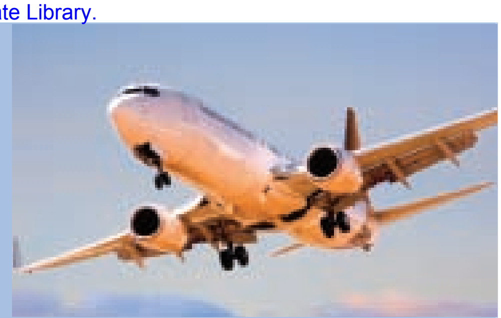
South Jersey Transportation Authority
2008 Comprehensive Annual Report

→ Moving Forward

From ground breaking to ribbon cutting, we're moving forward.



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Letter from the Chairman

As the State of New Jersey addresses the economic challenges facing our government and its citizenry, the role of the South Jersey Transportation Authority as a key driver of economic growth and activity in southern New Jersey is more important than ever.

In 2008, the SJTA focused its attention on maximizing the potential of the Atlantic City International Airport and the Atlantic City Expressway by investing in services, upgrades and safety features. One of the highlights of the year was a cooperative agreement between the SJTA and the U.S. Department of Homeland Security Transportation Security Laboratory to establish our airport as a test site for emerging security technologies. We are proud to play such a key role in the development of safety innovations for America's airports.

As 2008 closed, the SJTA was putting the finishing touches on its largest ever capital plan for improving and expanding the capacity of the Atlantic City Expressway and the Atlantic City International Airport. These visionary infrastructure investments will create jobs and position New Jersey and the southern New Jersey region for the economy's recovery and for future growth.

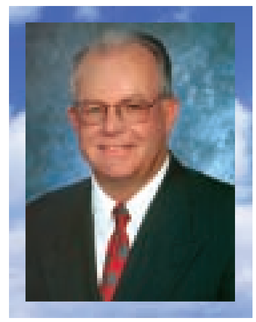
Governor Corzine and I applaud the SJTA for its commitment to keeping the region working and moving forward.

Stephen Dilts
Chairman
South Jersey Transportation Authority

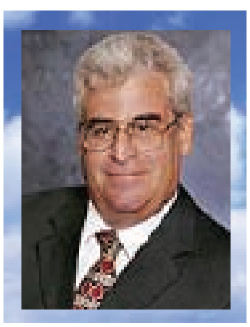
Jon S. Corzine
Governor

SOUTH JERSEY TRANSPORTATION AUTHORITY
BOARD OF COMMISSIONERS

Stephen Dilts
Chairman



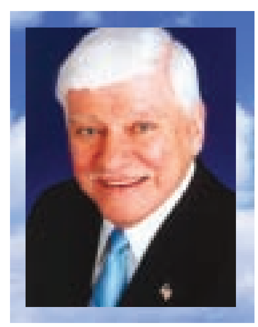
Mark Summerville
Vice Chairman



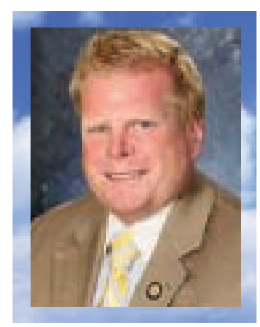
Jeffery A. April, Esquire
Commissioner

Louis Toscano
Commissioner

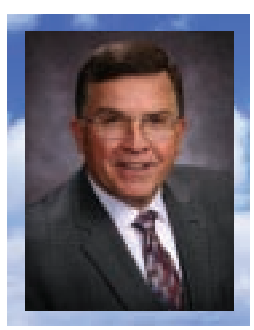
James U. Gaymon, Jr.
Commissioner



Joseph Ripa
Commissioner

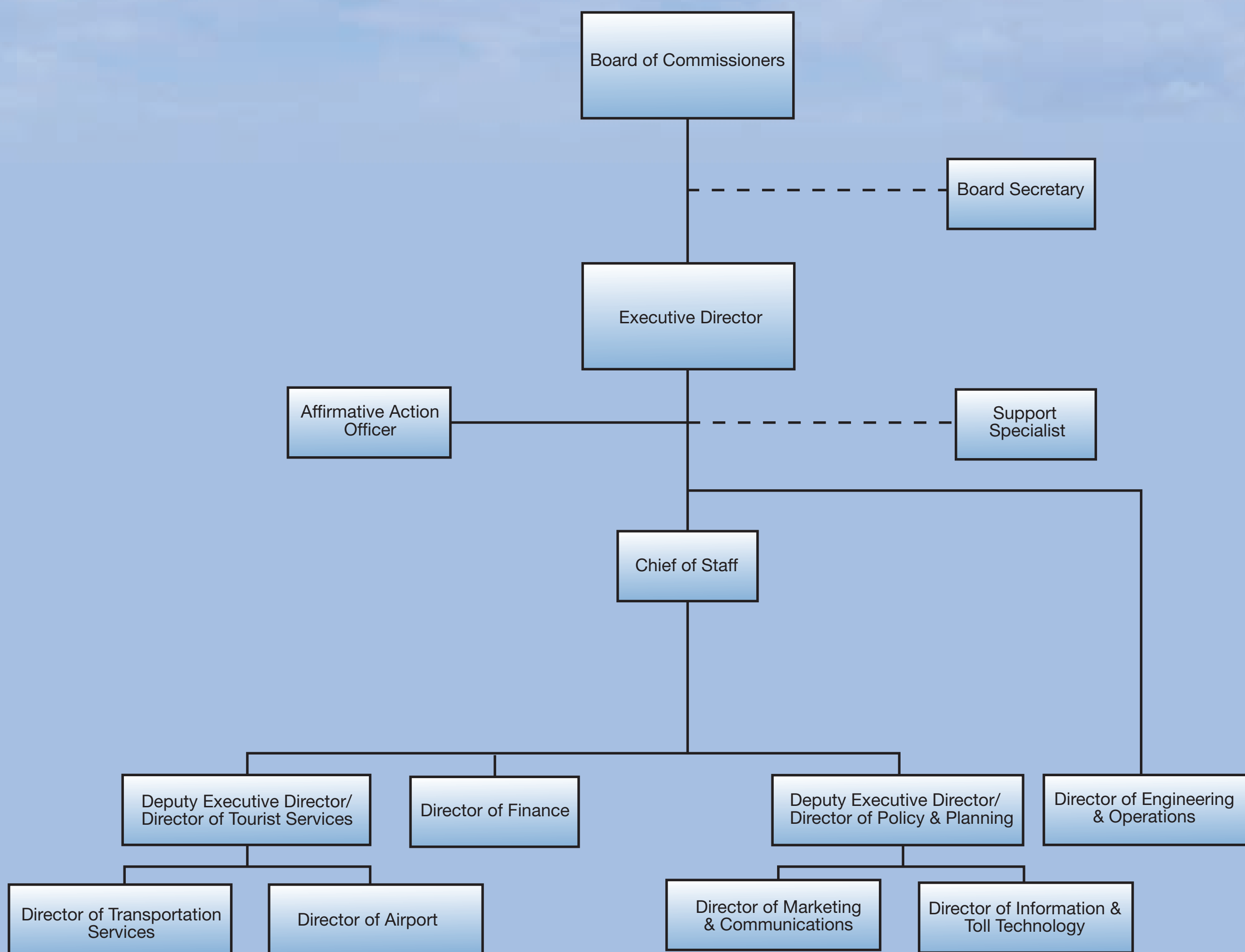


C. Robert McDevitt
Commissioner



Bart R. Mueller
Executive Director

SOUTH JERSEY TRANSPORTATION AUTHORITY ORGANIZATION



SOUTH JERSEY TRANSPORTATION AUTHORITY
CORE FUNCTIONS

Atlantic City Expressway

Millions of motorists annually enjoy safe and efficient travel along the 47-mile long Atlantic City Expressway throughout southern New Jersey and to Atlantic City. In use since 1964, the Expressway provides convenient access from Atlantic City and travels northwest through Atlantic, Gloucester and Camden counties, intersecting with the Garden State Parkway and ending at Route 42 approximately ten miles east of Philadelphia. E-ZPass is accepted at tolls along the Expressway, and Emergency Service Patrol vehicles are available along the roadway as a courtesy for motorists.

Atlantic City International Airport

Offering access to air travel in support of commerce, tourism and the general public in southern New Jersey, the Atlantic City International Airport brings travelers to Atlantic City and the southern New Jersey region and outbound air passengers to markets served by its carriers. Located on 2,200 acres of land in Egg Harbor Township, the airport is located nine miles northwest of downtown Atlantic City off of Exit 9 of the Atlantic City Expressway. While currently undergoing expansion and upgrades, the airport has 7 gates to serve nearly one million passengers annually.

Transportation Services

As part of its mission to stimulate the economy of southern New Jersey, the SJTA provides a host of transportation services that serve to increase employment opportunities in areas underserved by transit. SJTA's Transportation Services Department operates and manages the Authority's parking facilities and parking shuttles throughout the region and promulgates and enforces the rules and regulations guiding the motorbus industry in Atlantic County.

Economic Development

The South Jersey Transportation Authority is charged with economic stimulation and growth through the implementation of transportation and infrastructure projects and services that support job creation and economic growth in the six counties it serves including Atlantic, Camden, Cape May, Cumberland, Gloucester and Salem. SJTA economic development activities support the six priority areas of growth as outlined in the Economic Growth Strategy for the State of New Jersey.

Letter from the Executive Director

We at the South Jersey Transportation Authority have truly lived our vision in 2008 by leading the charge for transportation and infrastructure improvements in southern New Jersey.

The Atlantic City Expressway experienced a new record of nearly 67 million vehicles in 2008 generating $63.5 million in toll revenues for the year, up $1.67 million from 2007. Despite the economic challenges faced by Atlantic City and the region, the Expressway continues to provide direct and safe access to the resort destination and businesses throughout southern New Jersey.

While a toll increase in mid-November contributed to the increase in revenues, its real impact will be the funding of regional transportation projects in 2009 and beyond.

Our belief that Atlantic City International Airport is a major economic force in southern New Jersey was immortalized in 2008 by the results of an economic impact study conducted for the SJTA. The total economic impact of the airport is an impressive $464 million annually derived from capital investments, aviation operations and visitor spending. As remarkable are the more than 10,700 jobs that have been created from all of the aviation-related activities on the airport property.

SJTA investments in a new 1,370 parking garage, apron expansion, interior upgrades and new amenities are major steps towards maximizing the airport's potential. That potential has been the focus of a coalition formed by Atlantic City's stakeholders to attract new airlines and air service to the Atlantic City International Airport. Spirit Airlines was the first to demonstrate its belief in the region by announcing new Boston-Atlantic City service to begin May 1, 2009.

What a year it's been for the South Jersey Transportation Authority. Thanks must go to Governor Jon Corzine, our past Chairman Kris Kolluri, new Chairman Stephen Dilts, and SJTA Board of Commissioners for their support. Thanks to SJTA staff for living the vision!

Bart R. Mueller
Executive Director
South Jersey Transportation Authority

The Mission of the South Jersey Transportation Authority is to provide the traveling public with safe and efficient transportation through the acquisition, construction, maintenance, operation and support of expressway, airport, transit, parking, other transportation projects and services that support the economies of Atlantic, Camden, Cape May, Cumberland, Gloucester and Salem Counties.

Safety

Safety is the driving force behind the everyday work environment at the SJTA. Monthly safety training for all employees spans the universe of safety practices from the roadway to the office. All departments within the Authority are fully compliant with safety training mandates.

Innovation

Advancing transportation in southern New Jersey requires keeping abreast of new and emerging technologies and analyzing how they can positively impact the SJTA and the traveling public. In 2008, the SJTA began developing a plan to upgrade the electronic toll collection system along the Atlantic City Expressway. The system is intended to assist the Authority in improving traffic flow and operating efficiencies. The upgraded system will allow traffic to move through the toll plazas without stopping, therefore reducing traffic congestion and the carbon footprint.

Professionalism

The SJTA continually seeks out opportunities to upgrade its fiscal and professional practices. Technology is increasingly being employed to provide transparency and day-to-day management of critical information. The Authority's new capital project management system is in place, providing efficiencies in scheduling and cost tracking as well as real-time access to project status. In 2008, the SJTA was the catalyst behind the formation of a coalition of executive-level and community stakeholders in Atlantic City to focus on the attraction and development of air service and economic development opportunities for southern New Jersey. By making the region more accessible by air to a broader swath of the U.S., the coalition expects to attract new visitors to the region and support the business community.

Diversity

SJTA values the community and strives for diversity in its workforce and contracting, exceeding mandated guidelines for providing opportunities for southern New Jersey's small, minority and women-owned businesses. The SJTA actively participates in state and regional procurement events and continues to work with the Division of Minority and Women Business Development to provide ongoing opportunities.

Excellence

The SJTA's Core Values are incorporated into performance measures and a work ethic that is reflected by our management, administration, work force and, most importantly, is noticed and appreciated by our patrons.

Atlantic City International Airport

It was a high flying year for Atlantic City International Airport (ACY) as the SJTA's plans to maximize the airport's potential continued to be realized. An economic impact study confirmed what the agency had believed: that the Atlantic City International Airport is an economic driver for the southern New Jersey region with $464 million in overall annual economic impact and more than 4,500 jobs generating $136 million in earnings.

Air Service Development

Air service development has become the focus of a coalition of leaders of Atlantic City's casino, convention and tourism communities and related governmental agencies. Their goal - to attract new airline carriers and air service routes to ACY – is closer to being met with the end-of-year announcement by Spirit Airlines of a new Boston-Atlantic City route to begin May 1, 2009. SJTA expects the combined power of the coalition to give wings to its ongoing air service development efforts for ACY and to lead to major announcements in the coming year.

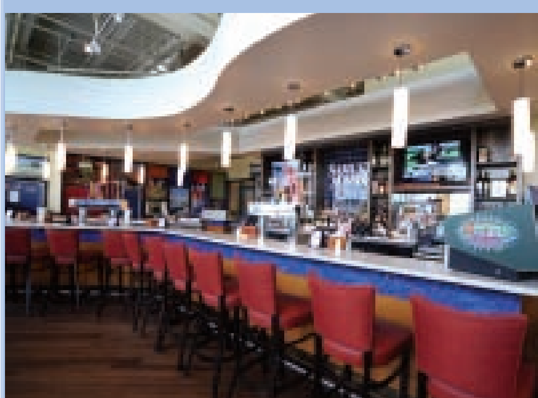
ACY Parking Garage

A six-story, 1,370-space parking garage officially opened at ACY in June 2008, making the airport more competitive in the regional market. The $26.3 million garage, located adjacent to the terminal, provides pedestrian access to the airport terminal's lobby from a 400-foot long covered walkway. Car rental agencies are now located in the garage's lobby area, along with rest rooms, elevators and airline check-in kiosks.

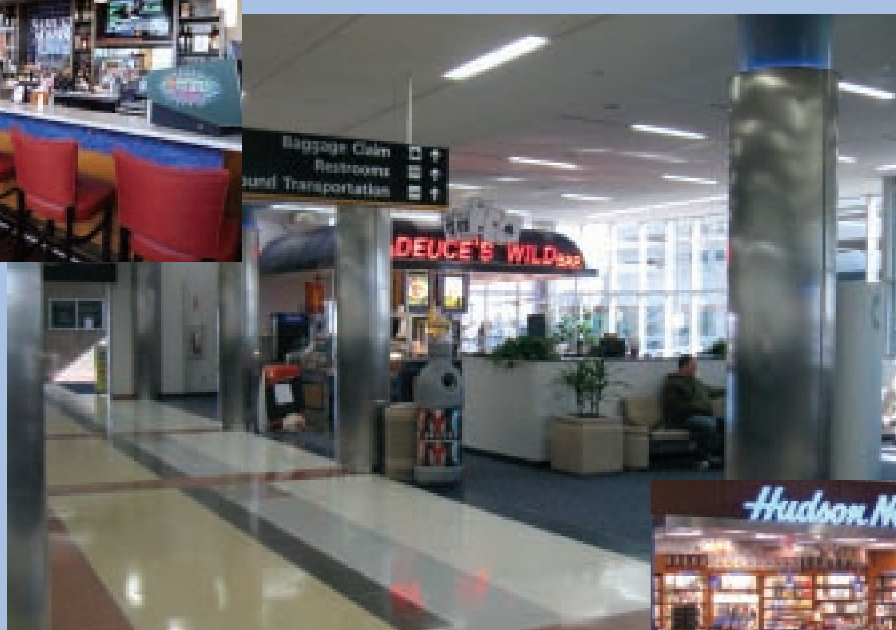
Airport Improvements and Upgrades

Allowing for easier aircraft movements and providing the foundation for the next phase of terminal expansion, the $12 million Apron Expansion project got underway in 2008. Additional airport improvements included improved baggage area access, runway and taxiway rehabilitation, access road improvements and an improved airfield lighting system.

An extensive $2.5 million renovation of the interior of the airport terminal was another important project at ACY, including new terrazzo flooring, ceiling tiles and lighting improvements, new carpeting and newly renovated bathrooms on the east wing of the terminal.



The Samuel Adams Brew Pub



The renovated interior of the Atlantic City International Airport

Hudson News, located in the terminal lobby

New Services and Food Choices

Two new national concessionaires joined ACY in 2008, including Samuel Adams Brew Pub and Hudson News. Offering pub fare and an assortment of namesake brews, the Samuel Adams Brew Pub is located on the airport's second floor. The ACY location is one of nearly 30 Samuel Adams' locations in airports across the country, including JFK and LaGuardia in New York and Newark Liberty in New Jersey. Located in the airport terminal lobby, the Hudson News is a custom developed concession program featuring a strategic mix of local products with nationally recognized brands.

Safety Now and Into the Future

A unique partnership between the SJTA and the U.S. Department of Homeland Security's Transportation Security Laboratory has designated ACY as a test site for emerging security technologies. The Cooperative Research and Development Agreement will allow the Laboratory to field test new technologies at the airport in real time and in real situations. The first technology to be tested was a prototype shoe screening device that eliminates the need to remove shoes during the screening process.

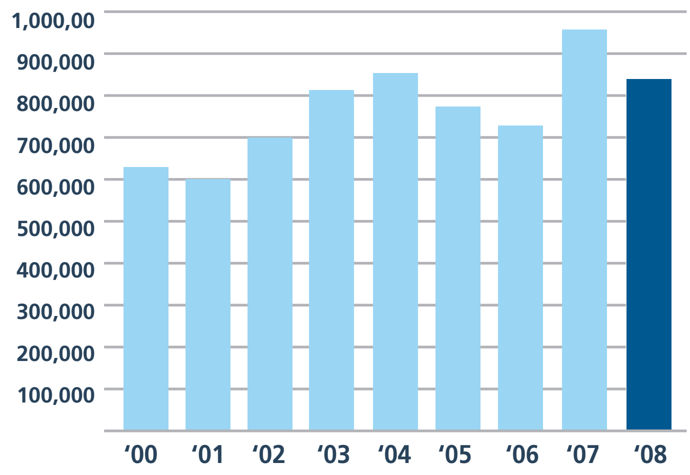
The popular "Family Lane" concept is now available at ACY providing families and individuals with special needs to go through security at their own pace.

What's Next for ACY

ACY is a major focus of the SJTA's 2009 capital plan, the largest in the agency's history. Planned airport projects include the construction of a $30 million Airport Rescue and Fire Fighting Station, $10 million airport apron expansion, $20 million terminal expansion, expansion of the Federal Inspection Security Facility allowing for federal immigration and customs agents to more efficiently process international flights.

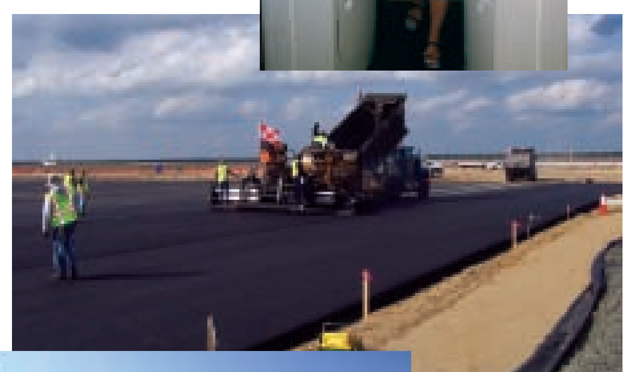
ACY Total Passengers, 2000-2008

(Scheduled Service)

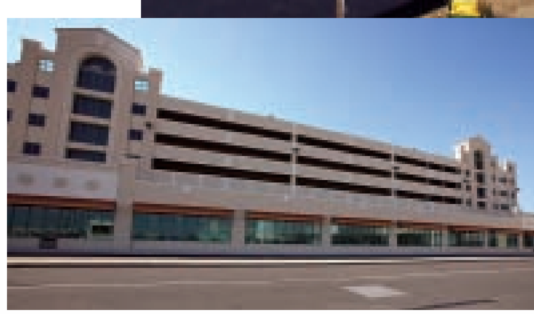


2008 Total: 827,905

Shoe screening device eliminates the need to remove shoes



Laying pavement on the $12 million Apron Expansion project

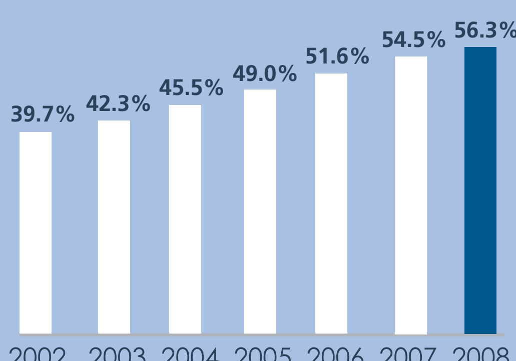


A six-story parking garage officially opened at ACY in June 2008

Atlantic City Expressway

Exit 17, now under construction

E-ZPass Usage as a Percent of Total Traffic



The South Jersey Transportation Authority continues to earn accolades for meeting the highest standards in safety and maintenance along the 47-mile Atlantic City Expressway (ACE). Recording a record number of 67.7 million vehicles in 2008, the Expressway continues to be the roadway of choice for motorists traveling to Atlantic City and throughout southern New Jersey. Toll revenues for the year were higher than the previous year exceeding $63.4 million, an increase of $1.6 million from the record set the previous year.

ACE Toll increase

The SJTA increased tolls along the Expressway in mid-November 2008 with the goal of raising $205 million to fund regional transportation projects including the widening of the Expressway between the Garden State Parkway and Route 73, widening of the Berlin-Cross Keys Bridge and improvements and expansion at the Atlantic City International Airport.

A Tourism Discount program also went into effect, offering a 25-percent toll rate reduction to E-ZPass users traveling eastbound through the Pleasantville and Egg Harbor Toll Plazas on Friday and Saturday evening. Intended to promote tourism in Atlantic County, the discount is available Friday and Saturday evenings between 5:00 and 7:00 pm through May 2009.

New Exit 17 Now Under Construction

After years of planning and approvals, construction on two new ramps began on Interchange 17 of the Atlantic City Expressway. The $8.2 million project will better connect the Expressway to Route 50 in Hamilton Township as a means to stimulate economic development in the area. The project includes retaining walls, roadway drainage, infiltration basins and landscaping.

E-ZPass On the Go

With continued commitment to keeping traffic moving safely and efficiently, the SJTA began selling “E-ZPass On The Go” tags on Labor Day weekend at the Frank S. Farley Service Center and the Atlantic City Visitor’s Center. Over 2,400 tags were sold in the four months since SJTA began offering this service which is expected to increase usage of E-ZPass on the

Expressway and help alleviate congestion. E-ZPass is accepted in 12 states including northeast states from Maine through Virginia, Indiana, Illinois and West Virginia.

Homeland Security Grant

The SJTA was awarded a $682,520 state homeland security grant to enhance interoperable radio communications in six South Jersey counties. The funds will ensure that emergency personnel and first responders from various agencies are able to communicate in an effort to enhance the region's disaster preparedness and response capabilities. The equipment will establish interoperability communications between emergency personnel at the Expressway and ACY and multiple agencies serving the region including the New Jersey State Police, New Jersey Department of Transportation, Garden State Parkway, Atlantic County Office of Emergency Management and Atlantic City.

Where We're Going

As part of the SJTA's largest capital plan in the agency's history, over $170 million in transportation and infrastructure upgrades and improvements are planned for 2009. The projects are intended to support and expand the economy of southern New Jersey and to position the region to benefit from a revitalized economy.

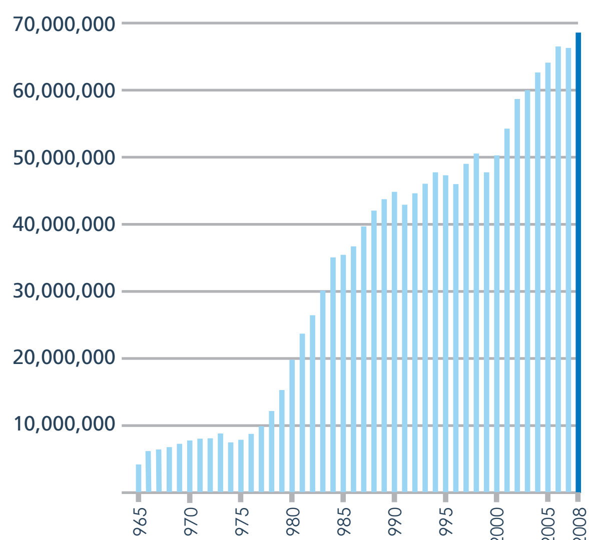
The first roadway project – the widening of Berlin-Cross Keys Bridge - will begin construction in April 2009. Throughout the rest of the year, the SJTA expects to award contracts for the $110 million, 24-mile ACE westbound widening project, the rehabilitation of bridges on the Expressway and the ACE Connector, and investing in technology for the planned cashless tolling initiative.

Motorist Aids Handled by the E.S.P. In 2008

DEAD BATTERY	604
FLAT TIRE	2,629
LOCK OUT	49
MECHANICAL	1,875
OUT OF GAS	1,049
OVERHEAT	544
DIRECTIONS	316
REQUEST FOR TOW TRUCK	1,821
OTHER	1,076
TOTAL	**9,963**

TOTAL MOTORIST AID FROM JUNE 1, 2003-DECEMBER 31, 2008	**70,148**

Atlantic City Expressway Annual Toll Traffic



2008: 67,657,100

Atlantic City Expressway Toll Schedule

Curr. Rate Pleasantville	E-ZPass	Frequent User Discount	E-ZPass Tourism Discount Rate
Auto	$0.75	$0.51	$0.56
Limo	$1.50	$0.90	$1.13
Dual Tire	$1.50	$1.35	$1.13
Three Axle	$2.25	$2.03	$1.69
Four Axle	$3.00	$2.70	$2.25
Five Axle	$3.75	$3.38	N/A
Six Axle	$4.50	$4.05	N/A

Curr. Rate Egg Harbor	E-ZPass	Frequent User Discount	E-ZPass Tourism Discount Rate
Auto	$3.00	$1.92	$2.25
Limo	$4.50	$2.70	$3.38
Dual Tire	$4.50	$4.05	$3.38
Three Axle	$6.75	$6.08	$5.06
Four Axle	$9.00	$8.10	$6.75
Five Axle	$11.25	$10.13	N/A
Six Axle	$13.50	$12.15	N/A

Current Rate Pleasantville - Route 9 Ramp	E-ZPass	Frequent User Discount
Auto	$0.75	$0.51*
Truck/Bus/Limo	$0.75	$0.75*

Current Rate Pomona, Mays Landing, Hammonton, Winslow	E-ZPass	Frequent User Discount
Auto	$0.75	$0.45*
Truck/Bus/Limo	$0.75	$0.75*

Current Rate Williamstown, Berlin-Cross Keys	E-ZPass	Frequent User Discount
Auto	$0.40	$0.24*
Truck/Bus/Limo	$0.40	$0.40*

* When two outer ramp tolls are used in the same direction during one trip (within one hour) only one toll is charged to the user's E-ZPass account.

E-ZPass Billboard

Atlantic City Expressway Annual Toll and Traffic Revenue

YEAR	EXPRESSWAY TOLL TRAFFIC	EXPRESSWAY TOLL REVENUE	AUTHORITY'S TOTAL REVENUES	PERCENT FROM EXPY TOLLS	CENTS PER TOLL
2008	67,657,100	$63,476,068	$91,605,689	69.3%	0.938
2007	66,728,789	$61,830,498	$89,416,482	69.1%	0.927
2006	66,820,291	$59,477,706	$83,676,217	71.1%	0.890
2005	64,594,708	$57,970,661	$82,007,410	70.7%	0.897
2004	62,986,400	$57,247,411	$78,771,768	72.7%	0.910
2003	60,332,338	$51,188,734	$59,488,734	86.0%	0.848
2002	59,000,044	$48,532,827	$56,373,284	86.1%	0.823
2001	54,490,349	$45,841,128	$58,712,782	78.1%	0.841
2000	50,619,351	$44,320,684	$56,594,079	78.3%	0.876
1999	48,050,179	$44,400,684	$57,923,324	76.7%	0.924
1998	50,855,587	$27,457,987	$35,321,293	77.7%	0.540
1997	49,290,846	$25,056,326	$31,958,892	78.4%	0.508
1996	46,243,612	$23,932,905	$30,498,288	78.5%	0.518
1995	47,602,146	$24,246,948	$31,458,000	77.1%	0.509
1994	48,023,048	$24,218,472	$30,713,109	78.9%	0.504
1993 (SJTA)	46,262,939	$23,429,336	(SJTA begins)	N/A	0.506
1992	44,901,487	$22,779,560	$25,935,604	87.8%	0.507
1991	43,113,761	$22,169,148	$26,645,446	83.2%	0.514
1990	45,035,072	$22,939,344	$28,154,882	81.5%	0.509
1989	43,905,047	$22,977,015	$28,209,445	81.5%	0.523
1988	42,278,412	$22,475,047	$26,769,121	84.0%	0.532
1987	39,836,484	$21,357,481	$24,964,708	85.6%	0.536
1986	37,037,486	$19,587,547	$23,145,985	84.6%	0.529
1985	35,665,732	$18,991,386	$22,848,165	83.1%	0.532
1984	35,253,091	$18,394,014	$21,843,003	84.2%	0.522
1983	30,286,240	$16,441,044	$19,425,417	84.6%	0.543
1982	26,650,882	$14,514,182	$18,142,563	80.0%	0.545
1981	23,894,730	$13,084,174	$16,016,950	81.7%	0.548
1980	19,988,359	$11,126,831	$12,550,393	88.7%	0.557
1979	15,383,322	$8,576,921	$9,778,716	87.7%	0.558
1978	12,245,975	$7,240,020	$8,088,050	89.5%	0.591
1977	9,826,579	$6,019,869	$6,640,053	90.7%	0.613
1976	8,843,662	$5,436,684	$6,017,630	90.3%	0.615
1975	7,986,995	$4,902,620	$5,530,087	88.7%	0.614
1974	7,585,840	$4,665,643	$5,274,390	88.5%	0.615
1973	8,732,426	$5,394,473	$5,963,060	90.5%	0.618
1972	8,161,724	$4,892,070	$5,434,518	90.0%	0.599
1971	8,032,007	$4,794,179	$5,224,866	91.8%	0.597
1970	7,764,570	$4,691,374	$5,084,273	92.3%	0.604
1969	7,270,137	$4,356,523	$4,688,596	92.9%	0.599
1968	6,773,838	$4,005,455	$4,279,961	93.6%	0.591
1967	6,380,080	$3,616,908	$3,842,863	94.1%	0.567
1966	6,096,547	$3,268,444	$3,416,512	95.7%	0.536

"NOTE: Formerly the New Jersey Expressway Authority. SJTA begins in late 1992. Expressway cash tolls doubled and E-ZPass discounts begin November 30, 1998."

Annual Traffic Increase or Decrease at Each Toll Area

YEAR	Pleasantville	New Road	Pomona	Mays Landing	Egg Harbor	Hammonton	Winslow	Williamstown	Cross Keys	Expressway Total
2008	6.4%	6.0%	2.1%	-4.4%	-5.4%	-3.9%	-1.0%	-1.0%	-1.9%	0.4%
2007	-0.12%	9.66%	4.78%	-0.65%	-1.51%	-0.48%	-0.79%	-0.94%	1.29%	-0.14%
2006	3.7%	8.7%	6.3%	1.6%	2.2%	2.1%	4.7%	3.1%	7.9%	3.4%
2005	3.1%	7.5%	2.4%	1.8%	1.2%	0.0%	-1.9%	3.7%	5.1%	2.5%
2004	1.7%	17.5%	3.2%	4.3%	5.7%	6.6%	7.6%	6.7%	13.0%	4.4%
2003	-1.1%	58.2%	2.9%	4.0%	2.1%	1.5%	-61.6%	2.2%	170.7%	2.1%
2002	8.1%	N/A	2.0%	15.8%	6.6%	4.8%	-28.9%	4.6%	N/A	8.6%
2001	4.6%		4.6%	13.6%	5.3%	5.0%	68.0%	2.6%		7.5%
2000	0.0%		8.9%	9.2%	2.4%	10.9%	193.5%	11.4%		5.3%
1999	-6.1%		-11.3%	-9.9%	-5.6%	6.7%	2.1%	2.4%		-5.5%
1998	3.5%		2.7%	5.6%	2.6%	0.7%	5.5%	1.7%		3.2%
1997	1.5%		99.3%	13.4%	4.7%	4.5%	5.0%	6.5%		6.6%
1996	-7.6%		34.8%	-1.3%	0.1%	0.6%	1.2%	4.6%		-2.9%
1995	-2.8%		-5.2%	-0.8%	2.6%	-2.3%	-0.3%	-0.4%		-0.9%
1994	4.4%		4.7%	2.4%	2.9%	2.1%	6.2%	5.3%		3.8%
1993	4.0%		6.8%	-0.4%	3.1%	0.5%	4.1%	-1.1%		3.0%
1992	5.1%		8.2%	8.1%	1.6%	4.5%	3.0%	3.7%		4.1%
1991	-5.9%		-5.4%	-7.1%	-2.5%	-2.0%	-2.4%	3.6%		-4.3%
1990	3.2%		5.0%	5.3%	1.4%	-3.1%	2.6%	2.4%		2.6%

Transportation Services

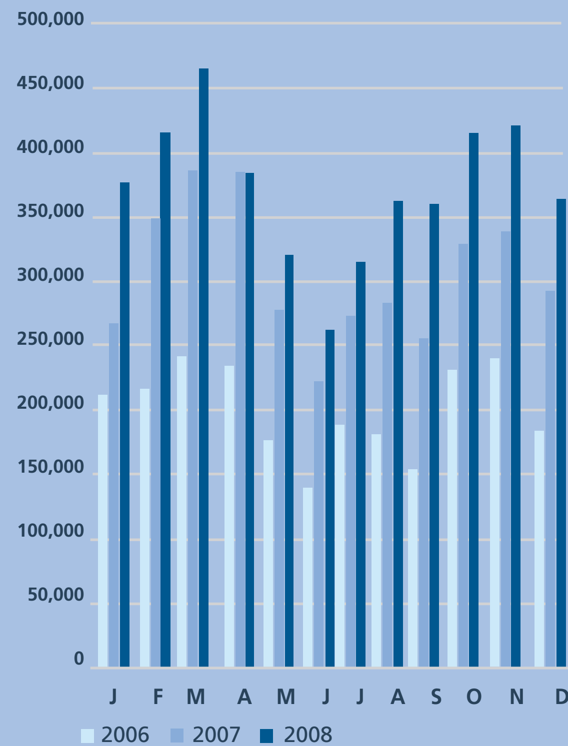
Delivering transportation services that increase employment opportunities in areas underserved by traditional public transit, the SJTA's Transportation Services play an important role in the region's economy.

Journey-to-work transit routes ensure that more people can get to jobs throughout southern New Jersey and that employers can access the region's workforce. The SJTA provided 634,475 trips to patrons in 2008.

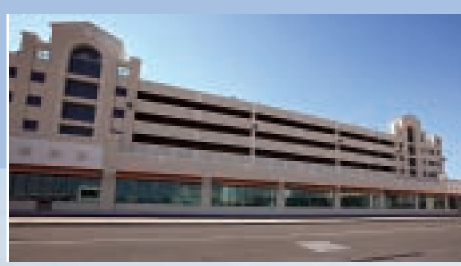
E-ZPass now for parking at ACY

Parking at the Atlantic City International Airport was made easier than ever with the implementation of E-ZPass technology at airport pay booths. Visitors can now choose to pay for parking with their existing E-ZPass accounts regardless of origin of program. Revenue derived from parking in the new garage and surface lots at the Airport showed a significant increase in 2008 to $4,491,664, up over $600,000 or 16%.

ACY Parking Revenue, 2006-2008



Total Revenue:	2006	$2,543,903
	2007	$3,831,843
	2008	$4,491,664



Economic Development

Investing in infrastructure and transportation is high on the SJTA's agenda as the agency planned for and approved the largest capital budget in its history. The $270 million plan is expected to jump start and support the economy in southern New Jersey and is a key element of the state's economic stimulus agenda. The plan consists of a variety of roadway and airport projects, air service development at Atlantic City International Airport, new energy initiatives, and utilization of technology to expand the capacity of the region's transportation infrastructure.

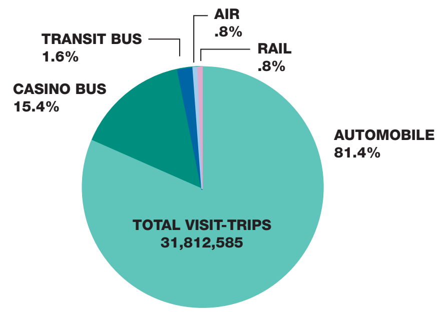
Among the projects included in the SJTA's 2009 capital budget for Atlantic City Expressway are the addition of a third westbound lane on the Expressway between the Garden State Parkway and Route 73 interchange, the widening of the Berlin-Cross Keys Road bridge at Interchange 41 and the rehabilitation of Expressway bridges. A major investment in technology for cashless tolling on the Expressway is a highlight of the spending plan.

The capital plan for the Atlantic City International Airport is equally aggressive, including the construction of a new Federal Inspection Service Facility at the Atlantic City International Airport to improve handling of international flights, a new airport rescue and fire fighting station, and further expansion of the apron to accommodate more planes and an expanded terminal. The SJTA is also funding a shared computer network for air carriers that, by helping to manage costs, will attract carriers to the airport.

NJ Economic Growth Strategy

The SJTA's economic development agenda is consistent with the Governor's Economic Growth Strategy for the State of New Jersey which focuses on business development, workforce advancement, strategic infrastructure investment and investment in innovative technologies. The SJTA has taken that commitment a step further by seeking to provide opportunities for small, minority and women-owned businesses in southern New Jersey to access SJTA contracts.

Annual Visit/Trips to Atlantic City by Transportation Mode



Communications Center

Centralizing emergency communications has been a priority of the SJTA, and provides the first opportunity for local, county and state to combine their resources for such a purpose. The SJTA is working with NJ Department of Transportation, State Police, Office of Emergency Management and Atlantic County to build a regional traffic and highway operations and emergency communications center and countywide 9-1-1 system at the Atlantic City International Airport.

When completed, the ACY site – called TOPSC2 - will include a new fire station, Airport and Expressway operations offices, State Police dispatch and trooper facility, Atlantic County emergency operations and regional traffic control center.

SJTA's Capital Plan 2007-2016 (Not Fiscally Constrained)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
Bridge Assets	$380,000	895,000	5,495,000	825,000	525,000	6,850,000	6,550,000	6,850,000	6,600,000	6,900,000	**$41,870,000**
Road Assets	$2,580,200	14,828,603	4,025,000	3,130,000	2,080,000	3,275,000	3,280,000	3,275,000	3,280,000	3,275,000	**$43,028.803**
Highway Facility Assets	$1,697,687	1,088,993	1,345,000	345,000	485,000	1,800,000	250,000	1,925,000	535,000	1,740,000	**$11,211,680**
Safety Management Assets	$291,700	2,065,047	500,000	450,000	165,000	600,000	450,000	2,450,000	450,000	7,450,000	**$14,871,747**
Congestion Relief	$10,696,561	75,000	140,700,000	7,000,000	0	30,000,000	20,000,000	0	0	0	**$208,471,561**
Capital Equipment	$1,634,300	2,431,000	2,150,000	2,400,000	2,425,000	2,660,000	2,660,000	2,660,000	2,660,000	2,660,000	**$24,340,300**
Total Expressway	**$17,280,448**	**21,383,643**	**154,215,000**	**14,150,000**	**5,680,000**	**45,185,000**	**33,190,000**	**17,160,000**	**13,525,000**	**22,025,000**	**$343,794,091**
Airport	**$8,522,972**	**10,261,057**	**32,146,000**	**80,983,421**	**31,635,000**	**36,475,000**	**21,365,000**	**51,075,000**	**30,820,000**	**3,570,000**	**$306,853,450**
Total	**$25,803,420**	**31,644,700**	**186,361,000**	**95,133,421**	**37,315,000**	**81,660,000**	**54,555,000**	**68,235,000**	**44,345,000**	**25,595,000**	**$650,647,541**

KEY DATES IN SJTA HISTORY

July 31, 1964: In noontime ceremonies presided over by State Senator Frank S. "Hap" Farley, the Atlantic City Expressway opens between its western terminus in Camden County and the Garden State Parkway. The service station at what became the Farley Service Plaza opens for business.

1965: The Expressway link to Atlantic City is completed. Toll collections rise to $2,283,966. The cost of building the Expressway is calculated to be $48,273,990.

1967: The Authority installs state-of-the-art call boxes for motorists in need of help along the full length of the Expressway.

November 1968: A major nor'easter closes the White Horse and Black Horse Pikes near Atlantic City, but the Expressway stays open – largely due to its construction three feet higher than the older highways, nine feet above mean high tide.

1973: Despite the "oil shock," toll collection crosses the $5 million mark for the first time – at $5,394,473 a 10.3-percent increase from 1972. Not surprisingly toll revenues decreased the next year to $4,665,643.

1976: The fuel crisis abated, traffic volume rises 10.7 percent.

April 12, 1977: The Service Plaza is dedicated as the Frank S. Farley Plaza. Traffic volume rises 11.1 percent, and toll collection crosses the $6-million mark.

1978: The arrival of casino gaming gives the Atlantic City Expressway a greatly enhanced mission. Traffic volume rises sharply in the seven months since the first casino, Resorts, opens – up 21 percent at Egg Harbor Toll Plaza and 49 percent at Pleasantville.

1979: As traffic volume soars, toll collections reach $8,576,921, up 18.5 percent and its largest dollar increase yet. Because of the second oil shock, gasoline is rationed at the Farley Plaza to $3 a customer – later raised to $5 to keep up with rising prices.

1980: With usage rising exponentially, the Authority completes paving 77 lane-miles of the Expressway's inside shoulder. Gas rationing at Farley Plaza is lifted.

1982: Work begins to expand and renovate Holiday House at Farley Plaza to meet contemporary tastes, transforming it from a cafeteria into a fast-food restaurant.

July 31, 1989: The Expressway celebrates its 25th anniversary at the Egg Harbor Toll Plaza. During the boom years of 1985-88, a third eastbound lane was constructed starting at the Route 73 entrance through the Pleasantville Toll Plaza, which was expanded from eight to 12 lanes. Egg Harbor was widened to 13 lanes.

1989: Traffic volume is nearly 44 million, more than seven times the 6 million vehicles that rode the Expressway 25 years before. Toll collections double since 1980, hitting $22,977,015.

June 1991: The Legislature creates the South Jersey Transportation Authority, serving six counties – Atlantic, Camden, Cape May, Cumberland, Gloucester and Salem. It is a successor to the New Jersey Expressway Authority and Atlantic County Transportation Authority.

1994: The Authority begins a project to nearly double the size of the terminal at Atlantic City International Airport by erecting a second story. A new 9,000-square-foot State Police barracks, complete with auto maintenance shop, opens at the Farley Service Plaza.

1995: Midlantic Jet Aviation, Inc., begins operations at ACY and announces plans to build a $2-million maintenance shop.

April 1, 1996: The South Jersey Transportation Authority assumes full management control of Atlantic City International Airport.

May 7, 1996: SJTA cuts the ceremonial ribbon to open the expanded ACY terminal, which grew from 45,000 to 78,000 square feet under roof – and from three gates to seven, including three with elevated boarding bridges.

Nov. 4, 1998: Groundbreaking begins for the 2.3 mile-long Atlantic City Connector.

Nov. 11, 1998: The first E-ZPass customers are recorded on the Expressway toll-collection system, the first to go operational in New Jersey.

1st Car through Egg Harbor Plaza - 1964

1998: For the first time, ACY passenger traffic tops 1 million. The South Jersey Transportation Authority assumes full responsibility for airfield operations from the Federal Aviation Administration.

Sept. 29, 1999: Ground is broken for the Cross Keys Interchange, serving Gloucester and Winslow Townships in Camden County and Washington Township in Gloucester County, this marked the first new interchange since the Expressway opened.

July 31, 2001: The Atlantic City-Brigantine Connector opens to traffic.

Sept. 11, 2001: ACY is among the first airports in the nation to reopen under the heightened security regimen.

Dec. 31, 2001: Toll revenue, reflecting a three-month surge, reaches $45,853,899, up 3.5 percent from the year before.

Oct. 1, 2002: Delta Comair begins service between ACY and its Cincinnati hub, from which connections can be made to 115 destinations around the world. In its eleventh year at ACY, Spirit Airlines expanded its schedule to include flights to Detroit, Denver, Las Vegas and Los Angeles.

2002: Visit trips to Atlantic City via the Expressway grow five percent to 24.68 million. The Authority opens its 350-space parking lot on Atlantic Avenue, bringing total spaces under SJTA management to 1,875. Toll revenue jumps to $48,532,827.

May 2003: HMS Host completes a $5-million, 15,000-square-foot building at Farley to house fast-food restaurants, a gift shop and a visitors' center.

2003: The Airport adds two new loading bridges at Gate 2 and Gate 5. Passenger traffic rises on scheduled airlines by 17.2 percent year over year.

May 2004: Express E-ZPass is inaugurated at the Pleasantville toll plaza, giving motorists two lanes in each direction for near-highway speed electronic toll collection. The refurbished and expanded Frank S. Farley Service Plaza reopens.

2004: Construction begins of Taxiway "P" at Atlantic City International Airport. ACY adds 300 seats for passengers waiting for flights. A customer service desk opens, from which "Travel Ambassadors" handle passenger concerns.

2005: The Authority broke ground at the Airport on an 18-month project to create a more efficient baggage handling and screening process.

2006: The Authority broke ground on a new $24.5 million, six-story parking garage just steps from the airport terminal building.

2007: Final Design completed for Exit 17.

Began environmental permitting and design for Atlantic City Expressway widening project westbound from milepost 8.0 to milepost 31.0.

Began All Electronic Tolling (AET) Study.

Atlantic City International Airport (ACY) completes 10,000 square foot major security baggage screening facility and begins terminal renovations.

ACY reports historic scheduled passenger growth ending the year with 34 percent increase over previous years.

SJTA adopts "Core Values" Authority-wide operating principles.

May 7, 2008: The Samuel Adams Brew Pub marks its Grand Opening on the second floor of the terminal at ACY.

June 2008: SJTA opens the $26.3 million, six-story ACY parking garage.

June 2008: $2.5 million terminal renovations begin at ACY.

July 2008: U.S. Dept. Homeland Security and SJTA sign unique Cooperative Research and Development Agreement to establish a test bed for emerging security technologies at ACY.

September 2008: The SJTA is awarded $682,520 in state homeland security funds to enhance radio interoperability communications in six South Jersey counties.

November 2008: SJTA begins construction of Atlantic City Expressway Interchange 17 to connect ACE to Route 50 in Hamilton Township.

December 2008: Spirit Airlines announces direct service to Boston From ACY.
A group of casinos, economic development officials and government leaders form a coalition to attract new airline carriers and increased service at ACY.

Airport terminal prior to SJTA acquisition and 1994 expansion that doubled its size. (Circa 1960)

TO THE BOARD OF COMMISSIONERS
SOUTH JERSEY TRANSPORTATION AUTHORITY:

The annual financial report to the South Jersey Transportation Authority (the Authority) for the year ended December 31, 2008, 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 enabling legislation as well as the Authority's Bond Resolution requires an annual audit of the Authority's financial statements by a firm of independent auditors. As a recipient of federal funds primarily from the Federal Aviation Administration for projects involving the Atlantic City International Airport, 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 internal controls designed to ensure that the assets of the Authority are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the resulting benefits; and (2) the analysis of costs and benefits requires estimates and judgments by management. As a receipt of federal financial assistance, the Authority is required to ensure that adequate internal controls are in place which ensures compliance with applicable laws and regulations relating to that assistance. These internal controls are subject to periodic evaluation 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. The Authority is a component unit included in the State of New Jersey's comprehensive annual financial report.

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 South Jersey Transportation Authority's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF GOVERNMENT:

The South Jersey Transportation Authority was created in 1991 by the South Jersey Transportation Authority Act ("Act"), Chapter 252 of the Laws of New Jersey. The Authority became the successor to the New Jersey Expressway Authority ("NJEA") and the Atlantic County Transportation Authority ("ACTA"). Pursuant to the Act, the Authority acquired the Civil Terminal Area of the Atlantic City International Airport as a transportation project. The purpose of the Authority is to coordinate South Jersey's transportation system in its regional jurisdiction of the counties of Atlantic, Camden, Cape May, Cumberland, Gloucester and Salem, and deal particularly with the highway network, aviation facilities and the transportation problems of Atlantic County.

The Authority's responsibility is to maintain, repair and operate the 46.4-mile Atlantic City Expressway along with portions of Routes 30, 187, and 42. Other functions of the Authority include those assumed with the acquisition of ACTA as follows: operation of the New York Avenue Parking Garage and related office and commercial space in Atlantic City, New Jersey; bus management; automobile parking; traffic management; and transportation planning in Atlantic County. The Airport Division is responsible for operating and improving the Airport.

The Authority also functions as the administrative shell for the South Jersey Transportation Planning Organization ("SJTPO"). The SJTPO is a metropolitan planning organization whose function is to develop transportation programs for urbanized areas of the State in order to encourage and promote the development of intermodel transportation systems that maximize mobility and minimize air pollution. The New Jersey Department of Transportation Grant for Administration Staff Support for the SJTPO is designed to reimburse the Authority for its expenses incurred each year for the SJTPO. These expenses typically include salaries, fringe benefits and non-salary direct expenses.

Effective January 1, 2004, the Authority acquired and assumed the operation of the "Comprehensive Transportation System" in Camden and Gloucester Counties, previously operated by the Camden County Improvement Authority. The Comprehensive Transportation System includes (i) the transportation needs of the Work Force New Jersey and Temporary Assistance To Needy Families ('TANF") recipients, post-TANF recipients, welfare clients, low income individuals, and other transit dependents, (ii) the operation of a Job Access/Reverse Commute Program in Camden County, (iii) a partnership with New Jersey Transit to provide local shuttle motor bus passenger service in and around Camden County, and (iv) transportation services for residents of Gloucester County to and from the Pureland Industrial Park from Westville and Woodbury, Gloucester County. Funding from the various state grants above are used to fund operating costs. Operating expenses incurred are offset by operating revenues from each respective grantor agency, as well as revenue from local private employers.

The Authority operates under a Board of Commissioners. There are nine Commissioners, comprised of the State Commissioner of Transportation who currently serves as Chairman, the CEO and Secretary of the New Jersey Commerce and Economic Growth Commission, and seven members appointed by the Governor with Senate approval. The Board of Commissioners establishes policy and plans for the operations of the Authority. Serving under the Authority's Commissioners is the Executive Director who implements policy and manages the daily operations of the Authority. The Executive Director is supported by two Deputy Directors, a Chief of Staff, and various Department Directors.

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 Department Directors 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. The individual departmental budgets are reviewed at budget meetings conducted by the budget review committee, . The budget review committee consists of the Chief of Staff, Director of Finance/Treasurer, Budget Manager, appropriate Deputy Director and other staff.Once the review process is complete, a proposed operating budget is presented by the Executive Director to the Board of Commissioners for its review and approval. Any subsequent addition to funds to the total operating budget requires the approval of the Board of Commissioners. Expenditures are monitored continuously throughout the year by the Budget Division to ensure that each department is in compliance with the approved operating budget. Additionally, the accounting system does not permit expenditures to exceed amounts budgeted without a line item transfer. All line item transfers are approved in writing by the Executive Director.

A capital budget is also prepared annually. The budget is prepared by a Capital Program Committee which is chaired by the Director of Policy and Planning and comprised of four additional members of senior leadership. The capital budget is prepared by the Capital Program Committee in a similar process to the operating budget 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 contracts above the current SJTA bidding threshold involving a capital project may commence.

The capital budget process balances investment among highway, transit and air transportation. A ten year planning document is also produced in coordination with the State of New Jersey Transportation Capital Investment Strategies and the regional transportation planning efforts of southern New Jersey's two Metropolitan Planning Organizations: the South Jersey Transportation Planning Organization and the Delaware Valley Regional Planning Commission. An Airport Improvement Plan, detailing all capital projects that have elements of federal funds, is prepared by the Authority and submitted to the FAA on an annual basis. Any adjustments to the capital budget required after the FAA approval has been received are approved by the Board of Commissioners via board resolution.

FACTORS AFFECTING FINANCIAL CONDITION:

Investment Management

Investments of the Authority are purchased in accordance with the Authority's 1999, 2003, 2004 and 2006 Bond Resolutions. Cash available during the year is generally invested in money market funds, repurchase agreements (collateralized by obligation of the US Treasury), obligations of the United States Treasury, obligations of federal government agencies or their instrumentalities, obligations of public agencies or municipalities or certificates of deposits 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-l 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.

Risk Management

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error and omission, injury to employees, professional liability, airport liability, environmental and natural disasters. The Authority purchased commercial insurance to manage all of these risks except for workers compensation, general liability and auto. Settled claims have not exceeded this coverage in any of the past three years.

The Authority established a Self-Insurance fund program for certain risk areas. The Authority's per occurrence self insurance retention levels are $350,000 for worker's compensation, $200,000 for auto liability, and $200,000 for general liability. An allocation of these retention levels has been made to the Airport based on the number of employee's currently employed at the Airport. The Authority has an umbrella excess liability policy over those self-insurance retention levels of $15,000,000 per occurrence and $30,000,000 annual aggregate. Additional information can be found in Note 14 of the financial statements.

Pension Plans

All full-time Authority employees participate in the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS"). The Division of Pensions and Benefits ("Division") within the Treasury Department of the State of New Jersey is the administrator of the funds and charges the employee and employer annually for their respective contributions. The Plans provide retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

Covered employees are required by State statute to contribute a certain percentage of their salary to the plans. PERS and PFRS bill the Authority annually at an actuarially determined rate for its required contribution. The current rate is 5.5% for PERS and 8.5% for PFRS of annual covered payroll. Additional information can be found in Note 13 of the financial statements.

Other Post-employment Benefits

The Authority has implemented GASB Statement No. 45 "Accounting and Financial Reporting for Employers for Post-employment Benefits Other than Pensions" ("GASB 45"). This Statement establishes the standards for the measurement, recognition, and display of Other Post-employment Benefits ("OPEB") expense and related liabilities, note disclosures, and if applicable, required supplementary information ("RSI") in the financial reports of state and local governmental employers.

Post-employment benefits are part of an exchange of salaries and benefits for employee services rendered. Most OPEB have been funded on a pay-as-you-go basis and have been reported in financial statements when the promised benefits are paid. GASB 45 requires state and local government's financial reports to reflect systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and provides information about actuarial accrued liabilities associated with the OPEB and whether and to what extent progress is being made in funding the plan.

In 2007, the Authority recorded its entire OPEB obligation, $100 million, as a result of the required bi-annual actuarial valuation that was completed in 2006. The Authority decided to record the entire unfunded liability in the financial statements to ensure that the OPEB obligation associated with the Atlantic City Expressway (ACE) assets would be transferred with the ACE assets to the New Jersey Turnpike or successor entity at the transfer date if the legislation that had been proposed in 2007 concerning this potential transfer had been passed.

In 2008, the OPEB obligation was reduced by $45 million primarily due to plan redesign, which included renegotiated medi-gap benefits for retirees over 65. This reduction is reflected in the non-operating revenue section in the accompanying statement of revenues, expenses and changes in net assets.

The Authority's total unfunded actuarial accrued liability at December 31, 2008 is $54,496,108. $46,145,968 is related to the Expressway and $8,350,140 is related to the Airport. This liability is reflected in Non-current Liabilities on the accompanying Statement of Net Assets.

In 2008, the Authority also established an account by resolution, the purpose of which was to begin to make contributions to fund the Authority's unfunded OPEB obligation. The resolution authorized up to $2 million annually to be deposited in the restricted account to fund the OPEB Obligations. The Authority made a $2 million contribution during 2008. This contribution is reflected in restricted cash and the net assets restricted for funded OPEB obligation in the accompanying statement of net assets.

ACKNOWLEDGEMENT:

The preparation of this report would not have been possible without the dedication and efficiency of the entire staff of the Finance and Marketing and Communications Departments. I would especially like to express my appreciation to the members of these Departments who contributed to the preparation of this report. Special thanks must also be given to the Chairman, Vice-Chairman, Executive Director, Deputy Executive Directors, Chief of Staff and the Finance and Audit Committees of the Board for maintaining the highest standards in the management of the South Jersey Transportation Authority's finances.

Respectfully submitted:

Kathleen M. Sharman

Kathleen M. Sharman
Director of Finance/Treasurer

SOUTH JERSEY TRANSPORTATION AUTHORITY
REPORT OF AUDIT

FOR YEAR ENDED DECEMBER 31, 2008

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Chairman and Commissioners of the
South Jersey Transportation Authority
Hammonton, New Jersey

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying basic financial statements of the South Jersey Transportation Authority ("Authority"), a component unit of the State of New Jersey, as of and for the year ended December 31, 2008, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of December 31, 2008, and the respective changes in its financial position and cash flows, where applicable, for the year 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 March 24, 2009 on our consideration of the Authority's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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 our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and the presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The accompanying financial information listed as Other Supplementary Information is not a required part of the basic financial statements, but is presented as additional analytical data. Such information has been subjected to the auditing procedures applied in the audit 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.

Ford, Scott, & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello
Certified Public Accountant

March 24, 2009

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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*

Chairman and Commissioners of the
South Jersey Transportation Authority
Hammonton, New Jersey

We have audited the basic financial statements of the South Jersey Transportation Authority ("Authority"), a component unit of the State of New Jersey, as of and for the year ended December 31, 2008, and have issued our report thereon dated March 24, 2009. 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 the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 the basis of accounting generally accepted in the United States of America, 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.

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 the 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 that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether the Authority's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic 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*.

We noted certain matters that we reported to the Authority's management in a separate letter dated March 24, 2009.

This report is intended solely for the information and use of management, the Finance Committee, others within the organization and for filing with the State Treasurer, and is not intended to be and should not be used by anyone other than these specified parties.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello
Certified Public Accountant

March 24, 2009

REQUIRED SUPPLEMENTARY INFORMATION

Our discussion and analysis of the South Jersey Transportation Authority's (SJTA) financial performance provides an overview of the Authority's financial activities for the year ended December 31, 2008. Please read it in conjunction with the Authority's financial statements that begin on Page 13.

Financial Highlights

- **TOLL RATE INCREASE:** On October 10, 2008, the SJTA Board of Commissioners approved a 50% toll increase at all locations with the exception of Williamstown (Exit 38) and Berlin-Cross Keys (Exit 41) where the toll increase was 60%. The Expressway experienced a 39.7% increase in toll revenue and a 7.16% decrease in toll paying traffic compared to 2007 on a date by date basis, from the inception date of the new toll rates, November 18, 2008, to December 31, 2008. The Authority plans on leveraging the increased toll revenue in 2009 by issuing additional transportation system revenue bonds to fund the 2009 capital program. Key elements of the 2009 capital program include a third lane west bound widening from mile post 8 to the Egg Harbor Plaza, technology upgrades, bridge rehabilitation and various infrastructure improvements at the Atlantic City International Airport.

- **SIGNIFICANT DECREASE IN THE VALUE OF THE GASB 45 OPEB LIABILITY RESULTING FROM EMPLOYEE BENEFIT PLAN CHANGES FOR RETIREES OVER 65:** The Authority has implemented GASB Statement No. 45 "Accounting and Financial Reporting for Employers for Post-employment Benefits Other than Pensions" ("GASB 45"). This Statement establishes the standards for the measurement, recognition, and display of Other Post-employment Benefits ("OPEB") expense and related liabilities, note disclosures, and if applicable, required supplementary information ("RSI") in the financial reports of state and local governmental employers.

  Post-employment benefits are part of an exchange of salaries and benefits for employee services rendered. Most OPEB have been funded on a pay-as-you-go basis and have been reported in financial statements when the promised benefits are paid. GASB 45 requires state and local government's financial reports to reflect systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and provides information about actuarial accrued liabilities associated with the OPEB and whether and to what extent progress is being made in funding the plan.

  In 2007, the Authority recorded its entire OPEB obligation, $100 million, as a result of the required bi-annual actuarial valuation that was completed in 2006. The Authority decided to record the entire unfunded liability in the financial statements to ensure that the OPEB obligation associated with the Atlantic City Expressway (ACE) assets would be transferred with the ACE assets to the New Jersey Turnpike or successor entity at the transfer date if the legislation that had been proposed in 2007 concerning this potential transfer had been passed. In 2008, the OPEB obligation was reduced by $45 million primarily due to plan redesign, which included renegotiated medi-gap benefits for retirees over 65. This reduction is reflected in the non-operating revenue section in the accompanying statement of revenues, expenses and changes in net assets.

  The Authority's total unfunded actuarial accrued liability at December 31, 2008 is $54,496,108. $46,145,968 is related to the Expressway and $8,350,140 is related to the Airport. This liability is reflected in Non-current Liabilities on the accompanying Statement of Net Assets.

  In 2008, the Authority also established an account by resolution, the purpose of which was to begin to make contributions to fund the Authority's unfunded OPEB obligation. The resolution authorized up to $2 million annually to be deposited in the restricted account to fund the OPEB Obligations. The Authority made a $2 million contribution during 2008. This contribution is reflected in restricted cash and the net assets restricted for funded OPEB obligation in the accompanying statement of net assets.

- **AIRPORT SUBSIDY:** The Authority's enabling legislation created the South Jersey Transportation Authority to deal with regional transportation issues. Included in the legislation were the powers to acquire and operate the Atlantic City International Airport. (ACY). The available surplus, net revenue generated by the Atlantic City Expressway project, has historically been available to subsidize the airport operations as was anticipated in the legislation and clearly presented in the original documents adopted by the Authority. The airport project is considered a general project under the Authority's General Bond Resolution and payment of any airport subsidy (excess of airport expenses over airport revenues) is subordinate to payments to bond holders under the Authority's General Bond Resolution and payable from the general reserve fund. Prior to September 11, 2001, the airport subsidy was steadily decreasing; in fact for the year ended December 31, 2000, the airport generated a small operating surplus. The subsidy has increased since the events of September 11, 2001 due to revenue losses resulting from declines in the airline industry and expense increases resulting from additional requirements including fulltime police presence, and increased insurance costs. In an effort to generate additional airport revenues, in March 2009, the Authority entered into a risk assurance agreement with Air-Tran Airways for two flights daily to Atlanta.

  The airport subsidy was $3,520,443 for the year ended December 31, 2008. In 2007 and 2008, the Authority allocated additional administrative costs to airport operations, which included both state required pension contributions as well as health insurance premiums.

Using this Financial Report

This financial report consists of a series of financial statements, notes to the financial statements and supplementary information. The Basic Financial Statements consist of the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets ("Operating Statement") and the Statement of Cash Flows (on Pages 14 – 18) that provide information about the activities of the Authority as a single enterprise Fund. An enterprise fund uses proprietary fund reporting that focuses on the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. Proprietary Fund financial statements for the Authority's two main funds start on Page 19. These financial statements report the Authority's operations in more detail than the Basic Financial Statements by providing information about the Authority's most significant funds. The Authority's two major operating entities, which are being reported separately in the Proprietary Fund financial statements, are the Atlantic City Expressway ("Expressway") and the Atlantic City International Airport ("Airport"). Common costs for these two major operating entities are generally assigned to the Expressway. Fund financial statements are also included in the Other Supplementary Information on Pages 68 - 76. Fund financial statements report the Authority's operations, in detail, for all of the funds of the Authority. Some funds are required to be established by bond covenants, while the Authority establishes many other funds to help it control and manage money for particular purposes. Resources are accounted for in individual funds based upon the purpose for which they are to be spent and the restrictions, if any, on the spending activities.

Financial Statements of the Authority

All of the Authority's financial statements are prepared based on an accrual basis in accordance with accounting principles generally accepted in the United States of America. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Capital assets are capitalized and, (except land and construction in progress), are depreciated over their useful lives. Amounts are restricted for rehabilitation and repair, debt service and, where applicable, capital projects.

The statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information on all Authority assets, liabilities, revenues and expenses in a manner similar to that used by most private-sector companies. These two statements also report the Authority's *net assets* and changes in them. One can think of the Authority's net assets – the difference between assets and liabilities- as one way to measure the Authority's financial health, or *financial position.*

Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. Net assets increase both when revenues exceed expenses and when the Authority's assets increase without a corresponding increase in the Authority's liabilities. It is important to note, however, depreciation's negative impact on net assets. Depreciation decreases the Authority's net assets even though it is a non-cash expense and may represent a write off against a contributed capital item paid for by a federal grant or private source.

The Statement of Cash Flows presents information about the Authority's relevant sources and uses of cash for the year. It is prepared in a manner that summarizes (1) cash flows from operations, (2) non-capital financing activities, (3) capital and related financing activities and (4) investing activities. Additionally, non-cash transactions that have an effect on the Authority's financial position are also presented in the Statement of Cash Flows. Specifically, the Statement of Cash Flows, together with related disclosures and information on other financial statements, can be useful in assessing the following:

- Ability of an entity to generate future cash flows
- Ability of an entity to pay its debt as the debt matures
- Need to seek outside financing
- Reasons for differences between cash flows from operations and operating income
- Effect on an entity's financial position of cash and non-cash transactions from investing, capital and financing activities

Financial Analysis of the Authority's Statement of Net Assets

In an effort to maximize earnings on expressway investments, the Authority purchased an additional $8 million in investments resulting in an increase in the balance of unrestricted investments.

Restricted current and other assets decreased by $10.8 million in 2008 due to ongoing construction projects. Restricted cash balances increased in the amount of $11.9 million while investment balances decreased by $22.4 million. A reduction in interest receivable also accounts for the over-all reduction in total restricted assets.

Capital assets, net of accumulated depreciation, increased by a net of $13.8 million. The Expressway's Capital Assets, net of depreciation, decreased by $3.1 million, while the Airport capital assets, net of depreciation, increased by $16.8 million.

The charts below detail the Expressway's decrease in capital assets, net of accumulated depreciation, and the Airports increase in capital assets, net of depreciation:

EXPRESSWAY

Project		**Amount**
Road Overlay Programs	$	2.6 million
Third Lane Project Construction		3.2 million
Safety Improvements		0.2 million
Fleet Maintenance - State Police Vehicles		0.5 million
Farley Plaza Renovations		0.3 million
Route 50 Easterly Access		0.3 million
Other Facility and Equipment Costs		2.0 million
Bridge Repairs and Inspections		0.8 million
Environmental Mitigation		0.1 million
Change in Accumulated Depreciation		(13.1) million
Total Expressway Decrease	$	3.1 million

Financial Analysis of the Authority's Statement of Net Assets (Continued)

AIRPORT

Project		Amount	
Auto Parking	$	9.0	million
Interior Terminal Improvements		2.6	million
Security Fencing		0.4	million
Common Use Technology		0.3	million
Security System Upgrades		0.3	million
Terminal Apron Expansion		7.0	million
Other Facility and Equipment Costs		1.3	million
Change in Accumulated Depreciation		(4.1)	million
Total Airport Increase	$	16.8	million

The Authority's outstanding long-term debt includes four separate series of transportation system revenue bonds; each of which include serial bonds and some that include both serial and term bond components and are net of discounts, premiums, and a deferred loss on refunding.

In 2007, the Authority issued Taxable Subordinated Notes, Series 2007, in the principal amount of $22,390,000. The notes bear an interest rate of 5.50%, mature on January 1, 2010 and can be redeemed after January 1, 2008.

The 2006 Series A Transportation System Revenue Bonds (term bond) of $50,365,000 carries an interest rate of 4.50% and mature on November 1, 2035. The 2006 Series A Bonds are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount thereof being redeemed, without premium, plus accrued interest to the redemption date. Proceeds of the 2006 Series A Transportation System Revenue Bonds were used to finance ((1) the construction of a multi-level parking garage containing approximately 1,400 parking spaces located in front of the passenger terminal at the Atlantic City International Airport, including the construction of a fare collection system capable of accepting E-ZPass as a method of payment; (2) the redemption of the Authority's $10,400,000 Subordinated Notes, Series 2005, dated March 30, 2005 and due March 29, 2006 including interest thereon; (3) the amount required to increase the amount on deposit in the Debt Service Reserve Fund to the Debt Service Reserve Requirement; (4) a portion of the interest on the 2006 Series A Bonds for approximately twenty-four months; and (5) pay certain costs of issuing the 2006 Series A Bonds.

The 2004 Series A Transportation System Revenue Bonds of $22,235,000 have interest rates ranging from 2.25% to 5.15% and mature in various increments November 1, 2004 through November 1, 2033.

The 2003 Series Transportation System Revenue Refunding Bonds (serial bonds) of $15,790,000 have interest rates ranging from 2.0% to 5.25% and mature in various increments November 1, 2004 through November 1, 2012. Proceeds of the 2003 Series Refunding Bonds were used to: (1) defease and refund a portion of the $15,455,000 Transportation System Revenue Bonds, 1992 Series B (tax exempt), and (2) pay certain costs of issuance of the 2003 Bonds.

The 1999 Series serial bonds mature in various increments from November 1, 2000 through November 1, 2019, while the 1999 Series term bonds mature November 1, 2022 and 2029. Interest rates on these bonds range from 3.20% to 5.125%.

In 2008, the Authority made $5.65 million in bond principal payments and $14.5 million in bond interest payments.

Financial Analysis of the Authority's Statement of Net Assets (Continued)

Current liabilities payable from unrestricted assets increased by $3.7 million, primarily from an increase in accounts payable in the amount of $2.2 million due, in part, to an increase in the accrual of state police expenses in the amount of $1.8 million, and an increase in accrued expenses partially due to an increase in compensated absences in the amount of $1.3 million.

Current liabilities payable from restricted assets decreased by $4.7 million, primarily from the decrease in Passenger Facility Charges Advanced in the amount of $1.8 million and the decrease in accounts payable in airport related expense accruals in the amount of $2.9 million. Additional changes can be explained by the following other factors: an increase in expressway accounts payable in the amount of $1.6 million, a decrease in retainage payable related to airport construction projects in the amount of $.6 million, an increase in Customer Facility Charges Advanced in the amount of $.2 million, an increase in the current portion of bonds payable of $.1 million, a decrease in Economic Recovery Funds Advanced in the amount of $.5 million and a decrease in the unamortized SWAP premium in the amount of $.4 million.

Long term debt and other obligations outstanding decreased by $51.2 million. This large decrease was due mostly to the reduction of other post-employment benefits in the amount of $45.5 million, and a decrease in long-term debt due to bond principal payments in the amount of $5.7 million.

Other non-current liabilities decreased by $.3 million. This decrease was entirely related to the decrease in the arbitrage rebate payable.

SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS
December 31, 2008
With Comparative Totals as of December 31, 2007

	2008	2007
Unrestricted Current and Other Assets	$ 35,408,649	$ 35,468,824
Restricted Current and Other Assets	88,111,500	98,975,644
Capital Assets (net)	538,555,277	524,772,014
Other Noncurrent Assets	6,574,587	7,055,698
Total Assets	668,650,013	666,272,180
Long-term debt outstanding	333,865,453	385,100,080
Other Unrestricted Liabilities	10,895,754	7,135,450
Other Restricted Liabilities	25,918,746	30,624,749
Other Noncurrent Liabilities	55,417	407,877
Total Liabilities	370,735,370	423,268,156
Net Assets:		
Invested in Capital Assets, Net of Related Debt	265,793,486	231,947,017
Restricted	51,739,358	73,723,300
Unfunded OPEB/(Deficit)	(45,344,707)	(92,731,642)
Funded OPEB Obligation	2,000,000	-
Unrestricted	23,726,506	30,065,349
Total Net Assets	$ 297,914,643	$ 243,004,024

Financial Analysis of the Authority's Statement of Revenues, Expenses and Changes in Net Assets

Expressway Revenue and Expense:

Expressway operating revenues increased by $1.8 million as a result of the following:

- A $1.6 million increase in toll revenue partially due to a 50% toll rate increase effective November 18, 2008.
- A $.2 million increase in billboard rental revenue.
- A $.5 million increase in electronic toll collection administrative revenue.
- A $.3 million decrease in Transportation Services Division revenue.
- A $.2 million decrease in concession and marina parking revenues.

Expressway operating expenses, net of depreciation decreased by $5.5 million. This decrease is due in part to a decrease in the current year post-retirement benefit obligation in the amount of $6.8 million and an increase in maintenance expense in the amount of $1.3 million. Marketing and Communication division expenses decreased by $.3 million, and Electronic Toll Collection expenses increased by $.3 million.

Airport Revenue & Expense:

Airport revenue increased by $.3 million primarily due to an increase in automobile parking revenue of $.6 million, and decreases in interest on investments of approximately $.1 million and a decrease in other airport revenue as a result of the loss of one of the air carriers at the airport and the ancillary revenue associated with this decrease in service.

Operating expenses increased by $1.1 million from $11.5 million in 2007 to $12.6 million in 2008. This increase is in part attributable to an increase in airport management costs provided by an outside vendor in the amount of $.9 million and costs related to airport shuttle operations in the amount of $.2 million.

Capital Contributions:

Capital Contributions at the Airport were primarily related to the FAA Airport Improvement grants. Capital Contributions received during the year increased by $10.2 million. The overall increase is attributable to an increase in FAA grant revenue in the amount of $5.3 million, an increase in PFC grant revenue in the amount of $4.3 million and an increase in Economic Recovery Fund revenue in the amount of $.6 million.

Financial Analysis of the Authority's Statement of Revenues, Expenses and Changes in Net Assets (Continued)

SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year Ended December 31, 2008
With Comparative Totals as of December 31, 2007

	2008	2007
Operating revenues	$ 91,605,689	$ 89,416,482
Operating expenses	81,879,482	85,929,695
Operating Income	9,726,207	3,486,787
Net Non-Operating Revenues (Expenses)		
Interest revenue	4,678,195	7,079,013
Interest on bonds	(14,584,777)	(14,159,395)
Reduction in OPEB liability	45,521,892	-
Other non-operating revenues (expenses)	(2,928,077)	(2,886,483)
Income (Loss) before Capital Contributions	42,413,440	(6,480,078)
Capital Contributions	12,497,179	2,159,576
Change in Net Assets	54,910,619	(4,320,502)
Cumulative Effect of Accounting Change	-	(92,731,642)
Total Net Assets -- Beginning	243,004,024	340,056,168
Total Net Assets -- Ending	$ 297,914,643	$ 243,004,024

Financial Analysis of the Authority's Statement of Cash Flows

The increase in cash used provided by capital and related financing activities related to the following:

- The Authority spent $10.3 million more on capital acquisitions (See increase/decrease in capital asset section for details of Authority capital asset acquisitions during 2008).

- Capital Contributions received were $10.2 million more than what was received in 2007. The Authority received a total of $7.3 and $2.0 from the Federal Aviation Administration for the years ended December 31, 2008 and 2007, respectively, a total of $.14 and $.03 from the New Jersey Air National Guard for the years ended December 31, 2008 and 2007, respectively, a total of $.6 and $0.00 from the Economic Recovery Fund for the years ended December 31, 2008 and 2007, respectively and a total of $4.3 and $.1 from passenger facility charges for the years ended December 31, 2008 and 2007, respectively.

Cash used by investing activities increased by $25.3 million because the Authority decreased it's purchase of investments by $31.0 million, decreased the sale of investments by $3.8 million, and interest on investments decreased by $1.9 million.

SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended December 31, 2008
With Comparative Totals as of December 31, 2007

	2008	2007
Cash Flows Provided by (Used in):		
Operating activities	$ 29,926,275	$ 31,912,696
Noncapital financing activities	(2,500,000)	(2,500,000)
Capital and related financing activities	(44,540,364)	(21,577,068)
Investing activities	19,436,366	(5,951,930)
Net increase in cash and cash equivalents	2,322,277	1,883,698
Cash and cash equivalents - beginning of the year	53,148,939	51,265,241
Cash and cash equivalents - end of the year	$ 55,471,216	$ 53,148,939

Non-cash Capital Financing Activities:

No capital assets were acquired through contributions from governmental agencies and private developers.

Notes to the Financial Statements

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

Other Supplementary Information

In addition to the financial statements and accompanying notes, this report also presents certain supplementary information concerning the Authority's fund financial statements, bonds and other debt, toll revenue and vehicle count.

Contacting the Authority's Financial Management

This financial report is designed to provide our commissioners, customers, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance at the South Jersey Transportation Authority, Farley Service Plaza, Administration Building, P.O. Box 351, Hammonton, NJ 08037.

BASIC FINANCIAL STATEMENTS

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS

December 31, 2008

With Comparative Totals as of December 31, 2007

	2008	2007
ASSETS		
Unrestricted Assets:		
Cash and Cash Equivalents	$ 18,023,202	$ 27,509,816
Investments	10,075,525	1,990,053
Change Funds	50,999	51,284
Interest Receivable	21,782	113,873
Accounts Receivable (net of allowance for uncollectibles)	3,044,225	2,685,283
Grants Receivable	1,851,873	994,571
Prepaid Expenses	2,044,396	1,988,503
Security Deposits	114,168	-
Fuel Inventory	182,479	135,441
Total Unrestricted Assets	35,408,649	35,468,824
Restricted Assets:		
Cash and Cash Equivalents	37,397,015	25,587,839
Investments	49,842,006	72,252,483
Grants Receivable	648,438	570,207
Interest Receivable	224,041	565,115
Total Restricted Assets	88,111,500	98,975,644
Noncurrent assets:		
Capital assets:		
Non-Infrastructure Capital Assets:		
Land and Improvements	147,351,642	147,321,510
Electronic Toll Equipment	8,917,935	8,917,935
Buildings and Equipment	95,133,262	62,720,775
Less Accumulated Depreciation	(44,420,694)	(41,318,103)
Total Non-Infrastructure Capital Assets	206,982,145	177,642,117
Infrastructure Capital Assets:		
Infrastructure - Equipment	10,576,627	10,195,499
Infrastructure	400,103,204	393,348,853
Less Accumulated Depreciation	(107,203,960)	(93,122,441)
Total Infrastructure Capital Assets	303,475,871	310,421,911
Construction in Progress	28,097,261	36,707,986
Total Capital Assets	538,555,277	524,772,014
Bond Issuance Costs	9,858,378	9,865,987
Less Accumulated Amortization	(3,283,792)	(2,810,289)
Total Non-current Non-capital Assets	6,574,586	7,055,698
Total Noncurrent Assets	545,129,863	531,827,712
TOTAL ASSETS	$ 668,650,012	$ 666,272,180

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS

December 31, 2008

With Comparative Totals as of December 31, 2007

	2008	2007
LIABILITIES AND NET ASSETS		
Current Liabilities Payable From Unrestricted Assets:		
Accounts Payable	$ 7,509,521	$ 5,378,459
Deferred Income	564,637	475,479
Escrow Deposits	334,585	147,964
Accrued Expenses	2,487,011	1,133,548
Total Current Liabilities Payable From Unrestricted Assets	10,895,754	7,135,450
Current Liabilities Payable From Restricted Assets:		
Accrued Interest	2,779,456	2,781,670
Accounts Payable	3,608,983	4,923,967
Unamortized SWAP Premium	6,126,552	6,580,049
Retainages Payable	752,578	1,461,077
Due to Other Governmental Agencies	208,334	416,667
PFC Advanced	4,271,725	6,036,384
CFC Advanced	697,169	463,615
Reserve for Self-Insurance	1,592,454	1,541,061
Economic Recovery Funds Advanced	104,662	695,932
Elevated U-Turn Advance	-	121,411
Bonds and Notes Payable, Net of Discount, Premium and Loss on Defeasance ($118,167)	5,776,833	5,602,916
Total Current Liabilities Payable From Restricted Assets	25,918,746	30,624,749
Noncurrent Liabilities:		
Other Postemployment Benefits other than Pensions	54,496,108	100,018,000
Arbitrage Rebate Payable	55,417	407,877
Bonds and Notes Payable, Net of Discount, Premium and Loss on Defeasance ($1,905,655)	279,369,345	285,082,080
Total Noncurrent Liabilities	333,920,870	385,507,957
TOTAL LIABILITIES	$ 370,735,370	$ 423,268,156

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS

December 31, 2008

With Comparative Totals as of December 31, 2007

	2008	2007
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$ 265,793,486	$ 231,947,017
Restricted for:		
Debt Service	11,136,459	3,976,437
Rehabilitation and Repair	6,308,181	6,316,019
Debt Service Reserve	19,350,366	18,941,274
State Payment	121	287
Capital Projects	14,944,231	44,489,283
Unfunded OPEB/(Deficit)	(45,344,707)	(92,731,642)
Funded OPEB Obligation	2,000,000	-
Unrestricted	23,726,506	30,065,349
Total Net Assets	297,914,643	243,004,024
TOTAL LIABILITIES AND NET ASSETS	$ 668,650,012	$ 666,272,180

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS

Twelve Months Ended December 31, 2008

With Comparative Totals as of December 31, 2007

	2008	2007
Operating Revenues:		
Tolls	$ 63,476,068	$ 61,830,498
Concessions	1,961,787	2,066,267
ETC Administrative Revenue	2,374,981	1,862,604
Garage Parking	1,514,516	1,548,413
Marina Parking Revenue	3,049,461	3,105,820
Intercept Parking	371,540	358,765
Bus Permits	482,697	459,786
Rentals	4,536,859	4,266,050
Directional Signage Program	-	21,108
SJTPO Programs	2,000,516	2,008,293
Transportation services	2,186,568	2,535,960
Other	508,338	562,260
Airport	9,142,358	8,790,658
Total Operating Revenues	91,605,689	89,416,482
Operating Expenses		
Executive	1,979,608	2,045,053
Policy and Planning	449,001	268,003
Engineering	3,490,024	3,163,331
Finance	1,495,735	1,158,854
Central Accounts	8,700,976	9,232,336
Other Post-Employment Benefits	1,566,892	8,567,000
Marketing and Communications	655,411	1,030,489
Tourist Services	6,226,498	6,268,587
Maintenance	7,275,244	5,980,100
Police	7,385,593	7,436,902
Emergency Service Patrol	932,738	806,469
Electronic Toll Collection Expense	3,711,438	3,371,814
Directional Signage Program	1,370	21,108
Parking - (Non Airport)	876,251	824,823
Information Services	2,076,179	1,725,773
SJTPO Programs	2,000,516	2,008,293
Airport	12,603,490	11,552,069
Transportation Services	2,344,252	2,642,536
Depreciation	18,108,266	17,826,155
Total Operating Expenses	81,879,482	85,929,695
Operating Income (Loss)	9,726,208	3,486,787
Non-Operating Revenues (Expenses)		
Interest Revenue	4,678,195	7,079,013
Gain on Sale of Assets	50	32,003
Reduction in OPEB Liability	45,521,892	-
Other Revenue	-	329
Fund Expenses	(2,571)	
Amortization Expense	(481,111)	(497,627)
Amortization of Bond Premium	55,551	78,813
Interest on Bonds	(14,584,774)	(14,159,395)
State Payment	(2,500,000)	(2,500,000)
Total of Non-Operating Revenue (Expenses)	32,687,232	(9,966,864)
Income (Loss) before Capital Contributions	42,413,440	(6,480,079)
Capital Contributions	12,497,179	2,159,576
Change in Net Assets before Cumulative Effect of Accounting Change	54,910,619	(4,320,502)
Total Net Assets -- Beginning	243,004,024	340,056,168
Cumulative Effect of Accounting Change (See Note 27)	-	(92,731,642)
Total Net Asset Balance -- Beginning as adjusted	243,004,024	247,324,526
Total Net Assets -- Ending	$ 297,914,643	$ 243,004,024

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF CASH FLOWS

Twelve Months Ended December 31, 2008

With Comparative Totals as of December 31, 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	$ 90,401,112	$ 91,244,181
Payments to suppliers	(36,050,172)	(35,902,926)
Payments to employees	(24,424,665)	(23,428,559)
Net cash provided by operating activities	29,926,275	31,912,696
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payment of State Payment Obligation	(2,500,000)	(2,500,000)
Net cash (used) by noncapital financing activities	(2,500,000)	(2,500,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital contributions	12,436,538	2,159,578
Proceeds from the sale of land	50	32,003
Payment of Arbitrage Rebate obligation	(352,460)	(821,765)
Payments for capital acquisitions	(36,382,506)	(26,020,967)
Principal paid on capital debt	(5,655,000)	(5,440,000)
Proceeds from bonds and notes Issued	-	22,130,981
Interest paid on capital debt	(14,586,986)	(13,616,898)
Net cash (used) by capital and related financing activities	(44,540,364)	(21,577,068)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(27,887,897)	(59,029,654)
Proceeds from sales and maturities of investments	42,212,902	46,062,656
Interest and dividends	5,111,361	7,015,068
Net cash provided by investing activities	19,436,366	(5,951,930)
Net increase in cash and cash equivalents	2,322,277	1,883,698
Balances - beginning of the year	53,148,939	51,265,241
Balances - end of the year	$ 55,471,216	$ 53,148,939
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income	$ 9,726,205	$ 3,486,787
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	18,108,267	17,826,156
Change in assets and liabilities:		
Receivables, net	(358,942)	164,264
Grants receivable	(935,534)	1,580,239
Prepaid expenses	(55,891)	(64,921)
Security Deposits	(114,168)	-
Inventories	(47,038)	(21,557)
Accounts and other payables	1,922,742	951,287
OPEB Liability	-	7,286,358
Deferred income	89,157	59,469
Escrow deposits and reserves	185,179	948,201
Accrued expenses	1,406,298	(303,587)
Net cash provided by operating activities	$ 29,926,275	$ 31,912,696

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2008

With Comparative Totals as of December 31, 2007

	Expressway	Airport	Consolidation Eliminations	Totals 2008	Totals 2007
ASSETS					
Unrestricted Assets:					
Cash and Cash Equivalents	$ 16,400,431	$ 1,622,771		$ 18,023,202	$ 27,509,816
Investments	10,075,525			10,075,525	1,990,053
Change Funds	43,773	7,226		50,999	51,284
Interest Receivable	21,121	661		21,782	113,873
Accounts Receivable	2,437,071	607,154		3,044,225	2,685,283
Grants Receivable	1,851,873	-		1,851,873	994,571
Prepaid Expenses	1,645,029	399,367		2,044,396	1,988,503
Security Deposits	114,168			114,168	-
Fuel Inventory	182,479			182,479	135,441
Interfunds Receivable	16,627,721		$ (16,627,721)	-	-
Total Unrestricted Assets	49,399,190	2,637,179	(16,627,721)	35,408,649	35,468,824
Restricted Assets:					
Cash and Cash Equivalents	20,233,430	17,163,585		37,397,015	25,587,839
Investments	42,782,417	7,059,589		49,842,006	72,252,483
Grants Receivable		648,438		648,438	570,207
Interfunds Receivable	8,954,299		(8,954,299)	-	-
Interest Receivable	224,041			224,041	565,116
Total Restricted Assets	72,194,187	24,871,612	(8,954,299)	88,111,500	98,975,645
Noncurrent assets:					
Capital assets:					
Non-Infrastructure Capital Assets:					
Land and Improvements	131,732,085	15,619,557		147,351,642	147,321,510
Electronic Toll Equipment	8,917,935	-		8,917,935	8,917,935
Buildings and Equipment	33,486,397	61,646,865		95,133,262	62,720,775
Less Accumulated Depreciation	(30,825,169)	(13,595,525)		(44,420,694)	(41,318,103)
Total Non-Infrastructure Capital Assets	143,311,248	63,670,897	-	206,982,145	177,642,117
Infrastructure Capital Assets:					
Infrastructure - Equipment	2,745,916	7,830,707		10,576,623	10,195,499
Infrastructure	344,229,746	55,873,458		400,103,204	393,348,853
Less Accumulated Depreciation	(91,271,660)	(15,932,300)		(107,203,960)	(93,122,441)
Total Infrastructure Capital Assets	255,704,002	47,771,865	-	303,475,867	310,421,911
Construction in Progress	6,401,969	21,695,292		28,097,261	36,707,986
Total Capital Assets	405,417,219	133,138,054	-	538,555,273	524,772,014
Bond Issuance Costs	9,858,378	-		9,858,378	9,865,987
Less Accumulated Amortization	(3,283,792)	-		(3,283,792)	(2,810,290)
Total Non-current Non-capital Assets	6,574,586	-	-	6,574,586	7,055,697
Total Noncurrent Assets	411,991,805	133,138,054	-	545,129,859	531,827,711
TOTAL ASSETS	$ 533,585,182	$ 160,646,845	$ (25,582,019)	$ 668,650,008	$ 666,272,180

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2008

With Comparative Totals as of December 31, 2007

	Expressway	Airport	Consolidation Eliminations	Totals 2008	Totals 2007
LIABILITIES AND NET ASSETS					
Current Liabilities Payable From Unrestricted Assets:					
Accounts Payable	$ 5,491,053	$ 2,018,468		$ 7,509,521	$ 5,378,459
Deferred Income	533,877	30,760		564,637	475,479
Escrow Deposits and Reserves	94,523	240,062		334,585	147,964
Accrued Expenses	1,951,914	535,097		2,487,011	1,133,548
Interfunds Payable		16,627,721	$ (16,627,721)	-	-
Total Current Liabilities Payable From Unrestricted Assets	8,071,367	19,452,108	(16,627,721)	10,895,754	7,135,450
Current Liabilities Payable From Restricted Assets:					
Accrued Interest	2,401,718	377,738		2,779,456	2,781,670
Accounts Payable	2,816,593	792,390		3,608,983	4,923,967
Unamortized SWAP Premium	6,126,552	-		6,126,552	6,580,049
Retainages Payable	39,211	713,367		752,578	1,461,077
Due to Other Governmental Agencies	208,334	-		208,334	416,667
PFC Advanced		4,271,725		4,271,725	6,036,384
CFC Advanced		697,169		697,169	463,615
Reserve for Self-Insurance	1,324,468	267,986		1,592,454	1,541,061
Economic Recovery Funds Advanced	-	104,662		104,662	695,932
Elevated U-Turn Advance	-	-		-	121,411
Interfunds Payable		8,954,299	(8,954,299)	-	-
Bonds and Notes Payable, Net of Discount, Premium and Loss on Defeasance ($118,167)	5,776,833	-		5,776,833	5,602,916
Total Current Liabilities Payable From Restricted Assets	18,693,709	16,179,335	(8,954,299)	25,918,746	30,624,749
Noncurrent Liabilities:					
Other Postemployment Benefits other than Pensions	46,145,968	8,350,140		54,496,108	100,018,000
Arbitrage Rebate Payable	55,417			55,417	407,877
Bonds and Notes Payable, Net of Discount, Premium and Loss on Defeasance ($1,905,655)	229,946,270	49,423,075		279,369,345	285,082,080
Total Noncurrent Liabilities	276,147,655	57,773,215	-	333,920,870	385,507,957
TOTAL LIABILITIES	$ 302,912,731	$ 93,404,659	$ (25,582,019)	$ 370,735,370	$ 423,268,156

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2008

With Comparative Totals as of December 31, 2007

	Expressway	Airport	Consolidation Eliminations	Totals 2008	Totals 2007
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	$ 184,404,720	$ 81,388,766	$	$ 265,793,486	$ 231,947,020
Restricted for:					
Debt Service	11,136,459			11,136,459	3,976,437
Rehabilitation and Repair	6,308,181			6,308,181	6,316,020
Debt Service Reserve	19,350,366			19,350,366	18,941,274
State Payment	121			121	287
Capital Projects	3,406,669	11,537,562		14,944,231	44,489,278
Unfunded OPEB/(Deficit)	(39,010,438)	(6,334,269)		(45,344,707)	(92,731,643)
Funded OPEB Obligation	1,705,951	294,049		2,000,000	-
Unrestricted	43,370,427	(19,643,921)		23,726,506	30,065,351
Total Net Assets	230,672,456	67,242,186	-	297,914,642	243,004,024
TOTAL LIABILITIES AND NET ASSETS	$ 533,585,187	$ 160,646,845	$ (25,582,019)	$ 668,650,013	$ 666,272,180

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

PROPRIETARY FUNDS

Twelve Months Ended December 31, 2008

With Comparative Totals as of December 31, 2007

	Expressway	Airport	Consolidation Eliminations	Totals 2008	Totals 2007
Operating Revenues:					
Tolls	$ 63,476,068		$	$ 63,476,068	$ 61,830,498
Concessions	1,961,787			1,961,787	2,066,267
ETC Administrative Revenue	2,374,981			2,374,981	1,862,604
Garage Parking	1,514,516			1,514,516	1,548,413
Marina Parking Revenue	3,049,461			3,049,461	3,105,820
Intercept Parking	371,540			371,540	358,765
Bus Permits	482,697			482,697	459,786
Rentals	4,536,859			4,536,859	4,266,050
Directional Signage Program	-			-	21,108
SJTPO Programs	2,000,516			2,000,516	2,008,293
Transportation Services	2,186,568			2,186,568	2,535,960
Other	508,338			508,338	562,260
Airport		$ 9,142,358		9,142,358	8,790,658
Total Operating Revenues	82,463,331	9,142,358	-	91,605,689	89,416,482
Operating Expenses					
Executive	1,979,608			1,979,608	2,045,053
Policy and Planning	449,001			449,001	268,003
Engineering	3,490,024			3,490,024	3,163,331
Finance	1,495,735			1,495,735	1,158,854
Central Accounts	8,700,976			8,700,976	9,232,336
Other Post-Employment Benefits	1,507,582	59,310		1,566,892	8,567,000
Marketing and Communications	655,411			655,411	1,030,489
Tourist Services	6,226,498			6,226,498	6,268,587
Maintenance	7,275,244			7,275,244	5,980,100
Police	7,385,593			7,385,593	7,436,902
Emergency Service Patrol	932,738			932,738	806,469
Electronic Toll Collection Expense	3,711,438			3,711,438	3,371,814
Directional Signage Program	1,370			1,370	21,108
Parking-(Non Airport)	876,251			876,251	824,823
Information Services	2,076,179			2,076,179	1,725,773
SJTPO Programs	2,000,516			2,000,516	2,008,293
Airport		12,603,490		12,603,490	11,552,069
Transportation Services	2,344,252			2,344,252	2,642,536
Depreciation	13,924,096	4,184,170		18,108,266	17,826,155
Total Operating Expenses	65,032,512	16,846,970	-	81,879,482	85,929,695
Operating Income (Loss)	17,430,819	(7,704,612)	-	9,726,207	3,486,787
Non-Operating Revenues (Expenses)					
Interest Revenue	4,228,132	450,063		4,678,195	7,079,013
Gain on Sale of Assets	50	-		50	32,003
Reduction in OPEB Liability	39,166,911	6,354,981		45,521,892	-
Other Revenue	-	-		-	329
Fund Expenses	(2,571)	-		(2,571)	-
Amortization Expense	(422,860)	(58,251)		(481,111)	(497,627)
Amortization of Bond Premium	55,551	-		55,551	78,813
Interest on Bonds	(12,318,347)	(2,266,425)		(14,584,772)	(14,159,395)
State Payment	(2,500,000)	-		(2,500,000)	(2,500,000)
Total of Non-Operating Revenue (Expenses)	28,206,866	4,480,368	-	32,687,234	(9,966,864)
Income (Loss) before Contributions and Transfers	45,637,685	(3,224,244)	-	42,413,441	(6,480,078)
Capital Contributions	60,639	12,436,538		12,497,177	2,159,576
Transfers In	-	13,797,975	(13,797,975)	-	-
Transfers Out	(13,797,975)		13,797,975	-	-
Change in Net Assets before Prior Period Adjustment	31,900,349	23,010,269	-	54,910,618	(4,320,502)
Total Net Assets -- Beginning	198,772,107	44,231,917		243,004,024	340,056,168
Cumulative Effect of Accounting Change (See Note 27)	-	-		-	(92,731,642)
Total Net Asset Balance -- Beginning as adjusted	198,772,107	44,231,917	-	243,004,024	247,324,526
Total Net Assets -- Ending	$ 230,672,456	$ 67,242,186	$ -	$ 297,914,642	$ 243,004,024

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Twelve Months Ended December 31, 2008

With Comparative Totals as of December 31, 2007

	Expressway	Airport	Totals 2008	Totals 2007
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers, users and grants	$ 81,169,722	$ 9,231,390	$ 90,401,112	$ 91,244,181
Payments to suppliers	(26,822,617)	(9,227,555)	(36,050,172)	(35,902,926)
Payments to employees	(22,252,476)	(2,172,189)	(24,424,665)	(23,428,559)
Net cash provided by operating activities	32,094,629	(2,168,354)	29,926,275	31,912,696
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Payment of State Payment Obligation	(2,500,000)	-	(2,500,000)	(2,500,000)
Operating subsidies and transfers to other funds	(1,081,820)	1,081,820	-	-
Net cash provided (used) by noncapital financing activities	(3,581,820)	1,081,820	(2,500,000)	(2,500,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital contributions	-	12,436,538	12,436,538	2,159,578
Proceeds from the sale of fixed assets	50	-	50	32,003
Payment of Arbitrage Rebate obligation	(352,460)	-	(352,460)	(821,765)
Payments for capital acquisitions	(14,302,592)	(22,079,915)	(36,382,506)	(26,020,967)
Principal paid on capital debt	(5,655,000)	-	(5,655,000)	(5,440,000)
Proceeds from Notes Issued	-	-	-	22,130,981
Interest paid on capital debt	(12,320,561)	(2,266,425)	(14,586,986)	(13,616,903)
Net cash provided (used) by capital and related financing activities	(32,630,563)	(11,909,802)	(44,540,364)	(21,577,073)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investments	(20,828,308)	(7,059,589)	(27,887,897)	(59,029,654)
Proceeds from sales and maturities of investments	18,931,584	23,281,319	42,212,902	46,062,654
Interest and dividends	4,339,378	771,983	5,111,360	7,015,076
Net cash provided (used) by investing activities	2,442,653	16,993,714	19,436,365	(5,951,924)
Net increase in cash and cash equivalents	(1,675,101)	3,997,378	2,322,276	1,883,698
Balances - beginning of the year	38,352,735	14,796,204	53,148,939	51,265,241
Balances - end of the year	$ 36,677,634	$ 18,793,582	$ 55,471,216	$ 53,148,939
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$ 17,430,818	$ (7,704,613)	$ 9,726,205	$ 3,486,787
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	13,924,097	4,184,170	18,108,267	17,826,156
Change in assets and liabilities:				
Receivables, net	(450,160)	91,218	(358,942)	164,264
Grants receivable	(935,534)	-	(935,534)	1,580,239
Prepaid expenses	(144,773)	88,882	(55,891)	(64,921)
Security Deposits	(114,168)		(114,168)	-
Inventories	(47,038)	-	(47,038)	(21,557)
Accounts and other payables	1,290,277	632,465	1,922,742	951,287
Deferred income	91,343	(2,186)	89,157	59,469
Escrow deposits and reserves	(711)	185,890	185,179	948,201
Accrued expenses	1,050,479	355,820	1,406,299	(303,587)
Net cash provided by operating activities	$ 32,094,629	$ (2,168,354)	$ 29,926,275	$ 31,912,696

Noncash capital financing activities:
Capital assets of $0 were acquired through contributions from governmental agencies and private developers.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The South Jersey Transportation Authority ("Authority") was created in 1991 by the South Jersey Transportation Authority Act ("Act"), Chapter 252 of the Laws of New Jersey. The Authority became the successor to the New Jersey Expressway Authority ("NJEA") and the Atlantic County Transportation Authority ("ACTA"). Pursuant to the Act, the Authority acquired the Civil Terminal Area of the Atlantic City International Airport as a transportation project. The purpose of the Authority is to coordinate South Jersey's transportation system in its regional jurisdiction of the counties of Atlantic, Camden, Cape May, Cumberland, Gloucester and Salem, and deal particularly with the highway network, aviation facilities and the transportation problems of Atlantic County.

The Authority's responsibility is to maintain, repair and operate the 46.4-mile Atlantic City Expressway along with portions of Routes 30, 187, and 42. Other functions of the Authority include those assumed with the acquisition of ACTA as follows: operation of the New York Avenue Parking Garage and related office and commercial space in Atlantic City, New Jersey; bus management; bus and automobile parking; traffic management; and transportation planning in Atlantic County. The Airport Division is responsible for operating and improving the Airport.

The Authority operates under a Board of Commissioners. There are nine Commissioners, comprised of the State Commissioner of Transportation, the CEO and Secretary of the New Jersey Commerce and Economic Growth Commission, and seven members appointed by the Governor with Senate approval. Serving under the Authority's Commissioners is the Executive Director, supported by two Deputy Directors a Chief of Staff and various Department Directors.

The financial statements of the Authority include all funds controlled by or dependent on the Authority Commissioners in accordance with accounting principles generally accepted in the United States of America.

The Authority is a component unit included in the State of New Jersey's comprehensive annual financial report.

B. Basis of Accounting

The Authority prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for proprietary funds, which are similar to those for private business enterprises. Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, revenues are recorded when earned and expenses are recorded when incurred.

The assets, liabilities, and net assets of the Authority are reported in a self-balancing set of accounts, which include restricted and unrestricted resources, representing funds available for support of the Authority's operations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (Continued)

All funds of the Authority follow Financial Accounting Standards Board ("FASB") Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with Governmental Accounting Standards Board ("GASB") pronouncements. The Governmental Accounting Standards Board ("GASB") issued Governmental Accounting Standards Board Statement ("GASBS") No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* as amended by GASBS No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus – an amendment of GASB Statements No. 21 and No. 34,* and GASBS No. 38, *Certain Financial Statement Note Disclosures.* These GASBS's established a financial reporting requirement for state and local governments throughout the United States. They created new information and restructured much of the information that governments had presented in the past. GASB developed these requirements to make annual financial statements more comprehensive and easier to understand and use. The Authority adopted these GASBS's effective January 1, 2001. The Governmental Accounting Standards Board also issued GASB Statement No. 40; *Deposit and Investment Risk Disclosures* effective January 1, 2005. This statement requires the Authority to provide certain disclosures in the notes to the financial statements related to concentration of credit risk, custodial credit risk and interest rate risk.

The Authority has implemented GASB Statement No. 45 "Accounting and Financial Reporting for Employers for Post-employment Benefits Other than Pensions" ("GASB 45"). This Statement establishes the standards for the measurement, recognition, and display of Other Post-employment Benefits ("OPEB") expense and related liabilities, note disclosures, and if applicable, required supplementary information ("RSI") in the financial reports of state and local governmental employers.

Post-employment benefits are part of an exchange of salaries and benefits for employee services rendered. Most OPEB have been funded on a pay-as-you-go basis and have been reported in financial statements when the promised benefits are paid. GASB 45 requires state and local government's financial reports to reflect systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and provides information about actuarial accrued liabilities associated with the OPEB and whether and to what extent progress is being made in funding the plan.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Operating Revenues and Expenses

The Authority's operating revenues and expenses consist of revenues earned and expenses incurred relating to the operation and maintenance of its Transportation System, which specifically includes the operations of the Atlantic City Expressway and the Atlantic City International Airport. Grant revenues and expenses are included in operations of the Atlantic City Expressway. All other revenues and expenses are reported as non-operating revenues and expenses. Starting in 2007 and continuing in 2008, the Authority has allocated certain direct costs to Airport operations that had been recorded in central accounts in the expressway fund in prior years. Among the direct cost allocations made included expenses for health insurance coverage for eligible employees, self-insurance reserve requirements for the Authority's self-insurance program which includes, coverage for worker's compensation insurance, auto liability and general liability coverage. Additional direct cost allocations were made pertaining to Other Post-employment Benefits (OPEB) as required by GASB Statement No. 45 "Accounting for Other Post-employment Benefits Other than Pensions" ("GASB 45") Costs such as allocation of administrative staff time and other indirect costs remain in the expressway fund.

D. Cash and Cash Equivalents

For purposes of the statements of cash flows, demand deposit accounts, short term treasuries with commercial banks and cash invested in commercial money market funds (including restricted assets) are considered cash equivalents.

E. Investments

Investments consist of restricted investments, and are carried at fair value as determined in an active market.

F. Accounts Receivable

Accounts receivable for the Authority is reflected net of allowance for doubtful accounts. The allowance account is adjusted at the end of every year for estimated bad debt expense. The estimate is based on the age of the receivable and the likelihood of its collection.

G. Restricted Assets

Restricted assets of the Authority represent bond proceeds designated for construction, and other monies and assets required to be restricted for debt service, the state payment, arbitrage rebate, rehabilitation and repair, subordinated debt, capital projects, self-insurance reserves and the funded portion of the OPEB liability.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Basis of Organization: Description of Funds

The accounts of the Authority are organized on the basis of funds, each of which is a separate entity with its own self-balancing accounts that comprise its assets, liabilities, net assets, revenue, and expenses. Resources are accounted for in individual funds based upon the purpose for which they are to be spent and the restrictions, if any, on the spending activities. The accrual basis of accounting in accordance with generally accepted accounting principles is used for all of the aforementioned funds, which are consolidated and reported as Proprietary Funds in the accompanying financial statements.

The Authority is subject to the provisions and restrictions of the second amended and restated resolution authorizing revenue bonds and other obligations adopted April 19, 2005. A summary of the activities of each Fund created by the Bond Resolution is covered below.

Revenue Fund – accounts for resources and expenditures for Authority operations of a general nature. The Revenue fund contains two sub-funds; one relating to revenue and expenses of the SJTPO and one relating to revenue and expenses of Transportation Services Program (see footnotes 17 and 23 for further details).

Construction Fund – accounts for the receipt and disbursement of funds for the acquisition and construction of capital projects. Included in this Fund are proceeds from the issuance of Transportation System Revenue Bonds in 1999, 2004, 2006 and Taxable Subordinated Notes in 2007, as well as receipt of federal, state grants and other contributed capital.

Debt Service Fund – accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Debt Service Reserve Fund – must maintain an amount equal to the Debt Service requirement. The monies in this fund are utilized to make up any deficiency in the Debt Service Fund. In accordance with the Bond Resolution, the Authority may maintain a surety bond or an insurance policy payable to the trustee in lieu of required cash deposit in the Debt Service Reserve. As of December 31, 2008, the Authority maintained a Municipal Bond Debt Service Reserve Insurance Policy with Financial Security Assurance with a payment limit of $2,289,600 and investments of $18,971,447. The total of which exceeds the Debt Service Reserve requirement of $18,880,963.

Rehabilitation and Repair Fund – accounts for monies that shall be applied to pay the costs of major resurfacing, repairs, renewals or reconstruction of each Pledged Project or any part thereof, whether buildings, improvements, fixtures, or equipment as determined in writing by the Trustee. The Authority is required to maintain a minimum balance of $6,000,000 at December 31, 2008.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Basis of Organization: Description of Funds

State Payment Fund - accounts for the accumulation of resources for, and the payment of, the Authority's State payment obligation.

Rebate Fund – established for the purpose of paying to the United States Treasury, the Rebatable Arbitrage or the penalty amount in lieu of rebate and, if elected, any amount required to terminate such penalty.

Subordinated Debt Fund – the Authority may at anytime, or from time to time, issue subordinated debt secured by amounts on deposit from the Subordinated Debt fund or the General Reserve Fund.

General Reserve Fund - makes up deficiencies in payments to the other funds to cover operating expenses of any general project or for any other corporate purpose of the Authority permitted by the Act.

Airport Revenue Fund – accounts for the resources and expenditures of the Atlantic City International Airport.

I. Interest Income on Funds

Pursuant to Article I of the Bond Resolution, all earnings on the investment of monies in other funds are eligible to be included as revenues in the Revenue Fund subject to Section 5.14 of the Bond Resolution which restricts the transfer of earnings on investments in the General Reserve Fund to first being applied to other funds to meet any deficiencies in funding requirements. Earnings on the Debt Service, Debt Service Reserve (after all required transfers have been made to the Construction Fund), Rehabilitation and Repairs and State Payment Funds shall be transferred to the Revenue Fund if such Funds are at their requirements.

Earnings in the Construction Fund shall remain there until the project to which such earnings relate has been substantially completed at which time any excess funds may be transferred to other accounts established in the Construction Fund or, if no other account is so specified, (1) the Debt Service Reserve Fund if such fund shall be below the Debt Service Requirement, and (2) the Rehabilitation Fund, to the extent of any remaining balances of such monies.

J. Inability to Meet Debt Service Requirements

If amounts held in the Debt Service Fund are insufficient to pay the Debt Service Requirement coming due on bonds, the Trustee shall transfer from the following funds an amount sufficient to eliminate such deficiency: the Debt Service Reserve Fund, the State Payment Fund, the Rehabilitation and Repair Fund, the Subordinated Debt Fund, and the General Reserve Fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Pledged and General Projects

Pledged Projects are the projects for which the Bonds were issued (except for the project constituting the acquisition of the New York Avenue Parking Garage Facility and Airport facilities) and, in addition to those projects, a project

(a) which generates revenues sufficient to pay the operating expenses and Rehabilitation and Repair Requirement associated with such project in the fiscal year in which such project becomes operational or is designated a Pledged Project by the Authority; and

(b) which is reasonably projected by the Authority to generate revenues sufficient to pay such project's associated operating expenses and rehabilitation and repair requirement for each of the five fiscal years following the year in which such project becomes operational or is designated a Pledged Project by the Authority.

General Projects are projects that do not generate revenues sufficient to fully pay associated operating expenses and rehabilitation and repair requirements. General Projects may become Pledged Projects if they meet certain net revenue tests. The Airport and the New York Avenue Parking Garage are General Projects. Since the Airport Parking Garage Project is related to the Airport, such projects are considered General Projects under the Resolution.

L. Budgetary Information

In accordance with Section 7.06 of the Bond Resolution, on or before the fifteenth day of each year, the Authority adopts by resolution an Annual Operating Budget for such year. All operating appropriations lapse at the end of such year. As with all resolutions of the Authority, the budget resolution is subject to a fifteen-day Governor's veto period. The resolution comes into full force and effect if no veto is exercised.

The Budget is prepared at the Department Division level. All Division Managers are responsible for maintaining expenditures below budget. The Department Directors may make line-item transfers of appropriations within their departments. All line-item transfers must be approved in writing by the Executive Director. The accounting system will not allow charges to accounts where the budget is expended.

M. Fuel Inventory

Inventory consists of fuel for the Authority's vehicles valued at cost of the most recent purchases.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Capital Assets

Cost Basis – All capital assets are recorded at historical cost. The cost of property and equipment includes costs for infrastructure assets, right-of-way, land and improvements, electronic toll equipment, buildings, and equipment (including software). Costs for infrastructure assets include construction costs, design and engineering fees, legal and administrative expenses paid from construction monies, and bond interest expense, net of bond interest income, incurred during the period of construction. Idle assets, if any, are carried at original cost until they are disposed of.

Capitalization Policy – Costs to construct or acquire additional capital assets, which in some cases replace existing assets or otherwise prolong their useful lives, are capitalized for buildings and improvements, electronic toll equipment, and other equipment (including software). Under the Authority's policy of accounting for infrastructure assets pursuant to the "depreciation method of accounting," property costs represent a historical accumulation of costs expended to acquire rights-of-way and to construct, improve, and place in operation the various projects and related facilities. The authority has established that capital expenditures with an original unit cost of at least $5,000, with a useful life of three years or greater are required to be capitalized.

Construction in Progress – Costs related to the construction of capital assets that have been classified as ongoing projects, and are not being used for their intended purpose have been reported as Construction in Progress. These assets are not being depreciated until the Authority has determined that they are substantially completed and are being utilized for their intended purpose. At that time, the costs will be re-classified to their respective asset class and depreciated in accordance with the depreciation policy noted below.

Depreciation Policy – The Authority depreciates its assets using the straight-line method over the estimated useful lives of the assets as follows:

Infrastructure	30 years
Infrastructure- Equipment	10 years
Buildings	30 years
Building Improvements	5 to 10 years
Electronic Tolls	10 years
Vehicles and Equipment	5 years
Heavy Duty Fire Truck	20 years
Road Overlay	10 years

O. Bond Discount, Premium and Amortization of Issuance Costs

Bond discounts are presented as a reduction of the face amount of revenue bonds payable, whereas issuance costs are recorded as other assets. Bond discounts, premiums and issuance costs are associated with the issuance of bonds and are amortized using the bonds outstanding method.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Restricted Net Assets

Restricted net assets are comprised of amounts reserved for debt service, debt service reserve, arbitrage rebate, rehabilitation and repair, capital projects, state payment fund, and the funded and unfunded OPEB obligations.

Q. Recent Accounting Pronouncements

The Authority has implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.* This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations. The Statement is effective for fiscal periods beginning after December 15, 2007. For the period ended December 31, 2008 the Authority had no liability or expense as a result of adopting GASB Statement No. 49.

The Authority has not completed the process of evaluating the impact that will result from implementing GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* The Authority is therefore unable to disclose the impact GASB Statement No. 51 will have on its financial position results of operations, and cash flows when such statement is adopted. This statement amends GASB Statement 34, paragraphs 19-21, and GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, paragraphs 9e, 16, and 18 and relates to the recognition and recording of intangible assets as capital assets in the statement of net assets. The requirements of this Statement are for financial statements for periods beginning after June 15, 2009.

The Authority has not completed the process of evaluating the impact that will result from implementing GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* The Authority is therefore unable to disclose the impact GASB Statement No. 53 will have on its financial position results of operations, and cash flows when such statement is adopted. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments, and addresses hedge accounting requirements. This statement is effective for financial statements for periods beginning after June 15, 2009.

2. DEPOSITS AND INVESTMENTS

Pursuant to Article VI, Sections 6.02(a) and (b) and Section 6.03 of the Authority's Bond Resolution, all monies held by any depository may be placed on demand or time deposit, as directed by the Authority, provided that such deposits shall permit the monies so held to be available for use when needed. All monies held by the Trustee, or any other fiduciary, or any depository shall be insured by the Federal Deposit Insurance Corporation and to the extent not so insured, shall be continuously and fully secured either by federal securities having a market value of not less than the amount of such monies or in such other manner as may then be required by applicable federal or state laws and regulations to provide security for the deposit of public funds.

2. DEPOSITS AND INVESTMENTS (CONTINUED)

All investments shall be made in "investment securities" as defined by Article I, Section 1.01 of the Bond Resolution and shall mature or become subject to repurchase, withdrawal without penalty or redemption at the option of the holder on or before the dates the invested amounts are reasonably expected to be needed.

Article I, Section 1.01 of the Authority's Bond Resolution provides a list of investment securities that may be purchased by the Authority. The investment securities, as defined by the Bond Resolution, consist of the following:

(a) Federal securities;

(b) Bonds, debentures, notes or other evidence of indebtedness issued by any agency or instrumentality of the United States to the extent such obligations are guaranteed by the United States or by another such agency, the obligations (including guarantees) of which are guaranteed by the United States;

(c) Bonds, debentures, notes or other evidence of indebtedness issued by any corporation chartered by the United States, including but not limited to: Government National Mortgage Association, Federal Land Banks, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, United States Postal Service, Farmers Home Administration, Resolution Funding Corporation, Export-Import Bank, Federal Financing Bank, and Student Loan Marketing Association;

(d) Negotiable or non-negotiable certificates of deposit (or other time deposit arrangements) issued by any bank, trust company or national banking association, including a Fiduciary, which certificates of deposit shall be continuously secured or collateralized by obligations described in (a) or (b) above, which shall have a market value at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit;

(e) Uncollateralized negotiable or non-negotiable certificates of deposit (or other time deposit arrangements) issued by any bank, trust company or national banking association, the unsecured obligations of which are rated in one of the two highest rating categories, without regard to sub-categories, by Moody's and Standard & Poor's ("S&P");

(f) Repurchase agreements collateralized by obligations described in (a), (b) or (c) with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction, which has an uninsured, unsecured and unguaranteed obligation rate of "Prime-1" or "A-3" or better by Moody's, and "A-1" or "A" or better by S&P, or any commercial bank with the above ratings, provided:

2. DEPOSITS AND INVESTMENTS (CONTINUED)

(i) a master repurchase agreement or specific written repurchase agreement governs the transaction which characterizes the transaction as a purchase and sale of securities;

(ii) the securities are held free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is a Federal Reserve Bank, a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus, and undivided profits of not less than $75,000,000, or a bank approved in writing for such purpose by each credit issuer, if any, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee;

(iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 CFR 306.1 et seq. or 31 CFR 350.0 et seq. or a successor provision in such securities is created for the benefit of the Trustee;

(iv) the repurchase agreement has a term of six months or less, or the Authority will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation;

(v) the repurchase agreement matures on or before a debt service payment date (or, if held in a fund other than the Debt Service Fund, Debt Service Reserve Fund or Subordinated Debt Fund, other appropriate liquidation period); and

(vi) the fair market value of the securities in relation to the amount of the repurchase obligation is equal to the collateral levels established by a rating agency for the ratings assigned by the rating agency to the seller.

(g) Banker's acceptances, Eurodollar deposits and certificates of deposit, in addition to the certificates of deposit provided for by (d) and (e) above of the domestic branches of foreign banks having a capital and surplus of $1,000,000,000 or more, or any bank or trust company organized under the laws of the United States of America or Canada, or any state or province thereof, having capital and surplus, in the amount of $1,000,000,000, provided that the aggregate maturity value of all such banker's acceptances and certificates of deposit held at any time as investments of funds under the Bond Resolution with respect to any particular bank, trust company, or national association shall not exceed 5% of its capital and surplus; and provided further that any such bank, trust company, or national association shall be rated in one of the two highest rating categories, without regard to rating sub-categories, by Moody's and S&P;

2. DEPOSITS AND INVESTMENTS (CONTINUED)

(h) Other obligations of the United States of America or any agency thereof which may then be purchased with funds belonging to the State of New Jersey or which are legal investments for savings banks in the State of New Jersey;

(i) Deposits in the New Jersey Cash Management Fund;

(j) Obligations of any state, commonwealth or possession of the United States or a political subdivision thereof of any agency or instrumentality of such a state, commonwealth, possession or political subdivision, provided that at the time of their purchase such obligations are rated in either of the two highest rating categories by both Moody's and S&P;

(k) Commercial paper with a maturity date not in excess of 270 days rated by the rating agencies at least equal to the rating assigned by the rating agencies to the applicable series of bonds and in no event lower than the "A" category established by a rating agency (which may include sub-categories indicated by plus or minus or by numbers) at the time of such investment, issued by an entity incorporated under the laws of the United States or any state thereof;

(l) Shares of diversified open-end management investment company as defined in the Investment Act of 1940, which is a money-market fund which is then rated in any of the three highest rating categories by any nationally recognized bond rating agency which is then rating the bonds or money-market accounts of the Trustee or any bank or trust company organized under the laws of the United States or any state thereof which has a combined capital and surplus of not less than $50,000,000; and

(m) Investment contracts

(i) providing for the future purchase of securities of the type described in (a), (b), (c), and (g) above, which contacts have been approved for sale by a national securities exchange and all regulatory authorities having jurisdiction; or

(ii) the obligor under which or the guarantor thereof shall have a credit rating such that its long-term debt is rated at least "A+" by S&P if the bonds are then rated by such rating agency and at least "A-1" by Moody's if the bonds are then rated by such rating agency.

2. DEPOSITS AND INVESTMENTS (CONTINUED)

"Federal Securities" shall mean (i) any direct and general obligations of, or any obligations guaranteed by, the United States of America, including but not limited to interest obligations of the Resolution Funding Corporation or any successor thereto, (ii) any obligations of any state or political subdivision of a state ("Refunded Bonds") which are fully secured as to principal and interest by an irrevocable pledge of moneys or direct and general obligations of, or obligations guaranteed by, the United States of America, which moneys or obligations are segregated in trust and pledged for the benefit of the holders of the Refunded Bonds, and (iii) certificates of ownership of the principal or interest of direct and general obligations of, or obligations guaranteed by, the United States of America, which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System.

All monies held under the Bond Resolution shall be continuously and fully secured by lodging, as collateral security, direct obligations of or obligations guaranteed by the United States of America having a market value not less than the amount of such monies. The Authority's total book (cash) balances were $115,388,747 at December 31, 2008. The Authority's total bank (cash) balances were $122,824,956 at December 31, 2008. The difference between bank balance and book balance is due primarily to the timing of deposits and outstanding checks.

In accordance with GASB 40 the Authority is also required to disclose custodial credit risk, concentration of credit risk, and interest rate risk of its investments.

Concentration of Credit Risk:

Concentration of credit risk is the inability to recover the value of deposit, investment, or collateral securities in the possession of an outside party caused by a lack of diversification. The Authority's Investment Policy does not limit the amount of funds that can be in invested with any one financial institution or issuer. However, the Authority mitigates concentration of credit risk by depositing cash and purchasing investments among several financial institutions. The following schedule lists the allocation of cash and investments by financial institution.

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk:

Institution/Issuer		Amount	% of Portfolio
Federal National Mortgage Association	$	1,990,053	1.7%
U.S.Treasury Bill		1,007,990	0.9%
Federal Home Loan Mortgage Discount Note		2,907,303	2.5%
Societe Generale		14,324,935	12.4%
FSA Capital Management		1,944,351	1.7%
Sovereign Bank		4,513,000	3.9%
Wachovia Bank, NA		18,390,945	15.9%
Bank of New York		40,785,988	35.3%
NJ Cash Management Fund		14,948,598	13.0%
TD Bank		473,408	0.4%
Citizen's Bank		13,983,178	12.1%
Citibank NA		68,000	0.1%
Change Funds		50,998	0.0%
	$	115,388,747	100.0%

Custodial Credit Risk:

Custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty to a transaction, the Authority will not be able to recover the value of its investment. The Authority mitigates this risk by depositing or investing the majority of its funds available for investment in insured or collateralized investments or in pooled investments of US government securities as well as investing in high rated uncollateralized financial instruments. All of the uncollateralized and uninsured investments are in certificates of deposit with Citizens Bank and are subject to agreements securing Public Deposits between the Authority, the Bank and the Trustee, dated January 23, 2006 and August 15, 2007. These certificates of deposit are unsecured obligations of the bank and rated AA- from S&P and Aa2 from Moody's. If the Bank's unsecured obligations shall at any time fail to be rated in one of the two highest rating categories, without regard to rating sub-categories, of Moody's and S&P, the Bank, within 3 days of such event, shall fully collateralize the Certificate with "Permitted Collateral", the fair market value of which obligations shall be at least equal to market value ratios raging from 100% to 105% of the sum of (a) the then outstanding principal balance of the Certificate, plus (b) accrued and unpaid interest thereon depending on they type of collateral posted. The Authority's cash and investments were exposed to custodial credit risk as follows:

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk:

Insured	$	1,318,000
Collaterialized:		
Collateral held by pledging bank in Authority's Name		34,410,231
Collateral held by pledging bank not in the Authority's Name		4,263,000
Pooled Investments		55,707,994
Government Securities		5,905,346
Change Funds		50,998
Uncollateralized and Uninsured		13,733,178
	$	115,388,747

Interest Rate Risk:

Interest rate risk is the possibility that an interest rate change could adversely affect an investment's fair value. The Authority manages interest rate risk on its short-term investments by keeping the weighted average maturity (WAM) of its short term investments below one year. The weighted average maturity is calculated taking into consideration the maturity dates of the securities in the consolidated portfolio. On December 31, 2008, the Authority's weighted average maturity on its short-term investments was as follows:

		Fair Value 12/31/08	Weighted Average Maturity (Years)
U.S.Treasury Bill	$	1,007,990	0.07
Federal Home Loan Mortgage Discount Note		2,907,303	0.89
Federal National Mortgage Association Notes		1,990,053	0.04
	$	5,905,346	

The Authority's long term investments are all related to amounts on deposit in the debt service reserve fund. The Authority mitigates interest rate risk on its long term investments by trying to match the life of these investments to the life of the debt related to these investments through the use of guaranteed investment contracts and long-term treasury obligations.

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk:

The Authority is a party to three guaranteed investment contracts totaling $16,190,917. The first one, which relates to the 2003 Refunding Bonds, has a year-end carrying value of $1,944,351, a fixed interest rate of 4.13% and matures on 10/30/12 at a value of $2,289,600. This investment was awarded based on the provider who required the lowest cash deposit to yield a value of $2,289,600 on 10/30/2012. The proceeds of this investment at maturity will be deposited in the debt service reserve fund to replace a debt service surety bond currently in place which expires on 10/31/12. The second contract, which relates to the 1999 Transportation System Revenue Bonds, has a year end carrying value of $12,885,763, a fixed rate of 5.905% and matures on 11/1/29. This investment is restricted to the bond yield of 5.2059%. The excess earnings on this investment are rebated to the IRS every five years in accordance with IRS arbitrage regulations. The third contract, which relates to the 2004 Transportation System Revenue Bonds, has a year end carrying value of $1,439,173, a fixed rate of 4.14% and matures on 11/1/33. The yield on this investment is less that the bond yield of 5.044%. The Authority also has an investment in a Federal Home Loan Mortgage Corporation Discount Note in the face amount of $2,282,000. This investment relates to the 2006A Transportation System Revenue Bonds. The investment matures on 11/17/2015. Earnings on this investment are restricted to the bond yield of 4.783034%. This investment is timed to mature within 30 days of the optional redemption date of the 2006A Transportation System Revenue Bonds of November 1, 2015.

3. ACCOUNTS RECEIVABLE

Accounts receivable consist of user fees and other amounts from private entities. The following provides a summary of the amounts of accounts and other receivables:

	2008	2007
Airport user fees	$ 607,154	$ 698,372
Transportation services user fees	120,917	138,761
EZ-Pass toll revenue receivables	1,103,126	644,379
Casino Reinvestment Development Authority	455,710	500,591
Billboard lease receivable	580,505	416,227
Other expressway user fees	284,878	357,336
Gross receivables	3,152,290	2,755,666
Less: Allowance for Uncollectibles	(108,066)	(70,383)
Net total receivables	$ 3,044,224	$ 2,685,283

4. CAPITAL ASSETS

Capital assets for the year ended December 31, 2008 were as follows:

	December 31, 2007	Additions	Deletions	December 31, 2008
Capital Assets not being Depreciated:				
Land	$ 147,321,510	$ 30,132	$	$ 147,351,642
Construction in Progress	36,707,986		(8,610,725)	28,097,261
Total Capital Assets not being Depreciated	184,029,496	30,132	(8,610,725)	175,448,903
Non-Infrastructure Capital Assets:				
Electronic Toll Equipment	8,917,935			8,917,935
Buildings and Equipment	62,720,775	32,412,487		95,133,262
Total Non-Infrastructure Capital Assets	71,638,710	32,412,487	-	104,051,197
Infrastructure Capital Assets:				
Infrastructure Equipment	10,195,499	381,128		10,576,627
Infrastructure	393,348,853	6,754,351		400,103,204
	403,544,352	7,135,479	-	410,679,831
Less: Accumulated Depreciation	(134,440,544)	(17,184,110)		(151,624,654)
Total Capital Assets	$ 524,772,014	$ 22,393,988	$ (8,610,725)	$ 538,555,277

5. CAPITAL CONTRIBUTIONS

The Authority received Capital Contributions totaling $12,497,179 in 2008, a significant portion of these contributions are detailed as follows:

The Authority receives capital funding from the United States Department of Transportation Federal Aviation Administration ("FAA") and the New Jersey Economic Development Authority and the State of New Jersey Transportation Trust Fund. These funds, as well as other local funds received, are designated and utilized towards the development and improvement of the Atlantic City International Airport and other expressway projects. The Authority received a total of $7,323,920 and $2,006,114 from the Federal Aviation Administration for the years ended December 31, 2008 and 2007, respectively, a total of $149,814 and $38,423 from the New Jersey Air National Guard for the years ended December 31, 2008 and 2007, respectively, and a total of $591,270 and $0.00 from the Economic Recovery Fund for the years ended December 31, 2008 and 2007 respectively.

5. CAPITAL CONTRIBUTIONS

The Authority has been approved by the Federal Aviation Administration ("FAA") to impose a Passenger Facility Charge ("PFC") of $4.50 on passengers enplaned at the Atlantic City International Airport. PFC collections, including any interest earned after such collections, may be used only to finance the allowable costs of approved projects at the Airport. PFC collections are classified as PFC Advanced until allowable costs are incurred. The Authority collected $2,458,174 in PFC fees during 2008. The balance of PFC Advance at December 31, 2008 was $4,271,725. At the time costs are incurred, the associated PFC revenues are recognized as Capital Contributions. The Authority recognized $4,366,362 in 2008.

As part of the Airport Development Plan, the Authority desired to relocate the car rental operations at Atlantic City International Airport ('Airport") into the parking garage subject to the private use limitations set forth in the indenture related to the financing of the construction of the parking garage. These improvements in the construction of the parking garage will directly benefit the rental car companies. During 2007, the Authority executed an agreement with rental car companies at the Airport increasing the Customer Facility Charge ("CFC") from $1.50 per vehicle, per day, to $3.00 per vehicle, per day. These charges along with any interest earned on cash balances will be dedicated to the improvements in the construction of the parking garage associated with rental cars. CFC collections are classified as CFC Advanced until allowable costs are incurred. At the time costs are incurred, the associated CFC revenues are recognized as Capital Contributions. The Authority collected $233,553 in CFC fees during 2008. The balance of CFC Advance at December 31, 2008 was $697,169. At the time costs are incurred, the associated CFC revenues are recognized as Capital Contributions. During 2008, no CFC revenue was recognized.

6. COMMITMENTS AND CONTINGENCIES

A. The Authority recognizes expenses when they are incurred. Commitments do not constitute expenses or liabilities; they relate to unperformed contracts for goods or services. As of December 31, 2008, commitments for projects in progress were $30,250,041.

B. The Authority is the subject of, or a party to, various pending or threatened legal actions. The Authority believes that any ultimate liability arising from these legal actions should not have a material effect on its financial position or operations.

C. The Authority receives financial assistance from the State of New Jersey and the U.S. Government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by grantors. As a result of these audits, costs previously reimbursed could be disallowed and require repayment to the grantor agency. As of December 31, 2008, the Authority estimates that no material liabilities will result from such audit.

7. ACCOUNTS PAYABLE

Accounts payable consists of unrestricted liabilities and restricted liabilities. The following provides a summary of the amounts of accounts payable at December 31, 2008:

	2008	2007
Unrestricted:		
Electronic toll collection expense	$ 917,093	$ 426,373
State and local police expenses	3,484,158	1,268,053
Payroll liabilities	146,111	615,438
Airport	2,018,468	1,386,003
SJTPO	113,327	88,711
Expressway operating expenses	830,364	1,593,881
	$ 7,509,521	$ 5,378,459
Restricted:		
Airport- Interim baggage building	$ 49,119	$ 389,315
Airport parking garage	93,100	2,168,495
Apron expansion	1,554,554	232,391
Various expressway improvements	1,753,914	1,038,026
Vehicles and Equipment	-	149,282
Other airport terminal improvements	158,296	946,458
	$ 3,608,983	$ 4,923,967

8. BONDS AND NOTES PAYABLE

As of December 31, 2008, unamortized bond discounts in the amount of $2,058,835, unamortized loss on refunding in the amount of $58,775, and unamortized bond premium of $93,786, have been offset against the outstanding bonds.

Taxable Subordinated Notes, Series 2007

On July 5, 2007, the Authority issued Taxable Subordinated Notes, Series 2007, in the principal amount of $22,390,000. Proceeds of the 2007 Notes will be used to finance: (i) the design of (a) a westbound third lane widening on the Atlantic City Expressway, and (b) an Express EZ-Pass at the Egg Harbor Toll Plaza on the Expressway; (ii) the construction of a full interchange at the intersection of the Expressway and New Jersey State Route 50; (iii) other capital improvements to the Expressway Project as shall be included in the Authority's 2007-2011 capital plan, as the same may be amended; (iv) the payment of capitalized interest on a portion of the 2007 Notes; and (v) the payment of certain costs of issuance of the 2007 Notes.

8. BONDS AND NOTES PAYABLE

Taxable Subordinated Notes, Series 2007

The 2007 Notes bear interest at a rate of 5.50% per year. Interest on the 2007 Notes is payable on January 1, 2008 and semi-annually thereafter on July 1 and January 1 until maturity or earlier redemption. The principal of the 2007 Notes will be payable in full on January 1, 2010, unless the 2007 Notes become due and payable earlier upon redemption or acceleration prior to maturity.

Redemption

The 2007 Notes are subject to redemption at the option of the Authority, in whole but not part, at any time on or after January 1, 2008, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the redemption date.

Pledge Effected by the 2007 Subordinated Note Resolution

The 2007 Notes are special, limited obligations of the Authority payable solely from the following sources: (i) from the proceeds of a Series of Bonds, if any, issued to refinance the 2007 Notes; (ii) from the moneys and securities from time to time transferred from the Project Fund to the Subordinated Debt Fund, and (iii) from the moneys and securities from time to time on deposit in the Subordinated Debt Fund and the General Reserve Fund pursuant to the terms of the Resolution and subject to Section 5.12 (a) of the Resolution. The amount on deposit at December 31, 2008, was $17,958,945.

2006 Series A Transportation System Revenue Bonds

On January 12, 2006, the Authority issued Transportation System Revenue Bonds, 2006 Series A, in the principal amount of $50,365,000. Proceeds of the 2006 Series A Bonds were used to finance (i) the construction of a multi-level parking garage containing approximately 1,400 parking spaces located in front of the passenger terminal at the Atlantic City International Airport, including the construction of a fare collection system capable of accepting E-ZPass as a method of payment; (ii) the redemption of the Authority's $10,400,000 Subordinated Notes, Series 2005, dated March 30, 2005 and due March 29, 2006 including interest thereon; (iii) the amount required to increase the amount on deposit in the Debt Service Reserve Fund to the Debt Service Reserve Requirement; (iv) a portion of the interest on the 2006 Series A Bonds for approximately twenty-four months; and (v) certain costs of issuing the 2006 Series A Bonds. The 2005 Subordinate Notes along with interest expense were repaid on February 16, 2006.

8. BONDS AND NOTES PAYABLE

2006 Series A Transportation System Revenue Bonds

Optional Redemption

The 2006 Series A Bonds will be subject to redemption prior to their stated maturity date at the option of the Authority, on any date on or after November 1, 2015, either in whole or in part by lot, at a redemption price of one hundred percent (100%) of the principal amount thereof, without premium, plus accrued interest thereon to the date fixed for redemption. In the event of any optional redemption of the 2006 Series A Bonds in part, the amount of 2006 Series A Bonds redeemed shall be credited against the remaining Sinking Fund Installments thereafter to become due in such years and amounts as shall be determined by the Authority in its discretion.

Mandatory Sinking Fund Redemption

The 2006 Series A Bonds are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount thereof being redeemed, without premium, plus accrued interest to the redemption date, on the following dates in the respective principal amounts set forth opposite such dates:

Mandatory Sinking Fund Redemption

Year Due (November 1)	Principal Amount	Year Due (November 1)	Principal Amount
2030	$7,065,000	2033	$8,055,000
2031	7,380,000	2034	9,855,000
2032	7,710,000	2035	10,300,000

2004 Series A Transportation System Revenue Bonds

The 2004 Series A Transportation System Revenue Bonds (serial bonds) of $10,300,000 have interest rates ranging from 2.25% to 5% and mature in various increments November 1, 2004 through November 1, 2022. The 2004 Series A term bond of $11,935,000 matures November 1, 2033, and has an interest rate of 5.15%.

Proceeds of the 2004 Series A Bonds were used to; (i) fund improvements to a 425- space surface parking lot located at Fairmount Avenue and Mississippi Avenue in the City of Atlantic City, Atlantic County, New Jersey; (ii) fund the implementation of express E-ZPass on the Atlantic City Expressway; (iii) fund improvements to the surface parking lot located on Atlantic Avenue between Missouri Avenue (Christopher Columbus Drive) and Mississippi Avenue, in Atlantic City as part of the Expressway Project; (iv) fund other improvements to the Expressway Project included in the Authority's capital plan for 2004 through 2008; (v) finance the amount required to increase the amount on deposit in the Debt Service Reserve Fund to the Debt Service Reserve Requirement; and (vi) pay certain costs of issuing the 2004 Series A Bonds.

8. BONDS AND NOTES PAYABLE

2004 Series A Transportation System Revenue Bonds

The 2004 Series A Bonds maturing on or before November 1, 2014 will not be subject to redemption prior to their stated maturity dates. The 2004 Series A Bonds maturing on or after November 1, 2015 will be subject to redemption prior to their stated maturity dates at the option of the Authority, on any date on or after November 1, 2014, either in whole or in part by lot within a maturity from maturities selected by the Authority, at a redemption price of one hundred percent (100%) of the principal amount thereof, without premium, plus accrued interest thereon to the date fixed for redemption.

The 2004 Series A Bonds maturing on November 1, 2033 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount thereof being redeemed, without premium, plus interest accrued to the redemption date, on the following dates in the respective principal amounts set forth opposite such dates:

Year Due November 1,	Principal Amount
2023	$840,000
2024	880,000
2025	925,000
2026	975,000
2027	1,020,000
2028	1,075,000
2029	1,125,000
2030	1,180,000
2031	1,240,000
2032	1,305,000
2033	1,370,000

1999 Series Transportation System Revenue Bonds

The 1999 Series Transportation System Revenue Bonds (serial bonds) original issue of $87,435,000 have interest rates ranging from 3.2% to 5.25% and mature in various increments November 1, 2002 through November 1, 2019. The 1999 Series term bonds of $29,290,000 and 87,795,000 mature November 1, 2022 and 2029, respectively and have interest rates of 5.125% and 5%, respectively.

8. BONDS AND NOTES PAYABLE

1999 Series Transportation System Revenue Bonds

Proceeds of the 1999 Series Bonds were used to: (i) fund certain road improvement projects, (ii) prepay the Authority's Subordinated Bond Anticipation Notes, Series 1998, (iii) advance refund a portion of certain maturities of the Authority's Transportation System Revenue Bonds, 1992 Series B (Tax Exempt), (iv) fund a portion of the interest on the 1999 Bonds to May 1, 2001, (v) make a deposit to the Debt Service Reserve Fund and (vi) pay certain costs of issuing the 1999 Bonds.

The 1999 Bonds maturing on or before November 1, 2009, are not subject to redemption prior to maturity. The 1999 Bonds maturing on or after November 1, 2010, are subject to redemption, at the option of the Authority, at any time in whole or in part selected by lot within a maturity from maturities selected by the Authority, on and after November 1, 2009, at the redemption prices (expressed as percentages of the principal amount being redeemed) set forth below, plus accrued interest to the redemption date:

Redemption Period of the Bonds (both dates inclusive)	Redemption Price
November 1, 2009 to October 31, 2010	101%
November 1, 2010 to October 31, 2011	100 ½%
November 1, 2011 and thereafter	100%

Mandatory Sinking Fund Redemption Provision – 1999 Bonds Maturing 11/1/2022

The Bonds shall be subject to redemption prior to maturity by application of Sinking Fund Installments on November 1 in each of the following years in the respective principal amount set opposite each such year:

2020	$ 9,280,000
2021	9,755,000
2022	10,255,000

8. BONDS AND NOTES PAYABLE

1999 Series Transportation System Revenue Bonds

Mandatory Sinking Fund Redemption Provisions – 1999 Bonds Maturing 11/1/2029

The Bonds shall be subject to redemption prior to maturity by application of Sinking Fund Installments on November 1 in each of the following years in the respective principal amount set opposite each such year:

Year Due		Principal Amount
2023	$	10,785,000
2024		11,320,000
2025		11,890,000
2026		12,485,000
2027		13,105,000
2028		13,760,000
2029		14,450,000

Schedule of Annual Debt Service for Principal and Interest for Long Term Debt Issued and Outstanding:

Bonds Payable:

Calendar Year		Principal		Interest		Total
2009	$	5,895,000	$	14,213,831	$	20,108,831
2010		28,535,000		13,345,794		41,880,794
2011		6,420,000		12,453,688		18,873,688
2012		6,745,000		12,127,888		18,872,888
2013		7,095,000		11,779,513		18,874,513
2014-2018		41,280,000		53,106,400		94,386,400
2019-2023		52,730,000		41,640,931		94,370,931
2024-2028		67,435,000		26,943,875		94,378,875
2029-2033		50,880,000		11,053,450		61,933,450
2034-2035		20,155,000		1,370,475		21,525,475
	$	287,170,000	$	198,035,845	$	485,205,845

Swaptions

In May 2005, the Authority adopted a swap management policy, the purpose of which was to set forth the parameters in which interest rate swaps and other derivative financial instruments would be used to better manage its assets and liabilities.

8. BONDS AND NOTES PAYABLE

Swaptions

Objective of the swaptions –The Authority intends to execute interest rate swaps if the transaction can be expected to result in the following:

- Hedging to reduce exposure to changes in interest rates on a particular financial transaction.
- Reduction in interest rate risk in order to better manage the Authority's overall asset/liability balance.
- Obtain a lower net cost of borrowing with respect to the Authority's debt.
- Manage variable interest rate exposure consistent with prudent debt practices.
- Manage exposure to changing market conditions in advance of anticipated bond issues (through the use of anticipatory hedging instruments).
- Achieve more flexibility in meeting overall financial objectives than could be achieved in conventional markets.

The Authority will not enter into interest rate swaps for speculative purposes. The Authority will enter into interest rate swaps only in connection with a specified bond issue.

In June of 2005, the South Jersey Transportation Authority ("the Authority") entered into two (2) swaptions with two (2) Counterparties that provided the Authority with an upfront payment of $4,552,500 from Bank of America, N.A. and $3,035,000 from Wachovia, N.A. (collectively, the "Premium"), net of issue costs of $160,000. As a synthetic refunding of its 1999 transportation system revenue bonds, the Premium represents the present value savings as of June 2005, of a refunding on November 1, 2009, without issuing refunding bonds as of June 2005. The swaptions give Bank of America, N.A. and Wachovia Bank, N.A. (collectively, the "Counterparties") the option to enter into an interest rate swap whereby they would receive fixed amounts and pay variable amounts. If the options are exercised, the Authority would then expect to issue variable-rate refunding bonds.

Terms - The Counterparties have the one-time option of exercising the agreements on July 1, 2009. If the options are exercised, the underlying swaps would be effective as of November 1, 2009 and mature on November 1, 2029. The swaps were priced at a fixed rate of 4.70% based on an amortizing notional schedule with a combined $87,795,000 initial notional amount. If the swaps are executed, the Authority would pay a fixed rate of 4.70% and receive a variable payment computed as 75 percent of the London Interbank Offered Rate (LIBOR). Furthermore, the Authority would also receive an exercise fee of $1,319,597.52 from Bank of America, N.A., and $879,731 from Wachovia Bank, N.A. simultaneously with the issuance of the related bonds, but not later than November 1, 2009. As part of the swaptions, the Authority obtained two (2) interest rate swap insurance policies, issued by CIFG Assurance North America, Inc. (the "Insurer") for the account of the Authority, as principal, and the Counterparties, as beneficiary. The insurance policies provide for risk mitigation and limit the need for the Authority to post eligible collateral.

8. BONDS AND NOTES PAYABLE

Swaptions

Fair value - As of December 31, 2008, the swaptions had a negative fair value of ($27,363,818). The fair values were estimated using the counterparty's proprietary pricing methods. These models take into consideration probabilities, volatilities, time, and underlying prices.

Market access risk and interest rate risk - If the options are exercised and the refunding bonds cannot be issued, the 1999 transportation system revenue bonds will not be refunded. In this case, the Authority will either have to unwind the swaps and pay a termination payment, or the Authority will make net swap payments as required by the terms of the swap agreements. If the options are exercised and the Authority issues variable rate bonds, the actual savings ultimately recognized by the transactions will be affected by the relationship between the interest rate terms of the variable rate bonds to be issued versus the variable rate payments on the swaps (75 percent of LIBOR). At December 31, 2008, the unamortized SWAP Premium balance was $6,126,552. During the year, $453,497, was amortized to interest income.

9. ARBITRAGE REBATE PAYABLE

The Tax Reform Act of 1986 imposed additional restrictive regulations, reporting requirements and arbitrage rebate liabilities on issuers of tax-exempt debt. This Act requires the remittance to the IRS of 90% of the cumulative rebatable arbitrage within 60 days of the end of each five-year reporting period following the issuance of governmental bonds. The estimated amount of arbitrage payable represents the excess of amounts earned on "taxable" investments over the interest cost of the tax-exempt borrowing, plus income attributable to the excess. At December 31, 2008, the Transportation System Revenue Bonds Series 2004 A had negative arbitrage. Thus, no liability exists for the Series 2004 A Bonds at December 31, 2008. The arbitrage rebate liability related to the Transportation System Revenue Bonds Series 1999, at December 31, 2008, was $55,417.

10. DEBT DEFEASANCE

In 1999, the Authority defeased a portion of certain maturities of its outstanding 1992 Series B Bonds with a portion of the proceeds of the 1999 Bonds to achieve a reduction in Debt Service. Proceeds from the 1999 Bonds were used to purchase U.S. Government Securities that were placed in an irrevocable trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Authority's balance sheet. The amount of defeased debt outstanding but removed from the balance sheet was $20,670,000. The proceeds from the 1999 Bonds placed in the Trust Fund were used to refund serial bonds with interest rates ranging from 5.7% to 5.9% and a par value of $7,880,000 and term bonds with an interest rate of 6% and a par value of $12,790,000. The total par value of the refunded debt is $20,670,000, and was called on November 1, 2002 at a redemption price of 102% of the par amount, plus accrued interest to the redemption date.

10. DEBT DEFEASANCE

As a result of the defeasance, the Authority reduced its total debt service requirements by $1,368,894, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $1,024,436.

In 2003, the Authority current refunded an additional portion of certain maturities of its outstanding 1992 Series B Bonds by issuing $15,790,000 of Series 2003 Bonds to achieve a reduction in Debt Service. Proceeds from the 2003 Bonds were used to purchase U.S. Government Securities that were placed in an escrow account. The investments and fixed earnings from the investments were sufficient to fully service the defeased debt until the debt was called. For financial reporting purposes, the debt has been considered defeased and therefore, removed as a liability from the Authority's balance sheet. The amount of defeased debt removed from the balance sheet was $15,455,000. The proceeds from the 2003 Bonds placed in the escrow account were used to refund serial bonds with interest rates ranging from 5.7% to 5.9% and a par value of $5,900,000 and term bonds with an interest rate of 6% and a par value of $9,555,000. The total par value of the refunded debt is $15,455,000 and was called on May 9, 2003 at a redemption price of 102% of the par amount, plus accrued interest to the redemption date. As a result of the defeasance, the Authority reduced its total debt service requirements by $1,333,961.39, which resulted in an economic gain (difference between the preset value of the debt service payments on the old and new debt) $1,284,158.48.

11. CONDUIT DEBT OBLIGATIONS

Conduit debt obligations are defined as certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by a state or local governmental entity for the express purpose of providing capital financing for a specific third party that is not part of the issuer's financial reporting entity.

The Authority issued and sold Special Revenue Bonds to Mirage Resorts, Incorporated in 1999, 2000, and 2001 to provide funds to pay a portion of Mirage's share of the cost of the Atlantic City Expressway Connector Project ("Connector"). The Special Revenue Bonds will be payable solely from amounts received by the Authority from CRDA pursuant to the Pledge Agreement, dated October 10, 1997 between the Authority and CRDA. The Authority has no other responsibility for the payment of this debt. The amounts payable by CRDA under the CRDA Pledge Agreement are Governmental Grants, which do not constitute Revenues under the Bond Resolution, and the Special Revenue Bonds are not payable from or secured by such Revenues. The total amount of this outstanding conduit debt as of December 31, 2008 is as follows:

Year Issued	Amount Issued	Accreted Value at 12/31/08	Maturity Value
1999	$ 20,003,710	$ 24,425,000	$ 24,425,000
2000	24,999,328	30,075,000	30,075,000
2001	9,996,322	11,390,000	11,390,000
	$ 54,999,360	$ 65,890,000	$ 65,890,000

11. CONDUIT DEBT OBLIGATIONS

All of the Special Revenue Bonds mature on October 1, 2037 and have interest rates ranging from 3.5% to 4.05%.

In 2007, the Authority began receiving payments pursuant to the CRDA Pledge Agreement described above. For the year ended December 31, 2008, the Authority received $3,824,096. As of December 31, 2008, the Authority has received $7,212,544. This amount was applied to outstanding interest payable proportionally to all series and remitted to the bondholders by the trustee in accordance with the terms of the indenture.

12. RATES AND CHARGES

Section 7.08 of the Bond Resolution states as follows:

(a) (1) The Authority shall at all times fix, impose, charge and collect tolls, fares, fees and other charges for the use of the Transportation System as shall be required in order that, in each fiscal year, net revenues and net revenues available for debt service shall at least equal the net revenue requirements for such year; and

(2) The Authority shall at all times fix, impose, charge and collect tolls, fares, fees and other charges for the use of the Transportation System as shall be required in order that, in each fiscal year, current revenues and airport revenue available for debt service shall at least equal the Operating Expenses for Pledged Projects for such fiscal year and the debt service on all outstanding bonds (net of capitalized interest) and subordinated indebtedness for such fiscal year and any required deposits to the Debt Service Reserve Fund and the Rehabilitation and Repair Fund, if any such deposits are required.

The net revenue requirement means an amount of net revenue for the period under consideration equal to the greater of:

120% of the debt service payable on all outstanding bonds (net of capitalized interest available for the purpose); or

100% the aggregate of debt service payable on all outstanding bonds (net of available capitalized interest as aforesaid), Rehabilitation and Repair Requirements, State Payment Requirement, debt service payable during the period on subordinated indebtedness, operating expenses of general projects, and other required deposits to funds, including the Debt Service Reserve Fund and Rebate Fund.

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2008

12. RATES AND CHARGES (CONTINUED)

	Section 7.08 (a)(1) 120.00%	Section 7.08 (a)(1) 100.00%	Section 7.08 (a)(2) 100.00%
Operating Revenue	$ 91,605,689	$ 91,605,689	$ 91,605,689
Interest Revenue	991,636	991,636	991,636
Airport Interest	450,063	450,063	450,063
Interest Revenue Transferred from Restricted Funds	765,132	765,132	765,132
Interest Revenue-General Reserve Fund	324,266	324,266	324,266
Total Revenue	94,136,786	94,136,786	94,136,786
Less:			
Grant Revenue	4,187,084	4,187,084	4,187,084
Airport Revenue	9,142,358	9,142,358	9,142,358
Airport Interest	450,063	450,063	450,063
Total Available Revenue	80,357,281	80,357,281	80,357,281
Pledged Project Expenses	46,392,753	46,392,753	46,392,753
Net Revenues	$ 33,964,528	$ 33,964,528	$ 33,964,528
Airport Revenues Available for Debt Service (ARAFDS)	1,750,813	1,750,813	1,750,813
Net Revenue plus ARAFDS	35,715,341	35,715,341	35,715,341
Total Available Revenue plus ARAFDS			82,108,094
Senior Debt Service	$ 18,360,820	$ 18,360,820	$ 18,360,820
Rehabilitation & Repair Requirement			
State Payment Requirement		2,500,000	
Other Required Deposits			
General Project Operating Expenses		5,756,489	
Total Debt Service & Other Obligations	$ 18,360,820	$ 26,617,309	N/A
Total Pledged Projects and Debt Service	N/A	N/A	$ 64,753,573
Coverage Ratio	194.52%	134.18%	126.80%
Required Coverage	120.00%	100.00%	100.00%
Excess Coverage	74.52%	34.18%	26.80%

13. PENSION PLAN

All full-time Authority employees participate in the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS"). The Division of Pensions and Benefits ("Division") within the Treasury Department of the State of New Jersey is the administrator of the funds and charges the employee and employer annually for their respective contributions. The Plans provide retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

The Division of Pensions and Benefits issues publicly available financial reports that include the financial reports for each of the Plans that includes financial statement and required supplementary information. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions, P.O. Box 295, Trenton, New Jersey, 08625-0295.

Covered employees are required by State statute to contribute a certain percentage of their salary to the plans. PERS and PFRS bill the Authority annually at an actuarially determined rate for its required contribution. The current rate is 5.5% for PERS and 8.5% for PFRS of annual covered payroll.

The contribution requirements of Plan members and the Authority are established and may be amended by the Board of Trustees of the respective Plans. The employees' contribution to the PERS Plan was $1,025,463 and $947,610 for the years ending December 31, 2008 and 2007 respectively. The allocation of Employees' contributions for 2008 is summarized below:

Employee Contributions

	Expressway	Airport	Total
Public Employees Retirement System (PERS)	$ 1,005,566	$ 19,897	$ 1,025,463
Police and Fire Retirement System (PFRS)	-	76,907	76,907
	$ 1,005,566	$ 96,804	$ 1,102,370

In 2008, the Authority continued to allocate their required contribution to the PERS and PFRS Plans between Expressway operations and Airport operations. Prior to 2007, all pension costs were allocated to the Expressway. The allocation of Authority contributions are summarized below:

13. PENSION PLAN (CONTINUED)

Authority Contributions

	Expressway	Airport	Total
Public Employees Retirement System (PERS)	$ 1,147,151	$ 85,000	$ 1,232,151
Police and Fire Retirement System (PFRS)	-	219,011	219,011
	$ 1,147,151	$ 304,011	$ 1,451,162

14. RISK MANAGEMENT AND HEALTH INSURANCE

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error and omission, injury to employees, professional liability, airport liability, environmental and natural disasters. The Authority purchased commercial insurance to manage all of these risks except for workers compensation, general liability and auto. Settled claims have not exceeded this coverage in any of the past three years.

Self-Insurance

Expressway

Effective September 1, 2005, the Authority established a Self-Insurance fund program for certain risk areas. The Authority's per occurrence self insurance retention levels are $350,000 for worker's compensation, $200,000 for auto liability, and $200,000 for general liability. Based on estimates provided by an independent actuary, the Authority has recorded accrued expenses of $745,050, which represents estimated claims relating to the period ended December 31, 2008. The Reserve for Insurance Claims balance at December 31, 2008 is $1,367,360. During the year, claim expense in the amount of $784,715 was charged to the reserve. The Authority has an umbrella excess liability policy over those self-insurance retention levels of $15,000,000 per occurrence and $30,000,000 annual aggregate.

14. RISK MANAGEMENT AND HEALTH INSURANCE

Airport

During 2007, the Authority established a Self-Insurance Reserve for certain risk areas related to Airport activity. The Authority's per occurrence self insurance retention levels are $350,000 for worker's compensation, $200,000 for auto liability, and $200,000 for general liability. An allocation of these retention levels has been made based on the number of employee's currently employed at the Airport. The Authority has recorded accrued expenses of $133,950, which represents estimated claims relating to the period ended December 31, 2008. No charges have been made to the reserve as of December 31, 2008. The reserve balance as of December 31, 2008 is $267,986. The Authority has an umbrella excess liability policy over those self-insurance retention levels of $15,000,000 per occurrence and $30,000,000 annual aggregate.

Health Insurance

Consistent with the prior year application, health insurance costs were charged to the Airport Fund in the amount of $655,688 and $1,136,730, for the years ending December 31, 2008 and 2007, respectively.

15. AUTHORITY RETIREMENT MEDICAL BENEFITS

In accordance with the Authority's Personnel Policies Manual adopted by the Board in January, 1993 (Resolution 1993-02), the Authority offers certain health-care benefits to its retired employees. Employees of the Authority are eligible if, at retirement, they have met the following requirements:

A. Non-Union Employees

Employees are eligible to continue coverage for themselves and any covered eligible family member in any of the plans upon the accumulation of at least fifteen (15) years of service credit in a New Jersey Public Employees' Retirement System ("PERS") qualified position and have begun receiving pension payments under PERS.

B. Union Employees

Local 196 and 193 employees are eligible to continue coverage for themselves and any covered eligible family member if they have accumulated at least twenty (20) years of full time service with the SJTA or a predecessor authority or have twenty-five (25) years or more service credited under the New Jersey Public Employees' Retirement System ("PERS") and have begun receiving pension payments under PERS.

Local S-18 (Fire Fighters) are eligible to continue coverage for themselves and any covered eligible family member in any of the plans upon the accumulation of twenty-five (25) years or more service with the SJTA or a predecessor authority.

15. AUTHORITY RETIREMENT MEDICAL BENEFITS (CONTINUED)

The Authority funds the benefits on a pay-as-you-go basis. The cost of providing these benefits for ninety-eight (98) retirees for the year ended December 31, 2008 was $1,566,892.

During 2008, the Authority allocated the expense related to retired Airport employees. Four (4) retired Airport employees were paid a total of $59,310. This cost has been allocated to the Airport Fund as a health insurance operating cost.

16. COMPENSATED ABSENCES

A. Non-Union Employees

Full-time, non-union employees are entitled to fifteen paid sick leave days each year. Unused sick leave may be accumulated and carried forward to the subsequent year. If an employee is hired prior to February 2005, the Authority compensates them for unused sick leave upon retirement or upon resignation if the employee vests in the pension system until retirement age has been reached.

For employees hire after February 2005, the Authority only compensates them for unused sick leave upon retirement or upon resignation if the employee is eligible to immediately retire under the pension system.

The current policy entitles an employee to receive a maximum payout of $17,500 that is paid at the employee's rate of pay at retirement. A full year's vacation entitlement may be carried to the next calendar year. Any carried-over vacation time must be taken during the subsequent year or it is lost.

Part-time employees are not entitled to compensated absences.

Compensatory time for full-time employees cannot accrue beyond eighty hours and must be taken within twelve months of being earned. The use of compensatory time must be approved by a department Director. The Authority may, at its discretion, purchase back compensatory time at the employee's rate of pay when the compensatory time was earned.

B. Union Employees

Vacation Time

In accordance with the union contract in effect in 2007, members of the International Federation of Professional and Technical Engineers, Local 196, Chapter 2 and Local 193, Chapter A, states that ten vacation days may be carried to the next calendar year for Local 196 and Local 193. Any carried-over vacation time must be taken during the subsequent year or it is lost.

16. COMPENSATED ABSENCES (CONTINUED)

Members of the Atlantic City International Airport Fire Fighters, Local S-18 of the International Association of Fire Fighters, AFL-CIO, CLC may carry up to one year's vacation allotment. Any carried over vacation time must be taken during the subsequent year or it is lost.

Sick Time

Members of the International Federation of Professional and Technical Engineers, Local 196, Chapter 2 and Local 193, Chapter A, are entitled to accumulate sick time up to $17,500. The following percentages apply:

(a) For employees who resign in good standing, or retire, but do not receive pension payments under PERS:

- 50% of present salary for the first 150 days of accumulated sick days up to a maximum of $17,500;
- 100% of present salary for accumulated sick leave in excess of 150 days.

(b) For employees who retire and are immediately eligible to receive payments under PERS:

- 75% of present salary for the first 150 days of accumulated sick days up to a maximum of $17,500;
- 100% of present salary for accumulated sick leave in excess of 150 days.

Local S-18 members are entitled to accumulate sick leave up to $17,500 at the employees' rate of pay at retirement. Unused sick time earned will not be paid upon resignation, termination or layoff.

Compensatory Time

Under the contract for Local 196, Chapter 2, compensatory time can be accrued up to a maximum of forty hours per contract year but can re-accumulate up to forty hours as the time is used.

Under the contract for Local 193, Chapter A, compensatory time can be accrued up to a maximum of one hundred and fifty (150) hours per contract year but can re-accumulate up to one hundred and fifty (150) hours as the time is used. Compensatory time must be taken within twelve (12) months of being earned.

Under the contract for S-18, compensatory time can be accrued up to a maximum of two hundred and forty (240) hours per contract year. Compensatory time must be taken within twelve (12) months of being earned, otherwise payment of unused time will be paid in the first pay of December.

16. COMPENSATED ABSENCES (CONTINUED)

C. Accrued Expense

The Authority has both operating and non-operating accrued expenses. The operating accrued expense pertains to compensated absences as described below. The Authority's accrued liability for compensated absences, including additional amounts accrued for Social Security, Medicare and pension plan contributions as of December 31, 2008 is as follows:

	Expressway	Airport	Total
Sick Time	$ 1,553,644	$ 265,260	$ 1,818,904
Vacation Time	476,428	70,255	546,683
Compensatory Time	77,189	41,702	118,891
	$ 2,107,261	$ 377,217	$ 2,484,478

17. SOUTH JERSEY TRANSPORTATION PLANNING ORGANIZATION

The South Jersey Transportation Planning Organization ("SJTPO") is a metropolitan planning organization whose function is to develop transportation programs for urbanized areas of the State in order to encourage and promote the development of intermodel transportation systems that maximize mobility and minimize air pollution. The New Jersey Department of Transportation Grant for Administration Staff Support for the SJTPO is designed to reimburse the Authority for its expenses incurred each year for the SJTPO. These expenses typically include salaries, fringe benefits and non-salary direct expenses.

18. AIRPORT MANAGEMENT

Pursuant to N.J.S.A. 27:25A-24, the Authority established a transportation project known as the Atlantic City International Airport ("ACY"). Effective April 1, 1996, pursuant to Authority Resolution #1996-06, the Authority entered into an operating and maintenance agreement with Johnson Controls World Services ("JCWS") for operations, maintenance and support service at ACY. Under this arrangement, the Authority is entitled to receive all of the revenue and must pay all the expenses associated with the operation of ACY terminal operations. JCWS was sold to American Port Services ("AvPorts") during 1997. AvPorts assumed all rights and obligations of the existing contract between the Authority and JCWS. Until July 1, 2008, the Authority and AvPorts have been operating under a five-year extension of the operating and maintenance agreement, which was provided for in the original contract. Effective July 1, 2008, the Authority entered into a new operating and maintenance agreement with AvPorts that will expire on June 30, 2013.

18. AIRPORT MANAGEMENT (CONTINUED)

Effective April 15, 1998, the Authority assumed control of the runways and taxiways at ACY pursuant to Resolution 1998-14. The Authority executed a lease and cooperative agreement with the William J. Hughes Technical Center for certain lands, facilities and equipment for the Atlantic City International Airport. The execution of this agreement requires the Authority to maintain the airfield at ACY, but it also allows for the collection of landing fees.

Pursuant to the Act, the Authority has the power to set rates and charges at ACY. The Authority has adopted a compensatory rates and charges methodology. Rates and charges are subject to review and adjustment every two years. Currently, the Authority is operating under the Rates and Charges Resolution adopted June 25, 2002.

19. STATE PAYMENT

Pursuant to an agreement dated November 17, 1983 between the Authority (as successor to the NJEA) and the State Department of Transportation, the Authority has agreed to make annual payments to the State of New Jersey in the sum of $2,500,000.

20. ELECTRONIC TOLL COLLECTION

In May 1995, the Authority entered into an agreement with MFS Network Technologies, Inc. for the design and implementation of an Electronic Toll Collection and Traffic Management System (the "ACE ETTM System"). The system became operational for certain buses in July 1997.

In December, 1996, the Authority, along with the New Jersey Turnpike Authority (the "Turnpike Authority"), the New Jersey Highway Authority (the "Highway Authority"), The Port Authority of New York and New Jersey, and the State of Delaware, Acting By and Through Its Department of Transportation (each a "Participating Agency" and, collectively, the "Participating Agencies") established a Consortium (the "Consortium") for the purpose of implementing an E-ZPass® electronic toll collection system (the "Electronic Toll Collection System" or the "ETC System") for the toll roadways operated by the Participating Agencies. In March, 1998, the Turnpike Authority, as lead agency for the Consortium, entered into a contract with MFS Network Technologies, Inc. (the "ETC Project Agreement"), pursuant to which MFS Network Technologies, Inc. ("MFS") and its successors provided services to the Consortium in connection with: (i) the design, installation and implementation of the ETC System, (ii) the design, installation, marketing, operation and maintenance of a fiber optic system along the toll roads operated by the Participating Agencies, and (iii) the design, installation, implementation, maintenance and operation of a customer service center and violations processing center for the ETC System and the ACE ETTM System, all as more fully described in the ETC Project Agreement (collectively, the "ETC Project"). Subsequent to the execution of the ETC Project Agreement, Worldcom, Inc. ("Worldcom") became the eventual successor in interest to all of the rights, duties and obligations of MFS under the ETC Project Agreement.

20. ELECTRONIC TOLL COLLECTION (CONTINUED)

The Authority's participation in this Consortium resulted from its desire to provide E-ZPass® as a method of payment to its patrons. Consequently, the Authority's participation in the Consortium was limited to the implementation and operation of the Customer Service Center/Violations Processing Center (the "CSC/VPC") and the fiber optic system portions of the ETC Project.

E-ZPass® became available as method of payment on the Expressway on November 11, 1998 in connection with the opening of the Consortium Customer Service Center. In July 2002, the Turnpike Authority, acting as lead agency for the Consortium, gave notice to Worldcom of the early termination of the ETC Project Agreement by the Consortium in accordance with the terms of the ETC Project Agreement. Subsequently, the Authority, the Turnpike Authority and the Highway Authority (collectively, the "NJ Agencies") entered into a Professional Services Agreement, effective as of August 2, 2002 (the "ACS Agreement"), with ACS State & Local Solutions, Inc. ("ACS") pursuant to which ACS agreed to provide certain remediation services for the ETC System for the Turnpike and Highway Authorities and to operate and maintain the ETC System for the Turnpike and Highway Authorities, as well as to operate and maintain the customer service center and the violations processing center, for the toll roadways operated by the NJ Agencies until July 31, 2012, unless the ACS Agreement is earlier terminated in accordance with its terms.

Payments that the Authority may be required to make under the ACS Agreement and prior agreements relating to the E-ZPass® project constitute Pledged Project Operating Expenses payable from Revenues prior to Debt Service on the Bonds.

ACS began operating and maintaining the E-ZPass® CSC and VPC for the toll roads operated by the NJ Agencies on or about March 25, 2003 and because the Authority participates in the CSC/VPC portion of the contract only; pursuant to the ACS Agreement, ACS shall invoice the Authority on a monthly basis for 3.6% of all amounts due with regard to those services (the "CSC Services") pertaining to establishment, operation and maintenance of the Customer Service Center (the "CSC"), including the portion of the CSC to be used for the processing of toll collection violations (the "VPC"). Payments to be made by the Authority under the ACS Agreement constitute Operating Expenses of the Expressway Project.

21. INTERFUNDS AND AIRPORT SUBSIDY

The total interfund payable from the Airport Fund to the Expressway Fund at December 31, 2008 is $25,582,019, which consists of $16,627,721 payable from unrestricted funds and $8,954,299 payable from restricted funds.

Pursuant to the second amended and restated resolution authorizing bonds and other obligations, Section 5.02(l) establishes an Airport Fund.

21. INTERFUNDS AND AIRPORT SUBSIDY (CONTINUED)

Accordingly, the Airport Fund is maintained separately from the Expressway Fund and the financial results are separately presented in the accompanying Proprietary Fund Financial Statements. Any excess direct operating expense incurred over revenue earned at the Airport is subsidized by the Expressway Fund and is a liability of the Airport Fund to the Expressway Fund. The Authority periodically transfers amounts from the Expressway Fund to the Airport Fund to subsidize Airport operations. When such transfers are made, the Authority establishes a loan receivable from the Airport Fund to the Expressway Fund for the amount transferred. The loan is payable to the Expressway Fund from unrestricted funds of the Airport Fund when the monies are used on Airport operating expenses, and the loan is payable from restricted funds of the Airport Fund when the monies are used on Airport capital expenditures. These loans are payable to the Expressway Fund when Airport revenue exceeds Airport direct operating expense in any given year, but in no event later than ten years from the date of the loan. Any amounts not repaid by the end of the term due will be written off at the end of the ten-year period.

22. CRDA PARKING FEE AGREEMENT

On October 10, 1997, in connection with the Atlantic City Expressway Connector Project, the Authority entered into a Parking Fee Agreement with the Casino Reinvestment Development Authority ("CRDA").

Pursuant to the Agreement, a portion of certain statutory parking fees ("Marina Parking Fees") receivable by CRDA from marina parking facilities used in conjunction with any new licensed casino hotel construction and located on land in the Marina District (also commonly known as the H-Tract) will be payable to the Authority. These parking fees pertain to the minimum charge per day for each motor vehicle parked, garaged or stored in a parking space in the parking facility, other than for motor vehicles owned or leased by the owner or operator of such facility or by an employee of the casino hotel which owns or leases such facility. The maximum amount payable by CRDA under the Parking Fee Agreement is an amount sufficient to amortize $65 million in Authority bonds issued to finance the Atlantic City Expressway Connector Project and certain allocated costs of issuance. CRDA's payment obligations under the Parking Fee Agreement, as amended by the First, Second and Third Amendments dated June 15, September 20, 2001, and March 2005 respectively are subordinate to the prior lien on the Marina Parking Fees of certain parking revenue bonds of CRDA, plus liens associated with two additional issuances CRDA parking revenue bonds. During 2008, the Authority recognized revenue of $3,049,461 versus $3,105,820 in 2007. Through December 31, 2008, CRDA has paid the Authority a total of $16,305,327. Because of the subordination provisions described above, there are no assurances that the amount of Marina Parking Fees available to enable CRDA to repay the Authority will be sufficient for such purposes.

23. TRANSPORTATION SERVICES

Effective January 1, 2004, the Authority acquired and assumed the operation of the "Comprehensive Transportation System" in Camden and Gloucester Counties, previously operated by the Camden County Improvement Authority. The Comprehensive Transportation System includes (i) the transportation needs of the Work Force New Jersey and Temporary Assistance To Needy Families ('TANF") recipients, post-TANF recipients, welfare clients, low income individuals, and other transit dependents, (ii) the operation of a Job Access/Reverse Commute Program in Camden County, (iii) a partnership with New Jersey Transit to provide local shuttle motor bus passenger service in and around Camden County, and (iv) transportation services for residents of Gloucester County to and from the Pureland Industrial Park from Westville and Woodbury, Gloucester County. Funding from the various state grants above are used to fund operating costs. Operating expenses incurred are offset by operating revenues from each respective grantor agency, as well as revenue from local private employers. Services continued to be provided between the Authority and the Home Port Alliance, to provide transportation to the Battleship New Jersey. The Authority also continued to provide shuttle services at the airport for passenger's convenience to and from the surface parking lots, as well as transportation services for Salem Interagency Council in and around Camden and Salem Counties, and at the Richard Stockton State College to provide for shuttle bus services to the College.

24. RELATED PARTY

As of June 30, 2005, a board member was appointed to the Authority Board of Commissioners. This individual is the brother of one of the partners in a law firm that provided representation and received compensation from the Authority during 2008. During 2008, this firm billed the Authority $236,574 for services rendered. At December 31, 2008, $65,373 was payable and due to the firm. As of the date of this report, all outstanding amounts for the year ending December 31, 2008 have been paid. This commissioner does not direct legal work to any law firms on behalf of the Authority and additionally, abstains from voting when legal invoices are presented to the Board of Commissioners for approval.

25. OPERATING LEASES

The Authority currently has a lease agreement with a private company to provide office space for the SJTPO office in Vineland, New Jersey. This lease expires in 2010. In October of 2008, the Authority entered into a sublease agreement with a private company to lease office space in Camden, New Jersey. The term of this Sublease shall be for a period of three (3) years, commencing on June 17, 2008. The term of the Sublease shall expire on June 16, 2011, unless sub-lessee has exercised its renewal options. The Authority has the option to renew the Sublease Agreement, for two (2) additional terms of one (1) year. Lease expenses incurred for 2008 and 2007 were $130,244 and $140,774, respectively.

26. OTHER POST EMPLOYMENT BENEFITS

The Authority has implemented GASB Statement No. 45 "Accounting and Financial Reporting for Employers for Post-employment Benefits Other than Pensions" ("GASB 45"). This Statement establishes the standards for the measurement, recognition, and display of Other Post-employment Benefits ("OPEB") expense and related liabilities, note disclosures, and if applicable, required supplementary information ("RSI") in the financial reports of state and local governmental employers.

Post-employment benefits are part of an exchange of salaries and benefits for employee services rendered. Most OPEB have been funded on a pay-as-you-go basis and have been reported in financial statements when the promised benefits are paid. GASB 45 requires state and local government's financial reports to reflect systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and provides information about actuarial accrued liabilities associated with the OPEB and whether and to what extent progress is being made in funding the plan.

Plan Description

Pursuant to N.J.S.A. 27:25 A-1 et seq, and certain board resolutions, the South Jersey Transportation Authority provides group health care, prescription drugs, dental, vision benefits and Medicare Part B premium reimbursements for active and retired employees (and for eligible dependents and survivors of active and retired employees). Collectively, these covered individuals are referred to as participants. Group health and prescription drug benefits are provided through insurance companies whose premiums are based on the benefits paid during the year. Dental benefits are paid through a plan under which benefits are paid by the service provider on behalf of the Authority. Vision and Medicare Part B premium reimbursements are paid directly by the Authority. The actuarial valuation report was based on 395 total participants including 97 retirees. As of December 31, 2008, there were no funding contributions required from any of the participants. The actuarial determined valuation of these benefits has been reviewed and will be reviewed bi-annually for the purpose of estimating the present value of future benefits for active and retired employees and their dependents as required by GASB 45.

Annual OPEB Cost and Net OPEB Obligation

The Authority's annual OPEB cost represents the accrued cost for post-employment benefits under GASB 45. The cumulative difference between the annual OPEB cost and the benefits paid during a year will result in a net OPEB obligation, included on the balance sheet. The annual OPEB cost is equal to the annual required contribution (ARC) less adjustment if a net OPEB obligation exists. The ARC is equal to the normal cost and amortization of the Unfunded Actuarial Accrued Liability (UAAL) plus interest.

26. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Other Post-employment Benefit Costs and Obligations (Continued)

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates and assumptions about the probability of occurrences of events far into the future, including future employment, mortality and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

In the January 1, 2008 actuarial valuation, the projected unit credit cost method was used for all participants. The actuarial assumptions used to project future costs included a discount rate of 6.0%, an annual medical healthcare and prescription drug cost trend rate of 11.0% in 2008, with a gradual decline of .5% per year until an ultimate health care cost trend rate is reached in 2018 of 6.0%. Medicare Part B premiums are assumed to increase by 5.0% each year. In addition, the unfunded actuarial accrued liability is being amortized over the maximum acceptable period of 30 years and is calculated assuming a level percentage of projected payroll.

Plan Changes Since Prior Evaluation

The Authority has changed its post-employment plan design in late 2008. Effective January 1, 2009, the Authority changed the pre 65 retiree post-employment health plan to the fully insured New Jersey Turnpike Authority (NJTA) Direct Access and CIGNA HMO Plans. The post 65 retiree post-employment health plans changed to the fully insured AARP Indemnity and Horizon Prescription Drug plans.

In the January 1, 2008 actuarial valuation, the Annual Required Contribution (ARC) for the year ending December 31, 2008 was projected as follows:

	Expressway	Airport	Total
Normal Cost	$1,558,050	$274,950	$1,833,000
Interest on Normal Cost	97,750	17,250	115,000
Amortization	38,290,800	6,757,200	45,048,000
Interest on Amortization	2,393,600	422,400	2,816,000
Total ARC	$42,340,200	$7,471,800	$49,812,000

26. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Other Post-employment Benefit Costs and Obligations (Continued)

The following reflects the components of the 2008 annual OPEB Costs, amounts paid, and changes to the net accrued OPEB obligation based on the January 1, 2008 actuarial valuation and actual OPEB payments made or accrued during 2008:

Net OPEB Obligation - Beginning of Year	$85,312,879	$14,705,121	$100,018,000
Annual Required Contribution	42,340,200	7,471,800	49,812,000
Interest on Net OPEB Obligation	5,313,350	937,650	6,251,000
Adjustment to ARC	(85,312,879)	(14,705,121)	(100,018,000)
Annual OPEB Cost	(37,659,329)	(6,295,671)	(43,955,000)
Employer Contributions	1,507,582	59,310	1,566,892
Decrease in Net OPEB Obligation	(39,166,911)	(6,354,981)	(45,521,892)
Net OPEB Obligation - End of Year	46,145,968	8,350,140	54,496,108
Percentage of OPEB Cost Contributed	4.00%	0.94%	3.56%

Required Supplementary Information:

The Authority's funded status of the Plan is as follows:

	Expressway	Airport	Total
Actuarial Value of Plan Assets	$0	$0	$0
Actuarial Accrued Liability (AAL)	38,290,800	6,757,200	45,048,000
Total Unfunded AAL (UAAL)	38,290,800	6,757,200	45,048,000
Funded ratio	0.00%	0.00%	0.00%
Covered payroll	19,668,471	2,468,136	22,136,607
UAAL as a % of Covered Payroll	194.68%	273.78%	203.50%

26. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Other Post-employment Benefit Costs and Obligations (Continued)

During 2008, the Authority established an account for OPEB contributions and authorized contributions up to $2 million per year. During 2008, the Authority contributed $2 million to this account. Had this contribution been made to Trust administered by a third-party, the actuarial value of the plan assets as well as other significant plan data would be as follows:

	Expressway	Airport	Total
Actuarial Value of Plan Assets	$1,705,951	$294,049	$2,000,000
Actuarial Accrued Liability (AAL)	38,290,800	6,757,200	45,048,000
Total Unfunded AAL (UAAL)	36,584,849	6,463,151	43,048,000
Funded ratio	4.46%	4.35%	4.44%
Covered payroll	19,668,471	2,468,136	22,136,607
UAAL as a % of Covered Payroll	186.01%	261.86%	194.47%

27. PRIOR PERIOD ADJUSTMENT

Correction of an Error

During 2007, we discovered that interest expense on the 2006 Series A Transportation System Revenue Bonds had not been properly charged to the Airport Fund. The proceeds from this bond issue were to be used finance various Airport related projects including construction of the multi-level parking garage at the Atlantic City International Airport. Therefore in order to correct this error, we have recorded as an adjustment to Beginning Total Net Assets, the amount of $2,197,173. Below is the section of the "Proprietary Fund, Statement of Revenues, Expenses and Changes in Net Assets"; for the twelve months ended December 31, 2007 that will show the presentation of this adjustment in the financial statements. Because this error is between both Expressway and Airport activity there is no effect on the consolidated Statement of Net Assets. Below is the presentation of this correction.

Cumulative Effect of an Accounting Change

In accordance with the implementation of GASB Statement No. 45 "Accounting and Financial Reporting for Employers for Post-employment Benefits Other than Pensions" ("GASB 45"). This Statement establishes the standards for the measurement, recognition, and display of Other Post-employment Benefits ("OPEB") expense and related liabilities, note disclosures, and if applicable, required supplementary information ("RSI") in the financial reports of state and local governmental employers. The Authority has reflected their beginning OPEB liability as an adjustment to beginning net assets at December 31, 2006. The amount of this charge to beginning net assets can be allocated between Expressway and Airport activities as follows:

27. PRIOR PERIOD ADJUSTMENT (CONTINUED)

Cumulative Effect of an Accounting Change

	Expressway	Airport	Total
Change in Net Assets before effects of Prior Period Adjustment	$ 700,651	$ (5,021,153)	$ (4,320,502)
Total Net Assets, December 31, 2006	274,051,632	66,004,536	340,056,168
Prior Period Adjustment	2,197,173	(2,197,173)	-
Cumulative Effect of an Accounting Change	(78,177,349)	(14,554,294)	(92,731,642)
Total Net Asset balance, Beginning as adjusted	198,071,457	49,253,071	247,324,526
Total Net Assets, December 31, 2007	$ 198,772,106	$ 44,231,918	$ 243,004,024

28. SUBSEQUENT EVENTS

Subordinated Notes, Series 2009

In February 2009, the Authority issued Subordinated Notes, Series 2009, in the principal amount of $10,000,000. Proceeds of the Series 2009 Note will be used for the purpose of funding a project (collectively, "the Project") consisting of: (i) the interim funding of certain capital improvements of the Authority for which contracts have previously been competitively bid; and (ii) the payment of certain costs of issuing the Notes. The Notes shall constitute Subordinated Indebtedness incurred for the purposes of the Bond Resolution. The Project constitutes an Expressway Project which is hereby designated as a "Pledged Project" under the Bond Resolution.

Transportation System Revenue Bonds, Series 2009

In early 2009, the Authority will be issuing approximately $250,000,000 of Transportation System Revenue Bonds, Series 2009. Proceeds of the 2009 A Bonds will be used to finance: (i) projects associated with congestion relief, rehabilitation and repair of various bridges and tunnel improvements, improvements to safety management assets associated with the expressway and rehabilitation or replacement of various airport assets and upgrades to existing airport safety systems and acquisition new capital equipment; (ii) the redemption or the payment at maturity of all or a portion of the Authority's $22,390,000 Taxable Subordinated Notes, Series 2007, dated July 12, 2007 and due January 1, 2010, and $10,000,000 Subordinated Notes, Series 2009, dated February 4, 2009 and due January 1, 2010; (iii) a portion of the interest on the 2009 A Bonds; (iv) the amount required to increase the amount on deposit in the Debt Service Reserve Fund to the Debt Service Reserve Requirement; and (v) certain costs of issuing the 2009 A Bonds.

28. SUBSEQUENT EVENTS (CONTINUED)

Citizens Bank of Pennsylvania ("Citizens") is the holder of certificates of deposit with regard to certain deposits made to the Construction Fund and the Capitalized Interest Account from the proceeds of the Authority's Transportation System Revenue Bonds, 2006 Series A (the "2006 Series A Bonds") and of the Authority's Taxable Subordinated Notes, Series 2007 (the "2007 Notes"). On March 24, 2009, the Authority was informed that the rating of the unsecured obligations of Citizens has dropped below one of the two highest rating categories of Moody's and S&P and downgraded to Aa3 and A -, respectively. As a result, as required by Section 3 of the Agreement Securing Public Deposits dated January 23, 2006, and August 20, 2007, respectively, by and among the Authority, The Bank of New York, Mellon, as trustee, and Citizens ("Agreement Securing Deposits"), Citizens is required to, and is, collateralizing the certificate of deposits with certain "Permitted Collateral" as defined in the Agreement Securing Deposits.

OTHER SUPPLEMENTARY INFORMATION

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS

FUND FINANCIAL STATEMENTS

December 31, 2008

With Comparative Totals as of December 31, 2007

	Unrestricted Accounts			Restricted Accounts								Totals	
	Revenue Fund	Airport Fund	General Reserve Fund	Debt Service Fund	Rehabilitation and Repair Fund	State Payment Fund	Debt Service Reserve Fund	Rebate Fund	Subordinated Debt Fund	Construction Fund	Consolidation Eliminations	2008	2007
ASSETS													
Unrestricted Assets													
Cash and Cash Equivalents	$ 12,366,569	$ 1,622,771	$ 4,033,862									$ 18,023,202	$ 27,509,816
Investments			10,075,525									10,075,525	1,990,053
Change Funds	43,773	7,226										50,999	51,284
Interest Receivable	2,787	661	18,334									21,782	113,873
Accounts Receivable, net of allowance for uncollected accounts of $108,066	2,437,071	607,154										3,044,225	2,685,283
Grants Receivable	1,851,873	-										1,851,873	994,571
Prepaid Expenses	1,645,029	399,367										2,044,396	1,988,503
Security Deposits	114,168											114,168	
Fuel Inventory	182,479											182,479	135,441
Interfunds Receivable	11,055,821	99,732	19,683,129								$ (30,838,682)	-	-
Total Unrestricted Assets	29,699,569	2,736,911	33,810,850					-			(30,838,682)	35,408,649	35,468,824
Restricted Assets													
Cash and Cash Equivalents	2,830,495			$ 4,053,744	$ 1,371,940	$ 55	$ 235,267	$ 189,627	$ 2	$ 28,715,884		37,397,015	25,587,839
Investments	1,008,526			-	4,794,097		18,971,447	-		25,067,936		49,842,006	72,252,483
Grants Receivable										648,438		648,438	570,207
Interfunds Receivable				10,012,305	1,608,036	208,334		181,447	11	956,595	(12,966,728)	-	-
Interest Receivable				1,165	1,679	66	143,651	60		77,420		224,041	565,116
Total Restricted Assets	3,839,021	-	-	14,067,214	7,775,753	208,455	19,350,366	371,134	13	55,466,274	(12,966,728)	88,111,500	98,975,645
Noncurrent Assets													
Capital assets:													
Non-Infrastructure Capital Assets:													
Land and Improvements	-									147,351,642		147,351,642	147,321,510
Electronic Toll Equipment	-									8,917,935		8,917,935	8,917,935
Buildings and Equipment	-									95,133,262		95,133,262	62,720,775
Less Accumulated Depreciation	-									(44,420,694)		(44,420,694)	(41,318,102)
Total Non-Infrastructure Capital Assets	-	-	-	-	-	-	-	-	-	206,982,146	-	206,982,145	177,642,118
Infrastructure Capital Assets:													
Infrastructure - Equipment	-									10,576,623		10,576,623	10,195,499
Infrastructure	-									400,103,204		400,103,204	393,348,853
Less Accumulated Depreciation	-									(107,203,960)		(107,203,960)	(93,122,441)
Total Infrastructure Capital Assets	-	-	-	-	-	-	-	-	-	303,475,867	-	303,475,867	310,421,911
Construction in Progress										28,097,261		28,097,261	36,707,987
Total Capital Assets	-	-	-	-	-	-	-	-	-	538,555,274	-	538,555,273	524,772,016
Bond Issuance Costs										9,858,378		9,858,378	9,865,987
Less Accumulated Amortization										(3,283,792)		(3,283,792)	(2,810,290)
Total Non-current Non-capital Assets	-	-	-	-	-	-	-	-	-	6,574,586	-	6,574,586	7,055,697
Total Non-Current Assets	-	-	-	-	-	-	-	-	-	545,129,860	-	545,129,859	531,827,713
TOTAL ASSETS	$ 33,538,590	$ 2,736,911	$ 33,810,850	$ 14,067,214	$ 7,775,753	$ 208,455	$ 19,350,366	$ 371,134	$ 13	$ 600,596,134	$ (43,805,410)	$ 668,650,008	$ 666,272,180

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS

FUND FINANCIAL STATEMENTS

December 31, 2008

With Comparative Totals as of December 31, 2007

	Unrestricted Accounts			Restricted Accounts								Totals	
	Revenue Fund	Airport Fund	General Reserve Fund	Debt Service Fund	Rehabilitation and Repair Fund	State Payment Fund	Debt Service Reserve Fund	Rebate Fund	Subordinated Debt Fund	Construction Fund	Consolidation Eliminations	2008	2007
LIABILITIES AND NET ASSETS													
Current Liabilities Payable From													
Unrestricted Assets:													
Accounts Payable	$ 5,491,053	$ 2,018,468										$ 7,509,521	$ 5,378,459
Deferred Income	533,877	30,760										564,637	475,479
Escrow Deposits and Reserves	94,523	240,062										334,585	147,964
Accrued Expenses	1,951,914	532,564								$ 2,533		2,487,011	1,133,548
Interfunds Payable	5,897,888	16,981,072	11								$ (22,878,971)	-	-
Total Current Liabilities Payable From Unrestricted Assets	13,969,255	19,802,926	11	-	-	-	-	-	-	2,533	(22,878,971)	10,895,754	7,135,450
Current Liabilities Payable From													
Restricted Assets:													
Accrued Interest				$ 2,779,455						-		2,779,455	2,781,669
Accounts Payable									$ 13	3,608,970		3,608,983	4,923,967
Deferred Income										-		-	-
Unamortized SWAP Premium										6,126,552		6,126,552	6,580,049
Retainages Payable										752,578		752,578	1,461,081
Due to Other Government Agencies	-					$ 208,334				-		208,334	416,667
PFC Advanced										4,271,725		4,271,725	6,036,385
CFC Advanced										697,169		697,169	463,616
Reserve for Self-Insurance	1,324,468	267,986										1,592,454	1,541,061
Economic Recovery Funds Advanced										104,662		104,662	695,932
Elevated U-Turn Payable										-		-	121,411
Interfunds Payable				151,300	$ 1,467,572	-	$ -	$ 159,519	-	19,148,049	(20,926,439)	-	-
Bonds and Notes Payable Net of Discount, Premium and and Loss on Defeasance ($118,167)										5,776,833		5,776,833	5,602,916
Total Current Liabilities Payable From Restricted Assets	1,324,468	267,986	-	2,930,755	1,467,572	208,334	-	159,519	13	40,486,538	(20,926,439)	25,918,745	30,624,754
Noncurrent Liabilities:													
Other Postemployment Benefits other than Pensions	46,145,968	8,350,140										54,496,108	100,018,000
Arbitrage Rebate Payable								55,417				55,417	407,877
Bonds and Notes Payable Net of Discount, Premium and and Loss on Defeasance ($1,905,655)										279,369,345	-	279,369,345	285,082,080
Total Noncurrent Liabilities	46,145,968	8,350,140	0	-	-	-	-	55,417	-	279,369,345	-	333,920,870	385,507,957
TOTAL LIABILITIES	$ 61,439,691	$ 28,421,052	$ 11	$ 2,930,755	$ 1,467,572	$ 208,334	$ -	$ 214,936	$ 13	$ 319,858,416	$ (43,805,410)	$ 370,735,369	$ 423,268,161

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS

FUND FINANCIAL STATEMENTS

December 31, 2008

With Comparative Totals as of December 31, 2007

	Unrestricted Accounts			Restricted Accounts								Totals	
	Revenue Fund	Airport Fund	General Reserve Fund	Debt Service Fund	Rehabilitation and Repair Fund	State Payment Fund	Debt Service Reserve Fund	Rebate Fund	Subordinated Debt Fund	Construction Fund	Consolidation Eliminations	2008	2007
NET ASSETS													
Invested in Capital Assets, Net of Related Debt										$ 265,793,486		$ 265,793,486	$ 231,947,017
Restricted for:													
Debt Service				$ 11,136,459								11,136,459	3,976,437
Rehabilitation and Repair					$ 6,308,181							6,308,181	6,316,019
Debt Service Reserve							$ 19,350,366					19,350,366	18,941,274
State Payment						$ 121						121	287
Capital Projects										14,944,231		14,944,231	44,489,263
Arbitrage Rebate												-	-
Self-Insurance Reserve	-											-	-
Unfunded OPEB/(Deficit)	$ (39,010,438)	$ (6,334,269)										(45,344,707)	(92,731,642)
Funded OPEB Obligation	1,705,951	294,049										2,000,000	-
Unrestricted	9,403,386	(19,643,921)	$ 33,810,840					$ 156,199	-	-		23,726,504	30,065,344
Total Net Assets	(27,901,101)	(25,684,141)	33,810,840	11,136,459	6,308,181	121	19,350,366	156,199	-	280,737,717	-	297,914,641	243,004,019
TOTAL LIABILITIES AND NET ASSETS	$ 33,538,590	$ 2,736,911	$ 33,810,851	$ 14,067,214	$ 7,775,753	$ 208,455	$ 19,350,366	$ 371,135	$ 13	$ 600,596,133	$ (43,805,410)	$ 668,650,010	$ 666,272,180

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FUND FINANCIAL STATEMENTS

Twelve Months Ended December 31, 2008

With Comparative Totals as of December 31, 2007

	Unrestricted Accounts		Restricted Accounts									Totals	
	Revenue Fund	Airport Fund	General Reserve Fund	Debt Service Fund	Rehabilitation and Repair Fund	State Payment Fund	Debt Service Reserve Fund	Rebate Fund	Subordinated Debt Fund	Construction Fund	Consolidation Eliminations	2008	2007
Operating Revenues:													
Tolls	$ 63,476,068										$	63,476,068 $	61,830,498
Concessions	1,961,787											1,961,787	2,066,267
ETC Administration Revenue	2,374,981											2,374,981	1,862,604
Garage Parking	1,514,516											1,514,516	1,548,413
Marina Parking Revenue	3,049,461											3,049,461	3,105,820
Intercept Parking	371,540											371,540	358,765
Bus Permits	482,697											482,697	459,786
Rentals	4,536,859											4,536,859	4,266,050
Directional Signage Program	-											-	21,108
SJTPO Programs	2,000,516											2,000,516	2,008,293
Transportation Services	2,186,568											2,186,568	2,535,960
Other	508,338		-									508,338	562,260
Airport	-	$ 9,142,358										9,142,358	8,790,658
Total Operating Revenues	82,463,331	9,142,358	-	-	-	-	-	-	-	-	-	91,605,689	89,416,482
Operating Expenses:													
Executive	1,979,608											1,979,608	2,045,053
Policy and Planning	449,001											449,001	268,003
Engineering	3,490,024											3,490,024	3,163,331
Finance	1,495,735											1,495,735	1,158,854
Central Accounts	8,700,976											8,700,976	9,232,336
Other Post-Employment Benefit	1,507,582	59,310										1,566,892	8,567,000
Marketing and Communications	655,411											655,411	1,030,489
Tourist Services	6,226,498											6,226,498	6,268,587
Maintenance	7,275,244											7,275,244	5,980,100
Police	7,385,593											7,385,593	7,436,902
Emergency Service Patrol	932,738											932,738	806,469
Electronic Toll Collection Expense	3,711,438											3,711,438	3,371,814
Directional Signage Program	1,370											1,370	21,108
Parking-(Non Airport)	876,251											876,251	824,823
Information and Toll Technology	2,076,179											2,076,179	1,725,773
SJTPO Programs	2,000,516											2,000,516	2,008,293
Transportation Services	2,344,252											2,344,252	2,642,536
Airport	-	12,603,490										12,603,490	11,552,069
Depreciation	-									$ 18,108,266		18,108,266	17,826,155
Total Operating Expenses	51,108,416	12,662,800	-	-	-	-	-	-	-	18,108,266	-	81,879,482	85,929,695
Operating Income (Loss)	31,354,915	(3,520,442)	-	-	-	-	-	-	-	(18,108,266)	-	9,726,207	3,486,787

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FUND FINANCIAL STATEMENTS

Twelve Months Ended December 31, 2008

With Comparative Totals as of December 31, 2007

	Unrestricted Accounts			Restricted Accounts								Totals	
	Revenue Fund	Airport Fund	General Reserve Fund	Debt Service Fund	Rehabilitation and Repair Fund	State Payment Fund	Debt Service Reserve Fund	Rebate Fund	Subordinated Debt Fund	Construction Fund	Consolidation Eliminations	2008	2007
Non-Operating Income(Expenses)													
Interest Revenue	$ 991,636	$ 43,346	$ 324,266	$ 56,691	$ 134,618	$ 2,255	$ 438,882	$ 2,837	-	$ 2,683,663	$	$ 4,678,195	$ 7,079,014
Gain on Sale of Assets	50									-		50	32,003
Reduction in OPEB Liability	39,166,911	6,354,981										45,521,892	-
Actuarial Accrued Pension Expense												-	-
Other Revenue			-							-		-	329
Claims												-	
Fund Expenses	-			-	-					(2,571)		(2,571)	
Amortization Expense										(481,111)		(481,111)	(497,629)
Amortization of Bond Premium										55,551		55,551	78,813
Interest on Bonds				(14,413,040)						(171,733)		(14,584,772)	(14,159,398)
State Payment						(2,500,000)						(2,500,000)	(2,500,000)
Total of Non-Operating Income/(Expenses)	40,158,597	6,398,327	324,266	(14,356,349)	134,618	(2,497,745)	438,882	2,837	-	2,083,799	-	32,687,234	(9,966,868)
Income (Loss) before Contributions and Transfers	71,513,512	2,877,885	324,266	(14,356,349)	134,618	(2,497,745)	438,882	2,837	-	(16,024,467)	-	42,413,441	(6,480,082)
Capital Contributions - Grants										12,497,177	(12,497,177)	-	
Total Capital Contributions											12,497,177	12,497,177	2,159,578
Interest Revenue Transferred From Restricted Funds	765,132										(765,132)	-	
Interest Revenue Transferred To Operating Account				(61,013)	(142,456)	(2,430)	(29,791)			-	765,132	529,442	53,154
Bonds Principal Payment Transfer				(5,655,000)						5,655,000		-	
Transfers (To)/From Unrestricted Funds	2,235,690	18,247	12,510,743	26,038,561	-	2,500,008	-			7,828,705	(51,131,955)	-	
Transfers (To)/From Restricted Funds	(31,297,805)		(15,902,413)	1,193,822						(5,655,000)	51,131,955	(529,441)	(53,150)
Change in Net Assets before Cumulative Effect of Accounting Chang	43,216,529	2,896,132	(3,067,404)	7,160,022	(7,838)	(167)	409,091	2,837	-	4,301,415	-	54,910,619	(4,320,502)
Total Net Asset Balance -- Beginning	(71,117,629)	(28,580,272)	36,878,243	3,976,437	6,316,020	287	18,941,274	153,361	-	276,436,303		243,004,024	340,056,168
Cumulative Effect of Accounting Change (See Note 27)	-											-	(92,731,642)
Total Net Asset Balance -- Beginning as adjusted	(71,117,629)	(28,580,272)	36,878,243	3,976,437	6,316,020	287	18,941,274	153,361	-	276,436,303	-	243,004,024	247,324,526
Total Net Assets -- Ending	$ (27,901,100)	$ (25,684,140)	$ 33,810,839	$ 11,136,459	$ 6,308,182	$ 120	$ 19,350,365	$ 156,198	-	$ 280,737,718	$ -	$ 297,914,643	$ 243,004,024

SOUTH JERSEY TRANSPORTATION AUTHORITY

SCHEDULE OF BONDS, NOTES AND OTHER DEBT

Period Ending December 31, 2008

	Date of Issue	Amount Issued	Interest Rate	Maturity Date	Balance December 31, 2007	Issued	Paid	Balance December 31, 2008
Transportation System Revenue Bonds,	4/15/2003	$ 15,790,000	3.00%	11/01/08	$ 1,855,000	$	$ 1,855,000	$ -
2003 Series			4.00%	11/01/09	1,910,000			1,910,000
(Tax Exempt)			3.25%	11/01/10	1,985,000			1,985,000
Original Issue Amount $44,100,000			5.00%	11/01/11	2,050,000			2,050,000
			5.25%	11/01/12	2,155,000			2,155,000
					9,955,000	-	1,855,000	8,100,000
Transportation System Revenue Bonds,	06/02/99	204,520,000	5.000%	11/01/08	3,360,000		3,360,000	-
1999 Series			4.500%	11/01/09	3,530,000			3,530,000
(Tax Exempt)			5.250%	11/01/10	3,685,000			3,685,000
Original Issue Amount $204,520,000			5.250%	11/01/11	3,880,000			3,880,000
			5.250%	11/01/12	4,080,000			4,080,000
			5.250%	11/01/13	6,565,000			6,565,000
			5.250%	11/01/14	6,910,000			6,910,000
			5.000%	11/01/15	7,275,000			7,275,000
			5.000%	11/01/16	7,635,000			7,635,000
			5.000%	11/01/17	8,020,000			8,020,000
			5.000%	11/01/18	8,420,000			8,420,000
			5.000%	11/01/19	8,840,000			8,840,000
			5.125%	11/01/20	9,280,000			9,280,000
			5.125%	11/01/21	9,755,000			9,755,000
			5.125%	11/01/22	10,255,000			10,255,000
			5.000%	11/01/23	10,785,000			10,785,000
			5.000%	11/01/24	11,320,000			11,320,000
			5.000%	11/01/25	11,890,000			11,890,000
			5.000%	11/01/26	12,485,000			12,485,000
			5.000%	11/01/27	13,105,000			13,105,000
			5.000%	11/01/28	13,760,000			13,760,000
			5.000%	11/01/29	14,450,000			14,450,000
					189,285,000		3,360,000	185,925,000

SOUTH JERSEY TRANSPORTATION AUTHORITY

SCHEDULE OF BONDS, NOTES AND OTHER DEBT

Period Ending December 31, 2008

	Date of Issue	Amount Issued	Interest Rate	Maturity Date	Balance December 31, 2007	Issued	Paid	Balance December 31, 2008
Transportation System Revenue Bonds,	06/24/2004 $	22,235,000	3.500%	11/01/08	$ 440,000	$	$ 440,000	$ -
2004 Series A			3.750%	11/01/09	455,000			455,000
(Tax Exempt)			3.875%	11/01/10	475,000			475,000
Original Issue Amount $22,235,000			4.000%	11/01/11	490,000			490,000
			4.125%	11/01/12	510,000			510,000
			4.250%	11/01/13	530,000			530,000
			4.250%	11/01/14	555,000			555,000
			4.125%	11/01/15	580,000			580,000
			4.250%	11/01/16	600,000			600,000
			5.000%	11/01/17	625,000			625,000
			5.000%	11/01/18	660,000			660,000
			5.000%	11/01/19	690,000			690,000
			5.000%	11/01/20	725,000			725,000
			5.000%	11/01/21	760,000			760,000
			5.000%	11/01/22	800,000			800,000
			5.150%	11/01/23	840,000			840,000
			5.150%	11/01/24	880,000			880,000
			5.150%	11/01/25	925,000			925,000
			5.150%	11/01/26	975,000			975,000
			5.150%	11/01/27	1,020,000			1,020,000
			5.150%	11/01/28	1,075,000			1,075,000
			5.150%	11/01/29	1,125,000			1,125,000
			5.150%	11/01/30	1,180,000			1,180,000
			5.150%	11/01/31	1,240,000			1,240,000
			5.150%	11/01/32	1,305,000			1,305,000
			5.150%	11/01/33	1,370,000			1,370,000
					20,830,000	-	440,000	20,390,000

SOUTH JERSEY TRANSPORTATION AUTHORITY

SCHEDULE OF BONDS, NOTES AND OTHER DEBT

Period Ending December 31, 2008

	Date of Issue	Amount Issued	Interest Rate	Maturity Date	Balance December 31, 2007	Issued	Paid	Balance December 31, 2008
Transportation System Revenue Bonds, 2006 Series A (Tax Exempt) Original Issue Amount $50,365,000	01/12/06	$ 50,365,000	4.50%	11/01/2030	$ 7,065,000	$	$	$ 7,065,000
			4.50%	11/01/2031	7,380,000			7,380,000
			4.50%	11/01/2032	7,710,000			7,710,000
			4.50%	11/01/2033	8,055,000			8,055,000
			4.50%	11/01/2034	9,855,000			9,855,000
			4.50%	11/01/2035	10,300,000			10,300,000
					50,365,000	-	-	50,365,000
Taxable Subordinated Notes, Series 2007 Original Issue Amount $22,390,000	07/05/07	22,390,000	5.50%	01/01/2010		22,390,000		22,390,000
					-	22,390,000	-	22,390,000
		$ 315,300,000			$ 270,435,000	$ 22,390,000	$ 5,655,000	$ 287,170,000

South Jersey Transportation Authority
Schedule of Toll Revenue
Period Ending December 31, 2008

Interchange:	Toll Revenue	Vehicle Count
Pleasantville	$ 15,885,273	28,347,018
Exit 5, Route 9	677,240	1,372,976
Mays Landing	2,678,343	5,213,149
Egg Harbor	38,956,503	17,935,888
Hammonton	885,840	1,670,620
Winslow	460,016	861,269
Williamstown	1,271,447	4,723,853
Pomona	1,742,321	3,436,672
Berlin Crosskeys	919,085	3,399,798
Unusual and Toll Free		695,857
	$ 63,476,068	67,657,100

Unusual vehicles include vehicles with special transit permits, fire equipment, ambulance, and patrons without funds.

Toll-free vehicles include employees, emergency vehicles, vendors servicing the Expressway System, and others whom the Authority deems to be necessary and convenient to the operation of the Expressway System.

South Jersey Transportation Authority
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