

**DELAWARE RIVER JOINT TOLL BRIDGE
COMMISSION - BRIDGE SYSTEM**

Financial Statements
and
Supplementary Information

Years Ended December 31, 2006 and 2005

DELAWARE RIVER JOINT TOLL BRIDGE COMMISSION - BRIDGE SYSTEM

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INDEPENDENT AUDITORS' REPORT

To The Board of Commissioners of
Delaware River Joint Toll Bridge Commission - Bridge System
Morrisville, Pennsylvania

We have audited the accompanying financial statements of Delaware River Joint Toll Bridge Commission - Bridge System (the "Commission") as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2007, on our consideration of Delaware River Joint Toll Bridge Commission - Bridge System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, bond resolutions, contracts, compact and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Management's discussion and analysis, as shown on pages 3-6, is not a required part of the basic 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 principally of inquiries of management, regarding the methods of measurement and presentation of management's discussion and analysis. However, we did not audit the information, and we express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Delaware River Joint Toll Bridge Commission - Bridge System taken as a whole. The supplementary schedules on pages 24-32 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mercaderes, P.C.
Certified Public Accountants

June 13, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Delaware River Joint Toll Bridge Commission - Bridge System (the "Commission"), we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission's fiscal years ended December 31, 2006 and 2005. We encourage readers to consider the information presented here in conjunction with the audited financial statements and supplementary information as a whole.

Financial Highlights

Total toll revenues for the Commission totaled \$80,153,960 for the year ended December 31, 2006, which represents an increase of 0.92% over the previous year. The increase in 2006 is the result of a 2.79% increase in total toll traffic.

In 2006, net operating revenues totaled \$39,114,254 and change in net assets totaled \$29,903,137, as compared to \$42,574,606 and \$29,379,377, respectively, for 2005.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's financial statements, which are comprised of the financial statements, the notes to the financial statements and certain required supplementary information. The supplementary information includes schedules of operations, expenses, cash and equivalent balances, investments and traffic and revenues.

Basic Financial Statements

The basic financial statements are designed to provide readers with a broad understanding of the Commission's finances, in a manner similar to that provided in the financial statements of private-sector businesses.

The statements of net assets present information on the Commission's assets and liabilities at December 31, 2006 and 2005, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as useful indicators of whether the financial position of the Commission is improving or deteriorating. At December 31, 2006, the Commission's net assets equaled \$346,667,833, as compared to \$316,764,696 in 2005 - an increase of 9.4%. Net assets increase when revenues exceed expenses.

The statements of revenues, expenses and changes in net assets present information showing how net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will not result in cash flows until future fiscal periods or for items that have resulted in cash flows in previous periods.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial presentation.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning expenses, investments and traffic.

Financial Analysis

Commission assets, consisting of restricted and unrestricted assets, totaled \$549,931,676. Unrestricted current assets, totaling \$12,249,436 (an increase of \$2,684,465, or 28.07%), represents cash in the operating accounts, cash equivalent investments and E-ZPass toll receivables. These unrestricted assets will be used to pay current expenses, to pay current debt service or to be transferred to the general reserve fund. Restricted assets, totaling \$534,183,444, are broken into two categories. Restricted current assets of \$68,520,697 increased 101.85% from the previous year end as a result of changes in investment security maturity terms. Total non-current assets totaled \$469,161,543, which represents a decrease of \$11,351,077, or 2.36%, from the 2005 year-end balance. Restricted cash and investments totaling \$260,505,076, which represents an increase of \$17,407,345, or 7.16%, from the previous year, are restricted under the Trust Indenture, to be used only for purposes listed on pages 11-12 of this report. Capital assets totaling \$269,372,685 consist of land, infrastructure and equipment with an original value of approximately \$441.7 million less accumulated depreciation of approximately \$172.3 million. The land and infrastructure consist of twenty bridge crossings and related access roads spread over a 140-mile-long stretch of the Delaware River extending from Trenton, New Jersey north to Milford, Pennsylvania/Montague, New Jersey.

At December 31, 2006, the Commission had current and non-current liabilities of \$203,263,843, with the majority related to its series 2003 and 2005A bond issues, which represents a decrease of \$3,995,900 from 2005. The purpose of the 2003 issue was for the current refunding of the 1992 series, refunding of the 2002 Bond Anticipation Notes, financing of the first portion of the Commission's ten-year capital program, and related bond-issuance cost. The purpose of the 2005A issue was for the refunding of \$32,165,000 of the 2003 series bonds and the financing of the Commission's \$40 million Compact Authorized Investment program.

The following table contains condensed financial information derived from the December 31, 2006 and 2005 financial statements of the Commission:

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis (Continued)

	2006	2005
Net Assets		
Current and other assets	\$ 280,558,991	\$ 259,602,441
Capital assets	<u>269,372,685</u>	<u>264,421,998</u>
Total assets	<u>549,931,676</u>	<u>524,024,439</u>
Bond indebtedness	186,842,968	193,521,282
Other liabilities	<u>16,420,875</u>	<u>13,738,461</u>
Total liabilities	<u>203,263,843</u>	<u>207,259,743</u>
Net assets		
Investment in capital assets, net of related debt	193,889,970	190,394,663
Restricted	148,807,737	122,664,875
Unrestricted	<u>3,970,126</u>	<u>3,705,158</u>
Total net assets	<u>\$ 346,667,833</u>	<u>\$ 316,764,696</u>
Changes in Net Assets		
Operating revenues	\$ 80,153,960	\$ 79,421,406
Operating expenses	<u>(41,039,706)</u>	<u>(36,846,800)</u>
Net operating revenues	39,114,254	42,574,606
Depreciation	<u>(12,489,830)</u>	<u>(11,812,571)</u>
Non-operating revenues	13,348,021	7,491,251
Non-operating expenses	<u>(10,069,308)</u>	<u>(8,873,909)</u>
Change in net assets	29,903,137	29,379,377
Net assets, beginning of year	<u>316,764,696</u>	<u>287,385,319</u>
Net assets, end of year	<u>\$ 346,667,833</u>	<u>\$ 316,764,696</u>

Significant Events

In December 2001, the Commission approved a plan that provides major bridge rehabilitation, bridge enhancement, and installation of E-ZPass and other traffic management systems, as well as state-of-the-art bridge security and surveillance.

A toll rate structure was approved by the Commission to fund its Capital Improvement Program for system protection, preservation, management and enhancement of the Commission's infrastructure including twenty bridges, seven toll plazas and administration and maintenance facilities that it owns, operates and maintains, as well as operating expenses for the Commission.

The Capital Improvement Program continues to evolve as the need for additional projects are identified, program costs are re-evaluated and the Commission undertakes new initiatives to fund transportation infrastructure programs in bridge host communities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Significant Events (Continued)

The Commission has maintained more than adequate debt service coverage on its 2003 and 2005 bonds as well as the minimum balance required under the 2003 and 2005 bond indentures.

However, in order to fund the Capital Improvement Program as presently contemplated, the Commission anticipates issuing \$300 million in additional bonds in 2007. Truck toll adjustments planned by the Commission will provide sufficient funds to adequately maintain the Capital Improvement Program at its current level.

<u>Summary of Cash Flows</u>	<u>2006</u>	<u>2005</u>
Cash provided by operating activities	\$ 41,214,970	\$ 42,510,702
Cash flows provided by (used in) investing activities	9,787,380	(69,875,194)
Cash flows (used in) provided by financing activities	<u>(15,068,209)</u>	<u>29,934,851</u>
Net increase in cash and cash equivalents	35,934,141	2,570,359
Cash and equivalents, beginning of the year	<u>35,699,126</u>	<u>33,128,767</u>
Cash and equivalents, end of the year	<u>\$ 71,633,267</u>	<u>\$ 35,699,126</u>

DELAWARE RIVER JOINT TOLL BRIDGE COMMISSION - BRIDGE SYSTEM

STATEMENTS OF NET ASSETS

		December 31,	
		2006	2005
ASSETS			
Current Assets			
Unrestricted			
Cash and equivalents		\$ 5,116,204	\$ 3,143,099
Other assets		2,005,226	1,929,204
E-ZPass clearing account		5,128,006	4,492,668
Total Unrestricted		<u>12,249,436</u>	<u>9,564,971</u>
Restricted			
Cash and equivalents		66,517,063	32,556,027
Accrued interest on investments		1,836,112	1,223,299
Bond issuance costs - current portion		167,522	167,522
Total Restricted		<u>68,520,697</u>	<u>33,946,848</u>
Total Current Assets		<u>80,770,133</u>	<u>43,511,819</u>
Non-Current Assets			
Unrestricted			
Investments		<u>3,498,796</u>	<u>3,106,217</u>
Restricted			
Investments		193,988,013	210,541,704
Bond issuance costs - long-term portion		2,302,049	2,442,701
Capital assets		<u>269,372,685</u>	<u>264,421,998</u>
Total Restricted		<u>465,662,747</u>	<u>477,406,403</u>
Total Non-Current Assets		<u>469,161,543</u>	<u>480,512,620</u>
Total Assets		<u>\$549,931,676</u>	<u>\$524,024,439</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable and accrued expenses		\$ 6,720,609	\$ 4,354,078
E-ZPass customer accounts		3,184,257	2,748,815
Accrued interest on bond indebtedness		4,642,769	4,772,431
Compensated absences - current portion		120,000	120,000
Bridge system revenue bonds, series 2003 and 2005A - current portion		5,685,393	5,420,393
Premium on bonds - current portion		<u>1,167,663</u>	<u>1,073,612</u>
Total Current Liabilities		<u>21,520,691</u>	<u>18,489,329</u>
Non-Current Liabilities			
Compensated absences		1,753,240	1,743,137
Bridge system revenue bonds, series 2003 and 2005A		174,441,537	180,126,929
Premium on bonds - long-term portion		<u>5,548,375</u>	<u>6,900,348</u>
Total Non-Current Liabilities		<u>181,743,152</u>	<u>188,770,414</u>
Total Liabilities		<u>203,263,843</u>	<u>207,259,743</u>
Net Assets			
Invested in capital assets, net of related debt		193,889,970	190,394,663
Restricted		148,807,737	122,664,875
Unrestricted		<u>3,970,126</u>	<u>3,705,158</u>
Total Net Assets		<u>346,667,833</u>	<u>316,764,696</u>
Total Liabilities and Net Assets		<u>\$549,931,676</u>	<u>\$524,024,439</u>

See notes to financial statements.

DELAWARE RIVER JOINT TOLL BRIDGE COMMISSION - BRIDGE SYSTEM

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	<u>Year Ended December 31,</u>	
	<u>2006</u>	<u>2005</u>
Operating Revenues		
Toll bridge operations		
Cash toll revenues, net	\$ 32,713,985	\$ 35,664,785
E-ZPass revenues, net	47,296,858	43,619,719
Miscellaneous revenues	<u>143,117</u>	<u>136,902</u>
Total toll revenues	<u>80,153,960</u>	<u>79,421,406</u>
Operating Expenses		
Toll bridge operating expenses		
Operating and maintenance expenses	26,601,978	23,666,583
Administrative expenses	7,118,477	6,737,800
Toll-supported bridge expenses	<u>7,319,251</u>	<u>6,442,417</u>
Total operating expenses	<u>41,039,706</u>	<u>36,846,800</u>
Net Operating Revenues	<u>39,114,254</u>	<u>42,574,606</u>
Non-Operating Revenues (Expenses)		
Investment return	11,969,547	6,261,686
Interest on bond indebtedness	(8,316,843)	(7,926,600)
Amortization of bond premium	1,257,922	1,182,550
Amortization of bond issuance costs	(176,527)	(160,120)
Amortization of loss on defeasance	(109,608)	(109,607)
Compact Authorized Investment program	(884,386)	(107,191)
Emergency repairs	(581,944)	(570,391)
Depreciation	(12,489,830)	(11,812,571)
Gain on sale of fixed assets	<u>120,552</u>	<u>47,015</u>
Total other expenses	<u>(9,211,117)</u>	<u>(13,195,229)</u>
Change in net assets	29,903,137	29,379,377
Net assets, beginning of year	<u>316,764,696</u>	<u>287,385,319</u>
Net assets, end of year	<u><u>\$ 346,667,833</u></u>	<u><u>\$ 316,764,696</u></u>

DELAWARE RIVER JOINT TOLL BRIDGE COMMISSION - BRIDGE SYSTEM

STATEMENTS OF CASH FLOWS

	<u>Year Ended December 31,</u>	
	<u>2006</u>	<u>2005</u>
Cash Flows from Operating Activities		
Receipts from toll bridges	\$ 32,713,985	\$ 35,664,785
Receipts from E-ZPass	47,096,962	43,509,316
Payments to suppliers, employees, and others	(38,739,094)	(36,800,301)
Other receipts	<u>143,117</u>	<u>136,902</u>
Net cash provided by operating activities	<u>41,214,970</u>	<u>42,510,702</u>
Cash Flows from Investing Activities		
Sales (purchases) of investments, net	16,708,201	(64,409,810)
Investment return	10,894,324	6,495,720
Compact Authorized Investment program expense	(884,386)	(107,189)
Emergency repairs	(581,944)	(570,391)
Purchases of capital assets	<u>(16,348,815)</u>	<u>(11,283,524)</u>
Net cash provided by (used in) investing activities	<u>9,787,380</u>	<u>(69,875,194)</u>
Cash Flows from Financing Activities		
Bond proceeds, including premium	-	79,189,528
Principal paid on bond and notes indebtedness	(5,530,000)	(36,950,000)
Deposit to escrow account for interest on defeased debt	-	(2,611,947)
Interest paid on bond indebtedness	(9,538,209)	(7,897,454)
Bond issuance costs	<u>-</u>	<u>(1,795,276)</u>
Net cash (used in) provided by financing activities	<u>(15,068,209)</u>	<u>29,934,851</u>
Net increase in cash	35,934,141	2,570,359
Cash and equivalents, beginning of year	<u>35,699,126</u>	<u>33,128,767</u>
Cash and equivalents, end of year	<u>\$ 71,633,267</u>	<u>\$ 35,699,126</u>
Reconciliation of net operating revenues to net cash provided by operating activities		
Net operating revenues	\$ 39,114,254	\$ 42,574,606
Changes in net assets and liabilities		
Other assets	(76,022)	76,938
E-ZPass clearing account	(635,338)	(540,275)
Accounts payable and accrued expenses	2,366,531	46,453
E-ZPass customer accounts	435,442	429,871
Compensated absences	<u>10,103</u>	<u>(76,891)</u>
Net cash provided by operating activities	<u>\$ 41,214,970</u>	<u>\$ 42,510,702</u>
Non-cash investing activities		
Unrealized gain (loss) on investments	<u>\$ 462,411</u>	<u>\$ (234,034)</u>
Non-cash financing activities		
Amortization of bond premium	\$ 1,257,922	\$ 1,182,550
Amortization of loss on defeasance	(109,608)	(109,607)
Amortization of bond issuance costs	<u>(176,527)</u>	<u>(160,120)</u>
Total non-cash financing activities	<u>\$ 971,787</u>	<u>\$ 912,823</u>

See notes to financial statements.

DELAWARE RIVER JOINT TOLL BRIDGE COMMISSION - BRIDGE SYSTEM

NOTES TO FINANCIAL STATEMENTS

A. AUTHORIZED LEGISLATION AND NATURE OF ORGANIZATION

The Delaware River Joint Toll Bridge Commission - Bridge System (the "Commission"), a body corporate and politic, was created in 1934 by a compact, subsequently amended and supplemented, between the Commonwealth of Pennsylvania (the "Commonwealth") and the State of New Jersey, with the approval of the Congress of the United States. The Commission is authorized and empowered, with federal government approval required in certain cases, to acquire, construct, administer, operate and maintain such bridges as the Commission deems necessary to advance the interests of the two states, to issue bonds and other obligations, and to make payment of interest thereon. The compact provides that Commission indebtedness shall not be deemed to constitute a debt or liability or a pledge of the faith and credit of the two states or any subdivision thereof.

In 1985, a proposed compact change was enacted and approved by the State of New Jersey that was similar to the legislation that had been enacted by the Commonwealth of Pennsylvania in 1984. This proposed compact change received the required consent of the Congress of the United States in early 1987. The compact, as approved, required the Commission to refinance its bonded indebtedness. In addition, the Commission was obligated to assume full financial responsibility for the cost of operating and maintaining the toll-supported bridges that were financed by appropriations from the Commonwealth of Pennsylvania and the State of New Jersey. Accordingly, on July 1, 1987, the Commission defeased all of its then-outstanding bonded indebtedness. Due to this compact change, the accompanying financial statements include the operations of the toll-supported bridges.

The Commission has jurisdiction for vehicular and pedestrian traffic across the Delaware River between the Commonwealth of Pennsylvania and the State of New Jersey from the Philadelphia/Bucks County line to the New York state line. The Commission's duties include the maintenance and operation of all the bridges over the Delaware River in its jurisdiction, with the following exceptions: the New Jersey-Pennsylvania Turnpike Bridge and the Burlington-Bristol Toll Bridge, both south of Trenton, and the Dingman's Ferry Toll Bridge, which is north of the Delaware Water Gap.

Effective with the issuance of the 1988 Bridge System and I-78 Revenue Bonds and pursuant to the respective bond resolutions, the financial activity of the I-78 Bridge was previously reported separately from that of the Commission. Due to the in-substance defeasance of the 1988 Bridge System and I-78 Revenue Bonds, effective with the 1992 financial statements, the financial activity of the I-78 Bridge is included with that of the Bridge System.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Commission have been prepared under the economic resources measurement focus, on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America that are applicable to governmental proprietary-type funds. Revenues are recognized when earned, and expenses are recognized when incurred.

DELAWARE RIVER JOINT TOLL BRIDGE COMMISSION - BRIDGE SYSTEM

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, provides proprietary activities with a choice of authoritative guidance issued after November 30, 1989. The Commission has elected to follow GASB pronouncements exclusively after that date.

Revenues

Revenues consist primarily of cash tolls and E-ZPass revenues. Cash toll revenues are recognized as received. E-ZPass revenues are recognized when vehicles with E-ZPass utilize the Commission's toll bridges. Prepayments received from the Commission's E-ZPass customers are deferred and recognized as revenue as utilized at the Commission toll bridges. Investment income is recognized when earned.

Basis of Investments

The Commission has adopted GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under GASB No. 31, investments in equity securities with readily determinable fair values, and all investments in debt securities, are reported at fair value, with gains and losses included in the statement of revenues, expenses and changes in net assets.

Cash and Equivalents

For the purpose of the statement of cash flows, cash includes time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less. Deposits are with contracted depository banks in interest-bearing accounts, which are insured pursuant to the requirements of Act 72 of the General Assembly of the Commonwealth of Pennsylvania, approved August 6, 1991.

Fund Groups

In accordance with the Bond Resolution relating to the Bridge System Revenue Bonds, Series 2003 and Series 2005A, the Commission has established the following funds and accounts:

Construction Fund – Bond proceeds for project costs are deposited into this fund.

Revenue Fund – All revenues received by the Commission are deposited in the Revenue Fund. No later than the last business day of each month, the Commission shall withdraw from the Revenue Fund and deposit to the Operating Fund the amount equal to (i) the amount shown by the annual operating budget to be necessary to pay current expenses for the ensuing month and (ii) an amount determined by a Commission official as being reasonably necessary to pay current expenses which are expected for each month, after taking into account the amount on deposit in the Operating Account (including the amount described in clause (i) above), it being recognized that the annual operating budget may have to be amended accordingly.

Operating Account – Amounts on deposit in the Operating Account are used by the Commission to pay the Commission's operating expenses.

DELAWARE RIVER JOINT TOLL BRIDGE COMMISSION - BRIDGE SYSTEM

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Groups (Continued)

Debt Service Fund – Transfers are made from the Revenue Fund to the Debt Service Fund to provide for the debt service on all series of bonds. Payments are made from the Debt Service Fund for interest on the bonds, for principal installments on the bonds, and for the redemption price for any bonds to be redeemed.

Debt Service Reserve Fund – Transfers are made to this fund from the Revenue Fund in an amount necessary to meet the Debt Service Reserve Requirement. Amounts held in the Debt Service Reserve Fund shall be used for the purpose of paying interest on maturing principal and mandatory sinking fund redemption price of Debt Service Reserve Fund Bonds whenever and to the extent that the monies held for the credit of the Debt Service Fund shall be insufficient for such purpose.

Reserve Maintenance Fund – On or before the last business day of each month, the Commission shall transfer the amount shown in the annual capital budget for the ensuing month from the Revenue Fund to the credit of the Reserve Maintenance Fund.

General Reserve Fund – On or before the last business day of each month (or more frequently, if desired) the Commission transfers from the Revenue Fund to the credit of the General Reserve Fund any funds which a Commission official determines to be in excess of the amount required to be reserved therein for future transfers to the Debt Service Fund.

Monies in the General Reserve Fund may be expended by the Commission to restore deficiencies in any funds or accounts created under the Trust Indenture and, absent any such deficiency, for any of the following purposes, with no one item having priority over any of the others:

- (a) To purchase or redeem bonds;
- (b) To secure and pay the principal or redemption price of and any interest on any subordinated indebtedness;
- (c) To make payments into the Construction Fund;
- (d) To fund improvements, extensions and replacements of the Bridge System;
- (e) As a self-insurance reserve; or
- (f) To further any corporate purpose.

The Commission is authorized to apply monies on deposit in the General Reserve Fund for any of these purposes.

The Rebate Fund - The Rebate Fund is a trust fund, but the amounts therein do not constitute part of the trust estate, which consists of assets that secure payment of debt service on the bonds. Amounts on deposit in the Rebate Fund may be used solely to make payments to the United States of America under Section 148 of the Internal Revenue Code and to pay costs related to the calculation of the amounts due. Upon satisfaction of the Commission's covenants to calculate and pay Section 148 requirements, any amounts remaining in the Rebate Fund shall be deposited in the General Reserve Fund.

DELAWARE RIVER JOINT TOLL BRIDGE COMMISSION - BRIDGE SYSTEM

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Invested in Capital Assets, Net of Related Debt

The net assets invested in capital assets represent the cost basis of capital assets, less the related accumulated depreciation, less the bonds outstanding and unspent bond proceeds that were used to finance the acquisition of the capital assets.

Restricted

In accordance with the terms of the bond resolution, cash and equivalents of all funds required under such bond resolution are classified as restricted assets. The amounts by which the restricted assets exceed the corresponding liabilities they will liquidate constitute restrictions of net assets, as these excesses are not available for the payment of current operating expenses. Such net assets are restricted primarily for capital projects.

Unrestricted

The unrestricted net assets represent resources available for current operating expenses in compliance with legal restrictions.

Capital Assets

Purchased or constructed capital assets are recorded at cost or estimated historical cost. Infrastructure assets acquired prior to January 1, 2003, are reported primarily at estimated historical cost using deflated replacement cost. The Commission capitalizes purchases of property and equipment of \$5,000 or more. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Infrastructure	15-50 years
Vehicles	5-15 years
Office furniture and equipment	5-7 years

The cost of maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are expensed when incurred.

Capitalization of Interest

The Commission capitalizes interest related to projects under construction. Capitalized interest amounted to \$1,091,704 and \$894,335 for 2006 and 2005, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. In addition, certain prior year amounts have been reclassified to conform to current year presentation.

DELAWARE RIVER JOINT TOLL BRIDGE COMMISSION - BRIDGE SYSTEM

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Bond Costs

Costs related to the issuance of bonds, including legal, printing and financing costs, are capitalized and amortized by the interest method over the life of the bonds until maturity.

Rounding

Some schedules in the financial statements may have dollar differences due to rounding adjustments.

C. CASH AND EQUIVALENTS AND INVESTMENTS

General Information

The Commission's cash and equivalents and investments are summarized as follows:

	December 31,	
	2006	2005
Cash and equivalents	\$ 71,633,267	\$ 35,699,126
Investments	<u>197,486,809</u>	<u>213,647,921</u>
	<u>\$ 269,120,076</u>	<u>\$ 249,347,047</u>

Investment Policy

The primary objectives of the Commission's investment policy are safety of principal, liquidity, and yield.

Safety of principal is the foremost objective of the investment program. Investments are undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective is to mitigate credit risk and interest rate risk. The Commission's policies for limiting credit risk and interest rate risk are described below.

The portfolio is designed to remain sufficiently liquid to meet all requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Since all possible cash demands cannot be anticipated, the portfolio consists largely of securities with active secondary or resale markets. Also, a portion of the portfolio is placed in money market mutual funds or local government investment pools, which offer same-day liquidity for short-term funds.

The investment portfolio is designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities are not permitted to be sold prior to maturity except under the following conditions:

- 1) A security with declining credit may be sold early to minimize loss of principal.

DELAWARE RIVER JOINT TOLL BRIDGE COMMISSION - BRIDGE SYSTEM

NOTES TO FINANCIAL STATEMENTS

C. CASH AND EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investment Policy (Continued)

2) A security swap would improve the quality, yield, or target duration in the portfolio.

3) Liquidity needs of the portfolio require that the security be sold.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does not have a deposit policy for custodial credit risk. As of December 31, 2006 and 2005, the Commission's cash balances were exposed to custodial credit risk as follows:

	December 31, 2006		December 31, 2005	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Amount insured by the FDIC or collateralized with securities held in its name by the Commission.	\$ 4,877,366	\$ 7,001,838	\$ 2,655,614	\$ 4,388,802
Amount collateralized with securities held by the pledging financial institution's trust department in the Commission's name.	66,682,151	66,682,151	32,969,762	32,969,763
Uncategorized Petty cash and collectors' change funds	73,750	-	73,750	-
	<u>\$71,633,267</u>	<u>\$73,683,989</u>	<u>\$35,699,126</u>	<u>\$37,358,565</u>

Credit Risk - Investments

The Commission minimizes credit risk, which is the risk of loss due to the failure of the security issuer or backer by limiting investments to the safest type of securities, pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the Commission will do business, and diversifying the investment portfolio so that potential losses on individual securities will be minimized. As of December 31, 2006, the Commission's investments were rated AAA by Standard & Poor's, AAA by Fitch Ratings, and Aaa by Moody's Investors Service. The Commission historically has not experienced any credit related losses with respect to their investment in these securities. U.S. Treasury notes are explicitly guaranteed by the U.S. government and are not subject to credit risk or custodial credit risk. The Commission's investment in the Pennsylvania Investment Fund is also excluded from credit risk and custodial credit risk as a pooled investment.

DELAWARE RIVER JOINT TOLL BRIDGE COMMISSION - BRIDGE SYSTEM

NOTES TO FINANCIAL STATEMENTS

C. CASH AND EQUIVALENTS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

The Commission minimizes the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by structuring the investment portfolio so that securities mature to meet any cash requirements associated with individual funds, which avoids selling the security prior to maturity. The Commission also invests operating funds primarily in shorter-term securities, money market mutual funds, or local government investment pools.

As of December 31, 2006, the Commission had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
FHLB	\$ 80,445,864	\$ 56,567,104	\$ 23,878,760	\$ -	\$ -
FHLMC	34,903,850	18,913,710	15,990,140	-	-
FNMA	38,252,890	26,776,270	11,476,620	-	-
FHLMCDN	9,939,500	9,939,500	-	-	-
FNMADN	16,415,000	16,415,000	-	-	-
FHLBDN	16,414,000	16,414,000	-	-	-
PA INVEST	1,115,705	1,115,705	-	-	-
Total	<u>\$197,486,809</u>	<u>\$146,141,289</u>	<u>\$ 51,345,520</u>	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2005, the Commission had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
FHLB	\$ 52,655,608	\$ 21,740,830	\$ 30,914,778	\$ -	\$ -
FHLMC	37,134,360	19,233,790	17,900,570	-	-
FMCDN	34,884,780	34,884,780	-	-	-
FNMA	48,018,848	35,124,408	12,894,440	-	-
FHLMCDN	3,900,000	3,900,000	-	-	-
FNMADN	3,986,400	3,986,400	-	-	-
FHLBDN	3,882,840	3,882,840	-	-	-
FNMDM	23,191,480	23,191,480	-	-	-
FNDN	4,926,500	4,926,500	-	-	-
PA INVEST	1,067,105	1,067,105	-	-	-
Total	<u>\$213,647,921</u>	<u>\$151,938,133</u>	<u>\$ 61,709,788</u>	<u>\$ -</u>	<u>\$ -</u>

D. CAPITAL ASSETS

Capital assets activities for the year ended December 31, 2006, were as follows:

DELAWARE RIVER JOINT TOLL BRIDGE COMMISSION - BRIDGE SYSTEM

NOTES TO FINANCIAL STATEMENTS

D. CAPITAL ASSETS (CONTINUED)

	December 31, 2005	Additions	Reductions	December 31, 2006
Non-Depreciable Assets				
Land	\$129,619,844	\$ -	\$ -	\$129,619,844
Infrastructure in progress	28,550,758	15,776,045	15,301,665	29,025,138
Depreciable Assets				
Bridges/road network	240,740,968	15,479,973	-	256,220,941
Equipment	25,855,116	1,486,164	489,562	26,851,718
Total at Historical Cost	<u>424,766,686</u>	<u>32,742,182</u>	<u>15,791,227</u>	<u>441,717,641</u>
Less Accumulated Depreciation				
Bridge/road network	151,677,892	8,941,801	-	160,619,693
Equipment	<u>8,666,796</u>	<u>3,548,029</u>	<u>489,562</u>	<u>11,725,263</u>
Total Accumulated Depreciation	<u>160,344,688</u>	<u>12,489,830</u>	<u>489,562</u>	<u>172,344,956</u>
Total Capital Assets	<u>\$264,421,998</u>	<u>\$ 20,252,352</u>	<u>\$ 15,301,665</u>	<u>\$269,372,685</u>
Depreciation expense was as follows:				
Bridges/road networks	\$ 8,941,801			
Equipment	<u>3,548,029</u>			
Total Depreciation Expense	<u>\$ 12,489,830</u>			

Capital assets activities for the year ended December 31, 2005, were as follows:

	December 31, 2004	Additions	Reductions	December 31, 2005
Non-Depreciable Assets				
Land	\$129,604,374	\$ 15,470	\$ -	\$129,619,844
Infrastructure in progress	26,604,613	7,675,690	5,729,545	28,550,758
Depreciable Assets				
Bridges/road network	232,446,393	8,294,575	-	240,740,968
Equipment	<u>24,189,011</u>	<u>1,921,669</u>	<u>255,564</u>	<u>25,855,116</u>
Total at Historical Cost	<u>412,844,391</u>	<u>17,907,404</u>	<u>5,985,109</u>	<u>424,766,686</u>
Less Accumulated Depreciation				
Bridges/road network	143,229,234	8,448,658	-	151,677,892
Equipment	<u>5,558,447</u>	<u>3,363,913</u>	<u>255,564</u>	<u>8,666,796</u>
Total Accumulated Depreciation	<u>148,787,681</u>	<u>11,812,571</u>	<u>255,564</u>	<u>160,344,688</u>
Total Capital Assets	<u>\$264,056,710</u>	<u>\$ 6,094,833</u>	<u>\$ 5,729,545</u>	<u>\$264,421,998</u>
Depreciation expense was as follows:				
Bridges/road networks	\$ 8,448,658			
Equipment	<u>3,363,913</u>			
Total Depreciation Expense	<u>\$ 11,812,571</u>			

DELAWARE RIVER JOINT TOLL BRIDGE COMMISSION - BRIDGE SYSTEM

NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE

The following is a summary of bonds payable:

<u>Bonds Payable</u>	<u>Maturity Dates</u>	<u>Interest Rate</u>	<u>Bonds Outstanding (in thousands) December 31, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Bonds Outstanding (in thousands) December 31, 2006</u>	<u>Amounts due within one year</u>
2003 series revenue bonds	2003-2024	3.00%-5.25%	\$ 85,180	\$ -	\$ 4,635	\$ 80,545	\$ 4,865
2003 series revenue bonds	2025-2028	5.00%	29,390	-	-	29,390	-
2005A series revenue bonds	2005-2025	4.00%-5.50%	59,490	-	895	58,595	930
2005A series revenue bonds	2026-2030	4.50%	12,825	-	-	12,825	-
Total bond principal payable			186,885	-	5,530	181,355	5,795
Loss on defeasance			(1,338)	-	(110)	(1,228)	(110)
Net bonds payable			<u>\$ 185,547</u>	<u>\$ -</u>	<u>\$ 5,420</u>	<u>\$ 180,127</u>	<u>\$ 5,685</u>

Debt service requirements on bonds outstanding at December 31, 2006, are as follows (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 5,795	\$ 9,137	\$ 14,932
2008	6,080	8,850	14,930
2009	6,375	8,548	14,923
2010	6,680	8,220	14,900
2011	7,025	7,863	14,888
2012-2016	36,280	33,247	69,527
2017-2021	44,035	21,784	65,819
2022-2026	26,870	12,469	39,339
2027-2030	42,215	3,173	45,388
	<u>\$ 181,355</u>	<u>\$ 113,291</u>	<u>\$ 294,646</u>

Defeasance of Series 2003 Bonds

In March 2005, the Commission issued \$72,645,000 Bridge System Revenue Bonds, Series 2005A. The proceeds of the bonds were used to advance-refund \$32,165,000 of the Commission's Bridge System Revenue Bonds, Series 2003. This refunding was done to achieve interest cost savings. Proceeds of the bonds were used to establish an irrevocable escrow account. Funds in the escrow account were invested in special direct obligations of the United States Treasury or other obligations of the United States government or its agencies. The escrow securities and their earnings are structured to pay the principal and interest on the refunded 2003 bonds as such payments become due, until the call dates of the respective refunded bonds, at which time the escrow account will pay the principal of the refunded bonds at a price of par plus accrued interest. Since these funds have been placed in an irrevocable trust, they are considered defeased for these financial statements.

DELAWARE RIVER JOINT TOLL BRIDGE COMMISSION - BRIDGE SYSTEM

NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

Defeasance of Series 2003 Bonds (Continued)

The advance-refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$1.4 million. The accumulated loss on defeasance is reported as a contra-liability on the statement of net assets and is being charged to net assets using a method which approximates the effective interest method over the shorter of the remaining life of the old debt or the life of the new debt. The accumulated capitalized loss on defeasance at December 31, 2006 and 2005 was \$1,228,070 and \$1,337,678, respectively.

Bridge System Revenue Bonds, Series 2007 (SWAP)

Objective of the swaps. In October of 2005, the Commission entered into two forward starting swaps with two counterparties to hedge against future interest rates. The intention of the swaps was to take advantage of the current historically low interest rate environment in advance of the issuance of bonds by the Commission (as authorized by its trust indenture) in 2007.

Terms. The swaps were entered into with Merrill Lynch Capital Services, Inc. ("MLCS") and Morgan Stanley Capital Services, Inc. ("MSCS"). The swaps will be effective on October 1, 2007, and will mature on July 1, 2032. On the trade date, MLCS and MSCS were both rated AA- by Standard & Poor's Ratings Services ("S&P"), a division of The McGraw-Hill Companies, and Aa3 by Moody's Investors Service, Inc. ("Moody's"). The swaps were priced at a fixed rate of 4.184% based on an amortizing notional schedule with a combined \$150,000,000 initial notional amount. Under the swaps starting October 1, 2007, the Commission pays a fixed rate of 4.184% and receives a variable payment equal to the Bond Market Association Municipal Swap Index (the "BMA" Index). The bonds' variable-rate coupons, when issued, will be based on a remarketing rate that is highly correlated to the BMA Index. As part of the swap transactions, the Commission also purchased two interest rate swap insurance policies dated October 6, 2005, issued by MBIA Insurance Corporation for the account of the Commission, as principal, and the counterparties, as beneficiary. The insurance policies provide for risk mitigation and limit the need for the Commission to post eligible collateral.

Fair Value. As of December 31, 2006 and 2005, the swaps had a negative fair value of \$4,939,632 and \$2,305,521, respectively. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement 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 bonds due on the date of each future net settlement of the swap.

Credit Risk. As of December 31, 2006 and 2005, the Commission was not exposed to credit risk because the swaps had a negative fair value. Should interest rates change and the fair value of the swaps become positive, the Commission would be exposed to credit risk in the amount of the swaps' fair value. Agreed upon collateral threshold levels per the Credit Support Annex ("CSA") require collateral to be posted based on counterparty ratings as set forth in the CSA.

DELAWARE RIVER JOINT TOLL BRIDGE COMMISSION - BRIDGE SYSTEM

NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

Bridge System Revenue Bonds, Series 2007 (SWAP) (Continued)

Termination Risk. The swaps are governed by the International Swap Dealers Association Master Agreement, which includes standard termination events. The swaps also include an "Additional Termination Event" whereby the swaps may be terminated if the Insurer fails to issue the swap insurance policies on or before the effective date. In addition, the swaps may be terminated if the long-term, unenhanced rating on the bonds issued by the Commission is withdrawn, suspended or falls below Baa3 as determined by Moody's, or BBB- as determined by S&P. Furthermore, the swaps may be terminated if the counterparties' credit support provider fails to have any rated long-term, unsecured, unenhanced senior debt or if the rating of the senior debt is withdrawn, suspended or falls below Baa2 as determined by Moody's, or BBB as determined by S&P.

In connection with the aforementioned swaps, no amounts are recorded in the financial statements other than the prepaid cost of issuance of the swaps.

F. PENSION PLAN

The Commission contributes to the Commonwealth of Pennsylvania State Employees' Retirement System (the "System"). The System is the administrator of a cost-sharing, multiple-employer, defined-benefit retirement system. The System was established by the Commonwealth to provide retirement, death, and disability benefits for employees of state government and certain independent agencies. Ad hoc cost-of-living adjustments are provided at the discretion of the General Assembly. Article II of the Commonwealth's Constitution assigns the authority to establish and amend the benefit provisions of the plan to the General Assembly. The System issues a publicly available financial report that includes financial statements and required supplementary information for the retirement plan. That report may be obtained by writing to the Commonwealth of Pennsylvania State Employees' Retirement System, 30 North Third Street, P.O. Box 1147, Harrisburg, PA 17108-1147 or by calling 1-717-787-9657. Employees of the Commission are required to pay 5%-6.25% of their salaries into the System, and the Commission is required to contribute at an actuarially determined rate. The rate is computed based upon actuarial valuations on the System's fiscal year end of December 31 and applied to the Commonwealth based on its fiscal year end of June 30. Therefore, the employer contribution rate in effect for the System's year end of December 31 reflects a blended average of calculated rates. The contribution requirements of plan members and the Commission are established and may be amended by the System's board of trustees.

The Commission also has three employees who participate in the Public Employees' Retirement System of New Jersey ("PERS"). PERS is a part of the Division of Pensions in the Department of the Treasury, State of New Jersey. PERS is funded annually based on the projected benefit method with aggregate level normal cost and frozen initial unfunded accrued liability. PERS, which covers public employees throughout the state, does not maintain separate records for each reporting unit, and accordingly, the actuarial data for the employees of the Commission who are members of PERS is not available.

DELAWARE RIVER JOINT TOLL BRIDGE COMMISSION - BRIDGE SYSTEM

NOTES TO FINANCIAL STATEMENTS

F. PENSION PLAN (CONTINUED)

The Commission's pension contribution for the years ended December 31, 2006 and 2005, was \$471,413 and \$309,273, respectively, which equaled the required contribution.

G. SELF INSURANCE

The Commission self-insures the risk for health insurance claims. In addition to the self-insured risk, the Commission carries a stop-loss policy that limits its exposure to a maximum of \$150,000 per plan year per individual and \$5,538,002 in the aggregate for all active and retired employees.

H. POST-EMPLOYMENT BENEFITS

The Commission provides certain post-employment life and health insurance benefits to its employees if they retire while working for the Commission. In accordance with the provisions of Statement No. 12 of the Governmental Accounting Standards Board, "Disclosure of Information on Post-Employment Benefits Other Than Pension Benefits by State and Local Governmental Employers," expenditures for post-employment life and health insurance benefits are recognized on a pay-as-you-go basis and were approximately \$2,238,121 and \$1,705,022 in 2006 and 2005, respectively. Effective April 1, 1995, the Commission suspended post-employment life and health insurance benefits for all new hires (see Note K for summary of new accounting pronouncement).

As of December 31, 2006 and 2005, 119 and 120 retired employees, respectively, were eligible for both life and health insurance benefits. As of December 31, 2006, one other retired employee was eligible for health insurance benefits only. An additional 37 and 49 retired employees were eligible for life insurance benefits only as of December 31, 2006 and 2005, respectively, in a range of \$2,000-\$4,000 per person.

I. COMMITMENTS AND CONTINGENCIES

Subsequent to the implementation of the toll rates' increase on November 30, 2003, the Trucker Toll Increase case had been filed in the United States District Court for the Eastern District of Pennsylvania by the American Trucking Association, Inc., PA Motor Truck Association, NJ Motor Truck Association and Roadway Express (collectively, the "Truckers"). The suit was decided in favor of the Commission in February 2005. The Truckers filed an appeal, and in 2006, the court upheld the decision in favor of the Commission. The period within which the Truckers would be required to file an appeal to the United States Supreme Court expired in early 2007. The court's decision is now final and unappealable.

The Commission is involved in various claims and lawsuits arising in the normal course of business, including claims for right-of-way acquisition, handicapped discrimination and hiring practices. In the opinion of management, the ultimate outcome of these claims and lawsuits will not have a material adverse effect on the Commission's financial position.

DELAWARE RIVER JOINT TOLL BRIDGE COMMISSION - BRIDGE SYSTEM

NOTES TO FINANCIAL STATEMENTS

I. COMMITMENTS AND CONTINGENCIES (CONTINUED)

In 2004, the Commission established a \$40 million dollar program, which is included in restricted net assets, to provide funding for transportation infrastructure related projects in New Jersey and Pennsylvania communities that host its bridges. As of December 31, 2006, the Commission had committed \$32,591,610 in grants to municipalities participating in the Compact Authorized Investment ("CAI") program, of which \$32,023,269 was unexpended at December 31, 2006. Examples of appropriate projects that would be considered for funding under the CAI program include installation of upgrades to traffic signalization around Commission facilities, road widening in areas affected by Commission crossings, bicycle or pedestrian paths leading up to Commission facilities, park and ride facilities, safety lighting, and right of way renovation, protection or beautification.

In 2001, the Commission approved a 10-year, \$526 million Capital Improvement Program for the protection, preservation, management and enhancement of the 20 bridges it owns, maintains and operates. With the addition of the CAI program, along with additions and changes in the original projects, the Capital Improvement Program currently stands well in excess of the original amount. As of December 31, 2006, the Commission has approved more than \$211.9 million in contracts to study and improve various facilities and systems as part of that program. At December 31, 2006, the Commission had approved contracts that had not yet been completed or paid totaling approximately \$124.2 million.

In 2002, the Commission began the installation and operation of a new toll collection system which provided E-ZPass (electronic) toll processing on all of its seven toll bridges. The Commission has entered into a long-term contract to maintain its E-ZPass system hardware. The unpaid portion of the contract amounted to \$625,000. The system maintenance contract runs through July 2008.

J. ARBITRAGE RULES

The Commission is subject to certain arbitrage rules pursuant to current federal income tax law and in accordance with the Trust Indenture. Under these rules, interest earnings on certain investments of proceeds of the Commission's bonds are subject to the limitations imposed by the arbitrage provisions of the Internal Revenue Code. The Commission is required to rebate certain arbitrage profits on non-purpose investments at least once every five years. At December 31, 2006 and 2005, there were no material arbitrage profits subject to rebate.

K. NEW ACCOUNTING PRONOUNCEMENT

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires that state and local governmental employers account for and report the annual cost of other postemployment benefits ("OPEB") and the outstanding obligations and commitments related to other postemployment benefits in the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of this statement do not require governments to fund their OPEB plans.

DELAWARE RIVER JOINT TOLL BRIDGE COMMISSION - BRIDGE SYSTEM

NOTES TO FINANCIAL STATEMENTS

K. NEW ACCOUNTING PRONOUNCEMENT (CONTINUED)

Statement No. 45 also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time.

The Commission is required to implement GASB Statement No. 45 for the year ending December 31, 2008.

SUPPLEMENTARY INFORMATION

DELAWARE RIVER JOINT TOLL BRIDGE COMMISSION - BRIDGE SYSTEM

SCHEDULES OF CASH AND EQUIVALENT BALANCES

December 31, 2006

	Revenue Fund	Operating Fund	Clearing Fund	Construction Fund	Reserve Maintenance Fund	Debt Service Fund	Debt Service Reserve Fund	General Reserve Fund
Commerce Bank								
Wachovia Bank	\$ 66,682,151	\$ 165,088	\$ 43,818	\$ 24,200,094	\$ 2,103,664	\$ 5,601,746	\$ 15,158,414	\$ 19,409,327
Petty cash and collectors' change funds	4,877,366	80,061	-	-	-	-	-	-
Total cash and equivalent balances	<u>73,750</u>	<u>73,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 71,633,267</u>	<u>\$ 318,899</u>	<u>\$ 43,818</u>	<u>\$ 24,200,094</u>	<u>\$ 2,103,664</u>	<u>\$ 5,601,746</u>	<u>\$ 15,158,414</u>	<u>\$ 19,409,327</u>

December 31, 2005

	Reserve Fund	Operating Fund	Clearing Fund	Construction Fund	Reserve Maintenance Fund	Debt Service Fund	Debt Service Reserve Fund	General Reserve Fund
Commerce Bank								
Wachovia Bank	\$ 32,969,762	\$ 413,735	\$ 42,121	\$ 4,721,947	\$ 7,653	\$ 5,641,289	\$ 15,726,820	\$ 6,416,197
Petty cash and collectors' change funds	2,655,614	106,818	-	-	-	-	-	-
Total cash and equivalent balances	<u>73,750</u>	<u>73,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 35,699,126</u>	<u>\$ 594,303</u>	<u>\$ 42,121</u>	<u>\$ 4,721,947</u>	<u>\$ 7,653</u>	<u>\$ 5,641,289</u>	<u>\$ 15,726,820</u>	<u>\$ 6,416,197</u>

DELAWARE RIVER JOINT TOLL BRIDGE COMMISSION - BRIDGE SYSTEM

SCHEDULES OF INVESTMENTS

December 31, 2006

Construction Fund						
Security Description	Investment Description			Maturity Date	Cost	Market Value
	Face Value	Rate	Yield			
FHLMCDN	\$ 5,000,000	0.00%	5.26%	01-26-07	\$ 4,962,127	\$ 4,983,500
FNMADN	5,000,000	0.00%	5.25%	01-26-07	4,959,308	4,983,500
FHLBDN	6,500,000	0.00%	5.27%	01-31-07	6,442,337	6,474,000
FHLBDN	5,000,000	0.00%	5.17%	02-28-07	4,938,964	4,960,000
FNMADN	6,500,000	0.00%	5.26%	02-28-07	6,420,420	6,448,000
FHLMCDN	5,000,000	0.00%	5.26%	03-06-07	4,935,289	4,956,000
FNMADN	5,000,000	0.00%	5.18%	01-26-07	4,959,308	4,983,500
FHLBDN	5,000,000	0.00%	5.27%	01-31-07	4,955,610	4,980,000
FNMADN	5,000,000	0.00%	5.28%	02-28-07	4,935,750	4,960,000
Total Construction Fund					47,509,113	47,728,500

Operating Fund						
Security Description	Investment Description			Maturity Date	Cost	Market Value
	Face Value	Rate	Yield			
FHLB	1,500,000	5.00%	5.03%	03-20-07	1,499,415	1,499,535
FHLMC	1,000,000	5.13%	5.12%	04-24-07	1,000,000	999,880
FHLB	1,000,000	5.26%	5.26%	10-19-07	1,000,000	999,380
Total Operating Fund					3,499,415	3,498,795

DELAWARE RIVER JOINT TOLL BRIDGE COMMISSION - BRIDGE SYSTEM

SCHEDULES OF INVESTMENTS (CONTINUED)

December 31, 2006

General Reserve Fund						
Security Description	Investment Description			Maturity Date	Cost	Market Value
	Face Value	Rate	Yield			
PA INVEST	1,115,705	5.21%	5.21%	01-01-07	1,115,705	1,115,705
FNMA	3,400,000	5.00%	5.07%	01-15-07	3,397,960	3,400,000
FHLB	5,000,000	5.08%	5.08%	02-22-07	5,000,000	4,998,450
FHLMC	5,000,000	4.25%	4.63%	02-28-07	4,975,800	4,992,650
FHLB	5,000,000	4.25%	4.64%	03-09-07	4,974,150	4,990,650
FHLB	5,000,000	5.00%	5.03%	03-20-07	4,998,050	4,998,450
FHLB	5,000,000	4.50%	4.66%	04-17-07	4,989,063	4,990,650
FHLMC	4,000,000	4.50%	4.77%	04-18-07	3,985,080	3,990,840
FHLB	3,000,000	5.23%	5.23%	04-30-07	3,000,000	2,999,070
FHLB	5,000,000	4.50%	4.64%	05-21-07	4,989,550	4,987,500
FHLMC	9,000,000	3.55%	3.80%	06-22-07	8,998,594	8,930,340
FHLB	3,200,000	4.25%	4.32%	08-08-07	3,195,776	3,179,009
FNMA	3,000,000	4.25%	4.38%	08-08-07	2,992,500	2,982,180
FNMA	5,000,000	3.75%	3.87%	08-15-07	4,985,938	4,954,700
FHLB	5,000,000	3.76%	3.92%	09-07-07	4,981,250	4,950,000
FHLB	3,000,000	5.28%	5.28%	10-05-07	3,000,000	2,998,140
FHLB	4,000,000	5.25%	5.25%	10-05-07	4,000,000	3,997,520
FNMA	5,500,000	5.26%	5.26%	10-19-07	5,500,000	5,496,590
FHLB	5,000,000	5.22%	5.22%	12-05-07	5,000,000	4,993,750
FHLB	6,000,000	5.15%	5.15%	12-07-07	6,000,000	5,985,000
FNMA	5,000,000	4.90%	4.90%	12-27-07	5,000,000	4,982,800
FHLB	8,000,000	4.10%	4.10%	03-14-08	8,000,000	7,900,000
FHLB	6,000,000	5.32%	5.32%	04-10-08	6,000,000	5,994,360
FHLMC	5,000,000	5.20%	5.60%	05-27-08	4,990,950	4,999,250
FHLMC	5,000,000	5.50%	5.55%	06-13-08	4,995,250	5,002,350
FNMA	6,500,000	5.13%	5.18%	10-03-08	6,493,500	6,479,720
FHLMC	6,000,000	5.35%	5.53%	10-20-08	5,976,563	5,988,540
FNMA	5,000,000	5.50%	5.60%	11-17-08	4,988,850	4,996,900
FHLB	5,000,000	5.50%	5.50%	10-05-09	5,000,000	4,990,650
FHLB	5,000,000	5.55%	5.55%	10-19-09	5,000,000	4,993,750
Total General Reserve Fund					<u>146,524,529</u>	<u>146,259,514</u>
Total Investments					<u>\$197,533,057</u>	<u>\$197,486,809</u>

DELAWARE RIVER JOINT TOLL BRIDGE COMMISSION - BRIDGE SYSTEM

SCHEDULES OF INVESTMENTS (CONTINUED)

December 31, 2005

Construction Fund						
Security Description	Investment Description			Maturity Date	Cost	Market Value
	Face Value	Rate	Yield			
FHLMCDN	\$ 3,900,000	0.00%	3.82%	01-03-06	\$ 3,844,536	\$ 3,900,000
FNMADN	4,000,000	0.00%	3.91%	02-01-06	3,929,347	3,986,400
FHLBDN	3,900,000	0.00%	3.92%	02-10-06	3,827,737	3,882,840
FMCDN	7,600,000	0.00%	4.26%	03-03-06	7,541,062	7,546,800
FMCDN	7,600,000	0.00%	4.33%	04-18-06	7,497,856	7,503,480
FNMDN	7,600,000	0.00%	4.52%	05-15-06	7,471,471	7,476,880
FMCDN	5,000,000	0.00%	4.16%	01-31-06	4,949,814	4,984,000
FNMDN	5,000,000	0.00%	4.17%	02-01-06	4,949,063	4,983,000
FMCDN	5,000,000	0.00%	4.41%	03-06-06	4,932,071	4,965,000
FMCDN	5,000,000	0.00%	4.20%	03-07-06	4,931,575	4,962,500
FNDN	5,000,000	0.00%	4.41%	05-03-06	4,893,475	4,926,500
FMCDN	5,000,000	0.00%	4.45%	05-09-06	4,891,432	4,923,000
FMNDN	5,500,000	0.00%	4.55%	06-02-06	5,394,461	5,397,150
FMNDN	5,500,000	0.00%	4.64%	08-28-06	5,333,741	5,334,450
Total Construction Fund					<u>74,387,641</u>	<u>74,772,000</u>

Operating Fund						
Security Description	Investment Description			Maturity Date	Cost	Market Value
	Face Value	Rate	Yield			
FNMA	2,125,000	2.00%	1.68%	03-15-06	2,128,320	2,113,716
FHLMC	1,000,000	2.27%	2.56%	04-28-06	994,375	992,500
Total Operating Fund					<u>3,122,695</u>	<u>3,106,216</u>

Reserve Maintenance Fund						
Security Description	Investment Description			Maturity Date	Cost	Market Value
	Face Value	Rate	Yield			
FHLB	2,000,000	4.70%	4.70%	12-29-06	<u>2,000,000</u>	<u>2,000,000</u>

DELAWARE RIVER JOINT TOLL BRIDGE COMMISSION - BRIDGE SYSTEM

SCHEDULES OF INVESTMENTS (CONTINUED)

December 31, 2005

General Reserve Fund						
Security Description	Investment Description			Maturity Date	Cost	Market Value
	Face Value	Rate	Yield			
PA INVEST	1,067,105	3.64%	4.00%	01-01-06	1,067,105	1,067,105
FHLB	2,100,000	5.38%	4.95%	02-15-06	2,100,000	2,101,323
FHLB	3,875,000	2.24%	1.74%	06-23-06	3,884,688	3,832,608
FHLB	4,000,000	2.29%	2.59%	07-28-06	3,965,000	3,947,520
FHLB	3,000,000	2.55%	2.55%	08-23-06	3,000,000	2,960,640
FHLB	2,000,000	2.60%	2.60%	09-01-06	2,000,000	1,973,120
FHLB	2,000,000	2.80%	2.80%	10-16-06	2,000,000	1,970,620
FHLB	3,000,000	3.22%	3.22%	12-29-06	3,000,000	2,955,000
FHLB	5,000,000	4.25%	4.64%	03-09-07	4,974,150	4,970,300
FHLB	5,000,000	4.50%	4.66%	04-17-07	4,989,063	4,981,250
FHLB	5,000,000	4.50%	4.64%	05-21-07	4,989,550	4,982,800
FHLB	3,200,000	4.25%	4.32%	08-08-07	3,195,776	3,171,007
FHLB	5,000,000	3.76%	3.92%	09-07-07	4,981,250	4,921,900
FHLB	8,000,000	4.10%	4.10%	03-14-08	8,000,000	7,887,520
FHLMC	3,000,000	2.01%	2.04%	01-27-06	2,998,125	2,994,750
FHLMC	3,000,000	2.34%	1.99%	04-28-06	2,985,938	2,978,460
FHLMC	5,000,000	3.00%	3.11%	05-26-06	4,990,000	4,968,500
FHLMC	3,500,000	2.50%	2.52%	08-09-06	3,498,359	3,456,110
FHLMC	2,000,000	3.10%	3.10%	08-25-06	2,000,000	1,980,360
FHLMC	2,000,000	2.65%	2.65%	10-12-06	2,000,000	1,969,040
FHLMC	5,000,000	4.25%	4.63%	02-28-07	4,975,800	4,970,600
FHLMC	4,000,000	4.50%	4.77%	04-18-07	3,985,080	3,979,920
FHLMC	9,000,000	3.55%	3.80%	06-22-07	8,998,594	8,844,120
FNMA	2,000,000	2.40%	2.50%	02-27-06	1,995,000	1,993,120
FNMA	3,000,000	2.30%	1.99%	04-28-06	2,988,750	2,978,430
FNMA	4,500,000	2.25%	1.99%	05-26-06	4,505,625	4,459,230
FNMA	1,700,000	2.55%	2.55%	06-01-06	1,700,000	1,684,071
FNMA	5,000,000	3.13%	3.13%	06-21-06	5,000,000	4,965,650
FNMA	1,500,000	2.50%	2.51%	07-28-06	1,499,531	1,482,195
FNMA	7,700,000	2.10%	2.10%	09-22-06	7,700,000	7,560,476
FNMA	8,000,000	3.25%	3.30%	12-21-06	7,995,000	7,887,520
FNMA	5,000,000	4.90%	4.90%	12-27-07	5,000,000	4,996,900
FNMA	3,000,000	4.25%	4.38%	08-08-07	2,992,500	2,975,640
FNMA	5,000,000	3.75%	3.87%	08-15-07	4,985,938	4,921,900
Total General Reserve Fund					<u>134,940,822</u>	<u>133,769,705</u>
Total Investments					<u>\$214,451,158</u>	<u>\$213,647,921</u>

SCHEDULE OF OPERATIONS

Year Ended December 31, 2006

(With Comparative Totals for the Year Ended December 31, 2005)

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DELAWARE RIVER JOINT TOLL BRIDGE COMMISSION - BRIDGE SYSTEM**SCHEDULES OF ADMINISTRATIVE EXPENSES**

	<u>Year Ended December 31,</u>	
	<u>2006</u>	<u>2005</u>
Salaries and wages	\$ 3,630,079	\$ 3,271,542
Social security taxes	267,568	240,629
Trustee and paying agents' fees	19,271	13,209
Pension contributions	97,904	66,403
Group insurance	787,282	644,000
Retirees' costs	382,751	285,813
Unemployment compensation	78,761	7,702
Heat, light and power	291	390
Office expenses	235,905	251,092
Operating supplies and expenses	204,857	209,033
Travel and meeting expenses	6,937	5,695
Education, meeting and conference expenses	118,784	97,149
Automotive repairs and expenses	208	1,896
Buildings and grounds maintenance	-	878
Professional services and legal expenses	877,763	1,228,240
Advertising	38,665	21,941
Insurance	371,451	392,188
	<u>\$ 7,118,477</u>	<u>\$ 6,737,800</u>

DELAWARE RIVER JOINT TOLL BRIDGE COMMISSION - BRIDGE SYSTEM

SCHEDULES OF TOLL-SUPPORTED BRIDGE EXPENSES

	Year Ended December 31,		
	2006		2005
	Total	Southern Division Bridges	Northern Division Bridges
	Total		Total
Salaries and wages	\$ 3,225,704	\$ 1,752,336	\$ 1,473,368
Social security taxes	243,436	131,728	111,708
Pension contributions	85,585	47,044	38,541
Group insurance	1,057,247	588,244	469,003
Retirees' costs	473,573	259,492	214,081
Heat, light and power	62,854	38,747	24,107
Office expenses	17,084	9,207	7,877
Operating supplies and expenses	14,915	11,034	3,881
Education and conference expenses	1,065	-	1,065
Uniforms	30,172	20,153	10,019
State police bridge security	1,047,767	775,264	272,503
Maintenance supplies and expenses			
Automotive	13,030	783	12,247
Buildings and grounds	9,764	7,381	2,383
Roadways, sidewalks and approaches	107,250	79,028	28,222
Insurance	914,805	613,628	301,177
Civil claim	15,000	15,000	-
	<u>\$ 7,319,251</u>	<u>\$ 4,349,069</u>	<u>\$ 2,970,182</u>
			<u>\$ 6,442,417</u>

DELAWARE RIVER JOINT TOLL BRIDGE COMMISSION - BRIDGE SYSTEM

SCHEDULE OF TOLL BRIDGE TRAFFIC AND REVENUES

Years Ended December 31, 2006
(With Comparative Totals for the Year Ended December 31, 2005)

	Total Year Ended December 31, 2006		Trenton- Morrisville Bridge	New Hope- Lambertville Bridge	J-78 Bridge	Easton- Phillipsburg Bridge	Portland- Columbia Bridge	Delaware Water Gap Bridge	Milford- Montague Bridge
	2005	2006							
Number of Vehicles Crossing Toll Bridges, by Class									
Passenger Cars, Vans and Pickups	32,216,911	33,190,771	6,854,645	1,737,396	7,703,207	5,707,890	1,237,480	8,638,001	1,312,152
Two-Axle Trucks, Buses and Tractors	842,174	858,549	182,005	55,933	236,641	166,731	30,459	162,425	24,355
Three-Axle Trucks, Buses, Tractor and Trailer	375,712	391,648	78,446	30,822	106,263	64,384	10,109	96,420	5,204
Four-Axle Trucks, Tractor and Trailer	295,790	320,643	57,810	6,736	129,880	51,327	8,819	64,103	1,968
Five-Axle Trucks, Tractor and Trailer	3,563,813	3,572,288	193,925	27,167	1,936,664	244,704	33,736	1,126,772	9,320
Six-Axle Trucks, Tractor and Trailer	68,714	72,285	1,769	789	42,331	6,234	559	20,535	68
Vehicles Requiring Special Permits	80	54	3	-	9	-	-	42	-
Seven-or-More-Axle Trucks, Tractor and Trailer	3,134	3,235	128	49	1,510	170	12	1,351	15
Total Number of Vehicles	37,366,328	38,409,473	7,368,731	1,858,892	10,156,505	6,241,440	1,321,174	10,109,649	1,353,082
Toll Revenues of Vehicles Crossing Toll Bridges, by Class									
Passenger Cars, Vans and Pickups	\$ 21,941,988	\$ 22,476,586	\$ 4,637,943	\$ 1,155,177	\$ 5,230,861	\$ 3,830,614	\$ 844,285	\$ 5,885,077	\$ 892,629
Two-Axle Trucks, Buses and Tractors	4,062,533	4,132,665	872,407	270,542	1,138,510	803,340	147,005	783,019	117,842
Three-Axle Trucks, Buses, Tractor and Trailer	2,942,929	3,061,914	611,420	240,899	831,594	504,377	80,112	752,231	41,281
Four-Axle Trucks, Tractor and Trailer	3,042,728	3,293,901	597,900	69,791	1,322,308	533,135	92,684	657,315	20,768
Five-Axle Trucks, Tractor and Trailer	46,726,090	46,698,496	2,515,344	356,459	25,285,683	3,215,935	444,415	14,758,307	122,353
Six-Axle Trucks, Tractor and Trailer	1,065,045	1,115,387	27,708	12,380	648,966	98,458	8,946	317,846	1,083
Vehicles Requiring Special Permits	4,013	2,725	23	-	333	-	-	2,369	-
Seven-or-More-Axle Trucks, Tractor and Trailer	65,553	67,727	2,524	927	31,271	3,637	253	28,826	289
Total Toll Revenues from Vehicles	79,850,879	80,849,401	9,265,269	2,106,175	34,489,526	8,989,496	1,617,700	23,184,990	1,196,245
E-ZPass discounts and allowances and other adjustments	(429,473)	(695,441)	(172,736)	(58,637)	(185,746)	(134,373)	(30,452)	(83,114)	(30,383)
Total Toll Revenues	\$ 79,421,406	\$ 80,153,960	\$ 9,092,533	\$ 2,047,538	\$ 34,303,780	\$ 8,855,123	\$ 1,587,248	\$ 23,101,876	\$ 1,165,862

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners of
Delaware River Joint Toll Bridge Commission - Bridge System

We have audited the financial statements of Delaware River Joint Toll Bridge Commission - Bridge System (the "Commission") as of and for the year ended December 31, 2006, and have issued our report thereon dated June 13, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Delaware River Joint Toll Bridge Commission - Bridge System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS (CONTINUED)

Internal Control over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Delaware River Joint Toll Bridge Commission - Bridge System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, bond resolutions, and compact, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the finance committee, the Board of Commissioners, management, the Trustee, and others within the Commission and is not intended to be and should not be used by anyone other than these specified parties.

Mercaderin, P.C.
Certified Public Accountant

June 13, 2007