $ 175,622 |
| Other operating revenues | 6,372 | 5,049 | 4,753 | 4,944 | 5,815 | 5,540 | 4,170 | 4,219 | 6,194 | 5,914 |
| Total bridge operating revenues | 299,182 | 272,734 | 248,632 | 247,564 | 214,671 | 201,609 | 199,128 | 195,149 | 195,003 | 181,536 |
| Transit system: | | | | | | | | | | |
| Passenger fares | 26,035 | 24,004 | 21,956 | 22,028 | 21,459 | 18,978 | 19,014 | 19,067 | 18,647 | 18,430 |
| Other operating revenues | 1,957 | 1,817 | 1,968 | 1,606 | 1,507 | 1,438 | 1,600 | 1,871 | 1,221 | 1,151 |
| Total transit system operating revenues | 27,992 | 25,821 | 23,924 | 23,634 | 22,966 | 20,416 | 20,614 | 20,938 | 19,868 | 19,581 |
| Port of Philadelphia and Camden: | | | | | | | | | | |
| AmeriPort | - | - | - | - | - | - | - | 1,838 | 1,734 | 1,018 |
| Cruise terminal | 2 | 369 | 309 | 571 | 683 | 1,043 | 1,608 | 1,264 | 839 | 601 |
| RiverLink | - | 68 | 61 | 62 | 73 | 50 | 72 | 51 | 50 | 877 |
| Total Port of Philadelphia and Camden | 2 | 437 | 370 | 633 | 756 | 1,093 | 1,680 | 3,153 | 2,623 | 2,496 |
| Other: | | | | | | | | | | |
| Miscellaneous | 224 | 556 | 1,801 | 1,456 | 590 | 852 | 1,697 | 623 | 142 | 701 |
| Total operating revenues | 327,400 | 299,548 | 274,727 | 273,287 | 238,983 | 223,970 | 223,119 | 219,863 | 217,636 | 204,314 |
| **Operating Expenses:** | | | | | | | | | | |
| Operations | 98,581 | 94,259 | 99,518 | 97,735 | 100,515 | 94,762 | 88,482 | 82,239 | 81,857 | 80,179 |
| Community impact | 3,611 | 3,560 | 3,473 | 3,483 | 3,380 | 3,306 | 3,198 | 3,078 | 3,021 | 2,952 |
| General and administration | 44,277 | 40,536 | 46,272 | 35,457 | 34,974 | 31,025 | 27,780 | 26,857 | 29,355 | 32,567 |
| Port of Philadelphia and Camden | 29 | 246 | 824 | 1,269 | 1,447 | 1,698 | 1,824 | 3,548 | 3,683 | 6,828 |
| Depreciation | 55,018 | 49,216 | 47,751 | 45,776 | 45,486 | 44,634 | 42,355 | 38,432 | 34,702 | 30,819 |
| Total operating expenses | 201,516 | 187,817 | 197,838 | 183,720 | 185,802 | 175,425 | 163,639 | 154,154 | 152,618 | 153,345 |
| **Operating Income** | 125,884 | 111,731 | 76,889 | 89,567 | 53,181 | 48,545 | 59,480 | 65,709 | 65,018 | 50,969 |
| **Non-operating Revenues (Expenses)** | | | | | | | | | | |
| Interest revenue (net of change in fair value of de | 7,638 | 13,633 | (25,867) | 8,718 | 17,592 | 26,704 | 28,383 | 27,282 | 28,391 | 38,111 |
| Interest expense | (66,540) | (77,870) | (72,527) | (65,584) | (75,654) | (74,668) | (78,267) | (72,213) | (73,621) | (74,770) |
| Amortization expense | (1,339) | (946) | (1,511) | (1,356) | (1,353) | (1,353) | (1,346) | (2,059) | (2,114) | (1,871) |
| Economic development activities | (8,695) | (2,025) | (39,657) | (26,794) | (3,960) | (9,841) | (7,050) | (9,704) | (14,850) | (34,013) |
| Other | 4,276 | 3,055 | (1,366) | (985) | 457 | (35) | (1,065) | (1,533) | (2,280) | (526) |
| Loss on abandonment of Aerial Tram project | - | (18,318) | | | | | | | | |
| Loss on disposal of capital assets | - | (7,929) | | | | | | | | |
| Total non-operating revenues (expenses) | (64,660) | (90,400) | (140,928) | (86,001) | (62,918) | (59,193) | (59,345) | (58,227) | (64,474) | (73,069) |
| **Income (Loss) Before Capital Contributions and Special Items and Discontinued Operations** | 61,224 | 21,331 | (64,039) | 3,566 | (9,737) | (10,648) | 135 | 7,482 | 544 | (22,100) |
| **Capital Contributions:** | | | | | | | | | | |
| Federal and state capital improvement grants | 25,042 | 33,021 | 20,603 | 11,443 | 14,417 | 10,024 | 12,076 | 7,786 | 6,452 | 9,646 |
| **Special Items:** | | | | | | | | | | |
| Employee incentive and layoff expense | - | - | - | - | - | - | - | - | - | (1,595) |
| **Discontinued Operations** | | | | | | | | | | |
| Loss on disposal of Ameriport | - | - | - | - | - | - | (4,971) | - | - | - |
| **Change in Net Position** | $ 86,266 | $ 54,352 | $ (43,436) | $ 15,009 | $ 4,680 | $ (624) | $ 7,240 | $ 15,268 | $ 6,996 | $ (14,049) |

* Figures for the years 2012, 2011, 2010 and 2009 include the implementation of Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* Figures for t years 2010 and 2009 have been restated to remove the projected cost of bridge repainting.

## REVENUE CAPACITY DATA (Unaudited)

Major Revenues, consisting primarily of bridge operating and PATCO transit system revenues, have shown positive growth since 2003, increasing from $241.7 million to $333.0 million, or an increase of $91.3 million in total annual revenues (or 37.8%) during this period. During the period from September 2008 thru 2011, bridge tolls and transit system revenues increased substantially largely due to the implementation of new bridge toll and transit system passenger fare schedules, in September 2008 and July 2011. Bridge operating revenues grew from $201.6 million in 2007 to $299.2 million in 2012, or an increase of $97.6 million (or 48.4%), in annual revenues. PATCO annual revenues have increased to a high of $28.0 million in 2012, an increase of $7.6 million in annual revenues since 2007 (the year before the first 10% fare increase).

While total bridge toll revenues has increased every year since 2003, bridge traffic has declined from a peak of 55.1 million vehicle crossings in 2007. Annual bridge traffic grew throughout the years 2001 thru 2007, but has declined each year since the end of 2007. The most significant factor affecting traffic has been the poor overall economy, which combined with the impact of the implementation of bridge toll increases has reduced traffic by 7.0 million vehicles since 2007, a drop of 13.7%. PATCO ridership during the same time frame has grown by 1.2 million passengers, although there was a drop in ridership from 2008 to 2009. PATCO passenger ridership reached a high of 10.6 million passengers in 2012, an increase of 107 thousand passengers over 2011, or a 1.0% increase.

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

**MAJOR REVENUES BY SOURCE**

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|---|---|
| Bridge operating revenues | 299,182 | $272,734 | $248,632 | $247,564 | $214,671 | $201,609 | $199,128 | $195,149 | $195,003 | $181,536 |
| PATCO transit system operating revenues | 27,992 | 25,821 | 23,924 | 23,634 | 22,966 | 20,416 | 20,614 | 20,938 | 19,868 | 19,581 |
| Port of Philadelphia and Camden | 2 | 437 | 370 | 633 | 756 | 1,093 | 1,680 | 3,153 | 2,623 | 2,496 |
| Interest income | 5,803 | 4,968 | 8,176 | 9,252 | 17,592 | 26,704 | 28,383 | 27,282 | 28,391 | 38,111 |
| Total revenues | $332,979 | $303,960 | $281,102 | $281,083 | $255,985 | $249,822 | $249,805 | $246,522 | $245,885 | $241,724 |

The Authority for many years provided commuter and senior citizen programs 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. (PATCO fares increased as well) . On July 1, 2011 the Authority implemented a 25% across-the-board toll increase and a second 10% PATCO passenger fare increase. Please see Note 18 for additional information.

**TOLL REVENUE BY BRIDGE**

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|---|---|
| Walt Whitman Bridge | $111,900 | $103,191 | $95,180 | $96,319 | $82,198 | $77,109 | $77,528 | $76,255 | $75,001 | $68,214 |
| Ben Franklin Bridge | 100,443 | 89,824 | 80,083 | 79,848 | 67,188 | 62,235 | 61,577 | 60,550 | 60,377 | 58,261 |
| Betsy Ross Bridge | 34,084 | 32,295 | 30,610 | 29,062 | 27,590 | 26,734 | 26,906 | 26,305 | 26,581 | 24,627 |
| Commodore Barry Bridge | 46,383 | 42,375 | 38,006 | 37,391 | 31,880 | 29,991 | 28,947 | 27,820 | 26,850 | 24,520 |
| Total toll revenues | $292,810 | $267,685 | $243,879 | $242,620 | $208,856 | $196,069 | $194,958 | $190,930 | $188,809 | $175,622 |

The Authority for many years provided commuter and senior citizen programs 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. (On July 1, 2011 the Authority implemented a 25% across-the-board toll increase.) Please see Note 18 for additional information.

**BRIDGE CASH TOLL RATES**

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|---|---|
| Class 1 - Motorcycle | $5.00 | $5.00 | $4.00 | $4.00 | $4.00 | $2.00 | $2.00 | $2.00 | $2.00 | $2.00 |
| Class 2 - Automobile | 5.00 | 5.00 | 4.00 | 4.00 | 4.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| Class 3 - Two Axle Trucks | 15.00 | 15.00 | 12.00 | 12.00 | 12.00 | 9.00 | 9.00 | 9.00 | 9.00 | 9.00 |
| Class 4 - Three Axle Trucks | 22.50 | 22.50 | 18.00 | 18.00 | 18.00 | 13.50 | 13.50 | 13.50 | 13.50 | 13.50 |
| Class 5 - Four Axle Trucks | 30.00 | 30.00 | 24.00 | 24.00 | 24.00 | 18.00 | 18.00 | 18.00 | 18.00 | 18.00 |
| Class 6 - Five Axle Trucks | 37.50 | 37.50 | 30.00 | 30.00 | 30.00 | 22.50 | 22.50 | 22.50 | 22.50 | 22.50 |
| Class 7 - Six Axle Trucks | 45.00 | 45.00 | 36.00 | 36.00 | 36.00 | 27.00 | 27.00 | 27.00 | 27.00 | 27.00 |
| Class 8 - Bus | 7.50 | 7.50 | 6.00 | 6.00 | 6.00 | 4.50 | 4.50 | 4.50 | 4.50 | 4.50 |
| Class 9 - Bus | 11.25 | 11.25 | 9.00 | 9.00 | 9.00 | 6.75 | 6.75 | 6.75 | 6.75 | 6.75 |
| Class 10 - Senior Citizen (With Ticket Only) | 2.50 | 2.50 | 2.00 | 2.00 | 2.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Class 13 - Auto w/trailer (1 axle) | 8.75 | 8.75 | 6.00 | 6.00 | 6.00 | 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 |

The toll rates shown above are cash toll rates in effect for the period indicated. The Authority for many years provided commuter and senior citizen programs 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. On July 1, 2011 the Authority implemented a 25% across-the-board toll increase. Please see Note 18 for additional information.

## REVENUE CAPACITY DATA (Unaudited) (Continued)

### BRIDGE TRAFFIC BY VEHICLE CLASSIFICATION

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|---|---|
| Vehicle classification: | | | | | | | | | | |
| Automobiles & light trucks | 43,931 | 44,757 | 46,245 | 46,580 | 48,310 | 49,678 | 49,395 | 48,667 | 48,345 | 46,683 |
| Trucks | 2,505 | 2,542 | 2,603 | 2,548 | 2,890 | 3,038 | 3,035 | 2,974 | 2,965 | 2,824 |
| Buses | 236 | 250 | 260 | 276 | 287 | 301 | 314 | 317 | 331 | 327 |
| Senior citizens | 1,405 | 1,440 | 1,305 | 1,229 | 1,906 | 1,998 | 2,032 | 2,005 | 2,054 | 2,018 |
| Other | 3 | 3 | 1 | 4 | 6 | 61 | 89 | 102 | 113 | 115 |
| Total traffic | 48,080 | 48,992 | 50,414 | 50,637 | 53,399 | 55,076 | 54,865 | 54,065 | 53,808 | 51,967 |

### BRIDGE TRAFFIC BY BRIDGE

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|---|---|
| Walt Whitman Bridge | 18,311 | 18,806 | 19,579 | 20,022 | 20,877 | 21,473 | 21,577 | 21,293 | 21,070 | 19,869 |
| Ben Franklin Bridge | 18,285 | 18,286 | 18,459 | 18,571 | 19,296 | 19,759 | 19,600 | 19,363 | 19,371 | 19,298 |
| Betsy Ross Bridge | 5,090 | 5,429 | 5,821 | 5,595 | 6,511 | 6,900 | 6,906 | 6,788 | 6,909 | 6,653 |
| Commodore Barry Bridge | 6,394 | 6,471 | 6,555 | 6,449 | 6,715 | 6,944 | 6,782 | 6,621 | 6,458 | 6,147 |
| Total traffic | 48,080 | 48,992 | 50,414 | 50,637 | 53,399 | 55,076 | 54,865 | 54,065 | 53,808 | 51,967 |

### PATCO TRANSIT SYSTEM OPERATING REVENUES

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|---|---|
| Passenger fares | $26,035 | $24,004 | $21,956 | $22,028 | $21,459 | $18,978 | $19,014 | $19,067 | $18,647 | $18,430 |
| Other revenues | 1,957 | 1,817 | 1,968 | 1,606 | 1,507 | 1,438 | 1,600 | 1,871 | 1,221 | 1,151 |
| Total operating revenues | $27,992 | $25,821 | $23,924 | $23,634 | $22,966 | $20,416 | $20,614 | $20,938 | $19,868 | $19,581 |

On September 14, 2008, passenger fares, were increased by 10% across all zones. On July 1, 2011, passenger fares were increased by an additional 10%. Please see Note 18 for additional information.

### PATCO PASSENGER FARES

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|---|---|
| Lindenwold/Ashland/Woodcrest | $3.00 | $3.00 | $2.70 | $2.70 | $2.70 | $2.45 | $2.45 | $2.45 | $2.45 | $2.45 |
| Haddonfield/West Haddonfield/Collingswood | 2.60 | 2.60 | 2.35 | 2.35 | 2.35 | 2.15 | 2.15 | 2.15 | 2.15 | 2.15 |
| Ferry Avenue | 2.25 | 2.25 | 2.05 | 2.05 | 2.05 | 1.85 | 1.85 | 1.85 | 1.85 | 1.85 |
| New Jersey | 1.60 | 1.60 | 1.45 | 1.45 | 1.45 | 1.30 | 1.30 | 1.30 | 1.30 | 1.30 |
| City Hall/Broadway/Philadelphia | 1.40 | 1.40 | 1.25 | 1.25 | 1.25 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 |

On September 14, 2008, passenger fares, were increased by 10% across all zones. On July 1, 2011, passenger fares were increased by an additional 10%. Please see Note 18 for additional information.

### PATCO TRANSIT SYSTEM RIDERSHIP

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|---|---|
| Passengers | 10,613 | 10,506 | 10,109 | 10,022 | 10,338 | 9,406 | 9,377 | 9,363 | 9,150 | 8,864 |

## DEBT CAPACITY DATA (Unaudited)

During the period 2003 to 2012, the Authority's coverage, as calculated under the 1998 Indenture, has grown from 1.72x to 2.81x. 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 $12.0 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 swaption which became effective in January 2010).

Over the past four years, the Authority's debt service coverage, as calculated under the 1998 Indenture of Trust, has been greater than 2x, with the exception of 2010, when debt service increased due to the issuance of $308 million in new revenue bonds. Debt Service coverage increased substantially during 2011, increasing from 1.81 to 2.07 times during 2011. This large increase was primarily related to the $24.1 million increase in bridge operating revenues, and an $8.4 million reduction in expenses (primarily the GASB 45 accrual and lower bridge operating expenses). As a result, net revenues, available for debt service, increased by $27.3 million. Debt service costs in 2011 grew by $3.4 million primarily a result of the full year impact of debt service costs associated with the 2010 revenue refunding and 2010 revenue bonds. Total debt outstanding in 2011 decreased based on annual amortization payments.

In 2012, the combination of increased revenues and the early redemption, prior to maturity, of $24.2 million in 1999 Revenue Bonds, contributed to the significant increase in debt service coverage during 2012, which increased to 2.81x.

The Authority's funded debt decreased by $162 million, resultant from the early redemption of $95.7 million in revenue and PDP bonds and the early refunding of several PDP series with the issuance of $153 million in 2012 PDP bonds.

### Last Ten Fiscal Years (In Thousands)

### DEBT SERVICE COVERAGE

| | 2012 | 2011 * | 2010 * | 2009 * | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenues available for Debt Service: | | | | | | | | | | |
| Bridge operating | $299,182 | $272,734 | $248,632 | $247,564 | $214,671 | $201,609 | $199,128 | $195,149 | $195,003 | $181,536 |
| Interest income | 155 | 512 | 513 | 559 | 777 | 3,516 | 4,392 | 2,635 | 2,249 | 2,247 |
| | $299,337 | $273,246 | $249,145 | $248,123 | $215,448 | $205,125 | $203,520 | $197,784 | $197,252 | 183,783 |
| Less expenses: | | | | | | | | | | |
| Bridge operating | 56,325 | 49,369 | 52,003 | 49,924 | 54,393 | 52,294 | 50,644 | 46,505 | 47,686 | 43,241 |
| General and administration | 44,277 | 40,536 | 46,272 | 35,457 | 34,974 | 31,025 | 27,780 | 26,856 | 29,355 | 32,567 |
| | $100,602 | $89,905 | $98,275 | $85,381 | $89,367 | $83,319 | $78,424 | $73,361 | $77,041 | $75,808 |
| Net revenues available for Debt Service: | | | | | | | | | | |
| 1995 Revenue Bond Indenture | - | - | - | - | - | - | $125,096 | $124,423 | $120,211 | $107,975 |
| Add: | | | | | | | | | | |
| Bridge Repainting Expense | - | - | - | - | $4,363 | $4,498 | $3,892 | $3,779 | $3,973 | $5,664 |
| GASB 45 Expense (exclusive of PATCO) | 1,635 | 1,005 | 6,012 | 6,012 | 6,219 | 6,219 | - | - | - | - |
| Interest Income: | | | | | | | | | | |
| 1998, 1999, 2008, 2010 Revenue Bonds | 2,086 | 2,353 | 2,473 | 2,602 | 3,226 | 2,989 | 2,776 | 3,195 | 2,832 | 2,746 |
| | $3,721 | $3,358 | $8,485 | $8,614 | $13,808 | $13,706 | $6,668 | $6,974 | $6,805 | $8,410 |
| Net revenues available for Debt Service: | | | | | | | | | | |
| 1998 Revenue Bond Indenture | $202,456 | $186,699 | $159,355 | $171,356 | $139,889 | $135,512 | $131,764 | $131,397 | $127,016 | $116,385 |
| Debt Service (Revenue Bonds): | | | | | | | | | | |
| 1995 Revenue Bonds | - | - | - | - | - | 14,652 | 19,535 | 19,535 | 19,535 | 19,535 |
| Swap Payments (net) | 33,248 | 39,249 | 40,687 | 18,793 | 12,634 | 7,045 | 7,538 | - | - | - |
| 1998, 1999 Revenue Bonds | 6,450 | 19,391 | 26,956 | 42,026 | 56,839 | 51,803 | 48,519 | 48,527 | 48,519 | 48,117 |
| 2008 Revenue Bonds | 16,337 | 15,532 | 12,497 | 12,189 | 3,584 | - | - | - | - | - |
| 2010 Revenue Refunding and Revenue Bonds | 15,986 | 16,020 | 7,823 | - | - | - | - | - | - | - |
| Total Debt Service | $72,021 | $90,192 | $87,963 | $73,008 | $73,057 | $73,500 | $75,592 | $68,062 | $68,054 | $67,652 |
| Debt Service coverage (Times) : | | | | | | | | | | |
| 1995 Bond Indenture | - | - | - | - | - | - | 4.62 | 6.37 | 6.15 | 5.53 |
| Debt Service coverage (Times) : | | | | | | | | | | |
| 1998 Bond Indenture | 2.81 | 2.07 | 1.81 | 2.35 | 1.91 | 1.84 | 1.74 | 1.93 | 1.87 | 1.72 |

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.

* During 2011, the Authority changed its accounting method to remove the projected costs of bridge repainting. Figures for 2010 and 2009 have been restated.

### FUNDED DEBT

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|---|---|
| Outstanding debt | $1,170,540 | $1,332,866 | $1,368,929 | $1,106,990 | $1,147,535 | $1,180,902 | $1,212,187 | $1,245,209 | $1,273,127 | $1,299,338 |

Net of amortizing premiums and discounts.

### RATIO OF DEBT PER CUSTOMER

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|---|---|
| Outstanding revenue bonds | $978,730 | $1,035,090 | $1,065,375 | $785,075 | $807,890 | $820,392 | $847,472 | $867,277 | $886,098 | $903,609 |
| Total annual debt service | $95,717 | $91,381 | $87,963 | $73,008 | $73,057 | $73,500 | $75,592 | $68,062 | $68,054 | $67,652 |
| Total traffic | 48,080 | 48,992 | 50,414 | 50,637 | 53,399 | 55,076 | 54,865 | 54,065 | 53,808 | 51,967 |
| Outstanding debt per customer | $20.36 | $21.13 | $21.13 | $15.50 | $15.13 | $14.90 | $15.45 | $16.04 | $16.47 | $17.39 |
| Debt service per customer | $1.99 | $1.87 | $1.74 | $1.44 | $1.37 | $1.33 | $1.38 | $1.26 | $1.26 | $1.30 |

## DEMOGRAPHIC AND ECONOMIC DATA (Unaudited)

The following figures provide four key external factors during the ten years from 2002-2011 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 4.7% since 2002 and in the Pennsylvania counties at 4.4% since 2002. The unemployment rate in the Philadelphia Metropolitan Region for the period of 2005 through 2010, reflected a high of 8.71% in 2010 and a low of 4.26% in 2006. Three of the region's top ten major employers were health care organizations. The unemployment rate in the New Jersey Metropolitan Region for the period of 2005 through 2010, reflected a high of 11.51% in 2010 and a low of 5.14% in 2005. Five 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

| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|---|---|---|---|---|
| Population [(1)] | 4,030,926 | 4,010,290 | 4,012,573 | 3,991,897 | 3,882,564 | 3,879,207 | 3,873,792 | 3,870,442 | 3,863,296 | 3,859,756 |
| Total Personal Income [(1)] | $204,488,875 | $195,158,270 | $191,619,984 | $189,058,438 | $184,342,322 | $174,120,302 | $164,091,035 | $155,961,239 | $147,697,927 | $142,858,681 |
| Per Capita Personal Income [(1)] | $50,730 | $48,664 | $47,755 | $47,361 | $47,480 | $44,886 | $42,359 | $40,295 | $38,231 | $37,012 |
| Unemployment Rate [(2)] | 8.50% | 8.71% | 7.91% | 5.37% | 4.36% | 4.26% | 4.58% | 5.00% | 5.22% | 5.16% |

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 |
|---|---|---|
| 1. Jefferson Health System | 19,100 | 0.96% |
| 2. University of Pennsylvania | 16,160 | 0.81% |
| 3. University Of Pennsylvania Health System | 14,941 | 0.75% |
| 4. Merck & Company, Inc | 12,000 | 0.60% |
| 5. Wal-Mart | 11,445 | 0.57% |
| 6. Catholic Health East | 11,339 | 0.57% |
| 7. United Parcel Service. | 10,261 | 0.51% |
| 8. Comcast Corporation | 10,200 | 0.51% |
| 9. Aramark Corp. | 10,026 | 0.50% |
| 10. Supervalu Inc. (Acme) | 10,000 | 0.50% |

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

| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|---|---|---|---|---|
| Population | 2,425,526 | 2,422,041 | 2,419,475 | 2,411,118 | 2,401,441 | 2,391,435 | 2,378,301 | 2,364,176 | 2,342,408 | 2,317,310 |
| Total Personal Income | $102,916,280 | $101,195,650 | $99,031,079 | $98,568,702 | $92,444,597 | $89,285,614 | $84,062,922 | $80,794,632 | $77,083,605 | $74,580,994 |
| Per Capita Personal Income | $42,430 | $41,781 | $40,931 | $40,881 | $38,495 | $37,336 | $35,346 | $34,175 | $32,908 | $32,184 |
| Unemployment Rate | 11.10% | 11.51% | 10.84% | 6.07% | 5.16% | 5.44% | 5.14% | 5.45% | 6.29% | 6.10% |

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

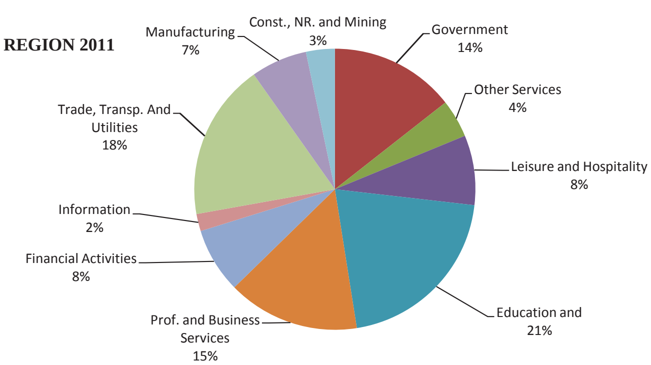
### NEW JERSEY PORT DISTRICT TOP TEN EMPLOYERS

| | # of Employees | % of Employment |
|---|---|---|
| 1. Virtua Health | 8,375 | 0.67% |
| 2. Lourdes Health System | 5,370 | 0.43% |
| 3. Lockheed Martin Corp. | 5,000 | 0.40% |
| 4. St. Barnabus Health Care System | 4,700 | 0.38% |
| 5. PHH Mortgage | 4,500 | 0.36% |
| 6. Six Flags Theme Park | 4,340 | 0.35% |
| 7. TD Bank | 4,328 | 0.35% |
| 8. Kennedy Health System | 3,531 | 0.28% |
| 9. Cooper Health System | 3,000 | 0.24% |
| 10. United Parcel Service | 2,500 | 0.20% |

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 2011



## OPERATING INFORMATION (Unaudited)

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, and in 2011 due to the July 2011 toll increase. Total revenues in 2012 were significantly higher, increasing by $25.1 million, as the DRPA experienced the full year's impact of the 2011 toll increase.

Since 2005, total general expense growth is explained by higher costs of bridge and PATCO operations and in the period 2009 thru 2010, due to accrued expenses related to GASB 45. During the period 2005 thru 2012, total expenses increased from $187.9 million to $213.0 million. Total expenses in 2012 dropped primarily due to an $11.4 million drop in interest expense.

In 2011, although debt service costs rose, reduced bridge and PATCO operational spending and reduced G&A expenses (primarily GASB 45 related) resulted in a $9.1 million reduction in overall total expenses vs. 2010 expenses. Total expenses in 2010 increased by $19.2 million (from $207.7 million in 2009 to $226.9 million in 2010). This large increase in 2010 was primarily attributable to higher interest expense and general administrative expenses (including higher bank LOC costs resultant from the 2010 revenue bond refunding).

General administrative expenses have trended upwards from $35.5 million in 2009 to $46.2 million in 2010, however, these expenses dropped to $40.5 million in 2011 due to reduced GASB 45 accruals. G&A increased in 2012, partially resultant from biennial inspection costs.

Since 2011, capital expenditures have exceeded $100 million annually. Capital expenditures more than doubled in 2011 over 2010 capital expenditures, increasing by $87.3 million (or up 122.1%), and reached $158.8 million, as new major capital projects were begun. Capital expenditures for 2012 decreased by approximately $41.0 million, as a result of reduced expenditures on major projects (Ben Franklin Bridge bridge hardening and bridge rehab, Betsy Ross Bridge deck truss, Walt Whitman Bridge redecking, etc.). Please refer to the schedules below for a historical view of the Authority's operating results during the past ten fiscal years.

### Last Ten Fiscal Years (In Thousands)

### BRIDGE OPERATING REVENUES

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|---|---|
| Toll revenues by vehicle classification: | | | | | | | | | | |
| Automobiles, light trucks and commuters | $220,379 | $201,483 | $184,439 | $184,260 | $155,009 | $144,835 | $143,843 | $141,057 | $139,471 | $130,399 |
| Trucks | 66,087 | 60,383 | 54,856 | 53,697 | 49,467 | 47,363 | 47,145 | 45,618 | 45,099 | 40,946 |
| Buses | 2,370 | 2,271 | 2,074 | 2,187 | 1,640 | 1,434 | 1,500 | 1,515 | 1,655 | 1,573 |
| Senior citizens | 3,512 | 3,123 | 2,308 | 2,268 | 2,389 | 1,999 | 2,033 | 2,005 | 2,054 | 2,018 |
| Other | 462 | 425 | 202 | 208 | 351 | 438 | 437 | 735 | 530 | 686 |
| Discounts and deductions | - | - | - | - | - | - | - | - | - | - |
| Total toll revenues | $292,810 | $267,685 | $243,879 | $242,620 | $208,856 | $196,069 | $194,958 | $190,930 | $188,809 | $175,622 |
| Other bridge operating revenues | - | - | 4,753 | 4,944 | 5,815 | 5,540 | 4,170 | 4,219 | 6,194 | 5,914 |
| Total bridge operating revenues | $292,810 | $267,685 | $248,632 | $247,564 | $214,671 | $201,609 | $199,128 | $195,149 | $195,003 | $181,536 |

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. On July 1, 2011, the Authority again implemented a new bridge toll schedule which increased tolls in each vehicle class. Please see Note 18 for additional information.

### GENERAL EXPENSES BY FUNCTION

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|---|---|
| Bridge operations: | | | | | | | | | | |
| Salaries and employee benefits | $32,790 | $30,743 | $31,743 | $32,496 | $31,551 | $30,047 | $29,059 | $26,954 | $27,450 | $25,318 |
| Equipment and supplies | 159 | 194 | 259 | 212 | 212 | 176 | 156 | 136 | 106 | 170 |
| Maintenance and repairs | 1,990 | 3,327 | 3,433 | 3,234 | 3,417 | 3,277 | 2,966 | 1,511 | 1,599 | 2,245 |
| Utilities | 1,636 | 1,694 | 2,819 | 2,562 | 2,783 | 2,621 | 2,386 | 1,678 | 1,678 | 1,862 |
| Insurance | 2,877 | 4,974 | 5,765 | 5,130 | 4,644 | 5,093 | 5,813 | 6,617 | 6,727 | 4,401 |
| Other | 16,873 | 8,437 | 12,335 | 10,442 | 11,786 | 11,080 | 10,264 | 9,609 | 10,126 | 9,245 |
| Total bridge operations | 56,325 | 49,369 | 56,354 | 54,076 | 54,393 | 52,294 | 50,644 | 46,505 | 47,686 | 43,241 |
| PATCO transit system: | | | | | | | | | | |
| Maintenance of way and power | 10,770 | 10,865 | 11,261 | 11,552 | 10,229 | 9,774 | 9,438 | 8,884 | 8,618 | 8,140 |
| Maintenance of equipment | 6,157 | 6,149 | 7,666 | 7,156 | 6,696 | 6,679 | 6,370 | 7,046 | 6,345 | 6,417 |
| Purchased power | 4,270 | 5,230 | 5,667 | 5,359 | 5,656 | 4,933 | 4,984 | 3,335 | 2,852 | 3,041 |
| Transportation | 15,012 | 14,347 | 13,986 | 15,114 | 14,489 | 13,015 | 11,800 | 11,622 | 11,725 | 11,217 |
| General insurance | 1,276 | 4,288 | 876 | 767 | 1,256 | 692 | 704 | 823 | 502 | 856 |
| Administration | 4,771 | 4,011 | 8,059 | 7,863 | 7,795 | 7,375 | 4,542 | 4,024 | 4,129 | 3,943 |
| Total PATCO transit system | 42,256 | 44,890 | 47,515 | 47,811 | 46,121 | 42,468 | 37,838 | 35,734 | 34,171 | 33,614 |
| Community impact | 3,611 | 3,560 | 3,473 | 3,483 | 3,380 | 3,306 | 3,198 | 3,078 | 3,021 | 2,952 |
| General administration | 44,277 | 40,536 | 46,272 | 35,457 | 34,974 | 31,025 | 27,780 | 26,857 | 29,355 | 32,567 |
| Port of Philadelphia and Camden | 29 | 246 | 824 | 1,269 | 1,447 | 1,698 | 1,824 | 3,548 | 3,683 | 6,828 |
| Interest | 66,540 | 77,870 | 72,527 | 65,584 | 75,654 | 74,668 | 78,267 | 72,213 | 73,621 | 74,770 |
| Total expenses | $213,038 | $216,471 | $226,965 | $207,680 | $215,969 | $205,459 | $199,551 | $187,935 | $191,537 | $193,972 |

Since 2010, general expenses at DRPA and PATCO have shown a downward trend, decreasing from $226.96 million in 2010 to $198.55 million, a 12.5% decrease over the period. Total expenses for 2012 dropped below $200 million annually, the first time this has happened since 2006.

## OPERATING INFORMATION (Unaudited) (Continued)

### OPERATING STATISTICS

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|---|---|
| DRPA | | | | | | | | | | |
| Total Traffic | 48,080 | 48,992 | 50,414 | 50,637 | 53,399 | 55,076 | 54,865 | 54,065 | 53,808 | 51,967 |
| Non-Commercial Traffic | 45,575 | 46,450 | 47,811 | 48,089 | 50,509 | 52,038 | 51,830 | 51,091 | 50,843 | 49,143 |
| Commercial Traffic | 2,505 | 2,542 | 2,603 | 2,548 | 2,890 | 3,038 | 3,035 | 2,974 | 2,965 | 2,824 |
| Average Daily Traffic | 132 | 134 | 138 | 139 | 146 | 151 | 150 | 148 | 147 | 142 |
| Average Toll per Customer | $6.09 | $5.46 | $4.84 | $4.79 | $3.91 | $3.56 | $3.55 | $3.53 | $3.51 | $3.38 |
| E-ZPass Traffic | 29,098 | 28,983 | 28,911 | 28,367 | 28,130 | 27,987 | 26,946 | 25,522 | 24,481 | 22,819 |
| % of E-ZPass Traffic | 60.5% | 59.2% | 57.3% | 56.0% | 52.7% | 50.8% | 49.1% | 47.2% | 45.5% | 43.9% |
| PATCO | | | | | | | | | | |
| Total Passengers | 10,613 | 10,506 | 10,109 | 10,022 | 10,338 | 9,406 | 9,377 | 9,363 | 9,150 | 8,864 |
| Average Daily Passengers | 29 | 29 | 28 | 27 | 28 | 26 | 26 | 26 | 25 | 24 |
| Average Fare Per Passenger | $2.46 | $2.28 | $2.18 | $2.20 | $2.08 | $2.02 | $2.03 | $2.04 | $2.04 | $2.08 |

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

### FULL TIME AUTHORITY EMPLOYEES

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|---|---|
| DRPA | 567 | 564 | 582 | 595 | 589 | 589 | 553 | 554 | 570 | 632 |
| PATCO | 296 | 302 | 309 | 305 | 301 | 302 | 355 | 358 | 373 | 373 |
| Total Full-time | 863 | 866 | 891 | 900 | 890 | 891 | 908 | 912 | 943 | 1005 |

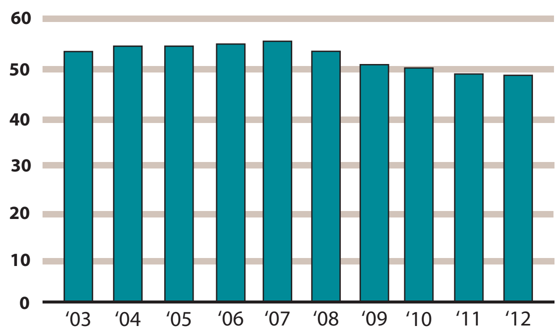
### CAPITAL EXPENDITURES

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|---|---|
| Bridge and Transit System | $118,056 | $158,812 | $71,494 | $75,481 | $58,498 | $23,395 | $31,109 | $44,501 | $74,435 | $98,108 |

# Bridge & PATCO Operations

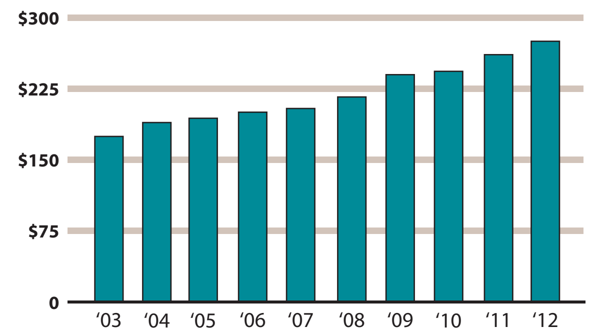
### DRPA Bridge Traffic 2003-2012

(in millions of vehicles)



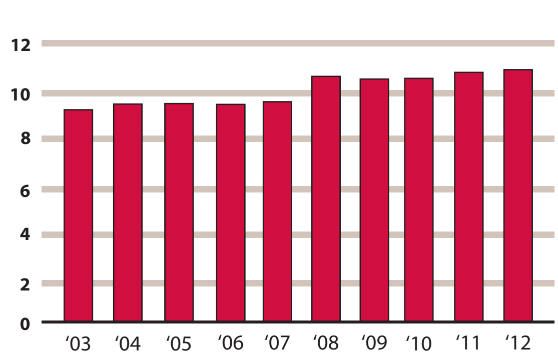

### DRPA Bridge Toll Revenues 2003-2012

(in millions of dollars)



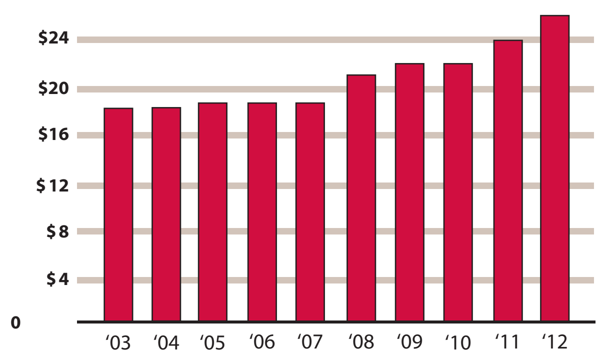

### PATCO Passenger Ridership 2003-2012

(in millions of passengers)




### PATCO Passenger Fare Revenues 2003-2012

(in millions of dollars)




**Note:**

- 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. PATCO fares also increased.
- On July 1, 2011, the Authority implemented a 25% across-the-board toll increase and a 10% PATCO passenger fare increase.
- Please see Note 18 for additional information.

Delaware River
Port Authority
Comprehensive Annual
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for the Year Ended
December 31, 2012

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**DESIGNED BY:**
Michael D. Williams

**PHOTOGRAPHY:**
DRPA Archives

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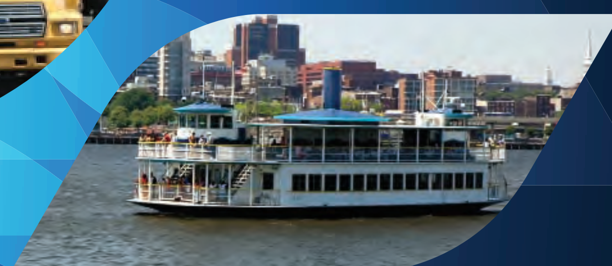
**FINANCIAL DATA COMPILED BY:**
Jennifer A. DePoder
Ronnie Gilbert
James M. White, Jr., CCM



DELAWARE RIVER PORT AUTHORITY of Pennsylvania & New Jersey®

One Port Center • 2 Riverside Drive, PO Box 1949 • Camden, NJ 08101-1949
(856) 968-2000 • (215) 218-3750 • www.drpa.org