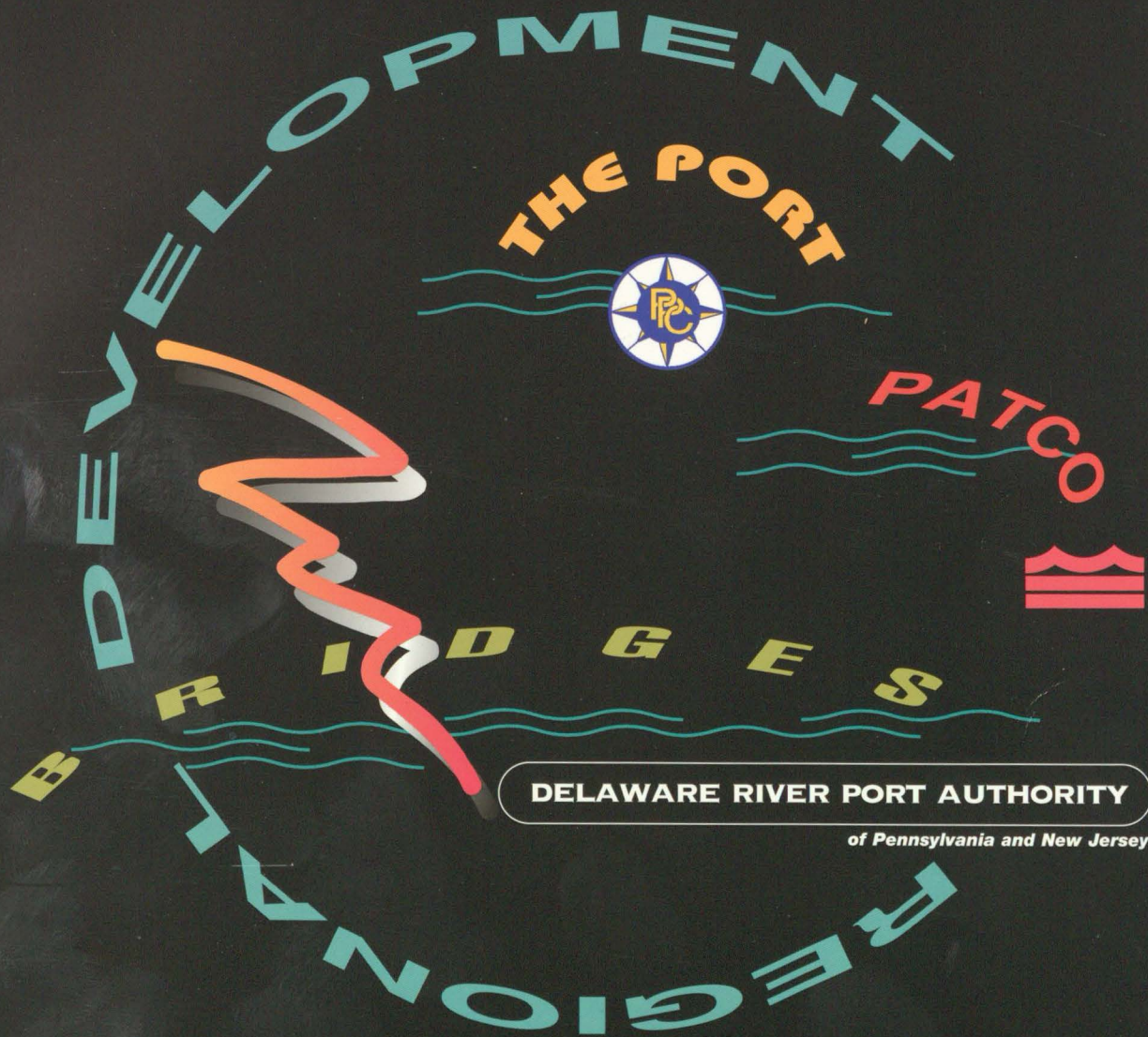


COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1997

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1997
ANNUAL
REPORT



our customers

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Delaware River Port
Authority

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 1996

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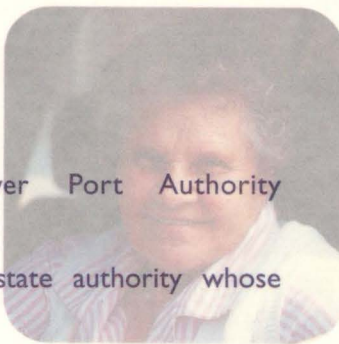
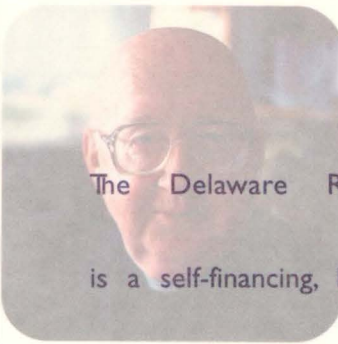


Linda K. Savitsky
President
Jeffrey L. Case
Executive Director

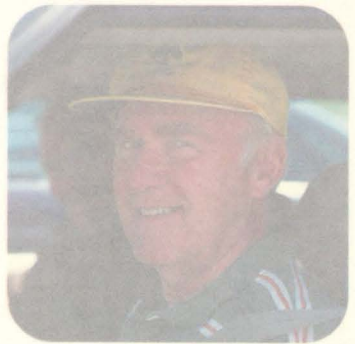
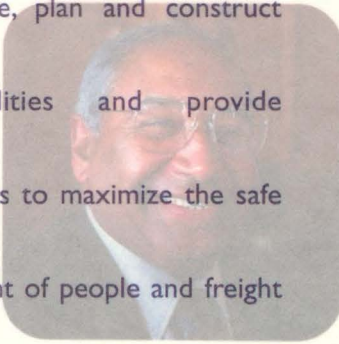
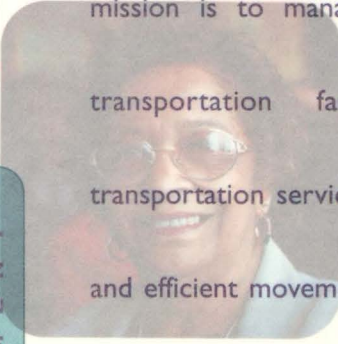
FOR THE FIFTH
CONSECUTIVE YEAR
THE DELAWARE RIVER
PORT AUTHORITY WAS
AWARDED THE
CERTIFICATE OF
ACHIEVEMENT FOR
EXCELLENCE IN
FINANCIAL REPORTING
BY THE GOVERNMENT
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ASSOCIATION OF THE
UNITED STATES AND
CANADA FOR ITS
1996 COMPREHENSIVE
ANNUAL FINANCIAL
REPORT.



our customers

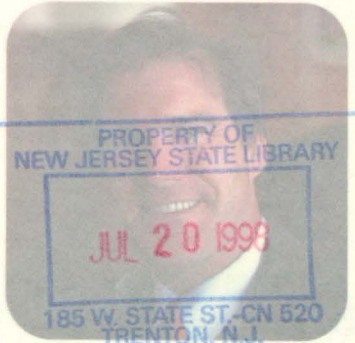
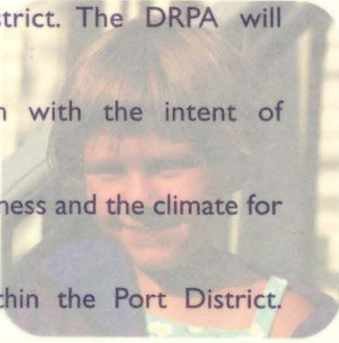
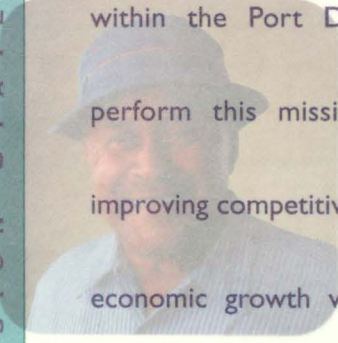


The Delaware River Port Authority
is a self-financing, bistate authority whose



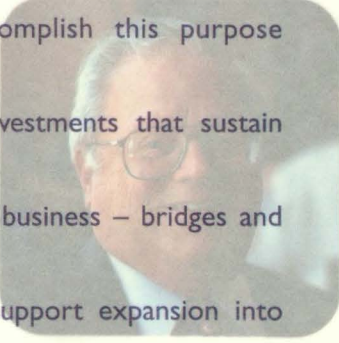
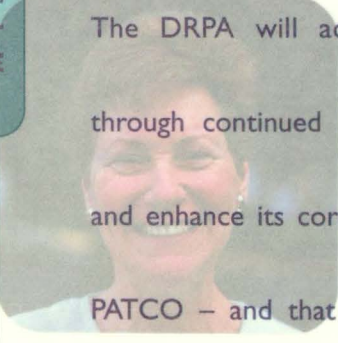
mission is to manage, plan and construct
transportation facilities and provide
transportation services to maximize the safe
and efficient movement of people and freight

M I S S I O N S T A T E M E N T

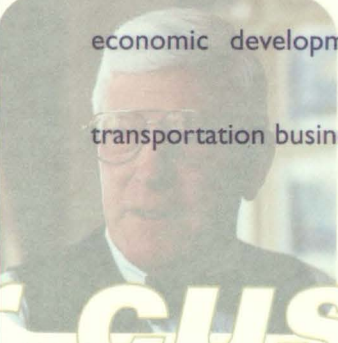


within the Port District. The DRPA will
perform this mission with the intent of
improving competitiveness and the climate for
economic growth within the Port District.

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The DRPA will accomplish this purpose
through continued investments that sustain
and enhance its core business – bridges and
PATCO – and that support expansion into



economic development, ports and related
transportation businesses.

our customers
A tribute to DRPA's bridge, transit and maritime customers...

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Spice K. Savitky
President

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FOR THE FIFTH CONSECUTIVE YEAR

THE DELAWARE RIVER PORT AUTHORITY WAS

AWARDED THE

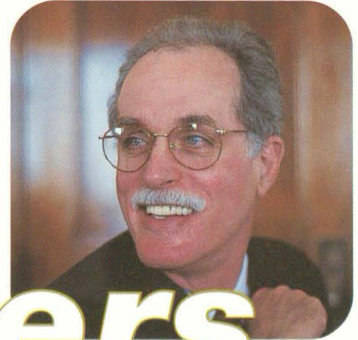
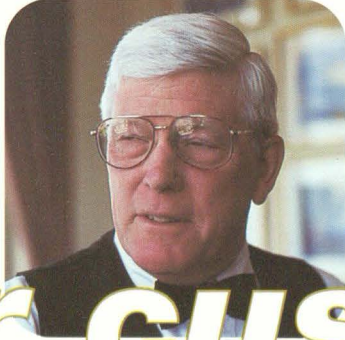
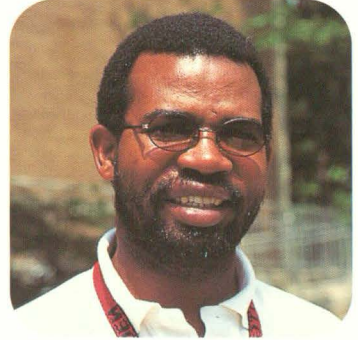
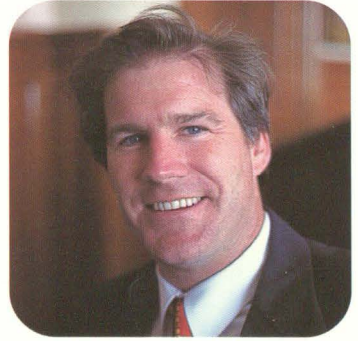
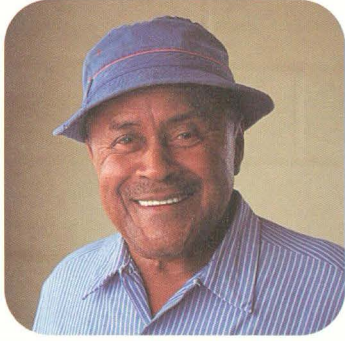
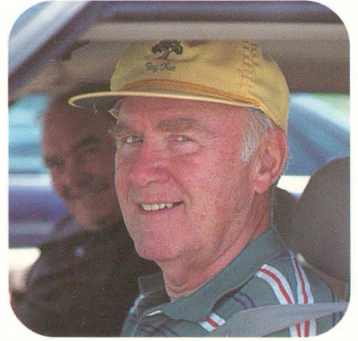
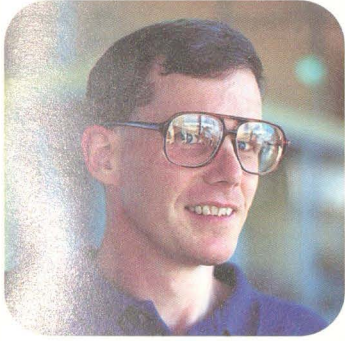
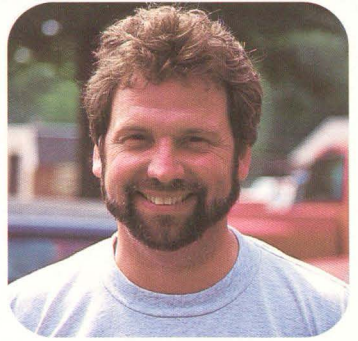
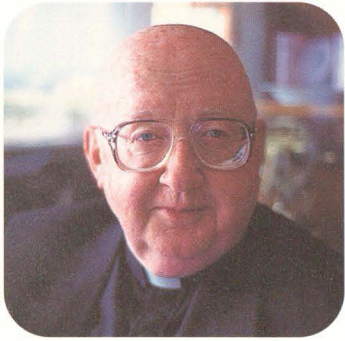
CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

BY THE GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA FOR ITS 1996 COMPREHENSIVE ANNUAL FINANCIAL REPORT.



our @vision

T M E M B E R S O F A S S O C I A T I O N



our customers

A tribute to DRPA's bridge, transit and maritime customers. . .

The Delaware River Port Authority of Pennsylvania and New Jersey dedicates this 1997 Annual Report to our customers.

The use of the term "customer" is relatively new in the lexicon of our agency. While DRPA has a proud history of service to our region, it previously maintained a traditional "public-sector" outlook. However, following the lead of our respective governors, DRPA has adopted a "private-sector" approach. Our goal is to make DRPA look and function more like a successful business. That involves meeting strict tests of fiscal accountability, providing courteous and efficient customer service and strategically planning to meet new challenges.

This private-sector philosophy has paid substantial dividends for our customers. They include:

- A three-year, cost-reduction cycle that produced a 16 percent budget decrease
- Increased operating efficiency using technology and management accountability.
- Substantial improvements to our bridges, the PATCO High-Speed Line and the AmeriPort Intermodal Rail Center.
- A continuing commitment to bring unity and cooperation among the ports of the Delaware River.
- A regional development program that is creating jobs and economic opportunities in southeastern Pennsylvania and southern New Jersey.

Today, DRPA is leaner, more efficient and more aggressive. With your support, our commissioners have made a series of businesslike decisions that have improved the fundamental character of our agency. These decisions will benefit our transportation, port and business customers for many years.

One dramatic example was DRPA's role in forging the 1997 agreement to bring Kvaerner ASA, one of the world's leading shipbuilding firms, to the former Philadelphia Naval Ship Yard. We hope Kvaerner will help our region realize the dream of converting the former defense facility to civilian use. In addition to the Kvaerner project, DRPA helped develop plans for a dedicated cruise ship terminal. We also helped expand a commercial highway near Philadelphia International Airport and we are working with the railroads to expand AmeriPort's intermodal services.

On the Camden Waterfront, we were part of the team that demolished three unused industrial buildings and made plans for commercial redevelopment of the site. At Camden's Broadway Marine Terminal, we are helping one of the port's busiest companies expand its business.

In this report, you will see that DRPA's four bridges posted the highest traffic and revenue figures in the agency's history. PATCO also posted a ridership gain while AmeriPort increased its activity level.

DRPA's commissioners and staff are proud of these accomplishments, and we are ready to assume new challenges. At the core of our work is a commitment to assign the highest priority to our customers' needs. Working under your direction, and with our expanded customer service approach, we anticipate a busy and productive 1998.

Sincerely,

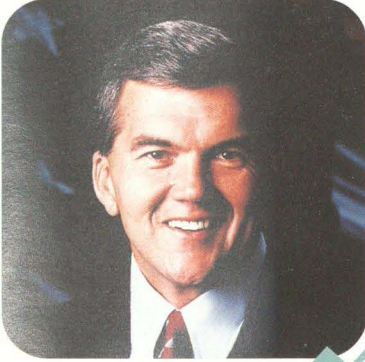


Manuel N. Stamatakis
Chairman



Commonwealth of Pennsylvania

Tom Ridge, Governor



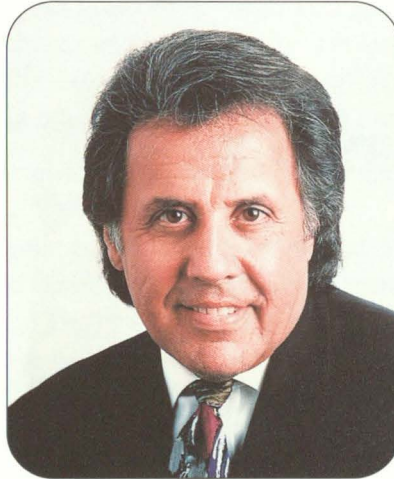
Christine Todd Whitman, Governor

State of New Jersey

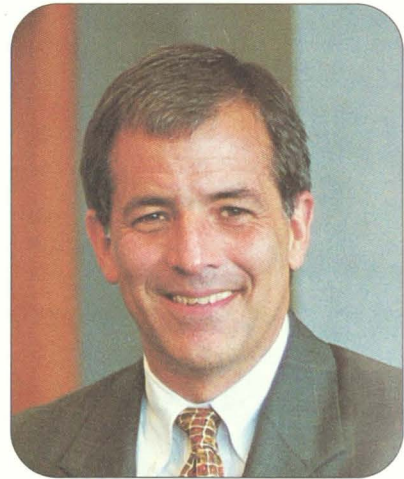
Delaware River Port Authority

of Pennsylvania and New Jersey

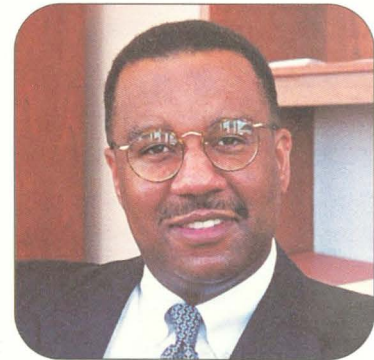
COMMISSIONERS & OFFICERS



Manuel N. Stamatakis
Chairman



Glenn Paulsen, Esquire
Vice Chairman



Paul Drayton, Jr.
Chief Executive Officer



THE PORT OF
PHILADELPHIA AND CAMDEN

J.P. Marinari
Secretary

Marc H. Krassan
Treasurer

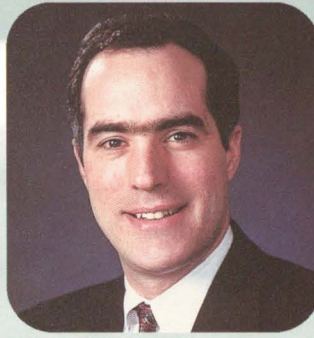
P E N N S Y L V A N I A C O M M I S S I O N E R S



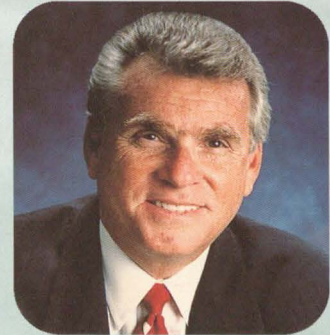
Lucien E. Blackwell
Former member
U.S. House of Representatives



Robert W. Bogle
Publisher
Philadelphia Tribune



Hon. Robert P. Casey, Jr.
Auditor General
Commonwealth of Pennsylvania



Paul Zelenkofske
Founder
Zelenkofske Axelrod



Hon. Vincent J. Fumo
State Senator
Commonwealth of Pennsylvania



Hon. Barbara Hafer
Treasurer
Commonwealth of Pennsylvania



Hon. F. Joseph Loeper
State Senator
Commonwealth of Pennsylvania

N E W J E R S E Y C O M M I S S I O N E R S



Carol Beske
President
ACT Engineers, Inc.



Joan Davis
Former teacher
and bank executive



David W. Huggins
President
RMS Technologies, Inc.



Anthony Pugliese
Attorney
Madden, Madden & DeIDuca



David Kotok
Partner
Cumberland Consulting



Gerard P. McNamara
Recording Secretary
Teamsters Local 115

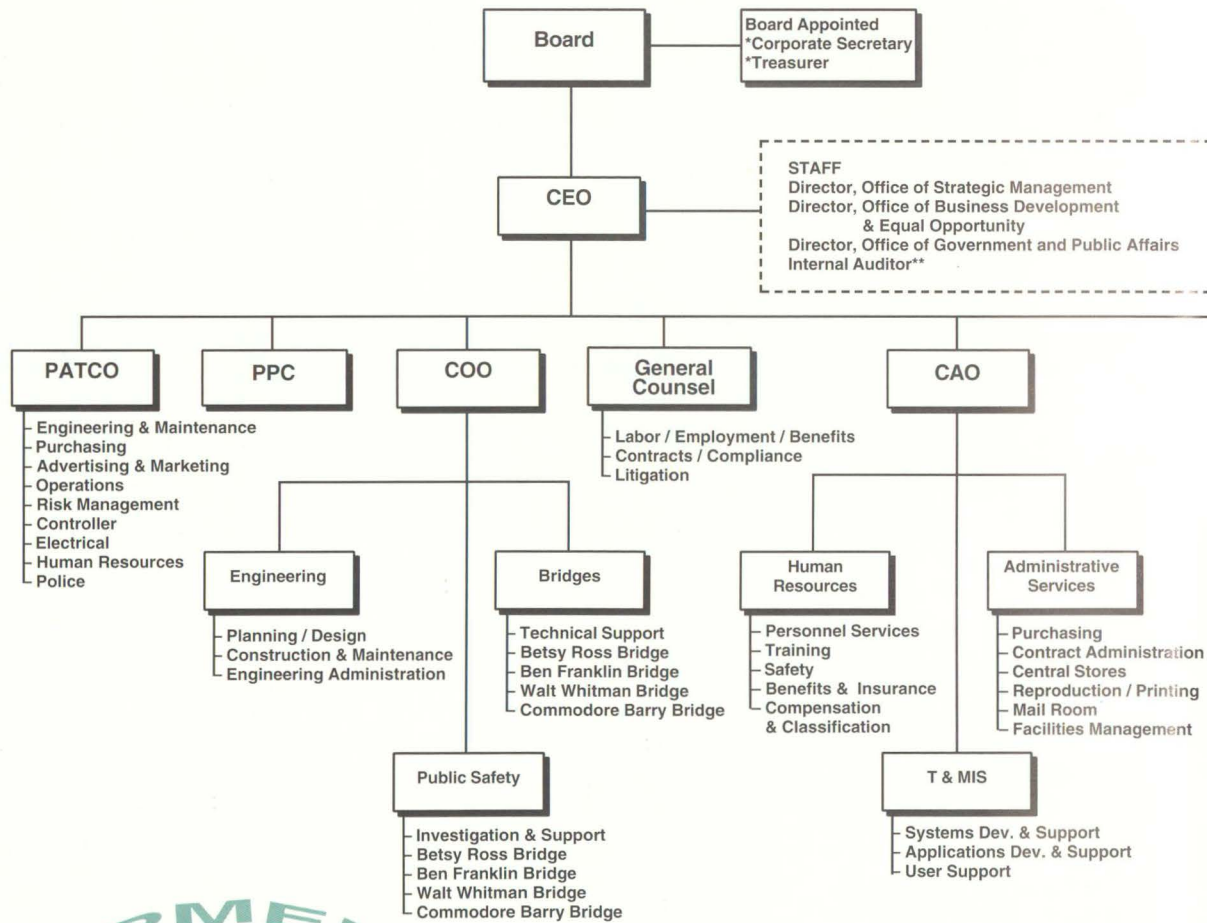


Robert A. Mossman
Professor
Gloucester County College

Delaware River Port Authority

of Pennsylvania and New Jersey

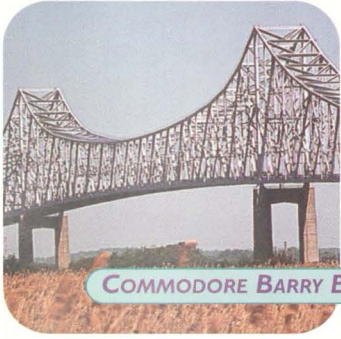
ORGANIZATION



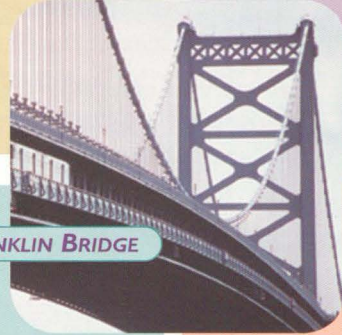
- DRPA CHIEF EXECUTIVE OFFICER
AND PORT AUTHORITY TRANSIT CORP. PRESIDENT
PAUL DRAYTON JR.
- CHIEF ADMINISTRATIVE OFFICER
BARBARA G. JONES, ESQ
- CHIEF FINANCIAL OFFICER
MARC H. KRASSAN
- CHIEF OPERATING OFFICER
J.P. MARINARI
- GENERAL COUNSEL
RICHARD BROWN, ESQ.
- PORT OF PHILADELPHIA AND CAMDEN
CHIEF EXECUTIVE OFFICER
PAUL DEMARIANO
- PATCO GENERAL MANAGER
ROBERT G. SCHWAB



FACILITIES



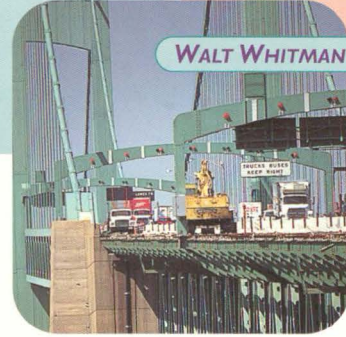
COMMODORE BARRY BRIDGE



BEN FRANKLIN BRIDGE



BETSY ROSS BRIDGE



WALT WHITMAN BRIDGE



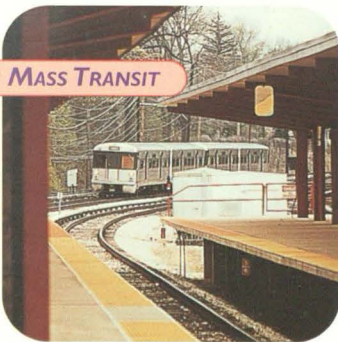
AMERIPORT



PORT OF PHILADELPHIA & CAMDEN



*Positions elected by the Board
 **Position reports to the CEO and Board



PATCO MASS TRANSIT



The commissioners and staff of the Delaware River Port Authority proudly dedicate this 1997 Annual Report to our customers.

A diverse group, our customers represent every neighborhood and every employment sector in southeastern Pennsylvania and southern New Jersey.

They depend on DRPA's four interstate bridges. They ride PATCO. They enjoy festivities at the Philadelphia-Camden Waterfront. Their companies ship international cargo through the Port of Philadelphia and Camden and move containerized goods via the AmeriPort regional rail center. They demand a healthy and diversified local economy. Our customers expect leadership. They recognize that regional cooperation is a key to future prosperity.

Because our service is constant, our customers probably think infrequently of DRPA. Yet we think constantly of them.

We carefully analyze traffic flow issues when we schedule maintenance projects. Knowing our customers have enough uncertainty in their lives, we make sure the trains run on time. We support an active and unified port system. We have stood at the forefront of regional development and transportation issues.

In these and other ways, we serve our customers. Yet we do so from the background, knowing we do our jobs best when our customers notice us the least.

REPORT FROM THE CEO



With one exception.

On Father's Day, we shattered the Sunday morning stillness. With hundreds looking on, the Delaware River Waterfront rumbled as we, working with state and local officials, imploded three unused industrial buildings. The giant buildings came down in a heap of rubble, and when work crews finished clearing the debris, Camden had a prime tract of almost 50 acres ready for redevelopment.

Uncharacteristically loud and showy, that event punctuated a year in which DRPA took bold steps and assumed a leadership role on varied projects. Internally in 1997, we continued to improve our fiscal position by adopting the largest budget decrease in DRPA's history. Externally, we participated in an aggressive public/private enterprise, the agreement to bring Kvaerner ASA, one of the world's premier ship-building companies, to the former Philadelphia Navy Yard.

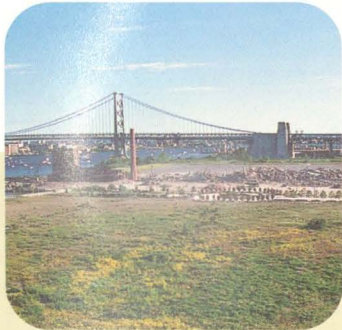
Driving our efforts was this clear vision: as a lean and efficient regional agency, sharply focused on the needs of our customers, DRPA can help sustain a broad and lasting economic revival. Toward that end, we work closely with federal, state and local officials to improve our regional transportation system, modernize our ports, revitalize the Philadelphia-Camden Waterfront and create jobs and economic opportunities for our customers.



our customers

During 1997 DRPA's commissioners and staff:

- Recorded another safe year for those using our four interstate bridges and the PATCO High-Speed Line.
- Welcomed four new commissioners; Pennsylvania Auditor General Robert P. Casey Jr., and from New Jersey, David Kotok, Anthony Pugliese and Joan Davis. Former Pennsylvania Auditor General Barbara Hafer returned to the board in her new role as the commonwealth's treasurer.
- For the third consecutive year, produced cost reductions and efficiency improvements. Since 1996, we generated a 16 percent budget reduction and a 20 percent reduction in staffing.



- Implemented the final recommendations of an independent management study and completed a management restructuring program. Both initiatives enabled DRPA to function like a successful private-sector company.
- Recorded the highest bridge traffic and highest revenue figures in DRPA's history.
- As part of a regional team, structured an agreement to convert part of the former Philadelphia Navy Yard to commercial shipbuilding.
- Advanced plans to develop a regional cruise ship terminal.
- Worked with New Jersey and Camden to imploded three former RCA buildings on the Camden Waterfront and cleared the site for future commercial development.



- In partnership with New Jersey, developed plans to expand fresh fruit imports at Camden's Broadway Marine Terminal.
- In partnership with Pennsylvania and Delaware County, began the extension of a commercial highway near Philadelphia International Airport.
- Signed an agreement that enabled Marriott Corp. to open the Camden Waterfront's first new restaurant.
- Resurfaced the Betsy Ross Bridge and began improvements to the New Jersey Plaza.
- Advanced the Walt Whitman Bridge Corridor Improvement Project.
- Began installing the final sets of PATCO station elevators.
- Sharply increased cargo flow through the AmeriPort Intermodal Rail Center.
- Welcomed the Port of Philadelphia and Camden as a DRPA subsidiary.
- Prepared to introduce the E-ZPass electronic toll collection system.
- Launched a regional technology initiative that could bring high-speed data processing to local schools, businesses and government agencies.
- Established a formal customer service response program and sought bridge customers' comments and suggestions.
- Supported NJ Transit's plans to extend light-rail service from Trenton to the Camden Waterfront.
- Continued to increase the number of female and minority-owned companies doing business with DRPA.
- Expanded offerings on DRPA's Internet Web Site.
- Demonstrated a strong commitment to the communities we serve through events and employee-volunteer projects.

We accomplished the above without changing bridge tolls or PATCO fares. Our tolls have remained stable since 1992, and are among the lowest in the country when compared with other major interstate bridges and tunnels. PATCO fares have remained unchanged since 1983, and the line offers free-and-low cost parking, round-the-clock service and near-perfect performance.

Fiscal Controls

Our 1997 operating budget reduced spending by 8.4 percent compared with 1996's budget. That was the largest budget decrease in DRPA's history and may have been the largest percentage-based spending decrease among U.S. port or transportation agencies. Our commissioners ended the year by approving the 1998 budget that reduced spending by an additional 2.7 percent. Funding to our subsidiaries, the Port Authority Transit Corp. and the Port of Philadelphia and Camden, also declined in the 1998 budgets.

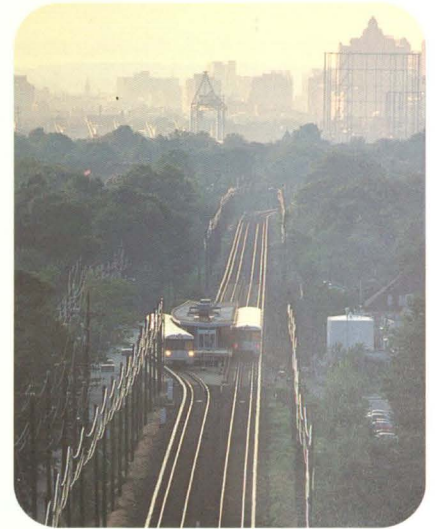
Added to 1996's 5.8 percent reduction, the three-year cycle produced a 16 percent operating budget decline. Our 1998 operating budget is \$49.5 million. It is estimated that if we had continued previous spending trends, 1998's operating budget would have exceeded \$65 million.

During the same three-year period, we reduced our staff size by approximately 20 percent. In 1996, DRPA had 743 employees. The approved staff strength for 1998 is 610. We reduced payroll-related expenses by \$4.5 million annually.

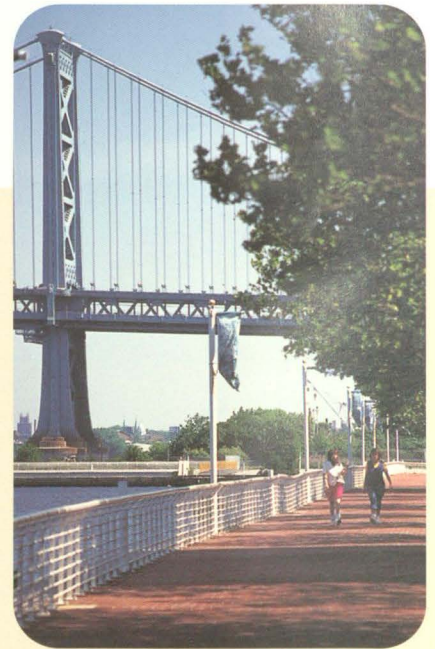
Management Restructuring

A key to those savings was the management restructuring recommended in the independent report of KPMG Peat Marwick. Finalized in 1996, we implemented all the report's relevant recommendations by the end of 1997.

Commodore Barry Bridge Surveillance



Aerial view of the PATCO High-Speed Line



The Ben Franklin Bridge as seen from the Camden Waterfront



our customers

AMONG THE IMPLEMENTED RECOMMENDATIONS ARE:

- Eliminate or consolidate management positions and restructure reporting responsibilities to resemble private industry models.
- Restructure union contracts to produce greater flexibility and efficiency. One recommended change will begin in 1998 — the first-time use of part-time toll collectors on weekends and holidays.
- Reduce insurance and health-care costs.
- Restructure salary levels in relation to government agencies and private companies.
- Implement a process to evaluate development funding requests. The new criteria favor projects in which we receive an investment return through loan repayments or because of increased bridge or transit revenues.
- Implement purchasing and inventory management systems.

Following the success of the study, we began a similar management review at the Port Authority Transit Corp.

Bridges

We posted higher bridge-related revenue and lower operating expenses. Helped by a strong economy and mild winter weather, 1997 was the busiest year ever on our bridges. The spans carried a record 51 million westbound vehicles and produced \$114.7 million in revenue. We expended \$43 million in 1997 on bridge and transit system capital projects and approved a 1998 capital budget of \$68.8 million.

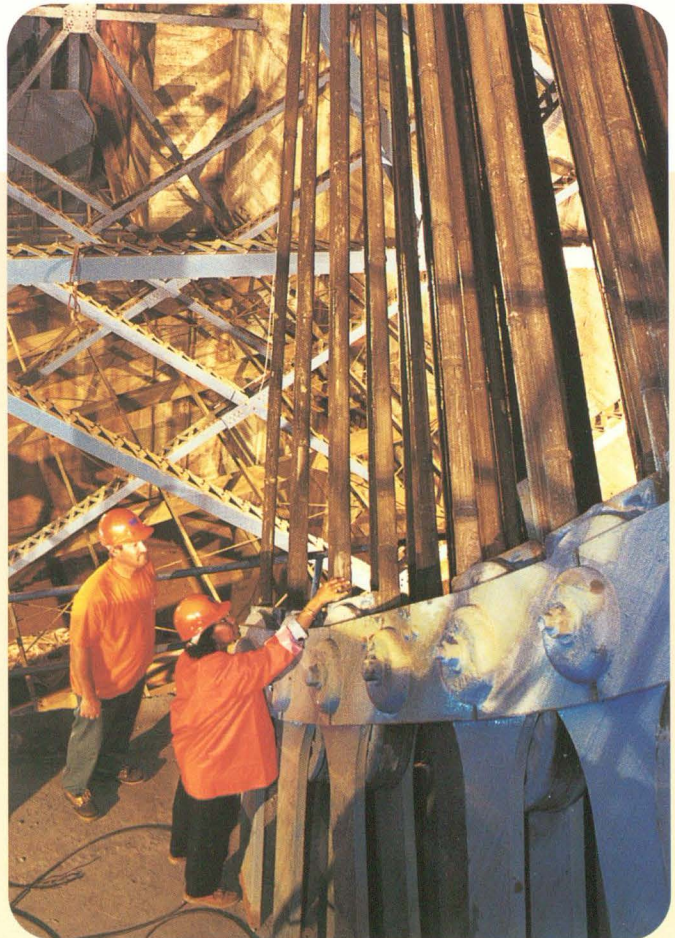
Specific bridge improvement projects included:

BENJAMIN FRANKLIN BRIDGE

We developed plans for the first-ever maintenance of the bridge cables and improvements at the Camden Plaza. Starting in 1998, workers will pry open the cables, repair wire strands and lubricate the structure. Other work crews will replace the westbound toll booths, remove the unused eastbound toll booths, repair the toll tunnel and align eastbound traffic so it flows smoothly onto I-676, Route 30 and the Camden City streets.

WALT WHITMAN BRIDGE

Workers rebuilt one lane and began rebuilding another. Part of a comprehensive corridor improvement, it represents the largest maintenance and improvement project in DRPA's history. Crews have completed improvements



Inside the cable anchorage at the Benjamin Franklin Bridge. This is the last time the view will be photographed. Workers will build a housing around the cable ends to prevent humidity from damaging the cable wires.

to the Philadelphia Plaza area and both the Philadelphia and New Jersey approaches. Bridge customers have experienced little inconvenience during construction. By employing a movable barrier to favor the peak-direction traffic, we maintain six travel lanes except during off-peak hours. That is the same number of travel lanes the bridge provided before construction began.



Vehicles move through the Walt Whitman Bridge Plaza. The largest maintenance project in DRPA's history has had little impact on the bridge's traffic flow. A movable barrier running the length of the span enables DRPA to offer the same number of traffic lanes as it did before construction began.

COMMODORE BARRY BRIDGE

We developed plans to make the Commodore Barry Bridge the prototype of the "smart bridge" of the future. In 1998, workers will install a comprehensive camera and monitoring system that will enable our police to respond quickly to accidents and emergencies. The system will eventually enable bridge customers to access real-time traffic information when planning their trips. Once operational at the Commodore Barry, we will expand the smart bridge technology to our other spans. We also reached an agreement by which Drexel University will employ the latest technology to monitor the bridge's stress and maintenance needs with the goal of reducing future capital costs.



The Commodore Barry Bridge will serve as the prototype for DRPA's "Smart Bridges" program.



our customers

BETSY ROSS BRIDGE

Workers in 1997 completed the first-ever resurfacing of the bridge's roadway surface. The project finished ahead of schedule, and we advanced to the next stage — resurfacing the New Jersey Plaza.

PATCO High-Speed Line

Reversing a trend that saw slight ridership declines in recent years, PATCO posted a ridership gain in 1997. Two factors contributed to the increase: greater activity in Philadelphia's center city business district and our marketing program that encouraged South Jersey residents to ride PATCO when attending Pennsylvania Convention Center shows.

We continued making capital improvements in the PATCO system. With elevators operating in the Lindenwold, Woodcrest and Broadway stations, we began installing PATCO's final two elevator systems. One is at Philadelphia's 8th and Market Street Station and the other at 15th and Locust Street. When completed in 1998, PATCO customers who require elevator service will be able to ride the transit system from end to end and to disembark at key stations along the way.

OTHER PATCO PROJECTS UNDERWAY IN 1997 INCLUDED:

- Designing an improved public address and train identification system.
- Improving the appearance of four underground stations.
- Expanding reverse signaling capabilities. The project enables PATCO trains to avoid delays during times of track maintenance.
- Restoring embankments along PATCO's right-of-way.



PATCO lobby and boarding platform. DRPA is making the stations more accessible and attractive. Improvements include additional elevators and station renovations.

Port of Philadelphia and Camden

Cargo volumes at marine terminals under the umbrella of the Port of Philadelphia and Camden increased by 15.7 percent in 1997. Breakbulk cargoes including steel, fruit, lumber and wood products showed the largest gains. In all, PPC terminals handled more than 7 million tons of general cargo, up from 6.1 million tons in 1996.

The New Jersey Legislature in 1997 approved the transfer of South Jersey Port Corp. assets to the New Jersey Economic Development Authority. That represented the final legislative issue before completing the port's long-anticipated unification.

Once operating agreements are signed, the region's public port terminals will consolidate under one agency, The Port of Philadelphia and Camden. The unified port will eliminate duplication and develop a single marketing and operations structure. The Port of Philadelphia and Camden will plan for the port's future needs and give the public a new level of accountability on port issues.

In 1997, DRPA formally created the Port of Philadelphia and Camden as a subsidiary and gave the agency four major responsibilities in addition to its management of the AmeriPort Intermodal Rail Center and international marketing.



Cargo volume grew in 1997 at the Port of Philadelphia and Camden. . .



THE PORT OF PHILADELPHIA AND CAMDEN

THE FOUR ADDITIONAL RESPONSIBILITIES GIVEN TO PPC INCLUDE:



... and at the AmeriPort Intermodal Rail Center

- Work with Pennsylvania, Philadelphia and private investors to open the new cruise ship terminal at the former Philadelphia Navy Yard. PPC will retrofit a 100-year-old building at the former Navy Yard for use as a dedicated passenger terminal. The terminal will help our region capture a larger share of the growing cruise ship business and give local firms a chance to provision cruise ships that visit our port.
- Work with New Jersey and the South Jersey Port Corp. to build and lease a temperature- controlled warehouse at Camden's Broadway Marine Terminal. We will build a 75,000 square-foot dockside warehouse that Del Monte Corp. will lease to expand its fresh fruit import business.
- Represent the port's interest in discussions concerning railroad mergers. It concluded that with vigilant monitoring, the Port of Philadelphia and Camden could benefit from the proposed absorption of Conrail by CSX and Norfolk Southern railroads.
- Help evaluate the proposed deepening of the Delaware River's main shipping channel.



our customers

Under the Port of Philadelphia and Camden's management, DRPA's intermodal rail center, AmeriPort, enjoyed another strong year. AmeriPort handled more than 41,000 lifts, a 27 percent increase when compared with 1996. Much of the increase came from daily doublestack service to the Midwest.

Regional Development

DRPA was part of the team that negotiated the agreement bringing Kvaerner ASA, one of the world's largest shipbuilding firms, to the former Philadelphia Navy Yard. Other team members included the federal government, Pennsylvania and Philadelphia. The agreement represents DRPA's largest regional development initiative and moves us toward the goal of restructuring the former defense facility as a civilian employment center. According to an independent report, the Kvaerner Shipyard could generate 8,100 jobs within five years and 13,800 jobs by 2017. DRPA also pledged that, subject to funding availability, it would invest in other Philadelphia-Camden Waterfront projects.



The RiverLink Ferry connects the Philadelphia and Camden Waterfront attractions.

OTHER 1997 REGIONAL DEVELOPMENT INITIATIVES INCLUDED:

- The June implosion of three former RCA industrial buildings on the Camden Waterfront. A combined initiative of DRPA, New Jersey, Camden and the Cooper's Ferry Development Association, the project cleared a riverside tract between the Benjamin Franklin Bridge and the New Jersey State Aquarium for commercial development.
- The Camden site took on special significance when Philadelphia entered into exclusive negotiations with one of the nation's leading commercial real estate firms. The firm plans to develop a large family entertainment center at Penn's Landing. In 1993, DRPA provided seed money for the project.
- We supported NJ Transit's plan to build a high-speed passenger rail system from Trenton to the Camden Waterfront. The line would provide a passenger stop for the New Jersey State Aquarium, One PortCenter and the "ECenter."
- Also benefitting from the rail line would be the Marriott restaurant that opened in One Port Center, DRPA's headquarters building near the aquarium. It is the first new restaurant on the rejuvenated Camden Waterfront. Also, Public Service Electric and Gas Co. opened a customer service center in One Port Center.
- Near Philadelphia International Airport, we teamed with Pennsylvania and Delaware County to extend Hog Island Road. Once completed, the roadway will improve traffic flow around the airport and expand the existing commercial corridor.
- Building on the efforts of U.S. Rep. Curt Weldon, we agreed to lead the development of a regional technology consortium designed to make available to local schools, businesses and government agencies the highest level of data processing capabilities.
- Using a sophisticated data base, our staff prepared targeted marketing studies for local firms that wish to expand their exports.



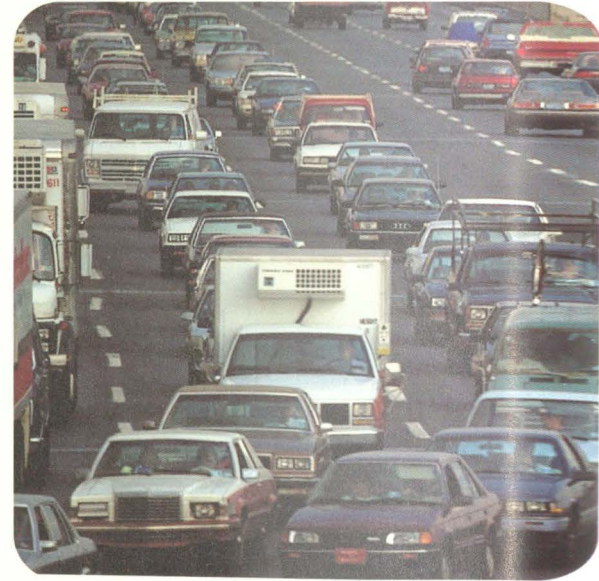
The Penn's Landing Skating Rink draws winter crowds to the Waterfront.

E-ZPass

In 1997, the Delaware and Maryland turnpike authorities joined the E-ZPass Interagency Group and the Port Authority of New York and New Jersey began offering E-ZPass on its bridges and tunnels. We hope to bring E-ZPass to our Delaware River crossings in 1998.

E-ZPass will reduce air pollution and congestion, and eliminate the need for commuters to buy monthly stickers in the toll lanes. Our E-ZPass system will be compatible with those in place or planned in New Jersey, Pennsylvania, Delaware, Maryland and New York.

To prepare for E-ZPass, we conducted traffic studies, prepared a program for E-ZPass signs and used computer modeling to design optimal plaza configurations. We also awarded a contract to install E-ZPass equipment at the bridge plazas.



DRPA will soon offer its bridge customers the E-ZPass Electronic Toll Collection System.

Business Training

Our small business outreach program resulted in more than \$40 million in spending to business owned by minorities, women and individuals with disabilities over the past four years. In 1997, those firms successfully captured \$10.2 million in DRPA contracts and purchasing, 15.4 percent of our total spending.

To help small companies, we offered practical business training and developed programs that let start-up companies learn from larger firms. Working with business development centers at local universities, we presented programs in basic marketing, financing and new technologies. We also held workshops that enabled local entrepreneurs to meet our purchasing and engineering staffs.

Information Flow

Our Internet web site became even more lively in 1997 when Betsy Ross Bridge workers distributed "Thank You" brochures at the toll plaza. The brochures listed facts about DRPA and the Betsy Ross Bridge, introduced the bridge's key employees and asked customers to offer their ideas and suggestions. Many responded via the Internet. We are preparing a similar brochure for distribution at the Commodore Barry Bridge in early 1998.

Each month, we place the chief executive officer's report to the commissioners on our web site. We also post press releases and lists of upcoming contracts and purchases. Our Internet address is <http://www.drpa.org>.



Community Activities

Recognizing DRPA is part of a broader community, employees continue to participate in numerous activities, including those that require a significant investment of volunteer time.

COMMUNITY ACTIVITIES IN 1997 INCLUDED:

- PATCO's annual Valentine's Day Food Drive.
- PATCO's sponsorship of the annual MS Society's City-to-Shore bike race.
- A tutoring program at Camden's Broadway Elementary School.
- The "Ben Franklin Bridge Challenge," a run to support Special Olympics.
- The "Ben Franklin Bridge A-to-Z Race" for wildlife conservation.
- A first-ever run from Philadelphia to Washington, D.C., sponsored by DRPA, FOP Lodge 30 and Concerns of Police Survivors.
- United Way annual giving campaigns.
- Toys for Tots and clothing drives.
- A "Career Day on the Waterfront" for local schools.
- Our award-winning drug and alcohol program entitled "Say Know to Drugs." DRPA police presented this program to hundreds of school, athletic programs and community groups.



DRPA Sgt. James Harity leads runners from the Walt Whitman Bridge to Washington, D.C. The 130-mile run brought attention to the families of police survivors.

Awards

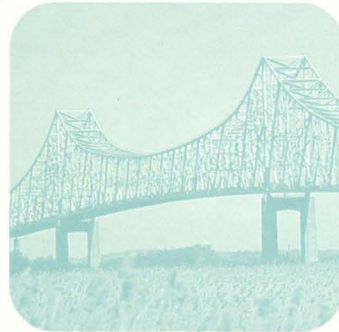
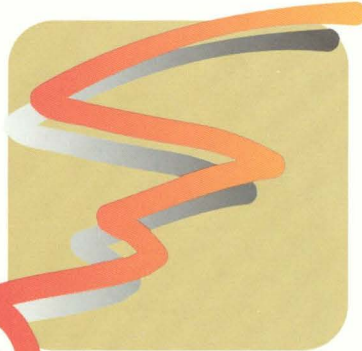
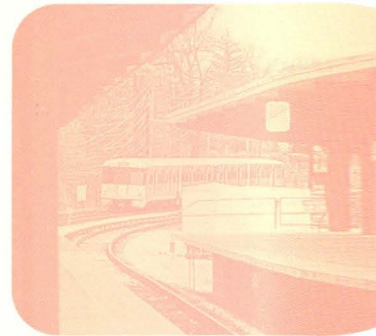
During the year, our staff received several awards and honors. Philadelphia City Council honored Public Safety Director Vincent Borrelli, the American Society of Civil Engineers, South Jersey Branch, named Chief Engineer Robert Box its "Engineer of the Year," and the YWCA of Camden County and Vicinity presented Chief Administrative Officer Barbara Jones with its Evelyn Atwater Award. Also, the Citizens Crime Commission of the Delaware Valley cited PATCO Train Operator Richard Weston for bravery and honored Det. Landon Sills. Several DRPA and PATCO officers received commendations from the Camden County Prosecutor's Office.

The American Contract Compliance Association invited Toni Brown, director of our Office of Business Development and Equal Opportunity, to speak at its annual training conference.

For the fifth consecutive year, the Government Finance Officers Association of the United States and Canada awarded us a Certificate of Achievement for Excellence in Financial Reporting for our 1996 Comprehensive Annual Financial Report.

Paul Drayton Jr.
Chief Executive Officer, Delaware River Port Authority
President, PATCO

FINANCIAL SECTION



As seen from the RiverLink Ferry—the N.J. State Aquarium and to right, DRPA's headquarters building, One Port Center



our customers



DELAWARE RIVER PORT AUTHORITY
of Pennsylvania & New Jersey

One Port Center

2 Riverside Drive
Camden NJ

March 24, 1998

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

The comprehensive annual financial report of the Delaware River Port Authority for the fiscal year that ended December 31, 1997, 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 are accurate in all material respects and are 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 comprehensive annual financial report is presented in three sections: introductory, financial and statistical. The introductory section includes a report to the Governors of New Jersey and Pennsylvania from the Chairman of the Authority, a list of Commissioners and principal officers of the organization, a report of 1997's activities and the Authority's organizational chart. The financial section includes this letter of transmittal, the combined financial statements and supplemental schedules by fund and total, and the report of the independent auditors thereon. The statistical section includes selected financial, operating and demographic information, presented on a multi-year basis where appropriate.

DRPA is an equal opportunity employer

Mailing Address: PO Box 1949 Camden New Jersey 08101-1949 **Telephone:** 609.968.2000 **Fax:** 609.968.2193
215.218.3750

Reporting Entity

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. Among its powers, the Authority is vested with the 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 also owns a high-speed transit facility, which is operated by the Port Authority Transit Corporation (PATCO), a wholly owned subsidiary of the Authority. The transit facility operates between Philadelphia, Pennsylvania, and Lindenwold, New Jersey. The Authority's Port of Philadelphia and Camden, Inc. (PPC) subsidiary is charged with effecting the unification of certain port facilities of the Delaware River and currently operates the Authority's *AmeriPort* intermodal transfer facility. *AmeriPort* facilitates the movement of containerized cargo through regional ports. Through its compact the Authority is authorized to undertake projects for regional economic and port development.

The Authority is authorized to operate in the Port District, which includes 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 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 manage the daily operations of the Authority.

Activities of the Authority during 1997

Information relating to the activities of the Authority during 1997 is included in the Chief Executive Officer's Report in the introductory section of this report.



our customers

Financial Operating Activities

Bridge operations: Bridge operating revenues, consisting primarily of toll revenues, increased by 4 percent or \$4.7 million in 1997 to total \$115.6 million. Bridge operating revenues were \$110.9 million in 1996. The increase in 1997 bridge operating revenues is primarily attributable to a 3.6 percent increase in traffic on the Authority's bridges. Bridge operating expenses, including depreciation of \$10.1 million, totaled \$48.1 million in 1997, showing a decrease of \$2.9 million from 1996's operating expenses of \$51.0 million. Bridge operating income (revenues less operating expenses) equaled \$67.6 million in 1997 which represents an increase of 13 percent, or \$7.7 million, over 1996's bridge operating income of \$59.9 million.

Transit system: Total transit system operating revenues, consisting primarily of passenger fares, were \$15.0 million in 1997 representing a slight increase over 1996's revenues of \$14.9 million. Transit system operating expenses, which include PATCO operating expenses, depreciation and lease and community impact expenses, were \$39.0 million in 1997 and \$39.3 million in 1996. Transit system operating losses (revenues less operating expenses) totaled \$24.0 million in 1997, representing a slight decrease as compared to 1996's operating loss of \$24.4 million.

General administration expenses, which are incurred primarily in the administration of the Authority's bridge operations, increased by 3 percent in 1997 to total \$15.3 million. 1996's general administration expenses were \$14.9 million.

Operating income, calculated as bridge operating income less transit system operating losses and general administration expenses, equaled \$28.3 million in 1997, representing an increase of 37 percent, or \$7.7 million, over 1996's operating income of \$20.6 million.

The Authority deducts net interest expense and other nonoperating expenses, net of other revenues, from operating income to determine income or loss before economic development activities. Net interest expense, which includes interest income of \$16.9 million and interest expense on outstanding long term debt of \$34.5 million, was \$17.6 million in 1997. Other nonoperating expenses, net of other revenues, totaled \$5.0 million in 1997. Income before economic development activities was \$5.7 million in 1997 compared to a loss of \$1.2 million in 1996.

From these amounts the Authority then deducts the cost of its economic development activities to determine the net income or loss for the year. Economic development activity expenditures are undertaken in accordance with the Authority's compact responsibilities to promote regional economic development within the Port District. After economic development expenditures of \$4.0 million in 1997 and \$18.0 million in 1996, the

Authority generated net income of \$1.7 million in 1997 as compared to a net loss of \$19.2 million incurred in 1996. After adding depreciation on assets acquired with government contributions, net assets from operations at December 31, 1997 totaled \$326.5 million.

Basis of Accounting

The combined financial statements of the Authority are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Internal Control

Management of the Authority is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Authority are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is 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 benefits likely to be derived; and (2) the analysis of costs and benefits requires estimates and judgments by management.

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

Budgetary Controls

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 and Directors develop a preliminary operating budget based upon the expected staffing and funding levels necessary to operate the Authority's facilities in an efficient manner. Based upon budget hearings conducted by the Strategic Management Committee, which consists of the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Administrative Officer and other senior directors, a proposed operating budget is presented by the Chief Executive Officer to the Finance Committee of the Board of Commissioners. Upon review and approval, the Finance Committee submits the budget to the Board of Commissioners for approval. Any addition of funds to the total operating budget requires the approval of the Board of Commissioners.



our customers

Throughout the year a continuing review of expenditures is made 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 showing 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 project can commence.

Pension Plans

Employees of the Authority participate in either the Pennsylvania State Employees' Retirement System or the Teamsters Pension Plan of Philadelphia and Vicinity, both of which are cost-sharing multiple employer defined benefit pension plans and provide pension, death and disability benefits. Under the Pennsylvania State Employees' Retirement System, employees are required to contribute 5 percent of their gross payroll to the plan. The Authority is required to contribute an actuarially determined amount to the plan, which in 1997 equaled 6.77 percent of covered payroll. Under the Teamsters Pension Plan of Philadelphia and Vicinity the Authority is required to contribute a fixed amount per hour for each PATCO and PPC employee, and these contributions to the plan totaled 10.24 percent of covered payroll in 1997. Employees are not required to make any contributions to the plan.

Debt Administration

At December 31, 1997 the Authority had \$512,393,567 in revenue and refunding revenue bonds outstanding, consisting of bonds issued in 1989 and 1995. The 1989 Bonds were issued pursuant to a General Bond Resolution, dated April 17, 1985 and a Second Supplemental Resolution thereto. The 1995 Bonds were issued pursuant to an Indenture of Trust, dated November 15, 1995, and a First Supplemental Indenture thereto. Under the terms of the Indenture of Trust the Authority covenanted not to issue any additional bonds under its General Bond Resolution. The Authority can issue additional bonds for permitted purposes under the Indenture of Trust.

The 1989 Bonds were issued to refund a portion of the principal and interest on the 1985 Bonds. The 1995 Bonds were issued to finance, refinance or reimburse a portion of the costs of certain bridge and transit system capital projects.

Debt Service on the Authority's outstanding long-term debt is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
1998	\$8,002,913	\$26,177,276	\$34,180,189
1999	7,435,174	36,542,722	43,977,896
2000	6,900,950	37,106,946	44,007,896
2001	6,412,800	37,660,097	44,072,896
2002	5,889,010	38,073,887	43,962,896
2003-2025	<u>477,565,000</u>	<u>352,613,164</u>	<u>830,178,064</u>
Total	<u>\$512,205,847</u>	<u>\$528,173,992</u>	<u>\$1,040,379,837</u>

Debt service shown above is calculated in accordance with the Authority's General Bond Resolution and Indenture of Trust. Annual debt service includes interest due July 1, of the year indicated, and interest and principal due January 1 of the following year. Accordingly, principal and interest payments due January 1, 1998, totaling \$8,595,063 and \$15,767,418, respectively, which were paid by the Authority on January 1, 1998, are accounted for as 1997 debt service. Also, in accordance with the Authority's Indenture of Trust, interest due on the 1995 Bonds, on July 1, 1998, totaling \$9,767,708, which is payable from proceeds of and accrued interest on the 1995 Bonds and investment income, is not included in the above schedule of debt service.

The 1989 Bonds are payable from and solely secured by a pledge of Net Revenues of the Authority, and by a pledge of moneys and securities from time to time deposited in the funds and accounts established by the 1985 General Bond Resolution. The 1995 Bonds are secured by a lien on and security interest in (a) until the General Board Resolution defeasance date, all moneys on deposit to the credit of the 1985 General Fund, which moneys shall, pursuant to the provisions of the Indenture of Trust, be immediately redeposited to the credit of the 1995 Revenue Fund, (b) from and after the General Bond Resolution Defeasance Date, the Net Revenues of the Authority and (c) certain moneys and securities held under the 1995 Indenture.

In accordance with the Indenture of Trust the Authority calculates Net Revenues available for debt service on its bonds by adding bridge operating revenues and interest income available to pay debt service, then deducts the sum of bridge operating expenses (without considering depreciation, amortization or interest) and administrative expenses. Pursuant to this calculation, Net Revenues available for debt service in 1997 was \$68.1 million. Debt service, payable from Net Revenues, comprised of interest and principal payments on outstanding bonds, totaled \$24.3 million for the year ending January 1, 1998. In accordance with the Indenture of Trust debt service excludes any principal and interest payments on the 1995 Bonds payable



our customers

from the proceeds of the 1995 Bond Issue. Net Revenues available for debt service was sufficient to cover debt service 2.80 times in 1997, compared to 2.48 times in 1996.

Cash Management

Investments purchased by the Authority are done so in accordance with the Authority's General Bond Resolution and Indenture of Trust. Cash available during the year is generally invested in repurchase agreements (collateralized by obligations of the U.S. Treasury), obligations of the United States Treasury, obligations of federal government agencies or its 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, while trying to minimize the amounts of uninvested cash, thereby maximizing the return on available funds. The Authority is required to maintain certain invested amounts as reserves for its debt obligations.

Risk Management

The Authority is self-insured for public liability claims up to a limit of \$5 million per occurrence. Excess liability insurance provides coverage of \$95 million over the Authority's \$5 million self-insured retention. The DRPA is self-insured for worker's compensation up to a limit of \$350,000 per occurrence with excess worker's compensation coverage providing \$5 million in coverage over the DRPA's \$350,000 self-insured retention. PATCO is fully self-insured for worker's compensation. Property coverage is placed with commercial insurance carriers with limits and deductibles as deemed appropriate for the needs of the Authority.

Comprehensive Annual Financial Report

The Authority's By-Laws, General Bond Resolution and Indenture 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 and OMB Circular A-133. The purpose of such a single audit is to determine the adequacy of the internal control of the Authority and its compliance with the applicable laws and regulations which relate to the receipt of federal assistance from federal agencies. The Authority retains an independent auditing firm to satisfy its audit requirements. The report of the independent auditors on the combined financial statements of the Authority is included in the financial section of this report.

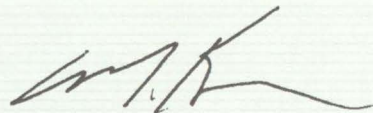
Comprehensive Annual Financial Report

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, 1996. The Certificate of Achievement is a prestigious national award recognizing conformance of the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Authority's has received a Certificate of Achievement for the last five consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another Certificate. The Authority's management anticipates that its continued participation in the certificate program will result in the continued improvement of future comprehensive annual financial reports of the Authority.

Sincerely,



Marc H. Krassan
Chief Financial Officer



our customers



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2001 Market Street
Philadelphia
Pennsylvania 19103-7096

■ Phone: 215 448 5000
Fax: 215 448 4069

**REPORT OF INDEPENDENT AUDITORS
TO THE COMMISSIONERS OF THE DELAWARE RIVER PORT AUTHORITY**

We have audited the accompanying combined financial statements of the Delaware River Port Authority and its subsidiary, Port Authority Transit Corporation, as of and for the years ended December 31, 1997 and 1996, as listed in the Financial Section of the foregoing table of contents. These financial statements and the supplemental schedules discussed below are the responsibility of the Delaware River Port Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We have conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of the Delaware River Port Authority and its subsidiary, Port Authority Transit Corporation, as of December 31, 1997 and 1996, and the combined results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplemental schedules listed in the Financial Section of the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such supplemental schedules have been subjected to the auditing procedures applied in our audits 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.

Ernst + Young LLP

March 24, 1998
Philadelphia, Pennsylvania

COMBINED BALANCE SHEETS
December 31, 1997 and 1996 (In Thousands)

ASSETS	Notes	1997	1996
UNRESTRICTED ASSETS			
Cash	2	\$968	\$1,254
Investment in securities	1,2	98,069	74,390
Accrued interest receivable		108	2
Accounts receivable	3	4,757	3,235
Transit system and storeroom inventory	1	3,472	3,378
Deferred compensation plan assets	5	13,488	10,800
Economic development loans - net	10	12,058	12,067
Prepaid expenses and other assets	10	1,107	1,702
Total		134,027	106,828
RESTRICTED ASSETS			
Investment in securities	1,2,7	188,607	247,076
Accrued interest receivable		653	1,099
Total restricted assets		189,260	248,175
INVESTMENT IN FACILITIES			
Accumulated depreciation	1,4,8	951,245	895,719
		(251,954)	(237,419)
Investment in facilities - net		699,291	658,300
DEBT ISSUANCE COSTS, NET OF AMORTIZATION			
	7	9,755	10,211
TOTAL ASSETS		\$1,032,333	\$1,023,514

See notes to combined financial statements



DELAWARE RIVER PORT AUTHORITY

of Pennsylvania and New Jersey

LIABILITIES AND NET ASSETS	<u>Notes</u>	<u>1997</u>	<u>1996</u>
ACCOUNTS PAYABLE			
Retained amounts on contracts		\$4,143	\$2,575
Deferred compensation obligation	5	13,488	10,800
Other		6,921	5,629
Total accounts payable		24,552	19,004
ACCRUED LIABILITIES			
Pension	6	713	750
Sick and vacation leave benefits		7,681	8,007
Other		921	966
Total accrued liabilities		9,315	9,723
DEFERRED INCOME ON TOLL TICKETS		5,469	5,295
ACCRUED INTEREST (Payable from Restricted Assets)	7	51,545	49,586
FUNDED DEBT	7	512,394	523,813
PROVISIONS			
Repainting	1	17,649	15,469
Other	9	5,379	6,640
Total provisions		23,028	22,109
Total liabilities		626,303	629,530
NET ASSETS			
From contributed capital	8	79,501	71,678
From operations			
Reserved	7	137,715	198,589
Unreserved	9,10	188,814	123,717
Total net assets from operations		326,529	322,306
Total net assets		406,030	393,984
TOTAL LIABILITIES AND NET ASSETS		\$1,032,333	\$1,023,514

COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Years ended December 31, 1997 and 1996 (In Thousands)

	Notes	1997	1996
OPERATING REVENUES AND EXPENSES	7		
Bridges			
Tolls		\$114,650	\$110,706
Other operating revenues		982	224
Total bridge operating revenues		<u>115,632</u>	<u>110,930</u>
Operating expenses		38,010	42,196
Depreciation	4,8	10,059	8,845
Total bridge operating expenses		<u>48,069</u>	<u>51,041</u>
Bridges operating income		<u>67,563</u>	<u>59,889</u>
Transit system			
Passenger fares		14,248	14,234
Other operating revenues		757	674
Total transit system operating revenues		<u>15,005</u>	<u>14,908</u>
Operating expenses		26,242	27,045
Lease and community impact expense	10	7,500	7,500
Depreciation	4,8	5,282	4,786
Total transit system operating expenses		<u>39,024</u>	<u>39,331</u>
Transit system operating loss		<u>(24,019)</u>	<u>(24,423)</u>
General administration expenses		15,270	14,894
OPERATING INCOME		<u>28,274</u>	<u>20,572</u>
NONOPERATING REVENUES AND EXPENSES			
Interest income (expense)			
Interest income		16,945	17,747
Interest on funded debt	7	(34,526)	(35,244)
Interest income (expense) - net		<u>(17,581)</u>	<u>(17,497)</u>
Other nonoperating revenues (expenses)			
Other interest income - Construction Fund			601
Port of Philadelphia and Camden		(3,799)	(3,444)
Depreciation and amortization		(419)	(678)
Other		(778)	(738)
Other nonoperating revenues (expenses) - net		<u>(4,996)</u>	<u>(4,259)</u>
Income (loss) before economic development activities		5,697	(1,184)
Economic development activities	10	(3,982)	(17,972)
NET INCOME (LOSS)		1,715	(19,156)
ADD DEPRECIATION ON ASSETS ACQUIRED			
WITH GOVERNMENT CONTRIBUTIONS -			
charged against contributed capital	8	2,508	2,204
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		4,223	(16,952)
NET ASSETS FROM OPERATIONS, BEGINNING OF PERIOD		<u>322,306</u>	<u>339,258</u>
NET ASSETS FROM OPERATIONS, END OF PERIOD		<u>\$326,529</u>	<u>\$322,306</u>

See notes to combined financial statements.



COMBINED STATEMENTS OF CASH FLOWS
Years ended December 31, 1997 and 1996 (In Thousands)

	1997	1996
OPERATING ACTIVITIES		
Operating income	\$28,274	\$20,572
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	15,341	13,631
Port of Philadelphia and Camden	(3,799)	(3,444)
Economic development activities	(3,982)	(17,792)
Changes in assets and liabilities which provided (used) cash:		
Deferred compensation assets	(2,688)	(2,020)
Accounts receivable	(1,522)	(687)
Economic development loans - net	9	(1,985)
Transit system and storeroom inventory	(94)	(329)
Prepaid expenses and other assets	595	(101)
Accounts payable	5,548	(16,013)
Accrued liabilities	(408)	(790)
Deferred income on toll tickets	174	343
Provisions	919	(1,934)
Other	(778)	(738)
Net cash provided by (used in) operating activities	37,589	(11,287)
CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(56,756)	(48,807)
Proceeds from disposal of facilities	5	125
Cash provided by capital and other grants	10,331	17,844
Repayment of funded debt	(11,949)	(14,095)
Interest paid	(31,581)	(22,142)
Net cash used in capital and related financing activities	(89,950)	(67,075)
INVESTING ACTIVITIES		
Unrestricted:		
Purchases of investments	(1,368,970)	(1,006,682)
Proceeds from sale of investments	1,345,291	998,657
Increase in unrestricted investments	(23,679)	(8,025)
Restricted:		
Purchases of investments	(87,814)	(406,892)
Proceeds from sale of investments	146,283	473,154
Decrease in restricted investments	58,469	66,262
Receipts of interest	17,285	19,548
Net cash provided by investing activities	52,075	77,785
NET DECREASE IN CASH	(286)	(757)
CASH, BEGINNING OF YEAR	1,254	2,011
CASH, END OF YEAR	\$968	\$1,254

See notes to combined financial statements

NOTES TO COMBINED FINANCIAL STATEMENTS

Years ended December 31, 1997 and 1996 (In Thousands)

I. 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 facility which is operated by the Port Authority Transit Corporation (PATCO), a wholly owned subsidiary of the Authority. The transit facility 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, Inc. (PPC), subsidiary is charged with effecting port unification. PPC currently operates the Authority's intermodal transfer facility, *AmeriPort*, which facilitates the movement of containerized cargo through the regional ports. In 1997, the Authority created the Delaware River Port Authority Foundation to support educational programs and initiatives of community groups. 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.

B. Basis of Presentation – The combined financial statements of the Authority are prepared on the accrual basis of accounting and include the accounts of the Authority's PATCO and PPC subsidiaries. Material balances and transactions between the entities have been eliminated. The Authority does not have any component units.

The Authority has adopted Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Government Entities", which provides for the consistent application of GASB pronouncements and only pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989, except where those FASB pronouncements conflict with GASB pronouncements.

C. Investment in Securities – Investment in securities is stated at amortized cost (which approximates market) because it is the Authority's intention to hold these investments until maturity. Certain investments are required as reserves in connection with the Authority's funded debt (Notes 2 and 7).

D. Cash – Cash includes cash on hand and demand deposits.

E. Inventory – Transit system inventory, consisting principally of spare parts for maintenance of transit system facilities, and bridge operations' storeroom inventory are stated at the lower of cost (first-in, first-out method) or market.

F. Investment in Facilities – Investment in facilities is stated at cost, which generally includes expenses in connection with the offering, selling and issuance of bonds as well as 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.

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 (Note 8). A charge representing depreciation on assets acquired with contributions is made directly to the related contribution accounts.

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

The bridge facilities are stated at cost, net of contributions by New Jersey Department of Transportation. The PATCO system first phase capital improvement program is stated at cost, net of reimbursements prior to 1981 from the Federal Transit Administration and other governmental agencies (Note 4). The PATCO system includes the expenditures of federal and state grants for capital improvements and additions (Note 8).

G. Maintenance and Repainting – Maintenance and repair costs considered necessary to maintain bridge facilities in good operating condition are charged to operations as incurred. Amounts sufficient to meet the estimated cost to repaint the bridges are provided by periodic charges to operations.



H. Other Provisions – The Authority provides for the uninsured portion of potential public liability claims and workers' compensation claims through self-insured programs and charges current operations for estimated claims to be paid.

During 1996, the Authority was also self-insured for certain employee and retiree health care benefits. These self-insured programs were eliminated in 1997 and the benefits are now provided through annual insurance premiums charged to operations. Adequate provisions have been made for any outstanding self-insured health care claims. (Note 9)

I. Economic Development Loans – The Authority establishes loan loss provisions for economic development loans receivable. (Note 10)

J. 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.

2. CASH AND INVESTMENTS

The Authority maintains cash and investments for all funds. The investments in various securities are maintained for specified funds in accordance with the provisions of the General Bond Resolution adopted as of April 17, 1985 and the Indenture of Trust adopted as of November 15, 1995.

At December 31, 1997 and 1996 cash balances were \$968 and \$1,254, respectively, of which \$510 and \$492, respectively, was cash on hand. Balances of \$201 at December 31, 1997 and \$161 at December 31, 1996 were insured by federal depository insurance.

Demand deposit bank balances, excluding those held in foreign bank accounts, are either insured by federal depository insurance or are collateralized with the collateral being held by the Authority's agent in the name of the Authority. At December 31, 1997 and 1996, the Authority had \$46 in uncollateralized demand deposits in foreign bank accounts.

Investments are purchased in accordance with the General Bond Resolution and the Indenture of Trust, and generally include U.S. government obligations, obligations of U.S. agencies or instrumentalities, and obligations of public agencies rated in either of the two highest rating categories by Standard and Poor's Corporation or Moody's Investors Service. In addition, in accordance with the Indenture of Trust the Authority invests funds in the 1995 General Fund in commercial paper rated A-1 by Standard and Poor's Corporation.

Investments in securities are categorized below to give an indication of the credit risk assumed at December 31, 1997 and 1996. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the Authority's name. The carrying amount and market value of the Authority's investments are shown below. 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 Investor Service or Standard and Poor's Rating Services.

	Category	1997			1996		
		Category Amount	Carrying Amount	Market Value	Category Amount	Carrying Amount	Market Value
U.S. agency securities	1	\$28,481	\$28,481	\$28,473	\$73,104	\$73,104	\$73,112
U.S. government securities	1	11,857	11,857	11,854	36,859	36,859	36,866
Money market funds	1	23,759	23,759	23,759	13,692	13,692	13,692
Commercial Paper	1	62,345	62,345	62,335			
Certificates of Deposit	3	5,021	5,021	5,021			
Total		<u>\$131,463</u>	<u>131,463</u>	<u>131,442</u>	<u>\$123,655</u>	<u>123,655</u>	<u>123,670</u>
Guaranteed Income Contracts			<u>155,213</u>	<u>155,213</u>		<u>197,811</u>	<u>197,811</u>
Total investments in securities			<u>\$286,676</u>	<u>\$286,655</u>		<u>\$321,466</u>	<u>\$321,481</u>

3. ACCOUNTS RECEIVABLE

Accounts receivable include the following:

	<u>1997</u>	<u>1996</u>
Reimbursements from governmental agencies – Capital improvements to the PATCO system due from the Federal Transit Administration and New Jersey Transit Port of Philadelphia and Camden - AmeriPort trade receivables	\$2,102	\$1,366
Deposits with claims administrators	826	639
Miscellaneous	834	788
	995	442
Total	<u>\$4,757</u>	<u>\$3,235</u>

4. INVESTMENT IN FACILITIES

Investment in facilities is comprised of the following:

	<u>1997</u>	<u>1996</u>
Bridges:		
Benjamin Franklin	\$164,560	\$161,809
Walt Whitman	206,685	176,906
Commodore Barry	148,711	147,864
Betsy Ross	151,418	146,288
Total	671,374	632,867
Accumulated depreciation	(166,903)	(158,441)
Net book value - bridges	<u>504,471</u>	<u>474,426</u>
Transit system:		
PATCO system (Notes 8 and 10)	222,691	207,670
PATCO system first phase capital improvement program	1,938	1,938
Total	224,629	209,608
Accumulated depreciation	(80,166)	(75,454)
Net book value - transit system	<u>144,463</u>	<u>134,154</u>
Port and administrative building	55,242	53,244
Accumulated depreciation and amortization	(4,885)	(3,524)
Net book value - port and administrative building	<u>50,357</u>	<u>49,720</u>
Total investment in facilities – net	<u>\$699,291</u>	<u>\$658,300</u>

Certain costs of facilities of the Commodore Barry Bridge, the Betsy Ross Bridge and the Transit system, totaling \$71,213, have not been included in the Authority's investment in facilities at December 31, 1997, as title to the respective assets has been retained by certain state, federal or local governmental agencies.



5. 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.

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 (until paid or made available to the employee or other beneficiary) solely the property and rights of the Authority (without being restricted to the provisions of benefits under the plan), subject only to the Authority's general creditors. Participants' rights under the plan are equal to those of general creditors of the Authority in an amount equal to the fair market value of the deferred account for each participant. The plans assets, which are stated at market value, were \$13,488 at December 31, 1997 and \$10,800 at December 31, 1996.

6. PENSION PLANS

Employees of the Authority participate in either the Pennsylvania State Employees' Retirement System or the Teamsters Pension Plan of Philadelphia and Vicinity, both of which are cost-sharing multiple employer defined benefit pension plans.

Pennsylvania State Employees' Retirement System

Plan description: Certain permanent full-time and part-time employees are eligible and required to participate in the plan which 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 sixty, except police officers at age fifty, or the age at which thirty-five years of service has been completed, whichever occurs first). Benefits vest after ten years of service. If an employee terminates his or her employment after at least ten 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% of their final average compensation (average of the three highest years in earnings) times the number of years for which they were employed by a participant in the plan. The pension benefits received by an employee who retires after ten 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. Employees are required to contribute 5% of their gross earnings to the plan. The Authority is required to, and did, contribute an actuarially determined amount to the plan, which equaled 6.77%, 8.23% and 8.81% of covered payroll in 1997, 1996 and 1995 respectively. In 1997, 1996 and 1995 the Authority contributed \$2,539, \$3,204 and \$3,594, 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 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 which vary according to employer daily contribution rates. Members may also receive benefits after early retirement at reduced rates depending on age at retirement.

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

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

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

Funding policy. The contribution requirements of the Authority are established and amended by Teamsters Pension Plan of Philadelphia and Vicinity Board. The Authority is required to, and did, contribute the following amounts for PATCO and PPC employees; fifteen dollars and eighty cents per day through June 15, 1997 and sixteen dollars and twenty cents per day thereafter, per participating PATCO employee and thirty three dollars and eighty cents per day through May 2, 1997 and thirty seven dollars and forty cents per day thereafter per participating AmeriPort employee. The Authority's contributions totaled 10.24%, 9.88% and 10.30% of covered payroll in 1997, 1996 and 1995, respectively. The employees of the Authority make no contributions to the plan. The Authority contributed \$836, \$825 and \$827 in 1997, 1996 and 1995, respectively.

Other Retirement Benefits – 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. Employees become eligible for retirement benefits once they have been determined pension eligible. At December 31, 1997, 517 retirees were eligible to receive benefits. These, and similar benefits for active employees, are now provided through insurance companies and the Authority recognizes the cost of providing these benefits by expensing annual insurance premiums. The cost of providing these retirement benefits, net of retiree contributions, totaled \$1,691, \$2,433 and \$2,371 for 1997, 1996 and 1995, respectively. In certain instances retirees are required to contribute approximately 5% of the cost of health care benefits.

7. FUNDED DEBT

At December 31, 1997 the Authority had \$512,394 in revenue and refunding revenue bonds outstanding, consisting of bonds issued in 1989 and 1995. The 1989 Bonds were issued pursuant to a General Bond Resolution, dated April 17, 1985 and the Second Supplemental Resolution thereto. The 1995 Bonds were issued pursuant to an Indenture of Trust, dated November 15, 1995, and the First Supplemental Indenture thereto. Under the terms of the Indenture of Trust the Authority covenanted not to issue any additional bonds under its General Bond Resolution.

1989 Bonds: In 1989, the Authority issued \$179,464 of Refunding Revenue Bonds, Series 1989, to (1) provide payment for all interest on the 1985 Term Bonds due January 1, 2011 (principal amount \$124,165) due and payable on July 1 and January 1 of each year, commencing July 1, 1989 to and including January 1, 1995, the date fixed for redemption as a whole of such 1985 Term Bonds, and the redemption price of such bonds; (2) provide payment for all interest on the 1985 Term Bonds due 2002 (total principal amount \$49,305) due and payable on July 1 and January 1 of each year, commencing July 1, 1989 to and including January 1, 1995, the date fixed for the redemption of such portion of the interest for the 1985 Term Bonds, and the redemption price of \$10,865 of such bonds; (3) provide for payment on a portion of the interest for the 1985 Serial Bonds due and payable on July 1 and January 1 of each year, commencing July 1, 1991 to and including January 1, 1995; (4) deposit moneys to the Bond Reserve Fund in order to satisfy the Bond Reserve Requirement under the resolution; and (5) pay costs and expenses incurred in connection with the issuance of the 1989 Bonds. The Authority currently anticipates refunding all or a portion of the outstanding 1989 Bonds during mid-year 1998.

1995 Bonds: In 1995, the Authority issued \$357,185 of Revenue Bonds, Series of 1995, to provide funds to (1) finance, refinance or reimburse a portion of the costs of certain capital projects undertaken or to be undertaken by the Authority;



(2) make a deposit to the Debt Service Reserve Fund equal to the Debt Service Reserve Requirement for the 1995 Bonds; (3) pay a portion of the interest on the 1995 Bonds from the date of delivery through July 1, 1998; and (4) pay certain costs incurred in connection with the issuance of the 1995 Bonds.

The 1989 Bonds outstanding at December 31, 1997 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>	
Capital Appreciation Bonds						
1998	7.10%	8,595	2001	7.25%	\$6,901	
1999	7.15	8,003	2002	7.30	6,413	
2000	7.20	7,435	2003	7.35	5,889	
					<u>\$43,236</u>	
Term Bonds						
				2007	7.375%	<u>\$71,535</u>
Serial Bonds						
2008	6.50%	\$21,295	2010	7.00%	\$2,370	
2009	6.50	22,645	2011	6.50	2,535	
					<u>\$48,845</u>	
Total par value of 1989 Bonds outstanding					\$163,616	
Less unamortized bond discount					<u>3,339</u>	
Total 1989 Bonds - net					<u>\$160,277</u>	

The 1995 Bonds outstanding at December 31, 1997 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						
2010	5.30%	\$11,065	2014	5.40%	\$16,650	
2011	5.40	11,650	2015	5.40	17,550	
2012	5.45	14,980	2016	5.40	18,495	
2013	5.40	15,795				
					<u>\$106,185</u>	
Term Bonds						
				2026	5.50%	<u>\$251,000</u>
Total par value of 1995 Bonds outstanding					\$357,185	
Less unamortized bond discount					<u>5,068</u>	
Total 1995 Bonds - net					<u>\$352,117</u>	
Total funded debt at December 31, 1997					<u>\$512,394</u>	

Interest on the 1989 and 1995 Serial and Term Bonds is payable semi-annually on January 1 and July 1 in each year, with interest on the 1995 bonds payable beginning July 1, 1996. Interest on the 1989 Capital Appreciation Bonds, which bear interest from the date of original issuance and delivery, March 7, 1989, is compounded on January 1 and July 1 of each year, commencing July 1, 1989, and is payable only at maturity. Interest expense reported includes interest on the bonds and amortization of debt issuance costs and debt issuance discount.

The Bond Service Fund (a component of restricted assets) has a net deficiency in assets of \$21,646 at December 31, 1997. Such amount is net of \$37,546 of accrued interest expense on the Authority's \$47,774 original principal amount of 1989 Capital Appreciation Bonds, which was not required to be funded by the Authority until the 1996 calendar year. The Second Supplemental Resolution, dated February 27, 1989, required that, commencing January 20, 1996, the Authority make monthly deposits with the Trustee to the Bond Service Fund for the payment of the accreted value on the 1989 Capital Appreciation Bonds, as they mature and become due on a principal payment date. The Authority made all required monthly deposits in 1996 and 1997.

The 1989 Term Bonds maturing on January 1, 2007 and the 1995 Term Bonds maturing on January 1, 2026 are subject to mandatory redemption prior to maturity at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption on January 1 in the years and the amounts specified below:

1989 Term Bonds Due January 1, 2007		1995 Term Bonds Due January 1, 2026	
Date	Amount	Date	Amount
2004	\$16,025	2017	\$19,495
2005	17,200	2018	20,565
2006	18,480	2019	21,695
		2020	22,890
		2021	24,150
		2022	25,480
		2023	26,880
		2024	28,360
		2025	29,920
Total	51,705	Total	219,435
At maturity, 2007	19,830	At maturity, 2026	31,565
Total	<u>\$71,535</u>	Total	<u>\$251,000</u>

The 1989 Bonds maturing on or after January 1, 2000 (other than the Capital Appreciation Bonds which are not subject to redemption prior to maturity), and the 1995 Bonds are subject to optional redemption prior to maturity on or after January 1, 1999 (the 1989 Bonds) and January 1, 2006 (the 1995 Bonds) as a whole at any time, or in part on any interest payment date on or after such dates, at the respective redemption prices expressed as a percentage of the principal amount, as set forth below, in each case together with accrued interest to the redemption date:

Redemption Dates (Inclusive)	Redemption Price	
	1989 Bonds	1995 Bonds
January 1, 1999 through December 31, 1999	102%	
January 1, 2000 through December 31, 2000	101½	
January 1, 2001 through December 31, 2001	101	
January 1, 2002 through December 31, 2002	100½	
January 1, 2003 and thereafter	100	
January 1, 2006 through December 31, 2006		102%
January 1, 2007 through December 31, 2007		101
January 1, 2008 and thereafter		100

If less than all of the 1989 Bonds or the 1995 Bonds are to be called for optional redemption, the Trustee will select the bonds to be redeemed from among such maturity or maturities thereof as the Authority may designate to the Trustee.



The 1989 Bonds are payable from and solely secured by a pledge of (1) Net Revenues of the Authority and (2) all moneys and securities from time to time deposited in the funds and accounts established by the General Bond Resolution, except for the 1985 General Fund. The 1995 Bonds are secured by a lien on and security interest in (a) until the General Bond Resolution defeasance date, all moneys on deposit to the credit of the 1985 General Fund, which moneys shall, pursuant to the provisions of the Indenture of Trust, be immediately redeposited to the credit of the 1995 Revenue Fund, (b) from and after the General Bond Resolution defeasance date, the Net Revenues of the Authority, and (c) certain moneys and securities held under the 1995 Indenture.

Debt service payable from net revenues on the Authority's outstanding long-term debt is as follows:

	Principal	Interest	Debt Service
1998	8,003	26,177	34,180
1999	7,435	36,543	43,978
2000	6,901	37,107	44,008
2001	6,413	37,660	44,073
2002	5,889	38,074	43,963
2003-2025	477,565	352,613	830,178
Total	\$512,206	\$528,174	\$1,040,380

Debt service on outstanding bonds payable from net revenues is calculated in accordance with the Authority's General Bond Resolution and Indenture of Trust. Annual totals include interest due July 1, of the year indicated, and interest and principal due January 1 of the following year. Accordingly, principal and interest payments due January 1, 1998, totaling \$8,595 and \$15,767, respectively, which were paid by the Authority on January 1, 1998, are accounted for as 1997 debt service. The total principal shown above differs from the total amount of funded debt previously reported of \$512,394 due to the January 1, 1998 principal payment of \$8,595 for the 1989 Bonds and \$8,407 of unamortized bond discount on the 1989 and 1995 Bonds. Interest due on the 1995 Bonds on July 1, 1998, totaling \$9,768, which is payable from proceeds on the 1995 Bonds and investment income thereon, is not included in the above schedule of debt service.

In accordance with the General Bond Resolution and Indenture of Trust the Authority is required to retain certain reserves in connection with its debt and the proceeds thereof.

In accordance with the provisions of 1985 Bond and 1989 Bond refunding programs the following outstanding debt was defeased and has been removed from the Authority's balance sheet for financial reporting purposes:

- \$100,000, 5.625%, 1969 First Series Revenue Bonds, maturing January 15, 2009.
- \$100,000, 6.50%, Series 1972 Revenue Bonds, maturing January 15, 2011.
- \$77,400, 6.00%, Series 1972 Refunding Revenue Bonds, maturing January 15, 2010.

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

The Authority receives contributions in aid for financing capital improvements and additions to the rapid transit system from the Federal Transit Administration and state agencies including, New Jersey Transit and Pennsylvania Department of Transportation. Capital improvement grant funds of \$10,331 and \$8,263 were received in 1997 and 1996, respectively. Charges representing depreciation on assets relating to these contributions were \$2,508 in 1997 and \$2,204 in 1995. In addition, in 1996, the Authority received \$9,581 in government contributions for other projects.

	1997	1996
Assets acquired with federal and state contributions	\$97,683	\$87,352
Accumulated depreciation on assets acquired with contributions	(18,182)	(15,674)
Net contributed capital for improvements and additions	\$79,501	\$71,678

9. CONTINGENCIES

The Authority excluding PATCO, is self-insured for the initial \$5,000 and \$350, per occurrence, of public liability and workers' compensation claims, respectively. PATCO is self-insured for the initial \$5,000, per occurrence, of public liability claims and is totally self-insured for workers' compensation claims.

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

The Authority receives federal and state grants for specific construction purposes that are subject to review and audit by the grantor agencies (Note 8). 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.

The Authority has not incurred any significant reduction in insurance coverage, for any risk category, from the level of coverage provided in prior periods. In addition, the amounts of settlements for the last three years have not exceeded the insurance coverage provided in those years. The following table provides a reconciliation of changes in the provision for self insured claims for the years ending December 31, 1997 and 1996. During 1996, the Authority was self-insured for certain employee and retiree health care benefits. These self-insured programs were eliminated in 1997 and the benefits are now provided through annual insurance premiums charged to operations.

	<u>1997</u>	<u>1996</u>
Beginning balance	\$6,640	\$5,948
Incurred claims	1,523	5,616
Payment of claims	(2,722)	(4,723)
Other - administrative fees	(62)	(201)
Closing balance	<u>\$5,379</u>	<u>\$6,640</u>

Unaudited - The Authority has identified its information technology systems which need to be modified for Year 2000 operations and has implemented a plan to convert the affected technology. The project will be substantially complete by mid-1998.

10. COMMITMENTS

A. Development projects:

In accordance with the economic development powers and responsibilities granted to the Authority by its amended compact, the Authority participates in the funding of certain projects or activities of organizations in support of regional economic development. The funding of these projects is provided through loans, loan guarantees, 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. During 1997 and 1996, the Authority provided \$3,982 and \$16,472, respectively, in economic development grants. The Authority also provided economic development loans of \$700 and \$4,256, in 1997 and 1996, respectively. At December 31, 1997, and 1996, the Authority had \$20,714 and \$17,933, respectively, in authorized but unexpended commitments related to economic development projects or activities. The Authority establishes loan loss provisions for economic development loans receivable and in 1996 provided \$1,500 for potential economic development loan losses. During 1997 the Authority charged off \$788 in economic development loans deemed uncollectible and as a result the allowance for economic development loans at December 31, 1997 is \$712.

The Authority has invested \$7,000 in Fastship Atlantic, Inc. (FSA) to complete the development of high speed transatlantic cargo vessels. Under a master agreement between the Authority and FSA, the Authority had certain financial commitments to FSA, however, the agreement provided that such commitments were contingent upon FSA obtaining financing for its vessels on or before December 31, 1997. FSA was unable to obtain such financing before December 31, 1997. The agreement provides that in this circumstance the parties to the agreement should meet to discuss the status of the project and the parties are involved in discussions at present.



In October 1997, the DRPA authorized up to \$50 million for the purpose of establishing a Kvaerner ASA shipbuilding facility at the former Philadelphia Naval Shipyard. In addition, the Authority authorized up to \$30 million for complimentary economic development projects. The Authority anticipates issuing debt to finance all or a portion of these commitments during mid-year 1998.

B. Leases:

To provide for the operations of its intermodal transfer facility (AmeriPort), which is currently operated by PPC, the Authority leases from Consolidated Rail Corporation (Conrail) approximately 22.2 acres of Conrail's Greenwich Yard facility in Philadelphia. Under the lease, which expires January 31, 2021, annual base rentals are effective July 1 of each year and were \$279 and \$273 respectively, in 1997 and 1996. The annual base rent is subject to adjustment annually on the anniversary date (July 1) based on the increase in the Consumer Price Index. In addition to the annual base rent, the Authority must pay, as "Additional Rent," its equitable share of all taxes, assessments, charges, fees and other legal impositions, as well as the cost and expenses of any labor or materials furnished by Conrail to the Authority. Additional Rent equaled \$11 in 1997 and 1996. The Authority has the right to terminate this lease at any time upon the payment of three years base rent and Additional Rent. In February 1994, the Authority acquired certain assets of a competing intermodal transfer facility for a total consideration of \$3,250. The operations of the two facilities were combined and operate as AmeriPort.

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. In 1997 and 1996 under the terms of the amended lease agreement the Authority paid \$1,000 in base rent payments, and \$6,000 in Special Economic and Community Development Grants (SECD Grants) to the City. For the lease years 1998 through 2000 the Authority is required to pay \$1,000 annually in base rent to the city. In 2001 the base rent payable to the City shall equal \$2,068 as adjusted for the cumulative increases in the Consumer Price Index (CPI) between 1995 and 2000. Base rent payments for 2002 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. For the years 1998 through 2000 the Authority is required to pay \$6,000 annually in SECD Grants to the City. 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 create annually 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 Authority paid \$500 in PATCO Community Impact Funds, as required, for the 1997 and 1996 lease years.

C. American with Disabilities Act (ADA):

In July 1990, the ADA was enacted to ensure that persons with disabilities have access to public accommodations. Compliance with the significant provisions of the law requires the Authority to make accessible all existing key transit system stations by July 1998.

The Authority has pledged its commitment to complying with the applicable regulations of the ADA and, as such, has undertaken appropriate planning and implementation activities. Although complete compliance has not been achieved in all areas due to delays in funding from the federal government, compliance has been substantially accomplished, and approval from the federal government was obtained for a timetable to achieve full compliance.

The total ultimate cost of compliance cannot be fully determined at this time; however, capital costs to be incurred are expected to be significant. The Federal Transit Administration (FTA) approved \$12,987 in grants to the Authority to fund the necessary capital compliance requirements and the Authority is expected to fund any additional necessary capital requirements which are not covered by FTA grants.

D. Other:

Under the terms of the Authority's agreements with the Pennsylvania and New Jersey Departments of Transportation and the City of Philadelphia, the Authority leases for the annual rental of one dollar certain of the facilities constructed or acquired under the PATCO System first phase capital improvement program. Title to the facilities will vest in the several agencies participating in the project, but the Authority is required to provide the insurance and maintenance of the leased property.

The significant minimum rent and lease fee commitments, based on current operations and excluding future adjustments for CPI, are as follows:

1998	\$7,779
1999	7,779
2000	7,779
2001	3,176
2002	\$3,248

Rent and lease expense for the years ended December 31, 1997 and 1996 amounted to \$8,058 and \$8,376, respectively.

E. Contractual Commitments

As of December 31, 1997, the Authority had contractual commitments as follow:

Benjamin Franklin Bridge:

General engineering services - task orders	\$666
Toll plaza rehabilitation	9,881
Structural repairs (includes other bridges)	3,064
Main suspension cable rehabilitation	19,246
Toll collection equipment maintenance (all bridges)	2,165
Other (includes individual contractual commitments under \$500.)	1,908

Walt Whitman Bridge:

Redecking of main span and approaches thereto	39,937
Other (includes individual contractual commitments under \$500.)	230

Betsy Ross Bridge:

Bridge surface repaving	1,627
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Transit System:

Right-of- way embankment restoration	2,601
Passenger station rehabilitation	2,110
Reverse Signaling	4,927
Philadelphia subway station elevator	1,043
Other (includes individual contractual commitments under \$500.)	500

Port Enhancement Projects

563

Other (includes individual contractual commitments under \$500.)

291

Total contractual commitments

\$90,759



DELAWARE RIVER PORT AUTHORITY

of Pennsylvania and New Jersey

SUPPLEMENTAL SCHEDULE OF CHANGES IN NET ASSETS - BY FUND AND TOTAL

Year Ended December 31, 1997 with 1996 Total (In Thousands)

	Capital Fund	Revenue Fund	General Fund	Restricted		1997 Total	1996 Total
				Combined Bond Funds	Project Fund		
NET ASSETS (DEFICIENCY) AT BEGINNING OF YEAR	\$144,644	(\$3,582)	\$54,333	\$45,647	\$152,942	\$393,984	\$395,296
Revenues and expenses							
Operating revenues		115,632	15,005			130,637	125,838
Operating expenses	(15,314)	(38,010)	(33,769)			(87,093)	(90,372)
General administration expenses		(15,270)				(15,270)	(14,894)
Interest income		1,678	3,931	4,110	\$7,226	16,945	17,747
Interest on funded debt	(986)			(33,540)		(34,526)	(35,244)
Other income (expenses)	(782)	5	(4,219)			(4,996)	(4,259)
Economic development activities			(3,982)			(3,982)	(17,972)
Net	(17,082)	64,035	(23,034)	(29,430)	7,226	1,715	(19,156)
Government contributions for capital improvements, additions and other projects			10,331			10,331	17,844
Interfund transfers and payments							
Bond service		(23,804)		23,804			
Funds in excess of Bond Reserve requirement		564		(564)			
Funds free and clear of any lien or pledge		(48,270)	48,270				
Retirement of bonds - 1989 Revenue Bonds	11,948			(11,948)			
Funds for capital additions		5,545	44,417		(49,962)		
Capital additions	57,118		(57,118)				
Total	69,066	(65,965)	35,569	11,292	(49,962)		
NET ASSETS (DEFICIENCY) AT END OF YEAR	\$196,628	(\$5,512)	\$77,199	\$27,509	\$110,206	\$406,030	\$393,984

SUPPLEMENTAL SCHEDULE OF BALANCE SHEET INFORMATION - BY FUND AND TOTAL

December 31, 1997 with 1996 Total (In Thousands)

ASSETS	Capital Fund	Revenue Fund	General Fund	Restricted		1997 Total	1996 Total
				Combined Bond Funds	Project Fund		
UNRESTRICTED ASSETS							
Cash		\$605	\$363			\$968	\$1,254
Investment in securities		28,207	69,862			98,069	74,390
Accrued interest receivable		1	107			108	2
Accounts receivable		352	4,405			4,757	3,235
Transit system and storeroom inventory		271	3,201			3,472	3,378
Deferred compensation plan assets		8,156	5,332			13,488	10,800
Economic development loans - net			12,058			12,058	12,067
Prepaid expenses and other assets		770	337			1,107	1,702
Total		38,362	95,665			134,027	106,828
RESTRICTED ASSETS							
Investment in securities				\$78,890	\$109,717	188,607	247,076
Accrued interest receivable				164	489	653	1,099
Total restricted assets				79,054	110,206	189,260	248,175
INVESTMENT IN FACILITIES							
Accumulated depreciation	\$950,883		\$362			951,245	895,719
	(251,616)		(338)			(251,954)	(237,419)
Investment in facilities - net	699,267		24			699,291	658,300
DEBT ISSUANCE COSTS, NET OF AMORTIZATION							
	9,755					9,755	10,211
TOTAL ASSETS	\$709,022	\$38,362	\$95,689	\$79,054	\$110,206	\$1,032,333	\$1,023,514



DELAWARE RIVER PORT AUTHORITY

of Pennsylvania and New Jersey

LIABILITIES AND NET ASSETS	Capital Fund	Revenue Fund	General Fund	Restricted		1997 Total	1996 Total
				Combined Bond Funds	Project Fund		
ACCOUNTS PAYABLE							
Retained amounts on contracts		\$11	\$4,132			\$4,143	\$2,575
Deferred compensation obligation		8,156	5,332			13,488	10,800
Other		1,789	5,132			6,921	5,629
Total accounts payable		9,956	14,596			24,552	19,004
ACCRUED LIABILITIES							
Pension		508	205			713	750
Sick and vacation leave benefits		5,341	2,340			7,681	8,007
Other		921				921	966
Total accrued liabilities		6,770	2,545			9,315	9,723
DEFERRED INCOME ON TOLL TICKETS		5,469				5,469	5,295
ACCRUED INTEREST (Payable from Restricted Assets)				\$51,545		51,545	49,586
FUNDED DEBT	\$512,394					512,394	523,813
PROVISIONS							
Repainting		17,649				17,649	15,469
Other		4,030	1,349			5,379	6,640
Total provisions		21,679	1,349			23,028	22,109
Total liabilities	512,394	43,874	18,490	51,545		626,303	629,530
NET ASSETS (DEFICIENCY)							
From contributed capital	79,501					79,501	71,678
From operations							
Invested in capital facilities	117,127					117,127	72,966
Reserved for:							
Revenue bonds				40,597		40,597	40,598
Revenue bond service				(13,088)		(13,088)	5,049
Construction					\$110,206	110,206	152,942
Unreserved		(5,512)	77,199			71,687	50,751
Total net assets (deficiency) from operations	117,127	(5,512)	77,199	27,509	110,206	326,529	322,306
Total net assets (deficiency)	196,628	(5,512)	77,199	27,509	110,206	406,030	393,984
TOTAL LIABILITIES AND NET ASSETS	\$709,022	\$38,362	\$95,689	\$79,054	\$110,206	\$1,032,333	\$1,023,514

**SUPPLEMENTAL SCHEDULE OF COMBINED BOND FUNDS BALANCE SHEET INFORMATION
BY FUND AND TOTAL**

Year Ended December 31, 1997 (In Thousands)

ASSETS	Bond Service Fund	Bond Reserve Fund	Debt Service Fund	Debt Service Reserve Fund	Total Combined Bond Funds
RESTRICTED ASSETS					
Cash					
Investment in securities	\$20,131	\$7,131	\$18,326	\$33,302	\$78,890
Accrued interest receivable		3		161	164
Total restricted assets	<u>20,131</u>	<u>7,134</u>	<u>18,326</u>	<u>33,463</u>	<u>79,054</u>
TOTAL ASSETS	<u>\$20,131</u>	<u>\$7,134</u>	<u>\$18,326</u>	<u>\$33,463</u>	<u>\$79,054</u>
LIABILITIES AND NET ASSETS					
ACCRUED INTEREST					
(Payable from Restricted Assets)	<u>\$41,777</u>		<u>\$9,768</u>		<u>\$51,545</u>
Total Liabilities	<u>41,777</u>		<u>9,768</u>		<u>51,545</u>
NET ASSETS (DEFICIENCY)					
From contributed capital					
From operations:					
Invested in capital facilities					
Reserved for:					
Revenue bonds		\$7,134		\$33,463	40,597
Revenue bond service	(21,646)		8,558		(13,088)
Construction					
Unreserved					
Total net assets (Deficiency) from operations	<u>(21,646)</u>	<u>7,134</u>	<u>8,558</u>	<u>33,463</u>	<u>27,509</u>
Total net assets (Deficiency)	<u>(21,646)</u>	<u>7,134</u>	<u>8,558</u>	<u>33,463</u>	<u>27,509</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$20,131</u>	<u>\$7,134</u>	<u>\$18,326</u>	<u>\$33,463</u>	<u>\$79,054</u>



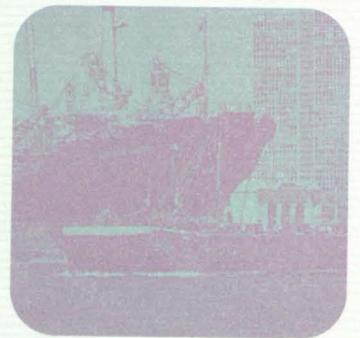
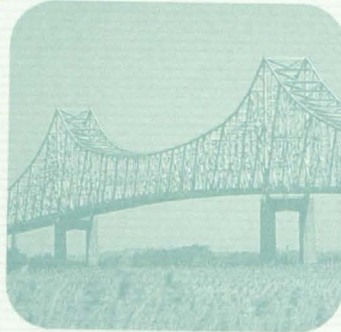
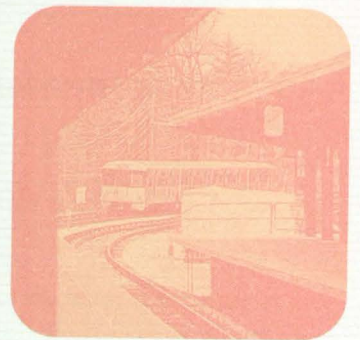
D E L A W A R E R I V E R P O R T A U T H O R I T Y

of Pennsylvania and New Jersey

SUPPLEMENTAL SCHEDULE OF COMBINED BOND FUNDS CHANGES IN NET ASSETS - BY FUND AND TOTAL
Year Ended December 31, 1997 (In Thousands)

	Bond Service Fund	Bond Reserve Fund	Debt Service Fund	Debt Service Reserve Fund	Total Combined Bond Funds
NET ASSETS (DEFICIENCY) AT BEGINNING OF YEAR	(\$19,981)	\$7,134	\$25,030	\$33,464	\$45,647
Revenues and expenses					
Operating revenues					
Operating expenses					
General administration expenses					
Interest income	484	564	1,118	1,944	4,110
Interest on funded debt	(14,005)		(19,535)		(33,540)
Other income (expenses)					
Economic development activities					
Net	(13,521)	564	(18,417)	1,944	(29,430)
Government contributions for capital improvements and additions					
Interfund transfers and payments					
Bond service	23,804		1,946	(1,946)	23,804
Funds in excess of Bond Reserve requirement		(564)			(564)
Funds free and clear of any lien or pledge					
Retirement of bonds - 1985/1989 Revenue Bonds	(11,948)				(11,948)
Funds for capital additions					
Capital additions					
Total	11,856	(564)	1,946	(1,946)	11,292
NET ASSETS (DEFICIENCY) AT END OF YEAR	(\$21,646)	\$7,134	\$8,559	\$33,462	\$27,509

STATISTICAL SECTION



Viewed through
glass panels,
PATCO's
Westmont Station
parking lot



our customers

DELAWARE RIVER PORT AUTHORITY

of Pennsylvania and New Jersey

LAST TEN FISCAL YEARS (In Thousands)

GENERAL EXPENSES BY FUNCTION

	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Bridge operations :										
Salaries and employee benefits	\$30,049	\$31,968	\$33,836	\$33,753	\$30,589	\$30,162	\$30,702	\$27,906	\$25,615	\$24,047
Equipment and supplies	840	1,226	2,077	2,608	2,562	1,062	971	1,293	1,226	936
Maintenance and repairs	3,979	4,354	3,550	3,000	2,766	2,455	350	311	3,562	3,584
Utilities	1,333	1,413	1,391	1,271	1,215	1,395	1,396	1,264	1,331	1,241
Insurance	1,450	1,585	1,899	1,710	1,166	1,252	1,242	1,164	1,171	1,245
Other	359	1,650	258	1,038	262	103	120	112	158	124
Total bridge operations	38,010	42,196	43,011	43,380	38,560	36,429	34,781	32,050	33,063	31,177
PATCO transit system:										
Maintenance of way and power	6,125	5,862	5,568	5,715	6,003	5,178	5,104	4,234	3,903	3,672
Maintenance of equipment	4,220	4,499	4,334	4,762	5,002	4,479	4,158	3,521	3,497	3,511
Purchased power	3,425	3,873	3,938	3,911	3,759	3,664	3,594	3,389	3,229	2,939
Transportation	8,532	8,645	8,336	8,265	8,435	7,810	7,446	6,764	6,374	5,937
General office	3,303	3,673	3,504	3,270	3,292	3,076	2,910	2,689	2,455	2,403
General insurance and liability	637	493	1,045	1,187	1,420	1,123	824	1,157	869	1,346
Total PATCO transit system	26,242	27,045	26,725	27,110	27,911	25,130	24,036	21,754	20,327	19,808
Lease and community impact	7,500	7,500	8,506	7,648						
General administration	15,270	14,894	15,755	13,911	12,790	11,411	10,468	9,959	8,710	8,029
Port of Philadelphia and Camden	5,465	4,517	5,252	6,259	5,591	3,945	3,705	3,691	3,198	2,886
Interest	34,526	35,244	18,747	20,552	20,694	20,804	20,890	20,956	20,884	20,607
Total expenses	\$127,013	\$131,396	\$117,996	\$118,860	\$105,546	\$97,719	\$93,880	\$88,410	\$86,182	\$82,507

REVENUES BY SOURCE

	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Bridge operating revenues	\$115,632	\$110,930	\$106,600	\$104,888	\$102,669	\$91,304	\$86,249	\$86,613	\$84,882	\$82,992
PATCO transit system operating revenues	15,005	14,908	15,116	15,429	15,379	15,285	15,580	15,616	15,086	15,363
Port of Philadelphia and Camden	1,666	1,073	1,486	1,905	1,200					
Interest income	16,945	17,747	4,324	7,645	7,732	8,854	11,490	12,036	10,859	7,371
Total revenues	\$149,248	\$144,658	\$127,526	\$129,867	\$126,980	\$115,443	\$113,319	\$114,265	\$110,827	\$105,726

PATCO TRANSIT SYSTEM OPERATING REVENUES

	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Passenger fares	\$14,248	\$14,234	\$14,472	\$14,801	\$14,917	\$14,821	\$15,119	\$15,197	\$14,708	\$14,850
Other revenues	757	674	644	628	462	464	461	419	378	513
Total operating revenues	\$15,005	\$14,908	\$15,116	\$15,429	\$15,379	\$15,285	\$15,580	\$15,616	\$15,086	\$15,363

PATCO TRANSIT SYSTEM RIDERSHIP

	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Passengers	10,660	10,658	10,880	11,134	11,232	11,151	11,373	11,405	11,025	11,102

LAST TEN FISCAL YEARS (In Thousands)

DEBT SERVICE COVERAGE (1)

	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Revenues available for Debt Service :										
Bridge operating	\$115,632	\$110,930	\$106,600	\$104,888	\$102,669	\$91,304	\$86,249	\$86,613	\$84,882	\$82,992
Interest income	5,788	6,562	3,524	7,645	7,732	8,854	11,490	12,036	10,859	7,371
Reserved funds				4,135	4,608	5,031	5,410	3,604	3,604	
	121,420	117,492	110,124	116,668	115,009	105,189	103,149	102,253	99,345	90,363
Less expenses :										
Bridge operating	38,010	42,196	43,011	43,380	38,560	36,429	34,781	32,050	33,063	31,177
General administration	15,270	14,894	15,755	13,911	12,790	11,411	10,468	9,959	8,710	8,029
	53,280	57,090	58,766	57,291	51,350	47,840	45,249	42,009	41,773	39,206
Net revenues available for Debt Service	\$68,140	\$60,402	\$51,358	\$59,377	\$63,659	\$57,349	\$57,900	\$60,244	\$57,572	\$51,157
Debt Service:										
Interest	\$15,767	\$11,948	\$14,095	\$14,603	\$15,077	\$15,499	\$15,878	\$16,216	\$15,722	\$20,163
Principal	8,595	12,369	10,196	10,260	5,735	5,290	4,885	4,500	3,815	3,720
Total Debt Service	\$24,362	\$24,317	\$24,291	\$24,863	\$20,812	\$20,789	\$20,763	\$20,716	\$19,537	\$23,883
Debt Service coverage (Times) :	2.80	2.48	2.11	2.39	3.06	2.76	2.79	2.91	2.95	2.14

(1) Calculated in accordance with the Authority's General Bond Resolution and Indenture of Trust.

FUNDED DEBT

	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Outstanding debt	\$512,394	\$523,813	\$537,378	\$234,011	\$239,404	\$244,352	\$248,896	\$253,054	\$256,527	\$220,844

BRIDGE OPERATING REVENUES

	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Toll revenues by vehicle classification :										
Automobiles & light trucks	\$68,616	\$66,368	\$63,530	\$61,390	\$59,554	\$52,513	\$50,470	\$50,398	\$49,645	\$48,255
Commuter vehicles	15,288	14,815	14,885	15,378	16,300	16,298	15,487	15,483	14,916	14,441
Trucks	28,182	26,922	25,482	25,443	23,928	19,932	17,877	18,541	18,248	18,248
Buses	1,474	1,465	1,421	1,404	1,386	1,181	1,149	1,223	1,422	1,533
Senior citizens	1,732	1,710	1,743	1,727	1,667	1,327	1,244	1,203	1,058	987
Other	522	502	478	460	432	372	334	259	244	248
Discounts and deductions	(1,164)	(1,076)	(1,003)	(976)	(857)	(551)	(533)	(646)	(695)	(745)
Total toll revenues	114,650	110,706	106,536	104,826	102,410	91,072	86,028	86,461	84,838	82,967
Other bridge operating revenues	982	224	64	62	259	232	221	152	44	25
Total bridge operating revenues	\$115,632	\$110,930	\$106,600	\$104,888	\$102,669	\$91,304	\$86,249	\$86,613	\$84,882	\$82,992

Note: The Authority increased toll rates on October 1, 1992.



D E L A W A R E R I V E R P O R T A U T H O R I T Y

of Pennsylvania and New Jersey

LAST TEN FISCAL YEARS (In Thousands)

BRIDGE TRAFFIC BY VEHICLE CLASSIFICATION

	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Vehicle classification:										
Automobiles & light trucks	34,308	33,184	31,765	30,695	29,777	28,423	28,039	27,998	27,581	26,808
Commuter vehicles	11,747	11,268	11,318	11,510	12,267	14,032	13,669	13,737	13,089	12,619
Trucks	2,677	2,559	2,434	2,420	2,283	2,233	2,132	2,207	2,172	2,141
Buses	374	371	360	354	347	345	354	376	428	459
Senior citizens	1,735	1,717	1,757	1,768	1,842	1,896	1,777	1,718	1,513	1,411
Other	204	198	191	191	194	132	157	143	136	142
Total traffic	51,045	49,297	47,825	46,938	46,710	47,061	46,128	46,179	44,919	43,580

Note: On October 1, 1992 the Authority implemented the collection of One-Way Tolls on all bridges in the west-bound direction. Traffic reported before October 1, 1992 has been halved for the purposes of showing comparative one-way traffic data.

BRIDGE TOLL REVENUE BY BRIDGE

	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Walt Whitman Bridge	\$43,161	\$41,567	\$40,067	\$42,607	\$43,226	\$38,410	\$37,718	\$41,705	\$40,823	\$41,507
Ben Franklin Bridge	35,973	35,772	35,311	33,097	32,138	28,424	26,877	23,547	23,763	23,486
Betsy Ross Bridge	19,481	18,044	16,161	15,354	14,465	13,401	12,301	11,757	10,809	8,523
Commodore Barry Bridge	16,035	15,323	14,997	13,768	12,581	10,837	9,132	9,452	9,443	9,451
Total toll revenues	\$114,650	\$110,706	\$106,536	\$104,826	\$102,410	\$91,072	\$86,028	\$86,461	\$84,838	\$82,967

Note: The Authority increased toll rates on October 1, 1992.

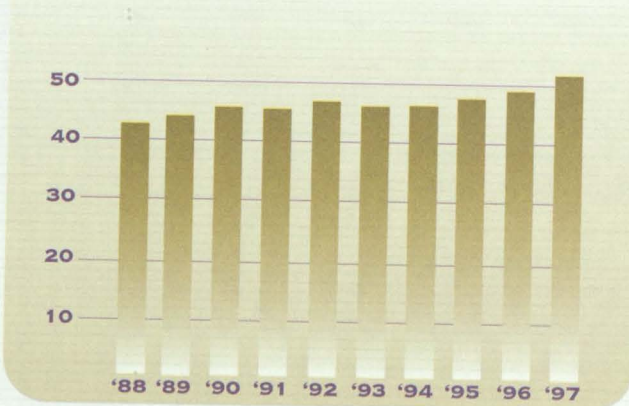
BRIDGE TRAFFIC BY BRIDGE

	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Walt Whitman Bridge	18,739	18,031	17,718	18,711	19,237	19,196	19,211	21,028	20,307	20,499
Ben Franklin Bridge	17,987	17,813	17,565	16,511	16,264	16,156	15,907	14,402	14,526	14,333
Betsy Ross Bridge	8,289	7,627	6,775	6,425	6,256	6,847	6,638	6,272	5,668	4,411
Commodore Barry Bridge	6,030	5,826	5,767	5,291	4,953	4,862	4,372	4,477	4,418	4,337
Total traffic	51,045	49,297	47,825	46,938	46,710	47,061	46,128	46,179	44,919	43,580

Note: On October 1, 1992 the Authority implemented the collection of One-Way Tolls on all bridges in the west-bound direction. Traffic reported before October 1, 1992 has been halved for the purposes of showing comparative one-way traffic data.

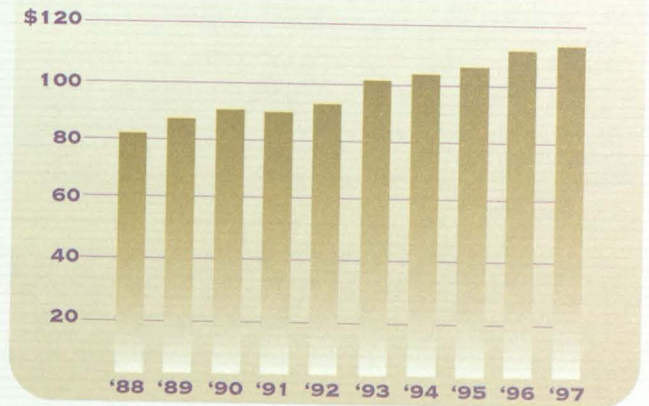
BRIDGE AND PATCO OPERATIONS

DRPA Bridge Traffic 1988-1997⁽¹⁾
(in millions of vehicles)



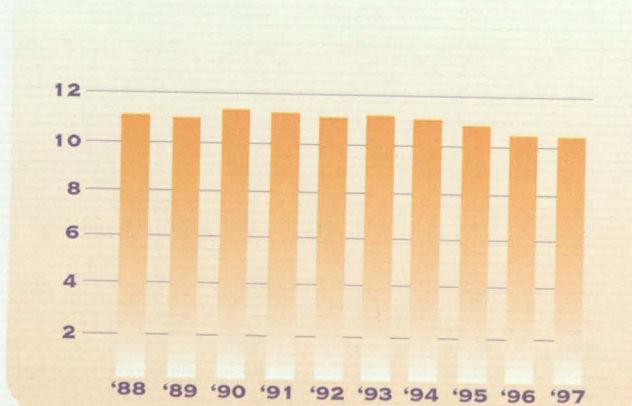
On October 1, 1992, the DRPA implemented the collection of One-Way-Tolls in the west-bound direction on its bridges. Traffic reported before October 1, 1992, has been halved for the purposes of showing comparative one-way traffic.

DRPA Bridge Toll Revenues 1988-1997⁽¹⁾
(in millions of dollars)

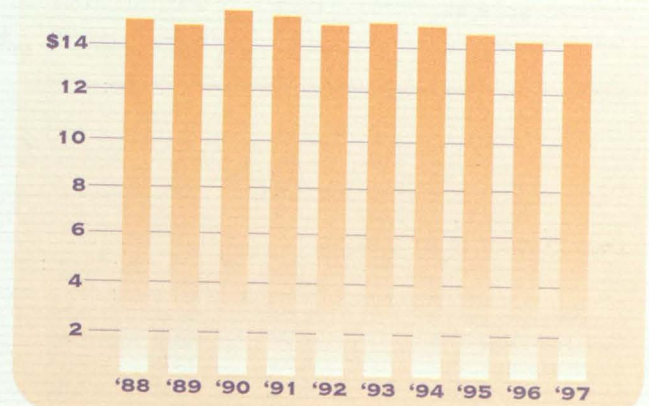


(1) The DRPA increased toll rates October 1, 1992.

PATCO Passenger Ridership 1988-1997
(in millions of passengers)

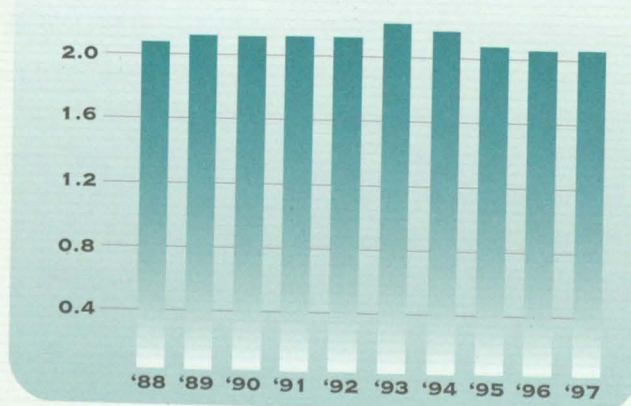


PATCO Passenger Fare Revenues 1988-1997
(in millions of dollars)



REGIONAL DEMOGRAPHICS

Civilian Labor Force
Philadelphia, PA - New Jersey PMSA



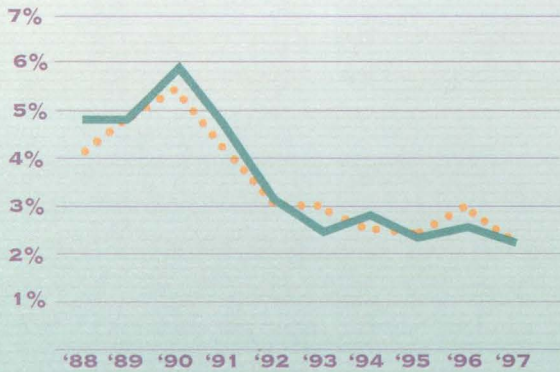
Source: U.S. Bureau of Labor Statistics



DELAWARE RIVER PORT AUTHORITY

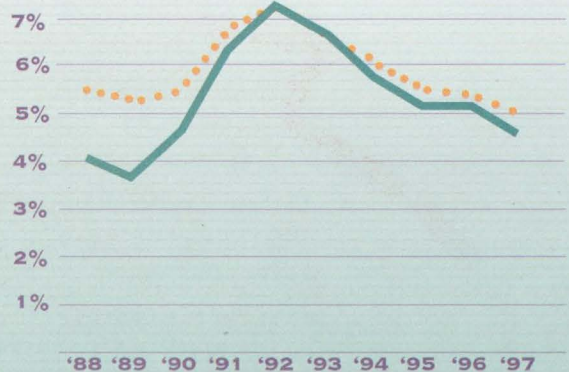
of Pennsylvania and New Jersey

Consumer Price Index
Philadelphia, PA - New Jersey PMSA and U.S.



Source: U.S. Bureau of Labor Statistics
● U.S. — Philadelphia, PA - New Jersey PMSA

Unemployment Rate
Philadelphia, PA - New Jersey PMSA and U.S.



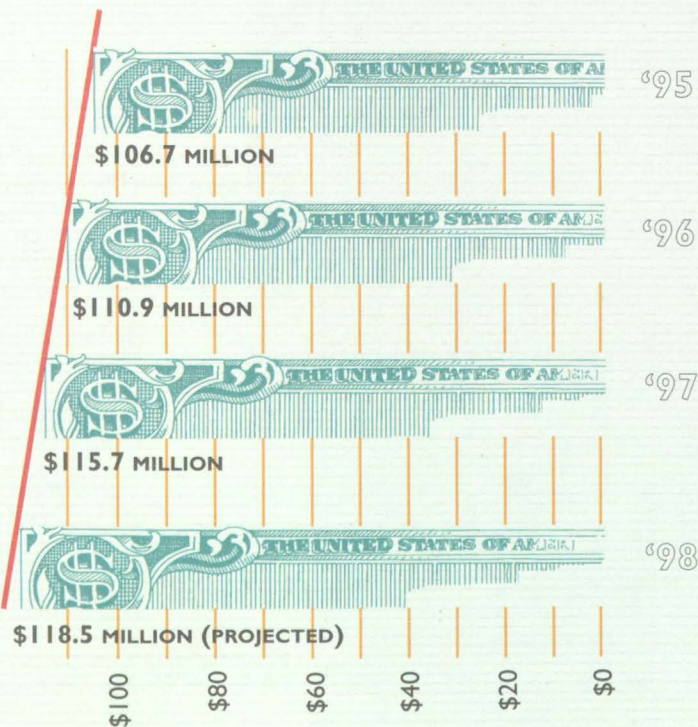
Source: U.S. Bureau of Labor Statistics
● U.S. — Philadelphia, PA - New Jersey PMSA

Note: The Philadelphia, PA - New Jersey PMSA consists of the counties of Bucks, Chester, Delaware, Montgomery and Philadelphia in Pennsylvania; and the counties of Burlington, Camden, and Gloucester in New Jersey.

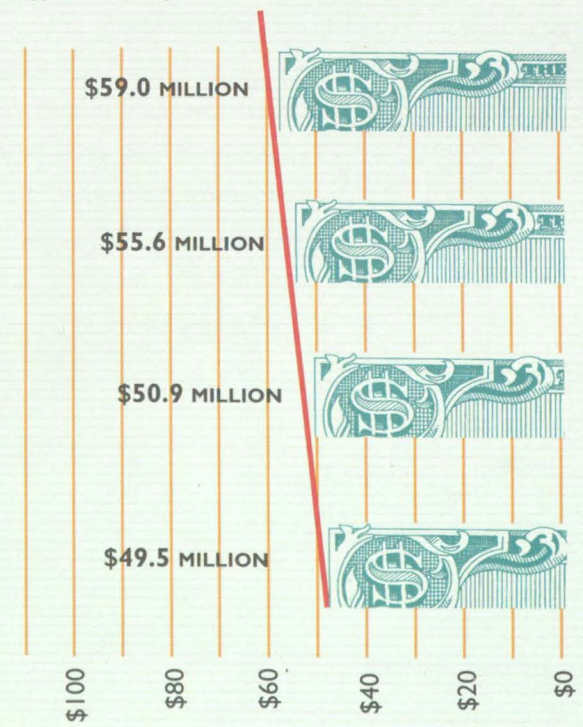
RECENT DRPA REVENUE AND OPERATING BUDGET TRENDS

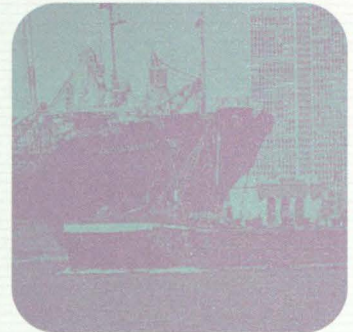
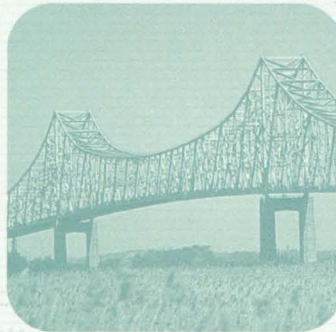
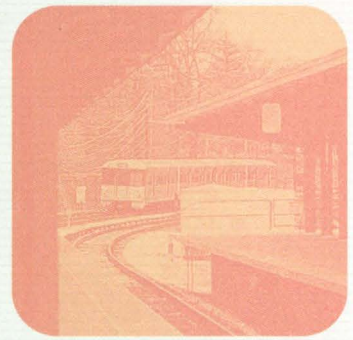
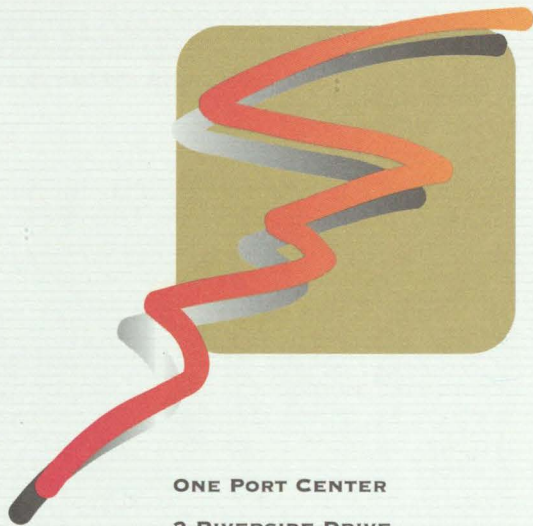
Over a three-year period, DRPA cut spending while seeing its revenues rise.

Modest Revenue Growth



Aggressive Budget Decreases





**ONE PORT CENTER
2 RIVERSIDE DRIVE
CAMDEN, N.J. 08101**

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(215) 925-8780**

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(215) 426-2441**

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Financial Data Compiled by
Comptroller, James B. Quinn and Financial Analyst, Thomas F. Armitage



our customers



Our grandparents began the process of building a regional transportation network. They gave us the Delaware River Bridge, later renamed the Benjamin Franklin Bridge. Our parents took the next step, building the Walt Whitman, the Commodore Barry, and Betsy Ross Bridges and PATCO.

INCREASE REVENUE AND REDUCE SPENDING

WHAT WILL WE LEAVE THE CHILDREN OF THE 21ST CENTURY?

BUILD AND OPEN AMERIPORT INTERMODAL RAIL CENTER

- The AmeriPort Intermodal Rail Center.

- Port Unification.

BUILD AND LEASE ONE PORT CENTER

- Conversion of the former Philadelphia Navy Yard

to a civilian business center.

LEAD THE COMMERCIAL REVITALIZATION OF

PHILADELPHIA - CAMDEN WATERFRONT AND PHILADELPHIA NAVAL SHIP YARD

- A spirit of regional cooperation that includes a dreamer's vision

and a builder's practicability.

LAUNCH AN AGGRESSIVE FACILITY MAINTENANCE AND IMPROVEMENT PROGRAM

BEGIN A COMPREHENSIVE SAFETY AND TECHNOLOGY PROGRAM

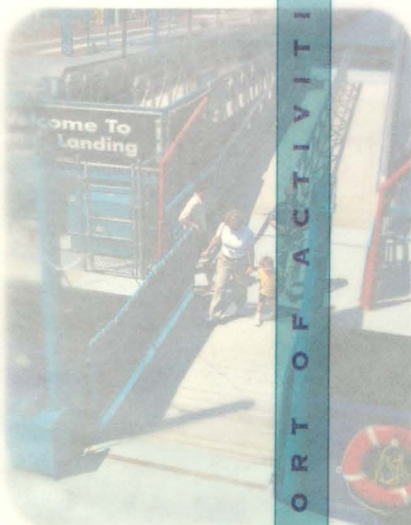
INSTITUTE E-ZPASS

FINALIZE PORT UNIFICATION

LAUNCH "SMART BRIDGES" INITIATIVE

DEVELOP A COMPREHENSIVE CUSTOMER SERVICE PROGRAM

DRPA REPORT OF ACTIVITIES



Our customers
... and to DRPA's bridge, transit and maritime future customers

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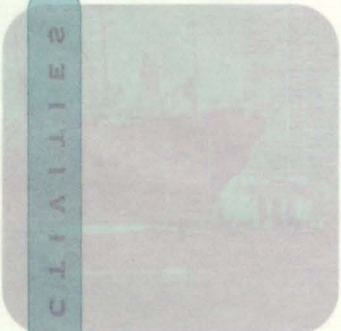
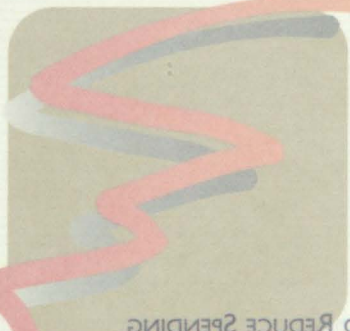
2 RIVERSIDE DRIVE

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Those will be our legacy.



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... and to DRPA's bridge, transit and maritime future customers

DELAWARE RIVER PORT AUTHORITY

of Pennsylvania and New Jersey



DELAWARE RIVER PORT AUTHORITY OF PENNSYLVANIA AND NEW JERSEY



PORT AUTHORITY TRANSIT CORPORATION



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