

With More to Come

South Jersey Transportation Authority 2004 Annual Report



ATLANTIC CITY INTERNATIONAL AIRPORT

ATLANTIC CITY EXPRESSWAY

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Acting Governor



Jack Lettiere,
NJ DOT



Virginia S. Bauer,
NJ Commerce Commission



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Chairman



James A. Crawford,
Executive Director

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Charles E. Owens



Mark A. Summerville



Louis Toscano



Rev. James Washington



Carl W. Block

Letter from the Chairman

40 Years of Service & Growth

Annual reports typically compare the current year with its predecessor, inching along with year-to-year progress. But 2004 was different. It was the 40th anniversary of the Atlantic City Expressway and the South Jersey Transportation Authority, so this annual report will include a look back to the very beginning.

After four decades of the Atlantic City Expressway, it's hard to visualize what Atlantic City looked like in 1964 – an aging, decaying resort, abandoned by the very railroads that had made it a destination for the well-to-do of the 19th Century. Atlantic and Ocean counties subsisted on sluggish seasonal economies, and semi-rural southern Camden and Gloucester counties were dotted with sleepy towns. Suburban growth was new to South Jersey, and the gap between Philadelphia and the New Jersey Shore was vast, with only pre-war roadways to connect them.

Now Atlantic City is an economic powerhouse, bringing prosperity to all six counties in the SJTA service area. It leads the nation in tourist visits, reviving its retail and restaurant sectors. Moreover, the revival is no longer seasonal. Atlantic County is among New Jersey's fastest growing areas, and Gloucester County is competing for that title. Camden County also is sharing in the growth, as are Cape May, Cumberland and Salem counties.

What this unprecedented development has in common is the Atlantic City Expressway. In 1964, the ACE carried its first passengers between the Delaware Valley, home to six million potential tourists, and the Jersey Shore – more than a decade before the first casino opened. In 1978, the first year statistics were kept, the Expressway carried a mere 2.58 million vehicles. Now nearly 26 million passed through the Pleasantville Toll Plaza, and millions more drove part of the Expressway's 44 miles in 2004, bringing welcome tourist dollars and creating thousands of high-paying jobs. Another way of measuring its impact is to look at the changing percentage of visitors arriving by private vehicle as opposed to a casino-hired bus – up 4.8 percent at 25.7 million, while the 6.5 million bus passengers represented a 3.8-percent decline.

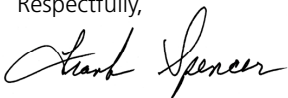
It should come as no surprise that the casinos' "win" per player rose 3.8 percent to \$144.65, given the higher mix of private vehicle visitors. That's roughly 80 percent of what the average Las Vegas visitor leaves behind, and as recently as 1994 it was only 70 percent. Atlantic City's gaming industry as a whole prospered, with a combined win of \$4.488 billion – up a healthy 7.1 percent year over year.

The traffic is two-way. The ACE enables Atlantic City's workforce to commute from almost anywhere along the roadway, sharing prosperity and growth with the towns along the route and throughout Camden and Gloucester counties.

The SJTA also has become an economic engine for the region, putting its tolls to productive use. It extended its reach into Gloucester and Camden counties by building a new interchange near the western terminus, while adding an interchange to serve Pleasantville. It has also acquired and is expanding Atlantic City International Airport in Egg Harbor Township. The airport not only serves the entertainment industry in its namesake, but it has also grown into a new role as a regional airport – an alternative for travelers wishing to avoid the congestion at Newark Liberty and Philadelphia International airports.

With the support of acting Governor Richard Codey and the Legislature, the Authority in 2005 will continue to contribute to the safe travel, economic vitality and well being of the millions it serves.

Respectfully,



FRANK SPENCER,
Chairman,
South Jersey Transportation Authority

2004: A Foundation Year

The 40th anniversary of the Atlantic City Expressway was a year of accomplishment for the South Jersey Transportation Authority – and a year of preparation. The Authority completed the installation of Express E-ZPass at the Pleasantville Toll Plaza, while a growing number of passengers enjoyed improved service and facilities at Atlantic City International Airport. For the second consecutive year, more than one million passengers arrived or departed from the Airport. It was also an eventful year in economic development, as Atlantic City enhanced its reputation as a tourist draw. The Walk and Tropicana's The Quarter opened, offering varied retail experiences that are proving to be very popular.

Our visitor statistics reflected this transition. Total visits to Atlantic City topped 33 million for the first time since 1999, and the ratio of visitors arriving by private vehicles compared to bus passengers increased in 2004, as it has in recent years.

The real story behind these statistics is that Atlantic City is attracting a more affluent, more mobile traveler, with increasing economic value in each visit. Thriving retail and entertainment venues are a testament to that trend. Here is what the South Jersey Transportation Authority did to move the trend along in 2004:

- Completed the installation of Express E-ZPass at the Pleasantville Toll Plaza.
- Opened the refurbished and expanded Frank S. Farley Service Plaza on the same day as the annual Safety Day event. The Authority also commemorated a Memorial Plaza to those who lost their lives in the line of duty over the Expressway's 40-year history.
- Began construction of Taxiway "P" at Atlantic City International Airport. When completed in the fall of 2005, this second taxiway will give airport operations more flexibility and also accommodate planned terminal expansion.
- Added 300 seats for passengers waiting for flights.
- Installed self-service check-in kiosks at Spirit Airlines.
- Instituted a customer service desk, from which "Travel Ambassadors" will deal with passenger concerns – parking, handicapped access and ground transportation.
- Installed Instrument Landing capability at the end of Runway 31, giving the Airport ILS at both ends of the runway.
- Added Transportation Services to the Authority's economic outreach. Its mission is to bring workers who cannot afford private vehicles to employers that need them.
- Conducted the fifth annual Bus Rodeo with 34 drivers competing at the course set up at the Atlantic City Transportation Center on Albany Avenue.

As I prepare to complete my term as Executive Director, I am proud of the success achieved by SJTA and its people. I am confident that with the support of acting Governor Codey and the Legislature, Chairman Spencer and the Board will lead the continued growth of the Authority's mission to meet the region's needs in transportation services and economic development.

Respectfully,



JAMES A. CRAWFORD,
Executive Director,
South Jersey Transportation Authority

2004 at ACY

As Atlantic City International Airport continued to grow in 2004, the South Jersey Transportation Authority laid the foundation for further expansion by initiating new services, improving the terminal and upgrading airport operations. Among these efforts was a marketing campaign to persuade travelers living in the region that ACY was a convenient alternative to the congested metropolitan airports in Newark and Philadelphia. There was also significant contribution to growth from the airlines and ACY's air service providers.

Travelers responded to these initiatives, and came in increasing numbers – up 5 percent in 2004 and an astounding 22 percent since 2002. For the second consecutive year, total ACY passenger traffic exceeded 1 million (see chart). Flights from ACY have increased by 40 percent, with a 35-percent rise in seat capacity. This growth rate topped the national average by a wide margin. Private-sector initiatives were among the trends reflecting further growth:

Spirit Airlines

This airline, which got its start serving Atlantic City, now has routes extending as far south as Cancun and as far west as Denver-Las Vegas-Los Angeles. ACY is now one of three “focus destinations” for Spirit, and the airline enplaned and deplaned nearly 800,000 passengers at ACY in 2004.

On Nov. 18, Spirit added Santo Domingo to its network of flight destinations.

Spirit demonstrated its bright future by dramatically upgrading its fleet with Airbus A-321s, introduced in October 2004. Spirit is working towards a transition to an all-Airbus fleet. The airline has placed an order for 35 Airbus aircraft with options for an additional 50. Spirit already has one of the lowest costs of operation in the airline industry, and the new Airbus aircraft, which are technologically advanced and fuel efficient, will assure Spirit's continued leadership. Its MD-80s hold 150 passengers with 16 in Spirit Plus and 134 in coach, while the A-321s hold 198 passengers (182 in coach and 16 in Spirit Plus).

Midlantic Jet Aviation

This FBO (fixed base operation), serving charter and corporate aircraft, demonstrated its belief in ACY by building a \$2-million, state of the art hangar, covering 20,000 square feet. This facility opened in 2004 and more than doubles Midlantic's hangar space. It can accommodate six executive jets. The existing structure had 14,000 square feet under roof, housing four jets.

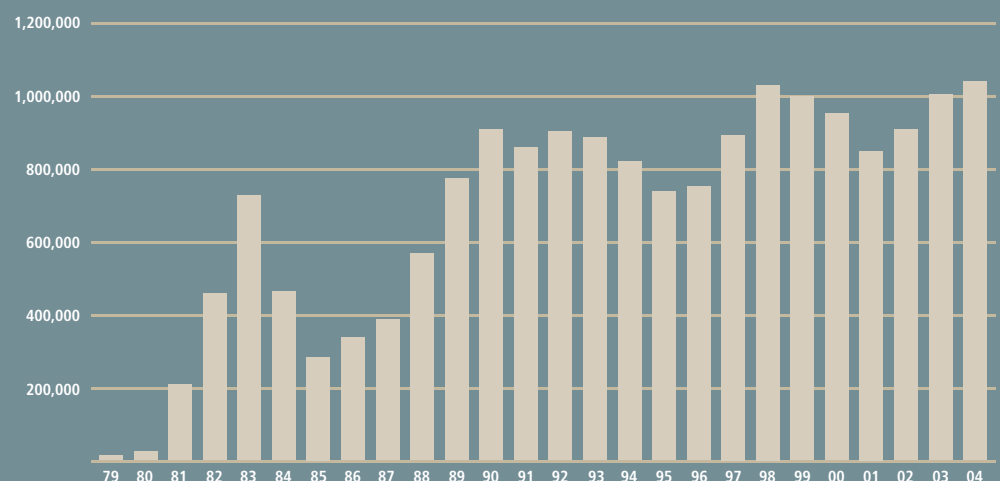
Frank Spencer, chairman of the South Jersey Transportation Authority, hailed its December opening as a sign that corporate/charter aviation has completed its comeback from 9/11 at ACY.

Delta Connection/Comair

ACY's second scheduled airline expanded service through its Cincinnati hub, second largest in its network, to include 126 destinations in the United States and Europe. Among the new cities served are Amsterdam, Frankfurt and Rome.



Atlantic City International Airport Passenger Counts, 1979-2004



Terminal improvements

The airport enlarged a 300-seat holding area for passengers awaiting flights. There they have access to a business center-lounge, equipped with Internet and fax access, and a refurbished restaurant. Using in-house craftsmen, the airport has expanded the first-floor news/gift shop.


The Authority began expansion of parking capacity at ACY, now 1,700 paved spaces. In 2004, it began grading for a 1,000-space lot, where employee parking can be separated from overflow travelers' parking. Completion is scheduled for June 2005.

A grant for an apron lighting upgrade was obtained in 2004. It entails construction of four, 100-foot towers.

Service upgrades:

Four major steps were taken to improve the traveling experience at ACY.

- Passengers can now get help from experienced, trained "travel ambassadors" at a newly instituted customer service desk. It is staffed during peak travel hours from 5 a.m. to 6 p.m. with further expansion anticipated in 2005.
- The Authority began negotiations to end a legal dispute with its parking contractor and consequently put a long-planned parking garage back on track. The settlement would also increase the airport's revenue stream, funding not only the buy-out cost but also that of construction bonding.
- The Authority planned to assume responsibility for parking and initiate all-hours shuttle service to all the airport's parking lots.
- Among other service upgrades was the installation of self-service kiosks at the Spirit Airlines counter, in addition to the curbside check-in installed in 2003.



Spirit demonstrated
its bright future by
dramatically upgrad-
ing its fleet with
Airbus A-321s.



Delta Connection also increased service
through its Cincinnati hub.



Planning for More Growth at ACY

The airport terminal was designed to handle some 1.3 million passengers a year, but that was before the enhanced security requirements instituted in the aftermath of the 9/11 incident. With the structure already near its design capacity (see chart) and security screening impeding efficient passenger flow, the Authority has undertaken a phased expansion plan. The plan includes significant upgrades of aircraft operational infrastructure.

Current Projects

The highest priority is being given to a new baggage screening structure to be built on part of the current apron. It will enable the Transportation Security Administration (TSA) to use new, more thorough equipment on check-through luggage and relieve passengers of their current burden of carrying all baggage to the TSA checkpoint. It will also give the airlines more space to sort the bags and load their service carts. At the same time, the new structure will free up terminal space to allow more space for a third lane for TSA passenger screening, reducing wait times in peak hours. The

revamped TSA operation will allow passengers unimpeded check-in. As currently configured, the TSA operation restricts passenger traffic between the terminal entry and check-in counter.

The project also will add a second escalator conduit to the second floor, giving outbound passengers improved access to the loading gates, while incoming passengers would enjoy direct access to baggage claim and ground transportation. Separating inbound and outbound traffic flows also enhances security.

To accommodate the new baggage-staging structure, the airport plans to relocate two loading bridges and to enlarge its service apron. Making the move from the drawing board was Taxiway P, construction of which is due to be completed in fall of 2005. It will give aircraft a second taxiway and give ACY operations more flexibility in directing in-bound and out-bound flights. In the future, it will also accommodate expansion of the terminal.

Expansion Projects

(Under Construction)

Existing Taxiway

Baggage
Screening
Structure
(temporary)

Proposed
Apron
Expansion

Remote
Future
Expansion

Existing
Terminal

Terminal
Expansion

Atlantic City International Airport Tenant List

TENANT	USE
AVIS	AUTOMOBILE RENTALS
BUDGET	AUTOMOBILE RENTALS
DELTA/COMAIR	SCHEDULED AIRLINE
FABER, COE & GREGG	NEWSSTAND/GIFTS
GATE SERVE	AIRLINE CATERING
GOLD TRANSPORTATION	CHARTER AIRLINE
HERTZ	AUTOMOBILE RENTALS
INTERSPACE	ADVERTISING
LC3	RESTAURANT/BAR
MIDLANTIC JET	FIXED BASE OPERATOR
RAYTHEON	FIXED BASE OPERATOR
SPIRIT AIRLINES	SCHEDULED AIRLINE
TALK OF THE WALK	RETAIL/GIFTS
YELLOW VAN	GROUND TRANSPORTATION



Planning for the Future

An engineering study in 2004 anticipated two million passengers a year would be traveling through Atlantic City International Airport within a decade. Our consultant has produced a master plan to accommodate them. It calls for upgrading the Airport from its current six to 14 loading bridges, while expanding the terminal to provide convenient travel for the greater numbers. The plan envisions the work in five stages.

The goal of the staged expansion plan is to create a terminal with a concourse at the eastern end, allowing for 13 or 14 loading bridges. The work is to be completed by 2012. Conceptual design was undertaken in 2004. The stages:

- An underground level, which will support the east-end expansion and provide space to consolidate and modernize such building systems as electrical supply, air conditioning and heating.

- The first level will house expanded baggage claim and ticketing space. It will free up existing space for more TSA checkpoints and an end to long passenger waits. It also provides more space for airline support functions.

- The second level will provide more space for passenger waiting and services, plus retail shops. It will add to the terminal capacity for loading gates, raising the current six to 10 to 12, contingent on final design.

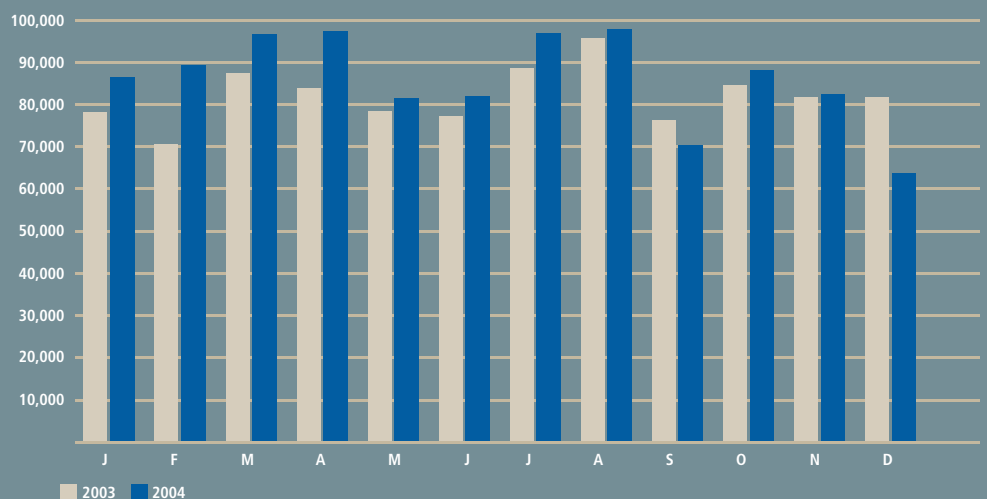
- Completion of the first three stages will present an opportunity to rationalize the use of space within the current footprint – giving the airlines and ACY staff more office space, the TSA more room for its operations and most important for travelers, to increase the number of baggage claim carousels and to improve access to ground transportation and rental cars.

- The final stage is to build a concourse from the new east-end structure, bringing the airport's capacity up to 14 or 15 gates.



An SJTA marketing campaign promotes ACY as a regional alternative to the two metropolitan airports at either end of the state.

Atlantic City International Airport Total Passengers, 2003-2004



The A-321's greater passenger capacity will bring more travelers to Atlantic City International Airport.



Developing the Economy

The South Jersey Transportation Authority has long been committed to furthering economic development in its six-county region. Its core mission brings people together and moves goods, but the Authority also dedicates some of its revenues to joint marketing initiatives. Two are especially significant: With Atlantic City International Airport's contract operator, Avports, and the Atlantic City Convention and Visitors Authority.

Atlantic City is emphasizing its growth as a family entertainment and retail-shopping destination - a strategic supplement to gaming. Two major attractions opened in 2004: "The Walk" and "The Quarter at Tropicana," creating more than 1,500 jobs and broadening the city's economic base. Statistics measuring the 33.2 million visits to the city reflect the success of this marketing campaign. Even more telling, Cordish Co., "The Walk's" developer, announced plans to add 350,000 square feet of space doubling the retail and entertainment space under roof along Michigan Avenue. The \$155-million project will cover five more blocks westward past the Atlantic City Expressway.

Casino expansion continues apace. Their combined "win" (revenues before meeting payroll and expenses) rose a healthy 7.1 percent to \$4.807 billion in 2004.

Reflecting this prosperity, Borgata announced plans to spend \$375 million to build an 800-room tower, including 200 condominiums, plus a \$200-million expansion of the casino. Resorts opened a new tower in 2004 and plans further growth, while Showboat/Harrah's has committed \$100 million to a 3,000-space garage and a 70,000-square-foot casino expansion. The Tropicana, meanwhile, reclaimed its title as New Jersey's largest hotel with a 500-room tower, part of The Quarter.

The Salem County tourist project illustrates what South Jersey Transportation Authority staff can contribute toward furthering economic development in its six-county region. To assist the Salem County Economic Development Authority increase traffic to such tourist spots as Fort Mott in Pennsville, the SJTA Tourist Division planned a campaign to erect 40 signs on highways through Salem County, and the sign shop produced the signage.

SJTA's core mission is to move people and goods, but the Authority also markets Atlantic City International Airport. The goal is to attract air travelers who prefer the convenience of ACY over Newark Liberty or Philadelphia International airports, avoiding the congestion, long waits and frequent delays.

Trends in Gross Gaming Win Per Visit/Trip for Las Vegas and Atlantic City Casinos

Year	Las Vegas Gaming Win Per Visit/Trip	Atlantic City Gaming Win Per Visit/Trip	Atlantic City Win as a Percentage of Las Vegas Win
2004	\$182	\$145	79.7%
2003	\$172	\$139	81.0%
2002	\$170	\$132	77.6%
2001	\$171	\$133	77.8%
2000	\$170	\$130	76.5%
1999	\$169	\$125	74.0%
1998	\$163	\$118	72.4%
1997	\$161	\$115	71.4%
1996	\$156	\$112	71.8%
1995	\$157	\$113	72.0%
1994	\$155	\$109	70.3%
1993	\$158	\$109	69.0%

Sources: Las Vegas Convention and Visitors Authority Website
SJTA for Atlantic City data based on Casino Control Commission gaming win numbers.

Annual Visit/Trips to Atlantic City by Transportation Mode

Year	Automobile	Casino	Franchise	Air	Rail	Total
2004	25,732	6,573	516	261	148	33,230
2003	24,553	6,764	504	261	142	32,224
2002	24,676	7,586	514	268	143	33,187
2001	23,501	7,986	519	277	140	32,423
2000	23,177	9,015	536	323	133	33,184
1999	23,247	9,342	539	396	128	33,652
1998	23,293	9,903	530	447	127	34,300
1997	23,368	9,640	512	426	124	34,070
1996	23,023	10,011	515	395	98	34,042
1995	23,162	9,079	517	386	128	33,272
1994	21,803	8,352	518	433	215	31,321
1993	20,303	8,728	513	462	219	30,225
1992	19,734	9,768	512	496	195	30,705
1991	19,281	10,286	494	483	244	30,788
1990	19,310	11,201	528	544	230	31,813
1989	18,257	12,447	685	523	90	32,002
1988	17,769	14,184	745	440	-	33,138
1987	17,218	13,495	754	378	-	31,845
1986	16,360	12,453	748	371	-	29,932
1985	15,702	12,589	758	277	-	29,326
1984	15,448	12,041	720	257	-	28,466
1983	14,347	11,036	643	335	-	26,361
1982	13,086	9,051	595	223	-	22,955
1981	11,475	6,770	658	181	-	19,084
1980	9,891	3,298	613	20	-	13,822
1979	7,909	1,000	536	20	-	9,465
1978	6,445	200	353	10	-	7,008

Source: South Jersey Transportation Authority

Average Casino Win Per Visit/Trip to Atlantic City

Year	Casino Win	Visit/Trips	Average Win
2004	\$4,806,698,174	33,229,547	\$144.65
2003	\$4,488,509,196	32,223,175	\$139.29
2002	\$4,381,706,737	33,188,233	\$132.03
2001	\$4,303,078,299	32,422,694	\$132.72
2000	\$4,300,734,397	33,183,616	\$129.60
1999	\$4,164,197,574	33,651,796	\$123.74
1998	\$4,033,012,351	34,301,539	\$117.58
1997	\$3,906,140,262	34,070,587	\$114.65
1996	\$3,813,598,161	34,041,548	\$112.03
1995	\$3,747,578,413	33,271,808	\$112.64
1994	\$3,422,534,117	31,321,500	\$109.27
1993	\$3,301,360,043	30,224,968	\$109.23
1992	\$3,215,970,367	30,705,332	\$104.74
1991	\$2,991,559,232	30,788,400	\$97.17
1990	\$2,951,580,214	31,812,733	\$92.78
1989	\$2,807,016,522	32,002,034	\$87.71
1988	\$2,734,889,929	33,137,927	\$82.53
1987	\$2,495,879,227	31,845,129	\$78.38
1986	\$2,281,291,787	29,932,168	\$76.22
1985	\$2,138,966,521	29,326,140	\$72.94
1984	\$1,951,969,847	28,466,633	\$68.57
1983	\$1,771,157,155	26,360,725	\$67.19
1982	\$1,493,524,272	22,955,196	\$65.06
1981	\$1,099,787,894	19,084,238	\$57.63
1980	\$642,673,242	13,822,152	\$46.50

NOTE: Last column includes only the amount of money won per visit-trip at gaming tables and slot machines. It does not include win from simulcast horse racing (started in 1993), nor visitor money spent in stores, restaurants, for hotel rooms, cabs, jitneys, etc.

Source: Casino win from the Casino Control Commission. Visit/Trip and Average Win from the South Jersey Transportation Authority

Atlantic City Expressway

After 40 years, the Atlantic City Expressway plays as vital a role as ever in bringing people and goods to the Jersey Shore. Daily it is a route to recreation for many of the 33.3 million visitors and to the job for the 48,000 employees of Atlantic City's casinos. Also it carries much of the \$3.6 billion in goods and services the industry generates. Not even a four-week strike at most casinos in the fall slowed the growth of traffic year over year, although some 130,000 fewer vehicles passed through the Pleasantville tolls in October than projected.

This demonstrated the Expressway's importance as a conduit for spreading prosperity from the Atlantic City entertainment and business hub throughout the six counties served by the South Jersey Transportation Authority. Improvements on the Expressway are investments in the region's economic growth. Among the Authority's initiatives in 2004:

- Completed the installation of Express E-ZPass at the Pleasantville Toll Plaza. Keeping traffic moving through the toll barrier not only increases the capacity of the Expressway, bringing SJTA more revenue, but it also

makes driving more convenient and regional businesses more profitable by reducing transportation inefficiencies.

- Opened the refurbished and expanded Frank S. Farley Service Plaza on the same day as the annual Safety Day event. HMS Host greatly expanded its offering of food. Safety Day is a well publicized promotion designed to instill safe driving habits among the millions who drive the Expressway.

- The \$19-million widening of the McGahn Bridge and three miles of roadway in and out of Atlantic City by one lane was completed in January.

- Resurfaced the westbound lanes of the Atlantic City Expressway from Milepost 19 through 28, including the entrance and exit ramps.

Future projects started: Widening the westbound Expressway with a third lane from Mile 8 (east of the Egg Harbor Toll Plaza) to Mile 31 (the Winslow exit). Installation of Express E-ZPass at a completely redesigned Egg Harbor Toll Plaza. Studying the feasibility of completing Exit 17 to a four-way interchange. Planning for the installation of a pedestrian overpass at the Pleasantville toll plaza in 2005.

The Farley Service Plaza has been renovated twice in its 40-year history.



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
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%
1989	4.6%		9.8%	9.2%	1.0%	1.6%	9.7%	4.3%		3.8%
1988	5.1%		30.2%	22.9%	4.0%	1.8%	7.2%	7.8%		6.2%

Atlantic City Expressway Annual Toll and Traffic Revenue

YEAR	EXPRESSWAY TOLL TRAFFIC	EXPRESSWAY TOLL REVENUE	AUTHORITY'S TOTAL REVENUES	PERCENT FROM EXPTY TOLLS	CENTS PER TOLL
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
1965	4,018,299	\$2,253,755	\$2,296,807	98.1%	0.561
1964	1,014,548	\$741,668	\$745,802	99.4%	0.731

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

Tourist Services

The division that keeps the tolls coming in, buses rolling and parking spaces available for employees and visitors to Atlantic City had a year marked by planning for new assignments.

- Expanded services led to increased use of the Atlantic City parking lots at Fairmount and Atlantic avenues, spurred in part by the success of the Convention Center and new retail shopping and entertainment in "The Walk."

- Prepared for and – on Dec. 31st – assumed direct operational responsibility for the New York Avenue parking garage, upon expiration of the management contract.

- Prepared for the coming of Express E-ZPass at the Pleasantville Toll Plaza.

- Created a second E-ZPass lane in each direction at the Egg Harbor Toll Plaza and set aside another lane for exact change payments. This was a trial to see if it speeds traffic during peak summer months.

- Assisted Salem County with highway signage, designed to increase tourist traffic to historic sites.

- Bus regulations were revised to increase efficiency and safety. Conducted safety seminars throughout the year.

- Held the fifth annual Bus Rodeo with 34 drivers competing for a \$1,000 prize on the course set up at the Atlantic City Transportation Center on Albany Avenue. This event recognizes the skills and professionalism of the men and women who bring millions of passengers to Atlantic City safely. It was made possible by the joint efforts of the SJTA, all the casinos and bus firms, community leaders who served as judges, the state and federal DOTs, and the State Police.

SJTA Executive Director James A. Crawford (right) with his brainchild – a trophy to the winner of a minor league baseball series between the Atlantic City Surf and Camden Riversharks – teams connected by the Atlantic City Expressway.



The Atlantic City skyline, transformed since 1977 by casino gaming.

Transportation Services

A new component to the mission of the South Jersey Transportation Authority brings people who need jobs together with employers. The Authority opened its Transportation Services Division in January 2004, modeled on a successful program in Camden County.

The pilot program began with a single van as an adjunct to the welfare-to-work mandate, helping inner city workers make the commute to U.S. Vision located in suburban Blackwood. Now equipped with six vans that carry 14 or 15 passengers and 14 buses that can carry between 20 and 36 passengers each – and are accessible to special-needs passengers – Transportation Services runs routes to employers in Burlington, Camden and Gloucester counties, plus UPS in Philadelphia. In 2004 it added “The Breeze,” a service to carry visitors from SJTA parking lots to Atlantic City’s new retail-entertainment


venue, “The Walk.” That initiative began by carrying only 118 passengers in July, its start-up month. In November, volume reached 4,213.

Transportation Services’ annual passenger volume reflects its growing mission – 113,974 passengers in 2004, nearly doubling the 64,341 recorded in 2003. Further expansion of these services is in the works for 2005, increasing anticipated passenger volume by 15 to 20 percent. Among them is a route from the Pleasantville Transportation Center to Atlantic City International Airport in Egg Harbor Township. Not only do these services open opportunities to people who might otherwise find them closed, but it also reduces congestion by giving others an alternative to driving their own vehicles.

Finance

The Finance Department managed a \$22,235,000 bond issue, to fund the installation of Express E-ZPass among other projects, while maintaining the South Jersey Transportation Authority’s recently upgraded credit rating. The three major credit rating agencies, using different grades, reaffirmed the Authority’s rating as A3 (Moody’s), A- (Fitch) and BBB+ (Standard & Poor’s). This reflected solid growth in revenues in the wake of 9/11 and the Authority’s excellent coverage ratios (income in excess of debt service).

The Department also worked to increase efficiency in the Authority’s administration, automating such payroll procedures as time entry by staff. Preparations were completed for the January 2005 pilot project using “P cards,” devices akin to credit cards that enable authorized staffers to bypass paperwork in making purchases within pre-set limits. Not only do these cards offer flexibility, they also enable the Authority to react quickly when emergency replacement needs arise.



The toll barrier at the Pleasantville Toll Plaza is broken by four Express E-ZPass lanes, which formally opened in May 2004.

Information Services

One of the major objectives of Information Services (IS) is the maintenance of E-ZPass, so traffic on the Atlantic City Expressway keeps moving, especially during summer season peaks. A major step toward that goal was the seamless installation of Express E-ZPass at the Pleasantville Toll Plaza in May of 2004. Now data is collected and processed from vehicles moving at 45 mph instead of 5 mph.

The success of E-ZPass all along the 44-mile Expressway can be measured in the rising percentage of electronic transactions of all toll collections – 44.8 percent in 2004, up 8 percent from the same period in 2003. IS also takes the lead in the development and maintenance of software

and hardware not only on the roadway but also in administration, engineering and the Airport.

Meanwhile, IS has been at the center of planning for increasing revenue flows through expanded use of E-ZPass Plus at the New York Avenue garage.

Other projects in the planning stage include:

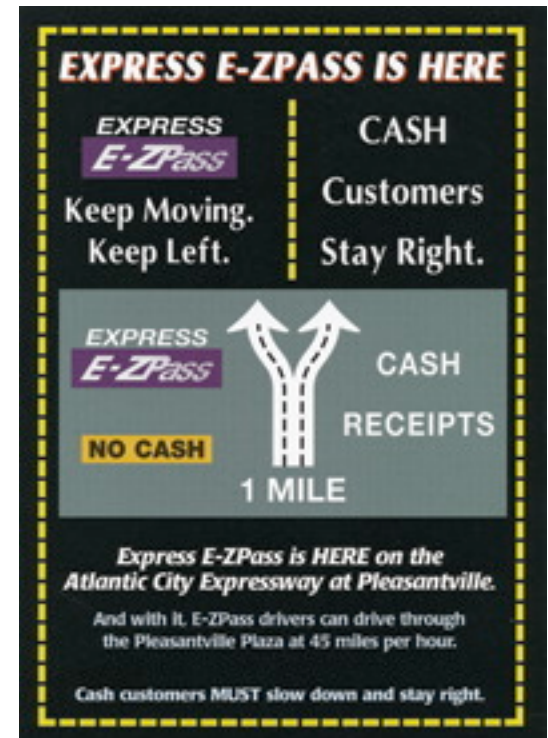
- Lane surveillance using digital technology.
- Upgrading the fiber optic network.
- Revamped Egg Harbor Plaza to install Express E-ZPass.

Atlantic City Expressway Toll Schedule

Classification	Current Rate	E-Z Pass Discount Rate	E-Z Pass Frequent User Discount
Pleasantville			
Auto	\$0.50	\$0.45	\$0.34
Limo	\$1.00	\$0.90	\$0.60
Dual Tire	\$1.00	\$0.90	\$0.90
Three Axle	\$1.50	\$1.35	\$1.35
Four Axle	\$2.00	\$1.80	\$1.80
Five Axle	\$2.50	\$2.25	\$2.25
Six Axle	\$3.00	\$2.70	\$2.70
Egg Harbor			
Auto	\$2.00	\$1.80	\$1.28
Limo	\$3.00	\$2.70	\$1.80
Dual Tire	\$3.00	\$2.70	\$2.70
Three Axle	\$4.50	\$4.05	\$4.05
Four Axle	\$6.00	\$5.40	\$5.40
Five Axle	\$7.50	\$6.75	\$6.75
Six Axle	\$9.00	\$8.10	\$8.10
Pomona, Mays landing, Hammonton, Winslow, Route 9			
Auto	\$0.50	\$0.45*	\$0.30*
Truck/Bus	\$0.50	\$0.50*	\$0.50*
Williamstown, Berlin-Cross Keys			
Auto	\$0.25	\$0.22*	\$0.15*
Truck/Bus	\$0.25	\$0.25*	\$0.25*

* 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.

"Keep Left, Keep Moving" signs, which introduced Express E-ZPass to South Jersey motorists in 2004, were designed and produced by the SJTA's Special Projects Director and staff.



Engineering

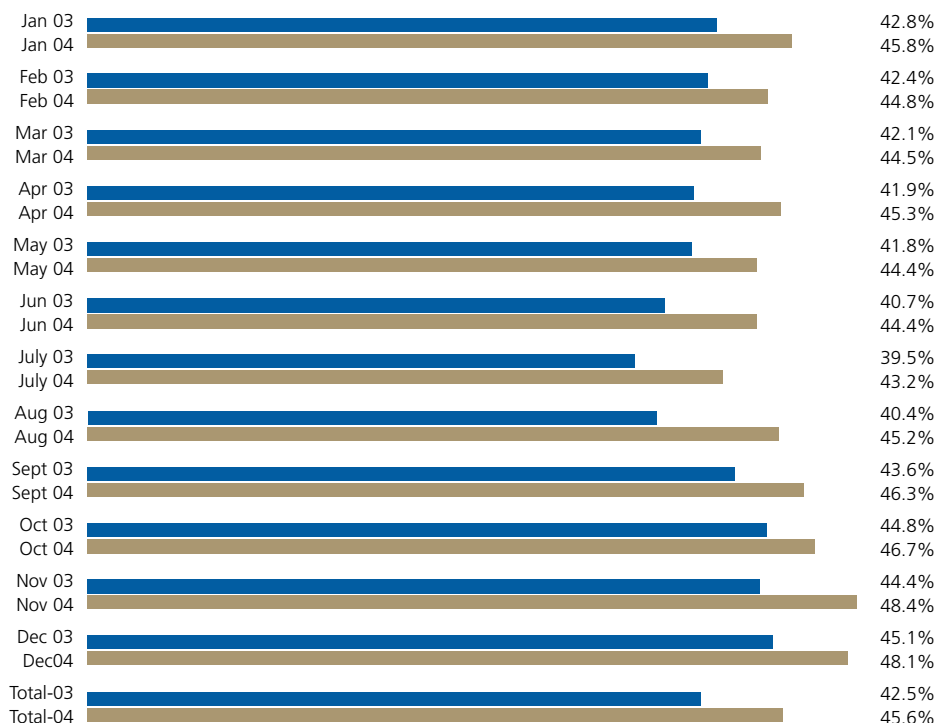
The department is responsible for planning the Authority's future. It tracks traffic on the Expressway, and projects future needs. It guides the work of the contractors that build new infrastructure and supports the efforts of every other department in the SJTA. Among the work it supervised in 2004:

- Completed the installation of Express E-ZPass at the Pleasantville Toll Plaza. Keeping traffic moving through the toll barrier increases the capacity of the Expressway, bringing the Authority more revenue.
- A joint project with the NJ DOT and New Jersey Turnpike – a CWDM (Course Wave Division Multiplexing) fiber network to support initiatives in Intelligent Transportation Systems. It is faster and more secure, and when completed the "redundant fiber ring" will have significant fault tolerance, meaning that if fiber gets cut somewhere, network traffic will be re-routed with no down time. The installation will be performed by SJTA IS/Toll Repair staff.
- Ongoing environmental mitigation at ACY to prepare for future expansion and commercial development

- Refurbished and expanded the Frank S. Farley Service Plaza, giving customers more choices in food.
- Completed the \$19-million project to widen the McGahn Bridge in Atlantic City by one lane. It opened to traffic in January.
- Resurfacing the westbound lanes of the Atlantic City Expressway from Milepost 19 through 28, including the entrance and exit ramps.
- Completed design for the further widening of the Berlin-Cross Keys Road overpass.

Future projects started: Widening the westbound Expressway with a third lane from Mile 8 (east of the Egg Harbor Toll Plaza) to Mile 31 (the Winslow exit). The groundwork for an environmental permitting was laid in 2004 with the start of preliminary studies. Also in the works: Installing Express E-ZPass at a new Egg Harbor Toll Plaza, and completing the upgrade of Exit 17 to a four-way interchange, for which environmental studies are under way.

E-ZPass Usage as a Percent of Total Traffic



Key Dates

July 31, 1964: In noontime ceremonies presided over by state Sen. Frank S. "Hap" Farley, the legislator who made it happen, the Atlantic City Expressway opens between its western terminus in Camden County and the Garden State Parkway in Pleasantville. Construction had begun a year earlier and was completed a year ahead of schedule.

The service station at what became the Farley Service Center opens for business.

December 1964: The New Jersey Expressway Authority collected \$741,668 in tolls during its first five months of operations (including \$7,457 collected July 31st).

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.

Oct. 1, 1965: A cafeteria-style restaurant, the Holiday House at Elwood, opens at the Service Center.

June 22, 1966: The Farmers Market comes to the Service Center in temporary quarters. An Expressway beautification program is undertaken.

The first rise in tolls takes effect -- the Egg Harbor toll for passenger vehicles goes from 75 cents to \$1. The Pleasantville remains 15 cents. Toll collections come to \$3,268,444, nearly two thirds of that total was realized in the four summer-season months, June through September.

1967: The Authority installs state-of-the-art call boxes for motorists in need of help along the full length of the Expressway. The beautification program begins with landscaping selected sections of the highway. Planting in the median also serves safety by protecting drivers from headlight glare of oncoming vehicles.

Toll collection reaches \$3,616,908.

May 1968: Harness racing comes to the Atlantic City Race Course, increasing revenues at the new Interchange 12.

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.

Annual toll collections top \$4 million for the first time.

1969: The Farm Market opens at the Service Center.

1970: The Expressway's impact on growth was demonstrated by the 9,000-unit development planned by Levitt & Sons near Exit 38 in Winslow Township, Camden County. South Jersey Gas Co. built its corporate headquarters in Folsom, Atlantic County, and McGregor-Werner Graphics opened a plant in Woodbine, Cape May County.

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 shrank the next year to \$4,665,643.

1976: The fuel crisis having abated, traffic volume rose 10.7 percent. Toll revenues also rebounded at \$5,436,684 -- up from \$4,902,620 in 1975.

April 12, 1977: The Service Center 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, opened -- up 21 percent at Egg Harbor Toll Plaza and 49 percent at Pleasantville. Toll collection reflected the change -- up 20 percent to \$7,240,020!

1979: With Atlantic City's hotels making way for the advent of the casinos, the nature of the Atlantic City Expressway changed, too. As traffic volume soared, toll collections reached \$8,576,921, up 18.5 percent and its largest dollar increase yet. Because of the second oil shock, gasoline had to be 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 completed paving 77 lane-miles of the Expressway's inside shoulder. Gas rationing at Farley Plaza is lifted. The crisis did not discourage drivers, as once again traffic volume set a record -- at 29.9 percent growth! The new motorists were not all gamblers. Some were employees at the casinos, making the trip every working day. Toll collections hit an astonishing \$11,126,831.

Autumn 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.

1985: The New Jersey Expressway Authority contributes \$3,750,000 to the newly established Transportation Trust Fund, as did the New Jersey Turnpike and Garden State Parkway authorities.

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. Looking ahead, the Authority planned approaches to the proposed Atlantic City Convention Center and a new interchange to serve the burgeoning suburbs around Berlin-Cross Keys Road in Camden County.

By 1989, traffic volume was nearly 44 million, more than seven times the 6 million vehicles that rode the Expressway 25 years before. Toll collections had doubled 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. The new body will assume operational responsibilities for the Atlantic City Expressway, Atlantic City International Airport terminal and parking facilities in Atlantic City in 1992.

1992: The new authority gets its financial house in order with a new bond issue. Toll revenues exceed \$24 million.

1994: The Authority begins a project to nearly double the size of the terminal at Atlantic City International Airport by erecting a second story. It is part of a long-range, demand-driven master plan. A new 9,000-square-foot State Police barracks, complete with auto maintenance shop, opens at the Farley Service Plaza. The electronic toll collection system now known as E-ZPass wins federal funding, and the Authority's administration joins the computer age for payroll and financial record-keeping.

1995: For the first time, an entire year passed without a single traffic fatality on the Expressway. ACY was host to the Aircraft Owners and Pilots Association's convention, during which an Air France supersonic Concorde landed and took off for two charity flights plus a Mach II demonstration flight over the ocean. Midlantic Jet Aviation, Inc., begins operations at ACY and announces plans to build a \$2-million maintenance shop.

Sept. 27, 1995: The bridge connecting the Expressway with Atlantic City streets is named for Dr. Joseph L. McGahn, a state senator and Absecon civic leader. Meanwhile, the bridge is expanded to five lanes.

April 1, 1996: With the expiration of a management use and occupancy agreement struck by the City of Atlantic City, the South Jersey Transportation Authority assumes full management control of Atlantic City International Airport.

May 7, 1996: Gov. Christine Todd Whitman 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, three of them elevated boarding bridges.

Sept. 17, 1996: A Deloitte & Touche management audit recommends consolidating Operations, Planning & Development, and Marketing into two departments – Expressway and Tourist Services. The Authority carries out the suggestion.

Nov. 13, 1996: Raytheon Aircraft Services signs a 25-year lease to build a \$5.9-million, 50,000-square-foot facility, where it will house and maintain business aircraft.

1997: Design and legal groundwork is laid for the \$330-million Atlantic City-Brigantine Connector, which also promotes \$1-billion growth in the city's Marina District. Work continues on preparing for E-ZPass with several trial runs of the electronic toll collection system. Toll revenue tops \$25 million.

July 14, 1997: Ground is broken for the Raytheon Aircraft Services facility.

March 10, 1998: The New Jersey Turnpike Authority, leading a consortium that includes the SJTA, signs an agreement with a contractor for delivery of an electronic toll collection system.

Nov. 4, 1998: Groundbreaking signals the end of three years of spadework and the start of real earth-turning for the 2.3-mile-long Atlantic City-Brigantine Connector. Its immediate payoff in the Marina District has almost doubled to \$2 billion.

Nov. 11, 1998: The first E-ZPass customers are recorded on the Expressway toll-collection system, the first to go operational in New Jersey. A tag-holder from any E-ZPass system can pay a toll at any booth with an E-ZPass sign. By the end of the sixth week, E-ZPass accounts for 23.1 percent of the tolls collected at the Pleasantville Plaza.

Nov. 30, 1998: The South Jersey Transportation Authority collects its first \$2 toll at the Egg Harbor Plaza. For the first time since 1969, the Authority has had to raise tolls on the Atlantic City Expressway. The proceeds will fund a \$60-million capital improvements plan. Toll revenues top \$27.4 million.

1998: A banner year at Atlantic City International Airport. For the first time, passenger traffic topped 1 million, up

more than 15 percent year-over-year. The South Jersey Transportation Authority assumes full responsibility for air-field operations from the Federal Aviation Administration.

Sept. 29, 1999: With Gov. Whitman presiding, ground is broken for the Cross Keys Interchange. Serving Gloucester and Winslow townships in Camden County and Washington Township in Gloucester County, it will be the first all-new interchange since the Expressway was completed in 1965.

1999: The first year under the new tolls regimen produces revenues of \$44,434,942.

E-ZPass usage grows to 28 percent of all transactions.

July 31, 2001: The Atlantic City-Brigantine Connector opens to traffic after a ceremony presided over by acting Gov. Donald DiFrancesco.

Sept. 11, 2001: The impact on Atlantic City International Airport was immediate, as elsewhere, but the Authority developed a campaign to restore confidence in the traveling public that lessened the long-term effects. Visible security measures were taken immediately. ACY was among the first airports in the nation to reopen under the heightened security regimen. Meanwhile, the Authority completed its \$12.5-million airport investment – runway repaving, centerline lights and two Precision Approach Path Indicators, plus a cable arrester system for the Air National Guard.

Vehicular traffic picked up, as vacationers preferred to stick closer to home. Toll revenue reflected a three-month surge, reaching \$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 11th year at ACY, Spirit Airlines expanded its schedule to include flights to Detroit, Denver, Las Vegas and Los Angeles.

Aug. 1, 2002: The Transportation Security Administration assumes responsibility for airport passenger screening. Other security enhancements include three miles of 10-foot fencing and closed circuit video cameras at remote-controlled gates to be controlled at the Operations Center.

2002: Visit trips to Atlantic City via the Expressway grow 5 percent to 24.68 million. The Authority opens its 350-space parking lot on Mississippi Avenue, bringing total spaces under SJTA management to 1,875. Toll revenue jumps to \$48,532,827.

April 15, 2003: A Memorial Park, a circular garden at the Farley Travel Plaza, is dedicated to State Police and SJTA personnel who have lost their lives in the performance of their duties.

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.

October 2003: The Huron Avenue ramp is completed, opening access from the Connector to the Trump Marina Casino Hotel and the Borgata Casino and Spa. The Trump Organization paid half the costs.

2003: The Airport adds two new loading bridges at Gates 2 and 5. In November, the SJTA exercises its contractual option to assume control of airport parking and plans to build a parking garage. Passenger traffic rises on scheduled airlines by 17.2 percent year over year. Total count tops 1 million, the second largest number in ACY history.

South Jersey Transportation Authority

Report of Audit

For The Year Ended December 31, 2004

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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, 2004, 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, 2004, and the changes in its net assets and cash flows 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 2, 2005 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 5 through 12 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We applied 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 performed 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, Seidenburg & Kennedy, L.L.C.

FORD, SCOTT, SEIDENBURG & KENNEDY, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

Edward W. Kennedy

Certified Public Accountant

March 2, 2005

March 2, 2005

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

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

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, 2004, and have issued our report thereon dated March 2, 2005. 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.

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended 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 and should not be used by anyone other than these parties.

Ford, Scott, Seidenburg & Kennedy, L.L.C.

FORD, SCOTT, SEIDENBURG & KENNEDY, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

**Edward W. Kennedy
Certified Public Accountant
Public School Accountant
No. 363**

March 2, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the South Jersey Transportation Authority's financial performance provides an overview of the Authority's financial activities for the year ended December 31, 2004. Please read it in conjunction with the Authority's financial statements that begin on Page 13.

Financial Highlights

- **INCREASING REVENUES** - Expressway operating revenues increased \$13.9 million from \$60.5 million in 2003 to \$74.4 million in 2004 primarily due to the following:
 - (1) A \$6.0 million increase in toll revenues resulting from an E-Z Pass rate adjustment implemented in August 2003 and an increase in toll paying traffic of 4.5%.
 - (2) Receipt of an additional \$2.2 million in Marina Parking Revenue. These revenues resulted from the Parking Fee Agreement dated 10/10/97 between the Authority and the Casino Redevelopment Authority (CRDA). Pursuant to the Agreement, a portion of certain statutory parking fees ("Marina Parking Fees") receivable by CRDA for marina parking facilities used in conjunction with any new licensed casino hotel located on land in the Marina District are payable to the Authority. CRDA's payment obligations under the Parking Fee Agreement, as amended by the First and Second Amendments dated June 15 and September 20, 2001, are subordinate to the prior lien on the Marina Parking Fees of certain revenue bonds issued by CRDA. Currently the only casino parking facility that is covered under this agreement is the Borgata which opened in July 2003.
 - (3) Renegotiation of existing billboard contracts that increased percentage rents from 30% to 50% and was retroactive to various contract expiration dates in 2003. This resulted in an increase in billboard revenue of over \$2 million during 2004.
 - (4) Increase in ETC Administration revenue of approximately \$900,000. This represents a full year's worth of the Authority's share of the \$1.00 administrative fee and other miscellaneous fees that the E-ZPass Customer Service Center charges its customers and well as fees generated from administrative violations. This increase in fees partially offsets an increase in ETC expenses.
 - (5) An increase of \$300,000 in concession revenue resulting from the 4.5% increase in traffic passing the service areas.
 - (6) The addition of a new Transportation Services program resulting in operating revenues in this first year of operations of \$1.7 million. This revenue is offset operating expenses of \$1.6 million.
 - (7) An increase in Airport revenue of \$259,000 primarily due to a \$90,000 increase in revenue received from automobile parking and a \$171,000 grant received from the Transportation Security Administration for police services.
- **ACQUISITION OF THE "COMPREHENSIVE TRANSPORTATION SYSTEM" (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. Program expenses are funded entirely by grants with various public agencies and operating agreements with local business entities. Operating revenues in this first year of operations for the newly acquired Transportation Services division totaled \$1.7 million and operating expenses totaled \$1.6 million.

Financial Highlights (Continued)

- **ISSUANCE OF TRANSPORTATION SYSTEM REVENUE BONDS** - In June 2004, the Authority issued Transportation System Revenue Bonds, 2004 Series A in the amount of \$22,235,000. 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; (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.
- **OPENING OF EXPRESS E-ZPASS**- The Express E-ZPass® Project that was financed with a portion of the 2004 Series A Bonds has accomplished the physical separation of E-ZPass® traffic (electronic toll tag holders) from those vehicles that must stop at the toll plaza to pay cash. The first phase of the Project involved roadway widening; the addition of one (1) toll lane; demolition of three (3) toll booths, including their equipment and concrete islands; relocation of telecommunications and utilities; construction of concrete barriers to separate traffic; and super elevation and paving of the express lanes. The first phase of the Project has been completed and the Express E-ZPass® toll lane opened on May 6, 2004. The Authority spent \$5.2 million on the Express E-ZPass project during 2004.
- **FINAL PAYMENT FOR ATLANTIC CITY INTERNATIONAL AIRPORT REVERTER PAID** - In 1999, as full settlement of any claims the City of Atlantic City has for future payments from the Authority under the Agreement of Sale, the Authority had agreed to pay the City of Atlantic City the sum of \$7,000,000 as follows:
 - **\$2,500,000 on or before December 31, 1999**
 - **\$2,500,000 on or before December 31, 2000**
 - **\$2,000,000 within 90 days of the erection of the seventh Authority-owned billboard structure on the Authority right-of-way for the Atlantic City Expressway Connector Project. During 2004 the Authority agreed to pay the final \$2 million in accordance with Resolution 1999-98 upon representation from the City of Atlantic City that they were not opposed to billboard development. This payment was made on May 17, 2004.**
- **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. For the year ended December 31, 2004, the Airport subsidy was \$2.4 million. The original subsidy budgeted for the ACY for 2004 was \$1.4 million. Additional subsidy was authorized in December 2004 to provide for certain one-time expenses primarily relating to state police training of \$250,000 and the fact that actual revenues fell short of budget revenues by approximately \$621,000.

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 13 – 17) 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 18. 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 51 - 54. 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), 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

The increase in unrestricted current assets in the amount of \$1.6 million resulted primarily from an increase in cash and investments in the amount of \$1.4 million and a decrease in accounts receivable of \$.7 million.

Restricted current and other assets increased in 2004 in the amount of \$18 million, this increase resulted primarily from the investment of bond proceeds from the issuance of the Transportation System Revenue Bonds, 2004 Series A bonds. \$4.9 million was invested in a Guaranteed Investment Contract and \$6 million was invested in three (3) separate \$2 million Certificates of Deposit with original maturities between four and nine months.

Capital assets, net of accumulated depreciation, increased by a net of \$4.3 million. The Expressway's capital Assets net of depreciation decreased by \$1.0 million, while the Airport capital assets net of depreciation increased by \$5.4 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 Program	\$1.7 million
Express E-ZPass Project	5.2 million
Third Lane Project Study and design	1.2 million
Atlantic City Parking Facility	.8 million
Fleet Maintenance – State Police	.7 million
Other Facility and equipment costs	3.5 million
Change in accumulated depreciation	(14.1) million
Decrease	1.0 million

AIRPORT:

Project	Amount
Terminal Apron Expansion	\$1.4 million
Instrument Landing System	.7 million
Improvements to Terminal Building	1.8 million
Passenger Screening Improvements	.4 million
Potassium Spray Unit Vehicle	.4 million
Other Facility and Equipment costs	3.2 million
Change in accumulated depreciation	(2.6) million
Increase	5.4 million

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

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.

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

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 2004, the Authority made \$3.5 million in bond principal payments and \$11.6 million in bond interest payments.

Other restricted liabilities increased by \$2.2, primarily from an increase in the Economic Recovery Funds Advanced (E.R.F.) in the amount of \$920,559. In addition, an increase in the current portions of bonds payable of approximately \$1.6 million due primarily from the issuance of the 2004 Series A Transportation System Revenue Bonds.

SOUTH JERSEY TRANSPORTATION AUTHORITY STATEMENT OF NET ASSETS DECEMBER 31, 2004 WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2003

	2004	2003
Unrestricted Current and Other Assets	\$ 20,107,695	\$ 18,579,509
Restricted Current and Other Assets	61,165,235	43,930,267
Capital Assets	496,333,193	491,994,879
Other Noncurrent Assets	6,009,070	5,803,564
Total Assets	<u>583,615,193</u>	<u>560,308,219</u>
Long-term debt outstanding	229,536,427	212,522,627
Other Unrestricted Liabilities	6,525,361	6,760,498
Other Restricted Liabilities	13,527,932	11,302,354
Other Noncurrent Liabilities	54,551	31,386
Total Liabilities	<u>249,644,271</u>	<u>230,616,865</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	261,524,688	282,504,216
Restricted	49,810,327	30,676,203
Unrestricted (deficit)	22,635,907	16,510,935
Total Net Assets	<u>\$ 333,970,922</u>	<u>\$ 329,691,354</u>

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

Expressway operating revenues increased by \$13.9 million as a result of the following:

- A \$6.0 million increase in toll revenues resulting from an E-Z Pass rate adjustment implemented in August 2003 and an increase in toll paying traffic of 4.5%
- Receipt of and additional \$2.2 million in Marina Parking Revenue.

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

- Renegotiation of existing billboard contracts which increased percentage rents from 30% to 50% and was retroactive to various contract expiration dates in 2003. This resulted in an increase in billboard revenue of over \$2 million during 2004.
- Increase in ETC Administration revenue of approximately \$1 million. This represents a full year's worth of the Authority's share of the \$1.00 administrative fee and other miscellaneous fees that the E-ZPass Customer Service Center charges its customers and well as fees generated from administrative violations.
- An increase of \$300,000 in concession revenue resulting from the 4.5% increase in traffic passing the service areas.
- The addition of a new Transportation Services program resulting in operating revenues in this first year of operations of \$1.7 million.

Expressway operating expenses increased by \$6.6 million in 2004 primarily due to:

- A \$1 million increase in depreciation expense, a non-cash item.
- \$1.6 million in new program expenses related to the Transportation Services division
- \$1.5 million increase in the Authority's health insurance.
- A \$1.6 million increase in ETC expenses, of which approximately \$200,500 was related to increases in transponders purchases and \$420,900 was related to the cost of processing administrative violations.
- \$.3 million increase in emergency service patrol expenses resulting from a whole years worth of operation as the service began May 2003.

Capital Contributions:

Capital contributions on the expressway decreased by approximately \$2.4 million, this decrease was attributable in part to a contribution by a private developer to partially fund the Elevated U-Turn project in the amount of \$3.3 million that was received in 2003.

Airport Revenue & Expense:

Airport revenue increased by \$259,000 primarily due to an increase in automobile parking revenue of \$90,000 and a Transportation Security Administration grant of \$171,000 for police services. Operating expenses increased by \$1.7 million from \$7.9 million in 2003 to \$9.6 million in 2004. This increase is in part attributable to increased security costs at the Atlantic City International Airport as well as increased insurance costs.

For 2004, capital contributions were primarily related to the FAA Airport Improvement grants. Capital Contributions received during the year increased by \$872,000 as a result of additional funding received from FAA and PFC Grants.

**SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2004
WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2003**

	<u>2004</u>	<u>2003</u>
Operating revenues	\$ 79,062,630	\$ 64,912,540
Operating expenses	<u>67,125,522</u>	<u>58,835,563</u>
Operating Income	11,937,108	6,076,977
Net Non-Operating Revenues (Expenses)		
Interest revenue	1,565,476	1,558,522
Interest on bonds	(11,313,280)	(11,033,120)
Electronic toll collection expense	-	(550,428)
Other non-operating revenues (expenses)	<u>(2,890,273)</u>	<u>(2,948,198)</u>
Income (Loss) before Capital Contributions	(700,969)	(6,896,247)
Capital Contributions	<u>4,980,539</u>	<u>7,396,788</u>
Change in Net Assets	4,279,570	500,542
Total Net Assets -- Beginning	<u>329,691,354</u>	<u>329,190,812</u>
Total Net Assets -- Ending	\$ <u><u>333,970,924</u></u>	\$ <u><u>329,691,354</u></u>

**Financial Analysis of the Authority's Statement of
Cash Flows**

The decrease in cash used for capital and related financing activities related to the following:

- (1) The Authority used approximately \$10.7 million to pay off the accrued E-Z Pass True up Liability during 2003.
- (2) The Authority defeased about \$15 million in debt in addition to its regularly scheduled debt service payments to gain economic benefit from a current refunding in 2003.
- (3) The Authority issued a \$22.2 million in bonds during 2004, which was an increase of \$6.5 million over the \$15.7 million, issued during 2003.
- (4) The Authority spent \$5.4 less in payments for capital assets during 2004 than it did in 2003. See increase/decrease in capital asset section for details of Authority capital asset acquisitions during 2004.

Cash provided by investing activities decreased by \$17 million because the Authority has purchased investments with the proceeds of the 2004 Series A bonds which have not yet matured.

**SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2004
WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2003**

	<u>2004</u>	<u>2003</u>
Cash Flows Provided by (Used in):		
Operating activities	\$ 28,382,609	\$ 23,185,400
Noncapital financing activities	(2,500,000)	(2,500,000)
Capital and related financing activities	(9,819,721)	(51,216,021)
Investing activities	<u>(14,770,340)</u>	<u>2,326,314</u>
Net increase in cash and cash equivalents	1,292,548	(28,204,307)
Cash and cash equivalents - beginning of the year	<u>37,930,870</u>	<u>66,135,177</u>
Cash and cash equivalents - end of the year	<u>\$ 39,223,418</u>	<u>\$ 37,930,870</u>

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, 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, 2004
WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2003**

	2004	2003
ASSETS		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 11,579,539	\$ 14,145,897
Investments	4,004,372	-
Change Funds	32,450	32,450
Interest Receivable	17,943	9,309
Accounts Receivable	2,060,007	2,665,733
Grants Receivable	1,108,936	731,065
Prepaid Expenses	1,286,603	961,643
Fuel Inventory	17,845	33,412
Total Unrestricted Assets	20,107,695	18,579,509
Restricted Assets:		
Cash and Cash Equivalents	27,611,429	23,752,523
Investments	31,724,837	19,474,904
Accounts Receivable	63,604	-
Grants Receivable	1,531,906	556,819
Interest Receivable	233,459	146,021
Total Restricted Assets	61,165,235	43,930,267
Noncurrent assets:		
Capital assets:		
Non-Infrastructure Capital Assets:		
Land and Improvements	146,458,633	143,528,633
Electronic Toll Equipment	8,917,935	8,927,935
Buildings and Equipment	56,219,016	50,649,975
Less Accumulated Depreciation	(30,393,719)	(26,100,954)
Total Non-Infrastructure Capital Assets	181,201,865	177,005,589
Infrastructure Capital Assets:		
Infrastructure - Equipment	7,292,754	5,867,510
Infrastructure	359,935,027	348,748,822
Less Accumulated Depreciation	(52,096,453)	(39,627,042)
Total Infrastructure Capital Assets	315,131,328	314,989,290
Total Capital Assets	496,333,193	491,994,879
Bond Issuance Costs	7,596,435	6,886,397
Less Accumulated Amortization	(1,587,365)	(1,082,833)
Total Non-current Non-capital Assets	6,009,070	5,803,564
Total Noncurrent Assets	502,342,263	497,798,443
TOTAL ASSETS	\$ 583,615,193	\$ 560,308,219

SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2004
WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2003
(CONTINUED)

	<u>2004</u>	<u>2003</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities Payable From		
Unrestricted Assets:		
Accounts Payable	\$ 5,193,767	\$ 5,162,249
Deferred Income	377,729	600,539
Escrow Deposits	126,225	138,990
Accrued Expenses	<u>827,640</u>	<u>858,720</u>
Total Current Liabilities Payable		
From Unrestricted Assets	<u>6,525,361</u>	<u>6,760,498</u>
Current Liabilities Payable From		
Restricted Assets:		
Accrued Expenses	-	-
Accrued Interest	1,923,883	1,773,189
Accounts Payable	3,329,744	2,840,075
Retainages Payable	1,334,979	1,638,420
Due to Other Governmental Agencies	208,334	208,334
PFC Advanced	211,156	681,921
Economic Recovery Funds Advanced	1,381,956	461,397
Elevated U-Turn Advance	121,411	274,164
Bonds Payable, Net of Discount, Premium		
and Loss on Defeasance (\$48,531)	<u>5,016,469</u>	<u>3,424,854</u>
Total Current Liabilities Payable		
From Restricted Assets	<u>13,527,932</u>	<u>11,302,354</u>
Noncurrent Liabilities:		
Arbitrage Rebate Payable	54,551	31,386
Bonds Payable, Net of Discount, Premium		
and Loss on Defeasance (\$1,223,573)	<u>229,536,427</u>	<u>212,522,627</u>
Total Noncurrent Liabilities	<u>229,590,978</u>	<u>212,554,013</u>
TOTAL LIABILITIES	<u>\$ 249,644,271</u>	<u>\$ 230,616,865</u>

**SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2004
WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2003
(CONTINUED)**

	<u>2004</u>	<u>2003</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 261,524,688	\$ 282,504,216
Restricted for:		
Debt Service	3,376,562	555
Rehabilitation and Repair	6,007,985	5,997,351
Debt Service Reserve	16,018,234	14,480,930
State Payment	155	29
Capital Projects	24,407,391	10,197,338
Unrestricted	<u>22,635,907</u>	<u>16,510,935</u>
Total Net Assets	<u>333,970,922</u>	<u>329,691,354</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 583,615,193</u>	<u>\$ 560,308,219</u>

**SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
TWELVE MONTHS ENDED DECEMBER 31, 2004
WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2003**

	2004	2003
Operating Revenues:		
Tolls	\$ 57,247,412	\$ 51,190,087
Concessions	1,958,108	1,681,372
ETC Administrative Revenue	1,480,164	575,904
Garage Parking	903,287	1,098,006
Marina Parking Revenue	2,938,328	711,389
Intercept Parking	633,348	609,767
Bus Permits	396,346	413,399
Rentals	4,208,880	1,801,318
Emergency Service Patrol	291,079	178,921
Regional Marketing Program	3,109	93,914
Directional Signage Program	19,426	3,026
Grants	262,118	-
SJTPO Grants	1,882,426	1,703,362
Transportation services	1,748,368	-
Other	477,445	456,160
Airport	4,612,786	4,353,879
Operating Revenues Before System Proceeds	79,062,630	64,870,504
System Proceeds	-	42,036
Total Operating Revenues	79,062,630	64,912,540
Operating Expenses		
Executive	2,175,739	2,008,086
Engineering	3,102,698	2,860,014
Finance and Central Accounts	11,022,004	9,407,674
Tourist Services	7,185,330	6,554,683
Maintenance	5,645,134	5,355,547
Police	5,985,446	7,344,093
Emergency Service Patrol	616,207.00	294,868
Electronic Toll Collection Expense	3,277,024	1,657,824
Regional Marketing Program	748,979	383,379
Directional Signage Program	19,426	3,026
SJTPO Programs	1,882,426	1,703,362
Airport	7,023,545	5,464,290
Transportation Services	1,679,388	-
Depreciation	16,762,176	15,756,317
Operating Expenses Before System Proceeds	67,125,522	58,793,163
System Proceeds	-	42,400
Total Operating Expenses	67,125,522	58,835,563
	11,937,108	6,076,977
Non-Operating Revenues (Expenses)		
Interest Revenue	1,565,476	1,558,522
Gain on Sale of Assets	-	(145,791)
Other Revenue	150	-
Fund Expenses	(555)	(35,276)
Amortization Expense	(504,532)	(385,933)
Amortization of Bond Premium	114,664	118,803
Interest on Bonds	(11,313,280)	(11,033,120)
Air Service Grant Revenue	-	2,000,000
Air Service Development Expense	-	(2,000,000)
Electronic Toll Collection Expense	-	(550,428)
State Payment	(2,500,000)	(2,500,000)
Total of Non-Operating Revenue (Expenses)	(12,638,077)	(12,973,223)
Income (Loss) before Capital Contributions	(700,969)	(6,896,246)
Capital Contributions	4,980,538	7,396,787
	4,279,569	500,541
Total Net Assets -- Beginning	329,691,353	329,190,812
Total Net Assets -- Ending	\$ 333,970,922	\$ 329,691,353

**SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED DECEMBER 31, 2004
WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2003**

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 81,246,522	\$ 64,120,646
Payments to suppliers	(25,367,803)	(17,544,842)
Payments to employees	<u>(27,496,110)</u>	<u>(23,390,404)</u>
Net cash provided by operating activities	<u>28,382,609</u>	<u>23,185,400</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payment of State Payment Obligation	<u>(2,500,000)</u>	<u>(2,500,000)</u>
Net cash (used) by noncapital financing activities	<u>(2,500,000)</u>	<u>(2,500,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital contributions	4,377,085	3,556,703
Advances/loans for capital acquisitions	(152,753)	(2,471,838)
Proceeds from the sale of land	-	12,358
Payment of EZ Pass accrued obligations	-	(10,192,901)
Electronic Toll Collection	-	(550,428)
Payment of Arbitrage Rebate obligation	23,165	(218,614)
Payments for capital acquisitions	(21,176,881)	(26,631,904)
Principal paid on capital debt	(3,525,000)	(19,770,000)
Proceeds from Bonds Issued	22,090,000	15,790,000
Interest paid on capital debt	<u>(11,600,337)</u>	<u>(10,739,397)</u>
Net cash (used) by capital and related financing activities	<u>(9,964,721)</u>	<u>(51,216,021)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(20,466,064)	(1,584,614)
Proceeds from sales and maturities of investments	4,211,761	2,292,384
Interest and dividends	<u>1,483,963</u>	<u>1,618,544</u>
Net cash provided by investing activities	<u>(14,770,340)</u>	<u>2,326,314</u>
Net increase in cash and cash equivalents	1,147,548	(28,204,307)
Balances - beginning of the year	<u>37,930,870</u>	<u>66,135,177</u>
Balances - end of the year	<u>\$ 39,078,418</u>	<u>\$ 37,930,870</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income	\$ 11,937,108	\$ 6,076,977
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	16,762,176	15,756,317
Change in assets and liabilities:		
Receivables, net	605,726	(712,949)
Grants receivable	(377,871)	(45,120)
Prepaid expenses	(324,960)	94,039
Inventories	15,567	12,534
Accounts and other payables	31,518	2,037,434
Deferred income	(222,810)	(88,741)
Customer deposits	(12,765)	(2,754)
Accrued expenses	<u>(31,080)</u>	<u>57,663</u>
Net cash provided by operating activities	<u>\$ 28,382,609</u>	<u>\$ 23,185,400</u>

**SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2004
WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2003**

	Expressway	Airport	Consolidation Eliminations	Totals	
				2004	2003
ASSETS					
Unrestricted Assets:					
Cash and Cash Equivalents	\$ 10,958,169	\$ 621,370	\$	\$ 11,579,539	\$ 14,145,897
Investments	4,004,372			4,004,372	-
Change Funds	32,450			32,450	32,450
Interest Receivable	17,235	708		17,943	9,309
Accounts Receivable	1,280,316	779,691		2,060,007	2,665,733
Grants Receivable	1,108,936	-		1,108,936	731,065
Prepaid Expenses	981,003	305,600		1,286,603	961,643
Fuel Inventory	17,845			17,845	33,412
Interfunds Receivable	7,925,335	73,003	(7,998,338)	-	-
Total Unrestricted Assets	26,325,660	1,780,372	(7,998,338)	20,107,695	18,579,509
Restricted Assets:					
Cash and Cash Equivalents	23,624,647	3,986,782		27,611,429	23,752,523
Investments	31,724,837			31,724,837	19,474,904
Accounts Receivable	63,604			63,604	-
Grants Receivable	0	1,531,906		1,531,906	556,819
Interfunds Receivable	6,264,681		(6,264,681)	-	-
Interest Receivable	233,459			233,459	146,021
Total Restricted Assets	61,911,227	5,518,688	(6,264,681)	61,165,235	43,930,267
Noncurrent assets:					
Capital assets:					
Non-Infrastructure Capital Assets:					
Land and Improvements	128,917,311	17,541,322		146,458,633	143,528,633
Electronic Toll Equipment	8,917,935			8,917,935	8,927,935
Buildings and Equipment	25,802,902	30,416,114		56,219,016	50,649,975
Less Accumulated Depreciation	(22,042,353)	(8,351,366)		(30,393,719)	(26,100,954)
Total Non-Infrastructure Capital Assets	141,595,795	39,606,070	-	181,201,865	177,005,589
Infrastructure Capital Assets:					
Infrastructure - Equipment	1,215,815	6,076,939		7,292,754	5,867,510
Infrastructure	326,440,453	33,494,573		359,935,027	348,748,822
Less Accumulated Depreciation	(45,600,738)	(6,495,715)		(52,096,453)	(39,627,042)
Total Infrastructure Capital Assets	282,055,530	33,075,797	-	315,131,328	314,989,290
Total Capital Assets	423,651,325	72,681,867	-	496,333,193	491,994,879
Bond Issuance Costs	7,596,435			7,596,435	6,886,397
Less Accumulated Amortization	(1,587,365)			(1,587,365)	(1,082,833)
Total Non-current Non-capital Assets	6,009,070	-	-	6,009,070	5,803,564
Total Noncurrent Assets	429,660,395	72,681,867	-	502,342,262	497,798,443
TOTAL ASSETS	\$ 517,897,282	\$ 79,980,928	\$ (14,263,018)	\$ 583,615,193	\$ 560,308,219

**SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2004
WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2003
(CONTINUED)**

	Expressway	Airport	Consolidation Eliminations	Totals	
				2004	2003
<u>LIABILITIES AND NET ASSETS</u>					
Current Liabilities Payable From					
Unrestricted Assets:					
Accounts Payable	\$ 4,377,558	\$ 816,209	\$	\$ 5,193,767	\$ 5,162,249
Deferred Income	377,729	-		377,729	600,539
Escrow Deposits	77,138	49,087		126,225	138,990
Accrued Expenses	827,640	-		827,640	858,720
Interfunds Payable		7,998,338	(7,998,338)	-	-
Total Current Liabilities Payable					
From Unrestricted Assets	5,660,065	8,863,634	(7,998,338)	6,525,361	6,760,498
Current Liabilities Payable From					
Restricted Assets:					
Accrued Interest	1,923,883			1,923,883	1,773,189
Accounts Payable	1,740,748	1,588,996		3,329,744	2,840,075
Retainages Payable	1,184,132	150,847		1,334,979	1,638,420
Due to Other Governmental Agencies	208,334			208,334	208,334
PFC Advanced	0	211,156		211,156	681,921
Economic Recovery Funds Advanced	0	1,381,956		1,381,956	461,397
Elevated U-Turn Advance	121,411			121,411	274,164
Interfunds Payable		6,264,681	(6,264,681)	-	-
Bonds Payable, Net of Discount, Premium and Loss on Defeasance (\$48,531)	5,016,469			5,016,469	3,424,854
Total Current Liabilities Payable					
From Restricted Assets	10,194,978	9,597,635	(6,264,681)	13,527,932	11,302,354
Noncurrent Liabilities:					
Arbitrage Rebate Payable	54,551			54,551	31,386
Bonds Payable, Net of Discount, Premium and Loss on Defeasance (\$1,223,573)	229,536,427			229,536,427	212,522,627
Total Noncurrent Liabilities	229,590,978			229,590,978	212,554,013
TOTAL LIABILITIES	\$ 245,446,021	\$ 18,461,269	\$ (14,263,018)	\$ 249,644,271	\$ 230,616,865

**SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2004
WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2003
(CONTINUED)**

	Expressway	Airport	Consolidation Eliminations	Totals 2004	2003
<u>NET ASSETS</u>					
Invested in Capital Assets, Net of Related Debt	\$ 195,107,501	\$ 66,417,187	\$	\$ 261,524,688	\$ 282,504,216
Restricted for:					
Debt Service	3,376,562			3,376,562	555
Rehabilitation and Repair	6,007,985			6,007,985	5,997,351
Debt Service Reserve	16,018,234			16,018,234	14,480,930
State Payment	155			155	29
Capital Projects	22,221,657	2,185,734		24,407,391	10,197,338
Unrestricted	<u>29,719,168</u>	<u>(7,083,261)</u>		<u>22,635,907</u>	<u>16,510,935</u>
Total Net Assets	<u>272,451,263</u>	<u>61,519,659</u>	-	<u>333,970,922</u>	<u>329,691,354</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 517,897,284</u>	<u>\$ 79,980,928</u>	<u>\$ (14,263,018)</u>	<u>\$ 583,615,193</u>	<u>\$ 560,308,219</u>

**SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2004
WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2003**

	Expressway	Airport	Consolidation Eliminations	Totals	
				2004	2003
Operating Revenues:					
Tolls	\$ 57,247,412	\$	\$	\$ 57,247,412	\$ 51,190,087
Concessions	1,958,108			1,958,108	1,681,372
ETC Administrative Revenue	1,480,164			1,480,164	575,904
Garage Parking	903,287			903,287	1,098,006
Marina Parking Revenue	2,938,328			2,938,328	711,389
Intercept Parking	633,348			633,348	609,767
Bus Permits	396,346			396,346	413,399
Rentals	4,208,880			4,208,880	1,801,318
Emergency Service Patrol	291,079			291,079	178,921
Regional Marketing Program	3,109			3,109	93,914
Directional Signage Program	19,426			19,426	3,026
Grants	262,118			262,118	-
SJTPO Programs	1,882,426			1,882,426	1,703,362
Transportation Services	1,748,368			1,748,368	-
Other	477,445			477,445	456,160
Airport		4,612,786		4,612,786	4,353,879
Operating Revenues Before System Proceeds	74,449,844	4,612,786	-	79,062,630	64,870,504
System Proceeds	-			-	42,036
Total Operating Revenues	74,449,844	4,612,786	-	79,062,630	64,912,540
Operating Expenses					
Executive	2,175,739			2,175,739	2,008,086
Engineering	3,102,698			3,102,698	2,860,014
Finance and Central Accounts	11,022,004			11,022,004	9,407,674
Tourist Services	7,185,330			7,185,330	6,554,683
Maintenance	5,645,134			5,645,134	5,355,547
Police	5,985,446			5,985,446	7,344,093
Emergency Service Patrol	616,207			616,207	294,868
Electronic Toll Collection Expense	3,277,024			3,277,024	1,657,824
Regional Marketing Program	748,979			748,979	383,379
Directional Signage Program	19,426			19,426	3,026
SJTPO Programs	1,882,426			1,882,426	1,703,362
Airport		7,023,545		7,023,545	5,464,290
Transportation Services	1,679,388			1,679,388	-
Depreciation	14,134,918	2,627,258		16,762,176	15,756,317
Operating Expenses Before System Proceeds	57,474,719	9,650,803	-	67,125,522	58,793,163
System Proceeds	-			-	42,400
Total Operating Expenses	57,474,719	9,650,803	-	67,125,522	58,835,563
Operating Income (Loss)	16,975,125	(5,038,017)	-	11,937,108	6,076,977
Non-Operating Revenues (Expenses)					
Interest Revenue	1,559,492	5,984		1,565,476	1,558,522
Gain on Sale of Assets	-			-	(145,791)
Other Revenue	150			150	-
Fund Expenses	(555)	-		(555)	(35,276)
Amortization Expense	(504,532)			(504,532)	(385,933)
Amortization of Bond Premium	114,664			114,664	118,803
Interest on Bonds	(11,313,282)			(11,313,282)	(11,033,120)
Air Service Grant Revenue		-		-	2,000,000
Air Service Development Expense		-		-	(2,000,000)
Electronic Toll Collection Expense	-			-	(550,428)
State Payment	(2,500,000)			(2,500,000)	(2,500,000)
Total of Non-Operating Revenue (Expenses)	(12,644,063)	5,984	-	(12,638,079)	(12,973,223)
Income (Loss) before Contributions and Transfers	4,331,062	(5,032,033)	-	(700,971)	(6,896,246)
Capital Contributions	216,358	4,764,184		4,980,542	7,396,787
Transfers In	-	67,459	(67,459)	-	-
Transfers Out	(67,459)		67,459	-	-
Change in Net Assets	4,479,961	(200,389)	-	4,279,571	500,541
Total Net Assets -- Beginning	267,971,306	61,720,048		329,691,353	329,190,812
Total Net Assets -- Ending	\$ 272,451,266	\$ 61,519,659	\$ -	\$ 333,970,922	\$ 329,691,353

**SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2004
WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2003**

	Expressway	Airport	Totals	
			2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers, users and grants	\$ 76,532,656	\$ 4,713,866	\$ 81,246,522	\$ 64,120,646
Payments to suppliers	(19,302,750)	(6,065,053)	(25,367,803)	(17,544,842)
Payments to employees	(26,069,493)	(1,426,617)	(27,496,110)	(23,390,404)
Net cash provided by operating activities	31,160,413	(2,777,804)	28,382,609	23,185,400
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	(1,956,147)	1,956,147	-	-
Net cash provided (used) by noncapital financing activities	(4,456,147)	1,956,147	(2,500,000)	(2,500,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital contributions	180,055	4,197,031	4,377,086	3,556,703
Advances/loans for capital acquisitions	(152,753)	-	(152,753)	(2,471,838)
Proceeds from the sale of fixed assets	-	-	-	12,358
Payment of EZ Pass accrued obligations	-	-	-	(10,192,901)
Electronic Toll Collection	-	-	-	(550,428)
Payment of Arbitrage Rebate obligation	23,165	-	23,165	(218,614)
Payments for capital acquisitions	(17,599,221)	(3,577,661)	(21,176,881)	(26,631,904)
Principal paid on capital debt	(3,525,000)	-	(3,525,000)	(19,770,000)
Proceeds from Bonds Issued	22,090,000	-	22,090,000	15,790,000
Interest paid on capital debt	(11,600,338)	-	(11,600,338)	(10,739,397)
Net cash provided (used) by capital and related financing activities	(10,584,092)	619,370	(9,964,721)	(51,216,021)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investments	(20,466,064)	-	(20,466,064)	(1,584,614)
Proceeds from sales and maturities of investments	4,211,761	-	4,211,761	2,292,384
Interest and dividends	1,464,073	19,890	1,483,963	1,618,544
Net cash provided by investing activities	(14,790,230)	19,890	(14,770,340)	2,326,314
Net increase in cash and cash equivalents	1,329,944	(182,397)	1,147,548	(28,204,307)
Balances - beginning of the year	33,140,321	4,790,549	37,930,870	66,135,177
Balances - end of the year	\$ 34,470,265	\$ 4,608,152	\$ 39,078,418	\$ 37,930,870
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 16,975,125	\$ (5,038,017)	\$ 11,937,108	\$ 6,076,977
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	14,134,918	2,627,258	16,762,176	15,756,317
Change in assets and liabilities:				
Receivables, net	556,191	49,535	605,726	(712,949)
Grants receivable	(437,360)	59,489	(377,871)	(45,120)
Prepaid expenses	(190,654)	(134,306)	(324,960)	94,039
Inventories	15,567	-	15,567	12,534
Accounts and other payables	365,337	(333,819)	31,518	2,037,434
Deferred income	(222,810)	-	(222,810)	(88,741)
Customer deposits	(4,821)	(7,944)	(12,765)	(2,754)
Accrued expenses	(31,080)	-	(31,080)	57,663
Net cash provided by operating activities	\$ 31,160,413	\$ (2,777,804)	\$ 28,382,609	\$ 23,185,400

Noncash capital financing activities:

Capital assets of \$0 were acquired through contributions from governmental agencies and private developers.

NOTES TO FINANCIAL STATEMENTS

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

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 46.8-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 various Department Heads.

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. 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.

SOUTH JERSEY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

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.

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. All other revenues and expenses are reported as non-operating revenues and expenses.

D. **Cash and Cash Equivalents**

For purposes of the statements of cash flows, demand deposit accounts 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.

SOUTH JERSEY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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, and capital projects.

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 amended and restated resolution authorizing bonds and other obligations adopted May 18, 1999. 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.

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 and 2004 as well as receipt of federal and state grants and pay as you go funds transferred from the General Reserve Fund that the Authority has dedicated for the acquisition or construction of capital projects.

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 12/31/04, the Authority maintained a Municipal Bond Debt Service Reserve Insurance Policy with Financial Security Assurance with a payment limit of \$2,289,600.00 and investments of \$15,975,363. The total of which exceeds the Debt Service Reserve requirement of \$16,614,538.

**SOUTH JERSEY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Basis of Organization: Description of Funds (Continued)

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 Authority and filed with the Trustee. The Authority is required to maintain a minimum balance of \$6,000,000 at December 31, 2004.

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 Rebatale Arbitrage or the penalty amount in lieu of rebate and, if elected, any amount required to terminate such penalty.

Subordinated Debt Fund – established to provide for debt service payments of subordinated indebtedness which the Authority may issue from time to time pursuant to section 5.12 of the Authority's General Bond resolution as amended and supplemented.

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.

**SOUTH JERSEY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 General Reserve Fund, the State Payment Fund, the Rehabilitation and Repair Fund, and the Subordinated Debt Fund.

K. Pledged Projects

Pledged Projects are the projects for which the 1992, 1994 and 1999 Bonds were issued (except for the project constituting the acquisition of the parking garage facility) 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.

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 Heads 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.

SOUTH JERSEY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

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.

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.

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
Equipment	5 years

O. Bond Discount and 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 associated with the issuance of bonds are amortized using the effective interest method, while issuance costs are amortized on a straight-line basis over the life of the bonds.

P. Restricted Net Assets

Restricted net assets are comprised of amounts reserved for debt service, rehabilitation and repair, and capital projects.

**SOUTH JERSEY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004
(CONTINUED)**

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.

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;

SOUTH JERSEY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

2. DEPOSITS AND INVESTMENTS (CONTINUED)

- (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:
 - (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;

SOUTH JERSEY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

2. DEPOSITS AND INVESTMENTS (CONTINUED)

- (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;
- (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;

SOUTH JERSEY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

2. DEPOSITS AND INVESTMENTS (CONTINUED)

- (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 contracts 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.

"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 \$74,952,627 at December 31, 2004. The Authority's total bank (cash) balances were \$78,310,457 at December 31, 2004, of which \$400,000 was insured by the Federal Deposit Insurance Corporation and the balance of \$77,910,457 was collateralized with U.S. Government Securities held in the Authority's name by the Authority's financial institutions or its agents. The difference between bank balance and book balance is due primarily to the timing of deposits and outstanding checks.

SOUTH JERSEY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Management considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. As of December 31, 2004, the investments of the Authority are listed by appropriate risk categories as follows:

- a. Category 1: Investments, which are insured or registered or held by the Authority or its agent in the Authority's name.
- b. Category 2: Investments which are uninsured and unregistered, with securities held by others in the Authority's name.
- c. Category 3: Investments which are uninsured and unregistered, with securities held by others, but not in the Authority's name.

The carrying amounts of the Authority's deposit and investments at December 31, 2004 consisted of the following:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total</u>
<u>Unrestricted Accounts:</u>				
Cash & Cash Equivalents:				
Checking Accounts	\$ 1,103,470	\$	\$	\$ 1,103,470
Money Market Funds	<u>100,000</u>	<u></u>	<u>10,408,519</u>	<u>10,508,519</u>
Total Unrestricted Cash & Cash Equivalents	<u>1,203,470</u>	<u>-</u>	<u>10,408,519</u>	<u>11,611,989</u>
Investments:				
U.S. Treasury Bills	<u>4,004,372</u>	<u></u>	<u></u>	<u>4,004,372</u>
Total Unrestricted Investments	<u>4,004,372</u>	<u>-</u>	<u>-</u>	<u>4,004,372</u>
<u>Restricted Accounts:</u>				
Cash & Cash Equivalents:				
Checking Accounts	11,828,709			11,828,709
Money Market Funds	<u>300,000</u>		<u>15,482,719</u>	<u>15,782,719</u>
Total Restricted Cash & Cash Equivalents	<u>12,128,709</u>	<u>-</u>	<u>15,482,719</u>	<u>27,611,428</u>
Investments:				
Guaranteed Investment Contracts		20,946,976		20,946,976
Certificates of Deposit	100,000	5,900,000		6,000,000
U.S. Treasury Bills	3,947,469			3,947,469
N.J. Cash Management			830,393	830,393
Total Restricted Investments	<u>4,047,469</u>	<u>26,846,976</u>	<u>830,393</u>	<u>31,724,838</u>
Total Deposits & Investments	<u>\$ 21,384,020</u>	<u>\$ 26,846,976</u>	<u>\$ 26,721,631</u>	<u>\$ 74,952,627</u>

SOUTH JERSEY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

2. DEPOSITS AND INVESTMENTS (CONTINUED)

The Guaranteed Investment Contracts consist of three contracts. The first one has a year end carrying value of \$1,650,426, a fixed interest rate of 4.13% and matures on 10/30/12. The second contract has a year end carrying value of \$12,885,763, a fixed rate of 5.905% and matures on 11/1/29. The third contract has a year end carrying value of \$6,410,787, a fixed rate of 4.14% and matures on 11/1/33.

3. CAPITAL ASSETS

	December 31, <u>2003</u>	<u>Additions</u>	<u>Deletions</u>	December 31, <u>2004</u>
Non-Infrastructure				
Capital Assets:				
Land and Improvements	\$ 143,528,633	\$ 2,930,000		\$ 146,458,633
Electronic Toll Equipment	8,927,935		(10,000)	8,917,935
Buildings and Equipment	50,649,975	5,569,041		56,219,016
Total Non-Infrastructure	<u>203,106,543</u>	<u>8,499,041</u>	<u>(10,000)</u>	<u>211,595,584</u>
Capital Assets				
Infrastructure Capital Assets:				
Infrastructure Equipment	5,867,510	1,425,244		7,292,754
Infrastructure	348,748,822	11,186,205		359,935,027
	<u>354,616,332</u>	<u>12,611,449</u>	<u>-</u>	<u>367,227,781</u>
Less:				
Accumulated Depreciation	<u>(65,727,996)</u>	<u>(16,762,176)</u>		<u>(82,490,172)</u>
Total Capital Assets	<u>\$ 491,994,879</u>	<u>\$ 4,348,314</u>	<u>\$ (10,000)</u>	<u>\$ 496,333,193</u>

**SOUTH JERSEY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004
(CONTINUED)**

4. CAPITAL CONTRIBUTIONS (CONTINUED)

The Authority received Capital Contributions totaling \$4,980,538 in 2004, and they 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 \$2,820,047 in total from the Federal Aviation Administration and the New Jersey Economic Development Authority as Economic Recovery Funds during 2004. Funds from the New Jersey Economic Development Authority are classified as Economic Recovery Funds Advanced until costs are incurred. At the time costs are incurred, they are reclassified to Capital Contributions.

The Authority has been approved by the Federal Aviation Administration ("FAA") to impose a Passenger Facility Charge ("PFC") of \$3 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. At the time costs are incurred, they are reclassified to Capital Contributions. PFC Capital Contributions recognized during 2004 amounted to \$1,943,711.

In 2001, the Authority entered into an agreement with a private casino owner to equally (50/50) fund all costs associated with the construction of an elevated U-turn, right of way landscaping, and sign modification on the Connector up to a total investment of \$12 million. All costs paid by the private casino owner are recognized as Capital Contributions. The Capital Contributions recognized during 2004 amounted to \$152,753.

5. 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, 2004, commitments for projects in progress were \$23,359,119.
- 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.

**SOUTH JERSEY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004
(CONTINUED)**

5. COMMITMENTS AND CONTINGENCIES (CONTINUED)

- 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, 2004, the Authority estimates that no material liabilities will result from such audits.

6. BONDS PAYABLE

As of December 31, 2004, unamortized bond discounts in the amount of \$1,430,898, unamortized loss on refunding in the amount of \$261,793, and unamortized bond premium of \$420,587, have been offset against the outstanding bonds.

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.

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.

SOUTH JERSEY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

6. BONDS PAYABLE (CONTINUED)

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 <u>November 1,</u>	<u>Principal Amount</u>
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.

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.

SOUTH JERSEY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

6. BONDS PAYABLE (CONTINUED)

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:

<u>Redemption Period of the Bonds (both dates inclusive)</u>	<u>Redemption Price</u>
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

SOUTH JERSEY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

6. BONDS PAYABLE (CONTINUED)

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:

<u>Year Due</u>	<u>Principal Amount</u>
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 Bonded Debt Issued and Outstanding:

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 5,065,000	\$ 11,543,300	\$ 16,608,300
2006	5,250,000	11,361,294	16,611,294
2007	5,440,000	11,168,631	16,608,631
2008	5,655,000	10,955,006	16,610,006
2009	5,895,000	10,715,956	16,610,956
2010-2014	33,870,000	49,171,356	83,041,356
2015-2019	43,345,000	39,706,738	83,051,738
2020-2024	55,400,000	27,635,694	83,035,694
2025-2029	70,810,000	12,240,000	83,050,000
2030-2033	5,095,000	652,750	5,747,750
	<u>\$ 235,825,000</u>	<u>\$ 185,150,726</u>	<u>\$ 420,975,726</u>

**SOUTH JERSEY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004
(CONTINUED)**

7. 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 will be 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. 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.

**SOUTH JERSEY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004
(CONTINUED)**

8. 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 has two conduit debt obligations as of December 31, 2004 as described below.

In 1997, the Authority issued \$5,130,000 in Lease Revenue Bonds to provide funds to pay a portion of the cost of constructing and equipping a special fixed base operator facility at the Atlantic City International Airport to be leased and operated by Raytheon Aircraft Services, Inc.

The Bonds are subject to redemption at the option of the Authority, upon the direction of the Lessee prior to maturity and upon notice as provided in the General Resolution, in whole or in part on January 1, 2007 or any date thereafter. If less than all the Bonds are to be redeemed on any date, the Bonds to be redeemed shall be selected by lot. Redemption prices of the Bonds shall be equal to the following percentages of principal amount to be redeemed together with unpaid interest accrued on such principal amount to the redemption date:

<u>Redemption Period of the Bonds (both dates inclusive)</u>	<u>Redemption Price</u>
January 1, 2007 through December 31, 2007	102%
January 1, 2008 through December 31, 2008	101%
January 1, 2009 and Thereafter	100%

The total amount of this outstanding conduit debt as of December 31, 2004 is \$4,435,000. The Bonds are a special limited obligation of the Authority and are payable solely from revenues derived by the Authority pursuant to a Repayment Agreement between the Authority and Raytheon Aircraft Services, Inc. The Authority has no other responsibility for the payment of this debt.

SOUTH JERSEY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

8. CONDUIT DEBT OBLIGATIONS (CONTINUED)

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, 2004 is as follows:

Year Issued	Amount Issued	Accreted Value at 12/31/04	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

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

**SOUTH JERSEY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004
(CONTINUED)**

9. 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 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 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, 2004
(CONTINUED)

9. 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	\$ 79,062,630	\$ 79,062,630	\$ 79,062,630
Interest Revenue	95,774	95,774	95,774
Interest Revenue-Airport	5,984	5,984	5,984
Interest Revenue Transferred from Restricted Funds	859,865	859,865	859,865
Interest Revenue-General Reserve Fund	57,232	57,232	57,232
Total Revenue	<u>80,081,485</u>	<u>80,081,485</u>	<u>80,081,485</u>
Less:			
Grant Revenue	3,892,912	3,892,912	3,892,912
Airport Revenue	4,612,786	4,612,786	4,612,786
Airport Interest	5,984	5,984	5,984
Total Available Revenue	<u>71,569,803</u>	<u>71,569,803</u>	<u>71,569,803</u>
Pledged Project Expenses	<u>39,777,987</u>	<u>39,777,987</u>	<u>39,777,987</u>
Net Revenues	<u>\$ 31,791,816</u>	<u>\$ 31,791,816</u>	<u>\$ 31,791,816</u>
Senior Debt Service	\$ 14,528,068	\$ 14,528,068	\$ 14,528,068
Rehabilitation & Repair Requirement			
State Payment Requirement		2,500,000	
Other Required Deposits			
General Project Operating Expenses		<u>5,032,033</u>	
Total Debt Service & Other Obligations	<u>\$ 14,528,068</u>	<u>\$ 22,060,101</u>	N/A
Total Pledged Projects and Debt Service	N/A	N/A	<u>\$ 54,306,055</u>
Coverage Ratio	218.83%	144.11%	131.79%
Required Coverage	120.00%	100.00%	100.00%
Excess Coverage	<u>98.83%</u>	<u>44.11%</u>	<u>31.79%</u>

**SOUTH JERSEY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004
(CONTINUED)**

10. PENSION PLAN

Substantially, all 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 include 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 3% for PERS and 8.5% for PFRS of annual covered payroll. Effective January 1, 2005, the rate for PERS will be increased to 5%.

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 and PFRS Plans for the year ended December 31, 2004 was \$ 445,462 and \$56,954 respectively. Authority contributions were not required.

11. 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 disaster for which the Authority purchases commercial insurance. Settled claims have not exceeded this coverage in any of the past three years.

As required by law, the Authority provides Workers' Compensation Insurance to its employees. The Authority's Workers' Compensation policy provides coverage up to the New Jersey State Workers' Compensation statutory limits for Coverage A. Coverage B employer's liability is limited to \$1,000,000 per occurrence. This policy is retrospectively rated. The deposit premium is approximately \$500,000 per year, based on the Authority's estimate of its annual payroll. The premium could be retroactively adjusted, based on actual losses incurred, resulting in an actual premium as low as \$296,790 to a maximum premium of \$821.612.

**SOUTH JERSEY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004
(CONTINUED)**

12. 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. All employees of the Authority are eligible if, at retirement, they have at least 20 years of full-time service with the Authority and are qualified to immediately receive pension payments from PERS; or if they have 25 years or more service credited in PERS and are immediately eligible to receive pension benefits. The Authority funds the benefits on a pay-as-you-go basis. The cost of providing these benefits for seventy five (75) retirees for the year ended December 31, 2004 was \$1,005,906.

13. 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. The Authority compensates employees for unused sick leave retirement or upon resignation if the employee vests in the pension system until retirement age has been reached. 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 entitled to a proportionate amount of compensated absences based on hours worked.

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.

**SOUTH JERSEY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004
(CONTINUED)**

13. COMPENSATED ABSENCES (CONTINUED)

B. Union Employees

In accordance with the union contracts in effect in 2004, members of the International Federation of Professional and Technical Engineers, Local 196, Chapter 2 and Local 193, Chapter A, ten vacation days may be carried to the next calendar year for Local 196 and a full year's entitlement may be carried for Local 193. Any carried-over vacation time must be taken during the subsequent year or it is lost. In addition, members 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:
 - (i) 50% of present salary for the first 150 days of accumulated sick days up to a maximum of \$17,500;
 - (ii) 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:
 - (i) 75% of present salary for the first 150 days of accumulated sick days up to a maximum of \$17,500;
 - (ii) 100% of present salary for accumulated sick leave in excess of 150 days.

On August 1, 1996, a compensatory time policy was put in place for members of Local 196, Chapter 2. Under this policy, 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 cannot accrue beyond sixty hours and must be taken within twelve months of being earned.

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. In addition, members are entitled to accumulate sick leave up to \$17,500 at the employee's rate of pay at retirement. Unused sick time earned will not be paid upon resignation, termination or layoff.

Compensatory time must be taken within 12 months of being earned.

**SOUTH JERSEY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004
(CONTINUED)**

13. 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, 2004 is as follows:

	Amount
	<hr/>
Sick Time	\$ 265,847
Vacation Time	449,022
Compensatory Time	<hr/> 112,771
	<hr/> \$ 827,640 <hr/>

14. 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 intermodal 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.

15. 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. Since April 1, 2001, 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. This extension expires March 31, 2006. During 2002, AvPorts was acquired by MacQuarrie Aviation North America 2 (MAVNA).

**SOUTH JERSEY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004
(CONTINUED)**

15. 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.

Pursuant to certain sections of the Agreement of Sale between the City of Atlantic City and the Authority, the City of Atlantic City asserted a claim that the Authority must pay the City of Atlantic City \$500,000 adjusted annually after December 31, 1996 by the Philadelphia Consumer Price Index. The Authority paid the annual amount of \$500,000 to the City of Atlantic City in 1997 and 1998, but challenged the validity of this obligation.

In 1999, as full settlement of any claims the City of Atlantic City has for future payments from the Authority under the Agreement of Sale, the Authority agreed to pay the City of Atlantic City the sum of \$7,000,000 as follows:

1. \$2,500,000 on or before December 31, 1999
2. \$2,500,000 on or before December 31, 2000
3. \$2,000,000 within 90 days of the erection of the seventh Authority-owned billboard structure on the Authority right-of-way for the Atlantic City Expressway Connector Project.

During 2004, the Authority agreed to pay the final \$2 million in accordance with Resolution 1999-98 upon representation from the City of Atlantic City that they were not opposed to billboard development.

The Authority also waived and relinquished all claims it had to repayment of the \$500,000 payments made to the City of Atlantic City in December 1997 and December 1998.

16. 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.

**SOUTH JERSEY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004
(CONTINUED)**

17. 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 busses 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.

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.

**SOUTH JERSEY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004
(CONTINUED)**

17. ELECTRONIC TOLL COLLECTION (CONTINUED)

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.

18. INTERFUNDS AND AIRPORT SUBSIDY

The total interfund payable from the Airport Fund to the Expressway Fund at December 31, 2004 is \$14,263,019, which consists of \$7,998,338 payable from unrestricted funds and \$6,264,681 payable from restricted funds.

Pursuant to the South Jersey Transportation System Revenue Bonds, 1999 Series amended and restated resolution authorizing bonds and other obligations, Section 5.02(I) establishes an Airport Fund.

**SOUTH JERSEY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004
(CONTINUED)**

18. 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.

19. 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 and Second Amendments dated June 15 and September 20, 2001, 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. The Authority's share of the Marina Parking Fees received by the State of NJ from July 2003 through December 2004 is \$3,944,199. 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.

**SOUTH JERSEY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004
(CONTINUED)**

20. 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.

19. SUBSEQUENT EVENT

On March 11, 2005, the Authority adopted resolution 2005-25 which authorized a settlement of a law suit that was filed during 2004 by the developer of the surface parking facility at the Atlantic City International Airport. Pursuant to the settlement, in exchange for \$9,900,000, the Authority will acquire the existing revenue-generating parking lot operations including associated infrastructure improvements previously made by the developer and a release of all claims by the developer. Additionally, the Authority will pay the developer \$400,000 for the purchase of furniture, fixtures and equipment used in the operations of the facility. The Authority intends to finance the acquisition of the parking facility/settlement through the issuance of Subordinate Notes, Series 2005, in the amount of \$10,400,000. The settlement date is anticipated to be on or about March 31, 2005. This transaction will be recorded by the Authority in 2005.

OTHER SUPPLEMENTARY INFORMATION

**SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS
FUND FINANCIAL STATEMENTS
DECEMBER 31, 2004
WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2003**

	Unrestricted Accounts			Restricted Accounts							Consolidation Eliminations	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		2004	2003
ASSETS													
Unrestricted Assets													
Cash and Cash Equivalents	\$ 6,673,415	\$ 621,370	\$ 4,284,754	\$	\$	\$	\$	\$	\$	\$	\$	\$ 11,579,539	\$ 14,145,897
Investments			4,004,373									4,004,373	-
Change Funds	32,450											32,450	32,450
Interest Receivable	9,267	708	7,968									17,943	9,309
Accounts Receivable, net	1,280,316	779,691										2,060,007	2,665,733
Grants Receivable	1,108,936	-										1,108,936	731,065
Prepaid Expenses	981,003	305,600										1,286,603	961,643
Fuel Inventory	17,845.08											17,845	33,412
Interfunds Receivable	4,379,446	73,003	14,623,264								(19,075,713)	-	-
Total Unrestricted Assets	14,482,677	1,780,372	22,920,358					-			(19,075,713)	20,107,696	18,579,509
Restricted Assets													
Cash and Cash Equivalents				1,925,756	1,236,127	48		165,727	847	24,282,924		27,611,429	23,752,523
Investments					4,777,861		15,975,363			10,971,613		31,724,837	19,474,904
Accounts Receivable									-	63,604		63,604	-
Grants Receivable										1,531,906		1,531,906	556,819
Interfunds Receivable				3,525,000	1,608,036.34	208,334		21,063	-	158,149	(5,520,582)	-	-
Interest Receivable				2,566	2,514	107	171,802			56,471		233,459	146,021
Total Restricted Assets				5,453,322	7,624,538	208,489	16,147,165	186,789	847	37,064,667	(5,520,582)	61,165,235	43,930,267
Noncurrent Assets													
Capital assets:													
Non-Infrastructure Capital Assets:													
Land and Improvements	-									146,458,633		146,458,633	143,528,633
Electronic Toll Equipment	-									8,917,935		8,917,935	8,927,935
Buildings and Equipment	-									56,219,016		56,219,016	50,649,975
Less Accumulated Depreciation	-									(30,393,719)		(30,393,719)	(26,100,954)
Total Non-Infrastructure Capital Assets	-	-	-	-	-	-	-	-	-	181,201,865	-	181,201,865	177,005,589
Infrastructure Capital Assets:													
Infrastructure - Equipment	-									7,292,754		7,292,754	5,867,510
Infrastructure	-									359,935,026		359,935,026	348,748,822
Less Accumulated Depreciation	-									(52,096,453)		(52,096,453)	(39,627,042)
Total Infrastructure Capital Assets	-	-	-	-	-	-	-	-	-	315,131,327	-	315,131,327	314,989,290
Total Capital Assets	-	-	-	-	-	-	-	-	-	496,333,192	-	496,333,192	491,994,879
Bond Issuance Costs													
Less Accumulated Amortization										7,596,435		7,596,435	6,886,397
Total Non-current Non-capital Assets	-	-	-	-	-	-	-	-	-	(1,587,365)	-	(1,587,365)	(1,082,833)
	-	-	-	-	-	-	-	-	-	6,009,070	-	6,009,070	5,803,564
Total Non-Current Assets	-	-	-	-	-	-	-	-	-	502,342,262	-	502,342,262	497,798,443
TOTAL ASSETS	\$ 14,482,677	\$ 1,780,372	\$ 22,920,358	\$ 5,453,322	\$ 7,624,538	\$ 208,489	\$ 16,147,165	\$ 186,789	\$ 847	\$ 539,406,929	\$ (24,596,295)	\$ 583,615,193	\$ 560,308,219

SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS
FUND FINANCIAL STATEMENTS
DECEMBER 31, 2004
WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2003

	Unrestricted Accounts			Restricted Accounts							Consolidation Eliminations	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		2004	2003
LIABILITIES AND NET ASSETS													
Current Liabilities Payable From													
Unrestricted Assets:													
Accounts Payable	\$ 4,377,558	\$ 816,209	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 5,193,767	\$ 5,162,249
Deferred Income	377,729	-										377,729	600,539
Escrow Deposits	77,138	49,087										126,225	138,990
Accrued Expenses	827,640											827,640	858,720
Interfunds Payable	2,156,041	7,998,338	-								\$ (10,154,379)	-	-
Total Current Liabilities Payable													
From Unrestricted Assets	7,816,106	8,863,634	-	-	-	-	-	-	-	-	(10,154,379)	6,525,361	6,760,498
Current Liabilities Payable From													
Restricted Assets:													
Accrued Interest				1,923,883						-		1,923,883	1,773,189
Accounts Payable									9	3,329,735		3,329,744	2,840,075
Retainages Payable										1,334,979		1,334,979	1,638,420
Due to Other Government Agencies	-					208,334.00				-		208,334.00	208,334
PFC Advanced										211,156		211,156	681,921
Economic Recovery Funds Advanced										1,381,956		1,381,956	461,397
Elevated U-Turn Payable										121,411		121,411	274,164
Interfunds Payable				152,877	1,616,553	-	128,931		838	12,542,717	(14,441,916)	-	-
Bonds Payable, Net of Discount, Premium and Loss on Defeasance (\$48,531)										5,016,469		5,016,469	3,424,854
Total Current Liabilities Payable													
From Restricted Assets	-	-	-	2,076,760	1,616,553	208,334	128,931	-	847	23,938,422	(14,441,916)	13,527,932	11,302,354
Noncurrent Liabilities:													
Arbitrage Rebate Payable								54,551				54,551	31,386
Bonds Payable, Net of Discount, Premium and Loss on Defeasance (\$1,223,573)										229,536,427	-	229,536,427	212,522,627
Total Noncurrent Liabilities	-	-	-	-	-	-	-	54,551	-	229,536,427	-	229,590,978	212,554,013
TOTAL LIABILITIES	\$ 7,816,106	\$ 8,863,634	\$ -	\$ 2,076,760	\$ 1,616,553	\$ 208,334	\$ 128,931	\$ 54,551	\$ 847	\$ 253,474,849	\$ (24,596,295)	\$ 249,644,271	\$ 230,616,865

SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS
FUND FINANCIAL STATEMENTS
DECEMBER 31, 2004
WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2003

	Unrestricted Accounts			Restricted Accounts							Consolidation Eliminations	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		2004	2003
NET ASSETS													
Invested in Capital Assets, Net of Related Debt	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 261,524,688	\$	\$ 261,524,688	\$ 282,504,216
Restricted for:													
Debt Service				3,376,562								3,376,562	555
Rehabilitation and Repair					6,007,985							6,007,985	5,997,351
Debt Service Reserve							16,018,234					16,018,234	14,480,930
State Payment						155						155	29
Capital Projects										24,407,394		24,407,394	10,197,338
Arbitrage Rebate												-	-
Unrestricted	6,666,571	(7,083,261)	22,920,358					132,238	-	-		22,635,904	16,510,934
Total Net Assets	6,666,571	(7,083,261)	22,920,358	3,376,562	6,007,985	155	16,018,234	132,238	-	285,932,082	-	333,970,922	329,691,353
TOTAL LIABILITIES AND NET ASSETS	\$ 14,482,677	\$ 1,780,373	\$ 22,920,358	\$ 5,453,322	\$ 7,624,538	\$ 208,489	\$ 16,147,165	\$ 186,789	\$ 847	\$ 539,406,931	\$ (24,596,295)	\$ 583,615,193	\$ 560,308,218

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SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FUND FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2004
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2003

	Unrestricted Accounts			Restricted Accounts							Consolidation Eliminations	Totals	
	Revenue Fund	Airport Fund	General Reserve Fund	Rebate Fund	Subordinated Debt Fund	Debt Service Fund	Rehabilitation and Repair Fund	State Payment Fund	Debt Service Reserve Fund	Construction Fund		2004	2003
Operating Revenues:													
Tolls	\$ 57,247,412	\$	\$	\$	\$	\$	\$	\$	\$	\$		\$ 57,247,412	\$ 51,190,087
Concessions	1,958,108											1,958,108	1,681,372
ETC Administration Revenue	1,480,164											1,480,164	575,904
Garage Parking	903,287											903,287	1,098,006
Marina Parking Revenue	2,938,328											2,938,328	711,389
Intercept Parking	633,348											633,348	609,767
Bus Permits	396,346											396,346	413,399
Rentals	4,208,880											4,208,880	1,801,318
Emergency Service Patrol	291,079											291,079	178,921
Regional Marketing Program	3,109											3,109	93,914
Directional Signage Program	19,426											19,426	3,026
Grants	262,118											262,118	-
SJTPO Programs	1,882,426											1,882,426	1,703,362
Transportation Services	1,748,368											1,748,368	-
Other	477,445		-									477,445	456,160
Airport	-	4,612,786										4,612,786	4,353,879
Operating Revenues Before System Proceeds	74,449,845	4,612,786	-	-	-	-	-	-	-	-	-	79,062,630	64,870,504
System Proceeds	-											-	42,036
Total Operating Revenues	74,449,845	4,612,786	-	-	-	-	-	-	-	-	-	79,062,630	64,912,540
Operating Expenses:													
Executive	2,175,739											2,175,739	2,008,086
Engineering	3,102,698											3,102,698	2,860,014
Finance and Central Accounts	11,022,004											11,022,004	9,407,674
Tourist Services	7,185,330											7,185,330	6,554,683
Maintenance	5,645,134											5,645,134	5,355,547
Police	5,985,446											5,985,446	7,344,093
Emergency Service Patrol	616,207											616,207	294,868
Electronic Toll Collection Expense	3,277,024											3,277,024	1,657,824
Regional Marketing Program	748,979											748,979	383,379
Directional Signage Program	19,426											19,426	3,026
SJTPO Programs	1,882,426											1,882,426	1,703,362
Transportation Services	1,679,388											1,679,388	-
Airport	-	7,023,545										7,023,545	5,464,290
Depreciation	-									16,762,176		16,762,176	15,756,317
Operating Expenses Before System Proceeds	43,339,803	7,023,545	0	-	-	-	-	0	-	16,762,176	-	67,125,522	58,793,163
System Proceeds	-											-	42,400
Total Operating Expenses	43,339,803	7,023,545	0	-	-	-	-	-	-	16,762,176	-	67,125,522	58,835,563
Operating Income (Loss)	\$ 31,110,042	\$ (2,410,759)	\$ 0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (16,762,176)	\$ -	\$ 11,937,108	\$ 6,076,977

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SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FUND FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2004
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2003

	Unrestricted Accounts			Restricted Accounts							Consolidation Eliminations	Totals	
	Revenue Fund	Airport Fund	General Reserve Fund	Rebate Fund	Subordinated Debt Fund	Debt Service Fund	Rehabilitation and Repair Fund	State Payment Fund	Debt Service Reserve Fund	Construction Fund		2004	2003
Non-Operating Income(Expenses)													
Interest Revenue	\$ 95,774	\$ 5,984	\$ 57,232	\$ 0	\$	\$ 44,950	\$ 72,601	\$ 557	\$ 855,144	\$ 433,234	\$	\$ 1,565,476	\$ 1,558,522
Gain on Sale of Assets												-	(145,791)
Other Revenue										150.00		150.00	-
Air Service Grant Revenue		-										-	2,000,000
Air Service Development Expense		-										-	(2,000,000)
Fund Expenses						(555)				-		(555)	(35,276)
Amortization Expense										(504,532)		(504,532)	(385,933)
Amortization of Bond Premium										114,664		114,664	118,803
Interest on Bonds						(11,153,763)				(159,518)		(11,313,281)	(11,033,120)
Loss on Defeasance										-		-	-
Arbitrage Rebate				-								-	-
ETC True Up Revenue					-							-	(550,428)
Electronic Toll Collection Expense	-		-		-							-	(2,500,000)
State Payment								(2,500,000)				(2,500,000)	(2,500,000)
Total of Non-Operating Income/(Expenses)	95,774	5,984	57,232	-	-	(11,109,368)	72,601	(2,499,443)	855,144	(116,001)	-	(12,638,078)	(12,973,223)
Income (Loss) before Contributions and Transfers	31,205,816	(2,404,775)	57,231	-	-	(11,109,368)	72,601	(2,499,443)	855,144	(16,878,177)	-	(700,970)	(6,896,246)
Capital Contributions - Grants										4,827,788	(4,827,788)	-	-
Capital Contributions - Other Sources										152,753	(152,753)	-	-
Total Capital Contributions											4,980,542	4,980,542	7,396,787
Interest Revenue Transferred From Restricted Funds	859,865										(859,865)	-	-
Interest Revenue Transferred To Operating Account						(40,700)	(61,967)	(439)	(756,759)	-	859,865	-	-
Bonds Principal Payment Transfer						(3,525,000)				3,525,000		-	-
Transfers (To)/From Unrestricted Funds	(12,989,356)		12,989,356		-	18,051,075	-	2,500,008	1,439,175	6,567,337	(28,557,595)	-	-
Transfers (To)/From Restricted Funds	(15,892,283)		(7,700,881)	-		-			(256)	(4,964,175)	28,557,595	-	-
Change in Net Assets	3,184,044	(2,404,775)	5,345,705	-	-	3,376,007	10,634	126	1,537,304	(6,769,473)	-	4,279,572	500,541
Total Net Assets -- Beginning	3,482,527	(4,678,486)	17,574,652	132,238		555	5,997,351	29	14,480,930	292,701,555		329,691,353	329,190,812
Total Net Assets -- Ending	\$ 6,666,571	\$ (7,083,261)	\$ 22,920,357	\$ 132,238	\$ -	\$ 3,376,562	\$ 6,007,985	\$ 155	\$ 16,018,234	\$ 285,932,082	\$ -	\$ 333,970,922	\$ 329,691,353

**SOUTH JERSEY TRANSPORTATION AUTHORITY
SCHEDULE OF BONDS AND OTHER DEBT
YEAR ENDED DECEMBER 31, 2004**

	Date of Issue	Amount Issued	Interest Rate	Maturity Date	Balance December 31, 2003	Issued	Paid	Balance December 31, 2004
Transportation System Revenue Bonds, 2003 Series (Tax Exempt) Original Issue Amount \$44,100,000	4/15/2003	\$ 15,790,000	2.00%	11/01/04	\$ 550,000	\$	\$ 550,000	\$ -
			3.00%	11/01/05	1,710,000		-	1,710,000
			3.00%	11/01/06	1,765,000		-	1,765,000
			2.25%	11/01/07	1,810,000		-	1,810,000
			3.00%	11/01/08	1,855,000		-	1,855,000
			4.00%	11/01/09	1,910,000		-	1,910,000
			3.25%	11/01/10	1,985,000		-	1,985,000
			5.00%	11/01/11	2,050,000		-	2,050,000
			5.25%	11/01/12	2,155,000		-	2,155,000
					<u>15,790,000</u>	<u>-</u>	<u>550,000</u>	<u>15,240,000</u>
Transportation System Revenue Bonds, 1999 Series (Tax Exempt) Original Issue Amount \$204,520,000	06/02/99	204,520,000	4.000%	11/01/04	2,830,000		2,830,000	-
			4.125%	11/01/05	2,945,000			2,945,000
			4.250%	11/01/06	3,065,000			3,065,000
			5.000%	11/01/07	3,200,000			3,200,000
			5.000%	11/01/08	3,360,000			3,360,000
			4.500%	11/01/09	3,530,000			3,530,000
			5.250%	11/01/10	3,685,000			3,685,000
			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
		<u>204,520,000</u>			<u>201,325,000</u>	<u>-</u>	<u>2,830,000</u>	<u>198,495,000</u>

**SOUTH JERSEY TRANSPORTATION AUTHORITY
SCHEDULE OF BONDS AND OTHER DEBT
YEAR ENDED DECEMBER 31, 2004
(CONTINUED)**

	Date of Issue	Amount Issued	Interest Rate	Maturity Date	Balance December 31, 2003	Issued	Paid	Balance December 31, 2004
2004 Series A		\$	2.250%	11/01/05	\$	\$	\$	\$
(Tax Exempt)			2.250%	11/01/06		410,000		410,000
Original Issue Amount \$22,235,000			2.250%	11/01/06		420,000		420,000
			3.000%	11/01/07		430,000		430,000
			3.500%	11/01/08		440,000		440,000
			3.750%	11/01/09		455,000		455,000
			3.875%	11/01/10		475,000		475,000
			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
		0			-	22,090,000	0	22,090,000
		<u>\$ 204,520,000</u>			<u>\$ 217,115,000</u>	<u>\$ 22,090,000.00</u>	<u>\$ 3,380,000</u>	<u>\$ 235,825,000</u>

**South Jersey Transportation Authority
Schedule of Toll Revenue
Year Ended December 31, 2004**

Interchange:	<u>Toll Revenue</u>	<u>Vehicle Count</u>
Pleasantville	\$ 12,606,188	\$ 24,934,866
Exit 5, Route 9	514,949	1,140,751
Mays Landing	2,450,599	5,310,012
Egg Harbor	37,307,335	18,612,420
Hammonton	821,954	1,709,736
Winslow	408,571	853,410
Williamstown	1,075,452	4,508,188
Pomona	1,346,456	2,950,340
Berlin Crosskeys	715,908	3,017,020
Unusual and Toll Free	797,932	797,932
	<u>\$ 57,247,412</u>	<u>\$ 63,834,675</u>

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.



