DELAWARE RIVER PORT AUTHORITY
of Pennsylvania & New Jersey®

2006

Comprehensive Annual Financial Report

FOR YEAR ENDED DECEMBER 31, 2006

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, 2005

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

Government Finance Officers Association of the United States and Canada Corporation SEAL Chicago

President

Executive Director

For the fourteenth 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 2005 Comprehensive Annual Financial Report.

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Prepared by the Office of the Chief Financial Officer

HONORABLE
EDWARD G. RENDELL
Governor
Commonwealth of Pennsylvania

HONORABLE
JON S. CORZINE
Governor
State of New Jersey

Chairman's Letter

To Our Governors:

Thank you for the opportunity to present this report of the Delaware River Port Authority's 2006 activities and financial information. In 2006, we continued to maintain tight fiscal controls on all areas of Authority operations while realizing significant achievement and progress at the bridges, PATCO, ferry and cruise terminal.

Thanks to the hard work of staff, we continued to maintain a lean budget and were able to keep expenses under 2005 levels. This was accomplished without any changes to services or fare programs.

In 2006, we hosted a number of charity events such as food/clothing drives and bridge races to benefit local organizations. With 36 cruises departing from the Philadelphia Cruise Terminal at Pier 1, 2006 marked our best cruise season ever. We began a pilot program to test PATCO's new fare collection system and saw increased traffic across all four of our bridges.

As 2006 came to a close, we saw Governor Edward G. Rendell of Pennsylvania win re-election. We look forward to continuing to work with both he and Governor Jon S. Corzine of New Jersey as we face the many opportunities ahead.

In 2007, we will take on many exciting opportunities. At PATCO, we will begin full system-wide operation of our new fare collection system and introduce a re-branding campaign. At the bridges, we will continue to provide safe roadways for motorists to travel. At the Philadelphia Cruise Terminal at Pier 1, we will welcome more than 52,000 passengers through our terminal.

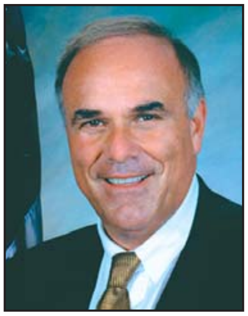
We are pleased to have accomplished so much in 2006 and look forward to 2007 as we seek to advance even more. We will continue to hold ourselves to the highest standards of fiscal responsibility and customer service for the people of Southeastern Pennsylvania and Southern New Jersey.

Sincerely,

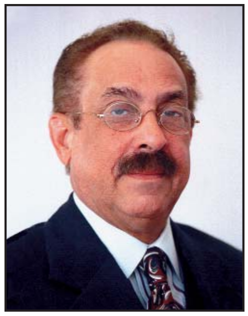
John H. Estey
Chairman Designee

DRPA Commissioners

Pennsylvania



Hon. Edward G. Rendell
Chairman
Governor
Commonwealth of Pennsylvania



Robert W. Bogle
Publisher
The Philadelphia Tribune

Hon. Robert P. Casey, Jr.
State Treasurer
Commonwealth of Pennsylvania

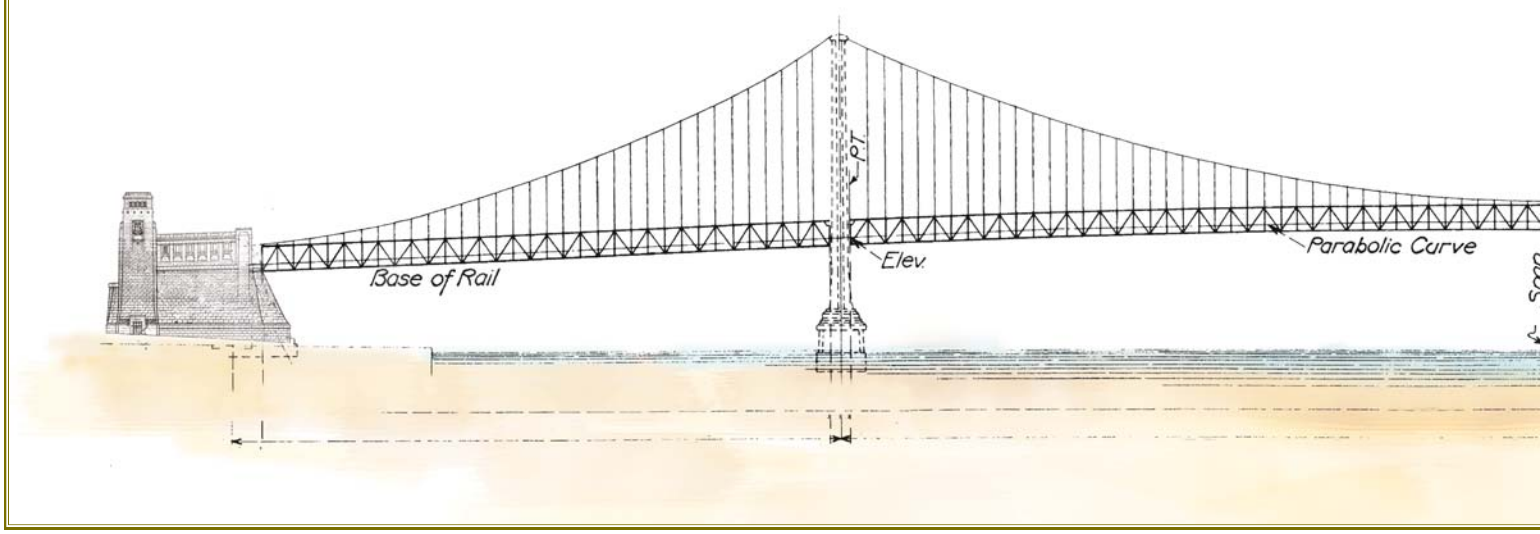
Hon. Frank J. DiCicco
Councilman
City of Philadelphia

John J. Dougherty
Business Manager
IBEW Local Union #98

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

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

Hon. Jack Wagner
Auditor General
Commonwealth of Pennsylvania



New Jersey

Jeffrey L. Nash
Vice Chairman
Director, Camden County
Board of Chosen Freeholders

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

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

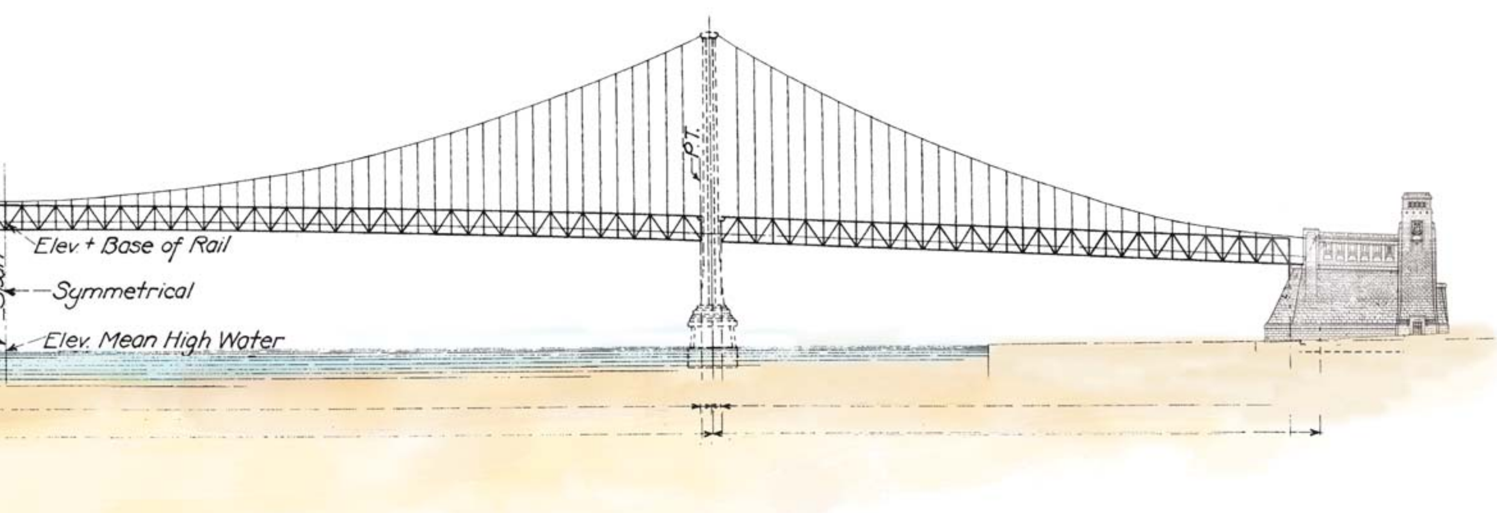
Walter A. Lacey
Attorney/Broker
Byard Real Estate
Councilman, Lawnside, NJ

Charles Fentress
Retired Police Sergeant
Delaware River Port Authority

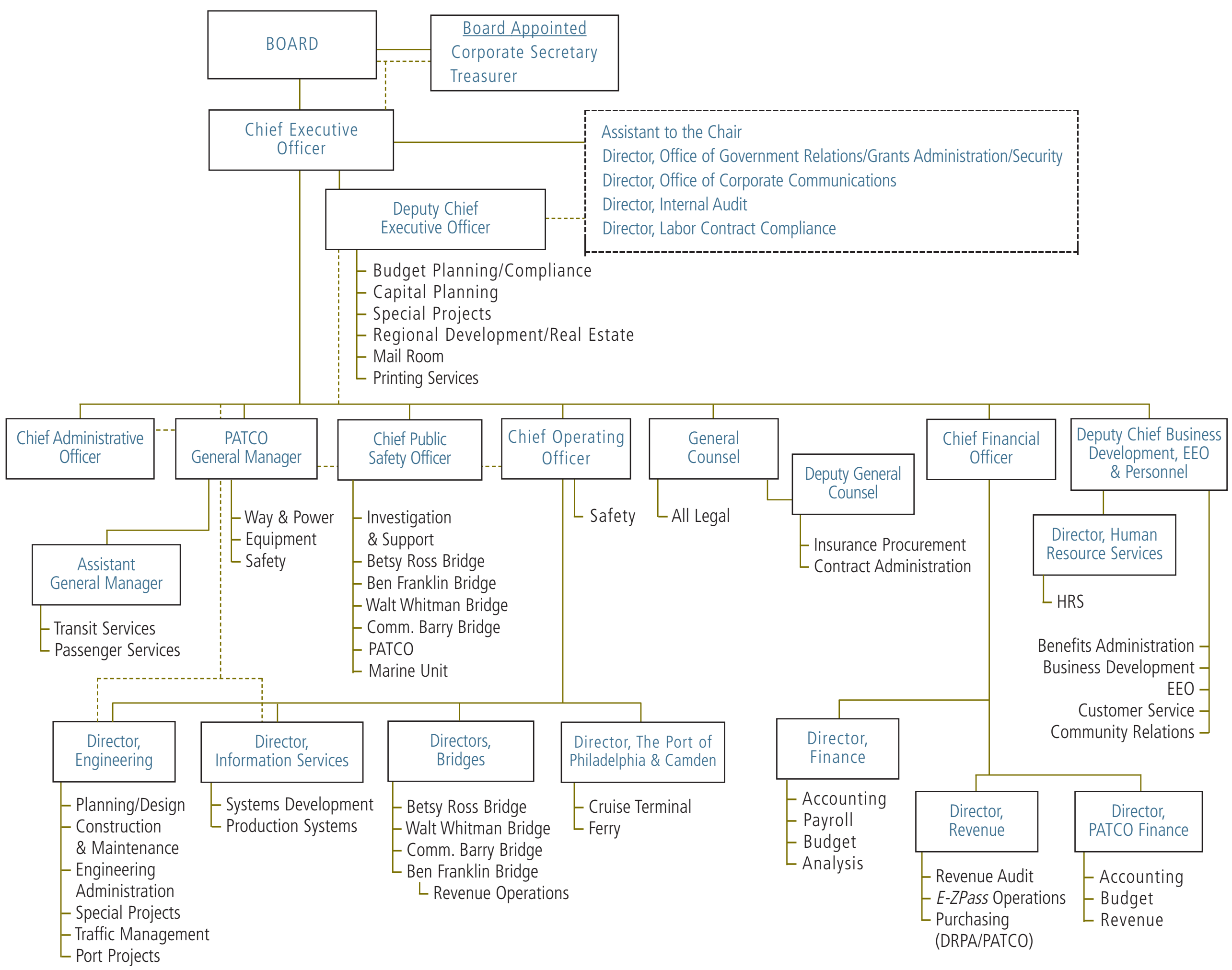
Albert F. Frattali
Business Manager
Reinforced Iron Workers
Local 405

Jacquelyn Love
Deputy Mayor
Deptford Township

Vacant
A vacancy was created when
Commissioner Clara Ruvolo resigned.



DRPA ORGANIZATIONAL CHART



DRPA OFFICERS & EXECUTIVE STAFF

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

ROBERT P. GROSS
Deputy Chief Executive Officer

ARCHER & GREINER
New Jersey Counsel

BALLARD SPAHR ANDREW & INGERSOLL, LLP
Pennsylvania Counsel

VINCENT J. BORELLI
Chief Public Safety Officer

ROBERT A. BOX
PATCO General Manager

RICHARD L. BROWN, ESQ.
General Counsel

TONI P. BROWN, ESQ.
Deputy Chief, Business Development, EEO & Personnel

JOHN T. HANSON, CPA
Chief Financial Officer

MICHAEL E. JOYCE, ESQ.
Deputy General Counsel

JOHN A. LAWLESS
Corporate Secretary

ELIZABETH A. MURPHY
Chief Operating Officer

CHERYL Y. SPICER
PATCO Assistant General Manager

JAMES M. WHITE, JR., CCM
Treasurer Pro-Tem

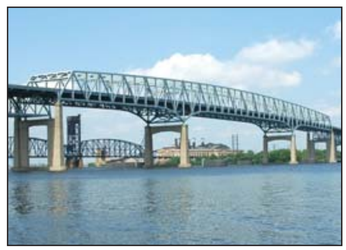
C. MARC WOOLLEY
Assistant to the Chair

DRPA FACILITIES

BENJAMIN FRANKLIN BRIDGE
Opened: July 1, 1926
Average Weekday Traffic: 112,072
www.drpa.org

WALT WHITMAN BRIDGE
Opened: May 16, 1957
Average Weekday Traffic: 122,016
www.drpa.org

COMMODORE BARRY BRIDGE
Opened: February 1, 1974
Average Weekday Traffic: 40,740
www.drpa.org



BETSY ROSS BRIDGE
Opened: April 30, 1976
Average Weekday Traffic: 41,536
www.drpa.org

PATCO HIGH SPEED LINE
Opened: February 15, 1969
Average Weekday Ridership: 33,083
www.ridepatco.org

RIVERLINK FERRY SYSTEM
DRPA assumed operations
of the ferry on April 1, 2000
Ferry Ridership for 2006: 224,470
www.riverlinkferry.org

PHILADELPHIA CRUISE TERMINAL
Opened: May 25, 1998
2006 Passengers: 131,000
2006 Cruises: 35
2006 Port Calls: 1
www.cruisephilly.com

MISSION STATEMENT

We Keep the Region Moving!

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


CELEBRATING 80 YEARS
1926
2006
BEN FRANKLIN BRIDGE
pended Structure-Loo
West fro
7-30-25
of Main Span

Report of the Chief Executive Officer

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

The year 2006 was marked with great success. We continued to work hard in our leadership position to address the quality of life issues such as reducing traffic congestion, improving air quality and making mass transit an even greater asset on which the public can rely for convenience, safety and efficiency.

We celebrated the 80th birthday of our Benjamin Franklin Bridge, saw increased traffic across our four bridges, continued to progress with the implementation of PATCO's new fare collection system and welcomed our biggest cruise season to date at the Philadelphia Cruise Terminal at Pier 1.

At our bridges, toll revenue continued to rise to total $194.9 million compared to $190.5 million in 2005. In total, we carried more than 54.8 million vehicles westbound on all four bridges.

At PATCO, we began a pilot program to test the new fare collection system. More than 250 PATCO riders signed up to assist in testing the system. New fare equipment was installed in all but two PATCO stations.

At the Philadelphia Cruise Terminal at Pier 1, business continued to flourish as more than 131,000 passengers sailed on 35 cruises compared to 90,000 passengers and 32 cruises in 2005. Driven by the convenient location of our port, the number of cruise passengers and sailings in Philadelphia has increased significantly, and is expected to continue to rise.

Our list of successes, accomplishments and achievements serve as a testament to the tremendous support that we have received from Pennsylvania Governor Edward G. Rendell, New Jersey Governor Jon S. Corzine and our board of Commissioners. Thanks to their guidance and the hard work of staff, I am proud to present our Comprehensive Annual Financial Report for the Fiscal Year ended December 31, 2006.

BRIDGES

We continued to see increased traffic across our four bridges with traffic volume up by more than one percent at each bridge. In April, the south walkway on the Benjamin Franklin Bridge reopened. The south walkway had been closed for several months due to construction activities on the bridge. Work shifted from the south side of the bridge to the north side, leaving the north walkway closed until further notice. We continue to do all we can to provide maximum access to pedestrian and bike traffic across the bridge. We are very proud that the bridge is only one of a few bridges in the country that can accommodate three modes of transportation (vehicular, commuter rail and pedestrian). In September, the Ben Franklin Bridge was the location of a movie shoot. Paramount Pictures was in town filming the movie, Shooter, starring Mark Walhberg. Paramount Pictures filmed various scenes for the movie on and around the Ben Franklin Bridge. On September 30, the Camden Waterfront hosted the sold-out Farm AID concert. More than 25,000 people came to participate in this event. To accommodate concert-goers, the Ben Franklin Bridge pedestrian walkway hours were extended to midnight. The pedestrian walkway normally closes at 7 p.m. nightly. In addition, staff promoted the use of PATCO and the RiverLink Ferry as alternate travel options. At the Walt Whitman, we completed structural repairs underneath the bridge. In April, the Commodore Barry Bridge hosted a run/walk benefiting the Center for Resolutions of Delaware County. In July, the Benjamin Franklin Bridge hosted the 34th Annual American Cancer Society Bike-a-thon. On October 1, the Ben Franklin Bridge hosted the "Bi-State Walk for Hope to Cure Breast Cancer," sponsored by City of Hope Cancer Center. On November 5, the Ben Franklin Bridge hosted the 12th Annual AmeriHealth Ben Franklin Bridge Challenge to benefit Larc School of Bellmawr, NJ. This year's race drew a record 3,000 participants, well above last year's total of 2,200.

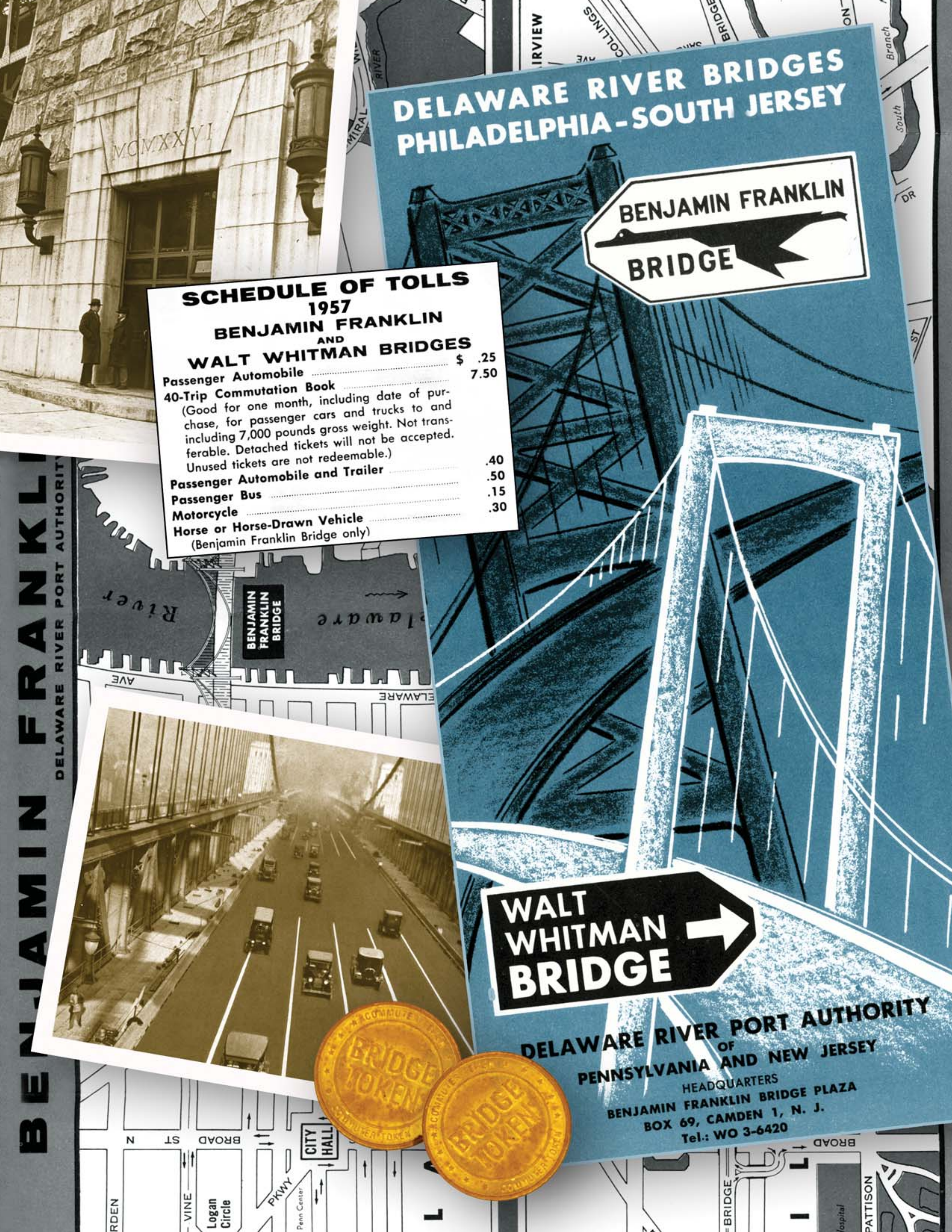
BENJAMIN FRANKLIN BRIDGE FACTS

Top 100 in the World. From 1926 to 1929, the Delaware River Bridge, now called the Ben Franklin Bridge, was the longest suspension bridge in the world. Measured by the main span, it currently ranks 55.

PATCO HIGH SPEED LINE

We continued to make progress on the implementation of our new fare collection system. In May, we began soliciting volunteers to participate in a pilot project to test the new fare collection system. In August, we began testing the system at PATCO's Woodcrest, 8th/Market and 9th/Locust street stations. By the end of the year, the first phase of fare equipment installations had been completed in all but Broadway and Ferry Avenue stations. In March, the Cherry Hill Open Aire Market debuted at PATCO's Woodcrest Station. The market presented an opportunity for PATCO to attract riders from Philadelphia and increase


8-8-24


MCMXXVI
SCHEDULE OF TOLLS
1957
BENJAMIN FRANKLIN
AND
WALT WHITMAN BRIDGES
Passenger Automobile $ .25
40-Trip Commutation Book 7.50
(Good for one month, including date of purchase, for passenger cars and trucks to and including 7,000 pounds gross weight. Not transferable. Detached tickets will not be accepted. Unused tickets are not redeemable.)
Passenger Automobile and Trailer .40
Passenger Bus .50
Motorcycle .15
Horse or Horse-Drawn Vehicle .30
(Benjamin Franklin Bridge only)
DELAWARE RIVER BRIDGES
PHILADELPHIA-SOUTH JERSEY
BENJAMIN FRANKLIN BRIDGE
WALT WHITMAN BRIDGE
DELAWARE RIVER PORT AUTHORITY
OF
PENNSYLVANIA AND NEW JERSEY
HEADQUARTERS
BENJAMIN FRANKLIN BRIDGE PLAZA
BOX 69, CAMDEN 1, N. J.
Tel.: WO 3-6420
BENJAMIN FRANKLIN
DELAWARE RIVER PORT AUTHORITY
BENJAMIN FRANKLIN BRIDGE
River
BRIDGE TOKEN
COMMUTER TOKEN
CITY HALL
BROAD ST
VINE
Logan Circle
PKWY
Penn Center
PATTISON

off-peak ridership. In July, our consultants finalized the PATCO Transit Oriented Development Master Plan. The study examined the seven above-ground PATCO stations in New Jersey and explored redevelopment potential at those locations. In September, we worked with the Borough of Lindenwold to conduct a survey of PATCO riders at Lindenwold Station to gauge their interest in a concierge service. In November, we launched our new website, www.ridepatco.org. The new website offers riders information about the new fare collection system, places to go on PATCO, and emergency evacuation information. November also marked the beginning of a six-month pilot project at Woodcrest Station by Todaro's Fresh Market of Haddonfield, NJ. Through its concession stand inside Woodcrest Station, Todaro's offered commuters specialty coffee, pastries, and dinner entrees for pick up in the evening. In late July, our Lindenwold and Broadway stations were host to New Jersey State Police's Target Hardening Response Emergency Activation Team. T.H.R.E.A.T. is an awareness program that encourages the public to be aware of their surroundings and to report suspicious activities.

BENJAMIN FRANKLIN BRIDGE FACTS

Anchorages. The four large granite structures called anchorages were built with trolley usage in mind. To make them serviceable as trolley stations, workers put in six elevators, stairways, and restrooms. During bridge construction, trolley demand fell and as a result, the trolleys never ran and the anchorages were never opened to the public.

PHILADELPHIA CRUISE TERMINAL AT PIER 1

The 2006 season was our best season yet, with 36 cruises and more than 131,000 passengers through our terminal. We began the season on April 25, with a 5-day cruise to Bermuda aboard the Norwegian Crown. The season ended on October 28, with a 7-day cruise to Bermuda aboard Royal Caribbean's Empress of the Seas.

RIVERLINK FERRY SYSTEM

We welcomed back ferry operator, Hornblower Marine Services, for its third year of operating the RiverLink Ferry. The 2006 season began on May 1 and ran through September 30. For the year, our ridership totaled 224,470. As projected in 2005, we realized a modest profit in 2006.

SAFETY AND SECURITY

In April, we added the third team to our K-9 Unit with the addition of Sam, a 2-year-old Labrador Retriever. The teams of dog and handler patrol the PATCO High Speed Line and respond to calls at our four bridges and surrounding communities. In May, during National Police Week, we hosted the 10th annual Law Enforcement Memorial Run to honor officers killed in the line of duty. The run began with a ceremony at the Cruise Terminal and proceeded on to Washington, D.C. Twice this year – in May and November – officers took part in the *Click It or Ticket* mobilization program designed to increase enforcement of New Jersey's seat belt laws.

GRANT FUNDING

In 2006, our Grants Department saw continued success with the receipt of two major grant awards. We received grant funding from the Department of Homeland Security in the amount of $9 million for transit and port security. In addition, we received $10 million in Federal Transit Administration Formula Funds for capital improvements at PATCO.

AWARDS AND ACKNOWLEDGMENTS

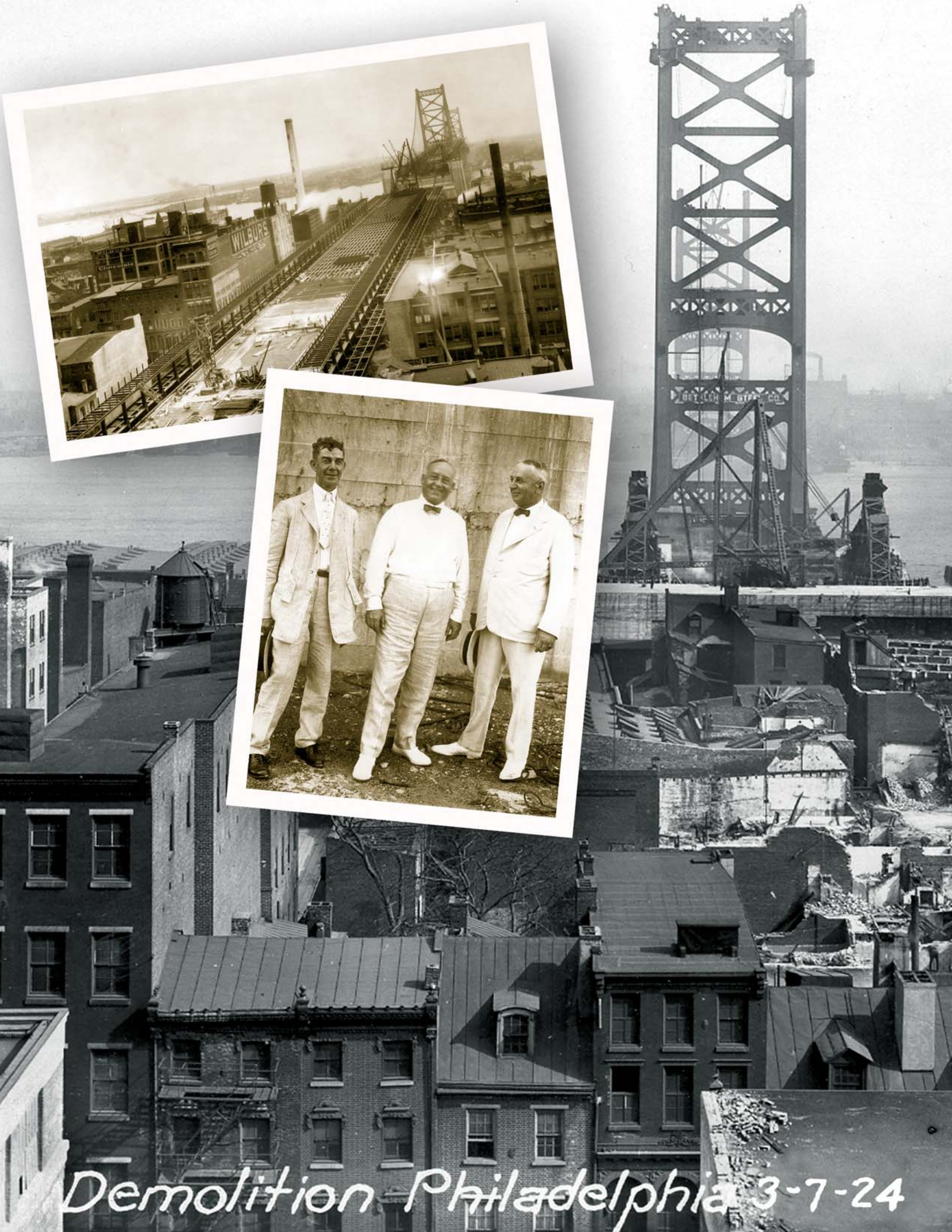
Throughout the year, our Commissioners and Staff were recognized for their outstanding dedication to the region. Commissioner Frank DiCicco was named "Man of the Year" for 2006 by the Police Chiefs Association of Southeastern Pennsylvania, Southern New Jersey and the State of Delaware. Commissioner Kenneth I. Trujillo was elected President of the Board of the Greater Philadelphia Hispanic Chamber of Commerce. Vice Chairman Jeffrey L. Nash was awarded the Nathan Asbell MD Humanitarian of the Year Award, by the United Way of Camden County. Vice Chairman Nash was also named a "Champion of Diversity" by the Courier Post newspaper. He was recognized for his work in increasing minority participation in governmental affairs and civic life. Chief of Public Safety Vincent J. Borrelli took his oath of office as President of the Police Chiefs Association of Southeastern Pennsylvania, Southern New Jersey and the State of Delaware. Chief Operating Officer Elizabeth Murphy was named one of the recipients of the 2006 Service to Humanity Award at the March of Dimes 13th Annual Transportation, Building and Construction Awards Luncheon. Cheryl Spicer, PATCO Assistant General Manager, received the 2006 Woman of Outstanding Achievement Award from the Girl Scouts of Camden County.

Benjamin Franklin Bridge Facts

Winged Victory. Sculptor Leon Hermont fashioned the four bronze statues called "Winged Victory," which stood upon 84-foot pylons at the Camden and Philadelphia plazas. Post World War II road widening forced the "angels" into undeground storage where they remained for more than 50 years. In 2001, they were completely restored and are currently displayed in the lobby of DRPA headquaters building, One Port Center.

COMMUNITY SERVICE

Authority staff continued to give generously to many causes including: annual coat drive for needy children and adults; Daffodil Days for the American Cancer Society; American Red Cross Blood Drives; Valentine Food Drive; United Way; Toys for Tots;


WILBURS
Demolition Philadelphia 3-7-24

Thanksgiving Food Drive; Adopt-A-Family holiday giving drive; Veterans Drive; and a clothing drive for Image and Attitude, an organization dedicated to helping needy residents enter or re-enter the workforce. Staff also taught the Junior Achievement curriculum at two local Camden schools.

BENJAMIN FRANKLIN BRIDGE FACTS

The Church That Moved a Bridge.

Historic St. George's United Methodist Church on 4th Street in Philadelphia was originally slated to be demolished to make room for the bridge. After numerous protests across the country, bridge engineers deflected the bridge slightly southward, missing the church by 14 feet.

2007 WORK AGENDA

The following is a summary of DRPA's anticipated areas of activity in 2007:

• **Finances.** We will continue to maintain some of the lowest bridge tolls and transit fares in the country and offer substantial discounts to our regular customers and senior citizens. DRPA offers customers an $18 credit if they cross a DRPA bridge 18 times in a calendar month using the same transponder. Seniors, 65 years of age and older, who participate in the DRPA's Senior Citizen Discount Bridge Toll Program, only pay $1 with a discount ticket. We will also continue professional management and cost control where applicable.

• **Bridges.**

Benjamin Franklin – In 2007, DRPA will launch Phase 5 of the Benjamin Franklin Bridge Painting project, which will include painting the Philadelphia approach. On the Philadelphia side of the bridge, we will continue to study ways to improve the flow of westbound traffic from the Ben Franklin Bridge into the City of Philadelphia.

Walt Whitman – Work is expected to be completed on the design for the Walt Whitman Bridge Deck Rehabilitation. In May, we will mark the 50th anniversary of the Walt Whitman Bridge.

Commodore Barry – Workers will replace handrails along the maintenance walkway on the bridge.

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

• **PATCO.** Begin full system-wide operation of our new fare collection system and introduce a re-branding campaign. Complete the Interlockings and Roadbed Rehabilitation project. Explore design for fleet overhaul. Begin Alternatives Analysis for transit expansion. Begin discussions with partner communities on the concept of transit oriented development as outlined in our Transit Oriented Development Master Plan. Welcome more ideas to provide enhanced services to PATCO riders.

• **Safety and Security.** Launch a public awareness campaign for internal and external audiences to enforce our "If you see something, say something" safety and security campaign.

• **RiverLink Ferry.** Continue on our cost-savings path begun three years ago.

• **Philadelphia Cruise Terminal at Pier 1.** Welcome Royal Caribbean International and Norwegian Cruise Line back for another successful year of cruising.

• **Southern New Jersey Waterfront Master Plan.** Continue discussions with residents of Camden, Gloucester and Salem counties on the Southern New Jersey Waterfront Master Plan. This comprehensive planning effort, presents alternatives for mixed-use and port development along the southern New Jersey waterfront from Petty's Island to Salem County.

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

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

As 2006 drew to a close, staff worked to produce a budget for the upcoming year. By following the cost-savings measures begun in recent years we were able to create a budget that increased by only 4.5% over a two-year period, despite higher personnel, health insurance, maintenance/vehicle repair, fuel, utility and other operating costs. The budget does not call for increases in bridge tolls or PATCO fares.

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

Yours truly,

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


091 - Erecting Cable Band - Phila. Side Span - North Cable
95
5th Street
6th Street
KEEP RIGHT
SPEED LIMIT
35
King
west from


PATCO TRAINS & TICKETS
NJ TRANSIT TRAINS & TICKETS
TICKETS
PATCO TICKET WINDOW
PATCO TICKET MACHINES
PATCO TRAINS

DELAWARE RIVER PORT AUTHORITY
of Pennsylvania & New Jersey

May 22, 2007

TO THE BOARD OF COMMISSIONERS
OF THE DELAWARE RIVER PORT AUTHORITY

The comprehensive annual financial report of the Delaware River Port Authority (the Authority) for the year ended December 31, 2006, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the combined financial position and results of operations of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

The Authority's By-Laws as well as the 1995 and 1998 Indentures of Trust require an annual audit of the Authority's financial statements by a firm of independent auditors. As a recipient of funds from the Federal Transit Administration for projects involving the PATCO transit system, the Authority is required to have a single audit performed annually by an independent auditor in accordance with the Single Audit Act of 1984, as amended in 1996, and OMB Circular A-133. The purpose of the single audit is to determine the adequacy of the Authority's internal controls and compliance with applicable laws and regulations relating to the receipt of federal assistance. The Authority retains an independent auditor to satisfy these audit requirements. The report of the independent auditor on the combined financial statements of the Authority is included in the financial section of this report. The Authority's management is primarily and ultimately responsible for the content and presentation of the audited financial report.

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

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

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

DRPA is an equal opportunity employer

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

PROFILE OF GOVERNMENT

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

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

The Authority prepares both operating and capital budgets annually. The annual operating budget is a financial planning tool for the associated fiscal year. Each of the Authority's Chief Officers contributes to the development of a preliminary operating budget based on the expected staffing and funding levels necessary to operate the Authority's facilities in an efficient manner. After individual departmental budgets are reviewed at budget hearings conducted by the Operating Budget Review Committee, which consists of the Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, General Counsel, the General Manager of PATCO and other senior staff, a proposed operating budget is presented by the Chief Executive Officer to the Board of Commissioners for its review and approval. Any subsequent addition of funds to the total operating budget requires the approval of the Board of Commissioners. The last Authority budget approved by the Board of Commissioners was for the year 2005. (During 2006, the Authority operated under its 2005 Operating Budgets, as the 2006 Operating Budgets were not approved by the Authority's Board of Commissioners.)

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

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

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

FACTORS AFFECTING FINANCIAL CONDITION INVESTMENT MANAGEMENT

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

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

RISK MANAGEMENT

The Authority is self-insured for public liability up to a limit of $5 million per occurrence. Excess liability insurance provides coverage of $20 million over the Authority's $5 million self-insured retention. The DRPA is self-insured for workers' compensation up to a limit of $1 million per occurrence with excess workers' compensation coverage providing $5 million in coverage over the DRPA's $1 million self-insured retention. PATCO is fully self-insured for workers' compensation. Property insurance is placed with commercial insurance carriers with limits and deductibles as deemed appropriate for the needs of the Authority. Additional information can be found in Note 14 of the financial statements.

PENSION PLANS

Employees of the Authority participate in either the Pennsylvania State Employees' Retirement System, the Public Employees' Retirement System of New Jersey or the Teamsters Pension Plan of Philadelphia and Vicinity, which are cost-sharing, multiple employer defined benefit pension plans which provide pension, death and disability benefits. Under the Pennsylvania State Employees' Retirement System, employees are required to contribute 6.25 percent of their gross applicable payroll to the plan. The Authority is required to contribute an actuarially determined amount to the plan, which in 2006 equaled 3.14% percent of participating payroll.

Legislation passed by the State of New Jersey in early 2004 gives eligible Authority employees the option of participation in the New Jersey Public Employees Retirement System (NJ PERS). Under NJ PERS, eligible employees are required to contribute 5.0% of their applicable gross payroll to the plan. During 2006, the Authority began submitting eligible employee contributions to the state. The Authority was not required to contribute an actuarially determined amount to the plan during 2006.

Under the Teamsters Pension Plan of Philadelphia and Vicinity, the Authority is required to contribute a fixed amount per hour for each qualified PATCO employee. Contributions to the plan totaled 8.2% percent of participating payroll in 2006. Employees are not required to make any contributions to the plan.

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

LOCAL ECONOMY

Population growth in the region is at very modest levels, with growth in New Jersey counties at a slightly more rapid rate than that experienced in Philadelphia County. Employment growth has also increased at similarly modest rates. Employment in the Camden Labor Area (Burlington, Camden and Gloucester Counties) increased at a rate faster than the state of New Jersey as a whole, primarily as a result of private service providing sector jobs. Unemployment in the Philadelphia Metropolitan Region averaged 4.7% but dropped to a level of roughly 4.15% from a high of 5.1% earlier in the year.

AWARDS AND ACCOMPLISHMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Delaware River Port Authority for its comprehensive annual financial report for the fiscal year ended December 31, 2005. This was the fourteenth consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

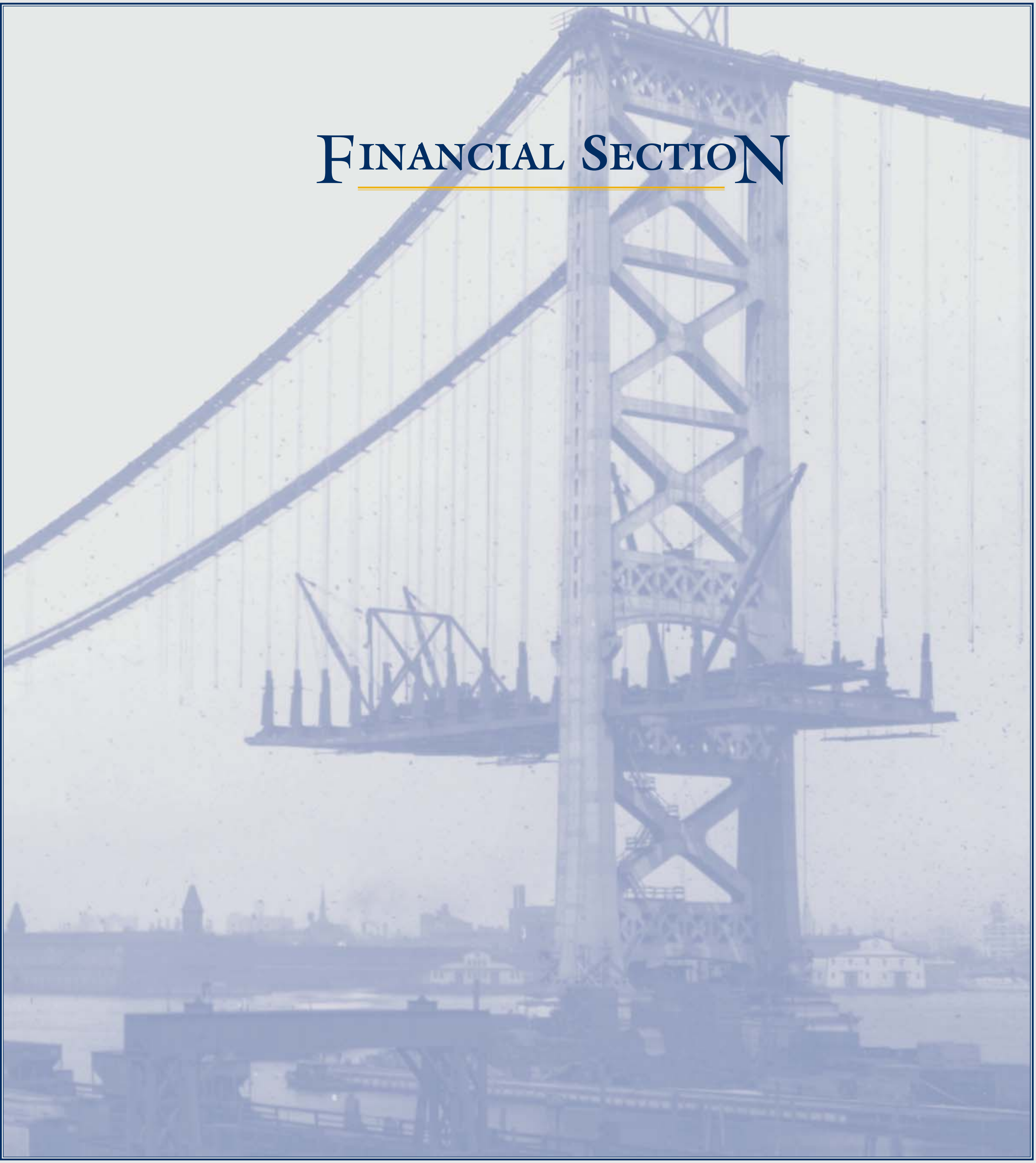
The preparation of this report would not have been possible without the dedication and efficiency of the entire staff of the Finance, Corporate Communications, and Printing Services. I would especially like to express my appreciation to the members of these Departments who contributed to the preparation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

Respectfully submitted,

John T. Hanson

John T. Hanson
Chief Financial Officer

FINANCIAL SECTION



Financial Section

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American Institute of CPAs
New Jersey Society of CPAs

INDEPENDENT AUDITOR'S REPORT

To the Commissioners of the
Delaware River Port Authority:

We have audited the accompanying combined financial statements of the Delaware River Port Authority and subsidiaries, as of December 31, 2006 and 2005, as listed in the Financial Section of the foregoing table of contents. These combined financial statements and supplemental schedules discussed below are the responsibility of the Delaware River Port Authority's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

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

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Delaware River Port Authority as of December 31, 2006 and 2005, and the combined changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
May 22, 2007

Management's Discussion & Analysis

As management of the Delaware River Port Authority (the Authority), we offer readers of our financial statements this narrative overview and analysis of the financial activities of the Authority for the years ended December 31, 2006, 2005 and 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 21-24 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS (IN THOUSANDS)

- The assets of the Authority exceeded its liabilities at the close of the most recent year by $330,623 (net assets). Net assets increased by $7,240 during the year.
- The Authority's total debt decreased by $28,346 or by 2.3 % during the current year.
- Operating revenues were $223,119 in 2006, an increase of $3,256 or 1.48% over 2005, while non-operating revenues increased from $27,282 in 2005 to $28,383 in 2006, a 4.0% increase.
- During 2006, the Authority maintained its bridge toll rates, thereby remaining competitive in the region when compared with those of other major interstate bridges and tunnels.
- Bridge traffic increased by 800 vehicles (up 1.48%) during the year 2006 while toll revenues increased by $4,028 (or by 2.1%).
- PATCO fares remain unchanged and still compare favorably to other transit systems; PATCO continues to offer free and low cost parking and round-the-clock service.
- PATCO fare revenues decreased by 0.28% although there was a 1.6% increase in ridership. This resulted from more passengers taking shorter trips along the line.
- Capital contributions in the form of grants from federal and state governments increased from $7,786 in 2005 to $12,076 in 2006.
- Bridge, PATCO and general administration expenses increased a combined $7,166 (or by 6.5%) vs. 2005 expenses.
- Economic development activity spending was reduced by $2,654 during the year 2006, a 27.3% reduction from 2005.
- General Fund investment balances increased by $36,088 (up by 23.6%) to total $188,867 at year end.

FINANCIAL POSITION SUMMARY

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by $330,623 at the close of the year 2006.

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

DELAWARE RIVER PORT AUTHORITY'S NET ASSETS

	2006	2005	2004
Current and other assets	$607,071	$601,260	$624,813
Capital assets	1,054,950	1,074,669	1,071,329
Total assets	1,662,021	1,675,929	1,696,142
Long-term liabilities outstanding	1,242,533	1,270,846	1,294,760
Other liabilities	88,865	81,700	93,267
Total liabilities	1,331,398	1,352,546	1,388,027
Net assets:			
Invested in capital assets, net of related debt	244,194	245,211	224,189
Restricted	199,758	236,796	257,111
Unrestricted (deficit)	(113,329)	(158,624)	(173,185)
Total net assets	$330,623	$323,383	$308,115

Net assets increased during 2006 in the amount of $7,240. This increase is primarily attributable to increased operating revenues, reduced economic development spending and an increase in capital contributions in the form of grants from federal and state agencies. As noted below, the growth in net assets was slowed by the discontinuation of AmeriPort operations in June 2006. Net assets increased during 2005 in the amount of $15,268 from the previous year. This increase was primarily attributable to increased operating revenues, a reduction in operating expenses and reduced economic development spending from the previous year.

SUMMARY OF CHANGES IN NET ASSETS

	2006	2005	2004
Operating revenues (See page 38 for detail)	$223,119	$219,863	$217,636
Operating expenses (See page 38 for detail)	(121,284)	(115,722)	(117,916)
Excess before depreciation and other non-operating income and expenses	101,835	104,141	99,720
Depreciation	(42,355)	(38,432)	(34,702)
Operating income	59,480	65,709	65,018
Non-operating income and expenses, net	(59,345)	(58,227)	(64,474)
Income before capital contributions and special item	135	7,482	544
Capital contributions	12,076	7,786	6,452
Discontinued operations	(4,971)	–	–
Change in net assets	$7,240	$15,268	$6,996

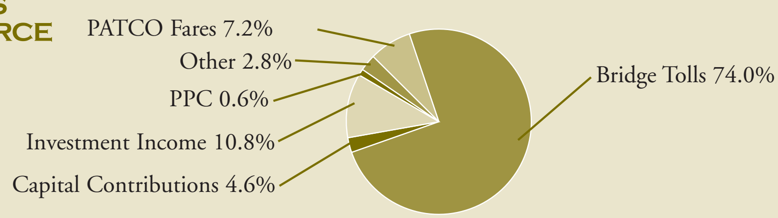
REVENUE SUMMARY

Summary of revenues for the year ended December 31, 2006 and the amount and percentage change in relation to prior year amounts is as follows (in thousands of dollars):

	2006 Amount	Percent of Total	Increase/ (Decrease) From 2005	Percent Increase/ (Decrease)
Operating:				
Bridge tolls	$194,958	73.97%	$4,028	2.11%
PATCO fares	19,014	7.21%	(53)	-0.28%
Other	7,467	2.83%	754	11.23%
AmeriPort	–	0.00%	(1,838)	-100.00%
RiverLink Ferry	72	0.03%	21	41.18%
Cruise Terminal	1,608	0.61%	344	27.22%
Total Operating	$223,119	84.65%	$3,256	1.48%
Non-Operating:				
Investment Income	28,383	10.77%	(1,101)	4.04%
Capital Contributions	12,076	4.58%	4,290	55.10%
TOTAL REVENUES	$263,578	100.0%	$8,647	3.39%

- Total revenues increased by 3.39%, primarily due to an increase in operating revenue from bridge tolls; the increase in non-operating revenues during the period was attributable to a 55.1% increase in capital contributions (in the form of grants from federal and state governments) and a 4.04% increase in overall interest income.
- Bridge toll revenues increased 2.11% as a result of a 1.48% increase in total traffic during 2006 and an increase in the average toll. The average toll increased from $3.53 in 2005 to $3.55 in 2006, reflecting slightly higher commercial traffic.
- Investment income increased as a result of a $36,088 increase of General Funds available for investment and higher interest rates during 2006.
- PATCO's fare revenue decrease in 2006 of 0.28% was attributable to a decrease in the average fare per rider. (Average fare per rider is affected by the length of each passenger trip.)
- Cruise Terminal revenue increase of 27.22% was due to a greater number of cruises during 2006.

REVENUES BY SOURCE



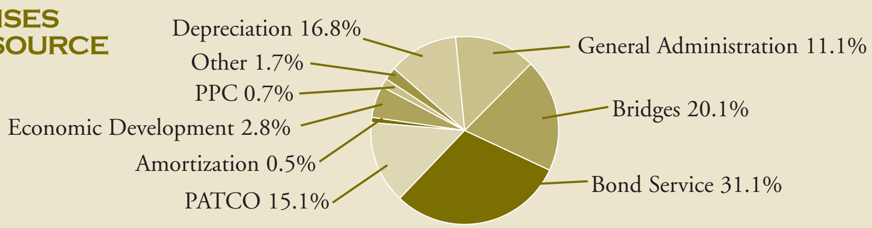
EXPENSE SUMMARY

A summary of expenses for the year ended December 31, 2006 and the amount and percentage change in relation to prior year amounts is as follows (in thousands of dollars):

	2006 Amount	Percent of Total	Increase/ (Decrease) From 2005	Percent Increase/ (Decrease)
Operating:				
Bridge	$50,644	20.15%	$4,140	8.90%
PATCO	37,838	15.05%	2,104	5.89%
General Administration	27,780	11.05%	923	3.44%
Other	3,198	1.27%	119	3.86%
AmeriPort	–	0.00%	(1,838	-100.00%
RiverLink Ferry	49	0.02%	(55)	-52.88%
Cruise Terminal	1,458	0.58%	232	18.92%
Maritime Services	317	0.13%	(63)	-16.58%
Depreciation	42,355	16.85%	3,923	10.21%
Total Operating	$163,639	65.21%	$9,485	6.15%
Non-Operating:				
Bond Service	78,267	31.14%	6,054	8.38%
Amortization	1,346	0.54%	(713)	-34.63%
Other	1,065	0.42%	(468)	-30.53%
Economic Development Activities	7,050	2.80%	(2,654)	-27.35%
Total Non-Operating	$87,728	34.90%	($2,219)	2.60%
TOTAL EXPENSES	$251,367	100.0%	$11,704	4.88%

- Salary and employee related expenses along with costs of bridge biennial inspections were the primary factors affecting the 8.90% increase in bridge operating expenses.
- PATCO expenses increased by $2,104 or 5.89%, attributable to higher purchased power, other non-payroll related costs (materials, contractual services, etc.) and slightly higher employee related costs.
- Total operating expenses, before depreciation, increased by $5,562 (or 4.81%), primarily attributable to increases in bridge operational and general administrative expenses.
- General administrative costs increased by 3.44% primarily resultant from increased salary and employee benefit costs.
- Depreciation expenses increased by $3,923 up 10.21% during the year; this increase was attributable to a $109,343 increase in total capital assets being depreciated in 2006 (Note 7).

EXPENSES BY SOURCE



SUMMARY OF CASH FLOW ACTIVITIES

The following shows a summary of the major sources and uses of cash and cash equivalents. Cash equivalents are considered highly liquid investments with a maturity of three months or less.

	2006	2005	2004
Cash flow from operating activities	$114,640	$104,604	$90,513
Cash flow from non-capital financing activities	(4,706)	(8,647)	(13,076)
Cash flow from capital and related financing activities	(110,470)	(149,208)	(160,285)
Cash flow from investing activities	810	53,785	86,198
Net increase (decrease) in cash and cash equivalents	274	534	3,350
Cash and cash equivalents, beginning of year	8,717	8,183	4,833
Cash and cash equivalents, end of year	$8,991	$8,717	$8,183

Capital Assets and Debt Administration

Capital Assets. The Authority's investment in capital assets for its activities through December 31, 2006 amounted to $1,054,950 (net of accumulated depreciation). This investment in capital assets includes land, bridges, transit system, port enhancements, buildings and machinery. The total percentage decrease in the Authority's investment in capital assets for the current year was 1.83%.

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

- Rehabilitation of PATCO interlocking and track roadbed; work in progress at the close of the current year had reached $11,374.
- PATCO new fare collection system; work in progress at the close of the current year had reached $3,757.
- Commodore Barry Bridge deck rehabilitation; work in progress at the close of the current year had reached $1,601.
- Overhaul of transit car trucks; work in progress at the close of the current year had reached $1,481.
- PATCO electric cable replacement; work in progress at the close of the current year had reached $1,420.
- Walt Whitman Bridge cable rehabilitation– Phase 1; work in progress at the close of the current year had reached $0.898.
- PATCO traction motor rebuilds; work in progress at the close of the current year had reached $0.710.

DELAWARE RIVER PORT AUTHORITY'S CAPITAL ASSETS

(Net of depreciation)

	2006	2005	2004
Land	$76,325	$76,325	$80,403
Bridges and related buildings and equipment	665,342	644,459	633,004
Transit property and equipment	218,231	170,427	161,728
Port enhancements	15,177	22,283	23,574
Construction in progress	79,875	161,175	172,620
Total	$1,054,950	$1,074,669	$1,071,329

Additional information on the Authority's capital assets can be found in Note 7 on page 47 of this report.

Long-term debt. The Authority's total debt decreased by $28,346 (or by 2.28%) during 2006. At the end of the current year, the Authority had total bonded debt outstanding of $1,216,863. Of this amount, $847,472 represents debt backed by toll revenue from the Authority's bridges. The remaining debt of $369,391 is supported by other revenue sources of the Authority.

The long term debt ratings on the Authority's bond issues, as of December 31, 2006, are shown below:

Issue	Moody's	S&P
1995 Revenue Bonds	A3	A
1998 Revenue Refunding and 1999 Revenue Bonds	A3	A-
1998, 1999 and 2001 Port District Project Bonds	Baa3	BBB-

Both Standard & Poor's, Inc. (S & P) and Moody's Investors Service, Inc. (Moody's) issued several ratings reports on the Authority's debt during 2006. In February 2006, S&P placed the Authority's bonds on "Creditwatch with negative implications" but did not change the Authority's ratings as of year-end 2006. Moody's placed the Authority's bonds on its "Watchlist" for possible downgrade in January 2006, but made no changes to the Authority's ratings. Moody's removed the Authority from its "Watchlist" in June 2006 and affirmed its existing ratings on all revenue and subordinated (port district project) bonds.

Some of the Authority's bond ratings were downgraded subsequent to the balance sheet date. To get a more complete picture of the Authority's funded and long term debt and its current ratings, it is important to review Note 11 on pages 51-58 and also Note 17 on pages 62-63 of this report.

DELAWARE RIVER PORT AUTHORITY'S OUTSTANDING DEBT

(Revenue, Revenue Refunding and Port District Project Bonds)

	2006	2005	2004
1995 Revenue Bonds	$353,845	$353,653	$353,461
1998 Revenue Refunding Bonds	71,917	91,948	110,994
1998 Port District Project Bonds	69,645	71,684	73,644
1999 Revenue Bonds	421,710	421,676	421,643
1999 Port District Project Bonds	154,514	156,298	157,957
2001 Port District Project Bonds	145,232	149,950	155,428
Total	$1,216,863	$1,245,209	$1,273,127

Economic Factors and Next Year's Budgets

The following factors were considered in preparing the Authority's budget for the 2007 year:

- Bridge tolls and PATCO fares will remain unchanged for the year 2007.
- Continuance of 10% E-ZPass discount for commercial account holders.
- Continuation of the E-ZPass commuter credit discount program wherein commuters receive a discount of $18 for taking 18 trips a month across the Authority's bridges on the same transponder.
- Projected bridge toll revenue increase of 2.1% vs. 2006 budgeted revenues attributable to a modest increase in traffic and average toll per vehicle.
- Modest increases in PATCO budgeted revenue (up 1.8%) over 2006 based on a projected increase in ridership for fiscal year 2007.
- Projected 48.5% decrease in revenues for the Cruise Terminal attributable to an anticipated decrease in the number of cruises scheduled for 2007.
- Budget-to-budget increase of 3.3% for all DRPA operations; PATCO increase in budget-to-budget expenses of 2.7%.
- No staffing increases, tight control of non-payroll related expenses.
- Increase in the total debt service related to the execution of the 1995 Revenue Bond swaption as of January 1, 2006 and the postponement of the proposed refunding of the 1995 Revenue Bonds.

Requests for Information

This financial report is designed to provide a general overview of the Authority's activities for all of those with an interest in the Authority's activities through December 31, 2006. Questions from interested parties concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Chief Financial Officer, Delaware River Port Authority, One Port Center, 2 Riverside Drive, P.O. Box 1949, Camden NJ 08101-1949.

COMBINED STATEMENTS OF NET ASSETS
December 31, 2006 and 2005 (In Thousands)

ASSETS	Notes	2006	2005
CURRENT ASSETS			
Cash and cash equivalents	1, 2	$ 7,627	$ 7,392
Investments	1, 2	203,113	164,555
Accounts receivable (net of allowance for uncollectibles)	5	7,647	20,129
Accrued interest receivable		467	617
Transit system and storeroom inventory	1	5,609	4,759
Economic development loans - current	1	634	984
Prepaid expenses		3,226	4,310
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	1, 2	1,364	1,325
Investments	1, 3	317,312	331,235
Accrued interest receivable		4	90
Total current assets		547,003	535,396
NONCURRENT ASSETS			
Capital assets (net of accumulated depreciation):			
Land	7	76,325	76,325
Bridges and related buildings and equipment	7	665,342	644,459
Transit property and equipment	7	218,231	170,427
Port enhancements	7	15,177	22,283
Construction in progress	7	79,875	161,175
Total capital assets		1,054,950	1,074,669
Economic development loans - net of allowance for uncollectibles	1	23,004	25,318
Deferred charges:			
Debt issuance costs (net of amortization)	11	37,064	40,546
Total other assets		60,068	65,864
Total noncurrent assets		1,115,018	1,140,533
TOTAL ASSETS		$ 1,662,021	$ 1,675,929

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

COMBINED STATEMENTS OF NET ASSETS
December 31, 2006 and 2005 (In Thousands)

LIABILITIES	Notes	2006	2005
CURRENT LIABILITIES:			
Accounts payable:			
Retained amounts on contracts		$ 2,340	$ 3,090
Other		16,530	9,849
Accrued liabilities:			
Pension	9	505	451
Sick and vacation leave benefits		2,103	-
Deferred revenue	1, 4	3,717	5,261
Liabilities payable from restricted assets:			
Accrued interest payable	11	34,110	34,849
Bonds payable - current	11	29,560	28,200
Total current liabilities		88,865	81,700
NONCURRENT LIABILITIES:			
Accrued liabilities:			
Repainting	1	47,021	43,117
Self- insurance	14	5,187	5,503
Sick and vacation leave benefits		2,532	4,666
Other		490	552
Bonds payable (net of unamortized discounts / premiums)	11	1,187,303	1,217,009
Total noncurrent liabilities		1,242,533	1,270,847
Total liabilities		1,331,398	1,352,547
NET ASSETS			
Invested in capital assets, net of related debt		244,194	245,211
Restricted for:			
Debt requirements		123,521	124,889
Port projects		76,237	111,907
Unrestricted (deficit)		(113,329)	(158,624)
Total net assets		$ 330,623	$ 323,383

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

COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years ended December 31, 2006 and 2005 (In Thousands)

	Notes	2006	2005
OPERATING REVENUES:			
Bridges:			
Tolls	5	$ 194,958	$ 190,930
Other operating revenues		4,170	4,219
Total bridge operating revenues		199,128	195,149
Transit system:			
Passenger fares		19,014	19,067
Other operating revenues		1,600	1,871
Total transit system operating revenues		20,614	20,938
Port of Philadelphia and Camden:			
AmeriPort		-	1,838
Cruise Terminal		1,608	1,264
River Link Ferry		72	51
Total Port of Philadelphia and Camden		1,680	3,153
Other:			
Miscellaneous		1,697	623
Total operating revenues		223,119	219,863
OPERATING EXPENSES:			
Operations		88,482	82,239
General and administrative		27,780	26,857
Depreciation	1, 7	42,355	38,432
Lease and community impact	15	3,198	3,078
Port of Philadelphia and Camden		1,824	3,548
Total operating expenses		163,639	154,154
OPERATING INCOME		59,480	65,709
NONOPERATING REVENUES (EXPENSES):			
Investment earnings	3	28,383	27,282
Interest expense	11	(78,267)	(72,213)
Amortization expense	1	(1,346)	(2,059)
Economic development activities		(7,050)	(9,704)
Other		(1,065)	(1,533)
Total other nonoperating revenues (expenses)		(59,345)	(58,227)
INCOME BEFORE CAPITAL CONTRIBUTIONS		135	7,482
CAPITAL CONTRIBUTIONS:			
Federal and state capital improvement grants	13	12,076	7,786
SPECIAL ITEMS:			
Loss on discontinued operations		(4,971)	-
CHANGE IN NET ASSETS		7,240	15,268
NET ASSETS, JANUARY 1		323,383	308,115
NET ASSETS, DECEMBER 31		$ 330,623	$ 323,383

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

COMBINED STATEMENTS OF CASH FLOWS
Years ended December 31, 2006 and 2005 (In Thousands)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$ 227,267	$ 216,529
Payments to suppliers	(78,115)	(77,510)
Payments to employees	(34,512)	(34,415)
Net cash provided by operating activities	114,640	104,604
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Economic development activities	(7,050)	(9,704)
Decrease in economic development loans receivable	2,344	1,057
Net cash used by noncapital financing activities	(4,706)	(8,647)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(28,789)	(57,473)
Proceeds from sales of capital assets	10,880	-
Discontinued operation activities	807	-
Capital contributions	11,300	7,609
Repayment of funded debt	(28,200)	(27,770)
Payment of arbitrage on funded debt	-	(1,201)
Interest paid on debt	(76,468)	(70,373)
Net cash used by capital and related financing activities	(110,470)	(149,208)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	2,596,854	2,452,201
Purchase of investments	(2,621,320)	(2,417,171)
Interest received	25,276	18,755
Net cash provided by investing activities	810	53,785
Net increase in cash and cash equivalents	274	534
Cash and cash equivalents, January 1 (including $7,392 and $1,325 reported as restricted)	$ 8,717	$ 8,183
Cash and cash equivalents, December 31 (including $7,627 and $1,364) reported as restricted)	$ 8,991	$ 8,717

	2006	2005
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 59,480	$ 65,709
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	42,355	38,432
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	2,599	(5,386)
(Increase) in transit system and storeroom inventories	(850)	(375)
Decrease in prepaid expenses	1,076	268
Increase (decrease) in accounts payable and accrued wages	4,882	(894)
Increase in accrued pension payable	54	114
Increase in deferred revenue	1,549	2,052
Increase in repainting reserves	3,904	4,095
Decrease in self-insurance reserves	(316)	(83)
Increase (decrease) in sick and vacation leave benefits payable	(31)	684
(Decrease) in other accrued liabilities	(62)	(12)
Net cash provided by operating activities	$ 114,640	$ 104,604

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

NOTES TO COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2006 (Dollars in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Operations **-** The Delaware River Port Authority (the "Authority") is a public corporate instrumentality of the Commonwealth of Pennsylvania (the "Commonwealth") and the State of New Jersey (the "State") created with the consent of Congress by compact legislation between the Commonwealth and the State. The Authority has no stockholders or equity holders. The Authority is vested with the ownership, control, operation, and collection of tolls and revenues of certain bridges spanning the Delaware River; namely, the Benjamin Franklin, Walt Whitman, Commodore Barry, and Betsy Ross bridges. The Authority has also constructed and owns a high-speed transit system that is operated by the Port Authority Transit Corporation (PATCO). The transit system operates between Philadelphia, Pennsylvania and Lindenwold, New Jersey. Among its powers, the Authority is responsible for regional economic development and the unification of certain port facilities of the Delaware River. The Authority's Port of Philadelphia and Camden Department (PPC) is responsible for the operation of the Authority's intermodal transfer facility, AmeriPort, which facilitates the movement of containerized cargo through the regional ports. PPC is also responsible for the marketing and operation of the Philadelphia Cruise Terminal at Pier 1 at the former Navy Yard and the Riverlink Ferry System. The costs of providing facilities and services to the general public on a continuing basis are recovered primarily in the form of tolls and fares. The Authority is a member of the E-ZPass Interagency Group, the largest interoperable Electronic Toll Collection System in the world, comprised of 22 agencies in 11 states. Through December of 2006, customer participation in the E-ZPass electronic toll collection process grew to approximately 62% of its toll collection activity during rush hour periods. E-ZPass revenues now exceed 54% of total toll revenues.

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

C. Cash and Cash Equivalents **-** The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents (Note 2).

D. Investment in Securities **-** Investment in securities is stated at amortized cost, which approximates fair value. Certain investments are maintained in connection with the Authority's funded debt (Notes 3 and 11).

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

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

G. Investment in Facilities **-** Investment in facilities is stated at cost, which generally includes expenses for administrative and legal expenses incurred during the construction period. Investment in facilities also includes the cost incurred for port-related projects, and improvements, enlargements and betterments to the original facilities. Replacements of existing facilities (except for primarily police and certain other vehicles whose estimated useful life is two years or less) are also recorded at cost. The related costs and accumulated depreciation of the property replaced are removed from the respective accounts and any gain or loss on disposition is credited or charged to nonoperating revenues or expenses. Assets capitalizable generally have an original cost of $2,500.00 or more and a useful life in excess of three years. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the related assets, including those financed by federal and state contributions (Notes 7 and 13).

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

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

H. Maintenance and Repainting - Maintenance and repair costs considered necessary to maintain bridge facilities in good operating condition are charged to operations as incurred. The Authority uses accrual accounting to record the projected cost of bridge repainting (a non-cash charge that involves debiting an expense and crediting an associated liability). Amounts sufficient to meet the estimated cost to repaint the bridges are provided by periodic charges to operations.

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

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

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

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

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

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

L. Operating and Non-Operating Revenues and Expenses - Operating revenues include all revenues derived from facility charges (i.e., toll revenues, which include E-ZPass revenues), PATCO operations (passenger fare, advertising and parking), and other revenue sources. Nonoperating revenues principally consist of interest income earned on various interest-bearing accounts and on investments in debt securities.

Operating expenses include expenses associated with the operation, maintenance and repair of the bridges, PATCO, PPC operations, and general administrative expenses. Nonoperating expenses principally include expenses attributable to the Authority's interest on funded debt and economic development activities.

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

M. Debt Management – Total outstanding bond debt reflected on the balance sheet is net of unamortized bond discounts or premiums (Note 11). The Authority presently has two interest rate swap agreements with the Bank of America, N.A., three interest rate swap agreements with UBS AG (Paine Webber), and one with Lehman Brothers Special Financing, Inc. / Financial Products, Inc. to hedge interest rates on a portion of its outstanding long-term debt. Other than the net upfront option payments resulting from these agreements, which have been recorded as deferred revenue, no amounts are recorded in the financial statements (Note 4).

N. Budget **-** In accordance with Section 5.15 of the 1995 and 1998 Revenue Bonds Indentures of Trust and Section 5.07 of the 1998, 1999 and 2001 Port District Project Bond Indentures of Trust, the Authority must annually adopt an Annual Budget on or before December 31 for the ensuing year. Section 5.15 of the 1995 and 1998 Revenue Bond Indentures of Trust requires that the Authority, on or before December 31, in each fiscal year, adopt a final budget for the ensuing fiscal year of (i) operational expenses, (ii) the PATCO Subsidy, (iii) the amount to be deposited to the credit of the Maintenance Reserve Fund, and (iv) the estimated amounts to be deposited into the Debt Service Fund, the Debt Service Reserve Fund, and the Rebate Fund. Each Annual Budget must also contain the Authority's projections of revenues for the ensuing fiscal year demonstrating compliance with the covenant as to facility charges as set forth in Section 5.09 of the Indentures of Trust. On or before December 31 in each fiscal year, the Authority must file a copy of the Annual Budget for the ensuing fiscal year with the Trustees.

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

The Authority may at any time adopt an amended or supplemental Annual Budget for the remainder of the then-current fiscal year, which shall be treated as the Annual Budget under the provisions of the Indentures of Trust. A copy of any amended or supplemental Annual Budget must be promptly filed with the Trustee. (Additional disclosure information related to the 2006 Annual Budget is included under "Subsequent Events", Note 17.)

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

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

2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2006 and December 31, 2005, the Authority's bank balances of $13,242 and $14,999 respectively, were exposed to custodial credit risk as follows:

	2006	2005
Uncollateralized	$ 12,741	$ 14,499

3. INVESTMENT IN SECURITIES

The Authority's investments in various securities are maintained for specified funds in accordance with the provisions of the Indentures of Trust adopted as of November 15, 1995 and July 1, 1998.

Custodial Credit Risk Related to Investments - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the Authority's total $520,425 of investments, $58,228 of investments in asset backed securities, collateralized mortgage obligations, commercial paper, corporate bonds and notes, fixed-rate capital securities, mortgage pass-through securities, municipal bonds, repurchase agreements, US federal agency notes and bonds, and US government treasuries, are uninsured, not registered in the name of the Authority, and held by the counterparty, and $63,633 are uninsured, not registered in the name of the Authority, and held by the counterparty's trust department or agent but not in the Authority's name.

As of December 31, 2006, the Authority had the following investments:

Investment	Maturities	Amortized Cost
Asset backed securities	108.21 months average	$ 14,251
Collateralized mortgage obligations	173.74 months average	906
Commercial paper	6.11 months average	37,088
Corporate bonds and notes	33.54 months average	59,022
Fixed-rate capital securities	.03 months average	6,100
Mortgage pass-through securities	278.74 months average	7,553
Municipal bonds	497.37 months average	1,900
Mutual bond funds	not applicable	47,045
Repurchase agreements	daily	1,213
Short-term investments	1.45 months average	317,936
US federal agency notes and bonds	29.36 months average	17,453
US government treasuries	37.65 months average	9,958
Total		$ 520,425

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

Credit Risk - Investments are purchased in accordance with the 1995, 1998 and 1999 Indentures of Trust, and generally include U.S. government obligations, money market funds, obligations of U.S. agencies or instrumentalities, and obligations of public agencies or municipalities rated in either of the two highest rating categories by Standard and Poor's Corporation or Moody's Investors Services. In accordance with the 1995, 1998 and 1999 Indentures of Trust, the Authority invests in corporate bonds and commercial paper rated A-1 by Standard and Poor's Corporation. Guaranteed Income Contracts are collateralized by U.S. government and agency securities, and debt obligations having a rating in the highest rating category from Moody's Investors Service or Standard and Poor's Rating Services.

As of December 31, 2006, the Authority's investments had the following ratings:

Investment	Standard and Poor's	Moody's
Asset backed securities	AAA	Aaa
CMO	AAA	Aaa
Collateralized mortgage obligations	AAA	Aaa
Commercial paper	*	A1
Corporate bonds and notes	A- to AAA	A3 to Aaa
Fixed-rate capital securities	AAA	Aaa
Mortgage pass-through securities	*	*
Municipal bonds	*	A1
Mutual bond funds	AAA	Aaa
US federal agency notes and bonds	AAA	Aaa
US government treasuries	AAA	Aaa
Repurchase agreements	AAA	Aaa
Short-term investments	*	*

* investment not rated or no rating available.

Concentration of Credit Risk - The Authority's policy on the concentration of credit risk states that no limitations exist on the purchase of investments in obligations of the U.S. government and U.S. federal agencies since they are fully guaranteed by the U.S. government. For the purchase of investments in obligations of all other issuers, total investments held from any one issuer shall not exceed ten percent (10%) of the aggregate market value of the entire portfolio, except for repurchase agreements, which, from any one issuer, shall not exceed twenty-five percent (25%) of the aggregate market value of the portfolio. As of December 31, 2006, more than five percent (5%) of the Authority's investments are in General Electric corporate bonds and notes. These investments represent eight (8%) of the Authority's total investments.

4. DERIVATIVE INSTRUMENTS

Objective of the Derivatives - During 2000 and 2001, the Authority entered into seven interest rate swap agreements that provided the Authority with net up front payments totaling $44,642. (One option with Lehman Brothers, with a notional amount $50,000, was terminated in 2002). In accordance with the 2000 Swaptions, the counterparty has the option to make the Authority enter into a pay-variable / receive fixed interest rate swap. In accordance with the 2001 Swaptions, the counterparty has the option to make the Authority enter into a pay-fixed / receive variable interest rate swap. (As of December 31, 2006, only the 1995 Revenue Bonds swaption, mentioned below, has been exercised by the counterparty.)

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

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

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

As of December 31, 2006, Swaption # 1 had a fair value of ($294) and Swaption #2 had a fair value of ($77). (For the method of valuation, see "Fair Value", Note 4).

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

2001 Swaptions

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

The periodic payment obligations of the Authority under the 1995 Revenue Bonds Swap are secured and payable equally and ratably with Bonds issued under the 1998 Revenue Bond Indenture, regularly scheduled periodic payments to be made by the Authority under the 1995 Revenue Bonds Swap are insured by Ambac Assurance. In addition to other Events of Default and Termination Events (as defined in the 1995 Revenue Bond Swap), there exists an Additional Termination Event with respect to the Authority if the credit rating of Bonds issued under the 1998 Revenue Bond Indenture (without reference to municipal bond insurance or credit enhancement) falls below “Baa3” with respect to Moody’s Investors Service (“Moody’s”) or “BBB-” with respect to Standard & Poor’s Ratings Group (“S&P”) or Fitch Ratings (“Fitch”), or the Bonds cease to be rated by one of Moody's, S&P or Fitch (and such rating agencies are still in the business of rating obligations such as the Bonds). However, as provided in the 1995 Revenue Bond Swap, so long as no Insurer Credit Event (as defined therein) has occurred, no Early Termination Date can be designated unless Ambac Assurance has consented in writing thereto. As of December 31, 2006, the fair value of the 1995 Revenue Bond Swap was ($66,415). (For the method of valuation, see “Fair Value”, Note 4).

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

On September 3, 2005, UBS advised the Authority that it was exercising its option on this swap as of January 1, 2006 (see Note 17). As a result, UBS AG paid the Authority $7,144 on January 3, 2006 as an exercise premium. On February 1st, 2006, the first monthly net swap payment, for the period January 3rd thru January 31st, was made to UBS AG in the amount of $694. The Authority is current on all of its net swap payments payable to UBS, which totaled $7,538 for the year. (Additional disclosure information related to this swap is included under “Subsequent Events”, Note 17).

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

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

As of December 31, 2006, the fair value of the 1999 Revenue Bond Swaption was ($60,036). (For the method of valuation, see “Fair Value”, Note 4).

In consideration for entering into the 1999 Revenue Bonds Swaption, the Authority received a net up-front, non-refundable option payment in the amount of $16,478 from UBS AG which has been recorded as deferred revenue and is being amortized.

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

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

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

As of December 31, 2006, the fair value of the 1999 Port District Project Bonds Swaption was ($19,951). (For the method of valuation, see "Fair Value", Note 4).

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

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

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

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

As of December 31, 2006, the fair value of the 1998 Port District Project Bonds Swaption was ($7,510). (For the method of valuation, see “Fair Value”, Note 4).

Risks Related to the Derivatives

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

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

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

5. ACCOUNTS RECEIVABLE AND TOLL REVENUES

Accounts receivable for December 31, 2006 and December 31, 2005 are as follows:

	12/31/06	12/31/05
Reimbursements from governmental agencies - capital improvements to the PATCO system due from the Federal Transit Administration and New Jersey Transit	$ 1,746	$ 970
Other intergovernmental	3,500	3,743
Port of Philadelphia and Camden trade receivables	-	105
Cruise terminal receivables	312	25
Development projects	48	101
Other	3,541	16,685
Gross receivables	9,147	21,629
Less: Allowance for uncollectibles	(1,500)	(1,500)
Net total receivables	$ 7,647	$ 20,129

Of the total intergovernmental receivables of $3,500 above, $3,500 is not expected to be collected within one year. In addition, the Authority records toll revenue net of uncollectible tolls and commuter credits. Gross toll revenues for 2006 were $199,997, while the adjustments for uncollectible tolls and commuter credits were $480 and $4,559 respectively.

6. CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the period ending December 31, 2006 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due within 1 Year
Bonds and loans payable:					
1995 Revenue Bonds	$ 357,185			$ 357,185	
1998 Revenue Refunding Bonds	89,300		$ (19,590)	69,710	$ 20,610
1999 Revenue Bonds	422,310			422,310	
1998 Port District Project Bonds	72,105		(2,060)	70,045	2,145
1999 Port District Project Bonds	158,960		(1,925)	157,035	2,065
2001 Port District Project Bonds	147,810		(4,625)	143,185	4,740
Less issuance discounts / premiums	(2,461)		(146)	(2,607)	
Total bonds payable	1,245,209	-	(28,346)	1,216,863	29,560
Other liabilities:					
Bridge repainting	43,117	$ 3,904		47,021	
Self-insurance	5,503		(316)	5,187	
Sick and vacation leave	4,666		(31)	4,635	2,103
Other	552		(62)	490	
Total long-term liabilities	$ 1,299,047	$ 3,904	$ (28,755)	$ 1,274,196	$ 31,663

7. INVESTMENT IN FACILITIES

Capital assets for the period ending December 31, 2006 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 76,325			$ 76,325
Construction in progress	161,175	$ 16,457	$ (97,757)	79,875
Total capital assets not being depreciated	237,500	16,457	(97,757)	156,200
Capital assets being depreciated:				
Bridges and related building and equipment	936,762	51,182	(2,459)	985,485
Transit property and equipment	301,082	57,915	(715)	358,282
Port enhancements	33,967	246	(10,856)	23,357
Total capital assets being depreciated	1,271,811	109,343	(14,030)	1,367,124
Less accumulated depreciation for:				
Bridges and related building and equipment	(292,303)	(30,153)	2,312	(320,144)
Transit property and equipment	(130,655)	(10,109)	714	(140,050)
Port enhancements	(11,684)	(2,093)	5,597	(8,180)
Total accumulated depreciation	(434,642)	(42,355)	8,623	(468,374)
Total capital assets being depreciated, net	837,169	66,988	(5,407)	898,750
Total capital assets, net	$ 1,074,669	$ 83,445	$ (103,164)	$ 1,054,950

Total depreciation expense for the year ended December 31, 2006 was $42,355.

8. DEFERRED COMPENSATION PLAN

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

9. PENSION PLANS

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

Pennsylvania State Employees' Retirement System

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

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

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

Funding Policy - The contribution requirements of plan members and the Authority are established and amended by the Pennsylvania State Employees' Retirement System Board. As of January 1, 2002, employees are required to contribute 6.25% of their gross earnings to the plan. The Authority was required to, and did, contribute an actuarially determined amount to the plan, which equaled 3.17%, 2.22% and 1.23% of covered payroll in 2006, 2005 and 2004, respectively. In 2006, 2005 and 2004, the Authority contributed $ 1,302, $914 and $520, respectively, to the plan.

New Jersey Public Employees Retirement System (NJ PERS)

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

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

Teamsters Pension Plan of Philadelphia and Vicinity

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

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

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

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

Funding Policy - The Teamsters Pension Plan is controlled by the Teamsters Pension Plan of Philadelphia and Vicinity Board. The employer's contribution requirements are determined under the terms of one Collective Bargaining Agreement in force between the employer and the Teamsters. During 2006, the Authority was required to, and did, contribute the following amounts for PATCO employees: nineteen dollars and eighty cents per day from January 1 through June 15 and twenty dollars and twenty cents from June 16 through December 31 per participating employee. The Authority's contributions totaled 8.21%, 7.83% and 9.00% of covered payroll in 2006, 2005 and 2004, respectively. The employees of the Authority make no contributions to the plan. The Authority contributed $1,003, $955 and $946 in 2006, 2005 and 2004, respectively.

Post Employment Benefits Other Than Pensions

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 based on hire date and years of service. At December 31, 2006, 620 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 $3,986, $4,839 and $5,606 for 2006, 2005 and 2004 respectively. All retirees make contributions towards the cost of health care benefits.

The Government Accounting Standards Board (GASB) has issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB)," which addresses how governmental entities will have to account for and disclose the costs and obligations associated with post employment health care and other nonpension benefits to current and future retirees. Pursuant to this requirement, the Authority will adopt its reporting requirements during the 2007 fiscal year.

In anticipation of this requirement, in late 2006, the Authority engaged an actuarial consulting firm to examine the Authority's benefits plans in order to determine the estimated unfunded "Other Post Employment Benefits" liability as of year end 2006. Initially, this unfunded liability has been estimated between $95.9 and $146.6 million depending on the amortization timeframe and funding method selected by the Authority. The annual OPEB funding requirement for 2007 is estimated to be $7.0 to $9.8 million, based on a 30-year amortization period. Completion of this actuarial study is expected during the second quarter of 2007, after which point the Authority will finalize its strategy regarding funding of its annual and overall OPEB liability.

10. INDENTURES OF TRUST

The Authority is subject to the provisions of the following Indentures of Trust: Revenue Bonds of 1995 with U.S. Bank (as successor trustee to Wachovia Bank, N.A.), dated November 15, 1995; Port District Project Bonds of 1998 with The Bank of New York (as successor trustee to U.S. Trust Company of New Jersey), dated August 15, 1998; Port District Project Bonds of 1999 with The Bank of New York (as successor trustee to Summit Bank), dated December 1, 1999; Port District Project Bonds of 2001 with Commerce Bank, National Association, dated December 1, 2001; Revenue Refunding Bonds of 1998 with Commerce Bank, National Association, dated July 1, 1998; and the Revenue Bonds of 1999 with Commerce Bank, National Association, dated December 1, 1999 (collectively the "Bond Resolution"). The Bond Resolution requires the maintenance of the following accounts:

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

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

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

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

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

In addition, in accordance with the Indentures of Trust for the Revenue Refunding Bonds of 1998 and the Revenue Bonds of 2001, the following additional accounts are required to be maintained:

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

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

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

11. FUNDED AND LONG-TERM DEBT

At December 31, 2006, the Authority had $1,216,863 in Revenue, Revenue Refunding and Port District Project Bonds outstanding, consisting of bonds issued in 1995, 1998, 1999 and 2001. The 1995 Revenue Bonds were issued pursuant to an Indenture of Trust, dated November 15, 1995, and the First Supplemental Indenture thereto. The 1998 Revenue Refunding Bonds were issued pursuant to the Indenture of Trust, dated July 1, 1998, and a First Supplemental Indenture thereto. The 1998 Port District Project Bonds were issued pursuant to an Indenture of Trust dated August 15, 1998. The 1999 Revenue Bonds were issued pursuant to the Indenture of Trust dated July 1, 1998, a Second Supplemental Indenture dated August 15, 1998 and a Third Supplemental Indenture dated December 1, 1999. The 1999 Port District Project Bonds were issued pursuant to an Indenture of Trust dated December 1, 1999. Under the terms of the 1998 Revenue Refunding Bonds Indenture of Trust, the Authority covenanted not to issue any additional bonds under the 1995 Indenture of Trust. The 2001 Port District Project Bonds were issued pursuant to an Indenture of Trust dated December 1, 2001.

1995 Bonds - On December 12, 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 cost 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 1995 Revenue Bonds outstanding at December 31, 2006 are as follows:

Maturity Date (January 1)	Interest Rate / Yield	Principal Amount	Maturity Date (January 1)	Interest Rate / Yield	Principal Amount
		Serial Bonds			
2010	5.30%	$ 11,065	2013	5.40%	$ 15,795
2011	5.40%	11,650	2014	5.40%	16,650
2012	5.45%	14,980	2015	5.40%	17,550
			2016	5.40%	18,495
					106,185
		Term Bonds			
2017	5.50%	$ 19,495	2021	5.50%	$ 24,150
2018	5.50%	20,565	2022	5.50%	25,480
2019	5.50%	21,695	2023	5.50%	26,880
2020	5.50%	22,890	2024	5.50%	28,360
			2025	5.50%	29,920
			2026	5.50%	31,565
					251,000

Total par value of 1995 Bonds outstanding	357,185
Less unamortized bond discount	(3,340)
Total 1995 Bonds, net	$ 353,845

Optional Redemption Dates (Inclusive)	Redemption Price 1995 Bonds
January 1, 2007 through December 31, 2007	101.00%
January 1, 2008 and thereafter	100.00%

If less than all of the 1995 Revenue 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 1995 Revenue Bonds are secured by a lien on and security interest in the net revenues of the Authority and certain monies and securities held under the 1995 Indenture (Note 17). (Additional disclosure information related to this debt issue is included under "Subsequent Events", Note 17).

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

The 1998 Revenue Refunding Bonds outstanding at December 31, 2006 are as follows:

Maturity Date (January 1)	Interest Rate / Yield	Principal Amount	Maturity Date (January 1)	Interest Rate / Yield	Principal Amount
		Serial Bonds, Series B			
2007	5.25%	$ 20,610	2009	5.25%	$ 22,795
2008	5.25%	21,695	2010	5.25%	2,245
			2011	5.25%	2,365
Total 1998 Refunding Bonds					69,710
Plus unamortized bond premium					2,207
Total 1998 Refunding Bonds, net					$ 71,917

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

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

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

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

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

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

The 1998 Port District Project Bonds outstanding at December 31, 2006 are as follows:

Maturity Date (January 1)	Interest Rate / Yield	Principal Amount	Maturity Date (January 1)	Interest Rate / Yield	Principal Amount
		Serial Bonds			
2007	5.00%	$ 2,145	2011	4.63%	$ 2,600
2008	5.00%	2,255	2012	4.75%	2,720
2009	5.00%	2,365	2013	5.00%	2,845
2010	4.50%	2,485	2014	4.75%	2,990
			2015	5.00%	3,130
					23,535
		Term Bonds			
2016	4.75%	$ 3,290	2021	5.00%	$ 4,175
2017	4.75%	3,445	2022	5.00%	4,385
2018	5.00%	3,605	2023	5.00%	4,605
2019	5.00%	3,790	2024	5.00%	4,835
2020	5.00%	3,975	2025	5.00%	5,075
			2026	5.00%	5,330
					46,510
Total par value of 1998 Port District Project Bonds outstanding					70,045
Less unamortized bond discount					(400)
Total 1998 Port District Project Bonds, net					$ 69,645

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

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

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

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

The 1999 Revenue Bonds outstanding at December 31, 2006 are as follows:

Maturity Date (January 1)	Interest Rate / Yield	Principal Amount	Maturity Date (January 1)	Interest Rate / Yield	Principal Amount
		Serial Bonds			
2010	5.50%	$ 10,385	2014	5.40%	$ 5,000
2010	5.10%	5,000	2015	5.75%	20,145
2011	5.50%	16,230	2016	5.75%	16,300
2012	5.50%	12,110	2016	5.63%	5,000
2012	5.25%	5,000	2017	6.00%	22,525
2013	5.63%	18,055	2018	6.00%	18,865
2014	5.75%	14,050	2018	5.75%	5,000
			2019	6.00%	25,295
					198,960
		Term Bonds			
2020	5.75%	$ 26,810	2023	5.75%	$ 31,710
2021	5.75%	28,355	2024	5.75%	33,530
2022	5.75%	29,985	2025	5.75%	35,460
			2026	5.75%	37,500
					223,350
Total par value of 1999 Revenue Bonds					422,310
Less unamortized bond discount					(600)
Total 1999 Revenue Bonds, net					$ 421,710

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

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

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

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

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

The 1999 Port District Project Bonds outstanding at December 31, 2006 are as follows:

Maturity Date (January 1)	Interest Rate / Yield	Principal Amount	Maturity Date (January 1)	Interest Rate / Yield	Principal Amount
		Series A Bonds			
2007	7.27%	$ 2,065	2010	7.42%	$ 2,555
2008	7.32%	2,215	2011	7.46%	2,740
2009	7.37%	2,380	2012	7.50%	2,950
			2013	7.54%	3,170
					18,075
		Term Bonds			
2014	7.63%	$ 3,405	2018	7.63%	$ 4,570
2015	7.63%	3,665	2019	7.63%	4,920
2016	7.63%	3,945	2020	7.63%	5,295
2017	7.63%	4,245	2021	7.63%	1,035
					31,080

Maturity Date (January 1)	Interest Rate / Yield	Principal Amount	Maturity Date (January 1)	Interest Rate / Yield	Principal Amount
		Series B Bonds			
2021	5.70%	$ 13,060	2022	5.70%	$ 16,930
			2023	5.70%	17,895
					47,885
		Term Bonds			
2024	5.63%	$ 18,915	2025	5.63%	$ 19,980
			2026	5.63%	21,100
					59,995
Total par value of 1999 Port District Project Bonds					157,035
Less unamortized bond discount					(2,521)
Total 1999 Port District Project Bonds, net					$ 154,514

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

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

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

The 2001 Port District Project Bonds outstanding at December 31, 2006 are as follows:

Maturity Date (January 1)	Interest Rate / Yield	Principal Amount	Maturity Date (January 1)	Interest Rate / Yield	Principal Amount
Series A Refunding Bonds (Federally Taxable)					
2007	5.00%	$ 3,800	2014	5.50%	$ 6,880
2008	5.25%	5,085	2015	5.50%	7,260
2009	5.25%	4,350	2016	5.50%	7,660
2009	5.00%	1,000	2017	5.50%	8,080
2010	5.50%	2,625	2018	5.50%	8,525
2010	5.25%	3,000	2019	5.10%	8,995
2011	5.25%	5,935	2020	5.10%	9,450
2012	5.25%	6,255	2021	5.10%	1,580
2013	5.50%	5,570	2022	5.13%	1,300
			2023	5.15%	1,300
					$ 98,650
Term Bonds					
2024	5.20%	$ 1,300	2026	5.20%	$ 1,300
2025	5.20%	1,300	2027	5.20%	12,900
					16,800

Total par value of Series A Refunding Bonds	115,450
Plus unamortized bond premium	2,338
Total 2001 Series A Refunding Bonds, net	$ 117,788

Maturity Date (January 1)	Interest Rate / Yield	Principal Amount	Maturity Date (January 1)	Interest Rate / Yield	Principal Amount
		Series B Refunding Bonds			
2007	4.00%	$ 940	2015	4.85%	$ 1,335
2008	4.20%	$ 980	2016	5.00%	$ 1,400
2009	4.35%	1,020	2017	5.00%	1,470
2010	4.45%	1,065	2018	5.00%	1,540
2011	4.50%	1,115	2019	5.10%	1,620
2012	4.60%	1,165	2020	5.10%	1,700
2013	4.63%	1,215	2021	5.10%	1,785
2014	4.75%	1,270	2022	5.13%	1,880
			2023	5.15%	1,975
					$ 23,475
		Term Bonds			
2024	5.20%	$ 2,075	2025	5.20%	$ 2,185
					4,260
Total par value of Series B Bonds					27,735
Less unamortized bond discount					(291)
Total 2001Series B Bonds, net					27,444
Total 2001Port District Project Bonds, net					$ 145,232

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

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

The following recapitulates the principal and interest due on all bonds outstanding as of December 31, 2006:

Year Ending December 31,	Principal	Interest	Total
2007	$29,560	$67,461	$97,021
2008	32,230	65,819	98,049
2009	33,910	64,054	97,964
2010	40,425	62,761	103,186
2011	42,635	60,562	103,197
2012-2016	251,250	264,769	516,019
2017-2021	332,505	183,970	516,475
2022-2026	444,055	77,157	521,212
2027	12,900	335	13,235
	$ 1,219,470	$ 846,888	$ 2,066,358
Net unamortized bond discounts / premiums	(2,607)		
	$ 1,216,863		

Interest on the 1995, 1998, 1999, and 2001 Bonds is payable semi-annually on January 1 and July 1 in each year. Interest expense includes interest on the bonds and amortization of debt issuance costs and debt issuance discount.

Total funded debt and long-term debt as of December 31, 2006 totaled $1,216,863, of which $29,560 is short term and $1,187,303 is long term. The Authority is current on all of its monthly debt service payments on all obligations.

12. CONDUIT DEBT OBLIGATIONS

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

As of December 31, 2006, there was one series of Charter School Project Bonds outstanding, issued for the LEAP Academy Charter School, Inc. The corresponding aggregate principal totaling $8,500 is treated strictly as conduit debt obligations under Interpretation No. 2 of the Governmental Accounting Standards Board (GASB) and accordingly is not included in the financial statements. The following schedule details the series together with the amount outstanding:

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

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

The Authority receives contributions in aid for financing capital improvements to the rapid transit system from the Federal Transit Administration and New Jersey Transit. Capital improvement grant funds of $12,076 and $7,786 were received in 2006 and 2005 respectfully. The Authority receives federal and state grants for specific construction purposes that are subject to review and audit by the grantor agencies. Although such audits could result in disallowances under terms of the grants, it is the opinion of management that any required reimbursements will not be material to the Authority’s net assets.

14. CONTINGENCIES

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

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

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

Self-insurance

	2006	2005
Beginning balance	$ 5,503	$ 5,586
Incurred claims	2,784	2,152
Payment of claims	(3,019)	(2,155)
Other - administrative fees	(80)	(80)
Ending balance	$ 5,188	$ 5,503

15. COMMITMENTS

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

In support of various economic development projects, the Authority has entered into loan guarantees with various banks to complete the financing aspects of a particular project. The Authority, has authorized $27.0 million in loan guarantees, but has not made any cash outlays related to these guarantees.

B. Leases - To provide for the operations of its intermodal transfer facility (AmeriPort), which was operated by PPC, the Authority leased from CSX Transportation approximately 20.51 acres of the CSX facility in Philadelphia. Under the lease, which expires January 31, 2021, the annual base rental is effective July 1, of each year, and was $287. 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 CSX Transportation to the Authority. The Authority has the right to terminate this lease at any time upon the payment of three years' base rent and Additional Rent.

During June 2006, the AmeriPort facility was closed, therefore, the Authority paid base rent in the amount of $129 to CSX during the year 2006. The Authority is presently in negotiations with CSX related to the final termination costs associated with AmeriPort's closure. (Additional disclosure information related to the AmeriPort operation is included under "Discontinued Operations", Note 16.)

The Authority currently leases certain subway properties from the City of Philadelphia (City) for use by the PATCO high-speed transit system. During 1995, the Authority and City agreed to amend and extend the lease agreement, which will now expire on December 21, 2050. For the lease years 1998 through 2000, the Authority was required to pay $1,000 in base rent to the City and $6,000 annually in Special Economic and Community Development Grants (SECD Grants) to the City. In 2006, the base rent payable to the City totaled $2,698 as adjusted for the cumulative increases in the Consumer Price Index (CPI) between 1996 and 2005. Base rent payments for 2007 through 2017 shall equal the previous year's base rent adjusted by any increase in the CPI for that year. For the years 2018 through 2050, annual base rent shall equal one dollar. No SECD Grants are payable to the City for the lease years 2001 through 2050.

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

Year	Amount
2007	$ 3,306
2008	3,394
2009	3,495
2010	3,600
2011	3,709

Rental expenditures were $3,649 and $3,584 for 2006 and 2005, respectively.

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

D. Letters of Credit - In May 2004, the Authority entered into two separate irrevocable standby Letter of Credits with Commerce Bank and Wachovia Bank in support of the Authority's "Owner Controlled Insurance Program (OCIP)." Under this program, the Authority purchased coverage for all contractors working on major construction projects.

The Letter of Credit with Commerce Bank is for a four-year term in the amount of $2,200 with an expiration date of May 7, 2008. The Letter of Credit with Wachovia Bank was in an initial amount of $1,250 and automatically increases annually each May in the amount of $1,250 until its expiry on May 7, 2008.

As of December 31, 2006, the unused amount of the Letter of Credits totaled $5,950. No draw downs have been made against any Letter of Credit.

E. Contractual Commitments

As of December 31, 2006, the Authority had contractual commitments as follows (in thousands):

	Total
Benjamin Franklin Bridge:	
Data & telephone networks	$5,889
Part time & temporary toll collectors	901
Financial and audit services	364
Upgrade of SATS system	314
Structural hardening countermeasures	363
Other	1,373
Walt Whitman Bridge:	
Bridge inspection	39
Deck condition assessment	40
Cable investigation	38
Betsy Ross Bridge:	
Bridge inspection	58
PATCO System:	
PATCO interlocking & roadbed rehabilitation	6,382
Fare collection system	4,616
Power cable and pole line replacement	1,015
Pump improvements at 8th & Market	1,310
Station improvements	554
Other	1,016
Other:	
Delaware River tram & riverfront development	10,835
Port enhancement projects	113
Cruise terminal and ferry operations	231
	$35,451

16. DISCONTINUED OPERATIONS

As described in Note 1, PPC is responsible for the operation of the AmeriPort intermodal transfer facility. The facility has been operated by a trucking warehouse and intermodal operating company under a contract with the Authority. The Authority discontinued operations at its AmeriPort facility in June 2006 due to the anticipated completion and opening of a new intermodal facility by Norfolk Southern at the Philadelphia Navy Yard.

The following represents the reported loss of $4,971 on the disposal of the AmeriPort intermodal transfer facility:

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

The remaining assets and liabilities of the AmeriPort intermodal transfer facility consist of cash and cash equivalents and accounts payable, respectively.

17. SUBSEQUENT EVENTS

2006 Operating and Capital Budgets - Pursuant to its Bond Indentures, the Authority is required to adopt an operating budget for the ensuing calendar year and to provide the Trustees of its various outstanding bond issues with certain budget related certifications by December 31st.

In November 2005, the Finance Committee of the Authority's Board of Commissioners approved and recommended to the full Board the proposed Operating and Capital Budgets for 2006. The Board was to consider these budgets at their December 2005 meeting. However, the December Board meeting was canceled. Therefore, in accordance with its Continuing Disclosure Agreements, in January 2006, the Authority filed a disclosure of the delay in the adoption of its budgets with its Bond Trustees and the NRMSIRs (Nationally Recognized Municipal Securities Information Repositories). In accordance with its Bond Indentures, during the fiscal year 2006, the Authority operated under its 2005 Operating and Capital budgets, as the 2006 Operating and Capital budgets were never adopted by the Board of Commissioners.

At a Special Board meeting held May 17, 2007, the Authority's Board ratified the 2006 operating results of the Authority and approved the "Net Revenue Requirement" certification for the 2006 Fiscal Year, as required under the Revenue Bond Indentures. All net revenue certifications were subsequently submitted to the Authority's Bond Trustees as required by the Bond Indentures.

2007 Operating and Capital Budgets - Pursuant to its Bond Indentures, the Authority is required to adopt an operating budget for the ensuing calendar year and to provide the Trustees of its various outstanding bond issues with certain budget related certifications by December 31st.

During 2006, the Authority's Finance Committee and Board did not meet to review or approve the proposed 2007 budget. Therefore, in accordance with its Bond Indentures, the Authority began its fiscal 2007 year operating under its 2005 Operating and Capital budgets, until such time as the 2007 Operating and Capital budgets were adopted by the Board of Commissioners. In accordance with its Continuing Disclosure Agreements, in March 2007, the Authority filed a disclosure of the delay in the adoption of its 2007 budgets with its Bond Trustees and the NRMSIRs (Nationally Recognized Municipal Securities Information Repositories).

Subsequent to this filing, at a Special Board meeting held on May 17, 2007, the Authority's Board approved the 2007 DRPA and PATCO operating budgets and the 2007 Capital Program. In addition, the Authority's Board approved the required 2007 Annual Budgets, as defined in various Bond Indentures. All required budgets were subsequently submitted to the Authority's Bond Trustees as required by the Bond Indentures.

Proposed 1995 Revenue Bond Refunding/Interest Rate Swap Commencement - In December 2005, the Authority anticipated refunding its 1995 Revenue Bonds with a variable interest rate issue approximating $362 million. A preliminary official statement (POS) was issued in mid-December after credit ratings for the proposed offering were issued by Standard & Poor's, Inc. and Moody's Investors Service, Inc. Subsequent to the release of the POS, the Authority postponed the refunding issue. During fiscal year 2006, no further action was taken during 2006 regarding the refunding of the 1995 Revenue Bonds. (The Authority anticipates that a refunding of the 1995 Revenue Bonds will occur sometime during the fiscal year 2007.)

On January 3, 2006, the 1995 Revenue Bond swaption, which was exercised by UBS AG on September 3, 2005, commenced with UBS AG making a swap exercise premium payment to the Authority in the amount of $7.144 million. On February 1, 2006, the Authority made its initial net monthly interest payment to UBS, for the interest period from January 3, 2006 through January 31, 2006. Through December 1st, 2006, the Authority made net payments to UBS totaling $6,967. During 2007, the Authority has remained current on its monthly net payment obligation.

Bond Ratings - *Moody's Investors Service, Inc. Ratings* - In January 2006, as a result of the Authority's failure to pass its 2006 Operating Budget in compliance with its Bond Indentures, Moody's Investors Service, Inc. placed the ratings of the Authority on its "Watchlist" for possible downgrade. Moody's withdrew its rating on the proposed 2005 refunding of the 1995 Revenue Bond issue, but did not alter the bond ratings on the Authority's outstanding issues. In its report, issued on June 13, 2006, Moody's removed the Authority from its "Watchlist" for a possible downgrade and affirmed its ratings on the Authority's bond issues. Moody's reaffirmed its existing ratings, with a "negative outlook" in its report issued on April 16, 2007.

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

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

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

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

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

COMBINED SUPPLEMENTAL SCHEDULE OF NET ASSET INFORMATION BY FUND
December 31, 2006 (In Thousands)

	Capital Fund	Revenue Fund	Maint. Reserve Fund	General Fund	Combined Bond Funds	Combined Project Funds	2006 Total
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents		$ 4,239		$ 3,388			$ 7,627
Investments		10,773	$ 3,473	188,867			203,113
Accounts receivable (net of allowance for uncollectibles)		3,223		4,424			7,647
Accrued interest receivable				467			467
Transit system and storeroom inventories		351		5,258			5,609
Economic development loans - current				634			634
Prepaid Expenses	$ 651	1,951		624			3,226
Restricted assets:							
Temporarily restricted:							
Cash and cash equivalents						$ 1,364	1,364
Investments					$ 183,185	134,127	317,312
Accrued interest receivable						4	4
Total current assets	651	20,537	3,473	203,662	183,185	135,495	547,003
NONCURRENT ASSETS:							
Capital assets (net of accumulated depreciation):							
Land	76,300			25			76,325
Construction in progress	79,162			713			79,875
Bridges, related buildings and equipment	665,342						665,342
Transit property and equipment	218,231						218,231
Port enhancements	15,102			75			15,177
Total capital assets	1,054,137	-	-	813	-	-	1,054,950
Other:							
Economic development loans (net of allowance for uncollectibles)				23,004			23,004
Deferred charges:							
Debt issuance costs (net of amortization)	16,106			20,958			37,064
Total other assets	16,106	-	-	43,962	-	-	60,068
Total noncurrent assets	1,070,243	-	-	44,775	-	-	1,115,018
Total assets	$ 1,070,894	$ 20,537	$ 3,473	$ 248,437	$ 183,185	$ 135,495	$ 1,662,021

COMBINED SUPPLEMENTAL SCHEDULE OF NET ASSET INFORMATION BY FUND:
December 31, 2006 (In Thousands)

	Capital Fund	Revenue Fund	Maint. Reserve Fund	General Fund	Combined Bond Funds	Combined Project Funds	Total
LIABILITIES							
CURRENT LIABILITIES:							
Accounts payable:							
Retained amounts on contracts		$ 94		$ 2,246			$ 2,340
Other		10,478		6,052			16,530
Accrued liabilities:							
Pension		311		194			505
Sick and vacation leave benefits		1,001		1,102			2,103
Deferred revenue		2,217		1,500			3,717
Liabilities payable from restricted assets:							
Accrued interest payable					$ 34,110	-	34,110
Bonds payable - current					29,560	-	29,560
Total current liabilities	-	14,101	-	11,094	63,670	-	88,865
NONCURRENT LIABILITIES:							
Accrued liabilities:							
Repainting		47,021					47,021
Self-insurance		4,484		703			5,187
Sick and vacation leave benefits		1,934		598			2,532
Other		490					490
Bonds and loans (net of unamortized discount/premium)	$ 826,862			301,183		$ 59,258	1,187,303
Total noncurrent liabilities	826,862	53,929	-	302,484	-	59,258	1,242,533
Total liabilities	$ 826,862	$ 68,030	-	$ 313,578	$ 63,670	$ 59,258	$ 1,331,398
NET ASSETS							
Invested in capital assets, net of related debt	$ 243,381			$ 813			$ 244,194
Restricted for:							
Debt requirements		$ 11,077	$ 3,000		$ 109,444		123,521
Port projects					-	$ 76,237	76,237
Unrestricted (deficit)	651	(58,570)	473	(65,954)	10,071	-	(113,329)
Total net assets	$ 244,032	$ (47,493)	$ 3,473	$ (65,141)	$ 119,515	$ 76,237	$ 330,623

COMBINED SUPPLEMENTAL SCHEDULE OF CHANGES IN FUND NET ASSETS INFORMATION BY FUND
December 31, 2006 (In Thousands)

	Capital Fund	Revenue Fund	Maint. Reserve Fund	General Fund	Combined Bond Funds	Combined Project Funds	Total
Net assets (deficit), January 1	$ 245,967	$ 4,632	$ 3,308	$ (160,439)	$ 118,008	$ 111,907	$ 323,383
Revenues and expenses:							
Operating revenues		199,136		23,983			223,119
Operating expenses	(45,123)	(47,177)		(43,559)			(135,859)
General administration expenses		(27,780)					(27,780)
Investment earnings	441	1,431	165	11,549	7,730	7,067	28,383
Interest expense	(1,618)			(920)	(75,729)		(78,267)
Economic development activities				(7,050)			(7,050)
Other nonoperating revenues (expenses)	(1,792)			(619)			(2,411)
Discontinued operations	(5,674)			703			(4,971)
Total revenues and expenses	(53,766)	125,610	165	(15,913)	(67,999)	7,067	(4,836)
Government contributions for capital improvements, additions and other projects	-	1	-	12,075	-	-	12,076
Interfund transfers and payments:							
Bond service		(72,828)		(28,736)	101,564		
Funds in excess on bond reserve requirement		1,779			(1,779)		
Funds free and clear of any lien or pledge		(63,570)		63,570			
Retirement of bonds	19,590			8,610	(28,200)		
Funds for permitted capital expenditures				19,646		(19,646)	
Funds for permitted port projects				4,238		(4,238)	
Net equity from 2001 port district bonds					(719)	719	
Capital additions	31,109			(31,109)			
Interfund transfers	1,132	(43,117)		62,917	(1,360)	(19,572)	
Total interfund transfers and payments	51,831	(177,736)	-	99,136	69,506	(42,737)	-
Net assets (deficit), December 31	$ 244,032	$ (47,493)	$ 3,473	$ (65,141)	$ 119,515	$ 76,237	$ 330,623

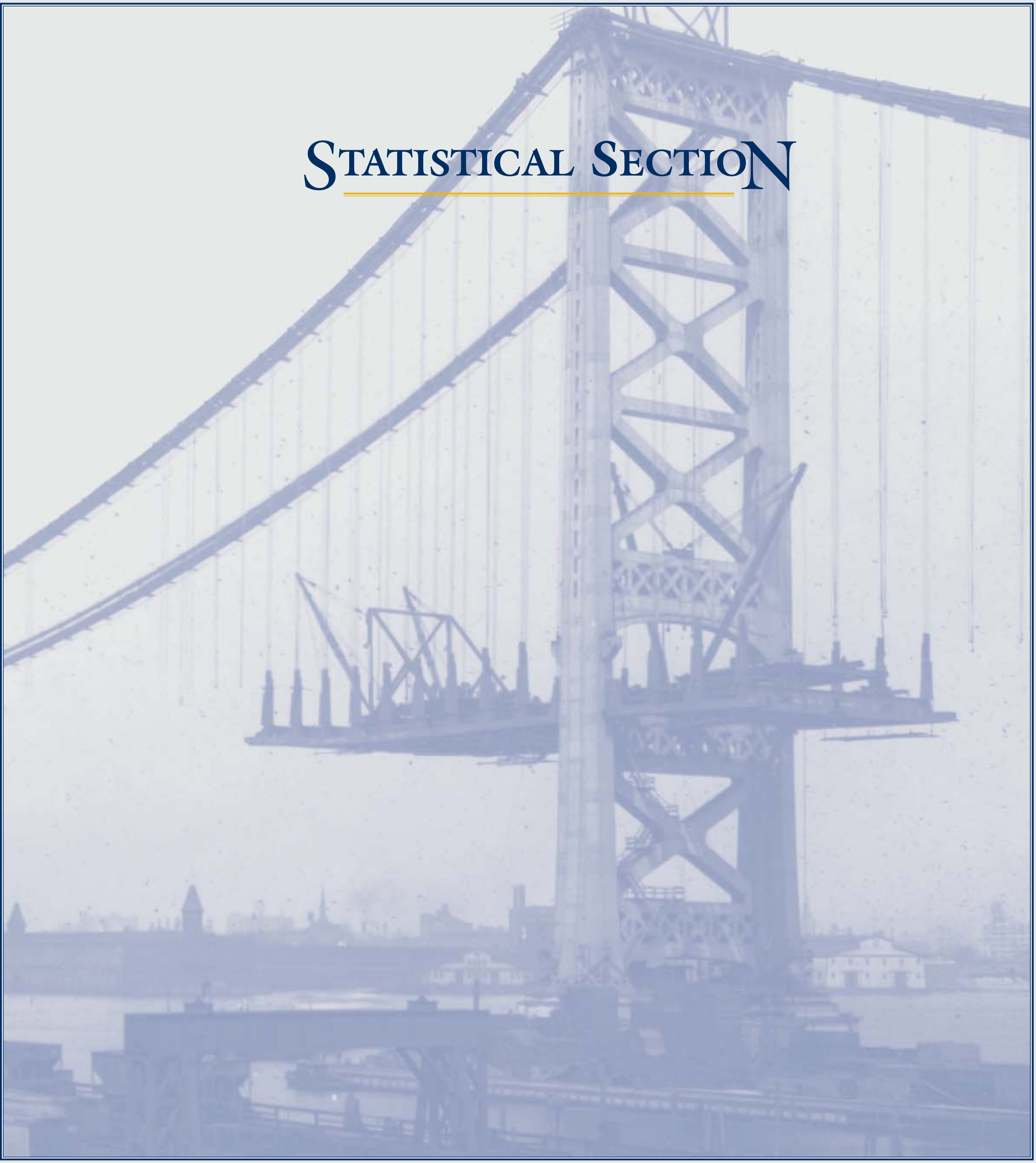
COMBINED SUPPLEMENTAL SCHEDULE OF NET ASSET INFORMATION FOR COMBINED BOND AND PROJECT FUNDS
December 31, 2006 (In Thousands)

	Bond Reserve Funds	Bond Service Funds	1998 Port District Project Fund	1999 Project Fund	1999 Port District Project Fund	2001 Port District Project Fund	Total Combined Funds
ASSETS							
NONCURRENT ASSETS:							
Restricted assets:							
Temporarily restricted:							
Cash and cash equivalents			$ 834	$ 57	$ 473		$ 1,364
Investments	$ 116,240	$ 66,945	7,110	39,092	77,843	$ 10,082	317,312
Accrued interest receivable					4		4
Total noncurrent assets	116,240	66,945	7,944	39,149	78,320	10,082	318,680
Total assets	116,240	66,945	7,944	39,149	78,320	10,082	318,680
LIABILITIES							
CURRENT LIABILITIES:							
Liabilities payable from restricted assets:							
Accrued interest payable		34,110					34,110
Bonds payable - current		29,560					29,560
Total current liabilities	-	63,670	-	-	-	-	63,670
NONCURRENT LIABILITIES:							
Bonds (net of unamortized discount/premium)			537		53,148	5,573	59,258
Total noncurrent liabilities	-	-	537	-	53,148	5,573	59,258
Total liabilities	-	63,670	537	-	53,148	5,573	122,928
NET ASSETS							
Restricted for:							
Revenue and port district project bonds	106,169						106,169
Revenue and port district bond service		3,275					3,275
Capital projects				39,149			39,149
Port projects			7,407		25,172	4,509	37,088
Unrestricted	10,071						10,071
Total net assets	$ 116,240	$ 3,275	$ 7,407	$ 39,149	$ 25,172	$ 4,509	$ 195,752

COMBINED SUPPLEMENTAL SCHEDULE OF CHANGES IN NET ASSET INFORMATION FOR COMBINED BOND AND PROJECT FUNDS
December 31, 2006 (In Thousands)

	Bond Reserve Funds	Bond Service Funds	1998 Port District Project Fund	1999 Project Fund	1999 Port District Project Fund	2001 Port District Project Fund	Total Combined Funds
Net assets, January 1	$ 114,807	$ 3,201	$ 6,974	$ 56,475	$ 45,214	$ 3,244	$ 229,915
Revenues and expenses:							
Investment earnings	6,124	1,606	433	2,320	3,768	546	14,797
Interest expense		(75,729)					(75,729)
Other nonoperating revenues (expenses)							-
Total revenues and expenses	6,124	(74,123)	433	2,320	3,768	546	(60,932)
Government contributions for capital improvements, additions and other projects	-	-	-	-	-	-	-
Interfund transfers and payments:							
Bond service		101,564					101,564
Funds in excess of bond reserve requirement	(3,972)	2,193					(1,779)
Funds for permitted capital expenditures				(19,646)			(19,646)
Retirement of bonds		(28,200)					(28,200)
Funds for permitted port projects			(1,600)		(1,000)	(1,638)	(4,238)
Net equity from 2001 port district bonds	(719)					719	-
Interfund transfers		(1,360)	1,600		(22,810)	1,638	(20,932)
Total interfund transfers and payments	(4,691)	74,197	-	(19,646)	(23,810)	719	26,769
Net assets, December 31	$ 116,240	$ 3,275	$ 7,407	$ 39,149	$ 25,172	$ 4,509	$ 195,752

Statistical Section



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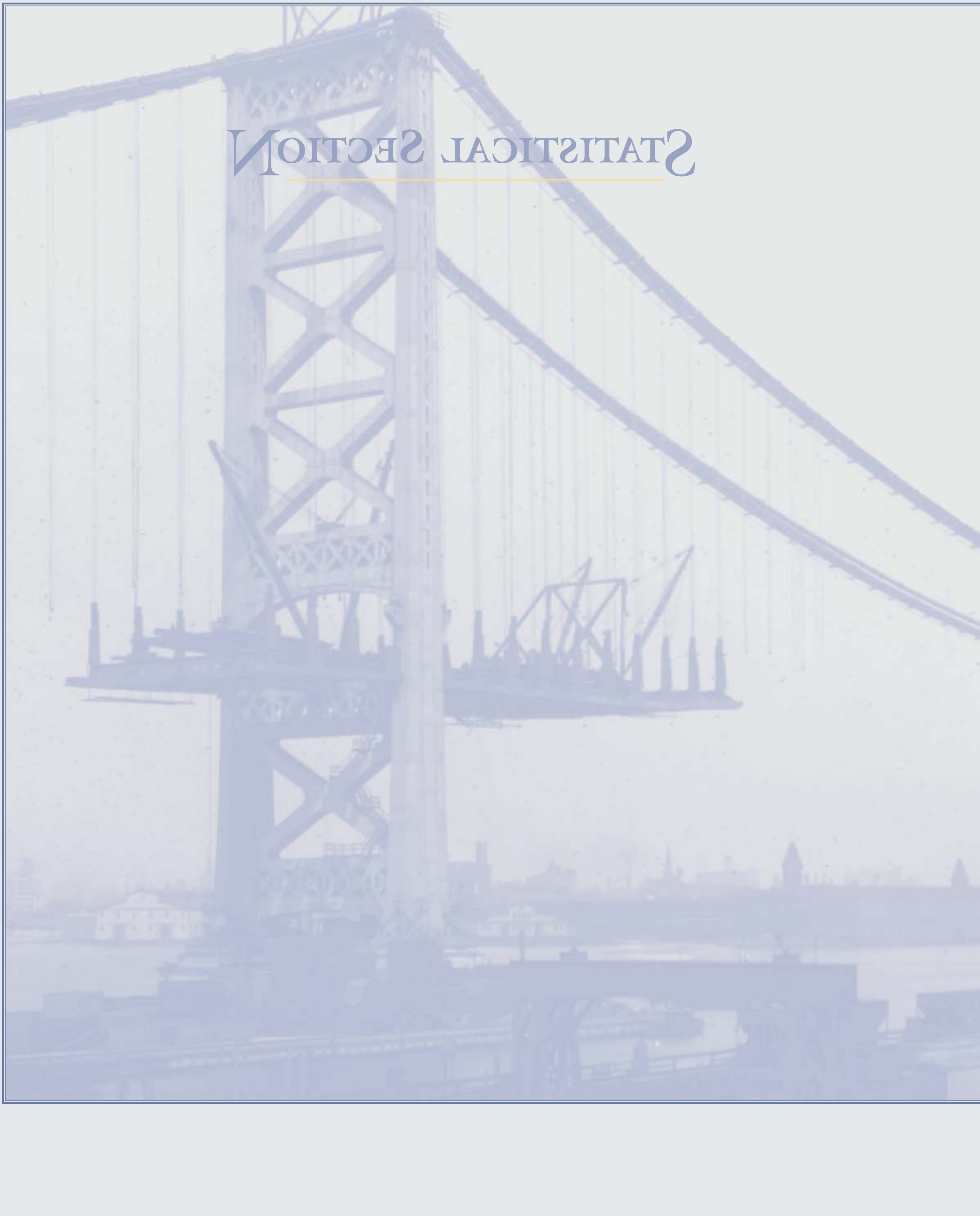


Last Five Fiscal Years (In Thousands)

NET ASSETS

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

CHANGES IN NET ASSETS

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

Last Ten Fiscal Years (In Thousands)

GENERAL EXPENSES BY FUNCTION

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Bridge operations:										
Salaries and employee benefits	$28,728	$26,954	$27,450	$25,318	$24,931	$23,884	$23,500	$23,441	$28,229	$30,049
Equipment and supplies	117	136	106	170	84	68	85	47	103	840
Maintenance and repairs	1,523	1,511	1,599	2,245	2,167	2,349	2,251	1,811	4,953	3,979
Utilities	1,847	1,678	1,678	1,862	1,320	1,353	1,257	1,158	1,152	1,333
Insurance	2,736	2,838	2,753	2,448	1,765	1,220	1,212	1,184	1,661	1,450
Other	15,693	13,387	14,100	11,198	11,307	11,005	10,242	7,752	1,365	359
Total bridge operations	50,644	46,504	47,686	43,241	41,574	39,879	38,547	35,393	37,463	38,010
PATCO transit system:										
Maintenance of way and power	9,438	8,884	8,618	8,140	6,681	7,364	7,085	6,707	6,250	6,125
Maintenance of equipment	6,370	7,046	6,345	6,417	6,195	5,533	4,899	4,997	4,571	4,220
Purchased power	4,984	3,335	2,852	3,041	2,772	2,905	3,461	2,754	3,039	3,425
Transportation	11,561	11,622	11,725	11,217	10,713	9,377	9,446	9,102	8,617	8,532
General insurance	704	823	502	856	1,373	1,210	711	394	471	637
Administration	4,781	4,024	4,129	3,943	3,655	3,258	2,867	3,348	3,600	3,303
Total PATCO transit system	37,838	35,734	34,171	33,614	31,389	29,647	28,469	27,302	26,548	26,242
Lease and community impact	3,198	3,078	3,021	2,952	2,920	2,857	4,072	7,500	7,500	7,500
General administration	27,780	26,858	29,355	32,567	30,307	26,549	22,845	18,919	16,727	15,270
Port of Philadelphia and Camden	1,824	3,548	3,683	6,828	6,884	6,629	5,338	4,516	4,905	5,465
Interest	78,267	72,213	73,621	74,770	77,039	77,195	77,884	36,441	34,108	34,526
Total expenses	$199,551	$187,935	$191,537	$193,972	$190,113	$182,756	$177,155	$130,071	$127,251	$127,013

MAJOR REVENUES BY SOURCE

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Bridge operating revenues	$199,128	$195,149	$195,003	$181,536	$174,418	$176,389	$169,750	$119,467	$117,242	$115,632
PATCO transit system operating revenues	20,614	20,938	19,868	19,581	20,503	20,473	18,780	16,354	15,234	15,005
Port of Philadelphia and Camden	1,680	3,153	2,623	2,496	2,340	3,180	1,349	1,947	2,327	1,666
Interest income	28,383	27,282	28,391	38,111	45,072	50,301	50,884	14,208	15,371	16,945
Total revenues	$249,805	$246,522	$245,885	$241,724	$242,333	$250,343	$240,763	$151,976	$150,174	$149,248

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

PATCO TRANSIT SYSTEM OPERATING REVENUES

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Passenger fares (net)	$19,014	$19,067	$18,647	$18,430	$19,251	$18,942	$17,247	$15,587	$14,412	$14,248
Other revenues	1,600	1,871	1,221	1,151	1,252	1,531	1,533	767	822	757
Total operating revenues	$20,614	$20,938	$19,868	$19,581	$20,503	$20,473	$18,780	$16,354	$15,234	$15,005

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

PATCO TRANSIT SYSTEM RIDERSHIP

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Passengers	9,377	9,363	9,150	8,864	9,288	10,037	10,581	10,919	10,752	10,660

PATCO PASSENGER FARES

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Lindenwold/Ashland/Woodcrest	$2.45	$2.45	$2.45	$2.45	$2.45	$2.45	$2.10	$1.85	$1.60	$1.60
Haddonfield/West Haddonfield/Collingswood	2.15	2.15	2.15	2.15	2.15	2.15	1.85	1.60	1.40	1.40
Ferry Avenue	1.85	1.85	1.85	1.85	1.85	1.85	1.60	1.40	1.20	1.20
New Jersey	1.30	1.30	1.30	1.30	1.30	1.30	1.10	1.00	0.85	0.85
City Hall/Broadway/Philadelphia	1.15	1.15	1.15	1.15	1.15	1.15	1.00	0.85	0.75	0.75

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

Last Ten Fiscal Years (In Thousands)

BRIDGE TRAFFIC BY VEHICLE CLASSIFICATION

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Vehicle classification:										
Automobiles & light trucks	49,394	48,667	48,345	46,683	46,225	45,411	43,863	35,206	34,329	34,308
Commuter vehicles	-	-	-	-	-	-	-	10,326	11,545	11,747
Trucks	3,035	2,974	2,965	2,824	2,724	2,786	2,716	2,888	2,829	2,677
Buses	314	317	331	327	333	340	351	374	376	374
Senior citizens	2,033	2,005	2,054	2,018	2,063	2,003	1,884	1,620	1,701	1,735
Other	89	102	113	115	286	126	161	286	237	204
Total traffic	54,865	54,065	53,808	51,967	51,631	50,666	48,975	50,700	51,017	51,045

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

TOLL REVENUE BY BRIDGE

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Walt Whitman Bridge	$77,527	$76,255	$75,001	$68,214	$68,111	$66,923	$62,985	$43,050	$43,862	$43,161
Ben Franklin Bridge	61,577	60,550	60,377	58,261	57,833	56,633	54,857	37,600	36,535	35,973
Betsy Ross Bridge	26,907	26,305	26,581	24,627	24,552	24,916	24,842	18,412	18,542	19,481
Commodore Barry Bridge	28,947	27,820	26,850	24,520	23,694	25,193	25,267	17,882	17,110	16,035
Total toll revenues	$194,958	$190,930	$188,809	$175,622	$174,190	$173,665	$167,951	$116,944	$116,049	$114,650

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

BRIDGE TRAFFIC BY BRIDGE

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Walt Whitman Bridge	21,577	21,293	21,070	19,869	19,876	19,345	18,314	18,470	18,906	18,739
Ben Franklin Bridge	19,600	19,363	19,371	19,298	19,139	18,579	18,019	18,471	18,233	17,987
Betsy Ross Bridge	6,906	6,788	6,909	6,653	6,583	6,627	6,582	6,368	7,624	8,289
Commodore Barry Bridge	6,782	6,621	6,458	6,147	6,033	6,115	6,060	7,391	6,254	6,030
Total traffic	54,865	54,065	53,808	51,967	51,631	50,666	48,975	50,700	51,017	51,045

BRIDGE CASH TOLL RATES

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Class 1 - Motorcycle	$2.00	$2.00	$2.00	$2.00	$2.00	$2.00	$2.00	$1.50	$1.50	$1.50
Class 2 - Automobile	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.00	2.00	2.00
Class 3 - Two Axle Trucks	9.00	9.00	9.00	9.00	9.00	9.00	9.00	6.00	6.00	6.00
Class 4 - Three Axle Trucks	13.50	13.50	13.50	13.50	13.50	13.50	13.50	9.00	9.00	9.00
Class 5 - Four Axle Trucks	18.00	18.00	18.00	18.00	18.00	18.00	18.00	12.00	12.00	12.00
Class 6 - Five Axle Trucks	22.50	22.50	22.50	22.50	22.50	22.50	22.50	15.00	15.00	15.00
Class 7 - Six Axle Trucks	27.00	27.00	27.00	27.00	27.00	27.00	27.00	18.00	18.00	18.00
Class 8 - Bus	4.50	4.50	4.50	4.50	4.50	4.50	4.50	3.00	3.00	3.00
Class 9 - Bus	6.75	6.75	6.75	6.75	6.75	6.75	6.75	4.50	4.50	4.50
Class 10 - Senior Citizen (With Ticket Only)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Class 13 - Auto w/trailer (1 axle)	5.25	5.25	5.25	5.25	5.25	5.25	5.25	3.50	3.50	3.50
Class 14 - Senior Citizens (With 2 Tickets Only)	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70

The toll rates shown above are cash toll rates in effect for the period indicated. The Authority has always provided a commuter program for its passenger vehicle customers. In January 2000, the Authority fully implemented E-ZPass, an electronic toll collection system, in conjunction with a toll increase. At implementation, as an incentive to use E-ZPass, a 10% discount was offered to E-ZPass customers, and a modified commuter program became effective and available through E-ZPass. In 2004, most discount programs were eliminated and the commuter program was further modified.

Last Ten Fiscal Years (In Thousands)

BRIDGE OPERATING REVENUES

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Toll revenues by vehicle classification:										
Automobiles, light trucks and commuters	$143,843	$141,057	$139,471	$130,399	$129,774	$129,431	$126,747	$83,512	$83,686	$83,904
Trucks	47,145	45,618	45,099	40,946	39,915	41,210	40,280	30,906	29,876	28,182
Buses	1,500	1,515	1,655	1,573	1,730	1,559	1,649	1,474	1,476	1,474
Senior citizens	2,033	2,005	2,054	2,018	2,065	2,002	1,882	1,619	1,699	1,732
Other	437	735	530	686	842	282	647	553	560	522
Discounts and deductions	-	-	-	-	(136)	(819)	(3,254)	(1,120)	(1,248)	(1,164)
Total toll revenues	$194,958	$190,930	$188,809	$175,622	174,190	173,665	167,951	116,944	116,049	114,650
Other bridge operating revenues	4,170	4,219	6,194	5,914	228	2,724	1,799	2,523	1,193	982
Total bridge operating revenues	$199,128	$195,149	$195,003	$181,536	$174,418	$176,389	$169,750	$119,467	$117,242	$115,632

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

DEBT SERVICE COVERAGE

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Revenues available for Debt Service:										
Bridge operating	$199,128	$195,149	$195,003	$181,536	$174,418	$176,389	$169,750	$119,467	$117,242	$115,632
Interest income	4,392	2,635	2,249	2,247	2,347	2,604	3,530	3,189	3,843	4,740
Reserved funds	-	-	-	-	-	-	-	-	-	-
	$203,520	$197,784	$197,252	183,783	176,765	178,993	173,280	122,656	121,085	120,372
Less expenses:										
Bridge operating	50,644	46,505	47,686	43,241	41,574	39,879	38,547	35,393	37,463	38,010
General administration	27,780	26,857	29,355	32,567	30,307	26,549	22,845	18,919	16,727	15,270
	78,424	73,362	77,041	75,808	71,881	66,428	61,392	54,312	54,190	53,280
Net revenues available for Debt Service:										
1995 Revenue Bond Indenture	$125,096	$124,422	$120,211	$107,975	$104,884	$112,565	$111,888	$68,344	$66,895	$67,092
Add:										
Bridge Repainting Expense	3,892	3,779	3,973	5,664	5,653	6,397	4,367	2,875	3,100	2,237
Interest Income: 1998 and 1999 Rev. Bonds	2,776	3,195	2,832	2,746	3,139	3,257	3,615	921	228	-
Net revenues available for Debt Service:										
1998 Revenue Bond Indenture	$131,765	$131,396	$127,016	$116,385	$113,676	$122,219	$119,870	$72,140	$70,223	$69,329
Debt Service (Revenue Bonds):										
1995 Revenue Bonds	19,535	19,535	19,535	19,535	19,535	19,535	19,535	19,535	23,900	24,362
Swap Payments	7,538	-	-	-	-	-	-	-	-	-
1998, 1999 Revenue Bonds	48,519	48,527	48,519	48,117	47,100	47,214	35,153	19,120	10,006	-
Total Debt Service	$75,592	$68,062	$68,054	$67,652	$66,635	$66,749	$54,688	$38,655	$33,906	$24,362
Debt Service coverage (Times) :										
1995 Indenture	4.62	6.37	6.15	5.53	5.37	5.76	5.73	3.50	2.80	2.75
Debt Service coverage (Times) :										
1998 Indenture	1.74	1.93	1.87	1.72	1.71	1.83	2.19	1.87	2.07	N/A

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

FUNDED DEBT

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Outstanding debt	$1,216,863	$1,245,209	$1,273,127	$1,299,338	$1,319,446	$1,440,614	$1,298,040	$1,313,221	$630,579	$512,394

Last Ten Fiscal Years (In Thousands)

RATIO OF DEBT PER CUSTOMER

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Outstanding revenue bonds	$847,472	$867,277	$886,098	$903,609	$919,191	$934,057	$948,013	$961,187	$546,434	$512,394
Total annual debt service	$75,592	$68,062	$68,054	$67,652	$66,635	$66,749	$54,688	$38,655	$33,906	$24,362
Total traffic	54,865	54,065	53,808	51,967	51,631	50,666	48,975	50,700	51,017	51,045
Outstanding debt per customer	$15.45	$16.04	$16.47	$17.39	$17.80	$18.44	$19.36	$18.96	$10.71	$10.04
Debt service per customer	$1.38	$1.26	$1.26	$1.30	$1.29	$1.32	$1.12	$0.76	$0.66	$0.48

OPERATING STATISTICS

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
DRPA										
Total Traffic	54,865	54,065	53,808	51,967	51,631	50,666	48,975	50,700	51,017	51,045
Non-Commercial Traffic	51,830	51,091	50,843	49,143	48,907	47,880	46,259	47,812	48,188	48,368
Commercial Traffic	3,035	2,974	2,965	2,824	2,724	2,786	2,716	2,888	2,829	2,677
Average Daily Traffic (365 day basis)	150	148	147	142	141	139	134	139	140	140
Average Toll per Customer	$3.55	$3.53	$3.51	$3.38	$3.37	$3.43	$3.43	$2.31	$2.27	$2.25
E-Z Pass Traffic	26,946	25,522	24,481	22,819	21,458	15,669	15,669	N/A	N/A	N/A
% of E-Z Pass Traffic	49.1%	47.2%	45.5%	43.9%	41.6%	30.9%	32.0%	N/A	N/A	N/A
PATCO										
Total Passengers	9,377	9,363	9,150	8,864	9,288	10,037	10,581	10,919	10,752	10,660
Average Passengers (365 day basis)	26	26	25	24	25	27	29	30	29	29
Average Fare Per Passenger	$2.04	$2.04	$2.05	$2.09	$2.08	$1.89	$1.63	$1.43	$1.34	$1.34

Average fare per passenger based on gross revenues.

CAPITAL EXPENDITURES

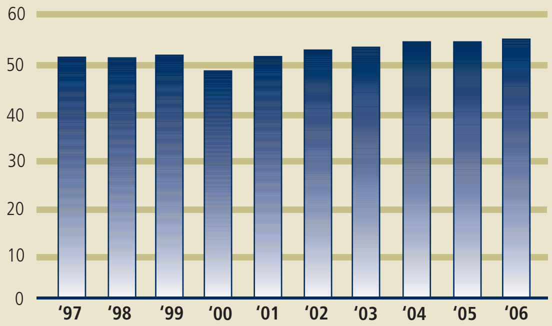
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Bridge and Transit System	$31,109	$44,501	$74,435	$98,108	$98,154	$68,288	$71,719	$79,639	$72,730	$57,118

FULL TIME AUTHORITY EMPLOYEES

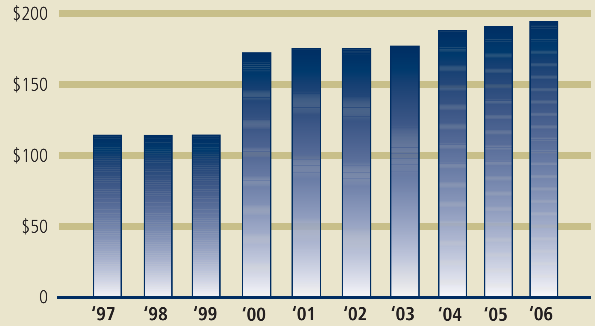
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
DRPA	553	554	570	632	625	554	550	594	630	677
PATCO	355	358	373	373	368	344	325	328	329	329
Total Full-time	908	912	943	1005	993	898	875	922	959	1,006

BRIDGE & PATCO OPERATIONS

DRPA Bridge Traffic 1997-2006 (1)
(in millions of vehicles)

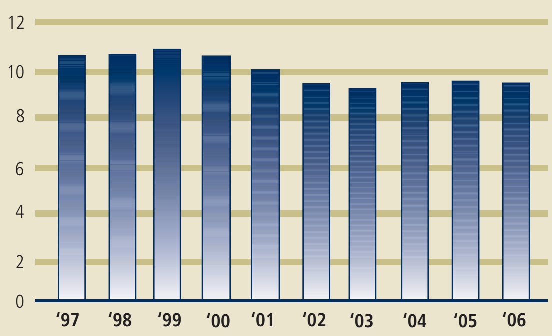


DRPA Bridge Toll Revenues 1997-2006 (1)
(in millions of dollars)

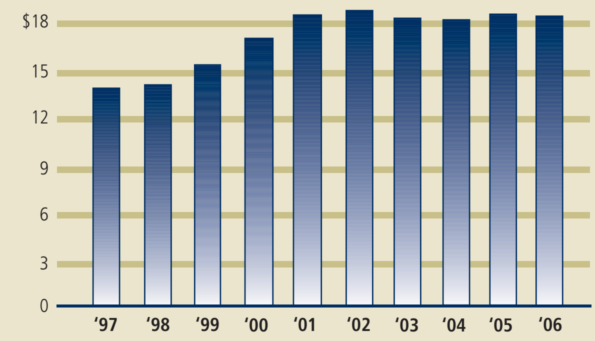


(1) The DRPA increased toll rates January 2, 2000. E-ZPass was fully implemented on DRPA facilities on January 2, 2000 in conjunction with the toll increase. The DRPA restructured its E-ZPass discount program on January 1, 2004.

PATCO Passenger Ridership 1997-2006 (2)
(in millions of passengers)



PATCO Passenger Fare Revenues 1997-2006 (2)
(in millions of dollars)



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

Delaware River Port Authority Comprehensive Annual Financial Report for the Year Ended December 31, 2006
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Photography by: C. Carlton Read | Printed by: DRPA Printing Services
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Benjamin Franklin Bridge

Celebrating 80 Years

In gratitude to the men and women who built and maintain this bridge and who proudly serve our customers.

Benjamin Franklin Bridge

Celebrating 80 Years

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

1920
Ralph Modjeski selected as chief engineer.

February 15, 1921 Congress passes an act authorizing the construction, and the President signs it into law.

January 6, 1922 Construction begins after a parade with local dignitaries. During construction, it is called "Camden–Philadelphia Bridge."

Winter 1922-23
Anchorage foundations laid.

1923
Bridge is named "Delaware River Bridge."

1925 Anchorages completed.
The New Jersey anchorage is completed first, two weeks earlier than the Philadelphia anchorage.

July 1, 1926 Bridge opens as the longest suspension bridge in the world at 1,750 feet at center span.

July 5, 1926 President Calvin Coolidge dedicates the bridge.

1929 Detroit's Ambassador Bridge stretching 1,850 feet overtakes it as the longest suspension bridge.

January 17, 1956
Delaware River Bridge renamed "Benjamin Franklin Bridge" to commemorate Ben Franklin's 250th birthday.

1976 Bridge celebrated its 50th Anniversary.

January 20, 1978
Bridge carries its one billionth vehicle.

July 1, 2001 Tens of thousands of pedestrians celebrate the Bridge's 75th Anniversary. The ceremony also features the first public showing in more than 50 years of the restored Winged Victory statues.

2006 Bridge celebrated its 80th Anniversary.

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