

Comprehensive Annual Financial Report

FOR YEAR ENDED DECEMBER 31, 2007





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, 2006

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



President

Executive Director

For the fifteenth 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 2006 Comprehensive Annual Financial Report.



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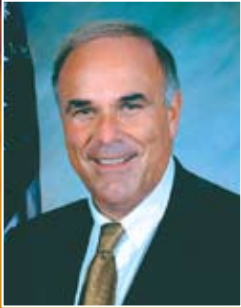
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Prepared by the Office of the Chief Financial Officer



HONORABLE
EDWARD G. RENDELL
Governor
Commonwealth
of Pennsylvania



HONORABLE
JON S. CORZINE
Governor
State of New Jersey



Chairman's LETTER

To Our Governors:

Thank you for the opportunity to present this report of the Delaware River Port Authority's 2007 activities and financial information. In 2007, we continued to maintain tight fiscal controls on all areas of Authority operations while realizing significant achievement and progress at the bridges, PATCO, ferry and cruise terminal.

Thanks to the hard work of staff, we continued to maintain a high level of cost control, with DRPA and PATCO operating expenses both under the 2007 budget. This was accomplished without any changes to services or fare programs.

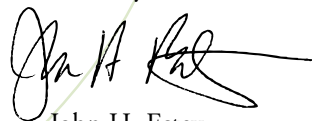
In 2007, we hosted a number of charity events such as food/clothing drives and bridge races to benefit local organizations. We began installing equipment for our new fare collection system at PATCO. We celebrated the 50th anniversary of the Walt Whitman Bridge. And at the Philadelphia Cruise Terminal, we hosted port calls by two of the world's most prestigious cruise lines.

As 2007 came to a close, we saw Philadelphia Mayor John Street leave office and welcomed Philadelphia's newest mayor, Michael Nutter. We look forward to working with Mayor Michael Nutter as we face the many opportunities ahead.

In 2008, we will take on many exciting opportunities. At PATCO, we will begin full system-wide operation of our new fare collection system. At the bridges, we will continue to provide safe roadways for motorists to travel. At the Philadelphia Cruise Terminal, we will welcome NCL's Norwegian Majesty for its first set of regular sailings from Philadelphia.

We are pleased to have accomplished so much in 2007 and look forward to 2008 as we seek to advance even more. We will continue to hold ourselves to the highest standards of fiscal responsibility and customer service for the people of Southeastern Pennsylvania and Southern New Jersey.

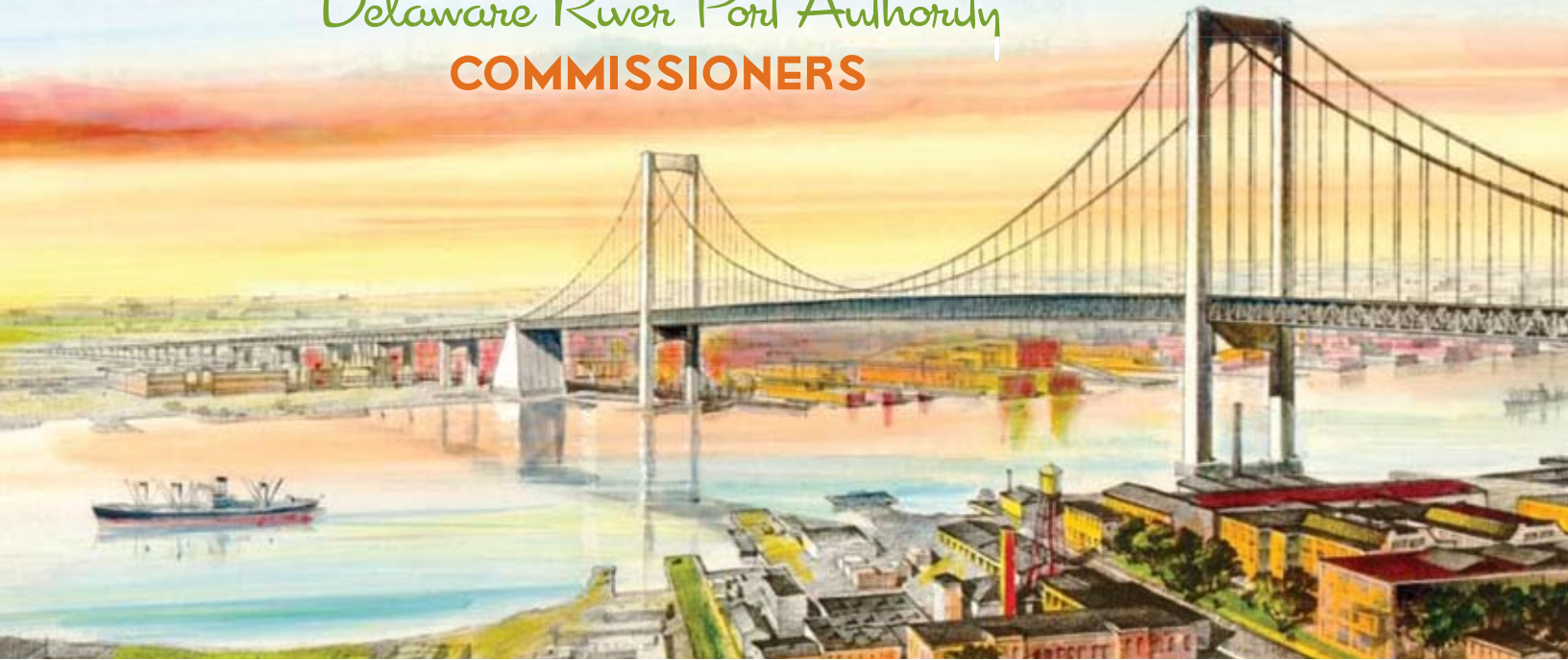
Sincerely,



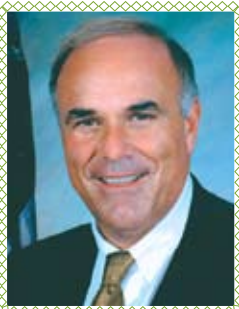
John H. Estey
Chairman Designee

INTRODUCTORY SECTION

Delaware River Port Authority COMMISSIONERS



PENNSYLVANIA



Hon. Edward G. Rendell
CHAIRMAN
Governor
Commonwealth of Pennsylvania



Robert W. Bogle
Publisher
The Philadelphia Tribune



Hon. Frank J. DiCicco
Councilman
City of Philadelphia



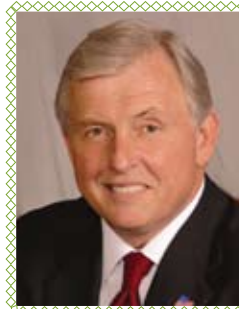
John J. Dougherty
Business Manager
IBEW Local Union #98



Hon. John M. Perzel
House of Representatives
Commonwealth
of Pennsylvania



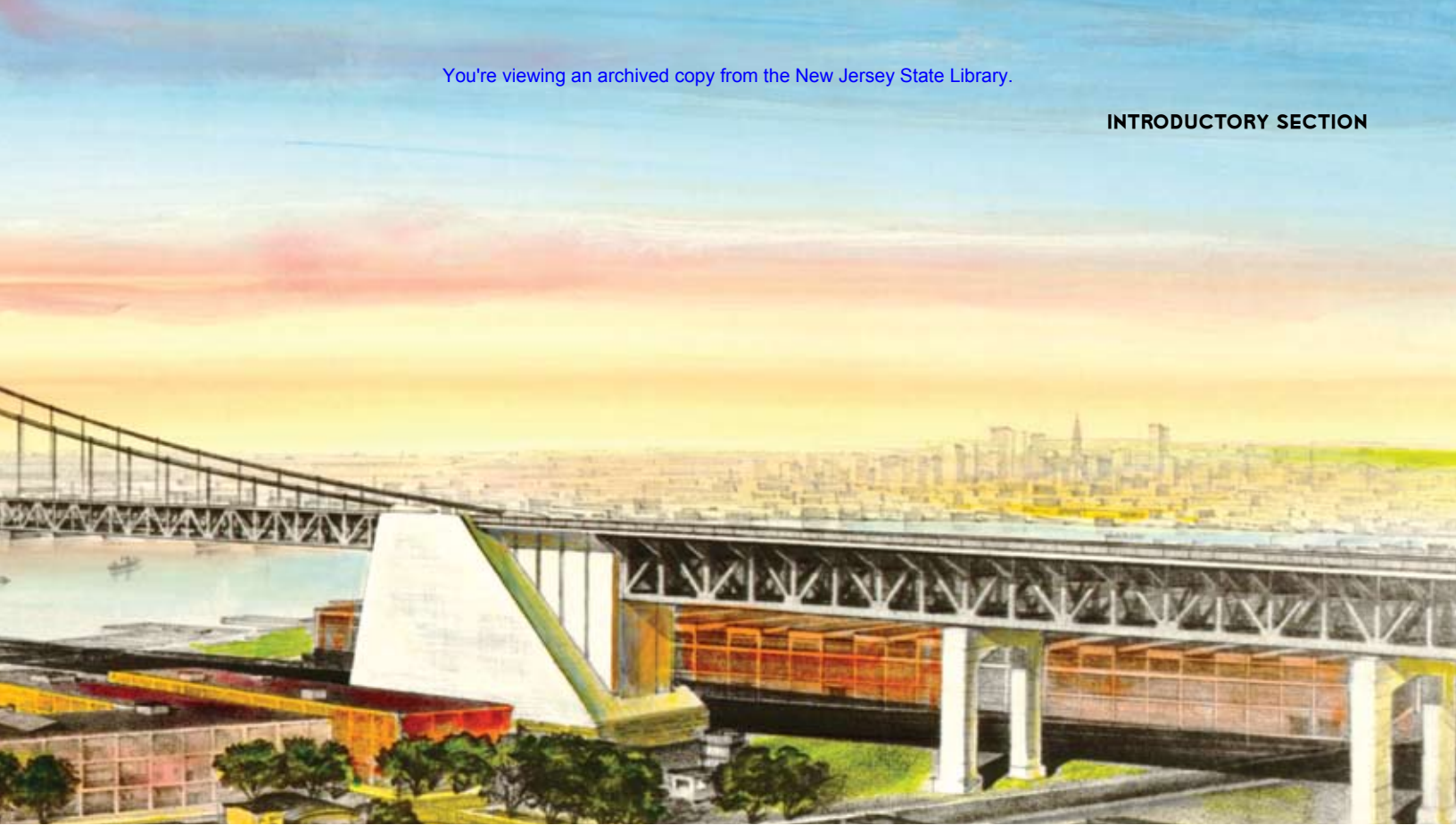
Kenneth I. Trujillo, Esq.
Attorney
Trujillo Rodriguez
& Richards, LLC



Hon. Jack Wagner
Auditor General
Commonwealth
of Pennsylvania



Hon. Robin Wiessmann
State Treasurer
Commonwealth
of Pennsylvania



NEW JERSEY



Jeffrey L. Nash
VICE CHAIRMAN
Freeholder, Camden County
Board of Chosen Freeholders



Vincent J. DeVito
President
United Food and Commercial
Workers Union Local 1245



E. Frank DiAntonio
President & Business Manager
Construction & General
Laborers Union Local 172



Walter A. Lacey
Attorney/Broker
Blue Chip Realty
Councilman, Lawnside, NJ



Charles Fentress
Retired Police Sergeant
Delaware River Port Authority



Albert F. Frattali
Business Manager
Reinforced Iron Workers
Local 405



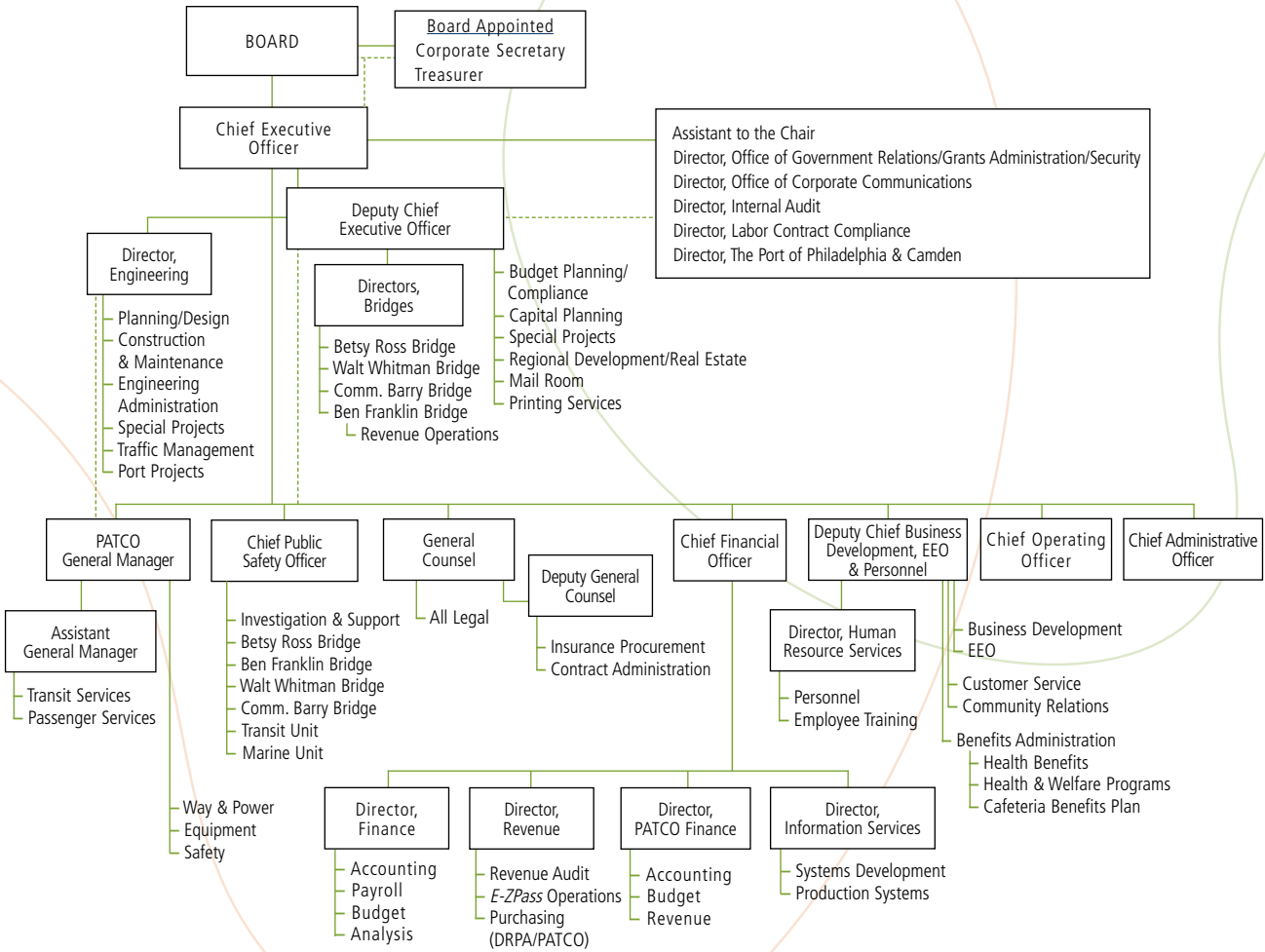
Jacquelyn Love
Deputy Mayor
Deptford Township



Vacant
A vacancy was created when
Commissioner Clara Ruvolo resigned.

INTRODUCTORY SECTION

Organizational CHART



OFFICERS & EXECUTIVE STAFF

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

Robert P. Gross
Deputy Chief Executive Officer

Archer & Greiner
New Jersey Counsel

Ballard Spahr Andrew & Ingersoll, LLP
Pennsylvania Counsel

Vincent J. Borelli
Chief Public Safety Officer

Robert A. Box
PATCO General Manager

Richard L. Brown, Esq.
General Counsel

Toni P. Brown, Esq.
Deputy Chief, Business Development, EEO & Personnel

John T. Hanson, CPA
Chief Financial Officer

Michael E. Joyce, Esq.
Deputy General Counsel

John A. Lawless
Corporate Secretary

Cheryl Y. Spicer
PATCO Assistant General Manager

James M. White, Jr., CCM
Treasurer Pro-Tem

C. Marc Woolley
Assistant to the Chair

Our FACILITIES



BENJAMIN FRANKLIN BRIDGE
Opened: July 1, 1926
Average Weekday Traffic: 112,340
www.drpa.org



WALT WHITMAN BRIDGE
Opened: May 16, 1957
Average Weekday Traffic: 120,500
www.drpa.org



COMMODORE BARRY BRIDGE
Opened: February 1, 1974
Average Weekday Traffic: 41,208
www.drpa.org



BETSY ROSS BRIDGE
Opened: April 30, 1976
Average Weekday Traffic: 40,918
www.drpa.org



PATCO
Opened: February 15, 1969
Average Weekday Ridership: 33,140
www.ridepatco.org



RIVERLINK FERRY SYSTEM
DRPA assumed operations of the ferry on April 1, 2000
Ferry Ridership for 2007: 183,576
www.riverlinkferry.org



PHILADELPHIA CRUISE TERMINAL
Opened: May 25, 1998
2007 Passengers: 76,000
2007 Cruises: 20
2007 Port Calls: 3
www.cruise Philly.com



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**

The year 2007 was marked with great success. We continued to work hard in our leadership position to address quality of life issues such as reducing traffic congestion and making mass transit an even greater asset on which the public can rely for convenience, safety and efficiency.

We celebrated the 50th birthday of our Walt Whitman Bridge and saw increased traffic across our four bridges. We continued to progress with the implementation of PATCO's new fare collection system and welcomed two of the world's most prestigious cruise lines, Crystal and Seabourn, at the Philadelphia Cruise Terminal.

At our bridges, toll revenue continued to rise to total \$196 million compared to \$194.9 million in 2006. In total, we carried more than 110 million vehicles on all four bridges.

At PATCO, we began installing new fare equipment at stations and registering PATCO riders for the FREEDOM card. We introduced the Transit Ambassador Program, which enhances the transit experience by having an additional set of eyes and ears patrolling PATCO stations, trains and parking lots.

At the Philadelphia Cruise Terminal, we welcomed back Norwegian Cruise Line and Royal Caribbean International for 20 sailings. When not serving cruise passengers, the Philadelphia Cruise Terminal serves as a premier event venue. We are proud to have hosted 12 events in 2007 ranging from corporate meetings and trade shows to fundraisers and galas.

Our list of successes, accomplishments and achievements serve as a testament to the tremendous support we have received from our Board Chairman, Pennsylvania Governor Edward G. Rendell, New Jersey Governor Jon S. Corzine and our Board of Commissioners. Thanks to their guidance and the hard work of staff, I am proud to present our Comprehensive Annual Financial Report for the Fiscal Year ended December 31, 2007.

INTRODUCTORY SECTION

BRIDGES

Engineering staff worked to provide technical support to the Bridge Division for the in-house repair items noted in the 2006 biennial inspection reports for all four of DRPA's bridges.

In May, we celebrated the 50th anniversary of the Walt Whitman Bridge with a host of events. On May 15, members of our Board, retirees who worked at the bridge, elected officials, staff and neighbors from the community joined us for a rededication ceremony to acknowledge those who built the bridge and our ongoing commitment to



Rededication

DRPA kicked-off the 50th Anniversary of the Walt Whitman Bridge with the unfurling of a banner at the bridge toll plaza and the announcement of a calendar full of events. At the rededication ceremony held on May 16, Walt Whitman joined DRPA CEO John J. Matheussen to commemorate the bridge's golden anniversary.

outstanding service to the public who cross it. In the months leading up to the anniversary, we partnered with local schools to host a Read Strong event and sponsored a poster drawing contest, poetry contest and bridge building contest. In October, the Ben Franklin Bridge served as the cover shot for the October edition of Structure

Magazine, the premier resource for practicing structural engineers. In April, the Commodore Barry Bridge hosted a walk/run to benefit the Center for Resolutions of Delaware County. This nonprofit organization provides conflict resolution services to the tri-state area. In July, the Benjamin Franklin Bridge hosted the 20th Annual Tour de Shore Bicycle Ride to benefit Philadelphia Police charities. Also in July, the Benjamin Franklin Bridge hosted the 35th Annual American Cancer Society Bike-A-Thon. In November, we hosted the 13th Annual Cooper-AmeriHealth Bridge Challenge. More than 3,300 participants took part to raise money for Larc School, a special education school in Bellmawr, NJ, serving students with a wide range of disabilities. This was the largest turnout in event history, breaking the previous year's record of 2,900 participants. In August, following the tragic bridge collapse in Minnesota, MN, DRPA officials had outside engineering firms perform an interim inspection of all four DRPA bridges. Findings from these inspections confirmed DRPA's bridges are structurally sound and in satisfactory to good overall structural condition and that there has been no significant change in the condition of the bridges since the last biennial inspections were concluded in late 2006.

PATCO

In January, PATCO unveiled its new logo with the tagline "Your life, Your train". In April, we announced an initiative among PATCO, the Borough of Collingswood and other interested communities that host PATCO stations, to explore the potential for "Smart Growth" Transit Oriented Development along the PATCO line. In June, PATCO began offering an E-Notification Service





to customers affording them the ability via phone, pda or computer, to receive short text messages about PATCO service. In September, PATCO's Woodcrest Station was host to the start and finish of the 27th Annual MS 150 City to Shore Bike Tour benefiting the National Multiple Sclerosis Society of Greater Delaware Valley. In October, we launched a multilingual feature to both the DRPA and PATCO websites. With just a click of the mouse, visitors to the sites have the option to choose between six different languages to view the sites. In November, we began installation of the new automated fare collection system. In addition, we began distributing FREEDOM cards to PATCO riders. We also introduced our Transit Ambassador Program in November. The Transit Ambassadors are available at PATCO stations, trains and parking lots in an effort to enhance the transit experience. Also, in November, we launched the first round of community outreach meetings in Camden, Gloucester and Cumberland counties in New Jersey to provide updates on the progress of the Southern New Jersey Transit Expansion Project and to educate them on the Alternatives Analysis Phase of the project.

PHILADELPHIA CRUISE TERMINAL

The Philadelphia Cruise Terminal welcomed the 2007 cruise season with 20 sailings from Philadelphia to Bermuda onboard Norwegian Cruise Line's Crown and Royal Caribbean International's Empress of the Seas. In October, we hosted port calls by Seabourn and Crystal, two of the world's most prestigious cruise lines.

RIVERLINK FERRY SYSTEM

We welcomed back ferry operator, Hornblower Marine Services, for its fourth year of operating the RiverLink Ferry. The 2007 season began on May 1 and ran through September 30. For the year, our ridership totaled 183,576.



Then + Now Brother and sister, Tom and Janet Guarro, recreated their historic photo taken in 1957 in advance of the bridge opening.

SAFETY AND SECURITY

In March, our Public Safety Department hosted a site visit for the New Jersey State Police's Target Hardening Response and Emergency Activation Team (T.H.R.E.A.T.) at PATCO's Lindenwold and Broadway stations. T.H.R.E.A.T. is a public awareness program that encourages the public to work with law enforcement to maintain the highest possible level of safety. The T.H.R.E.A.T. program advises the public to be aware of their surroundings and to report suspicious activity through a toll free tip line. As part of the effort to publicize the program, T.H.R.E.A.T. team members distributed leaflets and were available to discuss the program with interested PATCO riders. In May, during

INTRODUCTORY SECTION

National Police Week, we hosted the 11th annual Law Enforcement Memorial Run to honor officers killed in the line of duty. The run began with a ceremony at the Cruise Terminal and proceeded on to Washington, D.C. Also in May, officers took part in the “Click It or Ticket” mobilization designed to increase enforcement of New Jersey’s seat belt laws and a public awareness speed campaign to enforce speed restrictions at construction zones on DRPA’s four bridges, the Benjamin Franklin, Walt Whitman, Betsy Ross and Commodore Barry. In August, a number of the Authority staff participated in a functional exercise sponsored by the Department of Homeland Security, Transportation Security Administration and the

to and recover from a mock transportation security incident in the maritime multimodal environment in the port, enhance the proficient use of the National Incident Management System, create sustained information sharing and increase awareness of critical processes. Representatives from over 30 federal, state and local agencies and private industry (including maritime, rail, highway, pipeline and mass transit) took part in the event. In October, DRPA/PATCO along with numerous regional transportation agencies participated in “Put the Brakes on Fatalities Day,” a national campaign to advise the public of safe driving practices in an effort to reduce highway deaths. DRPA/PATCO raised awareness by displaying a special message on the variable message signs at all four bridges, conducting a seat drop at PATCO and posting flyers at all Authority facilities.

AWARDS AND ACKNOWLEDGMENTS

Throughout the year, our Commissioners and Staff were recognized for their outstanding dedication to the region. DRPA’s 2005 Annual Report, designed and printed in-house, won the 1st place Gold Prize in its category of 550 overall entries in a nation contest of the In-Plant Printing and Mailing organization. Maria Mondile, Manager, Customer & Community Relations was appointed by New Jersey Governor Jon S. Corzine to serve a three-year term as a member of the NJ Motor Vehicle Commission’s Customer Service Advisory Council. Fran O’Brien, Manager, Customer & Community Relations was appointed by the Pennsylvania House of Representatives to a three-year term to the Pennsylvania State Transportation Advisory Committee. Stephen Suder, Manager, Procurement, Records & Stores, was appointed Second Vice



The Walt in Art

As part of the anniversary celebration, local school children participated in an art contest. The entry shown above bares a close resemblance to the above 1950s postcard of the Walt Whitman Bridge.



United States Coast Guard. As a regional transportation and maritime partner, we provided our Ben Franklin Bridge Administration Building as the site for the successful PortSTEP security training exercise. PortSTEP is designed to provide both maritime and surface intermodal transportation communities with a series of training exercises to strengthen the nation’s ability to prevent, respond





President for the Pennsylvania Public Purchasing Association. For the 15th consecutive year, our comprehensive Annual Financial Report earned the Certificate of Achievement for Excellence in Financial Report from the Government Finance Officers Association.

COMMUNITY SERVICE

Our employees remained very active in 2007, with charity giving drives throughout the year. In January, we held a clothing drive for the Seamen's Church Institute. In February, employees and PATCO customers took part in the annual Valentine Food Drive, benefiting the Food Bank of South Jersey. Also, in February employees donated more than \$550 for education and research of women and heart disease, as part of the American Heart Association's Wear Red for Women campaign. In February and again in May, we held our "Read Strong" literacy program for local schoolchildren. In March, our employees participated in "Daffodil Days," a fundraiser for the American Cancer Society. In July, we hosted an American Red Cross blood drive. In October, our employees participated in the Authority's United Way Campaign and in support of October being Breast Cancer Awareness month staff raised more than \$750 for the "Passionately Pink for the Cure" campaign to raise funds for the Susan G. Komen Foundation. Also in October, employees participated in our annual Coat Drive benefiting the Philadelphia Committee to End Homelessness and Volunteers of America in Camden. In November, employees participated in a Thanksgiving Food Drive and a Holiday Toy Drive benefiting local agencies in Philadelphia and Camden, NJ.

As 2007 drew to a close, staff worked hard to produce a streamlined budget for the upcoming year. The 2008 budget closely follows the cost-savings measures begun in recent years, despite higher personnel costs, health insurance, maintenance/vehicle repairs, fuel, utility and other operating costs. The budget does not call for increases in bridge tolls or PATCO fares. However, we recognize that our future needs will require us to find additional revenue sources to fund our Capital Program which is critical to maintaining the safety, security and serviceability of our assets.

We look forward to the many opportunities that lie ahead and, as always, we remain dedicated to our core mission of providing safe and reliable transportation services to the people of the Philadelphia region.



2008 WORK AGENDA

The following is a summary of DRPA's anticipated areas of activity in 2008:

- **Finances.** We will reevaluate our toll and fare structure to address the funding necessary for infrastructure repairs needed to be completed as part of our \$1 billion 5-year Capital Program. We

INTRODUCTORY SECTION

will conduct a traffic study to provide a 10-year forecast of revenue and traffic on all DRPA bridges.

- **Bridges.** Biennial inspections will be conducted at all four bridges by independent engineering firms as required by our bond indentures.

Benjamin Franklin – In 2008, DRPA will launch Phase 5 of the Benjamin Franklin Bridge Painting project, which will include painting the Philadelphia approach. On the Philadelphia side of the bridge, through our Ben Franklin Bridge West Side Traffic Mitigation Study, we will continue to look at ways to improve the flow of westbound traffic from the Ben Franklin Bridge into the City of Philadelphia. The study results will be used to create an implementation plan for the development of short-term and long-term projects designed to reduce congestion during the morning commute.

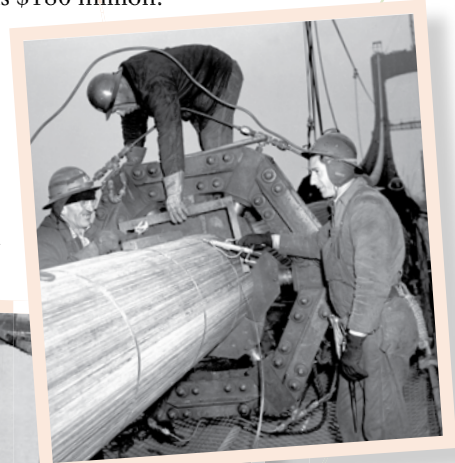
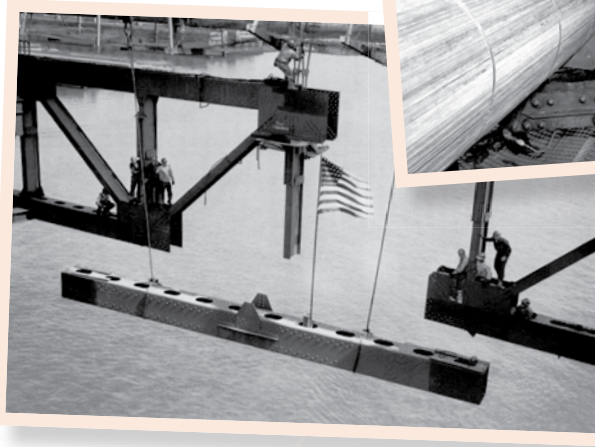
Walt Whitman – Work is expected to begin on the Walt Whitman Bridge Deck Rehabilitation and the Walt Whitman Bridge Suspender Rope Investigation.

Commodore Barry – Workers will replace handrails along the maintenance walkway on the bridge. Workers will replace seventy-four existing compression seal joints with new strip seal joints on the bridge approach structure as part of the Commodore Barry Bridge Deck Joint Replacement Project.

Betsy Ross – Crews will focus on areas identified in the Biennial Inspection including repairs and preventive maintenance of the facility mechanical systems and bridge infrastructure.

- **PATCO.** Begin full system-wide operation of our new fare collection system. Begin converting parking lot gates to accept the FREEDOM Smart Card. Complete design specification for fleet overhaul and begin the process of purchasing overhaul services. We expect to begin the fleet overhaul process in 2009. The estimated overall cost of the fleet upgrade is \$180 million.

To date, we have a commitment of \$53 million in federal funding for the project. Begin a Transit Oriented



Development Project in Collingswood, NJ and continue to discuss ideas with other partner communities along the PATCO line on the concept of Transit Oriented Development as outlined in our Transit Oriented Development Master Plan. Welcome more ideas to provide enhanced services to PATCO riders.

- **Safety and Security.** Begin installation of a state-of-the-art video surveillance system at PATCO and the bridges.

- **RiverLink Ferry.** Welcome back Hornblower Marine Services for its fifth year of operating the ferry. Continue on our cost-savings path begun four years ago.

- **Philadelphia Cruise Terminal.** Welcome Norwegian Cruise Line back for another successful year of cruising. Work to promote and market the Philadelphia Cruise Terminal.

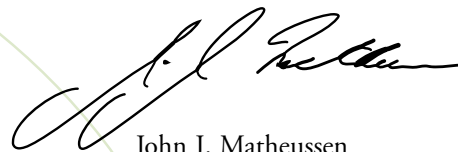
- **Southern New Jersey to Philadelphia Transit Expansion Project.** DRPA and PATCO are taking major steps to address the needs of expanded public transit service in the region. In October 2005, we completed the Southern New Jersey to Philadelphia Transit Study which identified potential public transit improvements for a study area that extends from Cumberland County to downtown Philadelphia, including Gloucester and Camden Counties and portions of Salem County in New Jersey. With the assistance of engineering consulting firms, STV Incorporated and PB Americas, we are now working on the Alternatives Analysis portion of the study for the five possible alternatives identified in New Jersey and the four possible alternatives identified in Pennsylvania. The Alternatives Analysis is the first phase of project development for major transit investments that seek federal funding from the Federal Transit Administration. The study consists of a purpose and needs analysis; the development of alternatives that address that need; technical work including ridership estimates, conceptual design, environmental screening and cost estimates for these alternatives; alternative evaluation and selection of a preferred alternative. Detailed project information is compiled and submitted to the FTA at the conclusion of the Alternatives Analysis with a request to proceed into the preliminary engineering phase of the project. The Alternatives Analysis

phase takes 18 to 24 months to complete. DRPA has invested more than \$2 million in the project and has received an additional \$1.5 million from the State of New Jersey to complete the Alternatives Analysis. In addition, the State has made \$250 million available through the Transportation Trust Fund for design and construction and has made a promise of an additional \$250 million for future costs.

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

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

Yours truly,



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





DELAWARE RIVER PORT AUTHORITY
of Pennsylvania & New Jersey

INTRODUCTORY SECTION

May 29, 2008

**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, 2007, 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 financial position and results of operations of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

The Authority's By-Laws as well as the 1995 and 1998 Indentures of Trust require an annual audit of the Authority's financial statements by a firm of independent auditors. 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 primarily and ultimately 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 controls 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 accounting principles generally accepted 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.

INTRODUCTORY SECTION

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

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

PROFILE OF GOVERNMENT

The Delaware River Port Authority is a public corporate instrumentality of the Commonwealth of Pennsylvania and the State of New Jersey created with the consent of Congress by compact legislation between the Commonwealth of Pennsylvania and the State of New Jersey. The Authority, which has no stockholders or equity holders, was created in 1952 as a successor to the Delaware River Joint Commission, which was created in 1931. The Authority is governed by a 16-member Board of Commissioners. The Governor of New Jersey appoints eight commissioners with the advice and consent of the Senate of New Jersey. The Governor of Pennsylvania appoints six commissioners, with the Auditor General and the State Treasurer of Pennsylvania serving as ex-officio commissioners for Pennsylvania. Commissioners serve five-year terms without compensation. The Board of Commissioners establishes policy and plans for the operations of the Authority. A Chief Executive Officer is appointed by the Board of Commissioners to implement policy and to manage the daily operations of the Authority.

The Authority is vested with the ownership, control, operation and collection of tolls and revenues of certain bridges spanning the Delaware River; namely, the Benjamin Franklin, Walt Whitman, Commodore Barry and Betsy Ross bridges. The Authority has also constructed and owns a high-speed transit system which is operated by the Port Authority Transit Corporation (PATCO). The transit system operates between Philadelphia, Pennsylvania and Lindenwold, New Jersey. The Authority's Port of Philadelphia and Camden Department (PPC) is responsible for the marketing and operation of the Philadelphia Cruise Terminal at Pier 1 at the former Navy Yard and the RiverLink Ferry System. The Authority is also empowered through its compact to undertake projects for regional economic and port development. The Port District comprises 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.

The Authority prepares both operating and capital budgets annually. The annual operating budget is a financial planning tool for the associated fiscal year. Each of the Authority's Chief Officers contributes to the development of a preliminary operating budget based on the expected staffing and funding levels necessary to operate the Authority's facilities in an efficient manner. After individual departmental budgets are reviewed at budget hearings conducted by the Operating Budget Review Committee, which consists of the Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, General Counsel, the General Manager of PATCO and other senior staff, a proposed operating budget is presented by the Chief Executive Officer to the Board of Commissioners for its review and approval. Any subsequent addition of funds to the total operating budget requires the approval of the Board of Commissioners.

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

A Master Plan, detailing Port District and economic development projects, is prepared by the Authority and distributed to the Commonwealth of Pennsylvania and the State of New Jersey, county and municipal governments, commissions, public corporations and authorities, and the private sector. The Authority updates the Master Plan annually and approves amendments to each annual 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.

FACTORS AFFECTING FINANCIAL CONDITION

INVESTMENT MANAGEMENT

Investments of the Authority are purchased in accordance with the Authority's 1995 and 1998 Indentures of Trust. Cash available during the year is generally invested in money market funds, repurchase agreements (collateralized by obligations of the U.S. Treasury), obligations of the United States Treasury, obligations of federal government agencies or their instrumentalities, obligations of public agencies or municipalities rated in either of the two highest rating categories by Standard and Poor's Corporation or Moody's Investors Service, and commercial paper rated A-1 by Standard and Poor's Corporation. The Authority's investment policy is to match the maturities of its investments with the present and anticipated needs of the Authority,

INTRODUCTORY SECTION

thereby maximizing the return on available funds. In addition, the Authority is required to maintain certain invested amounts as reserves for its debt obligations.

The Authority has also retained three investment advisory firms to manage a portion of its General Fund investments. Investment parameters for these investments are consistent with those authorized by the Authority's Indentures of Trust as described above.

DEBT MANAGEMENT

In October 2007, the Authority issued \$358.2 million in Revenue Refunding Bonds, in ARS Mode, under its 1998 Revenue Bond Indenture. The 2007 Revenue Refunding Bonds are a current refunding of the Authority's 1995 Revenue Bonds. As mentioned in the footnotes of our financial statements (Note 20), due to the instability and unpredictability of the auction rate securities markets, including the financial positions of certain bond insurers, investment banks, and other market participants, the Authority is in the process of converting these recently issued bonds to variable demand rate note obligations.

RISK MANAGEMENT

The Authority is self-insured for public liability up to a limit of \$5 million per occurrence. Excess liability insurance provides coverage of \$20 million over the Authority's \$5 million self-insured retention. The DRPA is self-insured for workers' compensation up to a limit of \$1 million per occurrence with excess workers' compensation coverage providing \$5 million in coverage over the DRPA's \$1 million self-insured retention. PATCO is fully self-insured for workers' compensation. Property insurance is placed with commercial insurance carriers with limits and deductibles as deemed appropriate for the needs of the Authority. Additional information can be found in Note 16 of the financial statements.

PENSION PLANS

Employees of the Authority participate in either the Pennsylvania State Employees' Retirement System, the Public Employees' Retirement System of New Jersey or the Teamsters Pension Plan of Philadelphia and Vicinity, which are cost-sharing, multiple employer defined benefit pension plans which provide pension, death and disability benefits. Under the Pennsylvania State Employees' Retirement System, employees are required to contribute 6.25 percent of their gross applicable payroll to the plan. The Authority is required to contribute an actuarially determined amount to the plan, which in 2007 equaled 3.67% percent of participating payroll.

Legislation passed by the State of New Jersey in early 2004 gives eligible Authority employees the option of participation in the New Jersey Public Employees Retirement System (NJ PERS). Under NJ PERS, eligible employees are required to contribute 5.0% of their applicable gross payroll to the plan. The

Authority began submitting eligible employee contributions to the state in 2006. The Authority was not required to contribute an actuarially determined amount to the plan during 2007.

Under the Teamsters Pension Plan of Philadelphia and Vicinity, the Authority is required to contribute a fixed amount per hour for each qualified PATCO employee. Contributions to the plan totaled 7.78% percent of participating payroll in 2007. Employees are not required to make any contributions to the plan.

Additional information can be found in Note 9 of the financial statements.

GASB 45 (POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS)

In compliance with GASB 45, the Authority has recognized an unfunded liability of \$9.8 on its books as of December 31, 2007. The Authority has engaged an actuarial firm to recommend various funding options for approval by its executive management and Board of Commissioners. The Authority plans to begin funding a portion of the outstanding liability in 2008. Additional information about GASB 45 can be found within the financial statements (Note 10).

LOCAL ECONOMY

From the latest data available, it appears that population growth in the region is still at very modest levels, with growth in New Jersey counties at a slightly more rapid rate than that experienced in Pennsylvania counties. Over the past few years, employment in the Camden Labor Area (Burlington, Camden and Gloucester Counties) increased at a rate faster than the state of New Jersey as a whole, primarily as a result of private service providing sector jobs. The unemployment rate in the Philadelphia Port District averaged 4.76% in the four year period from 2003 through 2006 but dropped to a level of roughly 4.26% in 2006 from a high of 5.22% in 2003. Additional information can be found in the Statistical Section of this report.

AWARDS AND ACCOMPLISHMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Delaware River Port Authority for its comprehensive annual financial report for the fiscal year ended December 31, 2006. This was the fifteenth consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

INTRODUCTORY SECTION

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 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 Committee of the Board for maintaining the highest standards in the management of the Delaware River Port Authority's finances.

Respectfully submitted,

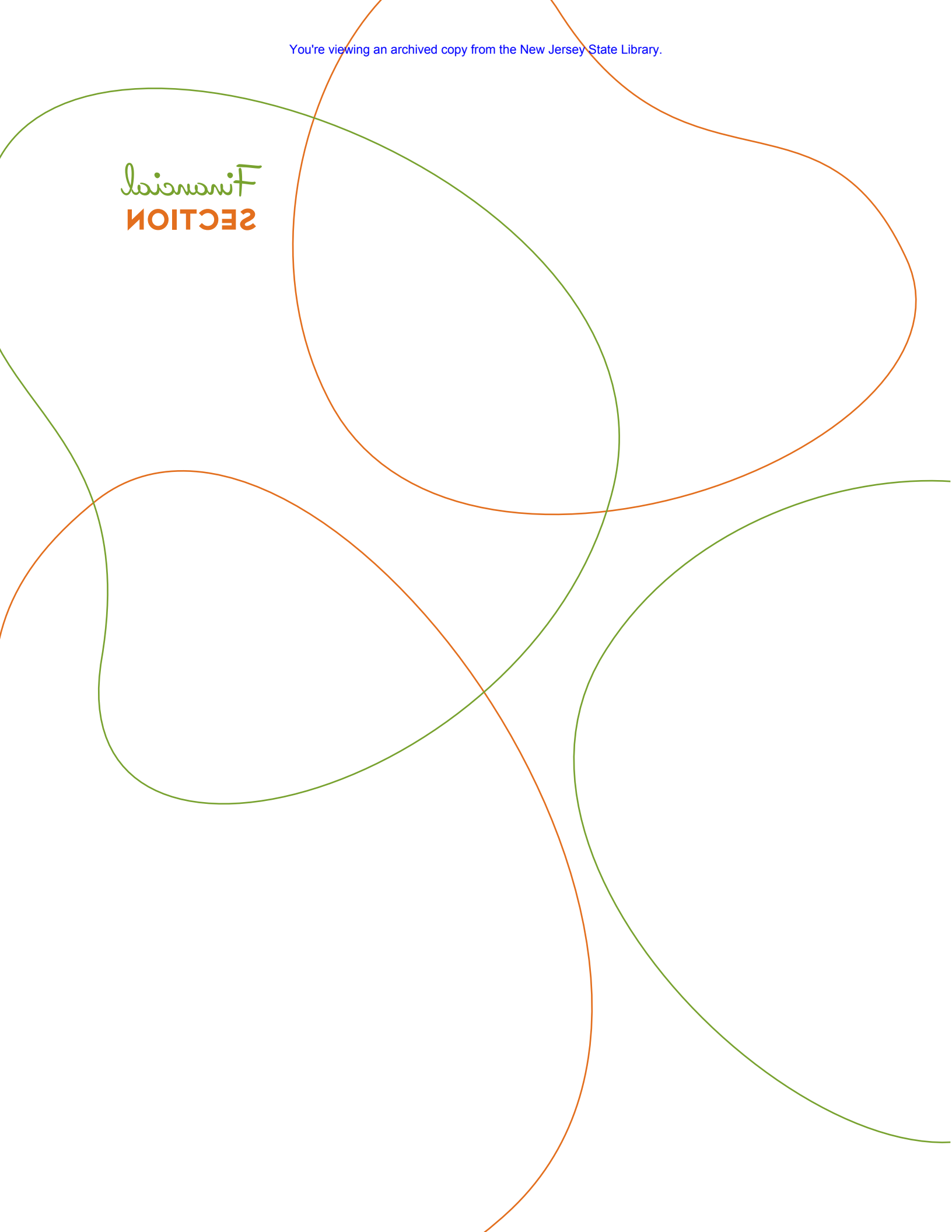


John T. Hanson
Chief Financial Officer

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Financial
SECTION

Financial
SECTION





INDEPENDENT AUDITOR'S REPORT

To the Commissioners of the
Delaware River Port Authority:

We have audited the accompanying combined financial statements of the Delaware River Port Authority and subsidiaries, as of December 31, 2007 and 2006, as listed in the Financial Section of the foregoing table of contents. These combined financial statements and supplemental schedules discussed below are the responsibility of the Delaware River Port Authority's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

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

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

The accompanying management's discussion and analysis and schedule of funding progress for health benefits plan, as listed in the table of contents is not a required part of the combined financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Respectfully submitted,

BOWMAN & COMPANY LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
May 29, 2008

FINANCIAL SECTION

Management's DISCUSSION AND ANALYSIS

As management of the Delaware River Port Authority (the Authority), we offer readers of our financial statements this narrative overview and analysis of the financial activities of the Authority for the years ended December 31, 2007, 2006 and 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 23-28 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS (IN THOUSANDS)

- The assets of the Authority exceeded its liabilities at the close of the most recent year by \$329,999 (net assets). Net assets decreased by \$624 during the year.
- The Authority's total debt decreased by \$31,285 or by 2.58 % during the current year. In October, the Authority refunded its 1995 Revenue Bonds by issuing \$ 358.2 million in Revenue Refunding Bonds (Series of 2007).
- Operating revenues were \$223,970 in 2007, an increase of \$851 or 0.38% over 2006.
- During 2007, the Authority maintained its bridge toll rates, thereby remaining competitive in the region when compared with those of other major interstate bridges and tunnels.
- Bridge traffic increased by 211 vehicles (up 0.38%) during the year 2007 while toll revenues increased by \$1,110 (or by 0.57%).
- PATCO fares remain unchanged and still compare favorably to other transit systems; PATCO continues to offer free and low cost parking and round-the-clock service.
- PATCO fare revenues decreased by 0.19%, although there was a slight increase of 0.31% in ridership. This resulted from more passengers taking shorter trips along the line.
- Bridge, PATCO and general administration expenses increased a combined \$9,525 (or by 8.19%) vs. 2006 expenses. Total expenses, and net assets, were impacted by the Authority's non-cash accrual of \$9.8 million in expenses related to GASB 45 (other post-employment benefits other than pensions).
- General Fund investment balances increased by \$16,573 (up by 8.8%) to total \$205,440 at year end.

FINANCIAL POSITION SUMMARY

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$329,999 at the close of the year 2007.

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

Delaware River Port Authority's Net Assets

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$595,053	\$602,395	\$601,260
Capital assets	1,033,676	1,054,950	1,074,669
Total assets	<u>1,628,729</u>	<u>1,657,345</u>	<u>1,675,929</u>
Long-term liabilities outstanding	1,215,891	1,237,367	1,270,846
Other liabilities	82,839	89,355	81,700
Total liabilities	<u>1,298,730</u>	<u>1,326,722</u>	<u>1,352,546</u>
Net assets:			
Invested in capital assets, net of related debt	245,959	244,194	245,211
Restricted	176,895	199,758	236,796
Unrestricted (deficit)	<u>(92,855)</u>	<u>(113,329)</u>	<u>(158,624)</u>
Total net assets	<u><u>\$329,999</u></u>	<u><u>\$330,623</u></u>	<u><u>\$323,383</u></u>

Net assets decreased during 2007 in the amount of (\$624). This decrease is primarily attributable to flat operating revenues, increased operating expenses, increased economic development spending and a decrease in capital contributions in the form of grants from federal and state agencies. During 2006, net assets increased in the amount of \$7,240 from the previous year. This increase was primarily attributable to increased operating revenues, a reduction in operating expenses and reduced economic development spending from the previous year.

Summary of Changes in Net Assets

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Operating revenues (See page 42 for detail)	\$223,970	\$223,119	\$219,863
Operating expenses (See page 42 for detail)	<u>(130,791)</u>	<u>(121,284)</u>	<u>115,722</u>
Excess before depreciation and other non-operating income and expenses	93,179	101,835	104,141
Depreciation	<u>(44,634)</u>	<u>(42,355)</u>	<u>(38,432)</u>
Operating income	48,545	59,480	65,709
Non-operating income and expenses, net	<u>(59,193)</u>	<u>(59,345)</u>	<u>(58,227)</u>
Income before capital contributions and special item	(10,648)	135	7,482
Capital contributions	10,024	12,076	7,786
Discontinued operations	-	(4,971)	-
Change in net assets	<u><u>(\$624)</u></u>	<u><u>\$7,240</u></u>	<u><u>\$15,268</u></u>

FINANCIAL SECTION

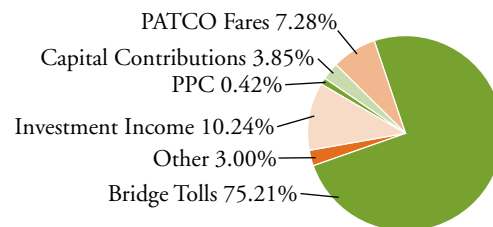
REVENUE SUMMARY

Summary of revenues for the year ended December 31, 2007 and the amount and percentage change in relation to prior year amounts is as follows:

	2007 Amount	Percent of Total	Increase/ (Decrease) From 2006	Percent Increase (Decrease)
Operating:				
Bridge tolls	\$196,069	75.21%	\$1,111	0.57%
PATCO fares	18,978	7.28%	(36)	(0.19%)
Other	7,830	3.00%	363	4.86%
River Link Ferry	50	0.02%	(22)	(30.56%)
Cruise Terminal	1,043	0.40%	(565)	(35.14%)
Total Operating	223,970	85.91%	851	0.38%
Non-Operating:				
Investment income	26,704	10.24%	(1,679)	(5.92%)
Capital contributions	10,024	3.85%	(2,052)	(16.99%)
TOTAL REVENUES	\$260,698	100.00%	(\$2,880)	(1.09%)

- Total revenues decreased by 1.09%, primarily due to a decrease in interest income from the overall Authority investment portfolio and a decrease in capital contributions (in the form of grants from federal and state governments).
- Bridge toll revenues increased 0.57% as a result of a 0.38% increase in total traffic during 2007 and an increase in the average toll. The average toll increased from \$3.55 in 2006 to \$3.56 in 2007, reflecting slightly higher commercial traffic.
- Investment income decreased primarily attributable to lower interest rates even though the General Fund balance increased.
- PATCO's total revenues decreased by \$198 (or 3.9%), attributable to a fare revenue decrease of 0.19% and a reduction in other revenues of \$162.
- Cruise Terminal revenue decrease of 35.1% was due to a significant drop in the number of cruises during 2007.

REVENUES BY SOURCE



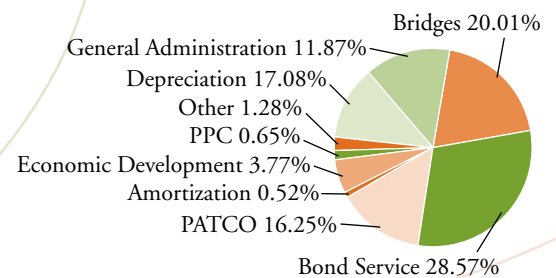
EXPENSE SUMMARY

A summary of expenses for the year ended December 31, 2007 and the amount and percentage change in relation to prior year amounts is as follows:

	2007 Amount	Percent of Total	Increase/ (Decrease) From 2006	Percent Increase (Decrease)
Operating:				
Bridge	\$52,294	20.01%	\$1,650	3.26%
PATCO	42,468	16.25%	4,630	12.24%
General Administration	31,025	11.87%	3,245	11.68%
Other	3,306	1.27%	108	3.38%
River Link Ferry	52	0.02%	3	6.12%
Cruise Terminal	1,348	0.52%	(110)	(7.54%)
Maritime Services	298	0.11%	(19)	(5.99%)
Depreciation	44,634	17.08%	2,279	5.38%
Total Operating	175,425	67.13%	11,786	7.20%
Non-Operating:				
Bond Service	74,668	28.57%	(3,599)	(4.60%)
Amortization	1,353	0.52%	7	0.52%
Other	35	0.01%	(1,030)	(96.71%)
Economic Development	9,841	3.77%	2,791	39.59%
Total Non-Operating	85,897	32.87%	(1,831)	(2.09%)
TOTAL EXPENSES	\$261,322	100.00%	\$9,955	3.96%

- Salary and employee related expense increases were the primary factors affecting the 3.26% increase in bridge operating expenses.
- PATCO expenses increased by \$4,630 or 12.24%, of which \$3.6 million is attributable to the accrual for PATCO's unfunded GASB 45 liability. The remaining amount of \$1,030 is related to the higher costs of purchased power, other non-payroll related costs (materials, contractual services, etc.), and slightly higher employee related costs.
- General administrative costs increased by 11.68% primarily resultant from increased salary and employee benefit costs and the DRPA's accrued expenses related to its GASB 45 liability in the amount of \$6.2 million.
- Total operating expenses, before depreciation, increased by \$9,507 (or 7.84%), primarily attributable to increases in bridge operational and general administrative expenses, including the impact of the Authority's accrual for GASB 45.
- Depreciation expenses increased by \$2,279 up 5.38% during the year; this increase was attributable to a \$16,116 increase in total capital assets being depreciated in 2007 (Note 7).

EXPENSES BY SOURCE



FINANCIAL SECTION**SUMMARY OF CASH FLOW ACTIVITIES**

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

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash flow from operating activities	\$108,068	\$114,640	\$104,604
Cash flow from non-capital financing activities	(10,510)	(4,706)	(8,647)
Cash flow from capital and related financing activities	(125,769)	(110,470)	(149,208)
Cash flow from investing activities	<u>26,808</u>	<u>810</u>	<u>53,785</u>
Net increase (decrease) in cash and cash equivalents	(1,403)	274	534
Cash and cash equivalents, beginning of year	<u>8,991</u>	<u>8,717</u>	<u>8,183</u>
Cash and cash equivalents, end of year	<u>\$7,588</u>	<u>\$8,991</u>	<u>\$8,717</u>

Capital Assets and Debt Administration

Capital Assets. The Authority's investment in capital assets for its activities through December 31, 2007 amounted to \$1,033,676 (net of accumulated depreciation). This investment in capital assets includes land, bridges, transit system, port enhancements, buildings and machinery. The total percentage decrease in the Authority's investment in capital assets for the current year was 2.02%.

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

- Rehabilitation of PATCO interlocking and track roadbed; work in progress at the close of the current year had reached \$8,442.
- Authority-wide data communications network implementation.
- PATCO new fare collection system; work in progress at the close of the current year had reached \$1,895.
- Cruise Terminal Pier 2 repairs; work in progress at the close of the current year had reached \$1,707.
- PATCO mechanical room upgrades – Phase 1; work in progress at the close of the current year had reached \$1,265.
- E-ZPass equipment; work in progress at the close of the current year had reached \$939.
- Overhaul PATCO transit car trucks; work in progress at the close of the current year had reached \$929.

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Land	\$76,325	\$76,325	\$76,325
Bridges and related buildings and equipment	658,727	668,665	644,459
Transit property and equipment	227,822	218,195	170,427
Port enhancements	13,695	15,414	22,283
Construction in progress	57,107	76,351	161,175
Total	<u>\$1,033,676</u>	<u>\$1,054,950</u>	<u>\$1,074,669</u>

Additional information on the Authority's capital assets can be found in Note 7 on page 52 of this report.

Long-term debt. The Authority's total debt decreased by \$31,285 (or by 2.58%) during 2007. At the end of the current year, the Authority had total bonded debt outstanding of \$1,180,902. Of this amount, \$820,391 represents debt backed by toll revenue from the Authority's bridges. The remaining debt of \$360,511 is supported by other revenue sources of the Authority.

The long term debt ratings on the Authority's bond issues, as of December 31, 2007, are shown below:

<u>Issue:</u>	<u>Moody's:</u>	<u>S & P:</u>
1998 Revenue Refunding and 1999 Revenue Bonds	A3	BBB +
1998, 1999 and 2001 Port District Project Bonds	Baa3	BBB -
2007 Revenue Refunding Bonds	A3	BBB +

FINANCIAL SECTION

Both Standard & Poor's, Inc. (S&P) and Moody's Investors Service, Inc. (Moody's) issued several ratings reports on the Authority's debt during 2007.

During February 2006, S&P had placed the Authority's bonds on "CreditWatch", with negative implications, as a result of the on-going Board impasse related to the issue of dredging of the Delaware River. (This impasse was later resolved in May 2007, when the Authority's Board resumed its monthly Board meetings.) For the period February 2006 through April 2007, the Authority's bonds remained on "CreditWatch with negative implications." On April 18, 2007, all of the Authority's debt issues were removed from "CreditWatch with negative implications" when S&P downgraded its underlying ratings on the Authority's Revenue Bond issues. The 1995 Revenue Bonds were reduced from an 'A' to 'A-' rating and the 1998 Revenue Refunding and 1999 Revenue Bonds were reduced from an 'A-' to 'BBB+' rating. However, the ratings on the Port District Project Bonds were affirmed at 'BBB-'. In addition, S&P assigned a negative outlook to the ratings.

On September 21, 2007, S&P revised its outlook on all Authority bonds from negative to stable, and concurrent with the issuance of \$358 million in 2007 Revenue Refunding Bonds, affirmed the Authority's existing ratings on all Authority revenue bonds and assigned a rating of BBB+ to the 2007 Revenue Refunding Bonds. S&P also reaffirmed its BBB- underlying ratings on the port district project bonds. As of December 31, 2007, these ratings remained unchanged.

For most of 2007, Moody's assigned a "negative outlook" on all of the Authority's debt issues, also as a result of the aforementioned Board impasse. In September 2007, Moody's removed the "negative outlook" on the Authority's bonds and, concurrent with the issuance of \$358 million in 2007 Revenue Refunding Bonds, Moody's affirmed the Authority's existing ratings on all Authority revenue and port district project bonds and assigned a rating of A3 to the 2007 Revenue Refunding Bonds. Moody's also revised its outlook on all Authority bonds to "stable" from "negative." As of December 31, 2007, the Authority's revenue bond issues remained at A3, while its port district project bonds remained at Baa3.

Additional information related to the Authority's bond ratings can be found in the sub-section entitled "Bond Ratings" under Note 12 on page 64 of this report.

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
1995 Revenue Bonds	-	\$353,845	\$353,653
1998 Revenue Refunding Bonds	\$47,581	67,241	91,948
1998 Port District Project Bonds	67,520	69,645	71,684
1999 Revenue Bonds	421,743	421,710	421,676
1999 Port District Project Bonds	152,589	154,514	156,298
2001 Port District Project Bonds	140,402	145,232	149,950
2007 Revenue Refunding Bonds	351,067	-	-
Total (net of amortizing premium and discount)	<u>\$1,180,902</u>	<u>\$1,212,187</u>	<u>\$1,245,209</u>

Economic Factors and Next Year's Budgets

The following factors were considered in preparing the Authority's budget for the 2008 year:

- Bridge tolls and PATCO fares will remain unchanged for the year 2008
- Continuance of 10% E-ZPass discount for commercial account holders.
- Continuation of the E-ZPass commuter credit discount program wherein commuters receive a discount of \$18 for taking 18 trips a month across the Authority's bridges.
- Projected bridge toll revenue increase of 1.0% vs. 2007 budgeted revenues attributable to a modest increase in traffic and average toll per vehicle.
- Modest increases in PATCO budgeted revenue (up 0.5%) over 2007 based on projected flat ridership for fiscal year 2008.
- Projected 26.0% decrease in revenues for the Cruise Terminal attributable to an anticipated decrease in the number of cruises scheduled for 2008.
- Budget-to-budget increase of 4.5% for all DRPA operations; PATCO increase in budget-to-budget expenses of 3.6%.
- No staffing increases, tight control of non-payroll related expenses.
- Slight increase in the total debt service related to the execution of the 1995 Revenue Bond swaption as of January 1, 2006 and the issuance of the 2007 Refunding Revenue Bonds.
- Refunding of the 1998 Port District Project Bonds with variable rate debt.

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, 2007. Questions from interested parties concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Chief Financial Officer, Delaware River Port Authority, One Port Center, 2 Riverside Drive, P.O. Box 1949, Camden NJ 08101-1949.

FINANCIAL SECTION

COMBINED STATEMENTS OF NET ASSETS
December 31, 2007 and 2006 (In Thousands)

ASSETS	<u>Notes</u>	<u>2007</u>	<u>2006</u>
CURRENT ASSETS			
Cash and cash equivalents	1, 2	\$ 4,806	\$ 7,627
Investments	1, 2	206,084	199,640
Accounts receivable (net of allowance for uncollectibles)	5	6,154	7,647
Accrued interest receivable		650	467
Transit system and storeroom inventory	1	5,718	5,609
Economic development loans - current	1	690	634
Prepaid expenses		2,681	3,226
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	1, 2	2,782	1,364
Investments	1, 3	311,309	320,785
Accrued interest receivable		4	4
Total current assets		<u>540,878</u>	<u>547,003</u>
NONCURRENT ASSETS			
Capital assets (net of accumulated depreciation):			
Land	7	76,325	76,325
Bridges and related buildings and equipment	7	658,727	668,665
Transit property and equipment	7	227,822	218,195
Port enhancements	7	13,695	15,414
Construction in progress	7	57,107	76,351
Total capital assets		<u>1,033,676</u>	<u>1,054,950</u>
Economic development loans - net of allowance for uncollectibles	1	23,616	23,004
Deferred charges:			
Debt issuance costs (net of amortization)	1	30,559	32,388
Total other assets		<u>54,175</u>	<u>55,392</u>
Total noncurrent assets		<u>1,087,851</u>	<u>1,110,342</u>
TOTAL ASSETS		<u>\$ 1,628,729</u>	<u>\$ 1,657,345</u>

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

COMBINED STATEMENTS OF NET ASSETS
December 31, 2007 and 2006 (In Thousands)

LIABILITIES	<u>Notes</u>	<u>2007</u>	<u>2006</u>
CURRENT LIABILITIES:			
Accounts payable:			
Retained amounts on contracts		\$ 1,739	\$ 2,340
Other		9,129	9,333
Accrued liabilities:			
Pension	9	535	505
Sick and vacation leave benefits		3,348	2,103
Other		1,320	900
Deferred revenue	1, 4	10,677	10,504
Liabilities payable from restricted assets:			
Accrued interest payable	12	23,841	34,110
Bonds payable - current	12	32,250	29,560
		<u>82,839</u>	<u>89,355</u>
Total current liabilities			
NONCURRENT LIABILITIES:			
Accrued liabilities:			
Repainting	1	51,518	47,021
Self- insurance	16	4,761	5,187
Sick and vacation leave benefits		1,116	2,532
Other		9,844	-
Bonds payable (net of unamortized discounts / premiums)	11	1,148,652	1,182,627
		<u>1,215,891</u>	<u>1,237,367</u>
Total noncurrent liabilities			
		<u>1,298,730</u>	<u>1,326,722</u>
Total liabilities			
NET ASSETS			
Invested in capital assets, net of related debt		245,959	244,194
Restricted for:			
Debt requirements		103,601	123,521
Port projects		73,294	76,237
Unrestricted (deficit)		(92,855)	(113,329)
		<u>\$ 329,999</u>	<u>\$ 330,623</u>
Total net assets			

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

FINANCIAL SECTION

COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years ended December 31, 2007 and 2006 (In Thousands)

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
OPERATING REVENUES:			
Bridges:			
Tolls	5	\$ 196,069	\$ 194,958
Other operating revenues		5,540	4,170
Total bridge operating revenues		<u>201,609</u>	<u>199,128</u>
Transit system:			
Passenger fares		18,978	19,014
Other operating revenues		1,438	1,600
Total transit system operating revenues		<u>20,416</u>	<u>20,614</u>
Port of Philadelphia and Camden:			
Cruise Terminal		1,043	1,608
River Link Ferry		50	72
Total Port of Philadelphia and Camden		<u>1,093</u>	<u>1,680</u>
Other:			
Miscellaneous		852	1,697
Total operating revenues		<u>223,970</u>	<u>223,119</u>
OPERATING EXPENSES:			
Operations		94,762	88,482
General and administrative		31,025	27,780
Depreciation	1, 7	44,634	42,355
Lease and community impact	17	3,306	3,198
Port of Philadelphia and Camden		1,698	1,824
Total operating expenses		<u>175,425</u>	<u>163,639</u>
OPERATING INCOME		<u>48,545</u>	<u>59,480</u>
NONOPERATING REVENUES (EXPENSES):			
Investment earnings	3	26,704	28,383
Interest expense	12	(74,668)	(78,267)
Amortization expense	1	(1,353)	(1,346)
Economic development activities		(9,841)	(7,050)
Other		(35)	(1,065)
Total other nonoperating revenues (expenses)		<u>(59,193)</u>	<u>(59,345)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS		(10,648)	135
CAPITAL CONTRIBUTIONS:			
Federal and state capital improvement grants	15	<u>10,024</u>	<u>12,076</u>
SPECIAL ITEMS:			
Loss on discontinued operations	18	-	(4,971)
CHANGE IN NET ASSETS		<u>(624)</u>	<u>7,240</u>
NET ASSETS, JANUARY 1		330,623	323,383
NET ASSETS, DECEMBER 31		<u>\$ 329,999</u>	<u>\$ 330,623</u>

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

COMBINED STATEMENTS OF CASH FLOWS
Years ended December 31, 2007 and 2006 (In Thousands)

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 225,684	\$ 227,267
Payments to suppliers	(81,305)	(78,115)
Payments to employees	(36,311)	(34,512)
Net cash provided by operating activities	<u>108,068</u>	<u>114,640</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Economic development activities	(9,841)	(7,050)
Decrease in economic development loans receivable	(669)	2,344
Net cash used by noncapital financing activities	<u>(10,510)</u>	<u>(4,706)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(23,794)	(28,789)
Proceeds from sales of capital assets	-	10,880
Discontinued operation activities	-	807
Capital contributions	9,935	11,300
Repayment of funded debt	(29,560)	(28,200)
Payment of arbitrage on funded debt	-	-
Interest paid on debt	(82,350)	(76,468)
Net cash used by capital and related financing activities	<u>(125,769)</u>	<u>(110,470)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	2,304,951	2,596,854
Purchase of investments	(2,304,043)	(2,621,320)
Interest received	25,900	25,276
Net cash provided by investing activities	<u>26,808</u>	<u>810</u>
Net increase in cash and cash equivalents	<u>(1,403)</u>	<u>274</u>
Cash and cash equivalents, January 1 (including \$1,364 and \$1,325 reported as restricted)	\$ 8,991	\$ 8,717
Cash and cash equivalents, December 31 (including \$2,782 and \$1,364 reported as restricted)	<u>\$ 7,588</u>	<u>\$ 8,991</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 48,545	\$ 59,480
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	44,634	42,355
Changes in assets and liabilities:		
Decrease in accounts receivable	1,540	2,599
(Increase) in transit system and storeroom inventories	(109)	(850)
Decrease in prepaid expenses	545	1,076
Increase (decrease) in accounts payable and accrued wages	(1,455)	4,882
Increase in accrued pension payable	30	54
Increase in deferred revenue	173	1,549
Increase in repainting reserves	4,498	3,904
Decrease in self-insurance reserves	(427)	(316)
Decrease in sick and vacation leave benefits payable	(171)	(31)
Increase (decrease) in other accrued liabilities	10,265	(62)
Net cash provided by operating activities	<u>\$ 108,068</u>	<u>\$ 114,640</u>

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

FINANCIAL SECTION

NOTES TO COMBINED FINANCIAL STATEMENTS
For the Period Ending December 31, 2007 (Dollars in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Operations - The Delaware River Port Authority (the "Authority") is a public corporate instrumentality of the Commonwealth of Pennsylvania (the "Commonwealth") and the State of New Jersey (the "State") created with the consent of Congress by compact legislation between the Commonwealth and the State. The Authority has no stockholders or equity holders. The Authority is vested with the ownership, control, operation, and collection of tolls and revenues of certain bridges spanning the Delaware River; namely, the Benjamin Franklin, Walt Whitman, Commodore Barry, and Betsy Ross bridges. The Authority has also constructed and owns a high-speed transit system that is operated by the Port Authority Transit Corporation (PATCO). The transit system operates between Philadelphia, Pennsylvania and Lindenwold, New Jersey. Among its powers, the Authority is responsible for regional economic development and the unification of certain port facilities of the Delaware River. The Authority's Port of Philadelphia and Camden Department (PPC) is responsible for the operation of the Philadelphia Cruise Terminal at Pier 1 at the former Navy Yard and the Riverlink Ferry System. The costs of providing facilities and services to the general public on a continuing basis are recovered primarily in the form of tolls and fares. The Authority is a member of the E-ZPass Interagency Group, the largest interoperable Electronic Toll Collection System in the world, comprised of 24 agencies in 13 states. Through December of 2007, customer participation in the E-ZPass electronic toll collection process grew to approximately 62% of its toll collection activity during rush hour periods. E-ZPass revenues now exceed 56% of total toll revenues.

B. Basis of Presentation - The Authority is a single enterprise fund and maintains its records on the accrual basis of accounting. Enterprise Funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by law or regulations that the activity's cost of providing services, including capital cost (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred. The Authority has elected not to follow any FASB pronouncements issued after November 30, 1989.

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

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

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

F. Debt Issuance Costs and Bond Discount - Debt issuance costs and the discount arising from the issuance of the revenue bonds are amortized by the straight-line method from the issue date to maturity.

G. Investment in Facilities - Investment in facilities is stated at cost, which generally includes expenses for administrative and legal expenses incurred during the construction period. Investment in facilities also includes the cost incurred for port-related projects, and improvements, enlargements and betterments to the original facilities. Replacements of existing facilities (except for primarily police and certain other vehicles whose estimated useful life is two years or less) are also recorded at cost. The related costs and accumulated depreciation of the property replaced are removed from the respective accounts and any gain or loss on disposition is credited or charged to nonoperating revenues or expenses. Assets capitalizable generally have an original cost of \$5,000.00 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 13).

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

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

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

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

I. Other Provisions - The Authority provides for the uninsured portion of potential public liability claims and workers' compensation claims through self-insurance programs and charges current operations for estimated claims to be paid (Note 14).

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

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

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

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

Unrestricted Net Assets - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." This component includes net assets that may be allocated for specific purposes by the Board.

L. Operating and Non-Operating Revenues and Expenses - Operating revenues include all revenues derived from facility charges (i.e., toll revenues, which include E-ZPass revenues), PATCO operations (passenger fare, advertising and parking), and other revenue sources. Nonoperating 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. Nonoperating expenses principally include expenses attributable to the Authority's interest on funded debt and economic development activities.

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

M. Debt Management - Total outstanding bond debt reflected on the balance sheet is net of unamortized bond discounts, premiums, and loss on defeasance (Note 12). The Authority presently has two interest rate swap agreements with the Bank of America, N.A., three interest rate swap agreements with UBS AG (Paine Webber), and one with Lehman Brothers Special Financing, Inc. / Financial Products, Inc., to hedge interest rates on a portion of its outstanding long-term debt. Other than the net upfront option and exercise payments resulting from these agreements, which have been recorded as deferred revenue, no amounts are recorded in the financial statements (Note 4).

N. Budget - In accordance with Section 5.15 of the 1998 Revenue Refunding Bonds Indenture of Trust 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 Subsidy, the amount of any operating subsidy paid or payable by the Authority to or for the account of any other subsidiary of the Authority (including, without limitation, the Port of Philadelphia and Camden) and all other material operating expenses of the Authority payable from the General Fund. The Authority must also include the debt service payable on the Bonds and any Additional Subordinated Indebtedness during the ensuing fiscal year and all amounts required to be paid by the Authority into the Debt Service Reserve Fund or the Rebate Fund or to any Reserve Fund Credit Facility Issuer during the ensuing fiscal year. On or before December 31, in each fiscal year, the Authority must file a copy of the Annual Budget for the ensuing fiscal year with the Trustees and Credit Facility Issuer.

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

O. 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.

FINANCIAL SECTION

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

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, 2007 and December 31, 2006, the Authority's bank balances of \$9,487 and \$13,242, respectively, were exposed to custodial credit risk as follows:

	<u>2007</u>	<u>2006</u>
Uninsured and uncollateralized	<u>\$ 7,497</u>	<u>\$ 11,568</u>

3. INVESTMENT IN SECURITIES

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

Custodial Credit Risk Related to Investments - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the Authority's total \$517,393 of investments at December 31, 2007, \$18,247 of investments in asset backed securities, collateralized mortgage obligations, commercial paper, corporate bonds and notes, fixed-rate capital securities, mortgage pass-through securities, municipal bonds, repurchase agreements, U.S. federal agency notes and bonds, and U.S. government treasuries, are uninsured, not registered in the name of the Authority, and held by the counterparty, and \$101,716 are uninsured, not registered in the name of the Authority, and held by the counterparty's trust department or agent but not in the Authority's name.

As of December 31, 2007, the Authority had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Amortized Cost</u>
Asset backed securities	118.92 months average	\$ 7,407
Collateralized mortgage obligations	235.89 months average	770
Commercial paper	6.11 months average	78,044
Corporate bonds and notes	34.39 months average	14,120
Fixed-rate capital securities	.03 months average	5,300
Mortgage pass-through securities	292.33 months average	6,984
Municipal bonds	497.37 months average	1,900
Mutual bond funds	not applicable	76,399
Repurchase agreements	daily	1,300
Short-term investments	2.79 months average	285,768
US federal agency notes and bonds	25.99 months average	18,580
US government treasuries	34.88 months average	<u>20,821</u>
Total		<u>\$ 517,393</u>

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

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

Credit Risk - Investments are purchased in accordance with the 1998 and 1999 Indentures of Trust, 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 and Poor's Corporation or Moody's Investors Services. In accordance with the 1998 and 1999 Indentures of Trust, the Authority invests in corporate bonds and commercial paper rated A-1 by Standard and Poor's Corporation. Guaranteed Income Contracts are collateralized by U.S. government and agency securities, and debt obligations having a rating in the highest rating category from Moody's Investors Service or Standard and Poor's Rating Services.

As of December 31, 2007, the Authority's investments had the following ratings:

<u>Investment</u>	<u>Standard and Poor's</u>	<u>Moody's</u>
Asset backed securities	BBB- to AAA	Aa3 to Aaa
Collateralized mortgage obligations	B to AAA	Aa2 to Aaa
Commercial paper	A+	A1
Corporate bonds and notes	A- to AAA	Baa to Aaa
Fixed-rate capital securities	AAA	Aaa
Mortgage pass-through securities	*	*
Municipal bonds	*	A1
Mutual bond funds	*	*
US federal agency notes and bonds	AAA	Aaa
US government treasuries	AAA	Aaa
Repurchase agreements	AAA	Aaa
Short-term investments	*	*

* investment not rated or no rating available.

Concentration of Credit Risk - The Authority's policy on the concentration of credit risk states that no limitations exist on the purchase of investments in obligations of the U.S. government and U.S. federal agencies since they are fully guaranteed by the U.S. government. For the purchase of investments in obligations of all other issuers, total investments held from any one issuer shall not exceed ten percent (10%) of the aggregate market value of the entire portfolio, except for repurchase agreements, which, from any one issuer, shall not exceed twenty-five percent (25%) of the aggregate market value of the portfolio. As of December 31, 2007, more than five percent (5%), or \$40,284, of the Authority's investments is in Concord Minute commercial paper. These investments represent eight (8%) of the Authority's total investments.

4. DERIVATIVE INSTRUMENTS

Objective of the Derivatives - During 2000 and 2001, the Authority entered into seven interest rate hedge agreements that provided the Authority with net up-front payments totaling \$44,642. (One option with Lehman Brothers, with a notional amount \$50,000, was terminated in 2002). In accordance with the 2000 Swaptions, the counterparty has the option to make the Authority enter into a pay-variable / receive fixed interest rate swap. In accordance with the 2001 Swaptions, the counterparty has the option to make the Authority enter into a pay-fixed / receive variable interest rate swap. As of December 31, 2007, only the 1995 Revenue Bonds swaption, mentioned below, has been exercised by the counterparty, although in late August, 2007, Lehman Brothers advised the Authority of its intention to exercise its option on the 1998 Port District Project Bonds, Series B swaption, as of January 1, 2008.

FINANCIAL SECTION

Significant Terms of the Derivatives - The six remaining interest rate hedge agreements are described as follows:

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

If the options relating to the 2000 Swaption #1 or the 2000 Swaption #2 are exercised by Bank of America N.A., Bank of America N.A. is obligated to pay periodic interest payments (payable monthly) to the Authority based upon a fixed rate of 5.9229% per annum and the Authority is obligated to pay periodic interest payments (payable monthly) to Bank of America N.A. at a variable rate based upon the 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, 2007, Swaption # 1 had a fair value of (\$1,093) and Swaption #2 had a fair value of (\$4,155). (For the method of valuation, see "Fair Value", Note 4).

In consideration for entering into the 2000 Swaptions, the Authority received net up-front, non-refundable option payments in the aggregate amount of \$1,125 from Bank of America N.A., which have been recorded as deferred revenue and are being amortized.

2001 Swaptions

1995 Revenue Bonds Swap - On May 2, 2001, the Authority entered into the 1995 Revenue Bonds Swap with UBS AG in the notional amount of \$358,215. Under the 1995 Revenue Bonds Swap, (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 Swap which amortizes annually 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 Swap 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 Swap are insured by Ambac Assurance. In addition to other Events of Default and Termination Events (as defined in the 1995 Revenue Bond Swap), 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 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. As of December 31, 2007, the fair value of the 1995 Revenue Bond Swap was (\$73,685). (For the method of valuation, see "Fair Value", Note 4).

In consideration for entering into the 1995 Revenue Bonds Swap, the Authority received a net up-front, non-refundable option payment in the amount of \$18,401 from UBS AG which has been recorded as deferred revenue and is being amortized.

On September 3, 2005, UBS advised the Authority that it was exercising its option on this swap as of January 1, 2006. As a result, UBS AG paid the Authority \$7,144 on January 3, 2006 as an exercise premium. On February 1st, 2006, the first monthly net swap payment, for the period January 3rd thru January 31st, was made to UBS AG in the amount of \$694. The Authority is current on all of its net swap payments payable to UBS, which totaled \$7,128 for the year 2007.

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

If 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 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.

As of December 31, 2007, the fair value of the 1999 Revenue Bond Swaption was (\$69,877). (For the method of valuation, see "Fair Value", Note 4).

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 \$16,478 from UBS AG which has been recorded as deferred revenue and is being amortized.

If the 1999 Revenue Bonds Swaption is exercised by UBS AG on an option exercise date, it is the expectation of the Authority (absent cash settling the 1999 Revenue Bonds Swaption) to currently refund the 1999 Revenue Bonds by issuing variable rate obligations with the same amortization as the notional amount amortization of the 1999 Revenue Bonds Swaption.

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

If exercised, the 1999 Port District Project Bonds Swaption would continue (unless earlier terminated) through January 1, 2026. The Authority's obligations under the 1999 Port District Project Bonds Swaption are unsecured general corporate obligations. Regularly scheduled periodic payments to be made by the Authority under the 1999 Port District Project 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 or bonds issued under the 1999 Port District Project Bond Indenture (hereinafter defined) under which the 1999 Port District Project Bonds were issued (without consideration of municipal bond insurance or credit enhancement) falls below "Baa3" with respect to Moody's or "BBB-" with respect to S&P or Fitch, or Bonds or bonds issued under the 1999 Port District Project Bond Indenture cease to be rated by Moody's, S&P or Fitch (and such rating agencies are still in the business of rating obligations such as the Bonds or bonds issued under the 1999 Port District Project Bond Indenture). However, as provided in the 1999 Revenue Bonds 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. The 1999 Port District Project Bonds are currently rated Baa3 and BBB- by Moody's and S&P, respectively.

As of December 31, 2007, the fair value of the 1999 Port District Project Bonds Swaption was (\$22,984). (For the method of valuation, see "Fair Value", Note 4).

FINANCIAL SECTION

In consideration for entering into the 1999 Port District Project Bonds Swaption, the Authority received a net up-front, non-refundable option payment in the amount of \$5,175 from UBS AG which has been recorded as deferred revenue and is being amortized.

If the 1999 Port District Project Bonds Swaption is exercised by UBS AG on an option exercise date, it is the expectation of the Authority (absent cash settling the 1999 Port District Project Bonds Swaption) to currently refund the 1999 Port District Project Bonds by issuing variable rate obligations with the same amortization as of the notional amount amortization of the 1999 Port District Project Bonds Swaption.

1998 Port District Project Bonds, Series B Swaption - On November 15, 2001, the Authority entered into an interest rate hedge agreement with Lehman Brothers Financial Products Inc. ("LBFP") with respect to the Authority's Port District Project Bonds, Series B of 1998 in the initial notional amount of \$66,065 (the "1998 Port District Project Bonds Swaption"). Under the 1998 Port District Project Bonds Swaption, LBFP retains an option, exercisable on January 1, 2008, January 1, 2009, and January 1, 2010, to elect to have the 1998 Port District Project Bonds Swaption commence. Under the 1998 Port District Project Bonds Swaption, if exercised, (i) LBFP is obligated to pay the Authority \$656 (if the option is exercised on January 1, 2008), (ii) LBFP is obligated to pay periodic payments (payable monthly) to the Authority based upon a variable rate of 66% of the USD-LIBOR-BBA index and (ii) the Authority is obligated to pay periodic payments (payable monthly) to LBFP based upon a fixed rate of 4.865% per annum. The periodic interest rates are applied to the notional amount of the 1998 Port District Project Bonds Swaption which amortizes annually commencing January 1, 2009. Only the net difference in the periodic payments is to be exchanged between the Authority and LBFP.

If exercised, the 1998 Port District Project Bonds Swaption would continue (unless earlier terminated) through January 1, 2026. The Authority's obligations under the 1998 Port District Project Bonds Swaption are general unsecured corporate obligations. Regularly scheduled periodic payments to be made by the Authority under the 1998 Port District Project Bonds Swaption are insured by Ambac Assurance. In addition to other Events of Default and Termination Events (as defined in the 1999 Port District Project 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 or bonds issued under the 1998 Port District Project Bond Indenture (hereinafter defined) under which the 1998 Port District Project Bonds were issued (without consideration of municipal bond insurance or credit enhancement) falls below "Baa3" with respect to Moody's or "BBB-" with respect to S&P or Fitch, or Bonds or bonds issued under the 1998 Port District Project Bond Indenture cease to be rated by Moody's, S&P or Fitch (and such rating agencies are still in the business of rating obligations such as the Bonds or bonds issued under the 1998 Port District Project Bond Indenture). However, as provided in the 1998 Port District Project Bonds 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. The 1998 Port District Project Bonds are currently rated Baa3 and BBB- by Moody's and S&P respectively.

On August 30th, 2007, Lehman Brothers advised the Authority that it was exercising its option on this Swaption as of January 1st, 2008. (Additional disclosure information related to this swap is included under "Subsequent Events", Note 20).

As of December 31, 2007, the fair value of the 1998 Port District Project Bonds Swaption was (\$9,859). (For the method of valuation, see "Fair Value", Note 4).

Risks Related to the Derivatives

Fair Value - Fair values were estimated using the zero-coupon method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon rate bonds due on the date of each future net settlement on the swaps.

Basis Risk - Basis risk exists to the extent the Authority's fixed rate payments to the counterparties do not exactly equal the index on the swaption. The Authority's taxable and tax-exempt bonds are hedged with the BMA Municipal Swap Index and a percentage of the USD-LIBOR-BBA Index.

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.

Interest Rate Swap Ratings - In December 2005, Standard & Poor's assigned a Debt Derivative Profile (DDP) rating of "3" for the Authority's swap portfolio, which is considered a neutral credit risk position on a scale from 1 to 5 (with 1 being the most credit worthy).

In March 2006, S&P advised its clients that they had revised the criteria for the DDP scoring by placing “more emphasis on the near and intermediate term risks and less emphasis on the longer-term risks.” As a result, S&P changed the Authority’s rating from a 3.0 to 3.5. There have been no subsequent changes to the Authority’s DDP ratings, since the issuance of S&P’s March 2006 report.

5. ACCOUNTS RECEIVABLE AND TOLL REVENUES

Accounts receivable for December 31, 2007 and December 31, 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Reimbursements from governmental agencies - capital improvements to the PATCO system due from the Federal Transit Administration and New Jersey Transit	\$ 1,835	\$ 1,746
Other intergovernmental	3,500	3,500
Cruise terminal receivables	15	312
Development projects	4	48
Other	<u>2,300</u>	<u>3,541</u>
Gross receivables	7,654	9,147
Less: Allowance for uncollectibles	<u>(1,500)</u>	<u>(1,500)</u>
Net total receivables	<u>\$ 6,154</u>	<u>\$ 7,647</u>

Of the total other intergovernmental receivables of \$3,500 above, \$3,500 is not expected to be collected within one year. In addition, the Authority records toll revenue net of uncollectible tolls and commuter credits. Gross toll revenues for 2007 were \$200,873, while the adjustments for uncollectible tolls and commuter credits were \$483 and \$4,321, respectively.

6. CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the period ending December 31, 2007 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within 1 Year</u>
Bonds and loans payable:					
1995 Revenue Bonds	\$ 357,185		\$ (357,185)		
1998 Revenue Refunding Bonds	69,710		(20,610)	\$ 49,100	\$ 21,695
1999 Revenue Bonds	422,310			422,310	
1998 Port District Project Bonds	70,045		(2,145)	67,900	2,255
1999 Port District Project Bonds	157,035		(2,065)	154,970	2,215
2001 Port District Project Bonds	143,185		(4,740)	138,445	6,065
2007 Refunding Revenue Bonds		\$ 358,195		358,195	20
Less issuance discounts / premiums and loss on defeased debt	<u>(7,283)</u>	<u>(7,227)</u>	<u>4,492</u>	<u>(10,018)</u>	
Total bonds payable	1,212,187	350,968	(382,253)	1,180,902	32,250
Other liabilities:					
Bridge repainting	47,021	4,497		51,518	
Self-insurance	5,188		(427)	4,761	
Sick and vacation leave	4,635		(171)	4,464	3,348
Other (GASB 45 unfunded liability)		9,844		9,844	
Total long-term liabilities	<u>\$ 1,269,031</u>	<u>\$ 365,309</u>	<u>\$ (382,851)</u>	<u>\$ 1,251,489</u>	<u>\$ 35,598</u>

FINANCIAL SECTION**7. INVESTMENT IN FACILITIES**

Capital assets for the period ending December 31, 2007 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 76,325			\$ 76,325
Construction in progress	76,351	\$ 18,524	\$ (37,768)	57,107
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets not being depreciated	152,676	18,524	(37,768)	133,432
Capital assets being depreciated:				
Bridges and related building and equipment	988,809	21,192	(20,756)	989,248
Transit property and equipment	358,245	21,397	(5,743)	373,899
Port enhancements	23,594	31	(7)	23,618
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets being depreciated	1,370,648	42,620	(26,506)	1,386,765
Less accumulated depreciation for:				
Bridges and related building and equipment	(320,144)	(31,097)	20,720	(330,521)
Transit property and equipment	(140,050)	(11,770)	5,743	(146,077)
Port enhancements	(8,180)	(1,767)	24	(9,923)
	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation	(468,374)	(44,634)	26,487	(486,521)
Total capital assets being depreciated, net	902,274	(2,014)	(19)	900,244
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets, net	<u>\$ 1,054,950</u>	<u>\$ 16,510</u>	<u>\$ (37,787)</u>	<u>\$ 1,033,676</u>

Total depreciation expense for the period ending December 31, 2007 was \$44,634.

8. DEFERRED COMPENSATION PLAN

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

9. PENSION PLANS

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

Pennsylvania State Employees' Retirement System

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

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

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

Funding Policy - The contribution requirements of plan members and the Authority are established and amended by the Pennsylvania State Employees' Retirement System Board. As of January 1, 2002, employees are required to contribute 6.25% of their gross earnings to the plan. The Authority was required to, and did, contribute an actuarially determined amount to the plan, which equaled 3.67%, 3.17%, and 2.22% of covered payroll in 2007, 2006, and 2005, respectively. In 2007, 2006, and 2005, the Authority contributed \$1,507, \$1,302, and \$914, respectively, to the plan.

New Jersey Public Employees Retirement System (NJ PERS)

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

Funding Policy - The contribution requirements of plan members and the Authority are established and amended by state statute. In accordance with Chapter 62, P.L.1994, plan members enrolled in the PERS are required to contribute 5.0% of their annual covered salary to the plan. The Authority was not required to contribute an actuarially determined amount to the plan for the years 2003 through 2006. The Authority began sending employee contributions to NJ PERS beginning in January, 2006. The Authority was required to, and did, contribute an actuarially determined amount to the plan, which equaled 5.18% and 5.20% of covered payroll in 2007 and 2006, respectively. In 2007 and 2006, the Authority contributed \$0 and \$0 respectively, to the plan.

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 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.

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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 2007, the Authority was required to, and did, contribute the following amounts for PATCO employees: twenty dollars and twenty cents per day per participating employee. The Authority’s contributions totaled 7.78%, 8.21%, and 7.83% of covered payroll in 2007, 2006, and 2005, respectively. The employees of the Authority make no contributions to the plan. The Authority contributed \$997, \$1,003, and \$955 in 2007, 2006, and 2005, respectively.

10. POSTEMPLOYMENT HEALTHCARE PLAN

For the year ended December 31, 2007, the Authority implemented Statement No. 45 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The provisions and accounting treatment mandated by this Statement have not been retroactively applied to the year ended December 31, 2006; thus, the expense and related liability does not appear in the 2006 column of the comparative combined financial statements.

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 65 receive benefits through Amerihealth and eligible retirees 65 and over receive benefits through the United Health Group (in partnership with AARP) and Aetna. Life insurance benefits to qualifying retirees are provided through Prudential. The plans are administered by the Authority, therefore premium payments are made directly by the Authority to the insurance carriers.

Funding Policy - Employees become eligible for retirement benefits based on hire date and years of service. The contribution requirements of plan members and the Authority are established and may be amended by the Authority’s Board of Commissioners. Plan members receiving benefits contribute \$55 per month for retiree-only coverage for the base plan and \$110 per month for dependent coverage to age 65 for the base plan, and \$55 and \$55 per month, respectively, thereafter for the United Health Group (in partnership with AARP) and Aetna. An additional amount is required for the buy-up plan for retirees under age 65 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 2007, 2006, and 2005 were \$4,626, \$3,986, and \$4,839, respectively.

Future Retirees - Under GASB Statement 45, the Authority is now required to expense the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 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 years. The ARC includes the costs of both current and future retirees. The current ARC was determined to be \$14,470 at an unfunded discount rate of 5%. As shown above, the Authority has funded the cost of existing retirees in the amount of \$4,626 and in 2007, the Authority has accrued the benefit costs for future eligible employees, but has not yet begun funding this outstanding liability. The Authority plans to begin funding a portion of this outstanding liability in 2008.

Annual OPEB Cost - For 2007, the Authority’s annual OPEB cost (expense) of \$14,470 for the plan was equal to the ARC. The Authority’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2007 is as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Pay as You Go Cost (Existing Retirees)</u>	<u>Net OPEB Obligation</u>	<u>Percentage of Annual OPEB Cost Contributed</u>
12/31/2007	\$ 14,470	\$ 4,626	\$ 9,844	32%

Funded Status and Funding Progress - As of January 1, 2007, the most recent actuarial valuation date, the Authority's Plan was 0% funded. The actuarial accrued liability for benefits was \$146,638, and the actuarial value of plan assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$146,638. The covered payroll (annual payroll of active employees covered by the plan) was \$54. (For additional information, please refer to the "Required Supplementary Information Schedule of Funding Progress for Health Benefits Plan" shown at the end of the footnote section.) Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2007 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 actuarial assumptions included the following: a discount rate of 5% on future benefit costs; compensation increases of 4% per year; a medical cost trend rate of 10% per year, reduced by decrements to an ultimate rate of 5% after ten years; turnover rate of 20% starting at age 20 decreasing to a rate of .1% to age 60; retirement rate of 5% starting at age 55, increasing to 10% for ages 60 and 61, 15% for age 62, 5% for ages 63 through 64, and 10% for age 65; and lastly, 80% of future retirees are assumed to have dependent coverage.

11. INDENTURES OF TRUST

The Authority is subject to the provisions of the following Indentures of Trust: Revenue Refunding Bonds of 1998 with Commerce Bank, National Association, dated July 1, 1998; and the Revenue Bonds of 1999 with Commerce Bank, National Association, dated December 1, 1999 and The Revenue Refunding Bonds of 2007, with Commerce Bank as Trustee, dated October 4, 2008 (collectively the "Bond Resolution"); Port District Project Bonds of 1998 with The Bank of New York (as successor trustee to U.S. Trust Company of New Jersey), dated August 15, 1998; Port District Project Bonds of 1999 with The Bank of New York (as successor trustee to Summit Bank), dated December 1, 1999; Port District Project Bonds of 2001 with Commerce Bank, National Association, dated December 1, 2001. The Bond Resolution requires the maintenance of the following accounts:

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

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

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

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

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

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

Revenue Fund - This *unrestricted* account was established in accordance with Section 6.03 of the Bond Resolution

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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, 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. The Authority is required by its Revenue Bond Indentures to retain in the Revenue Fund cash/investments equivalent to 15% of its annual operating expenses, as set forth in the Annual Budget of the Authority. These funds are classified as restricted in the financial statements.

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 \$3,000.

General Fund - This *unrestricted* account was established in accordance with Section 6.09 of the Bond Resolution. All excess funds of the Authority are recorded in the General Account. If the Authority is not in default in the payment of bond principal or interest and all fund requirements are satisfied, the excess funds may be used by the Authority for any lawful purpose.

12. FUNDED AND LONG-TERM DEBT

At December 31, 2007, the Authority had \$1,180,902 in Revenue, Revenue Refunding, and Port District Project Bonds outstanding, consisting of bonds issued in 1998, 1999, 2001, and 2007. The 1995 Revenue Bonds, defeased in 2007, were originally issued pursuant to an Indenture of Trust, dated November 15, 1995, and the First Supplemental Indenture thereto. The 1998 Revenue Refunding Bonds were issued pursuant to the Indenture of Trust, dated July 1, 1998, and a First Supplemental Indenture thereto. The 1998 Port District Project Bonds were issued pursuant to an Indenture of Trust dated August 15, 1998. The 1999 Revenue Bonds were issued pursuant to the Indenture of Trust dated July 1, 1998, a Second Supplemental Indenture dated August 15, 1998, and a Third Supplemental Indenture dated December 1, 1999. The 1999 Port District Project Bonds were issued pursuant to an Indenture of Trust dated December 1, 1999. Under the terms of the 1998 Revenue Refunding Bonds Indenture of Trust, the Authority covenanted not to issue any additional bonds under the 1995 Indenture of Trust. The 2001 Port District Project Bonds were issued pursuant to an Indenture of Trust dated December 1, 2001. The 2007 Revenue Refunding Bonds were issued pursuant to the Indenture of Trust dated July 1, 1998.

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

The 1998 Revenue Refunding Bonds outstanding at December 31, 2007 are as follows:

<u>Maturity Date</u> <u>(January 1)</u>	<u>Interest</u> <u>Rate / Yield</u>	<u>Principal</u> <u>Amount</u>	<u>Maturity Date</u> <u>(January 1)</u>	<u>Interest</u> <u>Rate / Yield</u>	<u>Principal</u> <u>Amount</u>
Serial Bonds, Series B					
2008	5.25%	\$ 21,695	2010	5.25%	\$ 2,245
2009	5.25%	22,795	2011	5.25%	<u>2,365</u>
Total 1998 Refunding Bonds					49,100
Plus unamortized bond premium					1,765
Less unamortized loss on defeasance					<u>(3,284)</u>
Total 1998 Refunding Bonds, net					<u>\$ 47,581</u>

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

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

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

The issuance of the 1998 Revenue Refunding Bonds resulted in a loss of \$16,044 which represents the costs associated with the defeasance or call of the 1989 Bonds. These costs were deferred and will be amortized over the life of the 1998 issue to the year 2011.

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

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

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The 1998 Port District Project Bonds outstanding at December 31, 2007 are as follows:

<u>Maturity Date (January 1)</u>	<u>Interest Rate / Yield</u>	<u>Principal Amount</u>	<u>Maturity Date (January 1)</u>	<u>Interest Rate / Yield</u>	<u>Principal Amount</u>
Serial Bonds					
2008	5.00%	\$ 2,255	2012	4.75%	\$ 2,720
2009	5.00%	2,365	2013	5.00%	2,845
2010	4.50%	2,485	2014	4.75%	2,990
2011	4.63%	2,600	2015	5.00%	<u>3,130</u>
					<u>21,390</u>
Term Bonds					
2016	4.75%	\$ 3,290	2021	5.00%	\$ 4,175
2017	4.75%	3,445	2022	5.00%	4,385
2018	5.00%	3,605	2023	5.00%	4,605
2019	5.00%	3,790	2024	5.00%	4,835
2020	5.00%	3,975	2025	5.00%	5,075
			2026	5.00%	<u>5,330</u>
					<u>46,510</u>
Total par value of 1998 Port District Project Bonds outstanding					67,900
Less unamortized bond discount					<u>(380)</u>
Total 1998 Port District Project Bonds, net					<u>\$ 67,520</u>

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

<u>Optional Redemption Dates (Inclusive)</u>	<u>Redemption Price Port District Project Bonds</u>
January 1, 2008 through December 31, 2008	101.00%
January 1, 2009 and thereafter	100.00%

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

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

The 1999 Revenue Bonds outstanding at December 31, 2007 are as follows:

<u>Maturity Date</u> <u>(January 1)</u>	<u>Interest</u> <u>Rate / Yield</u>	<u>Principal</u> <u>Amount</u>	<u>Maturity Date</u> <u>(January 1)</u>	<u>Interest</u> <u>Rate / Yield</u>	<u>Principal</u> <u>Amount</u>
Serial Bonds					
2010	5.50%	\$ 10,385	2014	5.40%	\$ 5,000
2010	5.10%	5,000	2015	5.75%	20,145
2011	5.50%	16,230	2016	5.75%	16,300
2012	5.50%	12,110	2016	5.63%	5,000
2012	5.25%	5,000	2017	6.00%	22,525
2013	5.63%	18,055	2018	6.00%	18,865
2014	5.75%	14,050	2018	5.75%	5,000
			2019	6.00%	25,295
					198,960
Term Bonds					
2020	5.75%	\$ 26,810	2023	5.75%	\$ 31,710
2021	5.75%	28,355	2024	5.75%	33,530
2022	5.75%	29,985	2025	5.75%	35,460
			2026	5.75%	37,500
					223,350
Total par value of 1999 Revenue Bonds					422,310
Less unamortized bond discount					(567)
Total 1999 Revenue Bonds, net					\$ 421,743

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

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

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

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

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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.

The 1999 Port District Project Bonds outstanding at December 31, 2007 are as follows:

<u>Maturity Date (January 1)</u>	<u>Interest Rate / Yield</u>	<u>Principal Amount</u>	<u>Maturity Date (January 1)</u>	<u>Interest Rate / Yield</u>	<u>Principal Amount</u>
Series A Bonds					
2008	7.32%	\$ 2,215	2011	7.46%	\$ 2,740
2009	7.37%	2,380	2012	7.50%	2,950
2010	7.42%	2,555	2013	7.54%	<u>3,170</u>
					<u>16,010</u>
Term Bonds					
2014	7.63%	\$ 3,405	2018	7.63%	\$ 4,570
2015	7.63%	3,665	2019	7.63%	4,920
2016	7.63%	3,945	2020	7.63%	5,295
2017	7.63%	4,245	2021	7.63%	<u>1,035</u>
					<u>31,080</u>
Series B Bonds					
2021	5.70%	\$ 13,060	2022	5.70%	\$ 16,930
			2023	5.70%	<u>17,895</u>
					<u>47,885</u>
Term Bonds					
2024	5.63%	\$ 18,915	2025	5.63%	\$ 19,980
			2026	5.63%	<u>21,100</u>
					<u>59,995</u>
Total par value of 1999 Port District Project Bonds					154,970
Less unamortized bond discount					<u>(2,381)</u>
Total 1999 Port District Project Bonds, net					<u>\$ 152,589</u>

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

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

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

The 2001 Port District Project Bonds outstanding at December 31, 2007 are as follows:

<u>Maturity Date</u> <u>(January 1)</u>	<u>Interest</u> <u>Rate / Yield</u>	<u>Principal</u> <u>Amount</u>	<u>Maturity Date</u> <u>(January 1)</u>	<u>Interest</u> <u>Rate / Yield</u>	<u>Principal</u> <u>Amount</u>
Series A Refunding Bonds (Federally Taxable)					
2008	5.25%	\$ 5,085	2015	5.50%	\$ 7,260
2009	5.25%	4,350	2016	5.50%	7,660
2009	5.00%	1,000	2017	5.50%	8,080
2010	5.50%	2,625	2018	5.50%	8,525
2010	5.25%	3,000	2019	5.10%	8,995
2011	5.25%	5,935	2020	5.10%	9,450
2012	5.25%	6,255	2021	5.10%	1,580
2013	5.50%	5,570	2022	5.13%	1,300
2014	5.50%	6,880	2023	5.15%	1,300
					\$ 94,850
Term Bonds					
2024	5.20%	\$ 1,300	2026	5.20%	\$ 1,300
2025	5.20%	1,300	2027	5.20%	12,900
					16,800
Total par value of Series A Refunding Bonds					111,650
Plus unamortized bond premium					2,231
Total 2001 Series A Refunding Bonds, net					\$ 113,881

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<u>Maturity Date (January 1)</u>	<u>Interest Rate / Yield</u>	<u>Principal Amount</u>	<u>Maturity Date (January 1)</u>	<u>Interest Rate / Yield</u>	<u>Principal Amount</u>
Series B Refunding Bonds					
2008	4.20%	\$ 980	2016	5.00%	\$ 1,400
2009	4.35%	1,020	2017	5.00%	1,470
2010	4.45%	1,065	2018	5.00%	1,540
2011	4.50%	1,115	2019	5.10%	1,620
2012	4.60%	1,165	2020	5.10%	1,700
2013	4.63%	1,215	2021	5.10%	1,785
2014	4.75%	1,270	2022	5.13%	1,880
2015	4.85%	1,335	2023	5.15%	1,975
					\$ 22,535
Term Bonds					
2024	5.20%	\$ 2,075	2025	5.20%	\$ 2,185
					4,260
Total par value of Series B Bonds					26,795
Less unamortized bond discount					(274)
Total 2001 Series B Bonds, net					26,521
Total 2001 Port District Project Bonds, net					\$ 140,402

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

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

2007 Revenue Refunding Bonds - On October 4, 2007, the Authority issued \$358,195 in variable rate Revenue Refunding Bonds to provide funds, together with other funds available: (a) to finance the current refunding of \$357,185 aggregate principal amount of the Authority's Revenue Bonds, Series of 1995, constituting all of the outstanding bonds of such series; (b) to fund the Debt Service Reserve Requirement; and (c) to pay the costs of issuance of the 2007 Revenue Bonds. The bonds were issued as auction rate securities. The 2007 Revenue Bonds were issued pursuant to the Indenture of Trust dated as of July 1, 1998, 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 and the Fourth Supplemental Indenture dated as of October 1, 2007.

The 2007 Revenue Refunding Bonds outstanding at December 31, 2007 are as follows:

<u>Subseries</u>	<u>First Auction Date</u>	<u>Auction Generally Held On</u>	<u>Interest Payment Date Generally</u>	<u>Auction Period</u>	<u>Principal Amount</u>
2007-1	October 15, 2007	Monday	Tuesday	Seven Days	\$ 71,655
2007-2	October 16, 2007	Tuesday	Wednesday	Seven Days	71,635
2007-3	October 17, 2007	Wednesday	Thursday	Seven Days	71,635
2007-4	October 18, 2007	Thursday	Friday	Seven Days	71,635
2007-5	October 19, 2007	Friday	Monday	Seven Days	71,635
Total par value of 2007 Revenue Refunding Bonds					358,195
Less loss on defeasance					(7,128)
Total 2007 Revenue Refunding Bonds					<u>\$ 351,067</u>

Optional Redemption of the 2007 Revenue Bonds - The 2007 Revenue Bonds, while bearing interest at the Auction Period Rate, are subject to redemption at the option of the Authority, in whole or in part (and if in part in Authorized Denominations; provided that no 2007 Revenue Bonds may be redeemed in part if the principal amount of 2007 Revenue Bonds of a subseries to be Outstanding following such partial redemption is not an Authorized Denomination), at a redemption price equal to 100% of the principal amount of such 2007 Revenue Bonds or portions thereof redeemed, together with accrued interest thereon, if any, on the Interest Payment Date immediately following the end of the Auction Period; provided that after any optional redemption in part of a subseries of 2007 Revenue Bonds there shall be not less than \$10,000 in aggregate principal amount of such subseries of 2007 Revenue Bonds Outstanding unless otherwise consented to by a majority of the Broker-Dealers.

Mandatory Sinking Fund Redemption - The 2007 Revenue Bonds are subject to mandatory redemption in part on January 1 of each year (or for 2007 Revenue Bonds in the ARS Mode in any Auction Period other than a Flexible Auction Period of 183 or more days, on the Interest Payment Date immediately preceding January 1, unless such January 1 is an Interest Payment Date) and 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 set forth on the following page the principal amount of such respective 2007 Revenue Bonds of such:

Sinking Fund Installments

<u>January 1</u>	<u>Subseries 2007 - 1</u>	<u>Subseries 2007 - 2</u>	<u>Subseries 2007 - 3</u>	<u>Subseries 2007 - 4</u>	<u>Subseries 2007 - 5</u>	<u>Total</u>
2008	\$ 20	-	-	-	-	\$ 20
2009	20	-	-	-	-	20
2010	2,225	\$ 2,215	\$ 2,215	\$ 2,215	\$ 2,215	11,085
2011	2,330	2,340	2,340	2,340	2,340	11,690
2012	3,005	3,005	3,005	3,005	3,005	15,025
2013	3,165	3,170	3,170	3,170	3,170	15,845
2014	3,350	3,340	3,340	3,340	3,340	16,710
2015	3,520	3,525	3,525	3,525	3,525	17,620
2016	3,715	3,715	3,715	3,715	3,715	18,575
2017	3,910	3,920	3,920	3,920	3,920	19,590
2018	4,135	4,130	4,130	4,130	4,130	20,655
2019	4,360	4,355	4,355	4,355	4,355	21,780
2020	4,590	4,595	4,595	4,595	4,595	22,970
2021	4,840	4,845	4,845	4,845	4,845	24,220
2022	5,100	5,110	5,110	5,110	5,110	25,540
2023	5,390	5,385	5,385	5,385	5,385	26,930
2024	5,680	5,680	5,680	5,680	5,680	28,400
2025	5,985	5,990	5,990	5,990	5,990	29,945
2026	<u>6,315</u>	<u>6,315</u>	<u>6,315</u>	<u>6,315</u>	<u>6,315</u>	<u>31,575</u>
	<u>\$71,655</u>	<u>\$71,635</u>	<u>\$71,635</u>	<u>\$71,635</u>	<u>\$71,635</u>	<u>\$358,195</u>

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The following recapitulates the principal and interest due on all bonds outstanding as of December 31, 2007:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 32,250	\$ 53,163	\$ 85,413
2009	33,930	54,888	88,818
2010	40,445	53,564	94,009
2011	42,675	51,714	94,389
2012	45,225	49,757	94,982
2013-2017	265,685	215,410	481,095
2018-2022	353,590	144,867	498,457
2023-2027	<u>377,120</u>	<u>45,311</u>	<u>422,431</u>
	1,190,920	<u>\$ 668,674</u>	<u>\$ 1,859,594</u>
Net unamortized bond discounts, premiums, and loss on defeasance	<u>(10,018)</u>		
	<u>\$ 1,180,902</u>		

Interest on the 1998, 1999, and 2001 Bonds is payable semi-annually on January 1 and July 1 in each year. Interest on the 2007 Revenue Bonds is payable weekly one day after the auction date. Interest expense includes interest on the bonds and amortization of bond discounts and loss on defeasance.

Total funded debt and long-term debt as of December 31, 2007 totaled \$1,180,902, of which \$32,250 is short term and \$1,148,652 is long term. The Authority is current on all of its monthly debt service payments on all obligations.

Bond Ratings - Moody's Investors Service, Inc. Ratings - In January 2006, as a result of the Authority's failure to pass its 2006 Operating Budget in compliance with its Bond Indentures, Moody's Investors Service, Inc. placed the Authority's bonds on its "Watchlist" for possible downgrade. Moody's also withdrew its bond rating on the proposed 2005 refunding of the 1995 Revenue Bond issue, but did not alter the bond ratings on the Authority's outstanding issues. In its report, issued on June 13, 2006, Moody's removed the Authority from its "Watchlist" for a possible downgrade and affirmed its ratings on the Authority's bond issues, however, Moody's also assigned a "negative outlook" to the ratings.

Moody's reaffirmed its existing ratings of the Authority's debt, with a "negative outlook" in its report issued on April 16, 2007. In September 2007, Moody's removed the "negative outlook" on the Authority's bonds and, concurrent with the issuance of the 2007 Revenue Refunding Bonds, Moody's affirmed the Authority's existing ratings on all revenue and port district project bonds and assigned a rating of A3 to the 2007 Revenue Refunding Bonds. In addition, Moody's revised its outlook to stable. As of December 31, 2007, the Authority's revenue bonds remained at A3, while its port district project bonds remained at Baa3.

Standard & Poors, Inc. Ratings - In February 2006, Standard and Poor's (S&P) placed the Authority's bonds on "CreditWatch" with negative implications. In its report, issued on June 12, 2006, S&P maintained its CreditWatch placement, with negative implications, on the underlying (SPUR) ratings on the Authority's bond issues. As of December 31, 2006, the Authority's bonds remained on "CreditWatch" with negative implications.

On April 18, 2007, S&P downgraded its underlying ratings on the Authority's Revenue Bond issues, reducing the 1995 Revenue Bonds from an 'A' to 'A-' rating and reducing the 1998 Revenue Refunding and 1999 Revenue Bonds from an 'A-' to 'BBB+' rating. The ratings on the Port District Project Bonds were affirmed at 'BBB-'. All of the Authority's debt issues were removed from CreditWatch with negative implications, although S&P assigned a negative outlook to the ratings.

In accordance with its Continuing Disclosure Agreements, in May 2007, the Authority filed a Material Event Disclosure related to the aforementioned S&P ratings actions with its Bond Trustees and the NRMSIRs (Nationally Recognized Municipal Securities Information Repositories).

On October 2, 2007, S&P "revised its outlook on the DRPA bonds to stable from negative." Concurrent with this revision, S&P affirmed its BBB+ ratings on outstanding revenue bond issues and assigned its BBB+ underlying ratings to the Authority's 2007 Revenue Refunding Bonds, while affirming its BBB- ratings on the port district project bonds. As of December 31, 2007, these ratings remained unchanged.

13. DEFEASANCE OF DEBT

On October 4, 2007, the Authority issued Revenue Refunding Bonds at par value in the amount of \$358,195 with a variable rate to finance the current refunding of \$357,185 aggregate principal amount of the Authority's Revenue Bonds, Series of 1995, with interest rates ranging from 5.30% to 5.50%. The Revenue Bonds, Series of 1995, mature on January 1, 2026 and were callable during 2007 at 101.00% and at par as of January 1, 2008. As of December 31, 2007, \$357,185 of the defeased debt remains outstanding.

As a result of the refunding, the Authority incurred a loss on defeasance of \$7,227, which has been recorded as a contra-asset account against the noncurrent liability of bonded debt, and is being amortized as a component of interest expense over the life of the newly issued, refunding debt.

14. CONDUIT DEBT OBLIGATIONS

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

As of December 31, 2007, there was one series of Charter School Project Bonds outstanding, issued for the LEAP Academy Charter School, Inc. The corresponding aggregate principal totaling \$8,500 is treated strictly as conduit debt obligations under Interpretation No. 2 of the Governmental Accounting Standards Board (GASB) and accordingly is not included in the financial statements. The following schedule details the series together with the amount outstanding:

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

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

The Authority receives contributions in aid for financing capital improvements to the rapid transit system from the Federal Transit Administration and New Jersey Transit. Capital improvement grant funds of \$10,024 and \$12,076 were received in 2007 and 2006, respectfully. The Authority receives federal and state grants for specific construction purposes that are subject to review and audit by the grantor agencies. Although such audits could result in disallowances under terms of the grants, it is the opinion of management that any required reimbursements will not be material to the Authority's net assets.

16. CONTINGENCIES

Public liability claim exposures are self-insured by the Authority within its retention limit of \$5 million per occurrence; after which, exists \$20 million of excess liability insurance per occurrence to respond to any large losses exceeding the retention. The Authority, excluding PATCO, self-insures the initial \$1 million, per occurrence, for workers' compensation claims, after which \$5 million of excess workers' compensation insurance is retained to respond to significant claims. PATCO is completely self-insured for workers' compensation claims.

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

FINANCIAL SECTION

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

Self-insurance

	<u>2007</u>	<u>2006</u>
Beginning balance	\$ 5,187	\$ 5,503
Incurred claims	1,538	2,783
Payment of claims	(2,129)	(3,019)
Other - Recoveries and Adjustments	165	(80)
Ending balance	<u>\$ 4,761</u>	<u>\$ 5,187</u>

17. COMMITMENTS

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

In support of various economic development projects, the Authority has entered into loan guarantees with various banks to complete the financing aspects of a particular project. The Authority's Board has authorized loan guarantees in an amount not to exceed \$27.0 million. As of December 31, 2007, the Authority has executed loan guarantees with various banks, totaling \$25.0 million. The guarantees remain in force, and as a result, the Authority has made no cash outlays relating to these guarantees.

B. Leases - The Authority currently leases certain subway properties from the City of Philadelphia (City) for use by the PATCO high-speed transit system. During 1995, the Authority and City agreed to amend and extend the lease agreement, which will now expire on December 21, 2050. For the lease years 1998 through 2000, the Authority was required to pay \$1,000 in base rent to the City and \$6,000 annually in Special Economic and Community Development Grants (SECD Grants) to the City. In 2007, the base rent payable to the City totaled \$2,806 as adjusted for the cumulative increases in the Consumer Price Index (CPI) between 1996 and 2006. Base rent payments for 2008 through 2017 shall equal the previous year's base rent adjusted by any increase in the CPI for that year. For the years 2018 through 2050, annual base rent shall equal one dollar. No SECD Grants are payable to the City for the lease years 2001 through 2050.

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

<u>Year</u>	<u>Amount</u>
2008	\$ 3,380
2009	3,495
2010	3,615
2011	3,739
2012	3,869

C. Americans with Disabilities Act (ADA) - In July 1990, the ADA was enacted to ensure that persons with disabilities have access to public accommodations. The Authority has made all key transit system stations accessible and is in compliance with the significant provisions of the law. Under a separate voluntary compliance agreement with the Federal Transit Administration, the Authority brought the transit public address system into full compliance at year-end 1999.

D. Letters of Credit - In May 2004, the Authority entered into two separate irrevocable standby Letter of Credits with 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 Commerce Bank is for a four-year term in the amount of \$2,200 with an expiration date of May 7, 2008. The Letter of Credit with Wachovia Bank was in an initial amount of \$1,250 and automatically increases annually each May in the amount of \$1,250 until its expiry on May 7, 2008.

As of December 31, 2007, the unused amount of the Letter of Credits totaled \$7,200. No draw downs have been made against any Letter of Credit. (Subsequent to this date, in May, the Authority entered into two new irrevocable standby letters of credit totaling \$8.02 million in support of its newly approved four year program.)

E. Contractual Commitments - As of December 31, 2007, the Authority had contractual commitments as follows (in thousands):

	<u>Total</u>
Benjamin Franklin Bridge:	
Anchorage door replacement	\$1,658
Part time & temporary toll collectors	3,074
Financial and audit services	215
Upgrade of SATS system	230
Engineering services - task orders	1,217
Other	3,461
Walt Whitman Bridge:	
Bridge inspection	11
Deck condition assessment and design	3,909
Cable investigation	12
Commodore Barry Bridge:	
Bridge inspection	194
Betsy Ross Bridge:	
Bridge inspection	98
PATCO Transit System:	
PATCO interlocking & roadbed rehabilitation	311
Fare collection system	2,896
Power cable and pole line replacement	1,015
Design services - car overhaul	8,286
Embankment restoration	1,034
Other	3,793
Other:	
Delaware River tram & riverfront development	10,076
Port enhancement projects	109
Cruise terminal and ferry operations	<u>106</u>
	<u><u>\$41,705</u></u>

18. DISCONTINUED OPERATIONS

During 2006, PPC was responsible for the operation of the AmeriPort intermodal transfer facility. The facility was operated by a trucking warehouse and intermodal operating company under a contract with the Authority. The Authority discontinued operations at its AmeriPort facility in June 2006 due to the anticipated completion and opening of a new intermodal facility by Norfolk Southern at the Philadelphia Navy Yard.

FINANCIAL SECTION

The following represents the reported loss, as of December 31, 2006, of \$4,971 on the disposal of the AmeriPort intermodal transfer facility:

Revenues:	
Interest earnings	\$ 99
Interest on loans	464
Facility charges	1,139
Other	<u>10</u>
	1,712
Operating expenses	<u>(1,009)</u>
Operating income	\$ 703
Loss from disposal of capital assets	<u>(5,674)</u>
Total loss on disposal of AmeriPort	<u>\$ (4,971)</u>

19. RECLASSIFICATIONS IN PRESENTATION OF COMPARATIVE STATEMENTS

In the combined financial statements for the year ended December 31, 2006, the Authority reclassified certain amounts reported in 2006 among assets and liabilities. The reclassifications are immaterial to the combined financial statements and had no impact on the total amount, or amounts of the individual components, of net assets.

20. SUBSEQUENT EVENTS

Postponement of Issuance of 2007 Port District Project Refunding Bonds/Interest Rate Swap Commencement – In December 2007, the Authority anticipated refunding its 1999 Port District Project Bonds Series B with a variable interest rate issue of approximately \$66.0 million. A preliminary official statement (POS) was issued in mid-December after credit ratings for the proposed offering were issued by Moody’s Investors Service, Inc. and by Standard & Poor’s Inc. Subsequent to the release of the POS, the Authority postponed the refunding issue due to the unfavorable conditions in the tax exempt bond markets and in early January, it filed a “Municipal Secondary Market Disclosure” notice with the NRMSIRs. The Authority continues to monitor market conditions, however, at this time, no further action has been taken with regards to the refunding of the 1999 Port District Project Bonds.

On January 1, 2008, the 1998 Port District Project Bonds, Series B Swaption, which was exercised by Lehman Brothers on August 30, 2007, commenced with Lehman Brothers making a swap exercise premium payment to the Authority in the amount of \$656. On February 1, the Authority made its initial net monthly interest payment to Lehman Brothers and has made all subsequent payments required during 2008.

Authority Purchase of its 2007 Revenue Refunding Bonds in ARS Mode - As a result of dislocations in the auction rate securities market, more specifically, problems associated with ratings downgrades of municipal bond insurers, interest rates on the Authority’s variable rate debt in the form of auction rate securities issued in October 2007 (“2007 Bonds”) have been significantly higher than anticipated by the Authority when the 2007 Bonds were issued. On March 14, 2008, the United States Securities and Exchange Commission (“SEC”) issued a letter addressing auction rate securities, providing guidance with respect to issuers contemplating the purchase of their auction rate bonds (“SEC Letter”), and on March 25, 2008, the United States Department of Treasury, Internal Revenue Service (“IRS”) issued an administrative and procedural notice (“IRS Notice”) relating to auction rate bonds purchased by issuers thereof. In May 2008, the Authority began bidding on and purchasing subseries (or portions thereof) of the 2007 Bonds at selected weekly auctions. The Authority has contracted with Digital Assurance Certification (DAC) to disseminate disclosures as to such bidding and purchasing, including posting of these disclosures on its dabond.com website.

Issuance of 2008 Revenue Refunding Bonds - As noted in the Letter of Transmittal and in the preceding section, due to dislocations in the auction rate securities market, the Authority anticipates issuing its Revenue Refunding Bonds, Series A and B of 2008 (“2008 Bonds”) to currently refund the 2007 Bonds outstanding in the principal amount of \$358.2 million. This refunding bond issue was authorized by the Authority’s Board at its February 20, 2008 meeting. The 2008 Bonds, if issued, are expected to be issued as variable rate demand obligations, secured by direct pay letters of credit. The 2008 Bonds are anticipated to be issued, in whole or in part, in July of 2008.

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR HEALTH BENEFITS PLAN
(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]
01/01/07	-	\$ 146,638	\$ 146,638	-	\$ 53,695	273.1%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION:

Other Postemployment Benefits

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

Valuation Date	January 1, 2007
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level dollar amount using open 30-year period
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	5%
Rate of Salary Increases	4%
Rate of Medical and Prescription Inflation	10% grading to 5% in 2013 and later

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

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COMBINED SUPPLEMENTAL SCHEDULE OF NET ASSET INFORMATION BY FUND
December 31, 2007 (In Thousands)

	Capital Fund	Revenue Fund	Maint. Reserve Fund	General Fund	Combined Bond Funds	Combined Project Funds	2007 Total
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents		\$ 1,150		\$ 3,656			\$ 4,806
Investments			\$ 644	205,440			206,084
Accounts receivable (net of allowance for uncollectibles)		2,189		3,965			6,154
Accrued interest receivable				650			650
Transit system and storeroom inventories		357		5,361			5,718
Economic development loans - current				690			690
Prepaid Expenses		2,039		642			2,681
Restricted assets:							
Temporarily restricted:							
Cash and cash equivalents		2,246				\$ 536	2,782
Investments		8,947	3,000		\$ 168,109	131,253	311,309
Accrued interest receivable						4	4
Total current assets	-	16,928	3,644	220,404	168,109	131,793	540,878
NONCURRENT ASSETS:							
Capital assets (net of accumulated depreciation):							
Land	76,300			25			76,325
Construction in progress	56,323			784			57,107
Bridges, related buildings and equipment	658,727						658,727
Transit property and equipment	227,822						227,822
Port enhancements	13,620			75			13,695
Total capital assets	1,032,792	-	-	884	-	-	1,033,676
Other:							
Economic development loans (net of allowance for uncollectibles)				23,616			23,616
Deferred charges:							
Debt issuance costs (net of amortization)	10,960			19,599			30,559
Total other assets	10,960	-	-	43,215	-	-	54,175
Total noncurrent assets	1,043,752	-	-	44,099	-	-	1,087,851
Total assets	\$ 1,043,752	\$ 16,928	\$ 3,644	\$ 264,503	\$ 168,109	\$ 131,793	\$ 1,628,729

COMBINED SUPPLEMENTAL SCHEDULE OF NET ASSET INFORMATION BY FUND:
December 31, 2007 (In Thousands)

	Capital Fund	Revenue Fund	Maint. Reserve Fund	General Fund	Combined Bond Funds	Combined Project Funds	Total
LIABILITIES							
CURRENT LIABILITIES:							
Accounts payable:							
Retained amounts on contracts		\$ 35		\$ 1,704			\$ 1,739
Other		3,566		5,563			9,129
Accrued liabilities:							
Pension		284		251			535
Sick and vacation leave benefits		2,201		1,147			3,348
Other		480		840			1,320
Deferred revenue		8,754		1,923			10,677
Liabilities payable from restricted assets:							
Accrued interest payable					\$ 23,841	-	23,841
Bonds payable - current					32,250	-	32,250
Total current liabilities	-	15,320	-	11,428	56,091	-	82,839
NONCURRENT LIABILITIES:							
Accrued liabilities:							
Repainting		51,518					51,518
Self-insurance		3,936		825			4,761
Sick and vacation leave benefits		734		382			1,116
Other		6,219		3,625			9,844
Bonds and loans (net of unamortized discount/premium)	\$ 798,677			291,476		\$ 58,499	1,148,652
Total noncurrent liabilities	798,677	62,407	-	296,308	-	58,499	1,215,891
Total liabilities	\$ 798,677	\$ 77,727	-	\$ 307,736	\$ 56,091	\$ 58,499	\$ 1,298,730
NET ASSETS							
Invested in capital assets, net of related debt	\$ 245,075			\$ 884			\$ 245,959
Restricted for:							
Debt requirements		\$ 11,193	\$ 3,000		\$ 89,408		103,601
Port projects						73,294	73,294
Unrestricted (deficit)		(71,992)	644	(44,117)	22,610		(92,855)
Total net assets	\$ 245,075	\$ (60,799)	\$ 3,644	\$ (43,233)	\$ 112,018	\$ 73,294	\$ 329,999

FINANCIAL SECTION

COMBINED SUPPLEMENTAL SCHEDULE OF CHANGES IN FUND NET ASSETS INFORMATION BY FUND
December 31, 2007 (In Thousands)

	Capital Fund	Revenue Fund	Maint. Reserve Fund	General Fund	Combined Bond Funds	Combined Project Funds	Total
Net assets (deficit), January 1	\$ 244,032	\$ (47,493)	\$ 3,473	\$ (65,141)	\$ 119,515	\$ 76,237	\$ 330,623
Revenues and expenses:							
Operating revenues		201,609		22,361			223,970
Operating expenses	(46,384)	(49,238)		(48,778)			(144,400)
General administration expenses		(30,816)			(209)		(31,025)
Investment earnings	441	1,048	171	10,776	7,622	6,646	26,704
Interest expense	(1,669)			(920)	(72,079)		(74,668)
Economic development activities				(9,841)			(9,841)
Other nonoperating revenues (expenses)	(773)			(615)			(1,388)
Total revenues and expenses	(48,385)	122,603	171	(27,017)	(64,666)	6,646	(10,649)
Government contributions for capital improvements, additions and other projects	-	12	-	10,012	-	-	10,024
Interfund transfers and payments:							
Bond service		(71,273)		(28,253)	99,526		
Funds in excess on bond reserve requirement		1,316			(1,316)		
Funds free and clear of any lien or pledge		(65,964)		65,964			
Retirement of bonds	20,610			8,950	(29,560)		
Funds for permitted capital expenditures				17,294		(17,294)	
Funds for permitted port projects				1,090		(1,090)	
Net equity from 2001 port district bonds				209	(1,073)	864	
Net equity from 2007 port district bonds	3,289			(2,743)	(7,718)	7,172	
Capital additions	23,395			(23,395)			
Interfund transfers	2,134			(203)	(2,690)	759	
Total interfund transfers and payments	49,428	(135,921)	-	38,913	57,169	(9,589)	-
Net assets (deficit), December 31	\$ 245,075	\$ (60,799)	\$ 3,644	\$ (43,233)	\$ 112,018	\$ 73,294	\$ 329,999

COMBINED SUPPLEMENTAL SCHEDULE OF NET ASSET INFORMATION FOR COMBINED BOND AND PROJECT FUNDS
December 31, 2007 (In Thousands)

	Bond Reserve Funds	Bond Service Funds	1998 Port District Project Fund	1999 Project Fund	1999 Port District Project Fund	2001 Port District Project Fund	Total Combined Funds
ASSETS							
NONCURRENT ASSETS:							
Restricted assets:							
Temporarily restricted:							
Cash and cash equivalents			\$ 4	\$ 59	\$ 473		\$ 536
Investments	\$ 106,112	\$ 61,997	7,484	30,622	81,858	\$ 11,289	299,362
Accrued interest receivable					4		4
Total noncurrent assets	<u>106,112</u>	<u>61,997</u>	<u>7,488</u>	<u>30,681</u>	<u>82,335</u>	<u>11,289</u>	<u>299,902</u>
Total assets	<u>106,112</u>	<u>61,997</u>	<u>7,488</u>	<u>30,681</u>	<u>82,335</u>	<u>11,289</u>	<u>299,902</u>
LIABILITIES							
CURRENT LIABILITIES:							
Liabilities payable from restricted assets:							
Accrued interest payable		23,841					23,841
Bonds payable - current		32,250					32,250
Total current liabilities	<u>-</u>	<u>56,091</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,091</u>
NONCURRENT LIABILITIES:							
Bonds (net of unamortized discount/premium)					53,148	5,351	58,499
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,148</u>	<u>5,351</u>	<u>58,499</u>
Total liabilities	<u>-</u>	<u>56,091</u>	<u>-</u>	<u>-</u>	<u>53,148</u>	<u>5,351</u>	<u>114,590</u>
NET ASSETS							
Restricted for:							
Revenue and port district project bonds	83,502						83,502
Revenue and port district bond service		5,906					5,906
Capital projects			7,488	30,681	29,187	5,938	73,294
Unrestricted	<u>22,610</u>						<u>22,610</u>
Total net assets	<u>\$ 106,112</u>	<u>\$ 5,906</u>	<u>\$ 7,488</u>	<u>\$ 30,681</u>	<u>\$ 29,187</u>	<u>\$ 5,938</u>	<u>\$ 185,312</u>

FINANCIAL SECTION

COMBINED SUPPLEMENTAL SCHEDULE OF CHANGES IN NET ASSET INFORMATION FOR COMBINED BOND AND PROJECT FUNDS

December 31, 2007 (In Thousands)

	Bond Reserve Funds	Bond Service Funds	1998 Port District Project Fund	1999 Project Fund	1999 Port District Project Fund	2001 Port District Project Fund	Total Combined Funds
Net assets, January 1	\$ 116,240	\$ 3,275	\$ 7,407	\$ 39,149	\$ 25,172	\$ 4,509	\$ 195,752
Revenues and expenses:							
General & Administration expense		(209)					(209)
Investment earnings	6,014	1,608	412	1,654	4,015	565	14,268
Interest expense		(72,079)					(72,079)
Total revenues and expenses	<u>6,014</u>	<u>(70,680)</u>	<u>412</u>	<u>1,654</u>	<u>4,015</u>	<u>565</u>	<u>(58,020)</u>
Government contributions for capital improvements, additions and other projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Interfund transfers and payments:							
Bond service		99,526					99,526
Funds in excess of bond reserve requirement	(7,897)	6,581					(1,316)
Funds for permitted capital expenditures				(17,294)			(17,294)
Retirement of bonds		(29,560)					(29,560)
Funds for permitted port projects			(868)			(222)	(1,090)
Net equity from 2001 port district bonds	(1,073)					864	(209)
Net equity from 2007 port district bonds	(7,172)	(546)		7,172			(546)
Interfund transfers		(2,690)	537			222	(1,931)
Total interfund transfers and payments	<u>(16,142)</u>	<u>73,311</u>	<u>(331)</u>	<u>(10,122)</u>	<u>-</u>	<u>864</u>	<u>47,580</u>
Net assets, December 31	<u>\$ 106,112</u>	<u>\$ 5,906</u>	<u>\$ 7,488</u>	<u>\$ 30,681</u>	<u>\$ 29,187</u>	<u>\$ 5,938</u>	<u>\$ 185,312</u>

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Statistical
SECTION

Statistical
SECTION



FINANCIAL TREND DATA

The Authority has experienced positive growth in net assets during the period from 2002 through 2006. While a small decrease in net assets is apparent for 2007, this reduction is directly related to the \$9.8 million accrued (non-cash) expenses charged to operating expenses due to the GASB 45 pronouncement concerning Accounting and Financial Reporting of Postemployment Benefits (OPEB). As noted below, bridge operations generate the most revenue for the Authority, accounting for 87.5% of total operating revenues during 2007. The total value of operating expenses increased from the previous year, again, due in large part to accounting for OPEB. Please refer to the following schedules for a historical view of the Authority's financial performance.

Last Six Fiscal Years (In Thousands)

NET ASSETS

	2007	2006	2005	2004	2003	2002
Invested in Capital Assets, Net of Related Debt	\$ 245,959	\$ 244,194	\$ 245,211	\$ 224,189	\$ 180,741	\$ 275,718
Restricted	176,895	199,758	236,796	257,111	249,155	236,737
Unrestricted (deficit)	(92,855)	(113,329)	(158,624)	(173,185)	(128,777)	(197,287)
Total Net Assets	\$ 329,999	\$ 330,623	\$ 323,383	\$ 308,115	\$ 301,119	\$ 315,168

CHANGES IN NET ASSETS

	2007	2006	2005	2004	2003	2002
Operating Revenues						
Bridges:						
Tolls	\$ 196,069	\$ 194,958	\$ 190,930	\$ 188,809	\$ 175,622	\$ 174,418
Other operating revenues	5,540	4,170	4,219	6,194	5,914	3,220
Total bridge operating revenues	<u>201,609</u>	<u>199,128</u>	<u>195,149</u>	<u>195,003</u>	<u>181,536</u>	<u>177,638</u>
Transit system:						
Passenger fares	18,978	19,014	19,067	18,647	18,430	19,251
Other operating revenues	1,438	1,600	1,871	1,221	1,151	1,252
Total transit system operating revenues	<u>20,416</u>	<u>20,614</u>	<u>20,938</u>	<u>19,868</u>	<u>19,581</u>	<u>20,503</u>
Port of Philadelphia and Camden:						
AmeriPort	-	-	1,838	1,734	1,018	1,085
Cruise terminal	1,043	1,608	1,264	839	601	510
RiverLink	50	72	51	50	877	745
Total Port of Philadelphia and Camden	<u>1,093</u>	<u>1,680</u>	<u>3,153</u>	<u>2,623</u>	<u>2,496</u>	<u>2,340</u>
Other:						
Miscellaneous	852	1,697	623	142	701	-
Total operating revenues	<u>223,970</u>	<u>223,119</u>	<u>219,863</u>	<u>217,636</u>	<u>204,314</u>	<u>200,481</u>
Operating Expenses:						
Operations	94,762	88,482	82,239	81,857	80,179	72,964
General and administration	31,025	27,780	26,857	29,355	32,567	30,307
Depreciation	44,634	42,355	38,432	34,702	30,819	28,139
Lease and community impact	3,306	3,198	3,078	3,021	2,952	2,917
Port of Philadelphia and Camden	1,698	1,824	3,548	3,683	6,828	6,884
Total operating expenses	<u>175,425</u>	<u>163,639</u>	<u>154,154</u>	<u>152,618</u>	<u>153,345</u>	<u>141,211</u>
Operating Income	<u>48,545</u>	<u>59,480</u>	<u>65,709</u>	<u>65,018</u>	<u>50,969</u>	<u>59,270</u>
Nonoperating Revenues (Expenses)						
Investment earnings	26,704	28,383	27,282	28,391	38,111	45,072
Interest expenses	(74,668)	(78,267)	(72,213)	(73,621)	(74,770)	(77,039)
Amortization expense	(1,353)	(1,346)	(2,059)	(2,114)	(1,871)	(1,007)
Economic development activities	(9,841)	(7,050)	(9,704)	(14,850)	(34,013)	(55,506)
Other	(35)	(1,065)	(1,533)	(2,280)	(526)	(289)
Total nonoperating revenues (expenses)	<u>(59,193)</u>	<u>(59,345)</u>	<u>(58,227)</u>	<u>(64,474)</u>	<u>(73,069)</u>	<u>(88,769)</u>
Loss Before Capital Contributions and Special Items	<u>(10,648)</u>	<u>135</u>	<u>7,482</u>	<u>544</u>	<u>(22,100)</u>	<u>(29,499)</u>
Capital Contributions:						
Federal and state capital improvement grants	10,024	12,076	7,786	6,452	9,646	13,023
Special Items:						
Loss on discontinued operations	-	(4,971)	-	-	-	-
Change in Net Assets	<u>\$ (624)</u>	<u>\$ 7,240</u>	<u>\$ 15,268</u>	<u>\$ 6,996</u>	<u>\$ (14,049)</u>	<u>\$ (16,476)</u>

STATISTICAL SECTION

REVENUE CAPACITY DATA

For the 2007 fiscal year, bridge toll and transit system rates remained the same as the previous year. Major revenues, consisting primarily of bridge operating revenues, have shown positive growth since 2002; additionally, 2007 revenues increased slightly over 2006 revenues. PATCO operating revenues have grown modestly over the 2003 through 2007 time frame, although its revenues decreased slightly in 2007. Revenues from passenger fares on the PATCO transit system slightly decreased despite the increase in passenger ridership; this decrease is the result of customers taking shorter trips along the transit route line. For additional historical information on the Authority's bridge traffic, passenger trips and other revenues, please refer to the schedules below.

Last Ten Fiscal Years (In Thousands)

MAJOR REVENUES BY SOURCE

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Bridge operating revenues	\$201,609	\$199,128	\$195,149	\$195,003	\$181,536	\$174,418	\$176,389	\$169,750	\$119,467	\$117,242
PATCO transit system operating revenues	20,416	20,614	20,938	19,868	19,581	20,503	20,473	18,780	16,354	15,234
Port of Philadelphia and Camden	1,093	1,680	3,153	2,623	2,496	2,340	3,180	1,349	1,947	2,327
Interest income	26,704	28,383	27,282	28,391	38,111	45,072	50,301	50,884	14,208	15,371
Total revenues	<u>\$249,822</u>	<u>\$249,805</u>	<u>\$246,522</u>	<u>\$245,885</u>	<u>\$241,724</u>	<u>\$242,333</u>	<u>\$250,343</u>	<u>\$240,763</u>	<u>\$151,976</u>	<u>\$150,174</u>

The Authority increased toll rates on January 2, 2000. E-ZPass was fully implemented on DRPA facilities on January 2, 2000 in conjunction with the toll increase. E-ZPass discount program was restructured on January 1, 2004.

TOLL REVENUE BY BRIDGE

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Walt Whitman Bridge	\$77,109	\$77,527	\$76,255	\$75,001	\$68,214	\$68,111	\$66,923	\$62,985	\$43,050	\$43,862
Ben Franklin Bridge	62,235	61,577	60,550	60,377	58,261	57,833	56,633	54,857	37,600	36,535
Betsy Ross Bridge	26,734	26,907	26,305	26,581	24,627	24,552	24,916	24,842	18,412	18,542
Commodore Barry Bridge	29,991	28,947	27,820	26,850	24,520	23,694	25,193	25,267	17,882	17,110
Total toll revenues	<u>\$196,069</u>	<u>\$194,958</u>	<u>\$190,930</u>	<u>\$188,809</u>	<u>\$175,622</u>	<u>\$174,190</u>	<u>\$173,665</u>	<u>\$167,951</u>	<u>\$116,944</u>	<u>\$116,049</u>

The Authority increased toll rates on January 2, 2000. E-ZPass was fully implemented on DRPA facilities on January 2, 2000 in conjunction with the toll increase. E-ZPass discount program was restructured on January 1, 2004.

BRIDGE CASH TOLL RATES

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Class 1 - Motorcycle	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$1.50	\$1.50
Class 2 - Automobile	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.00	2.00
Class 3 - Two Axle Trucks	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	6.00	6.00
Class 4 - Three Axle Trucks	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	9.00	9.00
Class 5 - Four Axle Trucks	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	12.00	12.00
Class 6 - Five Axle Trucks	22.50	22.50	22.50	22.50	22.50	22.50	22.50	22.50	15.00	15.00
Class 7 - Six Axle Trucks	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	18.00	18.00
Class 8 - Bus	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	3.00	3.00
Class 9 - Bus	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	4.50	4.50
Class 10 - Senior Citizen (With Ticket Only)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Class 13 - Auto w/trailer (1 axle)	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	3.50	3.50
Class 14 - Senior Citizens (With 2 Tickets On)	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70

The toll rates shown above are cash toll rates in effect for the period indicated. The Authority has always provided a commuter 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.

REVENUE CAPACITY DATA (Continued)

BRIDGE TRAFFIC BY VEHICLE CLASSIFICATION

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Vehicle classification:										
Automobiles & light trucks	49,678	49,394	48,667	48,345	46,683	46,225	45,411	43,863	35,206	34,329
Commuter vehicles	-	-	-	-	-	-	-	-	10,326	11,545
Trucks	3,038	3,035	2,974	2,965	2,824	2,724	2,786	2,716	2,888	2,829
Buses	301	314	317	331	327	333	340	351	374	376
Senior citizens	1,998	2,033	2,005	2,054	2,018	2,063	2,003	1,884	1,620	1,701
Other	61	89	102	113	115	286	126	161	286	237
Total traffic	<u>55,076</u>	<u>54,865</u>	<u>54,065</u>	<u>53,808</u>	<u>51,967</u>	<u>51,631</u>	<u>50,666</u>	<u>48,975</u>	<u>50,700</u>	<u>51,017</u>

Commuter vehicle traffic has been included in Automobiles & light trucks for Year 2000 and beyond.

BRIDGE TRAFFIC BY BRIDGE

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Walt Whitman Bridge	21,473	21,577	21,293	21,070	19,869	19,876	19,345	18,314	18,470	18,906
Ben Franklin Bridge	19,759	19,600	19,363	19,371	19,298	19,139	18,579	18,019	18,471	18,233
Betsy Ross Bridge	6,900	6,906	6,788	6,909	6,653	6,583	6,627	6,582	6,368	7,624
Commodore Barry Bridge	6,944	6,782	6,621	6,458	6,147	6,033	6,115	6,060	7,391	6,254
Total traffic	<u>55,076</u>	<u>54,865</u>	<u>54,065</u>	<u>53,808</u>	<u>51,967</u>	<u>51,631</u>	<u>50,666</u>	<u>48,975</u>	<u>50,700</u>	<u>51,017</u>

PATCO TRANSIT SYSTEM OPERATING REVENUES

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Passenger fares (net)	\$18,978	\$19,014	\$19,067	\$18,647	\$18,430	\$19,251	\$18,942	\$17,247	\$15,587	\$14,412
Other revenues	1,438	1,600	1,871	1,221	1,151	1,252	1,531	1,533	767	822
Total operating revenues	<u>\$20,416</u>	<u>\$20,614</u>	<u>\$20,938</u>	<u>\$19,868</u>	<u>\$19,581</u>	<u>\$20,503</u>	<u>\$20,473</u>	<u>\$18,780</u>	<u>\$16,354</u>	<u>\$15,234</u>

In July 2001, PATCO implemented the third and final phase of the fare increases.

PATCO PASSENGER FARES

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Lindenwold/Ashland/Woodcrest	\$2.45	\$2.45	\$2.45	\$2.45	\$2.45	\$2.45	\$2.45	\$2.10	\$1.85	\$1.60
Haddonfield/West Haddonfield/Collingswood	2.15	2.15	2.15	2.15	2.15	2.15	2.15	1.85	1.60	1.40
Ferry Avenue	1.85	1.85	1.85	1.85	1.85	1.85	1.85	1.60	1.40	1.20
New Jersey	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.10	1.00	0.85
City Hall/Broadway/Philadelphia	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.00	0.85	0.75

Fare increases for 2001, 2000 and 1999, were effective on July 29, 2001, August 25, 2000, and July 25, 1999, respectively.

PATCO TRANSIT SYSTEM RIDERSHIP

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Passengers	9,406	9,377	9,363	9,150	8,864	9,288	10,037	10,581	10,919	10,752

STATISTICAL SECTION

DEBT CAPACITY DATA

Debt service coverage, as calculated in accordance with the Authority's governing Bond Indenture (s), for the period 1998 through 2007, is shown below. For 2007, the net revenues available for debt service coverage, under the governing 1998 Bond Indenture, increased due to modest revenue growth. The total amount of outstanding funded debt has continued to decrease during the period since 2001. (Note, that the schedule reflects that the 1995 Revenue Bonds were refunded through the issuance of the 2007 Revenue Refunding bonds.). For additional historical information on the Authority's debt service coverage, total outstanding debt and the ratio of debt per customer, please refer to the schedules below.

Last Ten Fiscal Years (In Thousands)

DEBT SERVICE COVERAGE

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Revenues available for Debt Service:										
Bridge operating	\$201,609	\$199,128	\$195,149	\$195,003	\$181,536	\$174,418	\$176,389	\$169,750	\$119,467	\$117,242
Interest income	3,516	4,392	2,635	2,249	2,247	2,347	2,604	3,530	3,189	3,843
Reserved funds	-	-	-	-	-	-	-	-	-	-
	<u>\$205,125</u>	<u>\$203,520</u>	<u>\$197,784</u>	<u>\$197,252</u>	<u>\$183,783</u>	<u>\$176,765</u>	<u>\$178,993</u>	<u>\$173,280</u>	<u>\$122,656</u>	<u>\$121,085</u>
Less expenses:										
Bridge operating	52,294	50,644	46,504	47,686	43,241	41,574	39,879	38,547	35,393	37,463
General administration	31,025	27,780	26,857	29,355	32,567	30,307	26,549	22,845	18,919	16,727
	<u>\$83,319</u>	<u>\$78,424</u>	<u>\$73,361</u>	<u>\$77,041</u>	<u>\$75,808</u>	<u>\$71,881</u>	<u>\$66,428</u>	<u>\$61,392</u>	<u>\$54,312</u>	<u>\$54,190</u>
Net revenues available for Debt Service:										
1995 Revenue Bond Indenture	-	\$125,096	\$124,423	\$120,211	\$107,975	\$104,884	\$112,565	\$111,888	\$68,344	\$66,895
Add:										
Bridge Repainting Expense	\$4,498	\$3,892	\$3,779	\$3,973	\$5,664	\$5,653	\$6,397	\$4,367	\$2,875	\$3,100
GASB 45 Expense (DRPA)	6,219	-	-	-	-	-	-	-	-	-
Interest Income:										
1998, 1999, 2007 Revenue Bonds	2,989	2,776	3,195	2,832	2,746	3,139	3,257	3,615	921	228
Net revenues available for Debt Service:										
1998 Revenue Bond Indenture	<u>\$135,512</u>	<u>\$131,765</u>	<u>\$131,397</u>	<u>\$127,016</u>	<u>\$116,385</u>	<u>\$113,676</u>	<u>\$122,219</u>	<u>\$119,870</u>	<u>\$72,140</u>	<u>\$70,223</u>
Debt Service (Revenue Bonds):										
1995 Revenue Bonds	14,652	19,535	19,535	19,535	19,535	19,535	19,535	19,535	19,535	23,900
Swap Payments (net)	7,045	7,538	-	-	-	-	-	-	-	-
1998, 1999, 2007 Revenue Bonds	51,803	48,519	48,527	48,519	48,117	47,100	47,214	35,153	19,120	10,006
Total Debt Service	<u>\$ 73,500</u>	<u>\$75,592</u>	<u>\$68,062</u>	<u>\$68,054</u>	<u>\$67,652</u>	<u>\$66,635</u>	<u>\$66,749</u>	<u>\$54,688</u>	<u>\$38,655</u>	<u>\$33,906</u>
Debt Service coverage (Times) :										
1995 Indenture	-	<u>4.62</u>	<u>6.37</u>	<u>6.15</u>	<u>5.53</u>	<u>5.37</u>	<u>5.76</u>	<u>5.73</u>	<u>3.50</u>	<u>2.80</u>
Debt Service coverage (Times) :										
1998 Indenture	<u>1.84</u>	<u>1.74</u>	<u>1.93</u>	<u>1.87</u>	<u>1.72</u>	<u>1.71</u>	<u>1.83</u>	<u>2.19</u>	<u>1.87</u>	<u>2.07</u>

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). For 2007, the supplemental indenture to the 1998 Indenture (revised in 2007) changed the "legally enacted basis" calculation to allow for inclusion of the swap interest paid to the Authority in the debt service average calculation, therefore the coverage remains unchanged at 1.84 times as shown above.

FUNDED DEBT

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Outstanding debt	\$1,180,902	\$1,212,187	\$1,245,209	\$1,273,127	\$1,299,338	\$1,319,446	\$1,440,614	\$1,298,040	\$1,313,221	\$630,579
Net of amortizing premiums and discounts.										

RATIO OF DEBT PER CUSTOMER

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Outstanding revenue bonds	\$820,392	\$847,472	\$867,277	\$886,098	\$903,609	\$919,191	\$934,057	\$948,013	\$961,187	\$546,434
Total annual debt service	\$74,085	\$75,592	\$68,062	\$68,054	\$67,652	\$66,635	\$66,749	\$54,688	\$38,655	\$33,906
Total traffic	55,076	54,865	54,065	53,808	51,967	51,631	50,666	48,975	50,700	51,017
Outstanding debt per customer	\$14.90	\$15.45	\$16.04	\$16.47	\$17.39	\$17.80	\$18.44	\$19.36	\$18.96	\$10.71
Debt service per customer	\$1.35	\$1.38	\$1.26	\$1.26	\$1.30	\$1.29	\$1.32	\$1.12	\$0.76	\$0.66

Reflects Revenue Bond debt only.

DEMOGRAPHIC AND ECONOMIC DATA

The following figures provide four external factors during the ten years from 1997 to 2006 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 New Jersey counties occurring at a slightly more rapid rate than that experienced in Pennsylvania counties. The unemployment rate in the Philadelphia Metropolitan Region averaged 4.76% for the period 2003 through 2006, reflecting a high of 5.22% in 2003 and a low of 4.26% during 2006. The region's major employers tended to be health care facilities. 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

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Population ⁽¹⁾	3,879,207	3,873,792	3,870,442	3,863,296	3,859,756	3,855,162	3,852,215	3,837,569	3,824,434	3,810,121
Total Personal Income ⁽¹⁾	\$174,120,302	\$164,091,035	\$155,961,239	\$147,697,927	\$142,858,681	\$138,218,681	\$135,225,323	\$125,611,839	\$120,961,332	\$112,585,839
Per Capita Personal Income ⁽¹⁾	\$44,886	\$42,359	\$40,295	\$38,231	\$37,012	\$35,853	\$35,103	\$32,732	\$31,629	\$29,549
Unemployment Rate ⁽²⁾	4.26%	4.58%	5.00%	5.22%	5.16%	4.28%	3.82%	3.88%	4.04%	4.06%

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

1. University of Pennsylvania
2. Merck and Co., Inc.
3. University of Pennsylvania Health System
4. The Vanguard Group, Inc.
5. Wachovia Bank
6. Temple University Health System
7. The Children's Hospital of Philadelphia
8. Albert Einstein Healthcare Network (Jefferson Health System)
9. Thomas Jefferson University Hospital
10. Tenet Health System

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

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Population	2,391,435	2,378,301	2,364,176	2,342,408	2,317,310	2,287,197	2,268,020	2,249,838	2,235,661	2,219,842
Total Personal Income	\$89,285,614	\$84,062,922	\$80,794,632	\$77,083,605	\$74,580,994	\$72,109,982	\$69,029,512	\$64,424,231	\$62,285,627	\$58,818,111
Per Capita Personal Income	\$37,336	\$35,346	\$34,175	\$32,908	\$32,184	\$31,528	\$30,436	\$28,635	\$27,860	\$26,497
Unemployment Rate	5.44%	5.14%	5.45%	6.29%	6.10%	4.81%	4.39%	5.81%	6.19%	6.68%

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

NEW JERSEY PORT DISTRICT TOP TEN EMPLOYERS

1. Lockheed Martin
2. AtlantiCare Health System
3. St. Barnabus Healthcare System
4. Six Flags Theme Park
5. Our Lady of Lourdes Health System
6. PHH Mortgage Corporation
7. Virtua-West Jersey Health System
8. Cooper Health System
9. South Jersey Hospital System
10. Commerce Bank

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, Sunday January 28, 2007

STATISTICAL SECTION

OPERATING INFORMATION

Overall bridge operating revenues have shown positive growth for the ten-year period shown below, although the growth trend during the past few years has slowed relative to growth experienced in the period 2001 through 2004. Total general expense growth has reflected higher operational costs of bridge and PATCO operations, although general administrative expenses have trended downwards from a high of \$ 32.6 million in 2003 to \$27.8 million in 2006, as a result of Authority-wide cost control measures adopted in fiscal year 2004. Both DRPA and PATCO expenses during 2007 were significantly impacted by accrued expenses related to GASB 45 implementation. Please refer to the schedules below for a historical view of the Authority's bridge operating revenues and general expenses during the past ten fiscal years.

Last Ten Fiscal Years (In Thousands)

BRIDGE OPERATING REVENUES

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Toll revenues by vehicle classification:										
Automobiles, light trucks and commuters	\$144,835	\$143,843	\$141,057	\$139,471	\$130,399	\$129,774	\$129,431	\$126,747	\$83,512	\$83,686
Trucks	47,363	47,145	45,618	45,099	40,946	39,915	41,210	40,280	30,906	29,876
Buses	1,434	1,500	1,515	1,655	1,573	1,730	1,559	1,649	1,474	1,476
Senior citizens	1,999	2,033	2,005	2,054	2,018	2,065	2,002	1,882	1,619	1,699
Other	438	437	735	530	686	842	282	647	553	560
Discounts and deductions	-	-	-	-	-	(136)	(819)	(3,254)	(1,120)	(1,248)
Total toll revenues	\$196,069	\$194,958	\$190,930	\$188,809	\$175,622	174,190	173,665	167,951	116,944	116,049
Other bridge operating revenues	5,540	4,170	4,219	6,194	5,914	228	2,724	1,799	2,523	1,193
Total bridge operating revenues	\$201,609	\$199,128	\$195,149	\$195,003	\$181,536	\$174,418	\$176,389	\$169,750	\$119,467	\$117,242

The Authority increased toll rates on January 2, 2000. E-ZPass was fully implemented on DRPA facilities on January 2, 2000 in conjunction with the toll increase. E-ZPass discount program was restructured on January 1, 2004.

GENERAL EXPENSES BY FUNCTION

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Bridge operations:										
Salaries and employee benefits	\$30,047	\$29,059	\$26,954	\$27,450	\$25,318	\$24,931	\$23,884	\$23,500	\$23,441	\$28,229
Equipment and supplies	176	156	136	106	170	84	68	85	47	103
Maintenance and repairs	3,277	2,966	1,511	1,599	2,245	2,167	2,349	2,251	1,811	4,953
Utilities	2,621	2,386	1,678	1,678	1,862	1,320	1,353	1,257	1,158	1,152
Insurance	5,093	5,573	2,838	2,753	2,448	1,765	1,220	1,212	1,184	1,661
Other	11,080	10,264	13,387	14,100	11,198	11,307	11,005	10,242	7,752	1,365
Total bridge operations	52,294	50,404	46,504	47,686	43,241	41,574	39,879	38,547	35,393	37,463
PATCO transit system:										
Maintenance of way and power	9,774	9,438	8,884	8,618	8,140	6,681	7,364	7,085	6,707	6,250
Maintenance of equipment	6,679	6,370	7,046	6,345	6,417	6,195	5,533	4,899	4,997	4,571
Purchased power	4,933	4,984	3,335	2,852	3,041	2,772	2,905	3,461	2,754	3,039
Transportation	13,015	11,800	11,622	11,725	11,217	10,713	9,377	9,446	9,102	8,617
General insurance	692	704	823	502	856	1,373	1,210	711	394	471
Administration	7,375	4,782	4,024	4,129	3,943	3,655	3,258	2,867	3,348	3,600
Total PATCO transit system	42,468	38,078	35,734	34,171	33,614	31,389	29,647	28,469	27,302	26,548
Lease and community impact	3,306	3,198	3,078	3,021	2,952	2,920	2,857	4,072	7,500	7,500
General administration	31,025	27,780	26,858	29,355	32,567	30,307	26,549	22,845	18,919	16,727
Port of Philadelphia and Camden	1,698	1,824	3,548	3,683	6,828	6,884	6,629	5,338	4,516	4,905
Interest	74,668	78,267	72,213	73,621	74,770	77,039	77,195	77,884	36,441	34,108
Total expenses	\$205,459	\$199,551	\$187,935	\$191,537	\$193,972	\$190,113	\$182,756	\$177,155	\$130,071	\$127,251

OPERATING INFORMATION (Continued)

OPERATING STATISTICS

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
DRPA										
Total Traffic	55,076	54,865	54,065	53,808	51,967	51,631	50,666	48,975	50,700	51,017
Non-Commercial Traffic	52,038	51,830	51,091	50,843	49,143	48,907	47,880	46,259	47,812	48,188
Commercial Traffic	3,038	3,035	2,974	2,965	2,824	2,724	2,786	2,716	2,888	2,829
Average Daily Traffic (365 day basis)	151	150	148	147	142	141	139	134	139	140
Average Toll per Customer	\$3.56	\$3.55	\$3.53	\$3.51	\$3.38	\$3.37	\$3.43	\$3.43	\$2.31	\$2.27
E-ZPass Traffic	27,987	26,946	25,522	24,481	22,819	21,458	15,669	15,669	N/A	N/A
% of E-ZPass Traffic	50.8%	49.1%	47.2%	45.5%	43.9%	41.6%	30.9%	32.0%	N/A	N/A
PATCO										
Total Passengers	9,406	9,377	9,363	9,150	8,864	9,288	10,037	10,581	10,919	10,752
Average Passengers (365 day basis)	26	26	26	25	24	25	27	29	30	29
Average Fare Per Passenger	\$2.02	\$2.03	\$2.04	\$2.04	\$2.08	\$2.07	\$1.89	\$1.63	\$1.43	\$1.34

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

FULL TIME AUTHORITY EMPLOYEES

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
DRPA	589	553	554	570	632	625	554	550	594	630
PATCO	302	355	358	373	373	368	344	325	328	329
Total Full-time	891	908	912	943	1005	993	898	875	922	959

CAPITAL EXPENDITURES

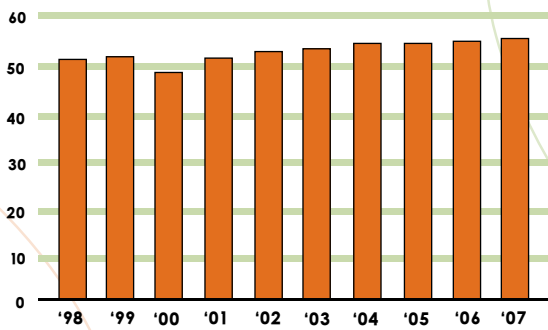
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Bridge and Transit System	\$23,395	\$31,109	\$44,501	\$74,435	\$98,108	\$98,154	\$68,288	\$71,719	\$79,639	\$72,730

STATISTICAL SECTION

Bridge and PATCO OPERATIONS

DRPA Bridge Traffic 1998-2007⁽¹⁾

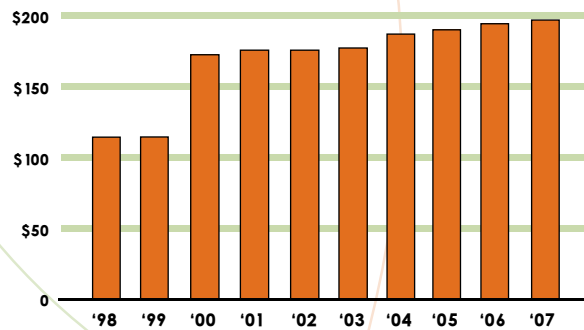
(in millions of vehicles)



(1) The DRPA increased toll rates January 2, 2000. E-ZPass was fully implemented on DRPA facilities on January 2, 2000 in conjunction with the toll increase. The DRPA restructured its E-ZPass discount program on January 1, 2004.

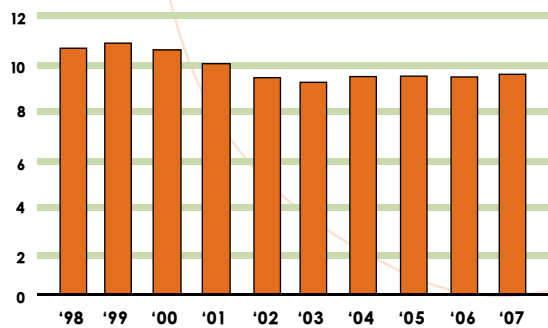
DRPA Bridge Toll Revenues 1998-2007⁽¹⁾

(in millions of dollars)



PATCO Passenger Ridership 1998-2007⁽²⁾

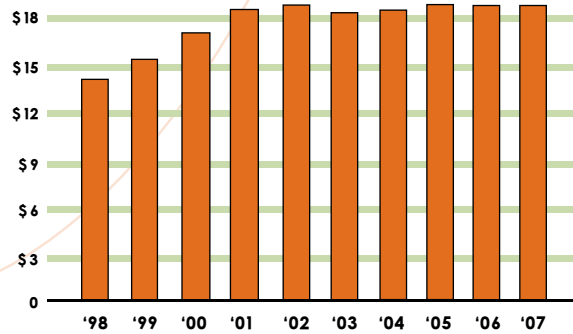
(in millions of passengers)



(2) In July 2001, PATCO implemented the third and final phase of the fares increases.

PATCO Passenger Fare Revenues 1998-2007⁽²⁾

(in millions of dollars)





**DELAWARE RIVER
PORT AUTHORITY
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2007**

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1919 New Jersey and Pennsylvania form the Delaware River Joint Bridge Commission.

JULY 1, 1926 The Delaware River Bridge, now known as the Benjamin Franklin Bridge, opens as the longest suspension bridge in the world at 1,750 feet at center span.

1948 A study by the Delaware River Joint Bridge Commission recommends construction of a second bridge.

JULY 17, 1952 Following agreement by Pennsylvania and New Jersey, President Harry S. Truman signs the bill creating the Delaware River Port Authority as the successor agency to the Delaware River Joint Bridge Commission. A companion bill authorizes construction of a second Delaware River crossing.

1953 Construction begins on the second suspension bridge, this one between South Philadelphia and Gloucester City, N.J.

1955 DRPA forms a special committee to consider bridge names. In recognition of the many years the “Good Gray Poet” lived in Camden, it recommends naming the second crossing the “Walt Whitman Bridge”. It becomes the first major U.S. Bridge named for a poet.

MAY 15, 1957 New Jersey Governor Robert Meyner and Pennsylvania Auditor General Charles Smith dedicate and open the Walt Whitman Bridge. The bridge has an immediate impact leading to the development of the Philadelphia Food Distribution Center, the South Philadelphia stadium complex, the Atlantic City Expressway and New Jersey’s Black Horse Pike communities.

1990 Walt Whitman Bridge carries its one billionth vehicle.

MAY 15, 2007 Bridge celebrates its 50th Anniversary with a rededication ceremony. DRPA Commissioners and staff, local officials, area business leaders and Walt Whitman, himself, gather to celebrate the Walt Whitman Bridge.

DELAWARE RIVER PORT AUTHORITY

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