

SOUTH JERSEY TRANSPORTATION AUTHORITY

2013
ANNUAL REPORT





SJTA

THE SOUTH JERSEY TRANSPORTATION AUTHORITY

was established by the Legislature in June 1991 to assume operational responsibilities for the Atlantic City Expressway, Atlantic City International Airport terminal, and parking facilities in Atlantic City.

As a successor to the New Jersey Expressway Authority and Atlantic County Transportation Authority (ACTA), the SJTA serves six counties: Atlantic, Camden, Cape May, Cumberland, Gloucester, and Salem.

Legislation (N.J.S.A. 27:25A-1 et seq.) charged the Authority with coordinating South Jersey's transportation system, including addressing the region's highway network, aviation facilities and transportation needs.

The Authority' transportation network encompasses public highways, and transportation projects, parking facilities and functions once performed by ACTA; other public transportation facilities; and related economic development facilities in New Jersey.



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LETTER OF TRANSMITTAL

FROM THE BOARD CHAIRMAN



James S. Simpson
NJDOT Commissioner
SJTA Chairman

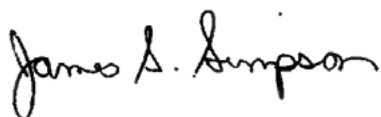
Southern New Jersey is poised to experience enhanced transportation options with the on-going capital improvements and partnerships of the South Jersey Transportation Authority. Whether traveling by automobile or airplane, the SJTA offers a safe & efficient commute through maintaining its facilities in a state-of-good-repair and further utilizing cutting edge transportation technologies.

The Atlantic City International Airport is a major factor in economic development plans for attracting additional visitors and convention business to Atlantic City and surrounding shore communities. The SJTA is a full partner with local and state government in redevelopment efforts through both the airport and continued improvements on the Atlantic City Expressway.

In order to transform the airport into a first-rate regional facility, the terminal, firehouse, and parking facilities along with other items on the ground have been impressively upgraded over the past several years. Today, the goal is in attracting more air service. To that end, the Port Authority of New York and New Jersey assumed full management responsibility as of July 1, 2013, with news coming shortly thereafter from Gov. Chris Christie that United Airlines agreed to expand service from ACY to O'Hare Airport in Chicago and George Bush International Airport in Houston.

Governor Christie was joined by Senate President Stephen Sweeney and United's CEO, Jeff Smisek, in making the announcement about this exciting expansion plan. It inspired the major announcement in December that SJTA adopted a new Air Service Incentive Program to provide marketing support and reduce on-ground operating costs for airlines expected to assist in attracting Air Service to the southern New Jersey region.

Please read the entire Annual Report and see how the SJTA team strategies contribute to cultivating both an outstanding regional transportation system and a stable economy in South Jersey.

A handwritten signature in black ink that reads "James S. Simpson".

James S. Simpson
NJDOT Commissioner
SJTA Chairman



SJTA BOARD OF COMMISSIONERS 2013



Chris Christie
Governor



Kim Guadagno
Lt. Governor



James S. Simpson
NJDOT Commissioner
SJTA Chairman

SJTA COMMISSIONERS



Jeffery A. April, Esq.



Joseph W. Devine



Maurice B. Hill, Jr. DMD



Michele Brown



C. Robert McDevitt



Joseph Ripa



Dianne Solomon



Peter C. Elco



Frank F. Frankowski, CPA
SJTA Interim Executive Director



LETTER OF TRANSMITTAL

FROM THE INTERIM EXECUTIVE DIRECTOR



Frank F. Frankowski, CPA
SJTA Interim Executive Director

The South Jersey Transportation Authority experienced another busy and productive year in 2013. A total of \$41.8 million was invested in capital projects that generated an average of 314 jobs per month. By continually improving our transportation infrastructure, we provide the most efficient public transportation choice by land and air, both of which are critical in supporting Atlantic City, the local tourism industry, and to the benefit of the southern New Jersey region.

All projects are special in their way but one of the most significant of 2013 is the completion of Phase II and beginning of Phase III of the Westbound Lane Widening project, extending a third lane from the Garden State Parkway to Exit 31 in Winslow Township. The extension is expected to be completed in May 2014 and concluding at the Route 73 interchange on the Atlantic City Expressway (ACE). This major improvement has a tremendous impact on alleviating congestion, particularly during the busy summer season.

Mitigating traffic congestion has been a long-standing initiative at the Egg Harbor Toll Plaza for vehicles heading west from the shore points towards Camden and Philadelphia. Adding the third lane is the foremost factor in improving traffic flow. Furthermore, SJTA engineers had the foresight to construct the Express Lane prior to the widening, which minimized the effect on traffic flow during the lane widening construction.

Atlantic City International Airport (ACY) underwent a major transition in 2013 with the Port Authority of New York & New Jersey bringing their expertise and entering into an operations agreement on July 1, 2013. Together the SJTA and the PA continue to be major partners in efforts to expand business in Atlantic City and other shore communities. We also broke ground on the new Communications Command Center at Farley Plaza and began utilizing the new state-of-the-art Aircraft Rescue & Fire-Fighting station at ACY.

I would like to recognize the contributions from my predecessor, former Acting Executive Director Sam Donelson. During his 18-month tenure at the helm, among many other things, Sam made sure the lane widening project remained on track. Moving forward I will ensure the SJTA continues to progress on all routes from roadway to runway.

Please read the Annual Report I submit to you with this letter and find out the depth of the significant role SJTA plays in keeping South Jersey prosperous.

A handwritten signature in black ink that reads "Frank F. Frankowski". The signature is written in a cursive, flowing style.

Frank F. Frankowski, CPA
SJTA Interim Executive Director



SJTA PURPOSE

MISSION

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

VISION

A leader in transportation, safely moving people and commerce, to stimulate the economy now and into the future.

CORE VALUES

S A F E T Y

Maintain high standards in safety and security for our employees and the traveling public

I N N O V A T I O N

Translate new ideas into solutions and improvements through technology and human resources

P R O F E S S I O N A L I S M

Conduct ourselves ethically and with integrity worthy of the public trust

D I V E R S I T Y

Provide a multicultural workforce, access to procurement opportunities and transportation services

E X C E L L E N C E

Commit to the highest standards of customer service delivery



SJTA CORE FUNCTIONS

ATLANTIC CITY EXPRESSWAY

The Atlantic City Expressway (ACE) provides safe and efficient travel to millions of motorists. Opened to traffic in 1964, it was connected directly into Atlantic City in 1965. The 44.5 mile roadway extends from Atlantic City through Atlantic, Camden and Gloucester counties, ending at Route 42, approximately 10 miles east of Philadelphia. Emergency Service Patrol vehicles are available on the roadway as a courtesy to ACE motorists. In 2001, the Expressway was expanded to include the 2.5 mile Atlantic City Brigantine Expressway Connector.

ATLANTIC CITY INTERNATIONAL AIRPORT

The Atlantic City International Airport (ACY) conducts commercial and general aviation operations, offering air travel to support commerce, tourism and the general public. The Airport provides convenient air passenger service to a host of destinations while safely delivering hundreds of thousands of business and recreational travelers to Atlantic City and the Southern New Jersey shore region.

TRANSPORTATION SERVICES

The South Jersey Transportation Authority (SJTA) provides transportation services with transit routes that increase accessibility to employment opportunities in areas underserved by transit. The Transportation Services department operates and manages all of the SJTA parking facilities and parking shuttles at locations in Camden, Atlantic City and at Atlantic City International Airport. In addition, the department promulgates and enforces the rules and regulations of the motorbus industry in Atlantic County.

ECONOMIC IMPACT

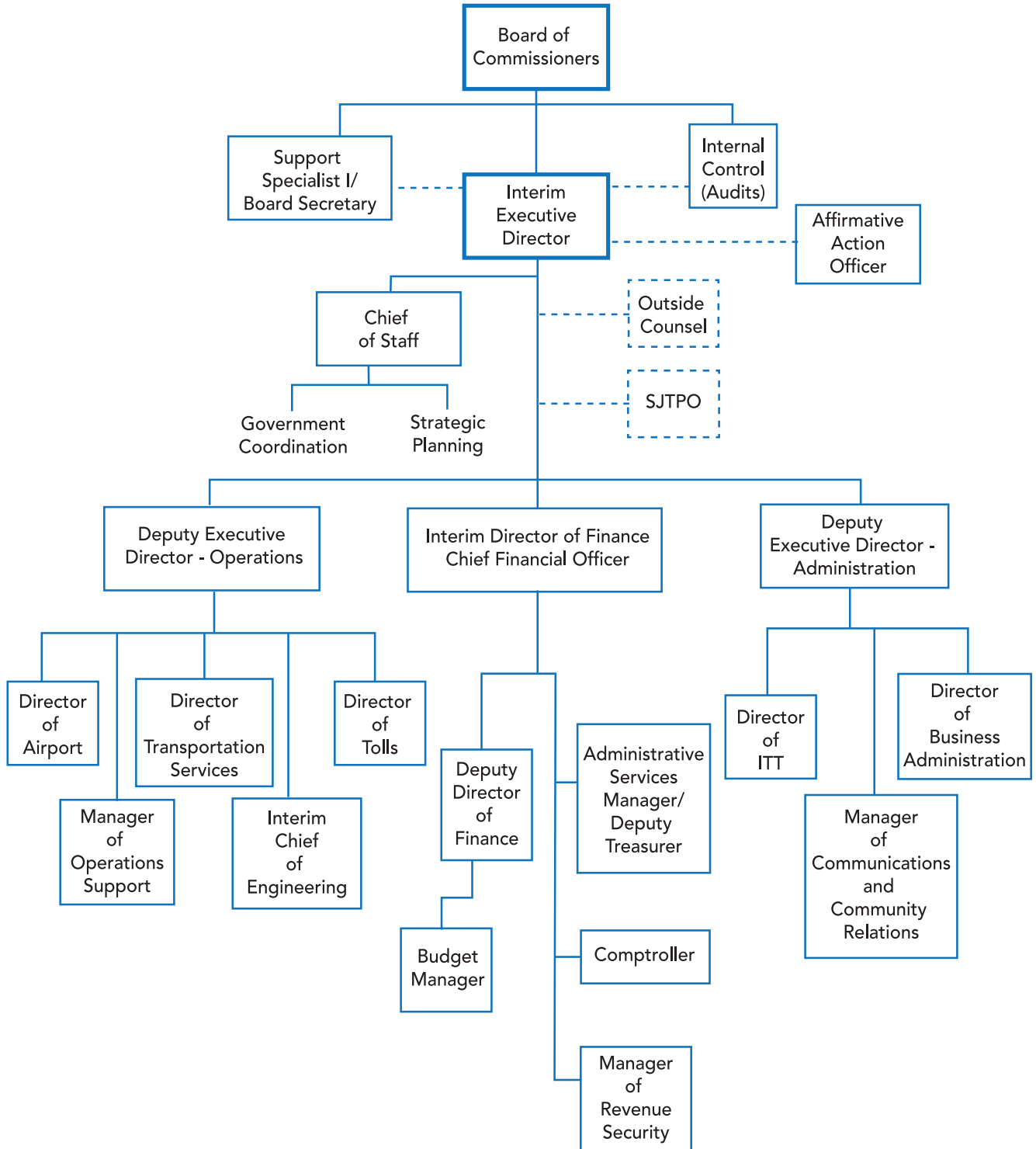
The SJTA contributes to economic growth throughout Atlantic, Camden, Cape May, Cumberland, Gloucester and Salem counties. The Authority accomplishes this through the acquisition, maintenance, operation and support of expressway, airport, transit, parking other transportation projects and services to safely move people and commerce.



ORGANIZATIONAL CHART

South Jersey Transportation Authority

February 2014



ATLANTIC CITY EXPRESSWAY

COUNTDOWN TO 50 YEARS OF EFFICIENT TRAVEL ON THE ACE

On July 31st, 2013 the South Jersey Transportation Authority kicked off a one year countdown to celebrating 50 years of the Atlantic City Expressway. Construction of the expressway began on August 1st, 1963 with the roadway open to the motoring public from the western terminus to the Garden State Parkway on July 31st, 1964.



ATLANTIC CITY EXPRESSWAY **COUNTDOWN TO 50 YEARS**

364 : 23 : 59 : 3

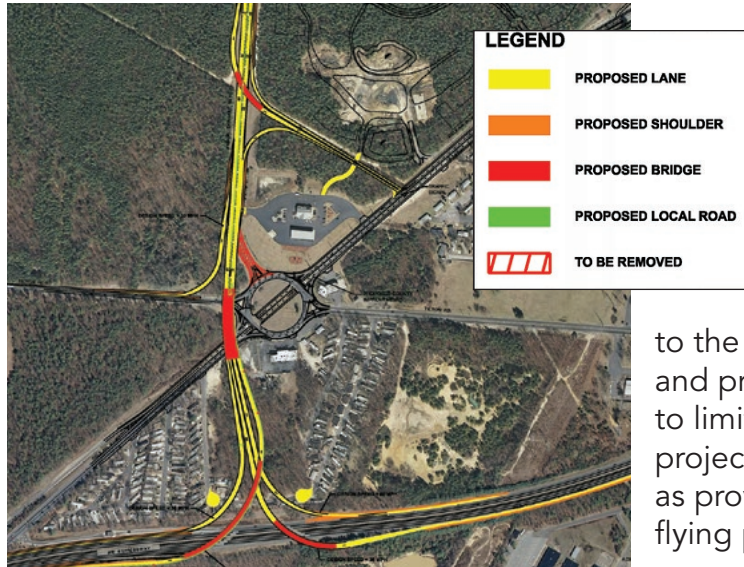
DAYS HOURS MINUTES SECONDS

Approximately 44 miles of land was acquired from Camden to Atlantic City to build the Expressway.

ACE Construction, 1963

Follow the countdown Like Atlantic City Expressway on acexpressway.com

A television at the Farley Service Plaza displayed factoids and pictures from the roadways history.



ACE-ACY DIRECT CONNECTOR

Near completion of the Final Design in 2013 for the proposed direct route between the Atlantic City Expressway and the Atlantic City International Airport moves the project one step closer to construction. Currently, access to the airport experiences significant congestion and provides inadequate levels of service due to limitations of the local roadway network. This project aims to provide congestion relief as well as provide easier access to the Airport for the flying public.

The Final design for Phase I and II is 95% complete. In fact, Phase I has been awarded and is scheduled to begin in spring 2014. The acquisition of residential and commercial property for this project is ongoing. The Authority continues to coordinate its efforts with Atlantic County and the FAATC.



THIRD LANE CONSTRUCTION PROGRESSES

During 2013 the westbound third lane widening on the Atlantic City Expressway continued with the third and final construction phase (Phase II was completed in 2012). This phase begins at milepost 25 in Hamilton Township and extends westbound to milepost 31.8 (Route 73) a distance of 6.8 miles. Furthermore, phase

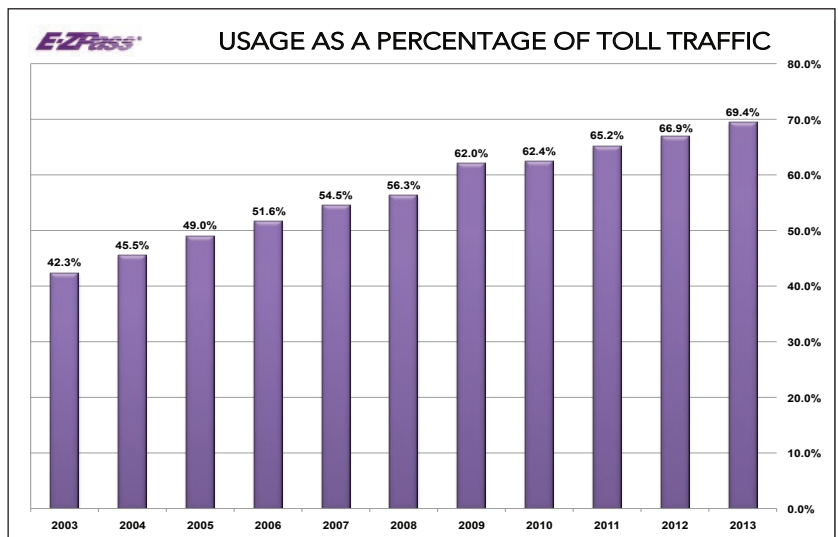
III was partially completed with the third lane open from milepost 25 to 28. Throughout construction, the motoring public reached their destinations without major inconvenience even through the heavily traveled summer months. Construction of this project is scheduled for completion in 2014.



E-ZPASS 20TH ANNIVERSARY

Saturday, August 3rd, 2013, marked the 20th anniversary of E-ZPass electronic toll collection interoperability. Originally formed in 1990 by seven toll facilities in the states of New York, New Jersey and Pennsylvania, the E-ZPass Interagency Group’s goal was to implement a regionally compatible electronic toll collection system that would meet the needs of the participating agencies and, more importantly, provide a convenient system of toll payment to customers.

Today the E-ZPass Group operates the largest, most successful interoperable toll network in the world. There are more than 26 million transponders in use, and last year more than 2.4 billion transactions were processed.

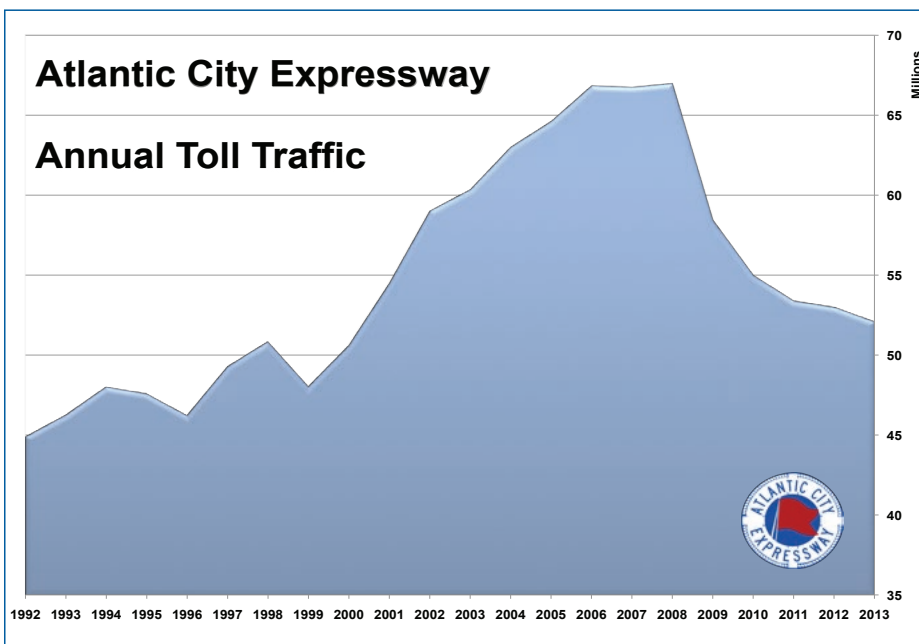


Atlantic City Expressway E-Z Pass usage over the last ten years.



ANNUAL TOLL TRAFFIC AND TOLL REVENUES

YEAR	TOLL TRAFFIC	TOLL REVENUE	TOTAL SJTA REVENUES	PERCENT FROM TOLLS
2013	52,079,719	\$76,124,544	\$104,981,542	72.5%
2012	52,995,151	\$77,569,176	\$107,021,581	72.5%
2011	53,382,708	\$76,895,065	\$106,046,142	72.5%
2010	54,977,031	\$78,914,150	\$108,654,245	72.6%
2009	58,432,437	\$82,162,229	\$109,632,566	74.9%
2008	66,961,243	\$63,476,068	\$91,605,689	69.3%
2007	66,728,789	\$61,830,498	\$89,416,482	69.1%
2006	66,820,291	\$59,477,706	\$83,676,217	71.1%
2005	64,594,708	\$57,970,661	\$82,007,410	70.7%
2004	63,036,743	\$57,247,411	\$78,771,768	72.7%
2003	60,332,338	\$51,190,087	\$59,488,734	86.0%
2002	59,000,044	\$48,525,003	\$56,373,284	86.1%
2001	54,415,354	\$45,853,899	\$58,712,782	78.1%
2000	50,619,351	\$44,322,412	\$56,594,079	78.3%
1999	48,050,179	\$44,434,942	\$57,923,324	76.7%
1998	50,855,587	\$27,444,172	\$35,321,293	77.7%
1997	49,290,846	\$25,056,326	\$31,958,892	78.4%
1996	46,243,612	\$23,932,905	\$30,498,288	78.5%
1995	47,602,146	\$24,257,677	\$31,458,000	77.1%
1994	48,023,048	\$24,218,472	\$30,713,109	78.9%
1993	46,262,939	\$23,429,336	(SJTA begins)	N/A
1992	44,901,487	\$22,779,560	\$25,935,604	87.8%





ANNUAL TOLL TRAFFIC INCREASE OR DECREASE BY TOLL AREA

YEAR	PLEASANTVILLE	NEW ROAD	POMONA	MAYS LANDING	EGG HARBOR	HAMMONTON	WINSLOW	WILLIAMSTOWN	CROSS KEYS	ROUTE 50	TOTAL
2013	-1.8%	3.8%	-1.2%	-0.6%	-2.5%	-1.9%	6.0%	-4.0%	-1.1%	10.1%	-1.7%
2012	-2.0%	-1.7%	0.1%	-3.5%	1.7%	0.4%	-1.0%	-3.1%	0.3%	10.7%	-0.8%
2011	-2.3%	-1.4%	-1.7%	-2.9%	-3.9%	0.1%	-2.2%	-7.5%	-0.4%	76.4%	-2.9%
2010	-10.2%	-4.6%	-1.3%	-11.6%	-2.9%	2.4%	2.0%	-2.6%	1.6%	-6.1%	-5.9%
2009	-15.4%	-11.3%	-17.7%	-18.4%	-6.4%	-2.0%	-8.5%	-12.5%	-17.5%	N/A	-12.7%
2008	6.4%	-6.0%	2.1%	-4.4%	-5.4%	-3.9%	-1.0%	-1.0%	-1.9%		0.4%
2007	-0.1%	9.7%	4.8%	-0.7%	-1.5%	-0.5%	-0.8%	-0.9%	1.3%		-0.1%
2006	3.7%	8.7%	6.3%	1.6%	2.2%	2.1%	4.7%	3.1%	7.9%		3.4%
2005	3.1%	7.5%	2.4%	1.8%	1.2%	0.0%	-1.9%	3.7%	5.1%		2.5%
2004	1.7%	17.5%	3.2%	4.3%	5.7%	6.6%	7.6%	6.7%	13.0%		4.4%
2003	-1.1%	58.2%	2.9%	4.0%	2.1%	1.5%	-61.6%	2.2%	170.7%		2.1%
2002	8.1%	N/A	2.0%	15.8%	6.6%	4.8%	-28.9%	4.6%	N/A		8.6%
2001	4.6%		4.6%	13.6%	5.3%	5.0%	68.0%	2.6%			7.5%
2000	0.0%		8.9%	9.2%	2.4%	10.9%	193.5%	11.4%			5.3%
1999	-6.1%		-11.3%	-9.9%	-5.6%	6.7%	2.1%	2.4%			-5.5%
1998	3.5%		2.7%	5.6%	2.6%	0.7%	5.5%	1.7%			3.2%
1997	1.5%		99.3%	13.4%	4.7%	4.5%	5.0%	6.5%			6.6%
1996	-7.6%		34.8%	-1.3%	0.1%	0.6%	1.2%	4.6%			-2.9%
1995	-2.8%		-5.2%	-0.8%	2.6%	-2.3%	-0.3%	-0.4%			-0.9%
1994	4.4%		4.7%	2.4%	2.9%	2.1%	6.2%	5.3%			3.8%
1993	4.0%		6.8%	-0.4%	3.1%	0.5%	4.1%	-1.1%			3.0%
1992	5.1%		8.2%	8.1%	1.6%	4.5%	3.0%	3.7%			4.1%

MOTORIST AIDS BY EMERGENCY SERVICE PATROL

	2008	2009	2010	2011	2012	2013
Dead Battery	604	609	597	570	606	680
Flat Tire	2,629	2,535	2,729	2,664	2,528	3,036
Lock Out	49	69	72	88	82	56
Mechanical	1,875	1,563	1,741	2,672	2,141	2,676
Out of Gas	1,049	966	930	931	804	873
Overheat	544	467	520	525	509	590
Directions	316	330	529	779	654	724
Request for Tow Truck	1,821	1,594	1,748	3,611	3,706	3,627
Other	1,076	938	919	1,269	1,747	2,192
Total	9,963	9,071	9,785	13,109	12,777	14,454

When a motorist on the Atlantic City Expressway has a problem, he or she can count on getting some help soon from our Emergency Services Patrol. Their vehicles make continuous circuits along the 44-mile Expressway, stopping whenever they see a vehicle pulled off to the side of the roadway. This free service helps to keep our commuters move along both efficiently and safely.

Atlantic City Expressway Toll Schedule

	Current Rate	E-Z Pass Frequent User Discount
Pleasantville		
Auto	\$0.75	\$0.51
Limo	\$1.50	\$0.90
Dual Tire	\$1.50	\$1.35
Three Axle	\$2.25	\$2.03
Four Axle	\$3.00	\$2.70
Five Axle	\$3.75	\$3.38
Six Axle	\$4.50	\$4.05
Egg Harbor		
Auto	\$3.00	\$1.92
Limo	\$4.50	\$2.70
Dual Tire	\$4.50	\$4.05
Three Axle	\$6.75	\$6.08
Four Axle	\$9.00	\$8.10
Five Axle	\$11.25	\$10.13
Six Axle	\$13.50	\$12.15
Route 50 Interchange		
Auto	\$3.00	\$1.92
Limo	\$4.50	\$2.70
Dual Tire	\$4.50	\$4.05
Three Axle	\$6.75	\$6.08
Four Axle	\$9.00	\$8.10
Five Axle	\$11.25	\$10.13
Six Axle	\$13.50	\$12.15
Pleasantville - Route 9 Ramp		
Auto	\$0.75	\$0.51*
Truck/Bus/Limo	\$0.75	\$0.75*
Pomona (AC Int'l Airport), Mays Landing, Hammonton, Winslow		
Auto	\$0.75	\$0.45*
Truck/Bus/Limo	\$0.75	\$0.75*
Williamstown, Berlin-Cross Keys		
Auto	\$0.40	\$0.24*
Truck/Bus/Limo	\$0.40	\$0.40*

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



ATLANTIC CITY INTERNATIONAL AIRPORT



AIRCRAFT RESCUE & FIREFIGHTING FACILITY

Completion of the new Aircraft Rescue & Firefighting Facility (ARFF) at the Atlantic City International Airport opened in 2013. The state-of-the-art, 40,700 square-foot ARFF complex provides a modernized station for responding to emergencies at the largest airport in South Jersey. Funded primarily with an FAA grant, the facility created more than 275 construction jobs and was completed in less than two years after its October 2011 groundbreaking. The new, two-level complex replaces the previous facility that dates to the mid-1960s.



Congressman LoBiondo is joined by SJTA and FAA officials for the ribbon cutting.

The station's signature large drive-through bays allow fire trucks and other emergency vehicles immediate access to the airport's airfield for quick rescue. The airport's rescue team responds to aircraft emergencies, on-site structural fires, vehicular accidents and medical calls, as well as assisting communities in Atlantic County on mutual aid calls.

The Atlantic City International Airport also acquired, through FAA grants, two new ARFF vehicles, a 3,000-gallon capacity firefighting vehicle with a high-reach turret and a mobile command unit. Additionally, upgraded equipment has been added to the complex's emergency operations center to improve services.



PARTNERSHIP WITH PORT AUTHORITY OF NY & NJ

July 1st, 2013, marked the start of the Management Services Agreement between the Port Authority of New York and New Jersey and the South Jersey Transportation Authority. This collaborative partnership allows the Port Authority of NY & NJ to provide general management services in connection with the operation of the airport for the use and benefit of the public. The services provided to Atlantic City International Airport by the Port Authority of NY & NJ include, in part, business management, air service development, concessions, parking and other revenue generating initiatives. Additionally, the Port Authority of NY & NJ is responsible for developing and implementing marketing strategies and programs for the airport.

The Port Authority of NY & NJ's mission at Atlantic City International Airport is to increase air service and develop the airport as an economic driver for the region by increasing air travel. The agency has already presented targeted route business cases to over two dozen airlines adding service to two U.S. mega-hubs by the world's largest airline.



RETURN OF MISS AMERICA

Miss America returned to Atlantic City in 2013 - the place where the pageant began in 1921. One of the first events for the contestants was a visit to the Atlantic City International Airport. All 53 contestants briefly toured the facility and participated in a photo shoot in various locations at the airport.



These photos have been used in multiple publications promoting Miss America's return to Atlantic City giving the airport great exposure.





WORLD TRADE CENTER MEMORIAL DEDICATION



On September 9th, 2013, officials dedicated a 9/11 memorial at Atlantic City International Airport, which featured steel recovered from the World Trade Center following the terrorist attacks of September 11, 2001.

The design features a square concrete surface, symbolic of the World Trade Center tower footprint, and is oriented so viewers stand between the artifact and a U.S. flag near the entrance to the airport's passenger terminal.

An inscription included with the display reads in part, "This steel, salvaged from the World Trade Center after the terrorist attacks on September 11, 2001, stands here in memory of the heroes we lost, and in honor of the first responders who performed so bravely in the aftermath of 9/11."





TRANSPORTATION SERVICES



ENGLISH CREEK – TILTON ROAD COMMUNITY SHUTTLE EXPANSION

On July 1st, 2013, this route was modified to have one vehicle start at both ends of the route and any underused stops eliminated. These adjustments decreased headways from approximately two hours per trip to 45 minutes per trip. The schedule change also created over 50 connections with NJ Transit bus routes during peak periods; most with a wait time of less than 5-10 minutes.

As a result, average monthly ridership has more than tripled from 335 to 1,083 during this period!



CAMDEN COUNTY HUMAN SERVICES TRANSPORTATION COORDINATION PLAN UPDATE



On December 20th, 2013, the Transportation Services Division submitted an update to the Camden County Transportation Plan to NJ Transit. Federal Transit Law requires that a plan be developed through a process that includes representatives of public, private, and non-profit transportation and human service providers and

participation by members of the public. Workgroup meetings were held over the year to accomplish this task. The plan features an updated demographics section, sections on existing services and service gaps and identification of the agencies participating in the coordinated system that may be eligible for federal funding.

REGIONAL PROGRESS/ENERGY INITIATIVE



ENERGY AUCTION

In an effort to capitalize on New Jersey's energy deregulation law, in November of 2013 the Authority conducted an online reverse auction to compare available rates from third-party energy suppliers. The auction successfully provided rates that are discounted from the Authority's default energy supplier. The contracts entered into by the Authority also guarantee that 25% of the electric supplied will be generated from renewable wind energy. By including this renewable energy source in our contracts the Authority has achieved its renewable energy goal seven years ahead of schedule as established in our Energy Management Plan.

UNMANNED AIRCRAFT SYSTEMS

The FAA Modernization and Reform Act of 2012 required the FAA to establish a program to integrate Unmanned Aircraft Systems (UAS) into the National Airspace System (NAS) using six test sites that would be established through a Screening Information Request (SIR) process. The SJTA participated in a joint response to the SIR by the State of New Jersey and the Commonwealth of Virginia to be named as one of the six chosen UAS Test Sites. The proposal was successful and on December 30th, 2013, the FAA announced that the coalition of Virginia and New Jersey was awarded the UAS Test Site designation. Concurrent with this award, the SJTA has been involved in the creation of the Mid-Atlantic Aviation Partnership (MAAP). MAAP is the economic development focused group that is designed to market the collective capabilities of the UAS Test Site and exploit business opportunities that the UAS Test Site will create for the surrounding communities.



KEY DATES IN SJTA HISTORY

JUNE 1991:

The Legislature creates the South Jersey Transportation Authority (SJTA), 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 SJTA 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. 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.

SEPTEMBER 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.

NOVEMBER 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.

JULY 14, 1997:

Ground is broken for the Raytheon Aircraft Services facility.

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.

**NOVEMBER 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.

NOVEMBER 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.

NOVEMBER 30, 1998:

For the first time since 1969, the SJTA has had to raise tolls on the Atlantic City Expressway. The proceeds will fund a \$60-million capital improvements plan.

1998:

For the first time, passenger traffic topped 1 million, up more than 15 percent year-over-year. The SJTA assumes full responsibility for airfield operations from the Federal Aviation Administration.

SEPTEMBER 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.

JULY 31, 2001:

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

SEPTEMBER 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.

OCTOBER 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.

AUGUST 1, 2002:

The TSA 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:

The Authority opens its 350-space parking lot on Mississippi Avenue, bringing total spaces under SJTA management to 1,875.



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.

2003:

The Airport adds two new loading bridges at Gates 2 and 5.

JANUARY 1, 2004:

The Authority opens its Transportation Services Division, which provides shuttle transportation to work. It also assumes direct responsibility for operating the New York Avenue parking garage in Atlantic City.

MAY 6, 2004:

The first vehicle uses Express E-ZPass at the Pleasantville toll plaza, driving through the barrier-free lane at 45 mph. On the same day, the widening of the Expressway approach to Atlantic City was completed. Three lanes open each way between the Pleasantville plaza and Interchange 1.

OCTOBER 2004:

Construction work begins on Taxiway "P".

OCTOBER 2004:

Grading begins for a new parking lot at ACY, designed for nearly 1,000 long-term spaces plus employee parking.

APRIL 12, 2005:

ACE is closed at Exit 5 for several hours at midnight while a crane installs a massive overhead walkway at the Pleasantville toll plaza. It enables toll collectors to cross the Express E-ZPass lanes safely, as well as automates the movement of cash.

SEPTEMBER 12, 2005:

SJTA's Transportation Services Division begins Transit Link, a shuttle to work sites between the Pleasantville bus terminal and Atlantic City International Airport.

OCTOBER 18, 2005:

SJTA Commissioners break ground at ACY to inaugurate a project to house state-of-the-art baggage screening equipment and to improve passenger movement and security inside the terminal.

OCTOBER 17, 2006:

SJTA Board of Commissioners and local officials break ground on a \$24.5 million, six-story parking garage to be constructed just steps from the ACY terminal building. ACY completes 10,000 square foot major security baggage screening facility and begins terminal renovations.

JUNE 2008:

SJTA opens the \$26.3 million, six-story ACY parking garage.

JUNE 2008:

\$2.5 million terminal renovations begin at ACY.

JULY 2008:

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

NOVEMBER 2008:

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

**APRIL 2009:**

A groundbreaking ceremony is held for Berlin-Cross Keys Bridge Widening project.

JUNE 2009:

ACY celebrates AirTran Airways' inaugural flight.

OCTOBER 2009:

The NextGen Aviation Research and Technology Park groundbreaking takes place at Atlantic City International Airport.

OCTOBER 2009:

Westjet launches Toronto service from ACY, connecting travelers to Canadian cities.

OCTOBER 2009:

ACE Westbound Third Lane Widening groundbreaking ceremony takes place at the Visitor Welcome Center.

DECEMBER 2009:

SJTA celebrates completion of the Berlin-Cross Keys Bridge Widening Project.

JUNE 2010:

A ribbon cutting ceremony is held on June 18 for the opening of Interchange 17, providing convenient access between the Expressway and Route 50.

OCTOBER 2010:

Full operation of new flat screen monitors are installed in the ACY terminal as part of the Multi-Use Flight Information Display project.

NOVEMBER 2010:

Restaurant/ Bookstore combination Euro Cafe officially opens to travelers on the second floor of the Airport Terminal.

DECEMBER 2010:

The SJTA holds a groundbreaking ceremony on December 7 for a \$25 million terminal expansion including a Federal Inspection Station at ACY.

MAY 2011:

Express E-ZPass lanes at the Egg Harbor Toll Plaza officially open to the public.

SEPTEMBER 2011:

The SJTA receives the Southern NJ Business People's Economic Impact Award which honors the Authority for keeping visitors flowing to Atlantic City by way of the Atlantic City Expressway and Atlantic City International Airport.

OCTOBER 18, 2011:

ACY officially opens a new "Cell Phone Lot" which provides safe access for motorists who are picking up arriving passengers at the airport and reduces congestion around the terminal.

OCTOBER 28, 2011:

The SJTA breaks ground on a new Airport Rescue and Fire Fighting Station at ACY.

MARCH 2012:

ACY installs \$1.1 million full body scanners in its newly expanded checkpoint screening area. The scanners were installed in coordination with TSA to simplify the check-in process with non-invasive, radiation-free technology.

AUGUST 2012:

SJTA announces that obsolete call boxes installed in the mid 1980s along the Atlantic City Expressway will be removed.

OCTOBER 29, 2012:

"Super Storm Sandy" hits the South Jersey coast, devastating thousands of homes and businesses while nearly halting commerce and tourism in the region. Areas of the ACE were nearly 60 percent underwater while traffic was prevented from entering Atlantic City and the Barrier Islands via ACE, per the Governor's emergency declaration.

KEY DATES IN SJTA HISTORY



NOVEMBER 26, 2012:

Congressman Frank LoBiondo joined officials from the South Jersey Transportation Authority and other state and local officials to celebrate the grand opening of the newly expanded terminal and Federal Inspection Station at ACY. The terminal is expanded by 75,000 square feet and includes the ability to process international passengers.

JULY 1, 2013:

Marked the start of the Management Services Agreement between the Port Authority of New York and New Jersey and the South Jersey Transportation Authority.

JULY 12, 2013:

A ribbon cutting ceremony was held to celebrate the opening of the Aircraft Rescue & Firefighting Facility.

AUGUST 3, 2013:

Marks the 20th Anniversary of E-ZPass electronic toll collection interoperability. The Atlantic City Expressway began utilizing E-ZPass in 1998.

NOVEMBER 14, 2013:

United Airlines announced the start of service at Atlantic City International Airport. Daily nonstop flights to United's hubs at Chicago O'Hare International Airport and Houston's George Bush Intercontinental Airport were set to begin on April 1st, 2014.

DECEMBER 30, 2013:

The FAA announced the coalition of Virginia and New Jersey was awarded the Unmanned Aircraft Systems Test Sites, one of six designated sites.

**South Jersey Transportation Authority
Report of Audit**

For Year Ended December 31, 2013



SOUTH JERSEY
TRANSPORTATION AUTHORITY

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Chris Christie
Governor


Kim Guadagno
Lt. Governor

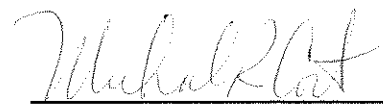
James S. Simpson
Chairman

Frank F. Frankowski
Interim Executive Director

Executive Order No. 37 (2006)
Certification of Annual Audit
For Year Ending 2013

In accordance with Executive Order No. 37 (2006) and Executive Order No. 122 (2004), we certify that, to the best of our knowledge, the information provided to the auditor in connection with this annual audit and contained in the attached report is accurate, and to the best of our knowledge, fairly represents the financial condition of the South Jersey Transportation Authority for the year ending December 31, 2013.


Frank F. Frankowski
Interim Executive Director


Michael R. Cort
Interim Director of Finance



SOUTH JERSEY ***TRANSPORTATION AUTHORITY***

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Lt. Governor

James S. Simpson
Chairman

Frank F. Frankowski
Interim Executive Director

REPORT OF MANAGEMENT

Management of the South Jersey Transportation Authority is responsible for the financial statements included in this Annual Report for the year ended December 31, 2013. Management is responsible for both the accuracy of the financial information presented, the completeness of the report, and the fairness of the presentation, including all disclosures. We believe the enclosed financial information fairly presents the financial condition of the South Jersey Transportation Authority and its results of operations for the year ended December 31, 2013 in all material respects. We believe that all the disclosures necessary for the reader to gain an understanding of the Authority's financial activities have been included.

The enabling legislation creating the South Jersey Transportation Authority, and our bond resolutions, require an annual audit of the Authority's financial statements by a firm of independent auditors. In addition, as a recipient of federal funds, primarily from the Federal Aviation Administration for projects involving the Atlantic City International Airport, the Authority is required to have a single audit performed annually by an independent auditor in accordance with the Single Audit Act of 1984, as amended in 1996, and OMB Circular a-133. The purpose of the single audit act is to determine the adequacy of the Authority's internal controls and compliance with applicable laws and regulations relating to the receipt of federal assistance. The Authority retains an independent auditor to satisfy these requirements. The report of the independent auditor on the combined financial statements of the Authority is included in this report. Management remains primarily responsible for the information contained in the financial statements and the presentation of the financial information.

Management of the Authority is responsible for establishing and maintaining a system of internal controls designed to ensure that the assets of the Authority are safeguarded from loss, theft or misuse, and to ensure that adequate accounting records are maintained to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The system of internal controls is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the resulting benefits; and (2) the analysis of costs and benefits requires estimates and judgments by management. As a recipient of federal financial assistance, the Authority is required to ensure that adequate internal controls are in place which ensures compliance with applicable laws and regulations relating to that financial assistance. The system of internal control of the Authority is subject to ongoing evaluation by management.

Frank F. Frankowski
Interim Executive Director

Michael R. Cort
Interim Director of Finance

SOUTH JERSEY TRANSPORTATION AUTHORITY

**Financial Statements
and Supplementary Information**

For the Year Ended December 31, 2013

with

Independent Auditors' Reports

**South Jersey Transportation Authority
Financial Statements
For the Year Ended December 31, 2013**

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Hutchins, Meyer & DiLieto, PA

Certified Public Accountants • Business & Financial Advisors

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Independent Auditors' Report

To the Chairman and Commissioners of
South Jersey Transportation Authority

We have audited the accompanying financial statements of the South Jersey Transportation Authority (the "Authority"), a component unit of the State of New Jersey, as of and for the year ended December 31, 2013, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express our opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Jersey Transportation Authority as of December 31, 2013 and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is also required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to this supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the South Jersey Transportation Authority's basic financial statements as a whole. The accompanying Other Supplementary Information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. These statements and schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2014 on our consideration of the South Jersey Transportation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Jersey Transportation Authority's internal control over financial reporting and compliance.

Hutchins, Meyer & DiLieto, PA

Toms River, New Jersey
March 24, 2014

Hutchins, Meyer & DiLieto, PA

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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters In Accordance Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Chairman and Commissioners of
South Jersey Transportation Authority

We have audited, 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, the basic financial statements of the South Jersey Transportation Authority ("Authority") as of and for the year ended December 31, 2013, and have issued our report thereon dated March 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Jersey Transportation Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of South Jersey Transportation Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We noted certain matters that we reported to the Board of Commissioners and management of South Jersey Transportation Authority in a separate letter dated March 24, 2014.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hutchins, Meyer & DiLieto, PA

Hutchins, Meyer & DiLieto, PA
Toms River, New Jersey
March 24, 2014

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the South Jersey Transportation Authority's (SJTA) financial performance provides an overview of the Authority's financial activities for the year ended December 31, 2013. Please read it in conjunction with the Authority's financial statements that begin on Page 16.

Financial Highlights

- **NET OPERATING REVENUE** - Traffic on the Atlantic City Expressway (ACE) was down 1.7% in 2013 compared with 2012. The Atlantic City International Airport (ACY) recorded a total of 1.13 million passengers a decline of 18.0% from 2012. The parking facilities at the airport generated \$5.2 million of revenue, compared to the \$6.3 million of revenue recognized in 2012. We believe much of this is attributable to the lingering effects of Hurricane Sandy.

In October 2012, Hurricane Sandy hit the northeast and severely impacted commuting and recreational travel throughout the region costing the Authority approximately \$897,000 in lost revenue. During the year, the Authority filed insurance claims and was able to recoup approximately \$117,000 of the lost revenue from its insurance carriers. Operating costs incurred as a result of the storm totaled \$228,002 of which \$198,855 was eligible for reimbursement from the Federal Emergency Management Agency ("FEMA"). The Authority has been reimbursed \$114,784 to date. Costs to replace or rehabilitate capital assets damaged by the storm are estimated at \$676,000 of which \$399,834 was eligible for reimbursement from the Federal Emergency Management Agency ("FEMA"). The Authority has been reimbursed \$254,122 to date. The Authority maintained its operating margins throughout the year by closely monitoring spending and making significant expense cuts to offset the reduction in anticipated revenue and the increased expense due to the emergency conditions.

This resulted in actual operating expenses excluding depreciation totaling \$65.6 million, \$3.5 million less than the 2013 budgeted operating expenses.

- **INVESTMENT IN INFRASTRUCTURE**

Atlantic City International Airport

On June 28, 2013, the Authority completed the Airport Rescue and Firefighting Facility at Atlantic City International Airport. The 40,700 square foot facility replaces the existing decades-old station which had been leased from the FAA Technical Center located in the airport complex. Coinciding with the expiration of the lease, the operation of the new facility will better meet the demands and space requirements for a state-of-the-art rescue and firefighting facility at the airport. Funding was provided through a grant obtained from the Federal Aviation Administration ("FAA"). Total cost of the project was \$15.8 million.

Atlantic City Expressway

Construction is currently underway to add a third lane to the Westbound-side of the Atlantic City Expressway from Exit 7 (Garden State Parkway) to Exit 31 (Route 73). This is a length of 24.1 miles, approximately half the length of the Expressway. The work under the widening project includes bridge widening, box culvert extensions, installation of overhead sign structures and installation of highway lighting at interchanges. The widening is broken into three phases. The first phase widening from milepost 7.8 to 17.4 was completed in the beginning of 2012 at a cost of \$25 million. The \$15 million second phase from milepost 17.7 to 25 was completed in September 2012.

Atlantic City Expressway

The construction schedule for the final phase, milepost 25 to milepost 31, has begun at an anticipated cost of \$15 million and is expected to be completed by May 2014.

- **INCREASE IN OTHER POST-EMPLOYMENT BENEFIT LIABILITY** In 2007, the Authority had implemented GASB Statement No.45 "Accounting and Financial Reporting for Employers for Post-employment Benefits Other than Pensions" ("GASB 45"). This Statement establishes the standards for the measurement, recognition, and display of Other Post-employment Benefits ("OPEB") expense and related liabilities, note disclosures, and if applicable, required supplementary information ("RSI") in the financial reports of state and local governmental employers.

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

In 2007, the Authority decided to record the entire unfunded actuarial accrued liability in addition to the annual required contribution obligation in the financial statements. This was to ensure that the OPEB liability associated with the Atlantic City Expressway (ACE) assets was transferred with the ACE assets to any successor entity at the transfer date if and when legislation to that effect is passed.

The Authority's total unfunded actuarial accrued liability at December 31, 2013 was \$83 million. At December 31, 2013 the liability had increased by \$4.0 million from \$79.0 million at December 31, 2012.

Since 2008, the Authority has implemented a funding plan for the OPEB liability. \$2 million annually is contributed to an OPEB account which is recorded as a restricted asset on the Statement of Net Position. At December 31, 2013 the estimated market value of the account was \$12 million. The OPEB assets are not in a third party trust.

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. However, the subsidy has been increasing 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.

AIRPORT SUBSIDY (CONTINUED)

In an effort to stimulate air service development, the Authority has entered into a management agreement with the Port Authority of New York/New Jersey ("Port Authority"). Under the terms of this agreement the Port Authority shall provide general management services (the "Services") to the SJTA in connection with Atlantic City International Airport ("Airport") operations for the use and benefit of the general public during the term.

Such management services shall include conducting the daily operations of the Airport in conjunction with the SJTA enabling Act, N.J.S.A. 27:25A-1 *et seq.*, and its bylaws, as well as the FAA Operating Certificate. In performing its responsibilities under this Agreement, the Port Authority shall do so in a manner normally associated with sound, safe, innovative, prudent and efficient airport management and shall provide all services as are customary and normal in conformance with SJTA policies and procedures, and all other applicable laws, rules and regulations. In addition to the above, the Port Authority's Services shall include, but not limited to, Air Service Development, Concessions, Parking Operations, Capital Improvement Plan, Operating Budget and Plan, Capital Plan, Revenue Generating and Cost Savings Initiatives, and Press and Media Releases. The SJTA has agreed to pay an annual Management Fee during the term of the agreement in the amount of \$500,000 in equal monthly installments which began on August 1, 2013.

The airport subsidy was slightly higher than the previous year. The airport subsidy, net of depreciation and debt service was \$4,465,325 for the year ended December 31, 2013 compared with \$3,270,897 in 2012, an increase of 36.5%.

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 Position, the Statement of Revenues, Expenses and Changes in Net Position ("Operating Statement") and the Statement of Cash Flows (on Pages 16-20) 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 position (or cost recovery), financial position and cash flows. Proprietary Fund financial statements for the Authority's two main funds start on Page 21.

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 77-87. Fund financial statements report the Authority's operations, in detail, for all of the funds of the Authority.

Some funds are required to be established by bond covenants, while the Authority establishes many other funds to help it control and manage money for particular purposes. Resources are accounted for in individual funds based upon the purpose for which they are to be spent and the restrictions, if any, on the spending activities.

Financial Statements of the Authority

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

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position 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 position* and changes in them. One can think of the Authority's net position – 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 position are one indicator of whether its financial health is improving or deteriorating. Net position increases 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 position. Depreciation decreases the Authority's net position 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 Position

SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION
December 31, 2013
With Comparative Totals as of December 31, 2012

	2013	2012
Unrestricted Assets	\$ 61,263,220	\$ 53,654,040
Restricted Assets	125,026,589	159,799,863
Capital Assets (net of depreciation)	676,177,844	662,854,540
Deferred Outflows of Resources	22,765,230	35,197,287
Total Assets and Deferred Outflows of Resources	885,232,883	911,505,730
Current Unrestricted Liabilities	9,797,093	9,234,541
Current Restricted Liabilities	36,855,879	35,454,654
Other Noncurrent Liabilities	455,886,652	467,038,746
OPEB Liability	83,045,275	79,018,887
Deferred Inflows of Resources	21,473,285	33,567,498
Total Liabilities and Deferred Inflows of Resources	607,058,184	624,314,326
Net Position:		
Net Investment in Capital Assets	249,996,618	253,910,089
Restricted	62,178,999	69,267,707
Unrestricted	37,044,357	33,032,495
Unfunded OPEB/(Deficit)	(83,045,275)	(79,018,887)
Funded OPEB Obligation	12,000,000	10,000,000
Total Net Position	\$ 278,174,699	\$ 287,191,404

Current assets increased by \$7.6 million primarily due to an increase in unrestricted cash and cash equivalents by \$5.3 million, a \$1.1 million increase in investments, a \$.8 million increase in prepaid expenses and a \$.4 million decrease in grants receivable.

Restricted assets decreased by \$34.8 million in 2013 mainly due to cash being expended for ongoing construction projects. Restricted cash and investment balances decreased in the amount of \$22 million and \$10.7 million respectively, accounts receivable and grants receivable decreased by the a total of \$2.0 million.

Capital assets, net of accumulated depreciation, increased by a net of \$13.3 million. The Expressway's Capital Assets, net of depreciation, increased by \$12.5 million, while the Airport capital assets, net of depreciation, increased by \$.8 million.

Financial Analysis of the Authority's Statement of Net Position

The charts below detail the Expressway's increase in capital assets, net of accumulated depreciation, and the Airport's increase in capital assets, net of depreciation.

<u>EXPRESSWAY</u>	
<u>Project</u>	<u>Amount</u>
Third Lane Widening	\$ 11.3 million
E-ZPass Electronic Tolls	5.2 million
Direct Connector	3.1 million
Bridge Painting, Redecking and Repairs	2.8 million
Road Overlay Delineation	2.6 million
Tunnel Equipment	1.2 million
State Police Building Upgrade	1.1 million
Phase IV ITS Components	1.1 million
Various Facility Improvements	1.7 million
Change in Accumulated Depreciation	(17.6) million
Total Expressway Increase	<u>\$ 12.5 million</u>

<u>AIRPORT</u>	
<u>Project</u>	<u>Amount</u>
Airport Rescue & Fire Station	\$ 4.0 million
Terminal Expansion Phase 3	2.4 million
Sairfield Paving Upgrade	0.7 million
Airport Restroom Renovations	0.5 million
Airport Operations Rehabilitation	0.4 million
Airport Boiler Replacement	0.4 million
Change in Accumulated Depreciation	(7.6) million
Total Airport Increase	<u>\$ 0.8 million</u>

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

In 2012, the Authority issued Transportation System Revenue Refunding Bonds, Series 2012 in the amount of \$25,680,000. The proceeds of the 2012 Bonds, together with other available Authority funds held by the Trustee, were used to finance (i) the current refunding of a portion of the Authority's Transportation System Revenue Bonds, 1999 Series maturing on November 1, 2022 which were outstanding in the aggregate principal amount of \$29,290,000; and (ii) the payment of certain costs of issuing the 2012 Bonds.

Also in 2012, the Authority issued Transportation System Revenue Refunding Bonds, Series 2012A in the amount of \$76,780,000. The proceeds of the 2012A Bonds, together with other available Authority funds held by the Trustee, were used to finance (i) the current refunding of all of the Authority's Transportation System Revenue Bonds, 1999 Series maturing on November 1, 2029 which were outstanding in the aggregate principal amount of \$87,795,000; and (ii) the payment of certain costs of issuing the 2012A Bonds.

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

In 2009, the Authority issued (i) \$62,015,000 Transportation System Revenue Bonds, 2009 Series A-1 ("2009 A-1 Senior Bonds"), \$38,995,000 Transportation System Revenue Bonds, 2009 Series A-2 ("2009 A-2 Senior Bonds"), and \$96,260,000 Transportation System Revenue Bonds, 2009 Series A-5 (Federally Taxable – Issuer Subsidy – Build America Bonds ("2009 Taxable Senior Bonds" and together with the 2009 A-1 Senior Bonds and the 2009 A-2 Senior Bonds, the "2009 Fixed Rate Senior Bonds") and (ii) \$19,085,000 Subordinated Bonds, 2009 Series A ("2009 Subordinated Bonds" and together with the 2009 A-1 Senior Bonds and the 2009 A-2 Senior Bonds, the "2009 Tax-Exempt Fixed Rate Bonds". Simultaneously with the issuance and delivery of the 2009 Fixed Rate Bonds, the Authority issued its \$44,000,000 Variable Rate Transportation System Revenue Bonds, 2009 Series A-3 ("2009 A-3 Senior Bonds") and \$43,795,000 Variable Rate Transportation System Revenue Bonds, 2009 Series A-4 ("2009 A-4 Senior Bonds" and together with the 2009 A-3 Senior Bonds, the "2009 Variable Rate Senior Bonds"), which are a letter of credit supported variable rate bonds.

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

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

In 2013 the Authority made \$9.1 million in bond and note principal payments and incurred \$23,424,101 in interest expense.

The reduction of other non-current assets from \$8.0 million in 2011 was due to the Authority implementing Governmental Accounting Standards Board, Statement No. 65; *Items Previously Reported as Assets and Liabilities* which required bond issuance costs that were historically capitalized and amortized to be removed and reported as a "cumulative effect of a change in accounting" and presented as an adjustment to the Authority's beginning net position balance.

The other post-employment benefit liability or (OPEB) increased by \$4.0 million and there were no significant changes in current liabilities payable from unrestricted assets.

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

Current liabilities payable from restricted assets increased by \$1.4 million primarily from a \$1.7 million increase in the reserve for self-insurance, a \$1.9 million decrease in construction retainage payable, a \$.5 million increase in Passenger Facility Charges Advanced, a \$.4 million decrease in unamortized swap premiums being amortized during the year, an increase in the current portion of bonds payable in the amount of \$.7 million, \$.7 million of deferred interest received in 2013, a \$.2 million decrease in accrued interest and accounts payable and a \$.5 million increase in amounts due to other governmental agencies as well as customer facility charges advanced.

Other non-current liabilities decreased by \$11.1 million. This decrease was due entirely to the reduction in non-current bonds and notes payable. The non-current bonds payable balance is recorded net of bond discounts and premiums. During 2013, the Authority made bond principal payments in the amount of \$9.18 million.

The Authority's Other Post-Employment Benefits Other than Pensions balance increased by \$4.0 million, based on a latest actuarial valuation prepared by the Authority's insurance consultant.

Deferred Inflows of Resources decreased by \$12.0 million. The Authority holds a derivative instrument liability in the form of two (2) interest rate swaps. The swap's have passed one of the Governmental Accounting Standards Board (GASB) hedge effectiveness testing methods and therefore are considered hedging derivatives for the year ended December 31, 2013.

Expressway Revenue and Expense:

Expressway operating revenues decreased by \$.9 million as a result of the following:

- o A \$1.4 million decrease in toll revenue.
- o A \$.6 million increase in Transportation Services revenue.
- o A \$.5 million increase in ETC revenue
- o A \$.3 million decrease in Atlantic City Surface and Garage Parking revenue.
- o A \$.2 million decrease in SJTPO program revenue.
- o A \$.1 million decrease in marina parking revenue.

Expressway operating expenses, net of depreciation, increased by \$.6 million. Significant components of this increase were related to in part to health insurance expense increasing by \$.5 million, a \$.5 million decrease in workers compensation insurance expense, a \$.8 million increase in risk management self-insurance expense, a \$.2 million decrease in pension expense, and \$.3 million decrease in Atlantic City Parking lot expense, a \$.1 million decrease in roadway marketing expense and a \$.4 million increase in Maintenance Department expenses.

Airport Revenue & Expense:

Airport revenue only decreased by \$1.0 million primarily due to a \$1.0 million decrease in automobile parking revenue, a \$.2 million decrease in airfield landing fees and an increase in all other revenues totaling \$.2 million.

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

Operating expenses net of depreciation increased by \$.1 million from \$14.5 million in 2012 to \$14.6 million in 2013. This increase is in part attributable to a decrease in marketing department costs in the amount of \$.3 million, administration salary costs increased by \$.1 million, and state police costs increased by \$.3 million.

Capital Contributions:

Capital Contributions received during the year decreased by \$13.5 million. These contributions were primarily attributed to an decrease in Passenger Facility Charges ("PFC") revenue recognized in the amount of \$4.7 million, a \$7.0 million decrease in Federal Aviation Administration ("FAA") grants and a \$1.8 million decrease in reimbursements from the Casino Reinvestment Development Authority ("CRDA.") The majority of PFC's collected and FAA grants received were used to fund construction of the Federal Inspection Station ("FIS"), the Terminal Apron Expansion project and the Airport Rescue and Firefighting Facility ("ARFF") at Atlantic City International Airport.

SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
Year Ended December 31, 2013
With Comparative Totals as of December 31, 2012

	2013	2012
Operating revenues	\$ 104,981,542	\$ 107,021,581
Operating expenses	91,590,876	89,635,703
Operating Income	13,390,666	17,385,878
Net Non-Operating Revenues (Expenses)		
Interest revenue	2,680,181	2,905,944
Interest on bonds	(23,424,101)	(24,320,277)
(Increase) in OPEB liability	(4,026,388)	(2,960,456)
Other non-operating revenues (expenses)	(3,904,063)	(3,641,801)
Income (Loss) before Capital Contributions	(15,283,705)	(10,630,712)
Capital Contributions	6,267,000	19,761,408
Change in Net Assets	(9,016,705)	9,130,696
Total Net Position -- Beginning	287,191,404	286,062,600
Cumulative Effect of a Change in Accounting		
Write-off of Bond Issue Costs	-	(8,001,892)
Total Net Position -- Ending	\$ 278,174,699	\$ 287,191,404

Financial Analysis of the Authority's Statement of Cash Flows

The decrease in cash and cash equivalents in 2013 was related to the following:

- **Cash Flows from Operating Activities:** The Authority received \$3.1 million less in receipts from customers and users.
- **Cash Flows from Capital and Related Financing Activities:** Capital Contributions received were \$10.1 million less than what was received in 2012. Major components of this change were recognized when the Authority received \$6.7 million less from the Federal Aviation Administration, \$3.0 million less from the Casino Reinvestment Development Authority, and a \$.3 million decrease in Passenger Facility Charges ("PFC"). The Authority spent \$14.7 million less on capital acquisitions in 2013 than in 2012 (See increase/decrease in capital asset section for details of Authority capital asset acquisitions during 2013) and \$.9 million less was disbursed during the year for interest on capital debt.
- **Cash Flows from Investing Activities** decreased by \$10.7 million in part due to the Authority decreasing its purchase of investments by \$13.7 million, the proceeds from the sale of investments decreased by \$22.4 million, market value adjustments increased by \$2.3 million and interest and dividends on investments decreased by \$.3 million.

**SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended December 31, 2013
With Comparative Totals as of December 31, 2012**

	2013	2012
Cash Flows Provided by/(Used in):		
Operating activities	\$ 40,584,801	\$ 43,838,690
Noncapital financing activities	(2,291,667)	(2,500,000)
Capital and related financing activities	(65,456,176)	(70,737,397)
Investing activities	10,382,801	21,021,717
Net increase (decrease) in cash and cash equivalents	(16,780,241)	(8,376,990)
Cash and cash equivalents - beginning of the year	101,394,138	109,771,128
Cash and cash equivalents - end of the year	\$ 84,613,897	\$ 101,394,138

Non-cash Capital Financing Activities:

Assets with a cost of \$6,255,118 were acquired through contributions from governmental agencies or private developers.

Notes to the Financial Statements

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

Other Supplementary Information

In addition to the financial statements and accompanying notes, this report also presents certain supplementary information concerning the Authority's fund financial statements, bonds and other debt, and 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 Position
December 31, 2013
With Comparative Totals as of December 31, 2012

	2013	2012
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 46,986,219	\$ 41,682,461
Investments	6,625,818	5,602,878
Change Funds	46,727	53,301
Interest and Dividend Receivable	106,228	77,918
Accounts Receivable (net of allowance for uncollectibles)	3,904,730	3,543,700
Grants Receivable	939,924	768,694
Prepaid Expenses	2,414,861	1,665,429
Security Deposits	119,970	110,030
Inventory	118,743	149,629
Total Current Assets	61,263,220	53,654,040
Restricted Assets:		
Cash and Cash Equivalents	37,580,951	59,658,376
Investments	73,367,712	84,111,341
Accounts Receivable	13,241,214	15,096,830
Grants Receivable	545,395	693,346
Interest Receivable	291,317	239,970
Total Non-Current Assets	125,026,589	159,799,863
Capital Assets:		
Non-Infrastructure Capital Assets:		
Land and Improvements	146,921,643	146,921,642
Electronic Toll Equipment	8,950,268	8,950,268
Buildings and Equipment	152,986,437	122,623,786
Less Accumulated Depreciation	(69,007,837)	(63,057,559)
Total Non-Infrastructure Capital Assets	239,850,511	215,438,137
Infrastructure Capital Assets:		
Infrastructure - Equipment	21,122,600	19,054,927
Infrastructure	532,810,753	520,695,697
Less Accumulated Depreciation	(193,932,158)	(174,663,035)
Total Infrastructure Capital Assets	360,001,195	365,087,589
Construction in Progress	76,326,138	82,328,814
Total Assets	862,467,653	876,308,443
Deferred Outflows of Resources:		
Interest Rate Swaps	21,473,285	33,567,498
Loss on Early Extinguishment of Debt	1,291,945	1,629,789
Total Deferred Outflows of Resources	22,765,230	35,197,287
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 885,232,883	\$ 911,505,730

See Independent Auditors' Report.
The Notes to Financial Statements are an integral part of these statements.

South Jersey Transportation Authority
Statement of Net Position
December 31, 2013
With Comparative Totals as of December 31, 2012

	<u>2013</u>	<u>2012</u>
<u>LIABILITIES AND DEFERRED INFLOWS</u>		
<u>OF RESOURCES</u>		
Current Liabilities Payable From		
Unrestricted Assets:		
Accounts Payable	\$ 7,557,356	\$ 6,996,397
Deferred Income	549,400	417,792
Escrow Deposits	114,567	146,212
Accrued Expenses	<u>1,575,770</u>	<u>1,674,140</u>
Total Current Liabilities Payable		
From Unrestricted Assets	<u>9,797,093</u>	<u>9,234,541</u>
Current Liabilities Payable From		
Restricted Assets:		
Accrued Interest	3,577,540	3,701,504
Accounts Payable	4,644,045	4,949,987
Unamortized SWAP Premium	6,244,410	6,660,704
Deferred Interest Income	704,017	-
Retainages Payable	1,450,557	3,404,433
Due to Other Governmental Agencies	416,666	208,333
PFC Advanced	1,489,733	956,693
CFC Advanced	648,499	320,337
Reserve for Self-Insurance	6,528,317	4,820,568
Bonds Payable, Net of Discount and Premium of (\$1,230,469)	<u>11,152,095</u>	<u>10,432,095</u>
Total Current Liabilities Payable		
From Restricted Assets	<u>36,855,879</u>	<u>35,454,654</u>
Noncurrent Liabilities:		
Accrued Expenses	17,500	17,500
Other Postemployment Benefits Other than Pensions	83,045,275	79,018,887
Bonds Payable, Net of Discount and Premium of (\$10,755,776)	<u>455,869,152</u>	<u>467,021,246</u>
Total Non-Current Liabilities	<u>538,931,927</u>	<u>546,057,633</u>
Total Liabilities	<u>585,584,899</u>	<u>590,746,828</u>
Deferred Inflows of Resources:		
Derivative Instrument Liability-Interest Rate Swaps	<u>21,473,285</u>	<u>33,567,498</u>
Total Deferred Inflows of Resources	<u>21,473,285</u>	<u>33,567,498</u>
TOTAL LIABILITIES AND DEFERRED		
INFLOWS OF RESOURCES	<u>\$ 607,058,184</u>	<u>\$ 624,314,326</u>

See Independent Auditors' Report.
The Notes to Financial Statements are an integral part of these statements.

South Jersey Transportation Authority
Statement of Net Position
December 31, 2013
With Comparative Totals as of December 31, 2012

	<u>2013</u>	<u>2012</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	\$ 249,996,618	\$ 253,910,089
Restricted for:		
Debt Service	16,152,364	16,089,532
Rehabilitation and Repair	6,321,502	6,319,272
Debt Service Reserve	33,740,878	34,902,162
State Payment	120	103
Capital Projects	38,410	7,522,909
Arbitrage Rebate	169	168
Subordinated Debt Fund	5,925,556	4,433,561
Unrestricted:		
Unrestricted Net Position	37,044,357	33,032,495
Unfunded OPEB/(Deficit)	(83,045,275)	(79,018,887)
Funded OPEB Obligation	<u>12,000,000</u>	<u>10,000,000</u>
Total Net Position	<u>278,174,699</u>	<u>287,191,404</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 885,232,883</u>	<u>\$ 911,505,730</u>

See Independent Auditors' Report.
The Notes to Financial Statements are an integral part of these statements.

South Jersey Transportation Authority
Statement of Revenues, Expenses and
Changes in Net Position
December 31, 2013
With Comparative Totals as of December 31, 2012

	2013	2012
Operating Revenues:		
Tolls	\$ 76,124,544	\$ 77,593,457
Concessions	1,670,879	1,730,953
ETC Administrative Revenue	3,236,956	2,695,640
Garage Parking	643,407	857,770
Marina Parking Revenue	2,700,225	2,747,162
Bus Permits	245,784	251,843
Rentals	4,345,494	4,199,594
Naming Rights	190,861	165,359
SJTPO Programs	1,964,082	2,156,432
Transportation services	2,922,452	2,290,906
Other	465,805	745,163
Airport	10,471,053	11,587,302
Total Operating Revenues	104,981,542	107,021,581
Operating Expenses:		
Executive	928,677	991,130
Business Administration	747,637	753,785
Engineering	2,562,648	2,604,871
Finance	1,683,372	1,672,484
Central Accounts	12,284,465	11,607,252
Other Post-Employment Benefits	1,980,880	1,981,391
Marketing and Communications	170,541	273,302
Tourist Services	4,092,698	4,005,660
Maintenance	7,473,624	7,089,919
Police	6,686,707	6,846,762
Emergency Service Patrol	834,382	818,192
Electronic Toll Collection Expense	4,043,758	4,245,372
Parking - (Non Airport)	727,398	1,007,675
Information Services	1,728,722	1,739,128
SJTPO Programs	1,964,082	2,156,432
Airport	14,639,246	14,560,990
Transportation Services	3,032,465	2,575,302
Depreciation	26,009,574	24,706,056
Total Operating Expenses	91,590,876	89,635,703
Operating Income	13,390,666	17,385,878
Non-Operating Revenues (Expenses):		
Interest and Dividends	2,680,181	2,905,944
Market Value Adjustment on Investments	(2,642,428)	(401,360)
Gain/(Loss) on Disposal of Assets	61,868	18,288
(Increase) in OPEB Liability	(4,026,388)	(2,960,456)
Feeder Road Expense	(350,000)	(874,998)
Other Revenue	175,013	-
Fund Expense	(14,676)	(1,013,762)
Amortization Expense	-	(73,235)
Amortization of Bond Premium	1,366,160	1,203,266
Interest on Bonds	(23,424,101)	(24,320,277)
State Payment	(2,500,000)	(2,500,000)
Total of Non-Operating Revenue (Expenses)	(28,674,371)	(28,016,590)
Income (Loss) before Capital Contributions	(15,283,705)	(10,630,712)
Capital Contributions	6,267,000	19,761,408
Change in Net Position	(9,016,705)	9,130,696
Total Net Position -- Beginning	287,191,404	286,062,600
Cumulative Effect of a Change in Accounting, Write-off of Bond Issue Costs	-	(8,001,892)
Total Net Position Balance -- Beginning as adjusted	287,191,404	278,060,708
Total Net Position -- Ending	\$ 278,174,699	\$ 287,191,404

See Independent Auditors' Report.
The Notes to Financial Statements are an integral part of these statements.

South Jersey Transportation Authority
Statement of Cash Flows
December 31, 2013
With Comparative Totals as of December 31, 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 104,534,322	\$ 107,694,524
Payments to suppliers	(43,569,752)	(43,356,411)
Payments to employees	(20,394,445)	(20,499,423)
Net cash provided by operating activities	<u>40,570,125</u>	<u>43,838,690</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payment of State Payment Obligation	(2,291,667)	(2,500,000)
Net cash (used) by noncapital financing activities	<u>(2,291,667)</u>	<u>(2,500,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants	7,551,766	17,605,941
Proceeds from sale of fixed assets	61,869	18,288
Payment of Arbitrage Rebate obligation	-	(141,374)
Fund Expenses - Cost of Issuance	-	(1,013,762)
SWAP Premium income recognized	(416,294)	(416,294)
Payments for capital acquisitions	(41,140,782)	(55,817,096)
Feeder Road Expense	(349,995)	(874,988)
Principal paid on capital debt	(9,180,000)	(125,855,000)
Loans payments received	1,580,000	750,000
Bond issue cost adjustment	-	620,761
Write-off of Bond Issue Costs	-	(179,871)
Proceeds from bonds and notes Issued	-	118,976,686
Interest paid on capital debt	(23,548,064)	(24,410,688)
Net cash (used) by capital and related financing activities	<u>(65,441,500)</u>	<u>(70,737,397)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(1,876,945)	(15,518,625)
Proceeds from sales and maturities of investments	11,597,633	33,937,187
Market Value Adjustments	(2,642,429)	(401,361)
Interest and dividends	3,304,542	3,004,516
Net cash provided by investing activities	<u>10,382,801</u>	<u>21,021,717</u>
Net increase/(decrease) in cash and cash equivalents	(16,780,241)	(8,376,990)
Balances - beginning of the period	101,394,138	109,771,128
Balances - end of the period	<u>\$ 84,613,897</u>	<u>\$ 101,394,138</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 13,390,666	\$ 17,385,878
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	26,009,574	24,706,056
Change in assets and liabilities:		
Receivables, net	(375,706)	400,736
Grants receivable	(171,230)	286,337
Prepaid expenses	(749,432)	128,793
Security Deposits	(9,940)	-
inventories	30,886	(27,168)
Accounts and other payables	692,275	226,247
Deferred income	131,608	(31,002)
Escrow deposits and reserves	(25,152)	258
Accrued expenses	1,646,576	762,555
Net cash provided by operating activities	<u>\$ 40,570,125</u>	<u>\$ 43,838,690</u>
Noncash capital financing activities:		

Capital assets of \$6,255,118 were acquired through contributions from governmental agencies and private developers.

See Independent Auditors' Report.
The Notes to Financial Statements are an integral part of these statements.

South Jersey Transportation Authority
Statement of Net Position - Proprietary Funds
December 31, 2013
With Comparative Totals as of December 31, 2012

	Expressway	Airport	Consolidation Eliminations	Totals	
				2013	2012
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Unrestricted Assets:					
Cash and Cash Equivalents	\$ 43,859,999	\$ 3,126,220		\$ 46,986,219	\$ 41,682,461
Investments	6,625,818	-		6,625,818	5,602,878
Change Funds	36,629	10,098		46,727	53,301
Interest and Dividends Receivable	106,202	26		106,228	77,918
Accounts Receivable	3,136,249	768,481		3,904,730	3,543,700
Grants Receivable	939,924	-		939,924	768,694
Prepaid Expenses	2,019,624	395,237		2,414,861	1,665,429
Security Deposits	119,970	-		119,970	110,030
Inventory	118,743	-		118,743	149,629
Interfunds Receivable	17,445,316	12,919,692	\$ (30,365,008)	-	-
Total Current Assets	74,408,474	17,219,754	(30,365,008)	61,263,220	53,654,040
Restricted Assets:					
Cash and Cash Equivalents	37,580,951	-		37,580,951	59,658,376
Investments	66,486,983	6,880,729		73,367,712	84,111,341
Accounts Receivable	13,241,214	-		13,241,214	15,096,830
Grants Receivable	318,873	226,522		545,395	693,346
Interest Receivable	291,317	-		291,317	239,970
Total Non-Current, Non-Capital Assets	117,919,338	7,107,251	-	125,026,589	159,799,863
Capital Assets:					
Non-Depreciable Capital Assets:					
Land and Improvements	131,302,086	15,619,557		146,921,643	146,921,642
Construction in Progress	40,961,532	35,364,606		76,326,138	82,328,814
Total Non-Depreciable Capital Assets	172,263,618	50,984,163	-	223,247,781	229,250,456
Non-Infrastructure Capital Assets:					
Electronic Toll Equipment	8,950,268	-		8,950,268	8,950,268
Buildings and Equipment	48,333,723	104,652,714		152,986,437	122,623,786
Less Accumulated Depreciation	(41,143,862)	(27,863,975)		(69,007,837)	(63,057,559)
Total Non-Infrastructure Capital Assets	16,140,129	76,788,739	-	92,928,868	68,516,495
Infrastructure Capital Assets:					
Infrastructure - Equipment	6,098,408	15,024,192		21,122,600	19,054,927
Infrastructure	443,632,712	89,178,041		532,810,753	520,695,697
Less Accumulated Depreciation	(159,316,397)	(34,615,761)		(193,932,158)	(174,663,035)
Total Infrastructure Capital Assets	290,414,723	69,586,472	-	360,001,195	365,087,589
Total Non-Current Assets	596,737,808	204,466,625	-	801,204,433	822,654,403
Total Assets	671,146,282	221,686,379	(30,365,008)	862,467,653	876,308,443
Deferred Outflows of Resources:					
Interest Rate Swaps	16,628,874	4,844,411		21,473,285	33,567,498
Loss on Early Extinguishment of Debt	1,291,945	-		1,291,945	1,629,789
Total Deferred Outflows of Resources	17,920,819	4,844,411	-	22,765,230	35,197,287
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 689,067,101	\$ 226,530,790	\$ (30,365,008)	\$ 885,232,883	\$ 911,505,730

See Independent Auditors' Report.
The Notes to Financial Statements are an integral part of these statements.

South Jersey Transportation Authority
Statement of Net Position - Proprietary Funds
December 31, 2013
With Comparative Totals as of December 31, 2012

	Expressway	Airport	Consolidation Eliminations	Totals	
				2013	2012
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Current Liabilities Payable From Unrestricted Assets:					
Accounts Payable	\$ 5,174,411	\$ 2,382,945		\$ 7,557,356	\$ 6,996,397
Deferred Income	452,120	97,280		549,400	417,792
Escrow Deposits and Reserves	46,804	67,763		114,567	146,212
Accrued Expenses	1,220,852	354,918		1,575,770	1,674,140
Interfunds Payable	-	30,365,008	\$ (30,365,008)	-	-
Total Current Liabilities Payable From Unrestricted Assets	6,894,187	33,267,914	(30,365,008)	9,797,093	9,234,541
Current Liabilities Payable From Restricted Assets:					
Accrued Interest	2,773,559	803,981		3,577,540	3,701,504
Accounts Payable	3,990,644	653,401		4,644,045	4,949,987
Unamortized SWAP Premium	6,244,410	-		6,244,410	6,660,704
Deferred Interest Income	704,017	-		704,017	-
Retainages Payable	996,897	453,660		1,450,557	3,404,433
Due to Other Governmental Agencies	416,666	-		416,666	208,333
PFC Advanced	-	1,489,733		1,489,733	956,693
CFC Advanced	-	648,499		648,499	320,337
Reserve for Self-Insurance	5,501,802	1,026,515		6,528,317	4,820,568
Bonds Payable, Net of Discount and Premium of (\$1,230,469)	10,060,651	1,091,444		11,152,095	10,432,095
Total Current Liabilities Payable From Restricted Assets	30,688,646	6,167,233	-	36,855,879	35,454,654
Noncurrent Liabilities:					
Accrued Expenses	17,500	-		17,500	17,500
Other Postemployment Benefits Other than Pensions	70,412,761	12,632,514		83,045,275	79,018,887
Bonds Payable, Net of Discount and Premium of (\$10,755,776)	358,687,400	97,181,752		455,869,152	467,021,246
Total Non-Current Liabilities	429,117,661	109,814,266	-	538,931,927	546,057,633
Total Liabilities	466,700,494	149,249,413	(30,365,008)	585,584,899	590,746,828
Deferred Inflows of Resources:					
Derivative Instrument Liability-Interest Rate Swaps	16,628,874	4,844,411		21,473,285	33,567,498
Total Deferred Inflows of Resources	16,628,874	4,844,411	-	21,473,285	33,567,498
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	\$ 483,329,368	\$ 154,093,824	\$ (30,365,008)	\$ 607,058,184	\$ 624,314,326

See Independent Auditors' Report.
The Notes to Financial Statements are an integral part of these statements.

South Jersey Transportation Authority
Statement of Net Position - Proprietary Funds
December 31, 2013
With Comparative Totals as of December 31, 2012

	Expressway	Airport	Consolidation Eliminations	Totals	
				2013	2012
NET POSITION					
Net Investment in Capital Assets	\$ 137,877,183	\$ 112,119,435	\$ -	\$ 249,996,618	\$ 253,910,089
Restricted for:					
Debt Service	15,459,006	693,358	-	16,152,364	16,089,532
Rehabilitation and Repair	6,321,502	-	-	6,321,502	6,319,272
Debt Service Reserve	30,329,622	3,411,256	-	33,740,878	34,902,162
State Payment	120	-	-	120	103
Capital Projects	(5,955,796)	5,994,206	-	38,410	7,522,909
Arbitrage Rebate	169	-	-	169	168
Subordinated Debt Fund	5,925,556	-	-	5,925,556	4,433,561
Unrestricted:					
Unrestricted Net Position	75,987,181	(38,942,824)	-	37,044,357	33,032,495
Unfunded OPEB/(Deficit)	(70,412,761)	(12,632,514)	-	(83,045,275)	(79,018,887)
Funded OPEB Obligation	10,205,951	1,794,049	-	12,000,000	10,000,000
Total Net Position	205,737,733	72,436,966	-	278,174,699	287,191,404
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 689,067,101	\$ 226,530,790	\$ (30,365,008)	\$ 885,232,883	\$ 911,505,730

See Independent Auditors' Report.
The Notes to Financial Statements are an integral part of these statements.

South Jersey Transportation Authority
Statement of Revenues, Expenses and
Changes in Net Position - Proprietary Funds
December 31, 2013
With Comparative Totals as of December 31, 2012

	Expressway	Airport	Consolidation Eliminations	Totals	
				2013	2012
Operating Revenues:					
Tolls	\$ 76,124,544		\$	\$ 76,124,544	\$ 77,593,457
Concessions	1,670,879			1,670,879	1,730,953
ETC Administrative Revenue	3,236,956			3,236,956	2,695,640
Garage Parking	643,407			643,407	857,770
Marina Parking Revenue	2,700,225			2,700,225	2,747,162
Bus Permits	245,784			245,784	251,843
Rentals	4,345,494			4,345,494	4,199,594
Naming Rights	190,861			190,861	165,359
SJTPO Programs	1,964,082			1,964,082	2,156,432
Transportation Services	2,922,452			2,922,452	2,290,906
Other	465,805			465,805	745,163
Airport	-	\$ 10,471,053		10,471,053	11,587,302
Total Operating Revenues	94,510,489	10,471,053	-	104,981,542	107,021,581
Operating Expenses:					
Executive	928,677			928,677	991,130
Business Administration	747,637			747,637	753,785
Engineering	2,562,648			2,562,648	2,604,871
Finance	1,683,372			1,683,372	1,672,484
Central Accounts	12,284,465			12,284,465	11,607,252
Other Post-Employment Benefits	1,683,748	297,132		1,980,880	1,981,391
Marketing and Communications	170,541			170,541	273,302
Tourist Services	4,092,698			4,092,698	4,005,660
Maintenance	7,473,624			7,473,624	7,089,919
Police	6,686,707			6,686,707	6,846,762
Emergency Service Patrol	834,382			834,382	618,192
Electronic Toll Collection Expense	4,043,758			4,043,758	4,245,372
Parking-(Non Airport)	727,398			727,398	1,007,675
Information Services	1,728,722			1,728,722	1,739,128
SJTPO Programs	1,964,082			1,964,082	2,156,432
Airport	-	14,639,246		14,639,246	14,560,990
Transportation Services	3,032,465			3,032,465	2,575,302
Depreciation	18,446,035	7,563,539		26,009,574	24,708,056
Total Operating Expenses	69,090,959	22,499,917	-	91,590,876	89,635,703
Operating Income (Loss)	25,419,530	(12,028,864)	-	13,390,666	17,385,878
Non-Operating Revenues (Expenses):					
Interest and Dividends	2,678,452	1,729		2,680,181	2,905,944
Market Value Adjustment on Investments	(2,642,428)	-		(2,642,428)	(401,360)
Gain/(Loss) on Disposal of Assets	61,868	-		61,868	18,288
(Increase) in OPEB Liability	(3,422,430)	(603,958)		(4,026,388)	(2,960,456)
Feeder Road Expense	(350,000)	-		(350,000)	(874,998)
Other Revenue	175,013	-		175,013	-
Fund Expenses	(14,676)	-		(14,676)	(1,013,762)
Amortization Expense	-	-		-	(73,235)
Amortization of Bond Premium	1,366,160	-		1,366,160	1,203,266
Interest on Bonds	(18,582,288)	(4,841,815)		(23,424,101)	(24,320,277)
State Payment	(2,500,000)	-		(2,500,000)	(2,500,000)
Total of Non-Operating Revenue (Expenses)	(23,230,327)	(5,444,044)	-	(28,674,371)	(28,016,590)
Income (Loss) before Contributions and Transfers	2,189,203	(17,472,908)	-	(15,283,705)	(10,630,712)
Capital Contributions	498,815	5,768,185		6,267,000	19,761,408
Transfers In	-	6,631,385	(6,631,385)	-	-
Transfers Out	(6,631,385)	-	6,631,385	-	-
Change in Net Assets	(3,943,367)	(5,073,338)	-	(9,016,705)	9,130,696
Total Net Position -- Beginning	209,681,100	77,510,304		287,191,404	286,062,600
Cumulative Effect of a Change in Accounting, Write-off of Bond Issue Costs	-	-		-	(8,001,892)
Total Net Position -- Beginning, as adjusted	209,681,100	77,510,304		287,191,404	278,060,708
Total Net Position -- Ending	\$ 205,737,733	\$ 72,436,966	\$ -	\$ 278,174,699	\$ 287,191,404

See Independent Auditors' Report.
The Notes to Financial Statements are an integral part of these statements.

South Jersey Transportation Authority
Statement of Cash Flows - Proprietary Funds
December 31, 2013
With Comparative Totals as of December 31, 2012

	Expressway	Airport	Totals	
			2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers, users and grants	\$ 93,052,231	\$ 11,482,091	\$ 104,534,322	\$ 107,694,524
Payments to suppliers	(31,658,520)	(11,911,232)	(43,569,752)	(43,356,411)
Payments to employees	(17,400,163)	(2,994,282)	(20,394,445)	(20,499,423)
Net cash provided/(used) by operating activities	43,993,548	(3,423,423)	40,570,125	43,838,690
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Payment of State Payment Obligation	(2,291,667)	-	(2,291,667)	(2,500,000)
Operating subsidies and transfers to other funds	(3,349,657)	3,349,657	-	-
Net cash provided (used) by noncapital financing activities:	(5,641,324)	3,349,657	(2,291,667)	(2,500,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital grants	484,473	7,067,293	7,551,766	17,605,941
Proceeds from the sale of fixed assets	61,869	-	61,869	18,288
Payment of Arbitrage Rebate obligation	-	-	-	(141,374)
Fund Expenses- Cost of issuance	-	-	-	(1,013,762)
Deferred Income-SWAP Premium	(416,294)	-	(416,294)	(416,294)
Payments for capital acquisitions	(18,707,322)	(22,433,460)	(41,140,782)	(55,817,096)
Feeder Road Expense	(349,995)	-	(349,995)	(874,988)
Principal paid on capital debt	(8,365,000)	(815,000)	(9,180,000)	(125,855,000)
Loan payments received	1,580,000	-	1,580,000	750,000
Bond issue cost adjustment	-	-	-	620,761
Write-off of Bond Issue Costs	-	-	-	(179,871)
Proceeds from Bonds and Notes issued	-	-	-	118,976,686
Interest paid on capital debt	(18,706,249)	(4,841,815)	(23,548,064)	(24,410,688)
Net cash provided (used) by capital and related financing activities	(44,418,518)	(21,022,982)	(65,441,500)	(70,737,397)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investments	(1,874,926)	(2,019)	(1,876,945)	(15,518,625)
Proceeds from sales and maturities of investments	6,855,314	4,742,319	11,597,633	33,937,187
Market Value Adjustments	(2,642,429)	-	(2,642,429)	(401,361)
Interest and dividends	2,712,433	592,109	3,304,542	3,004,516
Net cash provided by investing activities	5,050,392	5,332,409	10,382,801	21,021,717
Net increase/(decrease) in cash and cash equivalents	(1,015,902)	(15,764,339)	(16,780,241)	(8,376,990)
Balances - beginning of the period	82,493,481	18,900,657	101,394,138	109,771,128
Balances - end of the period	\$ 81,477,579	\$ 3,136,318	\$ 84,613,897	\$ 101,394,138
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 25,419,531	\$ (12,028,864)	\$ 13,390,667	\$ 17,385,880
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	18,446,036	7,563,539	26,009,575	24,706,056
Change in assets and liabilities:				
Receivables, net	(477,401)	101,695	(375,706)	400,738
Grants receivable	(171,230)	-	(171,230)	286,337
Prepaid expenses	(629,830)	(119,602)	(749,432)	128,792
Security Deposits	(9,940.00)	-	(9,940)	-
Inventories	30,886	-	30,886	(27,168)
Accounts and other payables	436,872	255,402	692,274	226,248
PFC & CFC Advanced	(861,202)	861,202	-	-
Deferred Income	83,462	48,145	131,607	(31,002)
Escrow deposits and reserves	(25,284)	132	(25,152)	254
Accrued expenses	1,751,648	(105,072)	1,646,576	762,555
Net cash provided/(used) by operating activities	\$ 43,993,548	\$ (3,423,423)	\$ 40,570,125	\$ 43,838,690

Noncash capital financing activities:

Capital assets of \$6,255,118 were acquired through contributions from governmental agencies and private developers.

See Independent Auditors' Report.

The Notes to Financial Statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

The Authority operates under a Board of Commissioners. There are nine Commissioners, comprised of the State Commissioner of Transportation, who also currently serves as the Chairman, 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 Acting Executive Director, a Deputy Executive Director, a Chief Financial Officer, a Chief of Staff and various Department Directors.

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

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

B. Basis of Accounting

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

The assets, liabilities, and net position 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.

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.

C. Operating Revenues and Expenses

The Authority's operating revenues and expenses consist of revenues earned and expenses incurred relating to the operation and maintenance of its Transportation System, which specifically includes the operations of the Atlantic City Expressway and the Atlantic City International Airport. Grant revenues and expenses for South Jersey Transportation Planning Organization ("SJTPO") and Transportation Services (see Footnotes 17 and 23, respectively) are included in operations of the Atlantic City Expressway. All other revenues and expenses are reported as non-operating revenues and expenses. The Authority has allocated certain direct costs to Airport operations. Among the direct cost allocations made, included expenses for health insurance coverage for eligible

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Operating Revenues and Expenses (Continued)

employees, self-insurance reserve requirements for the Authority's self-insurance program which includes coverage for worker's compensation insurance, auto liability and general liability coverage. Additional direct cost allocations were made pertaining to Other Post-employment Benefits (OPEB) as required by GASB Statement No. 45 "Accounting for Other Post-employment Benefits Other than Pensions" ("GASB 45"). Costs such as allocation of administrative staff time and other indirect costs remain in the expressway fund.

D. Cash and Cash Equivalents

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

E. Investments

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

F. Accounts Receivable

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

G. Restricted Assets

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

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 position, 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 third amended and restated resolution authorizing revenue bonds and other obligations adopted May 19, 2009. A summary of the activities of each Fund created by the Bond Resolution is covered below.

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

Construction Fund – accounts for the receipt and disbursement of funds for the acquisition and construction of capital projects. Included in this Fund are proceeds from the issuance of Transportation System Revenue Bonds in 2004, 2006 and 2009, as well as receipt of federal grants, state grants and other contributed capital.

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

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Debt Service Reserve Fund – must maintain an amount equal to the Debt Service requirement. The monies in this fund are utilized to make up any deficiency in the Debt Service Fund. In accordance with the Bond Resolution, the Authority may maintain a surety bond or an insurance policy payable to the trustee in lieu of required cash deposit in the Debt Service Reserve. As of December 31, 2013, the Authority maintains cash and investments in the Senior Debt Service Reserve of \$33,631,984. The total of which exceeds the maximum annual debt on all Authority Bonds outstanding. The Debt Service Reserve requirement is \$32,684,195, which include Letter of Credit fees (“LOC”) fees on outstanding variable rate debt estimated at the rate of 110 basis points. LOC facility fees are permitted to be treated as interest expense under the resolution.

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, 2013.

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

Subordinated Debt Fund – During 2009, the Authority issued 2009 Subordinated Bonds. This issue is secured by amounts on deposit from the Subordinated Debt Fund or the General Reserve Fund.

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

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

I. Interest Income on Funds

Pursuant to Article I of the Bond Resolution, all earnings on the investment of monies in other funds are eligible to be included as revenues in the Revenue Fund subject to Section 5.15 of the Bond Resolution which restricts the transfer of earnings on investments in the General Reserve Fund to first being applied to other funds to meet any deficiencies in funding requirements. Earnings on the Debt Service, Debt Service Reserve (after all required transfers have been made to the Construction Fund), Rehabilitation and Repairs and State Payment Funds shall be transferred to the Revenue Fund if such Funds are at their requirements.

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

J. Inability to Meet Debt Service Requirements

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

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Pledged and General Projects

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

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

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

L. Budgetary Information

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

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

M. Inventory

Inventory consists of fuel for the Authority's vehicles valued at cost of the most recent purchases. Also, the Authority maintains a small supply of "E-ZPass On the Go" tags to be sold at various locations.

	2013	2012
Fuel	\$ 107,293	\$ 134,829
E-Z Pass tags	11,450	14,800
	<u>\$ 118,743</u>	<u>\$ 149,629</u>

N. Capital Assets

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

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Capital Assets (continued)

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

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

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

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

O. Bond Discount, Premium and Amortization of Issuance Costs

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

P. Restricted Net Position

Restricted net position is comprised of amounts reserved for debt service, debt service reserve, arbitrage rebate, rehabilitation and repair, capital projects and state payment fund.

Q. New Accounting Pronouncements Recently Adopted

GASB Statement No. 61, “*The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34 (GASB No. 61)*”, was issued in November, 2010. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, “*The Financial Reporting Entity*”, and the related financial reporting requirements of Statement No. 34, “*Basic Financial Statements — and Management’s Discussion and Analysis — for State and Local Governments*”, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those statements.

The requirements of this Statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity.

South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. New Accounting Pronouncements Recently Adopted (Continued)

The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude.

The amendments to the criteria for blending improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.

For primary governments that are business-type activities reporting in a single column, the guidance for reporting blended component units allows users to better distinguish between the primary government and its component units by requiring condensed combining information to be included in the notes to the financial statements.

Lastly, the requirements for reporting equity interests in component units help ensure that primary government financial statements do not understate their financial position and provide for more consistent and understandable display of those equity interests.

The requirements of GASB No. 61 are effective for financial statements for periods beginning after June 15, 2012. The Authority has evaluated the impact of the adoption of GASB No. 61 on its financial statements and has adopted this GASB for the fiscal year ending December 31, 2013.

R. Accounting Standards Issued But Not Yet Adopted

GASB Statement No. 68; "*Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27*", was issued in June 2012. The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

The requirements of GASB 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet certain criteria and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. The requirements apply whether the government's financial statements are presented in stand-alone financial reports or are included in the financial reports of another government.

GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Accounting Standards Issued But Not Yet Adopted (Continued)

This Statement replaces the requirements of Statement No. 27; "*Accounting for Pensions by State and Local Governmental Employers*" as well as the requirements of Statement No. 50; "*Pension Disclosures*", as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

This Statement requires governments providing defined pension benefits to recognize their long-term obligation for benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employees whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared.

This statement is effective for fiscal years beginning after June 15, 2014. The Authority is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 69; "*Government Combinations and Disposals of Governmental Operations*", was issued in January 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government obligations. As used in this Statement, the term *government combinations* include a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

The distinction between a government merger and a government acquisition is based upon whether an exchange of significant consideration is present within the combination transaction. Government mergers include combinations of legally separate entities without the exchange of significant consideration. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. This Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement defines the term operations for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations.

A disposal of a government's operations results in the removal of specific activities of a government. This Statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold.

This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.

The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. The Authority is in the process of evaluating the impact of its adoption on the financial statements, and management believes this will not have a significant impact on our financial statements.

GASB Statement No. 70; "*Accounting and Financial Reporting for Nonexchange Financial Guarantees*", was issued in April 2013. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R Accounting Standards Issued But Not Yet Adopted (Continued)

when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range.

This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. The Authority is in the process of evaluating the impact of its adoption on the financial statements and management believes this will not have a significant impact on our financial statements.

GASB Statement No. 71; "*Pension Transition for Contributions made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*", was issued in November 2013. The objective of this Statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployers contributing entities.

This Statement amends paragraph 137 of Statement 68. The requirements of this Statement apply to all state and local governments that are required to apply the provisions of Statement 68 for defined benefit pensions.

The provisions of this Statement should be applied simultaneously with the provisions of Statement 68. As is the case with GASB Statement No. 68, the Authority is in the process of evaluating the impact of its adoption on the financial statements.

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:

South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013

2. DEPOSITS AND INVESTMENTS (CONTINUED)

- (a) Federal securities;
- (b) Bonds, debentures, notes or other evidence of indebtedness issued by any agency or instrumentality of the United States to the extent such obligations are guaranteed by the United States or by another such agency, the obligations (including guarantees) of which are guaranteed by the United States;
- (c) Bonds, debentures, notes or other evidence of indebtedness issued by any corporation chartered by the United States, including but not limited to: Government National Mortgage Association, Federal Land Banks, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, United States Postal Service, Farmers Home Administration, Resolution Funding Corporation, Export-Import Bank, Federal Financing Bank, and Student Loan Marketing Association;
- (d) Negotiable or non-negotiable certificates of deposit (or other time deposit arrangements) issued by any bank, trust company or national banking association, including a Fiduciary, which certificates of deposit shall be continuously secured or collateralized by obligations described in subparagraphs (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 subparagraphs (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 (i) a Federal Reserve Bank, (ii) 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 (iii) a bank approved in writing for such purpose by each credit issuer, if any, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee;
 - (iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 CFR 306.1 et seq. or 31 CFR 350.0 et seq. or a successor provision in such securities is created for the benefit of the Trustee;
 - (iv) the repurchase agreement has a term of six months or less, or the Authority will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation;
 - (v) the repurchase agreement matures on or before a debt service payment date (or, if held in a fund other than the Debt Service Fund, Debt Service Reserve Fund or Subordinated Debt Fund, other appropriate liquidation period); and

South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013

2. DEPOSITS AND INVESTMENTS (CONTINUED)

- (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 subparagraphs (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;
- (l) Shares of diversified open-end management investment company as defined in the Investment Company 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;
- (m) Investment contracts
- (n) any other investments permitted by State and Federal law.
 - (i) providing for the future purchase of securities of the type described in (a), (b), (c), (h) and (k) above, which contacts have been approved for sale by a national securities exchange and all regulatory authorities having jurisdiction; or
 - (ii) the obligor under which or the guarantor thereof shall have a credit rating such that its long-term debt is rated at least "A+" by S&P if the bonds are then rated by such rating agency and at least "A-1" by Moody's if the bonds are then rated by such rating agency.

"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

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

2. DEPOSITS AND INVESTMENTS (CONTINUED)

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 \$164,607,429 at December 31, 2013. The Authority's total bank (cash) balances were \$167,471,506 at December 31, 2013. The difference between bank balance and book balance is due primarily to the timing of deposits and outstanding checks.

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

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

Concentration of Credit Risk:

<u>Institution/Issuer</u>	<u>Amount</u>	<u>% of Portfolio</u>
Federal Home Loan Mortgage Corp. Note	\$ 2,565,629	1.5%
Bank of America	9,644,291	5.9%
Wells Fargo	1,439,175	0.9%
Bank of New York	39,169,803	23.8%
NJ Cash Management Fund	95,472,413	58.0%
TD Bank	16,269,389	9.9%
Change Funds - Uninsured	46,727	0.0%
	\$ 164,607,427	100.0%

Custodial Credit Risk:

Custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty to a transaction, the Authority will not be able to recover the value of its investment. The Authority mitigates this risk by depositing or investing the majority of its funds available for investment in insured or collateralized investments or in pooled investments of US government securities from time to time as of December 31, 2013 as well as investing in high rated uncollateralized financial instruments.

Insured	\$ 500,000
Collateralized:	
Collateral held by pledging bank in Authority's Name	40,108,978
Pooled Investments	111,741,802
Government Securities	12,209,920
Change Funds	46,727
	\$ 164,607,427

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk:

Interest rate risk is the possibility that an interest rate change could adversely affect an investment's fair value. The Authority manages interest rate risk on its short-term investments by keeping the weighted average maturity (WAM) of its short term investments below or equal to one year. The weighted average maturity is calculated taking into consideration the maturity dates of the securities in the consolidated portfolio. On December 31, 2013, the Authority's weighted average maturity on its short-term investments was as follows:

	<u>Fair Value at 12/31/2013</u>	<u>Weighted Average Maturity (Years)</u>
State of Maryland Bonds	\$ 1,027,940	1.0
State of Maryland Bonds	154,191	1.0
State of Maryland Bonds	2,929,629	1.0
	<u>\$ 4,111,760</u>	

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

The Authority is a party to one guaranteed investment contract in the amount of \$1,439,175. This contract, which relates to the 2004 Transportation System Revenue Bonds, has a carrying value of \$1,439,175 at December 31, 2013, a fixed rate of 4.14% and matures on 11/1/33. The yield on this investment is less than the bond yield of 5.044%.

The Authority also has an investment in a Federal Home Loan Mortgage Corporation Discount Note in the face amount of \$2,282,000. This investment relates to the 2006A Transportation System Revenue Bonds. The investment matures on 11/17/2015. Earnings on this investment are restricted to the bond yield of 4.783034%. This investment is timed to mature within 30 days of the optional redemption date of the 2006A Transportation System Revenue Bonds of November 1, 2015.

The Authority also has two investments in United States Treasury Notes in the face amount totaling \$11,155,000. These investments relate to the 2012 and 2012A Transportation System Revenue Refunding Bonds. These investments mature on 8/15/2022. Earnings on these investments are restricted to the bond yield of 3.0084411% and 3.2086300%, respectively.

3. ACCOUNTS RECEIVABLE

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

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

3. ACCOUNTS RECEIVABLE (CONTINUED)

	<u>2013</u>	<u>2012</u>
Unrestricted:		
Airport user fees	\$ 768,481	\$ 870,176
Transportation services user fees	436,528	522,522
EZ-Pass toll revenue receivables	1,117,369	1,230,629
Casino Reinvestment Development Authority	1,145,007	386,136
Billboard lease receivable	221,761	258,073
Other expressway user fees	396,160	428,039
Gross receivables	<u>4,085,306</u>	<u>3,695,575</u>
Less: Allowance for Uncollectibles	<u>(180,576)</u>	<u>(151,875)</u>
Net total Unrestricted Receivables	<u>\$ 3,904,730</u>	<u>\$ 3,543,700</u>

	<u>2013</u>	<u>2012</u>
Restricted:		
New Jersey DOT-South Inlet Project	\$ 13,235,000	\$ 14,815,000
Casino Reinvestment Development Authority	6,214	281,830
Total Restricted Receivables	<u>\$ 13,241,214</u>	<u>\$ 15,096,830</u>

The receivable from the New Jersey Department of Transportation represents the unpaid principal portion of the \$17,000,000 originally borrowed from the Authority for the South Inlet Transportation Improvements Program (See Footnote #27 for additional information).

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

4. CAPITAL ASSETS

Capital assets for the year ended December 31, 2013, were as follows:

	December 31, <u>2012</u>	<u>Additions</u>	Transfers to Completed/ <u>Deletions</u>	December 31, <u>2013</u>
Capital Assets not being Depreciated:				
Land	\$ 146,921,643	\$ -	\$ -	\$ 146,921,643
Construction in Progress	82,328,814	23,023,263	(29,025,939)	76,326,138
Total Capital Assets not being Depreciated	<u>229,250,457</u>	<u>23,023,263</u>	<u>(29,025,939)</u>	<u>223,247,781</u>
Non-Infrastructure Capital Assets:				
Electronic Toll Equipment	8,950,268			8,950,268
Buildings and Equipment	122,623,786	31,165,441	(802,790)	152,986,437
Total Non-Infrastructure Capital Assets	<u>131,574,054</u>	<u>31,165,441</u>	<u>(802,790)</u>	<u>161,936,705</u>
Infrastructure Capital Assets:				
Infrastructure Equipment	19,054,927	2,082,931	(15,258)	21,122,600
Infrastructure	520,695,697	12,115,056		532,810,753
	<u>539,750,624</u>	<u>14,197,987</u>	<u>(15,258)</u>	<u>553,933,353</u>
Less:				
Accumulated Depreciation	(237,720,594)	(26,009,575)	790,174	(262,939,995)
Total Capital Assets	<u>\$ 662,854,541</u>	<u>\$ 42,377,116</u>	<u>\$ (29,053,813)</u>	<u>\$ 676,177,844</u>

5. CAPITAL CONTRIBUTIONS

The Authority received Capital Contributions totaling \$6,267,000 in 2013. These contributions are detailed as follows:

<u>Source</u>	<u>2013</u>	<u>2012</u>
Federal Aviation Administration	\$ 3,609,487	\$ 10,675,486
Passenger Facility Charges (PFC's)	1,937,931	6,660,881
New Jersey Air National Guard	-	7,185
FEMA Grant Reimbursement	11,882	180,496
Customer Facility Charges (CFC's)	38,465	200,000
Casino Reinvestment Development Authority	501,175	2,037,360
Miscellaneous	168,060	-
	<u>\$ 6,267,000</u>	<u>\$ 19,761,408</u>

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

5. CAPITAL CONTRIBUTIONS (CONTINUED)

The capital funding the Authority receives from the United States Department of Transportation Federal Aviation Administration ("FAA") and the State of New Jersey Transportation Trust Fund, 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 has been approved by the Federal Aviation Administration ("FAA") to impose a Passenger Facility Charge ("PFC") of \$4.50 on passengers enplaned at the Atlantic City International Airport. PFC collections, including any interest earned after such collections, may be used only to finance the allowable costs of approved projects at the Airport. PFC collections are classified as PFC Advanced until allowable costs are incurred. The Authority collected \$2,532,738 in PFC fees during 2013. The balance of PFC Advance at December 31, 2013 was \$1,489,733. At the time costs are incurred, the associated PFC revenues are recognized as Capital Contributions. The Authority recognized \$1,937,931 in PFC Capital Contributions in 2013.

As part of the Airport Development Plan, the Authority desired to relocate the car rental operations at Atlantic City International Airport ("Airport") into the parking garage subject to the private use limitations set forth in the indenture related to the financing of the construction of the parking garage. These improvements in the construction of the parking garage will directly benefit the rental car companies

During 2007, the Authority executed an agreement with rental car companies at the Airport increasing the Customer Facility Charge ("CFC") from \$1.50 per vehicle, per day, to \$3.00 per vehicle, per day. These charges, along with any interest earned on cash balances, are dedicated to the improvements in the construction of the parking garage associated with rental cars. CFC collections are classified as CFC Advanced until allowable costs are incurred. At the time costs are incurred, the associated CFC revenues are recognized as Capital Contributions. The Authority collected CFC fees in the amounts of \$366,627 and \$411,414 during 2013 and 2012, respectively. During 2013, the Authority recognized revenue of \$38,465 versus \$200,000 in 2012. Through December 31, 2013, the authority has recognized CFC revenue in the amount of \$1,725,629.

6. COMMITMENTS AND CONTINGENCIES

- A. The Authority recognizes expenses when they are incurred. Commitments do not constitute expenses or liabilities; they relate to unperformed contracts for goods or services. As of December 31, 2013, commitments for projects in progress was \$27,567,352.
- 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. Public liability claim exposures are self-insured by the Authority. The Authority self-insures the initial retention limit of \$200,000, per occurrence, after which exists \$15,000,000 of excess liability insurance per occurrence to respond to any large losses exceeding the retention.

The Authority is a defendant in a number of claims and suits resulting from motor vehicle accidents on Authority roadways. The Authority plans to vigorously defend these claims. Two (2) cases that have been assessed where losses could be reasonably possible are described below:

- (d) A motor vehicle accident that, if 100% liability is found against the Authority, the damages of which may approach the claim retention limit of \$200,000.
 - (e) A multi-vehicle accident, that if liability is found against the Authority it could also result in damages to the Authority that would be up to the retention limit of the current insurance policy
- 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

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

6. COMMITMENTS AND CONTINGENCIES (CONTINUED)

and require repayment to the grantor agency.

As of December 31, 2013, the Authority has recorded a liability for a pending lawsuit in the amount of \$250,000.

7. ACCOUNTS PAYABLE

Accounts payable consists of liabilities payable from unrestricted and restricted assets. The following provides a summary of the amounts of accounts payable at December 31, 2013:

	<u>2013</u>	<u>2012</u>
Unrestricted:		
Electronic Toll Collection Expense	\$ 396,095	\$ 1,104,522
State and Local Police Expense	2,394,264	1,255,083
Payroll Liabilities	169,953	164,034
Airport	2,382,946	2,127,543
SJTPO	162,682	100,068
Contingent Liabilities-Lawsuit	250,000	-
Expressway Operating Expenses	1,801,416	2,245,147
	<u>\$ 7,557,356</u>	<u>\$ 6,996,397</u>
Restricted:		
Apron Expansion	\$ 5,478	\$ 490,276
E-ZPass Electronic Tolls	3,235,901	1,498,604
Bond Issue Costs	-	124,960
Roadway Maintenance/Facility Improvements	748,375	595,992
Mitigation and Security Fencing	227,412	653,328
Letter of Credit Fees	-	281,795
Airport Rescue and Firefighting Station (ARFF)	-	346,560
Other Airport Improvements	426,879	958,472
	<u>\$ 4,644,045</u>	<u>\$ 4,949,987</u>

8. BONDS AND NOTES PAYABLE

As of December 31, 2013, the outstanding bonds payable balance has been offset with unamortized bond discounts in the amount of \$2,330,067, and increased by the unamortized bond premium of \$14,316,313.

Transportation System Revenue Refunding Bonds, Series 2012

In June, the Authority refunded a portion of certain maturities of its outstanding 1999 Series Bonds by issuing \$25,680,000 of Series 2012 Transportation System Revenue Refunding Bonds to achieve a reduction in debt service. Proceeds from the 2012 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. As a result of the defeasance, the Authority reduced its total debt service requirements by \$4,568,985 which resulted in net present value savings in the amount of \$3,654,068.

Optional Redemption

The 2012 Senior Bonds are not subject to optional redemption prior to maturity.

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

8. BONDS AND NOTES PAYABLE (CONTINUED)

Transportation System Revenue Refunding Bonds, Series 2012A

In October, the Authority refunded the remaining portion of certain maturities of its outstanding 1999 Series Bonds by issuing \$76,780,000 of Series 2012A Transportation System Revenue Refunding Bonds to achieve a reduction in debt service. Proceeds from the 2012A 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. As a result of the defeasance, the Authority reduced its total debt service requirements by \$11,437,611, which resulted in net present value savings in the amount of \$7,488,864.

Transportation System Revenue Bonds 2009

On August 4, 2009, the Authority issued (i) \$62,015,000 Transportation System Revenue Bonds, 2009 Series A-1 ("2009 A-1 Senior Bonds"), \$38,995,000 Transportation System Revenue Bonds, 2009 Series A-2 ("2009 A-2 Senior Bonds"), and \$96,260,000 Transportation System Revenue Bonds, 2009 Series A-5 (Federally Taxable – Issuer Subsidy – Build America Bonds) ("2009 Taxable Senior Bonds" and together with the 2009 A-1 Senior Bonds and the 2009 A-2 Senior Bonds, the "2009 Fixed Rate Senior Bonds") and (ii) \$19,085,000 Subordinated Bonds, 2009 Series A ("2009 Subordinated Bonds" and together with the 2009 A-1 Senior Bonds and the 2009 A-2 Senior Bonds, the "2009 Tax-Exempt Fixed Rate Bonds"). Simultaneously with the issuance and delivery of the 2009 Fixed Rate Bonds, the Authority issued its \$44,000,000 Variable Rate Transportation System Revenue Bonds, 2009 Series A-3 ("2009 A-3 Senior Bonds") and \$43,795,000 Variable Rate Transportation System Revenue Bonds, 2009 Series A-4 ("2009 A-4 Senior Bonds" and together with the 2009 A-3 Senior Bonds, the "2009 Variable Rate Senior Bonds"), which are a letter of credit supported variable rate bonds.

The proceeds of the 2009 Senior Bonds, together with other available Authority funds, will be used to finance (i) certain Expressway Projects ("Pledged Projects") and Airport Projects ("General Projects") contained in the Authority's ten-year Capital Program; (ii) the funding of an amount required to increase the amount on deposit in the Debt Service Reserve Fund to the Debt Service Reserve Requirement; (iii) the current refunding of all of the Authority's outstanding 2007 Taxable Notes and 2009 Notes (each as hereinafter defined); (iv) the current refunding of a portion of the Authority's Outstanding 1999 Bonds; and (v) the payment of certain costs of issuing the 2009 Senior Bonds.

Transportation System Revenue Bonds 2009

The proceeds of the 2009 Subordinated Bonds will be used to finance (i) a portion of the Costs of the South Inlet Transportation Improvements Project; (ii) the funding of an amount required to increase the amount on deposit in the Subordinated Bonds Debt Service Reserve Fund to the Subordinated Bonds Debt Service Reserve Requirement; and (iii) the payment of certain costs of issuing the 2009 Subordinated Bonds. The Authority has elected to issue the 2009 Taxable Senior Bonds as "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 and to receive a cash subsidy from the United States Treasury equal to 35% of the interest payable on the 2009 Taxable Senior Bonds.

Transportation System Revenue Bonds, Series 2009 A-1

On August 4, 2009, the Authority issued (i) \$62,015,000 of Transportation System Revenue Bonds. The proceeds of the 2009 A-1 Senior Bonds were used to (i) current refund a portion of the Outstanding 1999 Bonds maturing on November 1 in the years 2011 through and including 2019 in the aggregate principal amount of \$61,625,000; and (ii) pay certain costs of issuing the 2009 A-1 Senior Bonds. The Senior Bonds bear interest at rates between 3.0% and 5.0%. Interest is payable semi-annually on May 1 and November 1 of each year until maturity.

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

8. BONDS AND NOTES PAYABLE (CONTINUED)

Optional Redemption

The 2009 A-1 Senior Bonds are not subject to optional redemption prior to maturity.

Transportation System Revenue Bonds, Series 2009 A-2

On August 4, 2009, the Authority issued \$38,995,000 of Transportation System Revenue Bonds. The proceeds of the 2009 A-2 Senior Bonds were used to (i) pay the costs of the 2009 Airport Project consisting of, among other things, Federal Inspection Service Facility expansion, Airport terminal and apron expansion, and design and construction of an Airport Rescue and Fire Fighting Station and; (ii) current refund the portion of the 2009 Notes which financed the Airport Rescue and Fire Fighting Station for the Airport's emergency personnel; (iii) fund the amount required to increase the amount on deposit in the Debt Service Reserve Fund to the Debt Service Reserve Requirements and; (iv) pay certain costs of issuing the 2009 A-2 Senior Bonds. The 2009 A-2 Senior Bonds bear interest at rates between 3.0% and 5.125%. Interest is payable semi-annually on May 1 and November 1 of each year until maturity.

Optional Redemption

The 2009 A-2 Senior Bonds maturing prior to November 1, 2020 are not subject to optional redemption prior to maturity. The 2009 A-2 Senior Bonds maturing on or after November 1, 2020 are subject to redemption prior to maturity on or after November 1, 2019, at the option of the Authority, in whole or in part at any time or from time to time at 100% of the principal amount thereof, together with accrued interest to the date of redemption.

Mandatory Sinking Fund Redemption

The 2009 A-2 Senior Bonds maturing on November 1, 2033 shall be subject to mandatory sinking fund redemption as hereinafter described, at a redemption price equal to 100% of the principal amount to be redeemed, plus interest accrued to the redemption date. The mandatory sinking fund redemption payments shall be sufficient to redeem the principal amount of the 2009 A-2 Senior Bonds on November 1 in each of the years and in the principal amounts as follows:

<u>Year</u> <u>November 1</u>	<u>Interest</u> <u>Rate</u>	<u>Principal</u> <u>Amount</u>
2030	5.50%	\$ 5,405,000
2031	5.50%	5,680,000
2032	5.50%	5,960,000
2033 *	5.50%	865,000

* Final Maturity

Transportation System Revenue Bonds, Series 2009 A-5

Federally Taxable – Issuer Subsidy- Build America Bonds

On August 4, 2009, the Authority issued \$96,260,000 of Transportation System Revenue Bonds, 2009 Series A-5, Federally Taxable-Issuer Subsidy - Build America Bonds. The proceeds of the 2009 A-5 Taxable Senior Bonds were used to (i) pay a portion of the costs of the 2009 Expressway Project consisting of, among other things, westbound third lane widening, bridge rehabilitation and repair, electronic toll collection upgrades, and pavement overlay; (ii) fund the amount required to increase the amount on deposit in the Debt Service Reserve Fund to the Debt Service Reserve Requirements and; (iii) pay certain costs of issuing the 2009 A-5 Taxable Senior Bonds.

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

8. BONDS AND NOTES PAYABLE (CONTINUED)

The 2009 Taxable Senior Bonds have been issued as taxable, Build America Bonds as authorized by The American Recovery and Reinvestment Act of 2009 signed into law by President Obama on February 17, 2009 ("Recovery Act"). Pursuant to the Recovery Act, the Authority will receive cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the 2009 Taxable Senior Bonds. The cash subsidy payments received are treated as an offset to interest expense pursuant to the Third Amended and Restated Resolution. During 2013, the Authority received \$2,170,880. Through December 31, 2013, the Authority has received a total of \$10,179,930 in cash subsidy payments from the United States Treasury.

Redemption – 2009 Taxable Senior Bonds

Make Whole Redemption

The 2009 Taxable Senior Bonds are subject to redemption prior to maturity by written direction of the Authority, in whole or in part, on any Business Day at the "Make-Whole Redemption Price". The "Make-Whole Redemption Price" is the greater of (i) 100% of the principal amount of the 2009 Taxable Senior Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the 2009 Taxable Senior Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2009 Taxable Senior Bonds are to be redeemed, discounted to the date on which the 2009 Taxable Senior Bonds are to be redeemed on a semi-annual basis, at the adjusted "Treasury Rate" plus 40 basis points, plus, in each case, accrued and unpaid interest on the 2009 Taxable Senior Bonds to be redeemed on the redemption date.

The "Treasury Rate" is, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity that has become publicly available at least two (2) Business Days prior to the redemption date most clearly equal to the period from the redemption date to the maturity date of the 2009 Taxable Senior Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one (1) year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one (1) year will be used.

Extraordinary Optional Redemption

The 2009 Taxable Senior Bonds are subject to redemption prior to maturity at the option of the Authority, in whole or in part upon the occurrence of an Extraordinary Event, at a redemption price equal to the greater of: (1) 100% of the principal amount of the 2009 Taxable Senior Bonds to be redeemed; and (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the 2009 Taxable Senior Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2009 Taxable Senior Bonds are to be redeemed, discounted to the date on which the 2009 Taxable Senior Bonds are to be redeemed on a semi-annual basis, at the Treasury Rate, plus 100 basis points; plus, in each case, accrued interest on the 2009 Taxable Senior Bonds to be redeemed at the redemption date. An "Extraordinary Event" will have occurred if a material adverse change has occurred to Section 54AA or 6431 of the Code pursuant to which the Authority's 35% cash subsidy payment from the United States Treasury is reduced or eliminated.

Mandatory Sinking Fund Redemption

The 2009 Taxable Senior Bonds maturing on November 1, 2038 shall be subject to mandatory sinking fund redemption as hereinafter described, at a redemption price equal to 100% of the principal amount to be redeemed, plus interest accrued to the redemption date. The mandatory sinking fund redemption payments shall be sufficient to redeem the principal amount of the 2009 Taxable Senior Bonds on November 1 in each of the years and in the principal amounts as follows:

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

8. BONDS AND NOTES PAYABLE (CONTINUED)

<u>Year</u> <u>November 1</u>	<u>Principal</u> <u>Amount</u>
2030	\$ 5,460,000
2031	5,725,000
2032	6,020,000
2033	11,710,000
2034	12,775,000
2035	13,375,000
2036	19,555,000
2037	19,725,000
2038 *	1,915,000

* Final Maturity

2009 Subordinated Bonds, Series A

On August 4, 2009, the Authority issued 2009 Subordinated Bonds in the principal amount of \$19,085,000. The proceeds were used to finance (i) the payment of New Jersey Department of Transportation's ("NJDOT") share in the amount of \$17,000,000 of the costs of construction of certain road improvements ("NJDOT's Construction Portion") to be undertaken on certain "feeder roads" located in Atlantic City that will maintain, operate and support Expressway Projects of the Authority, (collectively, the "South Inlet Transportation Improvements Project"); (ii) the funding of an amount required to increase the amount on deposit in the Subordinated Bonds Debt Service Reserve Fund to the Subordinated Bonds Debt Service Reserve Requirements; and (iii) the payment of costs of issuing the 2009 Subordinated Bonds.

Interest on the 2009 Subordinated Bonds, Series A is payable on May 1 and November 1 of each year until maturity or earlier redemption.

Optional Redemption

The 2009 Subordinated Bonds maturing prior to November 1, 2020 are not subject to optional redemption prior to maturity. The 2009 Subordinated Bonds maturing on or after November 1, 2020 are subject to redemption prior to maturity on or after November 1, 2019, at the option of the Authority, in whole or in part (and if in part, by lot) at any time or from time to time at 100% of the principal amount thereof, together with accrued interest to the date of redemption or acceleration thereof, commencing November 1, 2009.

Variable Rate Transportation System Revenue Bonds, 2009 Series A-3

2009 Variable Rate Senior Bonds

The proceeds of the 2009 Variable Rate Senior Bonds will be used to (i) finance a portion of the costs of the 2009 Expressway Project consisting of, among other things, westbound third lane widening, bridge rehabilitation and repair, electronic toll collection upgrades, and pavement overlay; (ii) current refund all of the 2007 Taxable Notes and the portion of the 2009 Notes which financed certain Expressway Projects, together with interest due thereon (iii) fund the amount required to increase the amount on deposit in the Debt Service Reserve Fund to the Debt Service Reserve Requirement; and (iv) pay certain costs of issuing the 2009 Variable Rate Senior Bonds.

2009 A-3 Senior Bonds

The principal of, Redemption Price, if any, and interest on, the 2009 Series A-3 Senior Bonds tendered for purchase and not otherwise remarketed, when due, are payable from an irrevocable direct-pay Letter of Credit ("2009 A-3 Senior Bonds Letter of Credit") issued by Wells Fargo Bank, N.A., effective April 1, 2011. The 2009 Series A-3 Senior Bonds were originally secured by a direct-pay Letter of Credit issued by Bank of America, N.A.

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

8. BONDS AND NOTES PAYABLE (CONTINUED)

that had a stated expiration date of August 4, 2011. The 2009 A-3 Senior Bonds Letter of Credit was extended in March 2013 and will terminate on December 31, 2014.

The 2009 A-3 Senior Bonds Letter of Credit is issued pursuant to a Reimbursement Agreement, dated as of April 1, 2011 ("2009 A-3 Senior Bonds Letter of Credit Reimbursement Agreement"), between the Authority and Wells Fargo Bank, N.A. All payment and reimbursement obligations of the Authority under the 2009 A-3 Senior Bonds Letter of Credit Reimbursement Agreement in connection with drawings under the 2009 A-3 Senior Bonds Letter of Credit constitute Credit Facility Reimbursement Obligations for purposes of the Senior Resolution.

The 2009 A-3 Senior Bonds Letter of Credit obligates the 2009 A-3 Senior Bonds Credit Issuer to pay to the Trustee, upon drawings by the Trustee pursuant to the terms and conditions thereof, up to (a) an amount equal to the outstanding principal amount of the 2009 A-3 Senior Bonds to pay (i) the principal amount of the 2009 A-3 Senior Bonds when due at maturity, upon redemption, a purchase in lieu of redemption or acceleration, and (ii) the portion of the Purchase Price of 2009 A-3 Senior Bonds tendered by the owners thereof and not remarketed equal to the principal amount of such 2009 A-3 Senior Bonds, plus (b) an amount equal to 44 days interest on the 2009 A-3 Senior Bonds at the Maximum Rate of 15.0% per annum (calculated on the basis of a 365 day year) to pay (i) interest on the 2009 A-3 Senior Bonds when due, and (ii) the portion of the Purchase Price of 2009 A-3 Senior Bonds tendered by the owners thereof and not remarketed equal to the accrued interest on such 2009 A-3 Senior Bonds.

2009 A-4 Senior Bonds

The principal of, Redemption Price, if any, and interest on, the 2009 Series A-4 Senior Bonds tendered for purchase and not otherwise remarketed, when due, are payable from an irrevocable direct-pay Letter of Credit ("2009 A-4 Senior Bonds Letter of Credit"; and together with the 2009 A-3 Senior Bonds Letter of Credit, the "Letters of Credit") issued by Wachovia Bank, National Association ("2009 A-4 Senior Bonds Credit Issuer"; and together with the 2009 A-3 Senior Bonds Credit Issuer, the "Credit Issuers"), in favor of the Trustee. On April 1, 2011, prior to the August 4, 2011 termination date, the Authority negotiated with Wachovia Bank, NA/Wells Fargo for an extension of the existing 2009 A-4 Senior Bonds Letter of Credit. This 2009 A-4 Senior Bond Letter of Credit will terminate on April 1, 2013 ("2009 A-4 Senior Bonds Stated Expiration Date"). The Senior Bonds Letter of Credit was extended in March 2013 and will terminate on December 31, 2014. The 2009 A-4 Senior Bonds Letter of Credit is issued pursuant to a Reimbursement Agreement, dated as of August 1, 2009 ("2009 A-4 Senior Bonds Reimbursement Agreement"; and together with the 2009 A-3 Senior Bonds Reimbursement Agreement, the "Reimbursement Agreements"), between the Authority and the 2009 A-4 Senior Bonds Credit Issuer. The 2009 A-4 Senior Bonds Letter of Credit is the initial Credit Facility for the 2009 A-4 Senior Bonds. All payment and reimbursement obligations of the Authority under the 2009 A-4 Senior Bonds Reimbursement Agreement in connection with drawings under the 2009 A-4 Senior Bonds Letter of Credit constitute Credit Facility Reimbursement Obligations for purposes of the Senior Resolution.

The 2009 A-4 Senior Bonds Letter of Credit obligates the 2009 A-4 Senior Bonds Credit Issuer to pay to the Trustee, upon drawings by the Trustee pursuant to the terms and conditions thereof, up to (a) an amount equal to the outstanding principal amount of the 2009 A-4 Senior Bonds to pay (i) the principal amount of the 2009 A-4 Senior Bonds when due at maturity, upon redemption, a purchase in lieu of redemption or acceleration, and (ii) the portion of the Purchase Price of 2009 A-4 Senior Bonds tendered by the owners thereof and not remarketed equal to the principal amount of such 2009 A-4 Senior Bonds, plus (b) an amount equal to 44 days interest on the 2009 A-4 Senior Bonds at the Maximum Rate of 15.0% per annum (calculated on the basis of a 365 day year) to pay (i) interest on the 2009 A-4 Senior Bonds when due, and (ii) the portion of the Purchase Price of 2009 A-4

Senior Bonds tendered by the owners thereof and not remarketed equal to the accrued interest on such 2009 A-4 Senior Bonds.

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

8. BONDS AND NOTES PAYABLE (CONTINUED)

Remarketing Agreements

The Remarketing Agent for the 2009 A-3 Senior Bonds was Merrill Lynch, Pierce, Fenner & Smith Incorporated, and the Remarketing Agent for the 2009 A-4 Senior Bonds was Wells Fargo Bank, National Association.

The 2009 Variable Rate Senior Bonds

While in the Weekly Mode, interest on the 2009 Variable Rate Senior Bonds shall be payable on (i) a monthly basis on the first Business Day of each month commencing on September 1, 2009, (ii) any Mode Change Date, and (iii) the respective Maturity Dates of each Series of the 2009 Variable Rate Senior Bonds. At the option of the Authority and, upon satisfaction of certain conditions set forth in the Senior Resolution, each Series of the 2009 Variable Rate Senior Bonds may be (a) converted or reconverted to or from the Daily Mode, Commercial Paper Mode, Weekly Mode, R-FLOATs Mode or Term Rate Mode, or (b) converted to the Fixed Rate Mode, Indexed Mode or Stepped Coupon Mode.

Redemption Provisions

The 2009 Variable Rate Senior Bonds are subject to redemption and purchase in lieu of redemption as set forth below. All redemptions should be in integral multiples of the Authorized Denominations.

Optional Redemption of 2009 Variable Rate Senior Bonds in the Daily Mode or the Weekly Mode.

Each Series of the 2009 Variable Rate Senior Bonds while in the Daily Mode or the Weekly Mode are subject to redemption prior to their respective stated Maturity Dates, at the option of the Authority and with the consent of the 2009 A-3 Senior Bonds Credit Issuer or the 2009 A-4 Senior Bonds Credit Issuer, as applicable, in whole on any date or in part on any Interest Payment Date at a Redemption Price equal to the principal amount of 2009 Variable Rate Senior Bonds called for redemption, without premium, plus accrued interest to the date of redemption, *provided, however*, if the Authority optionally redeems 2009 Variable Rate Senior Bonds as a result of all or a substantial portion of the Project being damaged or destroyed by fire or other casualty, or as a result of condemnation or taking for any public or quasi-public use by any governmental entity exercising or threatening the exercise of the power of eminent domain, the 2009 Variable Rate Senior Bonds may only be redeemed with the proceeds of the insurance or condemnation or as otherwise provided under the Senior Resolution and not with the proceeds of a Redemption Drawing.

Mandatory Sinking Fund Redemption.

The 2009 Variable Rate Senior Bonds A-3 and A-4 are also subject to mandatory sinking fund redemption prior to their stated Maturity Date, in part, from Mandatory Sinking Account Payments on November 1 of each of the years set forth below, at a redemption price equal to 100% of the principal amounts to be redeemed as set forth below, together with interest accrued thereon to the date fixed for redemption, without premium as follows:

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8. BONDS AND NOTES PAYABLE (CONTINUED)

2009 Variable Rate Senior Bonds A-3

2009 A-3 Senior Bonds

<u>Year</u> <u>November 1</u>	<u>Principal</u> <u>Amount</u>	<u>Year</u> <u>November 1</u>	<u>Principal</u> <u>Amount</u>
2014	\$ 225,000	2027	\$ 750,000
2015	425,000	2028	785,000
2016	445,000	2029	825,000
2017	470,000	2030	865,000
2018	490,000	2031	905,000
2019	515,000	2032	950,000
2020	540,000	2033	995,000
2021	565,000	2034	1,235,000
2022	595,000	2035	1,285,000
2023	620,000	2036	1,540,000
2024	650,000	2037	1,800,000

2009 Variable Rate Senior Bonds A-4

2009 A-4 Senior Bonds

<u>Year</u> <u>November 1</u>	<u>Principal</u> <u>Amount</u>	<u>Year</u> <u>November 1</u>	<u>Principal</u> <u>Amount</u>
2014	\$ 225,000	2027	\$ 750,000
2015	420,000	2028	785,000
2016	445,000	2029	820,000
2017	465,000	2030	860,000
2018	490,000	2031	905,000
2019	510,000	2032	945,000
2020	535,000	2033	995,000
2021	565,000	2034	1,230,000
2022	590,000	2035	1,275,000
2023	620,000	2036	1,530,000
2024	650,000	2037	1,795,000
2025	680,000	2038	11,030,000
2026	715,000	2039	13,515,000

2009 Variable Rate Senior Bonds A-4

The Authority may purchase, at a price not to exceed par plus accrued interest, any 2009 Variable Rate Senior Bonds subject to redemption from Mandatory Sinking Account Payments and tender such 2009 Variable Rate Senior Bonds to the Trustee in satisfaction of the required Mandatory Sinking Account Payments referred to in the table above.

Purchase in Lieu of Redemption

Whenever 2009 Variable Rate Senior Bonds are subject to redemption, they may instead be purchased at the option of the Authority (with the consent of the Credit Issuer, if applicable) at a purchase price equal to the Redemption Price. The Authority shall give written notice thereof and of the 2009 Variable Rate Senior Bonds of the maturity to be so purchased to the Trustee. Promptly thereafter, the Trustee shall give notice of the purchase of such 2009 Variable Rate Senior Bonds at the times and in the manner as for giving notice of redemption. The

South Jersey Transportation Authority
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8. BONDS AND NOTES PAYABLE (CONTINUED)

Trustee shall not give such notice unless prior to the date such notice is given, the Authority has caused to be delivered to the Trustee the written consent to such purchase of the Authority. All such purchases may be subject to conditions to the Authority's obligation to purchase such 2009 Variable Rate Senior Bonds and shall be subject to the condition that money for the payment of the purchase price therefor is available on the date set for such purchase.

If sufficient money to pay the purchase price of such 2009 Variable Rate Senior Bonds is held by the Trustee, the purchase price of the 2009 Variable Rate Senior Bonds or portions thereof so called for purchase shall become due and payable on the date set for purchase, upon presentation and surrender of such 2009 Variable Rate Senior Bonds (other than Book Entry 2009 Variable Rate Senior Bonds) to be purchased at the office or offices specified in such notice, and, in the case of 2009 Variable Rate Senior Bonds presented by other than the Owner, together with a written instrument of transfer duly executed by the Owner or his duly authorized attorney. Payment of the purchase price of such 2009 Variable Rate Senior Bonds shall be made, upon the request of the Owner of one million dollars (\$1,000,000) or more in principal amount of 2009 Variable Rate Senior Bonds to be so purchased, by wire transfer to such Owner at the wire transfer address in the continental United States to which such Owner has prior to the purchase date directed in writing the Trustee to wire such purchase price. No purchased 2009 Variable Rate Senior Bond shall be considered to be no longer outstanding by virtue of its purchase and each such purchased 2009 Variable Rate Senior Bond that is not a Book Entry 2009 Variable Rate Senior Bond shall be registered in the name or at the direction of the Authority.

Selection of 2009 Variable Rate Senior Bonds for Redemption.

Whenever provision is made in the 2009 Series Resolution for the redemption of less than all of the 2009 Variable Rate Senior Bonds of a Series or any given portion thereof, subject to Section 4.01 thereof, the Trustee shall select the 2009 Variable Rate Senior Bonds of such Series to be redeemed, in the authorized denominations specified in Section 3.02 thereof, by lot, in any manner which the Trustee in its sole discretion shall deem appropriate and fair; provided, however, that Liquidity Facility 2009 Variable Rate Senior Bonds of such Series shall be redeemed prior to any other 2009 Variable Rate Senior Bonds of such Series. The Trustee shall promptly notify the Authority in writing of any redemption of the 2009 Variable Rate Senior Bonds or portions thereof so selected for redemption. The selection of 2009 Variable Rate Senior Bonds shall be at such time as determined by the Trustee.

Notice of Redemption.

Notice of redemption shall be mailed by first-class mail by the Trustee, not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption, to the Liquidity Facility Provider (if any), the Credit Issuer (if any), the Remarketing Agent, the Rating Agencies then rating the 2009 Variable Rate Senior Bonds and to the respective Holders of any 2009 Variable Rate Senior Bonds designated for redemption at their addresses appearing on the 2009 Variable Rate Senior Bond registration books of the Trustee. Each notice of redemption shall state the date of such notice, the date of delivery and Series designation of the 2009 Variable Rate Senior Bonds, the date fixed for redemption, the Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the 2009 Variable Rate Senior Bonds, to be redeemed and, in the case of 2009 Variable Rate Senior Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed.

Each such notice shall also state that on said date there will become due and payable on each of said 2009 Variable Rate Senior Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a 2009 Variable Rate Senior Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, and that from and after such date, interest on such 2009

Variable Rate Senior Bond shall cease to accrue, and shall require that such 2009 Variable Rate Senior Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice.

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

8. BONDS AND NOTES PAYABLE (CONTINUED)

2006 Series A Transportation System Revenue Bonds

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

Optional Redemption

The 2006 Series A Bonds will be subject to redemption prior to their stated maturity date at the option of the Authority, on any date on or after November 1, 2015, either in whole or in part by lot, at a redemption price of one hundred percent (100%) of the principal amount thereof, without premium, plus accrued interest thereon to the date fixed for redemption. In the event of any optional redemption of the 2006 Series A Bonds in part, the amount

of 2006 Series A Bonds redeemed shall be credited against the remaining Sinking Fund Installments thereafter to become due in such years and amounts as shall be determined by the Authority in its discretion.

Mandatory Sinking Fund Redemption

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

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

2004 Series A Transportation System Revenue Bonds

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

2004 Series A Transportation System Revenue Bonds

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.

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

8. BONDS AND NOTES PAYABLE (CONTINUED)

2004 Series A Transportation System Revenue Bonds (Continued)

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

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

<u>Year Due 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

Sources of Payment and Security for Bonds and Subordinated Indebtedness

The Bond Resolution provides that, subject only to the rights of the Authority to apply amounts for Operating Expenses of Pledged Projects, the Revenues of the Transportation System (excluding Airport Revenues), all Scheduled Counterparty Payments, all Government Direct Subsidies and any moneys, other than the foregoing, received by the Authority from any other source for operating, maintaining, or repairing the Transportation System are pledged on a senior lien basis to secure the payment of Bonds issued under the Resolution, Qualified Swap Obligations, if any, and Credit Facility Reimbursement Obligations, if any.

In addition to the foregoing, the 2006 Bonds and the 2009 A-2 Senior Bonds are also payable from and secured by a lien on and pledge of the Authority's Airport Revenues.

Subordinated Indebtedness issued pursuant to the provisions of the Resolution are not Bonds within the meaning of the Resolution and are secured solely by amounts in the Subordinated Debt Fund or the General Reserve Fund, subject to the provisions of the Resolution requiring prior application of amounts in such Funds to other purposes, including, but not limited to, the payment of Debt Service on Bonds issued under the Resolution, Qualified Swap Obligations, if any, and Credit Facility Reimbursement Obligations.

Re-designation of Projects

The Third Amended and Restated Resolution permits the Authority to re-designate all or a portion of a Series of Bonds, originally issued to pay all or a portion of the Costs of a Pledged Project pursuant to Section 2.05 of the Third Amended and Restated Resolution, as "Airport Bonds" (which are additionally secured by Airport

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

8. BONDS AND NOTES PAYABLE (CONTINUED)

Revenues) pursuant to Section 2.12 of the Third Amended and Restated Resolution and to use the proceeds of such re-designated Airport Bonds to pay Costs relating to an Airport Project (such Costs being Costs of a General

Project for all purposes of the Third Amended and Restated Resolution) upon satisfaction of, among other matters, certain financial tests set forth in Section 2.06 of the Third Amended and Restated Resolution with respect to the issuance of Additional Bonds for a General Project.

On December 7, 2010, the Authority re-designated a portion of the 2009 A-3 and A-4 Senior Bonds as Airport Bonds pursuant to, and in compliance with, Section 2.12 of the Third Amended and Restated Resolution. The following table sets forth the respective annual Debt Service Requirements, following the re-designation, for (i) all senior lien Outstanding Bonds (excluding Airport Bonds); and (ii) all senior lien Airport Bonds of the Authority.

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

Bonds Payable:

Calendar Year	Non-Airport		Airport		Total
	Principal	Interest *	Principal	Interest *	
2014	\$ 8,770,000	17,471,807	1,130,000	4,761,790	\$ 32,133,597
2015	9,455,000	17,116,419	1,235,000	4,723,790	32,530,209
2016	9,830,000	16,724,084	1,430,000	4,678,265	32,662,349
2017	10,315,000	16,239,444	1,500,000	4,622,385	32,676,829
2018	10,740,000	15,805,744	1,565,000	4,560,405	32,671,149
2019-2023	57,785,000	71,534,935	7,360,000	21,782,518	158,462,453
2024-2028	72,435,000	55,813,743	7,085,000	20,000,344	155,334,087
2029-2033	55,735,000	38,945,991	50,255,000	14,800,644	159,736,635
2034-2039	120,940,000	24,051,619	27,470,000	3,466,155	175,927,774
	<u>\$ 356,005,000</u>	<u>\$ 273,703,786</u>	<u>\$ 99,030,000</u>	<u>\$ 83,396,296</u>	<u>\$ 812,135,082</u>

* - Interest on the variable rate portion of the bonds listed above is estimated at the swap rate of 4.70% plus the letter of Credit (LOC) facility fee rate of 1.10% basis points, the current rate at December 31, 2013.

Below is a schedule reconciling the Outstanding Bond Principal to the Bonds Payable, net of Discount and Premium:

	2013	2012
Principal on Expressway Bonds	\$ 356,005,000	\$ 364,370,000
Principal on Airport Bonds	99,030,000	99,845,000
Discount on Bonds Payable	(2,330,066)	(2,444,134)
Premium on Bonds Payable	14,316,313	15,682,473
	<u>\$ 467,021,247</u>	<u>\$ 477,453,339</u>
Short Term portion of Bonds Payable	\$ 11,152,095	\$ 10,432,095
Long Term portion of Bonds Payable	455,869,152	467,021,244
	<u>\$ 467,021,247</u>	<u>\$ 477,453,339</u>

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

8. BONDS AND NOTES PAYABLE (CONTINUED)

Below is a schedule that details the outstanding bonds payable net of discount on bonds payable and premium on bonds payable:

<u>Issue</u>	<u>Principal Balance</u>	<u>Unamortized Bond Discount</u>	<u>Unamortized Bond Premium</u>	<u>Bonds net of discount and premium</u>
2004	\$ 17,930,000	\$ (76,726)		\$ 17,853,274
2006A	50,365,000	(751,542)		49,613,458
2009 A-1	46,785,000		542,340	47,327,340
2009 A-2	38,220,000	(5,263)		38,214,737
2009 A-5	96,260,000	(1,496,535)		94,763,465
2009 Sub	16,120,000		42,934	16,162,934
2009 A-3	43,550,000			43,550,000
2009 A-4	43,345,000			43,345,000
2012	25,680,000		3,520,499	29,200,499
2012A	76,780,000		10,210,540	86,990,540
	<u>\$ 455,035,000</u>	<u>\$ (2,330,066)</u>	<u>\$ 14,316,313</u>	<u>\$ 467,021,247</u>

Derivative and Hedging Activities

In May 2005, the Authority adopted a swap management policy, the purpose of which was to set forth the parameters in which interest rate swaps and other derivative financial instruments would be used to better manage its assets and liabilities. The Authority will not enter into interest rate swaps for speculative purposes. The Authority will enter into interest rate swaps only in connection with a specified bond issue. The Authority intends to execute interest rate swaps if the transaction can be expected to result in the following:

- Hedging to reduce exposure to changes in interest rates on a particular financial transaction.
- Reduction in interest rate risk in order to better manage the Authority's overall asset/liability balance.
- Obtain a lower net cost of borrowing with respect to the Authority's debt.
- Manage variable interest rate exposure consistent with prudent debt practices.
- Manage exposure to changing market conditions in advance of anticipated bond issues (through the use of anticipatory hedging instruments).
- Achieve more flexibility in meeting overall financial objectives than could be achieved in conventional markets.
- Generate cash flow through synthetic fixed rate transactions to advance fund capital projects, which will ultimately be funded through Federal, State or other grants.

The Authority uses derivative instruments in connection with its variable and fixed rate debt and/or existing derivative instruments. The derivative instruments utilized are comprised of interest rate swaps. On the date the derivative contract is entered into, the Authority designates the derivative as a hedge of a forecasted transaction or the variability of cash flows. The Authority implemented GASB Statement 53 of the Governmental Accounting Standards Board during the year ended December 31, 2010. Under GASB 53, the Authority reports derivative instruments on the Statement of Position at fair value with changes in fair value presented as deferred inflows or deferred outflows on the Statement of Position. If the derivative agreement is terminated prior to expected conclusion or if the hedge is no longer considered effective, the accumulated gains or losses will be reported on the Statement of Revenues, Expenses and Changes in Net Position. As of December 31, 2013, the Authority's interest rate swaps passed one of the established GASB 53 hedge effectiveness testing methods (dollar-offset method) and therefore are considered hedging derivatives for the year ended December 31, 2013.

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

8. BONDS AND NOTES PAYABLE (CONTINUED)

Derivative and Hedging Activities (Continued)

The total fair value balances and notional amounts of the hedging derivative instruments outstanding as of December 31, 2013 and reported as such in the 2013 financial statements are as follows:

	<u>Changes in Fair Value</u>		<u>Fair Value at December 31, 2013</u>		
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Notional</u>
Governmental activities:					
Cash flow hedges:					
Pay-fixed interest rate swaps	Deferred outflow	\$12,094,213	Debt	\$ (21,473,285)	\$ 87,795,000

Objective and Terms of Hedging Derivative Instruments

The Authority is a party to two debt-related derivative instruments described as pay-fixed interest rate swaps. As per GASB 53, the interest rate swaps ("Swaps") are considered a hedging derivative instrument. The following table presents the objective, terms and fair value of the Authority's hedging derivative instruments outstanding at December 31, 2013:

<u>Type</u>	<u>Objective</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Termination Date</u>	<u>Cash (Paid) Received *</u>	<u>Terms</u>	<u>Fair Value at 12/31/2013</u>
Pay-fixed interest rate swap	Hedge changes in cash flows on Seies 2009 A-3 and A-4 Bonds	\$52,675,000	11/1/09	11/1/29	\$5,872,000	Pay 4.70% Receive 1M LIBOR x 75%	(\$12,883,524)
Pay-fixed interest rate swap	Hedge changes in cash flows on Seies 2009 A-3 and A-4 Bonds	\$35,120,000	11/1/09	11/1/29	\$3,914,000	Receive 1M LIBOR x 75%	(\$8,589,762)

* Amount represents upfront premium paid by counterparty to Authority upon execution of swaption and fee paid by counterparty to Authority as a result of swaption exercise.

In June of 2005, the Authority entered into two (2) Swaptions with two (2) Counterparties that provided the Authority with an upfront payment of \$4,552,500 from Bank of America, N.A. and \$3,035,000 from Wachovia, N.A. (collectively, the "Premium"), net of issue costs of \$160,000. As a synthetic refunding of its 1999 Transportation System Revenue Bonds, the Premium represents the present value savings as of June 2005, of a refunding on November 1, 2009, without issuing refunding bonds as of June 2005. The proceeds of the synthetic refunding (the Premium) were used to establish a capital project revolving fund. This fund is used to advance fund capital projects, which the Authority has a reasonable expectation that it will be reimbursed with Federal, State or Other

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

8. BONDS AND NOTES PAYABLE (CONTINUED)

Objective and Terms of Hedging Derivative Instruments (Continued)

Grants. The Swaptions had given the Bank of America, N.A. and Wachovia Bank, N.A. (collectively, the "Counterparties") the option to enter into a Swap whereby they would receive fixed amounts and pay variable amounts. It was originally anticipated that if the options were exercised; the Authority would then issue variable-rate refunding bonds.

On July 1, 2009 the Counterparties exercised their one-time option to put the Authority into the Swap ("2009 Swaps"). The 2009 Swaps were effective as of November 1, 2009 and mature on November 1, 2029. As a result of the exercise of the Swaptions, the Authority received an exercise fee of \$1,319,597.52 from Bank of America, N.A. and \$879,731 from Wachovia Bank, N.A. The terms of the 2009 Swaps require the Authority to pay a fixed rate of 4.70% and receive a variable payment computed as 75 percent of the London Interbank Offered Rate (LIBOR) with a designated maturity of one month on the amortizing notional amount of \$87,795,000.

During 2009, the Authority decided to issue new money variable rate Senior Bonds rather than calling the outstanding Series 1999 bond as was originally anticipated at the time the Swaption agreement was executed. This decision allows the Authority to maintain the existing interest rate on the Series 1999 Bonds and preserves that call provision for a time when interest rate may be more favorable for an advance refunding.

On August 4, 2009, the Authority issued the 2009 Series A-3 and A-4 Variable Rate Senior Bonds, the Authority designated these Bonds as Related Bonds (as defined in the Swaptions) for purposes of the Third Amended and Restated Resolution. On the same date, pursuant to the terms of the Swaption Agreements, the Authority also received the exercise payments totaling \$2,199,328.52.

The 2009 Swaps will terminate on November 1, 2029, unless terminated sooner in whole or in part in accordance with their terms. In the event that either of the 2009 Swaps terminate prior to its stated termination date, either the Authority or the applicable Swap Provider may be required to make a termination payment to the other party. The party required to make such payment and the amount thereof will be determined by market conditions at the time of such early termination.

Counterparty Ratings

The current ratings of the counterparties are as follows as of December 31, 2013:

<u>Counterparty</u>	<u>S&P</u>	<u>Moody's</u>	<u>Fitch</u>
Bank of America	A-	A2	A
Wells Fargo	AA-	Aa3	AA-

The following table sets forth the notional amount and the outstanding principal amount as of December 31, 2013 for the swaps compared with the outstanding principal amount of the associated bonds.

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

8. BONDS AND NOTES PAYABLE (CONTINUED)

Counterparty Ratings (Continued)

<u>Counterparty</u>	<u>Associated Bond Issue</u>	<u>Outstanding Principal</u>	<u>Notional Amount</u>
Bank of America	SJTA Transportation System Revenue Bonds Series A-3	\$ 43,550,000	\$ 52,675,000
Wells Fargo	SJTA Transportation System Revenue Bonds Series A-4	43,345,000	35,120,000
	Totals	\$ 86,895,000	\$ 87,795,000

Risks Associated with the 2009 Swaps

From the Authority's perspective, the following risks are associated with 2009 Swaps:

Credit Risk – The counterparty becomes insolvent or is otherwise not be able to perform its financial obligations. In the event of deterioration in the credit ratings of the counterparty or the Authority, the swap agreement may require that collateral be posted to secure the party's obligations under the swap agreement. See "Collateralization" below. Further, ratings deterioration by either party below levels agreed to in each transaction could result in a termination event requiring a cash settlement of the future value of the transaction. See "Termination Risk" below.

The following table shows, as of December 31, 2013, the diversification, by percentage of notional amount, among the two different counterparties that have entered into ISDA Master Agreements with the Authority. The notional amount totals below include both Swaps in connection with the Authority's Variable Rate Bonds Series A-3 and A-4. The counterparties have the ratings set forth above.

<u>Counterparty</u>	<u>Notional Amount</u>	<u>% of Total Notional Amount</u>
Bank of America	\$ 52,675,000	60%
Wachovia/Wells Fargo	35,120,000	40%
Total	\$ 87,795,000	100%

Under the terms of these agreements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the non-defaulting party.

Collateralization. Both of the Authority's derivative instruments contain obligations on the part of the Swaps Providers and the Authority to post collateral, if requested, in certain circumstances. If there are certain changes in the credit rating of either a Swap Provider or the Authority, such party will be required to post moneys or certain designated securities as collateral for its obligations. Failure to post collateral, if requested, constitutes an event of default under the terms of the derivative instruments. If the credit-risk-related contingency features are triggered by the Authority, the maximum exposure by the Authority shall be the amount of the Termination Payments then due under the derivative instruments. (See Fair Value below)

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Notes To Financial Statements
Year Ended December 31, 2013**

8. BONDS AND NOTES PAYABLE (CONTINUED)

Risks Associated with the 2009 Swaps (Continued)

Termination Risk – The swap agreement will be terminated and the Authority will be required to make a termination payment to the counterparty.

Under the Authority's bond resolution, the payments relating to debt service on the 2009 Swaps are parity obligations with all other senior bonds issued under the Third Amended and Restated Bond Resolution, but all other payments, including the termination payments, are subordinate to the payment of debt service on the Swap and all bonds issued under that bond resolution. In order to further mitigate termination risk, the Authority maintains the Capital Project Revolving Fund that was established with the proceeds received from the upfront premiums and exercise payments. This Fund is used to advance fund projects that the Authority reasonably expects to be reimbursed with Federal, State and other grants. On August 4, 2009, the exercise payment of \$2,199,328 was deposited in the account in the Revolving Fund. This deposit combined with the original swap premium of \$7,587,500 provides a total of \$9,786,828 that would ultimately be available to make a termination payment if required under the terms of the swap agreement. See *Fair Value* below for discussion of termination liability at December 31, 2013.

Interest Rate Risk – The risk that changes in interest rates will adversely affect the future value of the Swap.

The actual savings/cost ultimately recognized by the transactions will be affected by the relationship between the interest rates including cost of liquidity facility of the variable rate bonds versus the variable rate payments on the 2009 Swaps (75 percent of LIBOR) over the life of the 2009 Swaps. See *Swap payments and Associated Debt* below.

Basis Risk – The variable interest rate paid by the counterparty under the Swap and the variable interest rate paid by the Authority on the associated bonds may not be the same. If the counterparty's rate under the Swap is lower than the bond interest rate, then the counterparty's payment under the Swap Agreement does not fully reimburse the Authority for its interest payment on the associated bonds. Conversely, if the bond interest rate is lower than the counterparty's rate on the Swap, there is a net benefit to the Authority.

Under the terms of the Swaps, the variable rate paid by the Counterparties is 75% of one month LIBOR, while the interest rate paid on the related bonds approximates the tax exempt municipal bond index known as SFMA plus the cost of the liquidity facility. The historic relationship between SFMA and 1 month LIBOR is approximately 67%. The Authority has mitigated basis risk by entering into the swaps at a higher percentage equal to 75% of one month LIBOR versus the approximate historical average of 67%.

Market Access Risk – The risk that the Authority will be able to enter the credit markets at a future date.

The market access risk to the Authority is that an underlying Letter of Credit could not be obtained for the Variable Rate Bonds when the current letter of credit expires. In this case the Authority would issue fixed rate bonds and either have to unwind the swaps and pay a termination payment, or the Authority will make net swap payments as required by the terms of the Swap Agreements.

When the Swaptions were executed in June 2005, the cost of obtaining liquidity for the related variable rate bonds was estimated at approximately 25 basis points. Since the credit crisis in the fall of 2008, the ability for obtaining letter of credits was extremely difficult, and when letter of credits finally became available in 2009, the costs had risen to between 100 and 200 basis points. On August 4, 2009, the Authority was able to procure a 2-year Direct Pay Letter of Credit to provide liquidity for the variable rate debt for 165 basis points. The cost of which is included as interest expense in accordance with the Bond Resolution. See *Swap payments and Associated Debt* below. The Authority continues to monitor the capital markets to look for opportunities to lower the cost of the letter of credit or terminate the 2009 Swaps and convert its existing variable rate to fixed rate debt. In March 2013, the Authority renegotiated the Letter of Credit ("LOC") fee rate with Wells Fargo, N.A. The new "LOC" was set at 1.10% and will terminate on December 31, 2014.

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

8. BONDS AND NOTES PAYABLE (CONTINUED)

Risks Associated with the 2009 Swaps (Continued)

Rollover Risk – The notional amount under the Swap Agreement terminates prior to the final maturity of the associated bonds on a variable rate bond issuance, and the Authority may be exposed to then market rates and cease to receive the benefit of the synthetic fixed rate for the duration of the bond issue.

The Authority is exposed to rollover risk as the Swap expires by its terms on November 1, 2029 and the final maturity on the associated variable rate bonds is November 1, 2039. Assuming the Authority does no more borrowing between now and November 1, 2020, at November 1, 2029 the unamortized variable-rate bonds outstanding will be \$68,330,000 and the Authority's total outstanding bonds will be \$220,050,000. Consequently the un-hedged variable-rate debt will be 31% of the Authority's total outstanding bonds.

Fair Value - The fair market value of the Authority's interest rate swaps changes daily primarily as a result of capital markets changes. Factors that influence LIBOR are local interest rates, banks expectations of future rate movements, liquidity in the capital markets or changes in the value of the dollar. The Authority has obtained a market evaluation of its 2009 Swaps from an independent derivative valuation specialist. These fair value estimates were estimated using the independent derivative valuation specialist's proprietary pricing models that take into consideration probabilities, volatilities, time and underlying prices. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the 2009 Swaps, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates.

Swap payments and Associated Debt

These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds, due on the date of each future net settlement of the Swap. As of December 31, 2013, the 2009 Swaps had a negative fair value of \$21,473,285 indicating the estimated amount that the Authority would have been required to pay in total if both of the 2009 Swaps were terminated. However, as of that date, no event of termination had occurred. The following tables contain the aggregate amount of estimated variable-rate bond debt service and swap payments. The Authority entered into the swaps to protect against the potential of rising interest rates; achieve a lower net cost of borrowing; reduce exposure to changing interest rates on a related bond issue; and achieve upfront net present value of debt service savings through a synthetic fixed rate transaction. As rates vary, variable-rate bond interest payments and swap payments will vary. Using the assumptions noted below, debt service of the Authority's outstanding variable-rate debt and net swap payments are estimated to be as follows:

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Notes To Financial Statements
Year Ended December 31, 2013**

8. BONDS AND NOTES PAYABLE (CONTINUED)

Swap payments and Associated Debt (Continued)

Variable Rate Series 2009 A-3 and A-4

Years	Principal	Fixed Rate Interest Payments (Swap Rate 4.7%) (1)	Letter of Credit Fees (5)	Variable Rate Interest Payments (2) (4)	Variable Rate Swap Receipts (3)	Total	Principal Balance
2014	\$ 450,000	\$ 4,084,065	\$ 955,845	\$ 191,169	\$ (151,015)	\$ 5,530,064	\$ 86,445,000
2015	845,000	4,062,915	950,895	190,179	(151,015)	5,897,974	85,600,000
2016	890,000	4,023,200	941,600	188,320	(150,498)	5,892,622	84,710,000
2017-2021	5,145,000	19,906,850	4,659,050	931,810	(749,469)	29,893,241	79,565,000
2022-2026	6,520,000	18,697,775	4,376,075	875,215	(745,588)	29,723,477	73,045,000
2027-2031	8,250,000	17,165,575	4,017,475	803,495	(664,211)	29,572,334	64,795,000
2032-2036	11,980,000	15,226,825	3,563,725	712,745	(124,631)	31,358,664	52,815,000
2037-2039	52,815,000	7,446,915	1,742,895	348,579	(74,779)	62,278,610	-

(1) Swap payments began November 1, 2009

(2) Based on actual average rate paid for 2012

2013 thereafter based on rate at December 31, 2012

(3) Based on actual receipts for 2012

2012 thereafter assumed 75% of 1 mo. LIBOR at 12/31/2012

(4) Debt Service Payments began August 4, 2009

(5) Letter of Credit fee estimated at current rate

0.0022

0.001725

0.011

100% of 1 month USD-LIBOR rate at 12/31/2012

0.0023

At December 31, 2013, the total of the unamortized Swap Premium and unamortized exercise payment was \$6,244,410. During the year, \$416,294 was amortized to interest income.

9. ARBITRAGE REBATE PAYABLE

The Tax Reform Act of 1986 imposed additional restrictive regulations, reporting requirements and arbitrage rebate liabilities on issuers of tax-exempt debt. This Act requires the remittance to the IRS of 90% of the cumulative rebatable arbitrage within 60 days of the end of each five-year reporting period following the issuance of governmental bonds. The estimated amount of arbitrage payable represents the excess of amounts earned on "taxable" investments over the interest cost of the tax-exempt borrowing, plus income attributable to the excess. The Authority had no arbitrage rebate due on any of its outstanding debt as of December 31, 2013.

10. DEBT DEFEASANCE

In 2009, the Authority refunded a portion of certain maturities of its outstanding 1999 Series Bonds by issuing \$62,015,000 of Series 2009 Bonds to achieve a reduction in Debt Service. Proceeds from the 2009 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 \$61,625,000. The proceeds from the 2009 Bonds placed in the escrow account were used to refund serial bonds with interest rates ranging from 5.0% to 5.25% and a par value of \$61,625,000 that were called on November 1, 2009 at a redemption price of 101% of the par amount, plus accrued interest to the redemption date. As a result of the

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

10. DEBT DEFEASANCE (CONTINUED)

defeasance, the Authority reduced its total debt service requirements by \$4,443,075, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) \$3,772,001.

In June 2012, the Authority refunded a portion of certain maturities of its outstanding 1999 Series Bonds by issuing \$25,680,000 of Series 2012 Transportation System Revenue Refunding Bonds to achieve a reduction in debt service. Proceeds from the 2012 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. As a result of the defeasance, the Authority reduced its total debt service requirements by \$4,568,985 which resulted in net present value savings in the amount of \$3,654,068.

In October 2012, the Authority refunded the remaining portion of certain maturities of its outstanding 1999 Series Bonds by issuing \$76,780,000 of Series 2012A Transportation System Revenue Refunding Bonds to achieve a reduction in debt service. Proceeds from the 2012A 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. As a result of the defeasance, the Authority reduced its total debt service requirements by \$11,437,611, which resulted in net present value savings in the amount of \$7,488,864.

11. CONDUIT DEBT OBLIGATIONS

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

The Authority issued and sold Special Revenue Bonds to Mirage Resorts, Incorporated in 1999, 2000, and 2001 to provide funds to pay a portion of Mirage's share of the cost of the Atlantic City Expressway Connector Project ("Connector"). The Special Revenue Bonds will be payable solely from amounts received by the Authority from CRDA pursuant to the Pledge Agreement, dated October 10, 1997 between the Authority and CRDA.

The Authority has no other responsibility for the payment of this debt. The amounts payable by CRDA under the CRDA Pledge Agreement are Governmental Grants, which do not constitute Revenues under the Bond Resolution, and the Special Revenue Bonds are not payable from or secured by such Revenues. The total amount of this outstanding conduit debt as of December 31, 2013 is as follows:

Year Issued	Amount Issued	Accreted Value at 12/31/13	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
	<u>\$ 54,999,360</u>	<u>\$ 65,890,000</u>	<u>\$ 65,890,000</u>

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

In 2007, the Authority began receiving payments pursuant to the CRDA Pledge Agreement described above. As of December 31, 2013, the Authority has cumulatively received \$18,293,811. This amount was applied to outstanding interest payable proportionally to all series and remitted to the bondholders by the trustee in accordance with the terms of the indenture.

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

12. RATES AND CHARGES

Section 7.08 of the Bond Resolution states as follows:

- (a) (1) The Authority shall at all times fix, impose, charge and collect tolls, fares, fees and other charges for the use of the Transportation System as shall be required in order that, in each fiscal year, net revenues and net revenues available for debt service shall at least equal the net revenue requirements for such year; and
- (2) The Authority shall at all times fix, impose, charge and collect tolls, fares, fees and other charges for the use of the Transportation System as shall be required in order that, in each fiscal year, current revenues and airport revenue available for debt service shall at least equal the Operating Expenses for Pledged Projects for such fiscal year and the debt service on all outstanding bonds (net of capitalized interest) and subordinated indebtedness for such fiscal year and any required deposits to the Debt Service Reserve Fund and the Rehabilitation and Repair Fund, if any such deposits are required.

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

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

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

South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013

12. RATES AND CHARGES (CONTINUED)

	Section 7.08 (a)(1) 120.00%	Section 7.08 (a)(1) 100.00%	Section 7.08 (a)(2) 100.00%
Operating Revenue	\$ 104,981,542	\$ 104,981,542	\$ 104,981,542
Interest Revenue	399,908	399,908	399,908
Interest Revenue-Airport	1,258	1,258	1,258
Interest Revenue Transferred from Restricted Funds	-	-	-
Interest Revenue-General Reserve Fund	6,622	6,622	6,622
Total Revenue	105,389,330	105,389,330	105,389,330
Less:			
Grant Revenue	4,886,534	4,886,534	4,886,534
Airport Revenue	10,471,053	10,471,053	10,471,053
Airport Interest	1,258	1,258	1,258
Total Available Revenue	90,030,485	90,030,485	90,030,485
 Pledged Project Expenses	 45,384,630	 45,384,630	 45,384,630
 Net Revenues	 \$ 44,645,855	 \$ 44,645,855	 \$ 44,645,855
 Airport Revenues Available for Debt Service (ARAFDS)	 \$ 4,891,815	 \$ 4,891,815	 \$ 4,891,815
Net Revenue plus ARAFDS	49,537,670	49,537,670	49,537,670
Total Available Revenue plus ARAFDS			94,922,300
Senior Debt Service	30,617,724	30,617,724	30,617,724
Subordinated Debt Service		1,500,519	
Rehabilitation & Repair Requirement		-	
State Payment Requirement		2,500,000	
Other Required Deposits		350,000	
General Project Operating Expenses		9,729,171	
Total Debt Service & Other Obligations	 \$ 30,617,724	 \$ 44,697,414	 N/A
 Total Pledged Projects and Debt Service	 N/A	 N/A	 \$ 76,002,354
 Coverage Ratio	 161.79%	 110.83%	 124.89%
Required Coverage	120.00%	100.00%	100.00%
Excess Coverage	41.79%	10.83%	24.89%

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

13. PENSION PLAN

All full-time Authority employees participate in the Public Employees' Retirement System ("PERS" or "System") and the Police and Firemen's Retirement System ("PFRS") which has been established by state statute. 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. According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate. The Plans provide retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries and are considered cost-sharing multiple-employer plans. The payroll subject to pension for the Authority's employees covered by PERS and PFRS was approximately \$17,554,806 for the year ended December 31, 2013. The Authority's total federal taxable payroll for the year ended December 31, 2013 was \$18,355,648.

The Public Employees' Retirement System was established in January 1955 and was significantly amended on May 21, 2010 to provide coverage including post-retirement health care to substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. The 2010 legislation implemented the "tiered" system whereby employees are eligible for benefits based on their date of hire, number of weekly hours worked and annual salary. Vesting for pension benefits occurs after 10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 60 for Tier 1 and Tier 2 employees, at age 62 for Tier 3 and Tier 4 employees and at age 65 for Tier 5 employees with an annual benefit generally determined to be 1/55th of the final average salary multiplied by the years of service for Tier 1, 2 and 3 employees and 1/60th of the final average salary multiplied by the years of service for Tier 4 and 5 employees. Early retirement is available to those under normal retirement age with 25-30 or more years of credited service, but at a reduced rate.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information for each of the plans. As of June 30, 2012, the aggregate funded ratio and unfunded accrued liability for local PERS obligations was 77.0% and \$5.682 billion, respectively. 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. As of July 1, 2013, the PERS contribution rate was increased from 6.64% to 6.78% and the rate for PFRS remained at 10.0% of annual covered payroll. PERS and PFRS bill the Authority annually at an actuarially determined rate for its required contribution.

The contribution requirements of Plan members and the Authority are established and may be amended by the Board of Trustees of the respective Plans. The employees' contribution to the PERS Plan was \$1,103,903 and \$1,089,042 for the years ending December 31, 2013 and 2012 respectively. The allocation of Employees' contributions for 2013 is summarized below:

Employee Contributions

	<u>Expressway</u>	<u>Airport</u>	<u>Total</u>
Public Employees Retirement System (PERS)	\$ 1,061,487	\$ 42,416	\$ 1,103,903
Police and Fire Retirement System (PFRS)	-	128,959	128,959
	<u>\$ 1,061,487</u>	<u>\$ 171,375</u>	<u>\$ 1,232,862</u>

In 2013, the Authority continued to allocate their required contribution to the PERS and PFRS Plans between Expressway operations and Airport operations. The allocation of Authority contributions are summarized below:

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

13. PENSION PLAN (CONTINUED)

Authority Contributions

	<u>Expressway</u>	<u>Airport</u>	<u>Total</u>
Public Employees Retirement System (PERS)	\$ 1,970,080	\$ 171,311	\$ 2,141,391
Police and Fire Retirement System (PFRS)	-	391,966	391,966
	<u>\$ 1,970,080</u>	<u>\$ 563,277</u>	<u>\$ 2,533,357</u>

14. RISK MANAGEMENT AND HEALTH INSURANCE

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

Risk Management

Expressway

Effective September 1, 2005, the Authority established a Self-Insurance fund program for certain risk areas. The Authority's per occurrence self insurance retention levels are \$500,000 for worker's compensation, \$500,000 for auto liability, and \$200,000 for general liability. The Reserve for Insurance Claims balance at December 31, 2013 is \$2,824,316. During the year, claim expense in the amount of \$1,250,939 was charged to the reserve.

Risk Management-Airport

During 2007, the Authority established a Self-Insurance Reserve for certain risk areas related to Airport activity. The Authority's per occurrence self insurance retention levels are \$300,000 for worker's compensation, \$500,000 for auto liability, and \$500,000 for general liability. An allocation of these retention levels have been made based on the number of employees currently employed at the Airport. No charges were made to the reserve during 2013. The reserve balance as of December 31, 2013 is \$610,086.

The Authority has an umbrella excess liability policy over those self-insurance retention levels of \$30,000,000 per occurrence and \$30,000,000 annual aggregate.

The Authority is party to various legal actions and disputes. Although the ultimate effect, if any, of these matters is not presently determinable, management believes that collectively they will not have a material effect on the results of operations or the financial position of the Authority. None of these cases are anticipated to exceed the insurance limits described above.

Health Insurance

Expressway

In 2009, the Authority established a Self-Insurance Reserve in the Expressway Fund for health insurance. During 2013, health insurance costs were charged to the reserve in the amount of \$5,311,810. The reserve balance as of December 31, 2013 is \$2,610,632.

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

14. RISK MANAGEMENT AND HEALTH INSURANCE (CONTINUED)

Airport

In 2009, the Authority established a Self-Insurance Reserve in the Airport Fund for health insurance. During 2013 health insurance costs were charged to the reserve during the year in the amount of \$635,004. The reserve balance as of December 31, 2013 is \$416,429.

15. AUTHORITY RETIREMENT MEDICAL BENEFITS

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

A. Non-Union Employees

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

B. Union Employees

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

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

The Authority funds the benefits on a pay-as-you-go basis. The cost of providing these benefits for one-hundred eight-two (182) retirees for the year ended December 31, 2013 was \$1,980,880.

During 2013, the Authority allocated the expense to the Airport related to employees whose salaries were charged to the Airport immediately prior to their retirement.

16. COMPENSATED ABSENCES

A. Non-Union Employees

It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Accumulation and payment of vacation and sick leave for agreement employees is based on the collective bargaining agreements with the various unions. As required under GASB Statement No. 16, *Accounting for Compensated Absences*, the compensated absences should be accrued as a liability when earned and the liability should be measured using the pay rates in effect at the balance sheet date.

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

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

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

16. COMPENSATED ABSENCES (CONTINUED)

Effective November 18, 2010, the maximum payout to an employee at retirement is \$15,000 at the employee's current rate of pay. Any employee having a balance of \$17,500 or over on the effective date will be eligible to cash out at the higher rate. Additionally, if the employee's balance falls below the \$17,500 prior to retirement they are no longer eligible to cash out at the higher rate. A full year's vacation entitlement may be carried to the next calendar year. Any carried-over vacation time must be taken during the subsequent year or it is lost.

Part-time employees are not entitled to compensated absences.

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

B. Union Employees

Vacation Time

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

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

Sick Time

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

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

- 50% of present salary for the first 150 days of accumulated sick days.
- 100% of present salary for accumulated sick leave in excess of 150 days.
- Maximum of \$17,500

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

- 75% of present salary for the first 150 days of accumulated sick days.
- 100% of present salary for accumulated sick leave in excess of 150 days.
- Maximum of \$17,500

Local S-18 members are entitled to cash out 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

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

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

16. COMPENSATED ABSENCES (CONTINUED)

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

C. Accrued Expense

The Authority's liability for compensated absences is included in Current Liabilities Payable from Unrestricted Assets in the accompanying Statement of Net Position. The Authority's accrued liability for compensated absences, including additional amounts accrued for Social Security, Medicare and pension plan contributions as of December 31, 2013 is as follows:

	<u>Expressway</u>	<u>Airport</u>	<u>Total</u>
Sick Time	\$ 796,019	\$ 191,750	\$ 987,769
Vacation Time	402,735	99,929	502,664
Compensatory Time	<u>91,528</u>	<u>60,662</u>	<u>152,190</u>
	<u>\$ 1,290,282</u>	<u>\$ 352,341</u>	<u>\$ 1,642,623</u>

17. SOUTH JERSEY TRANSPORTATION PLANNING ORGANIZATION

The South Jersey Transportation Planning Organization ("SJTPO") is a metropolitan planning organization whose function is to develop transportation programs for urbanized areas of the State in order to encourage and promote the development of 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.

18. AIRPORT MANAGEMENT

Pursuant to N.J.S.A. 27:25A-24, the Authority established a transportation project known as the Atlantic City International Airport ("ACY"). Effective April 1, 1996, pursuant to Authority Resolution #1996-06, the Authority entered into an operating and maintenance agreement with Johnson Controls World Services ("JCWS") for operations, maintenance and support service at ACY. Under this arrangement, the Authority is entitled to receive all of the revenue and must pay all the expenses associated with the operation of ACY terminal operations. JCWS was sold to American Port Services ("AvPorts") during 1997.

AvPorts assumed all rights and obligations of the existing contract between the Authority and JCWS. Until July 1, 2008, the Authority and AvPorts have been operating under a five-year extension of the operating and maintenance agreement, which was provided for in the original contract. Effective July 1, 2013, the Authority entered into a new operating and maintenance agreement with AvPorts that will expire on June 30, 2014.

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.

**South Jersey Transportation Authority
Notes To Financial Statements
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19. STATE PAYMENT

Pursuant to an agreement dated November 17, 1983 ("State Contract"), between the Authority (as successor to the New Jersey Expressway Authority) and the New Jersey Department of Transportation ("NJDOT"), the Authority is obligated to pay to the NJDOT, annually during the term of the State Contract, a guaranteed minimum sum of \$2,500,000 ("State Payment"). The State Payment is payable in equal monthly installments on or before the twenty-first day of each month for deposit into the State Payment Fund. Subject to the pledge of the Third Amended and Restated Resolution, the Authority has pledged, pursuant to the terms of the State Contract, all revenues for the payment of the State Payment, which pledge is subordinate in rank and right of payment to that of Subordinated Indebtedness issued pursuant to the Third Amended and Restated Resolution.

On May 19, 2009, the State Contract was amended to provide for a reduction in the amount of the State Payment by the amount of the NJDOT's Payment Obligation (as hereinafter defined) to the extent such NJDOT's Payment Obligation is unpaid in any Fiscal Year. See Note 27; ("South Inlet Transportation Improvements Project") regarding the Authority's issuance of the 2009 Subordinated Bonds.

20. ELECTRONIC TOLL COLLECTION

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

In December, 1996, the Authority, along with the New Jersey Turnpike Authority (the "Turnpike Authority"), the New Jersey Highway Authority (the "Highway Authority"), the Port Authority of New York and New Jersey, and the State of Delaware, Acting By and Through Its Department of Transportation (each a "Participating Agency" and, collectively, the "Participating Agencies") established a Consortium (the "Consortium") for the purpose of implementing an E-ZPass® electronic toll collection system (the "Electronic Toll Collection System" or the "ETC System") for the toll roadways operated by the Participating Agencies.

In March, 1998, the Turnpike Authority, as lead agency for the Consortium, entered into a contract with MFS Network Technologies, Inc. (the "ETC Project Agreement"), pursuant to which MFS Network Technologies, Inc. ("MFS") and its successors provided services to the Consortium in connection with: (i) the design, installation and implementation of the ETC System, (ii) the design, installation, marketing, operation and maintenance of a fiber optic system along the toll roads operated by the Participating Agencies, and (iii) the design, installation, implementation, maintenance and operation of a customer service center and violations processing center for the ETC System and the ACE ETTM System, all as more fully described in the ETC Project Agreement (collectively, the "ETC Project"). Subsequent to the execution of the ETC Project Agreement, WorldCom, Inc. ("WorldCom") became the eventual successor in interest to all of the rights, duties and obligations of MFS under the ETC Project Agreement.

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

E-ZPass® became available as method of payment on the Expressway on November 11, 1998 in connection with the opening of the Consortium Customer Service Center. In July 2002, the Turnpike Authority, acting as lead agency for the Consortium, gave notice to WorldCom of the early termination of the ETC Project Agreement by the Consortium in accordance with the terms of the ETC Project Agreement. Subsequently, the Authority, the Turnpike Authority and the Highway Authority (collectively, the "NJ Agencies") entered into a Professional Services Agreement, effective as of August 2, 2002 (the "ACS Agreement"), with ACS State & Local Solutions, Inc. ("ACS") pursuant to which ACS agreed to provide certain remediation services for the ETC System for the Turnpike and Highway Authorities and to operate and maintain the ETC System for the Turnpike and Highway Authorities, as well as to operate and maintain the customer service center and the violations processing center, for the toll roadways operated by the NJ Agencies until July 31, 2014.

**South Jersey Transportation Authority
Notes To Financial Statements
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20. ELECTRONIC TOLL COLLECTION (CONTINUED)

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

21. INTERFUNDS AND AIRPORT SUBSIDY

The total interfund payable from the Airport Fund to the Expressway Fund at December 31, 2013 is \$30,365,008 which is payable from unrestricted funds.

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

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. During 2013, \$1,110,411 was written off.

22. CRDA PARKING FEE AGREEMENT

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

Pursuant to the Agreement, a portion of certain statutory parking fees ("Marina Parking Fees") receivable by CRDA from marina parking facilities used in conjunction with any new licensed casino hotel construction and located on land in the Marina District (also commonly known as the H-Tract) will be payable to the Authority. These parking fees pertain to the minimum charge per day for each motor vehicle parked, garaged or stored in a parking space in the parking facility, other than for motor vehicles owned or leased by the owner or operator of such facility or by an employee of the casino hotel which owns or leases such facility.

The maximum amount payable by CRDA under the Parking Fee Agreement is an amount sufficient to amortize \$65 million in Authority bonds issued to finance the Atlantic City Expressway Connector Project and certain allocated costs of issuance. CRDA's payment obligations under the Parking Fee Agreement, as amended by the First, Second and Third Amendments dated June 15, September 20, 2001, and March 2005 respectively are subordinate to the prior lien on the Marina Parking Fees of certain parking revenue bonds of CRDA, plus liens associated with two additional issuances of CRDA parking revenue bonds. During 2013, the Authority recognized revenue of \$2,700,225 compared to \$2,747,162 in 2012.

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

22. CRDA PARKING FEE AGREEMENT (CONTINUED)

Through December 31, 2013, CRDA has paid the Authority a total of \$30,311,590. Because of the subordination provisions described above, there are no assurances that the amount of Marina Parking Fees available to enable CRDA to repay the Authority will be sufficient for such purposes.

23. TRANSPORTATION SERVICES

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

During 2012, the Authority entered into an agreement with Burlington County ("County"), New Jersey to provide operations for a new deviated fixed route system ("Burlink"). This agreement allows for the Authority to provide the operation of maintenance of County vehicles and service the agreed upon routes. This contract is for a two (2) year period beginning on January 1, 2012 through December 31, 2013. During 2013, the Authority realized \$923,067 in program revenue compared to \$901,286 in 2012.

Also, during 2012, the Authority entered into a shared services agreement with Rowan University to provide shuttle bus services between Rowan University, Camden Campus and Rowan University, Robinson Hall, Glassboro during the 2012-2013 school year for its students, employees and patrons. During 2013, the Authority realized \$145,300 in program revenue compared to \$91,452 in 2012.

24. RELATED PARTY

As of June 30, 2005, a board member was appointed to the Authority Board of Commissioners. This individual is the brother of one of the partners in a law firm that provided representation and received compensation from the Authority during 2013. During 2013, this firm billed the Authority \$32,671 for services rendered. At December 31, 2013, \$4,383 was payable and due to the firm. As of the date of this report, all outstanding amounts for the year ending December 31, 2013 have been paid. This commissioner does not direct legal work to any law firms on behalf of the Authority and additionally, abstains from voting when legal invoices are presented to the Board of Commissioners for approval.

25. OPERATING LEASES

The Authority currently has a lease agreement with a private company to provide office space for the SJTPO office in Vineland, New Jersey. This lease expired in 2010 but was renewed on August 25, 2010 for a new five (5) year lease term expiring on August 24, 2015. Lease expenses incurred for 2013 and 2012 were \$67,860 and \$67,885 respectively.

At December 31, 2013, the future minimum lease payments are as follows:

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

25. OPERATING LEASES (CONTINUED)

		Operating
2014	\$	67,860
2015		45,240
	\$	<u>113,100</u>

In October of 2008, the Authority entered into a sublease agreement with a private company to lease office space in Camden, New Jersey. The term of this Sublease shall be for a period of three (3) years, commencing on June 17, 2008. On May 15, 2011, the Authority extended the lease for an additional two (2) years expiring on April 30, 2013. On May 14, 2013, the Authority extended the lease for an additional two (2) years until May 14, 2015. Lease expenses incurred for 2013 and 2012 were \$26,310 and \$34,572, respectively.

At December 31, 2013, the future minimum lease payments are as follows:

		Operating
2014	\$	36,195
2015		13,716
		<u>49,911</u>

26. OTHER POST EMPLOYMENT BENEFITS

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

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

Plan Description

Pursuant to N.J.S.A. 27:25 A-1 et seq, and certain board resolutions, the South Jersey Transportation Authority provides group health care, prescription drugs, dental, vision benefits and Medicare Part B premium reimbursements for active and retired employees (and for eligible dependents and survivors of active and retired employees). Collectively, these covered individuals are referred to as participants. Group health and prescription drug benefits for participants age 65 and under are provided through insurance companies whose premiums are based on the benefits paid during the year. Group health, prescription drug and vision benefits for participants over age 65 and dental benefits for all participants are paid through a plan under which benefits are paid by the service provider on behalf of the Authority. Vision benefits for participants age 65 and older and Medicare Part B premium reimbursements are paid directly by the Authority. The actuarial valuation report was based on 416 total participants including 182 retirees. As of December 31, 2013, there were no funding contributions required from the retired employees.

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

26. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

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

Actuarial Methods and Assumptions

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

In the January 30, 2014 actuarial valuation, the projected unit credit cost method was used for all participants. The actuarial assumptions used to project future costs included a discount rate of 4.50%, an annual medical healthcare and prescription drug cost trend rate of 10.0% in 2012, with a gradual decline of .5% per year until an ultimate health care cost trend rate is reached in 2021 of 5.0%. Medicare Part B premiums are assumed to increase by 5.0% each year. Dental and Vision costs are also assumed to increase by 5.0% annually.

In addition, the unfunded actuarial accrued liability is being amortized over the maximum acceptable period of 30 years and is calculated assuming a level percentage of projected payrolls.

Plan Changes since Prior Evaluation

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

In the January 2014 actuarial valuation, the Annual Required Contribution (ARC) for the year ending December 31, 2013 was projected as follows:

	<u>Expressway</u>	<u>Airport</u>	<u>Total</u>
Normal Cost with Interest	\$ 2,083,705	367,713	\$ 2,451,418
Amortization of Unfunded Actuarial Accrued Liability	(182,447)	(32,196)	(214,643)
	<u>\$ 1,901,258</u>	<u>\$ 335,517</u>	<u>\$ 2,236,775</u>

Other Post-employment Benefit Costs and Obligations

The following reflects the components of the 2013 annual OPEB Costs, amounts paid, and changes to the net accrued OPEB obligation based on the January 2014 actuarial valuation and actual OPEB payments made or accrued during 2013:

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

26. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Other Post-employment Benefit Costs and Obligations (Continued)

	<u>Expressway</u>	<u>Airport</u>	<u>Total</u>
Net OPEB Obligation - Beginning of Year	\$66,990,331	\$12,028,556	\$79,018,887
Annual Required Contribution (ARC)	2,083,705	367,712	2,451,417
Interest on Net OPEB Obligation	3,022,473	533,378	3,555,851
Annual OPEB Cost	<u>5,106,178</u>	<u>901,090</u>	<u>6,007,268</u>
Employer Contributions	<u>(1,683,748)</u>	<u>(297,132)</u>	<u>(1,980,880)</u>
Increase in Net OPEB Obligation	3,422,430	603,958	4,026,388
Net OPEB Obligation - End of Year	70,412,761	12,632,514	83,045,275
Percentage of OPEB Cost Contributed	32.97%	32.97%	32.97%

Required Supplementary Information:

	<u>Expressway</u>	<u>Airport</u>	<u>Total</u>
Actuarial Value of Plan Assets	\$ -	\$ -	\$ -
Actuarial Accrued Liability (AAL)	67,027,717	11,828,421	78,856,138
Total Unfunded AAL (UAAL)	<u>67,027,717</u>	<u>11,828,421</u>	<u>78,856,138</u>
Funded Ratio	0.00%	0.00%	0.00%
Covered Payroll	16,392,579	2,749,411	19,141,990
UAAL as a % of Covered Payroll	408.89%	430.22%	411.95%

Beginning in 2008, the Authority established an account for OPEB contributions and authorized contributions up to \$2 million per year. During 2013, the Authority contributed \$2 million to this account. The balance in this account at December 31, 2013 was \$12,000,000. Had this contribution been made to Trust administered by a third-party, the actuarial value of the plan assets as well as other significant plan data would be as follows:

	<u>Expressway</u>	<u>Airport</u>	<u>Total</u>
Actuarial Value of Plan Assets	\$ 10,205,951	\$ 1,794,049	\$ 12,000,000
Actuarial Accrued Liability (AAL)	67,027,717	11,828,421	78,856,138
Total Unfunded AAL (UAAL)	<u>56,821,766</u>	<u>10,034,372</u>	<u>66,856,138</u>
Funded Ratio	15.23%	15.17%	15.22%
Covered Payroll	16,392,579	2,749,411	19,141,990
UAAL as a % of Covered Payroll	346.63%	364.96%	349.26%

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

27. SOUTH INLET TRANSPORTATION IMPROVEMENTS PROJECT

Pursuant to a tri-party agreement, dated as of May 18, 2009, by and among the Casino Reinvestment Development Authority ("CRDA"), New Jersey Department of Transportation ("NJDOT") and the Authority ("South Inlet Funding Agreement"), CRDA has agreed to undertake the construction of the South Inlet Transportation Improvements Project. The Authority has agreed to finance the NJDOT's construction portion of the costs of the South Inlet Transportation Improvements Project, in the amount of \$17,000,000 through the issuance of the 2009 Subordinated Bonds pursuant to the Subordinated Resolution. See footnote #8 for more information regarding the 2009 Subordinated Bonds.

Pursuant to the terms of the South Inlet Funding Agreement, the NJDOT has agreed to pay the Authority, subject to State Legislative appropriations and the availability of funds therefore, in each State Fiscal Year for a period not to exceed twenty (20) years, an amount equal to debt service on the 2009 Subordinated Bonds, plus all costs, liabilities and administrative expenses incurred by the Authority in connection therewith (collectively, "NJDOT's Payment Obligation"), which aggregate amount shall not exceed \$2,500,000 in each year. The amount received by the Authority from the NJDOT for NJDOT's Payment Obligation payable under the South Inlet Funding Agreement constitutes revenues under the Third Amended and Restated Bond Resolution.

On August 4, 2009, the Authority issued \$19,085,000 of Subordinated Bonds, \$17,000,000 of which was transferred to the CRDA on behalf of the NJDOT in accordance with the terms of the South Inlet Funding Agreement. NJDOT is scheduled to repay the Authority based on the schedule outlined below:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2014	\$ 1,504,019	2021	\$ 1,501,957
2015	1,503,019	2022	1,502,331
2016	1,499,819	2023	1,499,425
2017	1,500,419	2024	1,503,125
2018	1,499,619	2025	1,499,350
2019	1,502,419	2026	1,503,325
2020	1,503,619	2027	1,501,338
		2028	1,501,500

28. POLLUTION REMEDIATION COST

Effective 2008, pollution remediation costs are required to be charged in accordance with the provisions of GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. The Statement establishes standards for determining when expected pollution remediation outlays should be accrued as a liability or, if appropriate, capitalized. An operating expense and corresponding liability, measured at its current value using the expected cash flow method, should be recognized for certain pollution remediation obligations that are no longer able to be capitalized as a component of a capital project. Pollution remediation obligations, which are estimates and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations, occur when any one of the following obligating events take place:

- The Authority is compelled to take pollution remediation action because of an imminent endangerment.
- The Authority is in violation of a pollution prevention-related permit or license.
- The Authority is named by a regulator as a responsible or potentially responsible party to participate in remediation.
- The Authority is named or there is evidence to indicate that it will be named in a lawsuit that compels participation in remediation activities, or
- The Authority voluntarily commences or legally obligates itself to commence remediation efforts.

As of December 31, 2013, the Authority has determined that it is not required to recognize any operating expense or record a corresponding liability for any pollution remediation obligation.

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

29. ATLANTIC CITY INTERNATIONAL AIRPORT

Below are detailed schedules of Atlantic City International Airport's ("ACY") operating revenues and expenses. These schedules are presented to provide additional detail of the single-line item entitled "Airport" presented in the Statement of Revenues, Expenses and Changes in Net Position on pages 19, 24 and 80, in the accompanying financial statements.

	<u>2013</u>	<u>2012</u>
Revenues:		
Non-Aeronautical:		
Airside	\$ 35,654	\$ 35,654
Landside	819,549	840,994
Parking	5,280,663	6,355,349
Terminal	1,618,577	1,483,813
Aeronautical:		
Airfield/Airside	2,430,410	2,612,792
Landside	30,000	26,000
Terminal	256,200	232,700
	<u>\$ 10,471,053</u>	<u>\$ 11,587,302</u>
Expenses:		
Central Accounts	\$ 855,104	\$ 888,302
Marketing	377,033	636,741
SJTA Administration	889,936	688,284
ACY Customer Service	34,933	46,756
Firefighter Administration	1,939,538	2,025,570
Operations - Airside	33,060	35,926
Operations - Landside	18,875	21,895
Operations - Terminal	2,506,429	2,461,475
NJ State Police LEO ACY	3,377,076	3,123,332
Maintenance - Airside	743,985	746,619
Maintenance - Landside	46,610	56,490
Maintenance - Terminal	2,429,978	2,406,992
Parking	1,106,406	1,103,122
ACY Shuttle	280,283	264,786
Information Technology	-	54,700
	<u>\$ 14,639,246</u>	<u>\$ 14,560,990</u>

30. PRIOR PERIOD ADJUSTMENTS

Reclassification of Prior Year Bond Issue Costs

The Governmental Accounting Standards Board (GASB) has recently issued a Statement addressing important practice issues for state and local governments.

Statement No. 65, "Items Previously Reported as Assets and Liabilities", clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The most dramatic impact that this new Statement will have on the Authority's financial condition is the reclassification of \$8,001,892 of net Bond Issue Costs that were reported as a "Non-Current, Non-Capital Asset" on our Statement of Net Position for the year ended December 31, 2011. This new Standard requires the Authority to write-off this balance and report this charge as an adjustment to our beginning net position balance. For this year and years' moving forward all bond issue costs incurred will be reported as a non-operating expense. The

**South Jersey Transportation Authority
Notes To Financial Statements
Year Ended December 31, 2013**

30. PRIOR PERIOD ADJUSTMENTS (CONTINUED)

Reclassification of Prior Year Bond Issue Costs (Continued)

requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. The Authority has elected to adopt this requirement early and report the implementation in the financial statements for the year ended December 31, 2012.

Reclassification of Loss on Defeasance

Governmental Accounting Standards Board (GASB), Statement 65 also requires Losses on the Early Extinguishment of Debt (or Defeasance), which in prior years have been reported as a component of Bonds and Notes Payable, Net of Discount, Premium and Loss on Defeasance, to be reported separately as a Deferred Outflow of Resources on the Statement of Net Position. During 2012, the Authority reclassified \$1,629,789 of net Losses on the Early Extinguishment of Debt.

31. AGREEMENT WITH THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY ("PANY/NJ")

On July 1, 2013, the SJTA entered into a Management Agreement ("Agreement") with the Port Authority of New York/New Jersey ("Port Authority"). The term of this Agreement is for a fifteen (15) years. Under the terms of this agreement the Port Authority shall provide general management services (the "Services") to the SJTA in connection with Atlantic City International Airport "(Airport)" operations for the use and benefit of the general public during the term. Such management services shall include conducting the daily operations of the Airport in conjunction with the SJTA enabling Act, N.J.S.A. 27:25A-1 *et seq.*, and its bylaws, as well as the FAA Operating Certificate. In performing its responsibilities under this Agreement, the Port Authority shall do so in a manner normally associated with sound, safe, innovative, prudent and efficient airport management and shall provide all services as are customary and normal in conformance with SJTA policies and procedures, and all other applicable laws, rules and regulations. In addition to the above, the Port Authority's Services shall include, but not limited to, Air Service Development, Concessions, Parking Operations, Capital Improvement Plan, Operating Budget and Plan; Capital Plan, Revenue Generating and Cost Savings Initiatives and Press and Media Releases. The SJTA has agreed to pay an annual Management Fee during the term of the agreement in the amount of \$500,000 in equal monthly installments which began on August 1, 2013.

32. SUBSEQUENT EVENTS

Management has evaluated events occurring after December 31, 2013 for possible adjustment to or disclosure in the financial statements through March __, 2014, the date on which the financial statements were available to be issued. Based on this evaluation, the Authority has determined that no subsequent events have occurred that require recognition or disclosure in the financial statements.

OTHER SUPPLEMENTARY INFORMATION

South Jersey Transportation Authority
Statement of Net Position - Fund Financial Statements
December 31, 2013
With Comparative Totals as of December 31, 2012

	Unrestricted Accounts			Restricted Accounts					Totals				
	Revenue Fund	Airport Fund	General Reserve Fund	Debt Service Fund	Rehabilitation and Repair Fund	State Payment Fund	Debt Service Reserve Fund	Rebate Fund	Subordinated Debt Fund	Construction Fund	Consolidation Eliminations	2013	2012
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES													
Unrestricted Assets:													
Cash and Cash Equivalents	\$ 25,534,765	\$ 3,126,220	\$ 18,325,234									\$ 45,986,219	\$ 41,682,461
Investments	1,019,794		5,606,024									6,625,818	5,602,878
Change Funds	36,629	10,088										46,727	53,301
Interest and Dividends Receivable	106,045	26	157									106,228	77,918
Accounts Receivable, net of allowance for uncollectible accounts of \$108,066	3,136,249	766,461										3,904,730	3,543,700
Grants Receivable	939,924											939,924	786,694
Prepaid Expenses	2,019,624	395,237										2,414,861	1,665,429
Security Deposits	118,440	1,530										119,970	110,030
Inventory	118,743											118,743	149,629
Interfunds Receivable	13,781,925	12,919,632	43,023,816										
Total Current Assets	46,812,138	17,221,284	66,955,231									61,263,220	53,654,040
Restricted Assets:													
Cash and Cash Equivalents				\$ 3,712,651	\$ 2,286,366	\$ 208,451	\$ 2,950,613	\$ -	\$ 325,640	\$ 28,067,210		\$ 37,580,951	\$ 59,658,376
Investments					3,827,921		26,976,158		1,456,422	26,790,888		73,367,712	84,111,341
Accounts Receivable									13,235,000	6,214		13,241,214	15,096,830
Grants Receivable									545,395			545,395	693,346
Interfunds Receivable				16,202,109	1,608,036	208,334	1,507,322	224,295	9,623,158	23,359,551			
Interest Receivable				25	20	1	276,785		14,399	87		291,317	239,970
Total Non-Current, Non-Capital Assets	12,306,323			19,914,785	7,722,363	416,786	33,740,878	224,295	24,664,619	78,769,345		125,026,599	159,789,863
Capital Assets:													
Non-Depreciable Capital Assets:													
Land										146,921,642		146,921,642	146,921,642
Construction in Progress										76,326,138		76,326,138	82,328,814
Total Non-Depreciable Capital Assets:										223,247,780		223,247,780	229,250,456
Non-Infrastructure Capital Assets:													
Electronic Toll Equipment										8,950,268		8,950,268	8,950,268
Buildings and Equipment										152,966,437		152,966,437	122,623,786
Less Accumulated Depreciation										(69,007,837)		(69,007,837)	(63,057,569)
Total Non-Infrastructure Capital Assets										92,928,868		92,928,868	68,516,495
Infrastructure Capital Assets:													
Infrastructure - Equipment										21,122,600		21,122,600	19,054,927
Infrastructure										532,810,763		532,810,763	520,695,697
Less Accumulated Depreciation										(193,932,159)		(193,932,159)	(174,663,035)
Total Infrastructure Capital Assets										360,001,195		360,001,195	365,087,589
Total Capital Assets										676,177,843		676,177,843	662,854,540
Total Non-Current Assets	12,306,323			19,914,785	7,722,363	416,786	33,740,878	224,295	24,664,619	78,769,345		801,204,432	822,654,403
Total Assets	59,118,461	17,221,284	66,955,231	19,914,785	7,722,363	416,786	33,740,878	224,295	24,664,619	78,769,345		862,467,652	876,308,443
Deferred Outflows of Resources:													
Interest Rate Swaps										21,473,285		21,473,285	33,567,498
Loss on Early Extinguishment of Debt										1,291,945		1,291,945	1,629,789
Total Deferred Outflows of Resources										22,765,230		22,765,230	35,197,287
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 59,118,461	\$ 17,221,284	\$ 66,955,231	\$ 19,914,785	\$ 7,722,363	\$ 416,786	\$ 33,740,878	\$ 224,295	\$ 24,664,619	\$ 777,712,418	\$ (122,458,238)	\$ 865,232,892	\$ 911,505,730

South Jersey Transportation Authority
Statement of Net Position - Fund Financial Statements
December 31, 2013
With Comparative Totals as of December 31, 2012

	Unrestricted Accounts			Restricted Accounts				Totals					
	Revenue Fund	Airport Fund	General Reserve Fund	Debt Service Fund	Rehabilitation and Repair Fund	State Payment Fund	Debt Service Reserve Fund	Rebate Fund	Subordinated Debt Fund	Construction Fund	Consolidation Eliminations	2013	2012
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES													
Current Liabilities Payable From Unrestricted Assets:													
Accounts Payable	\$ 5,174,411	\$ 2,382,945	\$ -									\$ 7,557,356	\$ 6,996,397
Deferred Income	452,120	97,280										549,400	417,792
Escrow Deposits and Reserves	46,804	67,763										114,567	146,212
Accrued Expenses	1,220,852	354,918										1,575,770	1,674,140
Interfunds Payable	47,489,844	30,365,008	42,859										
Total Current Liabilities Payable From Unrestricted Assets	54,394,031	33,267,914	42,859									9,787,093	9,234,541
Current Liabilities Payable From Restricted Assets:													
Accrued Interest				\$ 3,460,704								3,577,540	3,701,504
Accounts Payable									116,836	4,544,032		4,544,045	4,949,987
Unamortized SWAP Premium									13	6,244,410		6,660,704	6,660,704
Deferred Interest Income									704,017			704,017	-
Retainages Payable										1,450,557		1,450,557	3,404,433
Due to Other Government Agencies						\$ 416,666						416,666	208,333
PFC Advanced										1,489,733		1,489,733	956,693
CFC Advanced										648,499		648,499	320,337
Reserve for Self-Insurance	5,501,802	1,026,515		301,718	\$ 1,400,861			\$ 224,126	1,755,260	40,868,563	(44,550,527)	6,528,317	4,820,568
Interfunds Payable													
Bonds Payable, Net of Discount and Premium of (\$1,230,469)									805,131	10,346,964		11,152,095	10,432,095
Total Current Liabilities Payable From Restricted Assets	5,501,802	1,026,515	-	3,762,422	1,400,861	416,666	-	224,126	3,381,257	65,692,758	(44,550,527)	36,855,879	35,454,654
Noncurrent Liabilities:													
Accrued Expenses	17,500											17,500	17,500
Other Postemployment Benefits other than Pensions	70,412,761	12,632,514										83,045,275	79,018,867
Bonds Payable, Net of Discount and Premium of (\$10,755,776)									15,357,804	440,511,347		455,869,151	487,021,246
Total Non-Current Liabilities	70,430,261	12,632,514	-	-	-	-	-	-	15,357,804	440,511,347	-	538,931,926	546,057,633
Total Liabilities	130,326,094	46,926,943	42,859	3,762,422	1,400,861	416,666	-	224,126	18,739,061	506,204,105	(122,456,238)	585,684,898	590,746,828
Deferred Inflows of Resources:													
Derivative Instrument Liability-Interest Rate Swaps										21,473,285		21,473,285	33,567,498
Total Deferred Inflows of Resources	-	-	-	-	-	-	-	-	-	21,473,285	-	21,473,285	33,567,498
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	\$ 130,326,094	\$ 46,926,943	\$ 42,859	\$ 3,762,422	\$ 1,400,861	\$ 416,666	\$ -	\$ 224,126	\$ 18,739,061	\$ 527,677,390	\$ (122,456,238)	\$ 607,058,183	\$ 624,314,326

South Jersey Transportation Authority
Statement of Net Position - Fund Financial Statements
December 31, 2013
With Comparative Totals as of December 31, 2012

	Unrestricted Accounts			Restricted Accounts				Totals					
	Revenue Fund	Airport Fund	General Reserve Fund	Debt Service Fund	Rehabilitation and Repair Fund	State Payment Fund	Debt Service Reserve Fund	Rebate Fund	Subordinated Debt Fund	Construction Fund	Consolidation Eliminations	2013	2012
NET POSITION													
Net Investment in Capital Assets												\$ 249,996,618	\$ 253,910,089
Restricted for:													
Debt Services				\$ 16,152,364								16,152,364	16,069,532
Rehabilitation and Repair					\$ 6,321,502							6,321,502	6,319,272
Debt Service Reserve							\$ 33,740,878					33,740,878	34,902,162
State Payment						\$ 120						120	103
Capital Projects										38,410		38,410	7,522,909
Arbitrage Rebate								\$ 169				169	168
Subordinated Debt Fund									\$ 5,925,556			5,925,556	4,433,561
Unrestricted for:													
Unrestricted Net Position	\$ (11,000,822)	\$ (16,867,194)	\$ 66,912,373									37,044,357	33,032,495
Unfunded OPEB/(Deficit)	(70,412,761)	(12,632,514)										(63,045,275)	(79,016,887)
Funded OPEB Obligation	10,205,951	1,784,048										12,000,000	10,000,000
Total Net Position	(71,207,632)	(25,705,659)	66,912,373	16,152,364	6,321,502	120	33,740,878	169	5,925,556	250,035,028		276,174,699	287,191,404
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 59,118,462	\$ 17,221,284	\$ 66,955,232	\$ 19,914,786	\$ 7,722,363	\$ 416,786	\$ 33,740,878	\$ 224,295	\$ 24,664,617	\$ 777,712,418	\$ (122,458,236)	\$ 885,232,882	\$ 911,505,730

South Jersey Transportation Authority
Statement of Revenues, Expenses and
Changes in Net Position - Fund Financial Statements
December 31, 2013
With Comparative Totals as of December 31, 2012

	Restricted Accounts										Totals		
	Unrestricted Accounts										2013	2012	
	Revenue Fund	Airport Fund	General Fund	Reserve Fund		Debt Service Fund	Rehabilitation and Repair Fund	State Payment Fund	Subordinated Debt Fund	Construction Fund	Consolidation Eliminations		
Operating Revenues:													
Tolls	\$ 76,124,544											\$ 76,124,544	\$ 77,593,457
Concessions	1,670,879											1,670,879	1,730,953
ETC Administration Revenue	3,236,956											3,236,956	2,695,640
Garage Parking	643,407											643,407	857,770
Marina Parking Revenue	2,700,225											2,700,225	2,747,162
Bus Permits	245,784											245,784	251,843
Rentals	4,345,494											4,345,494	4,189,584
Naming Rights	190,861											190,861	165,359
SJTPO Programs	1,964,082											1,964,082	2,156,432
Transportation Services	2,922,452											2,922,452	2,290,906
Other	465,805											465,805	745,163
Airport	\$ 10,471,053											10,471,053	11,587,302
Total Operating Revenues	94,510,489	10,471,053										104,981,542	107,021,581
Operating Expenses:													
Executive	928,677											928,677	991,130
Business Administration	747,637											747,637	753,785
Engineering	2,562,648											2,562,648	2,604,871
Finance	1,683,372											1,683,372	1,672,464
Central Accounts	12,284,465											12,284,465	11,607,252
Other Post-Employment Benefits	1,683,748	287,132										1,980,880	1,981,391
Marketing and Communications	170,541											170,541	273,302
Tourist Services	4,082,698											4,082,698	4,005,660
Maintenance	7,473,624											7,473,624	7,089,919
Police	6,686,707											6,686,707	6,846,762
Emergency Service Petrol	854,382											854,382	818,192
Electronic Toll Collection Expense	4,043,758											4,043,758	4,245,372
Parking (Non-Airport)	727,398											727,398	1,007,675
Information and Toll Technology	1,728,722											1,728,722	1,739,128
SJTPO Programs	1,964,082											1,964,082	2,156,432
Transportation Services	3,032,465											3,032,465	2,575,302
Airport		14,639,246										14,639,246	14,560,980
Depreciation									\$ 26,009,574			26,009,574	24,708,056
Total Operating Expenses	50,644,924	14,936,378							26,009,574			91,590,876	89,635,703
Operating Income (Loss)	43,865,565	(4,465,325)							(26,009,574)			13,390,666	17,385,878

South Jersey Transportation Authority
Statement of Revenues, Expenses and
Changes in Net Position - Fund Financial Statements
December 31, 2013
With Comparative Totals as of December 31, 2012

	Unrestricted Accounts			Restricted Accounts					Totals			
	Revenue Fund	Airport Fund	General Reserve Fund	Debt Service Fund	Rehabilitation and Repair Fund	State Payment Fund	Debt Service Reserve Fund	Rebate Fund	Subordinated Debt Fund	Construction Fund	2013	2012
Non-Operating Income(Expenses)												
Interest and Dividend Revenue	\$ 389,909	\$ 1,257	\$ 6,622	\$ 1,737	\$ 2,751	\$ 39	\$ 1,037,624	\$ 1	\$ 782,161	\$ 438,050	\$ 2,680,181	\$ 2,905,944
Market Value Adjustments on Investments	(755,178)						(1,802,019)		(85,231)		(2,642,428)	(401,360)
Gain/(Loss) on Disposal of Assets	61,868										61,868	18,288
(Increase) in OPEB Liability	(3,422,430)	(603,958)									(4,026,388)	(2,960,456)
Other Revenue			175,013								175,013	(874,998)
Feeder Road Expense			(350,000)								(350,000)	(1,013,762)
Fund Expenses										(14,676)	(14,676)	(73,235)
Amortization Expense									5,131	1,366,160	1,366,160	1,203,266
Amortization of Bond Premium				(21,230,630)					(720,520)	(1,472,951)	(23,424,101)	(24,320,274)
Interest on Bonds												
State Payment						(2,500,000)					(2,500,000)	(2,500,000)
Total of Non-Operating Income(Expenses)	(3,715,831)	(602,701)	(168,365)	(21,228,893)	2,751	(2,489,961)	(764,395)	1	(8,459)	311,462	(28,674,371)	(28,016,587)
Income (Loss) before Contributions and Transfers	40,149,734	(5,068,026)	(168,365)	(21,228,893)	2,750	(2,489,961)	(764,395)	1	(8,459)	(25,698,092)	(15,283,705)	(10,630,709)
Capital Contributions	11,882									6,255,118	6,267,000	19,761,408
Total Capital Contributions												
Interest Revenue Transferred To Operating Account												480,529
Bond Principal Payment Transfer												
Transfers (To)/From Unrestricted Funds	(6,252,596)	15,450,067	11,589,861	21,291,725	(520)	2,489,978	(395,889)		1,500,454	8,045,004	(250,736)	(376,473)
Transfers (To)/From Restricted Funds	(47,828,751)		(5,899,332)								250,736	(104,059)
Change in Net Position	(13,919,731)	10,382,041	5,523,164	62,832	2,230	17	(1,161,284)	1	1,491,995	(11,397,970)	(9,016,705)	9,130,686
Total Net Position Balance - Beginning	(57,287,901)	(40,087,700)	61,389,209	18,089,532	6,319,272	103	34,902,162	168	4,433,581	261,432,998	287,191,404	286,062,600
Cumulative Effect of a Change in Accounting, Write-off of Bond Issue Costs												
Total Net Position Balance - Beginning as adjusted	(57,287,901)	(40,087,700)	61,389,209	15,089,532	5,319,272	103	34,902,162	168	4,433,581	261,432,998	287,191,404	278,090,708
Total Net Position - Ending	(71,207,632)	(29,705,659)	66,912,373	16,152,364	6,321,502	120	33,740,876	169	5,925,556	250,035,028	278,174,699	287,191,404

South Jersey Transportation Authority
 Schedule of Bonds Payable
 Period Ending December 31, 2013

	Date of Issue	Amount Issued	Interest Rate	Maturity Date	Balance December 31, 2012	Issued	Paid or Refunded	Balance December 31, 2013
Transportation System Revenue Bonds, 2004 Series A (Tax Exempt) Original Issue Amount \$22,235,000	06/24/2004	\$ 22,235,000	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	650,000	-		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
Transportation System Revenue Bonds, 2006 Series A (Tax Exempt) Original Issue Amount \$50,365,000	01/12/06	\$ 50,365,000	4.500%	11/01/30	18,460,000	-	530,000	17,930,000
			4.500%	11/01/31	7,065,000	-		7,065,000
			4.500%	11/01/32	7,380,000	-		7,380,000
			4.500%	11/01/33	7,710,000	-		7,710,000
			4.500%	11/01/34	8,065,000	-		8,065,000
			4.500%	11/01/35	9,855,000	-		9,855,000
					10,300,000	-		10,300,000
					50,365,000	-		50,365,000
					6,745,000	-	6,745,000	-
					7,015,000	-		7,015,000
					7,300,000	-		7,300,000
					7,590,000	-		7,590,000
					7,970,000	-		7,970,000
				8,290,000	-		8,290,000	
				8,620,000	-		8,620,000	
				53,530,000	-	6,745,000	46,785,000	

South Jersey Transportation Authority
Schedule of Bonds Payable
Period Ending December 31, 2013

	Date of Issue	Amount Issued	Interest Rate	Maturity Date	Balance December 31, 2012	Issued	Paid or Refunded	Balance December 31, 2013
Transportation System Revenue Bonds, 2009 Series A-2 (Tax Exempt) Original Issue Amount \$38,995,000	08/04/09	\$ 38,995,000	3.000%	11/01/13	775,000		775,000	-
			3.250%	11/01/14	1,080,000			1,080,000
			3.500%	11/01/15	1,135,000			1,135,000
			3.750%	11/01/16	1,320,000			1,320,000
			4.000%	11/01/17	1,390,000			1,390,000
			4.000%	11/01/18	1,445,000			1,445,000
			4.250%	11/01/19	1,510,000			1,510,000
			5.000%	11/01/20	1,250,000			1,250,000
			4.500%	11/01/21	1,290,000			1,290,000
			4.625%	11/01/22	1,310,000			1,310,000
			5.000%	11/01/23	1,320,000			1,320,000
			4.750%	11/01/24	1,325,000			1,325,000
			4.875%	11/01/25	650,000			650,000
			5.000%	11/01/25	650,000			650,000
			4.875%	11/01/26	725,000			725,000
			5.000%	11/01/26	535,000			535,000
			5.000%	11/01/27	1,210,000			1,210,000
			5.000%	11/01/28	1,130,000			1,130,000
			5.125%	11/01/29	1,035,000			1,035,000
			5.500%	11/01/30	5,405,000			5,405,000
			5.500%	11/01/31	5,680,000			5,680,000
			5.500%	11/01/32	5,960,000			5,960,000
			5.500%	11/01/33	865,000			865,000
					38,995,000		775,000	38,220,000
Transportation System Revenue Bonds, 2009 Series A-5 Federally Taxable- Issuer Subsidy- Build America Bonds Original Issue Amount \$96,260,000	08/04/09	\$ 96,260,000	7.000%	11/01/30	5,460,000			5,460,000
			7.000%	11/01/31	5,725,000			5,725,000
			7.000%	11/01/32	6,020,000			6,020,000
			7.000%	11/01/33	11,710,000			11,710,000
			7.000%	11/01/34	12,775,000			12,775,000
			7.000%	11/01/35	13,375,000			13,375,000
			7.000%	11/01/36	19,555,000			19,555,000
			7.000%	11/01/37	19,725,000			19,725,000
			7.000%	11/01/38	1,915,000			1,915,000
					96,260,000		-	96,260,000

South Jersey Transportation Authority
 Schedule of Bonds Payable
 Period Ending December 31, 2013

	Date of Issue	Amount Issued	Interest Rate	Maturity Date	Balance December 31, 2012	Issued	Paid or Refunded	Balance December 31, 2013
Subordinated Serial Bonds	08/04/09	\$ 19,085,000						
2009 Series A			3.000%	11/01/13	780,000			-
(Tax Exempt)			3.500%	11/01/14	800,000		780,000	800,000
Original Issue Amount \$19,085,000			4.000%	11/01/15	880,000			830,000
			4.000%	11/01/16	860,000			860,000
			4.000%	11/01/17	895,000			895,000
			4.000%	11/01/18	930,000			930,000
			4.000%	11/01/19	970,000			970,000
			4.125%	11/01/20	1,010,000			1,010,000
			4.250%	11/01/21	1,050,000			1,050,000
			4.375%	11/01/22	1,095,000			1,095,000
			4.500%	11/01/23	1,140,000			1,140,000
			4.500%	11/01/24	1,195,000			1,195,000
			4.500%	11/01/25	1,245,000			1,245,000
			4.750%	11/01/26	1,305,000			1,305,000
			4.750%	11/01/27	1,365,000			1,365,000
			5.000%	11/01/28	1,430,000			1,430,000
					16,900,000	-	780,000	16,120,000

South Jersey Transportation Authority
 Schedule of Bonds Payable
 Period Ending December 31, 2013

	Date of Issue	Amount Issued	Interest Rate	Maturity Date	Balance December 31, 2012	Issued	Paid or Refunded	Balance December 31, 2013
Variable Rate Transportation System Revenue Bonds	06/04/09	\$ 44,000,000	4.700%	11/01/13	175,000	-	175,000	-
2009 Series A-3			4.700%	11/01/14	225,000			225,000
(Tax Exempt)			4.700%	11/01/15	425,000			425,000
Original Issue Amount \$44,000,000			4.700%	11/01/16	445,000			445,000
			4.700%	11/01/17	470,000			470,000
			4.700%	11/01/18	490,000			490,000
			4.700%	11/01/19	515,000			515,000
			4.700%	11/01/20	540,000			540,000
			4.700%	11/01/21	565,000			565,000
			4.700%	11/01/22	595,000			595,000
			4.700%	11/01/23	620,000			620,000
			4.700%	11/01/24	650,000			650,000
			4.700%	11/01/25	685,000			685,000
			4.700%	11/01/26	715,000			715,000
			4.700%	11/01/27	750,000			750,000
			4.700%	11/01/28	785,000			785,000
			4.700%	11/01/29	825,000			825,000
			4.700%	11/01/30	865,000			865,000
			4.700%	11/01/31	905,000			905,000
			4.700%	11/01/32	950,000			950,000
			4.700%	11/01/33	995,000			995,000
			4.700%	11/01/34	1,235,000			1,235,000
			4.700%	11/01/35	1,285,000			1,285,000
			4.700%	11/01/36	1,540,000			1,540,000
			4.700%	11/01/37	1,800,000			1,800,000
			4.700%	11/01/38	11,085,000			11,085,000
			4.700%	11/01/39	13,590,000			13,590,000
					43,725,000	-	175,000	43,550,000

South Jersey Transportation Authority
 Schedule of Bonds Payable
 Period Ending December 31, 2013

	Date of Issue	Amount Issued	Interest Rate	Maturity Date	Balance December 31, 2012	Issued	Paid or Refunded	Balance December 31, 2013
Variable Rate Transportation System Revenue Bonds 2009 Series A-4 (Tax Exempt) Original Issue Amount \$43,795,000	08/04/09	\$ 43,795,000	4.700%	11/01/13	175,000	-	175,000	-
			4.700%	11/01/14	225,000			225,000
			4.700%	11/01/15	420,000			420,000
			4.700%	11/01/16	445,000			445,000
			4.700%	11/01/17	465,000			465,000
			4.700%	11/01/18	490,000			490,000
			4.700%	11/01/19	510,000			510,000
			4.700%	11/01/20	535,000			535,000
			4.700%	11/01/21	565,000			565,000
			4.700%	11/01/22	590,000			590,000
			4.700%	11/01/23	620,000			620,000
			4.700%	11/01/24	650,000			650,000
			4.700%	11/01/25	680,000			680,000
			4.700%	11/01/26	715,000			715,000
			4.700%	11/01/27	750,000			750,000
			4.700%	11/01/28	785,000			785,000
			4.700%	11/01/29	820,000			820,000
			4.700%	11/01/30	860,000			860,000
			4.700%	11/01/31	905,000			905,000
			4.700%	11/01/32	945,000			945,000
			4.700%	11/01/33	985,000			985,000
			4.700%	11/01/34	1,230,000			1,230,000
			4.700%	11/01/35	1,275,000			1,275,000
			4.700%	11/01/36	1,530,000			1,530,000
			4.700%	11/01/37	1,795,000			1,795,000
			4.700%	11/01/38	11,030,000			11,030,000
			4.700%	11/01/39	13,515,000			13,515,000
					43,520,000		175,000	43,345,000
Transportation System Revenue Refunding Bonds, Series 2012 (Tax Exempt) Original Issue Amount \$25,680,000	06/05/12	\$ 25,680,000	5.000%	11/01/20	8,145,000			8,145,000
			5.000%	11/01/21	8,555,000			8,555,000
			5.000%	11/01/22	8,980,000			8,980,000
					25,680,000			25,680,000
Transportation System Revenue Refunding Bonds 2012 Series A (Tax Exempt) Original Issue Amount \$76,760,000	9/20/12	\$ 76,760,000	5.000%	11/01/23	9,430,000			9,430,000
			5.000%	11/01/24	9,900,000			9,900,000
			5.000%	11/01/25	10,400,000			10,400,000
			5.000%	11/01/26	10,920,000			10,920,000
			5.000%	11/01/27	11,460,000			11,460,000
			5.000%	11/01/28	12,035,000			12,035,000
			5.000%	11/01/29	12,635,000			12,635,000
					76,760,000			76,760,000
		\$ 479,210,000			\$ 464,215,000		\$ 9,180,000	\$ 455,035,000

**South Jersey Transportation Authority
Schedule of Toll Revenue
Period Ending December 31, 2013**

Interchange:	<u>Toll Revenue</u>	<u>Vehicle Count</u>
Pleasantville	\$ 16,965,616	20,224,998
Exit 5, Route 9	893,263	1,169,151
Mays Landing	2,572,632	3,504,307
Egg Harbor	48,472,038	15,536,319
Hammonton	1,261,219	1,652,260
Winslow	630,758	825,178
Williamstown	1,554,426	3,466,115
Pomona	2,004,567	2,713,796
Berlin Crosskeys	1,211,042	2,813,599
Route 50	558,983	173,996
Unusual and Toll Free	-	586,989
	<u>\$ 76,124,544</u>	<u>52,666,708</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.