



ADVANCING TRANSPORTATION

South Jersey Transportation Authority 2007 Comprehensive Annual Report



SJTA VISION

*A Leader in Transportation, Safely Moving People and
Commerce, to stimulate the Economy
Now and into the Future.*

CORE VALUES

SAFETY

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

INNOVATION

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

PROFESSIONALISM

*Conduct ourselves ethically and with integrity
worthy of the public trust.*

DIVERSITY

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

EXCELLENCE

*Commit to the highest standards of customer
service delivery.*

*Jon S. Corzine
Governor*

*Kris Kolluri
Comm. NJ DOT, Chairman SJTA*

*Bart R. Mueller
Executive Director*

Letter of Transmittal from the Board Chairman	2
SJTA Board of Directors	3
SJTA Organization	4
SJTA Core Functions	5
Letter of Transmittal from the Executive Director	6
Core Values	7
Atlantic City Expressway	8-9
• ACE Toll Schedule Chart	8
• Motorist Aids Handled by E.S.P. Chart	8
• E-ZPass Usage Chart	10
• ACE Annual Toll Traffic Chart	8
• ACE Annual Toll & Traffic Revenue Chart	9
• ACE Annual Traffic Increase or Decrease Chart	9
Atlantic City International Airport	10-11
• ACY Total Passengers Chart	11
• ACY Tenants	11
Transportation Services	12
• ACY Parking Revenue Chart	12
Economic Development	13
• Annual Visit/Trips to AC by Trans. Mode Chart	13
• SJTA Capital Plan	13
Key Dates in SJTA History	14-15
Letter of Transmittal from the Chief Financial Officer	16-17
Certification of Annual Audit and Financial Audit	19

Photo credits:

Donna Connor/PhotoFace.com

Gregg Kohl/AC Photo

Atlantic City Convention & Visitors Authority

A Year of Growth



Letter from the Chairman

In 2007, the South Jersey Transportation Authority was quick to embrace the Governor's Economic Growth Strategy through the development and implementation of cost containment in its operating practices, new revenue opportunities, and transportation improvements to support the Southern New Jersey economy.

The Atlantic City International Airport experienced unprecedented double-digit passenger growth in scheduled air service while work continued on the airport parking garage, fiber optic communications, and passenger terminal improvements.

Design work has been completed on the Atlantic City Expressway full interchange at Exit 17, which will support economic growth, improve accessibility and relieve traffic congestion.

The SJTA is also partnering with community stakeholders and in 2007 launched a journey-to-work transit program in cooperation with Atlantic City employers. This innovative private/public effort includes job fairs in workforce-ready areas and provides transportation alternatives to bring workers to available jobs in Atlantic City's gaming industry.

I thank the Commissioners and staff of the SJTA for their hard work and dedication to transportation excellence and look forward to a successful 2008.

Respectfully,

Kris Kolluri
Chairman,
South Jersey Transportation Authority





Jon S. Corzine
Governor

SJTA Board of Commissioners



Kris Kolluri
Chairman



Mark A. Summerville
Vice Chairman



Jeffrey A. April, Esq.



Ernest Coursey



Louis Toscano

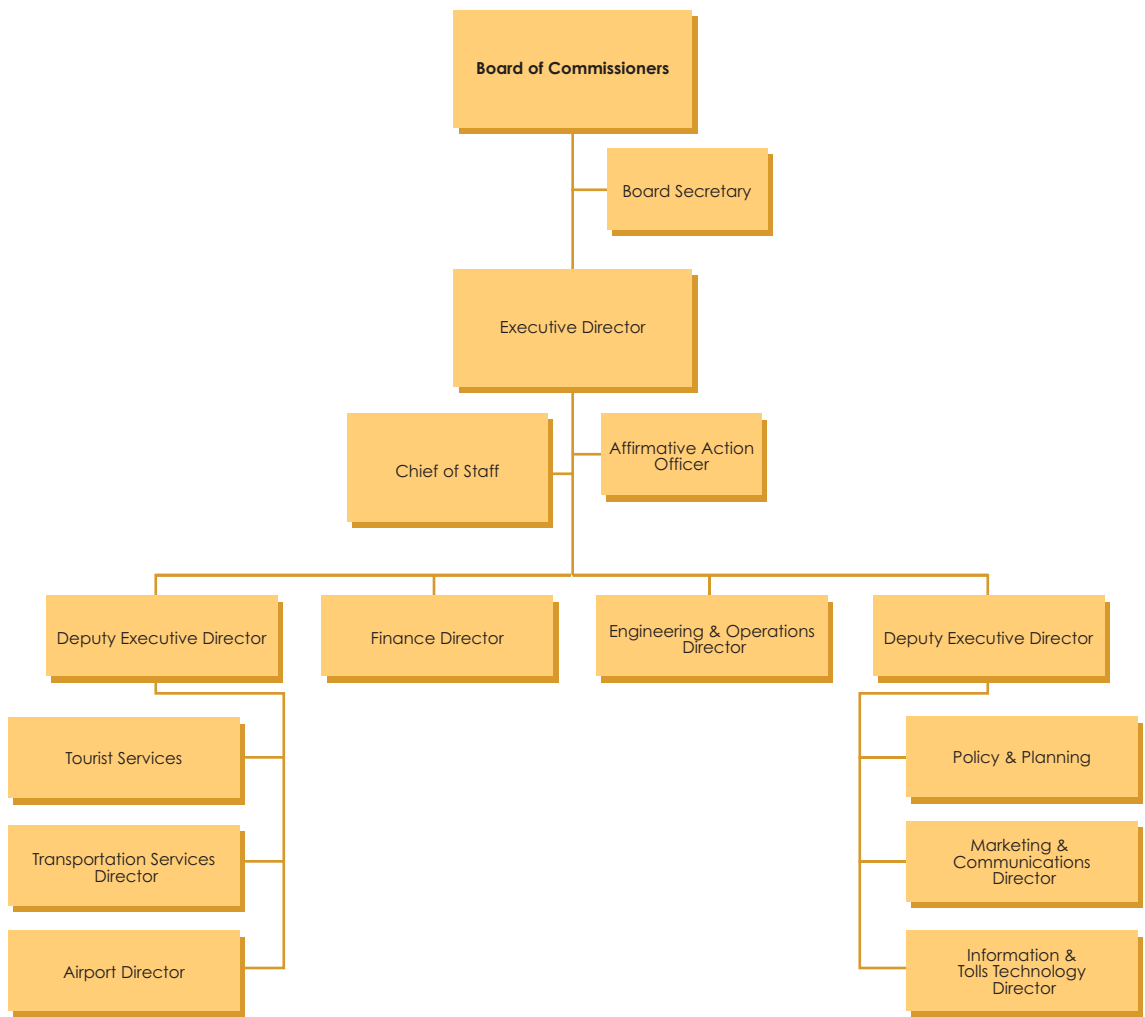


James U. Gaymon, Jr.



Bart R. Mueller
Executive Director

SJTA Organization



SJTA Core Functions

Atlantic City Expressway

The AC Expressway provides safe and efficient travel to millions of motorists. Opened to traffic in 1964, it was connected directly into Atlantic City in 1965. The Expressway provides convenient access from Atlantic City, and travels northwest through the counties of Atlantic, Camden and Gloucester, ending at Route 42, approximately 10 miles east of Philadelphia. Emergency Service Patrol vehicles are available on the roadway as a courtesy service to Expressway motorists. In 2001, the forty-four and one-half mile Expressway was expanded to include the two-and-a-half mile Atlantic City Expressway Connector.



Atlantic City International Airport

The Airport conducts commercial and general aviation operations, offering air travel to support commerce, tourism, and the general public. The Airport provides convenient air passenger service, bringing travelers to Atlantic City and the Southern New Jersey shore region outbound air passenger travel to outer market destination cities. The airport is located nine miles northwest of downtown Atlantic City and intersects with the Garden State Parkway.



Transportation Services

SJTA provides Transportation Services through journey-to-work transit routes to increase employment opportunities in areas underserved by transit. Transportation Services operates and manages all of the SJTA parking facilities and parking shuttles in various locations, including the Atlantic City International Airport. The Department also promulgates and enforces the rules and regulations regarding the Motorbus Industry in Atlantic County.



Economic Development

The SJTA is credited with economic stimulation and growth through the implementation of transportation projects and services that support economies in Atlantic, Camden, Cape May, Cumberland, Gloucester and Salem Counties. SJTA projects support the six priority areas of growth under the Economic Growth Strategy for the State of New Jersey.



CORE VALUES

Letter from the Executive Director

The SJTA has a long history of transportation service carried out by the various entities that together make up the Authority. Each entity's traditions and practices, as well as diverse management approaches, contribute to the accomplishments of the SJTA's mission. This year has been a time to truly integrate the goals and objectives of the SJTA's executive management team and to approach our mutual aims with solidarity and shared vision.

To that end, the Authority's executive team has memorialized a vision and a set of Core Values to inspire and guide the work ethic of the SJTA employees. The vision of the SJTA is to be a leader in transportation, safely moving people and commerce to stimulate the economy, now and into the future.

The foundation for that vision and a single culture of service delivery is a set of Core Values: Safety, Innovation, Professionalism, Diversity, and Excellence.

An Authority-wide **Safety** program is aimed at providing a safe workplace and safe transportation facilities and operations. An experienced and trained safety manager was appointed to enhance safety awareness and reduce work-related accidents and insurance cost.

Designed with an eye toward **Innovation**, SJTA telecommunications are utilizing technological solutions to build intelligent transportation systems and interconnect with regional and statewide operations centers.

Striving for **Professionalism** in all areas, The SJTA has revised and updated job descriptions, brought in experienced and credentialed staff where needed, and utilized tools, such as project management software.

Diversity is evident in the SJTA staff and in those changes made in the procurement process this year. New firms and new data collection methods have been added to the process, to increase opportunities for all firms in Southern New Jersey.

Leading the way in 2007 with a commitment to **Excellence** and improved customer service, the SJTA was successful in bringing in additional funding for expansion and upgrades at the Atlantic City International Airport, including baggage screening and pedestrian circulation.

This has been a year of commonality and teamwork. I congratulate the staff on a successful 2007 and look forward to continued advancement in providing firstclass transportation for the residents and business of Southern New Jersey.

Respectfully,



Bart R. Mueller
Executive Director,
South Jersey Transportation Authority



The Mission of the South Jersey Transportation Authority is to provide the traveling public with safe and efficient transportation through the acquisition, construction, maintenance, operation and support of expressway, airport, transit, parking, other transportation projects and services that support the economies of Atlantic, Camden, Cape May, Cumberland, Gloucester, and Salem Counties. Five Core Values guide the activities of SJTA: Safety, Innovation, Professionalism, Diversity, and Excellence.

SJTA - Advancing Transportation through:

Safety

Safety is part of the everyday work environment at the SJTA. Monthly safety training for all Authority employees covers the universe of safety practices from office administration to roadway work zones. All departments within the Authority are 100 percent compliant with safety training.

Innovation

Advancing transportation in Southern New Jersey will require a vision toward the development of new and emerging technologies. Toll system servers at both mainline toll plazas were upgraded to improve efficiency. Preliminary design work for a Common Use Systems project at ACY has begun. This project will provide a "virtual expansion" in the ACY Terminal through a centralized database to drive new and improved flight information displays and other multimedia content. Work continues on the Coarse Wave Division Multiplexing (CWDM) fiber optic network. In 2007, three additional CWDM nodes were "lit up" at the Atlantic City Expressway Connector and both toll plazas. To accommodate an increasing volume of technical support issues, an automated system was deployed to collect, store and manage all "Help Desk" support requests throughout the SJTA organization.

Professionalism

SJTA made strides in 2007 in fiscal and professional practices. Methods and processes were examined and streamlined. Technology is increasingly being employed to provide transparency and oversight of critical information. An Authority-wide asset management system was initiated, as was a new capital project management system that provides efficiencies in scheduling and cost tracking, as well as real-time executive-level access to project status.

Diversity

SJTA values the community and strives for diversity in its workforce and its contracting. The Authority has gone beyond its mandated efforts to provide opportunities for Southern New Jersey's small, minority, and women-owned businesses to access SJTA contracts. The Authority actively participated in state and regional procurement events and continues to work with the state's Division of Minority & Women Business Development to provide ongoing procurement opportunities. Most notably, SJTA conducted two regional procurement events to introduce SJTA and expand the minority and women business database.

Excellence

The SJTA Core Values are incorporated into performance measures and a work ethic that is reflected by our workforce and noticed by our patrons.

Atlantic City Expressway



Driving Advancement

Year after year, the South Jersey Transportation Authority brings travelers safely and quickly to and from Atlantic City and its surrounding areas. In 2007, and for the second consecutive year, 80 percent of those who journeyed to Atlantic City arrived by motor vehicle. The Atlantic City Expressway was the route of choice for travelers in 2007. Daily, the Atlantic City Expressway brought an average of 36,489 automobiles into Atlantic City for the year 2007—almost half of the overall reported automobile traffic in the city.

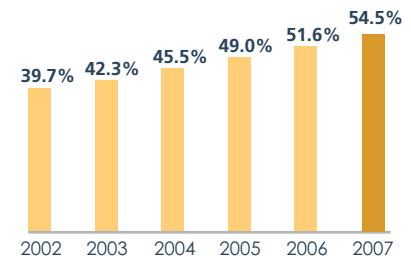
The Emergency Service Patrol (ESP) worked hard in 2007, coming to the aid of 9,610 motorists with problems such as dead batteries, flat tires, overheating, and fuel emergencies. The ESP continues to make safety a priority along the roadway.

Motorist Aids Handled by the E.S.P

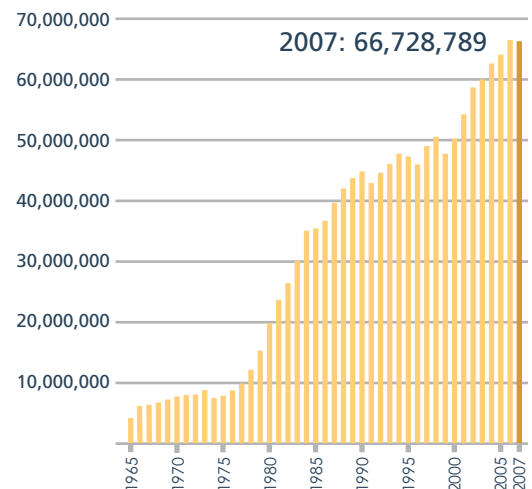
June 1, 2003- May 1, 2007

Total Battery Boosts	2,143
Total Flat Tires Changed	10,459
Mechanical Problems	9,348
Total Assisted Out of Fuel	4,465
Total Overheats	2,715
Directions	1,164
Requested Tow Trucks	8,071
Resting/Other	4,745
Total	43,110

E-ZPass Usage as a Percent of Total Traffic



Atlantic City Expressway Annual Toll Traffic



Atlantic City Expressway Toll Schedule

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

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



Atlantic City Expressway Annual Toll and Traffic Revenue

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

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

Annual Traffic Increase or Decrease at Each Toll Area

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

Atlantic City International Airport



Taking Parking to the Next Level

The Authority's improvements at the airport are being made to accommodate the growing needs of passengers. To provide additional parking to passengers at the Atlantic City International Airport, an estimated \$24.5 million, six-story parking garage having approximately 1400 spaces is scheduled for completion in 2008. The newly added facility will offer ACY travelers the convenience of parking, within steps of the terminal building.



Baggage Screening

The year 2007 marked the completion of the \$8 million airport security baggage screening facility, which includes a new baggage handling system from the ticket counters directly into the new baggage screening area. Improvements included the installation of Reveal CT-80 explosive detection system equipment, relocation of the explosive trace detection from the lobby queuing area, and the addition of a third Transportation Security Administration (TSA) screening station separate from the terminal. These advancements will allow for more expedient TSA baggage screening and will improve the movement of arriving and departing passengers within the terminal.



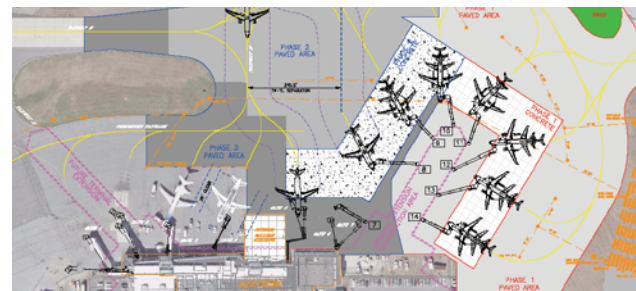
Emergency Readiness

The Airport conducted the full-scale emergency response drill required every three years under FAA regulations to test the Airport Emergency Plan. The exercise evaluates the emergency plans and agreements for airport, local, county, and state response agencies that would be directly involved in a large-scale aircraft incident.



Apron Expansion

SJTA's improvements and advancements are evident all over the Atlantic City International Airport. The design and phasing plan for the \$12 million ACY apron expansion project has been developed. This project, when complete, will allow for easier aircraft movements and will provide the foundation for the next phase of terminal expansion.



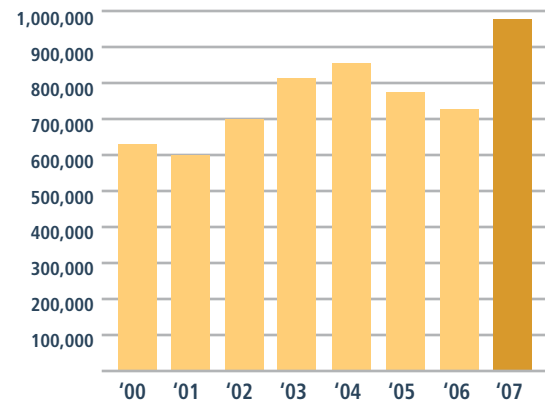


Record Breaking Passenger Growth

Spirit Airlines' addition of its Las Vegas service and increased flight frequencies provided more seats in ACY and outer markets in 2007. Also, the enhanced infrastructures brought more passengers to and from the Atlantic City region, notably setting a record for unprecedented growth in scheduled air service by 34 percent in 2007.

The addition of flights and seats in the market at various times throughout the year contributed to the significant increase in passenger traffic. The market is maturing and the travel habits of passengers are changing. More passengers are choosing ACY over the metro airports for convenience and cost savings. Whenever seats are introduced into the airport's primary market area, those seats get filled. The total number of passengers served by the Atlantic City International Airport increased 55 percent from 2000 to 2007.

ACY Total Passengers, 2000-2007



Future Advancements

Next-generation aviation technology application will begin at the Atlantic City International Airport through the design and implementation of Common Use Technology. This technology provides for the interfacing of ticket counter computers for easy check-in for multiple airline carriers' use at the same location. It will further assist in boarding passengers and will provide continual updates to the Flight Information Display monitors in real-time. This technology is designed to create a virtual ticket counter expansion.



ACY Tenants

AVIS
BUDGET
COREY AIRPORT SERVICES
DELTA/COMAIR
FABER, COE & GREGG
GATE SERVE
GOLD TRANSPORTATION

Automobile Rentals
 Automobile Rentals
 Advertising Services
 Scheduled Airline
 News/Gifts
 Airline Catering
 Charter Airline

HERTZ
LC3
MIDLANTIC JET
SPIRIT AIRLINES
TALK OF THE WALK
TROPIANO TRANSPORTATION
AVEX FLIGHT SERVICES

Automobile Rentals
 Restaurant/Bar
 Fixed Base Operator
 Scheduled Airline
 Specialty Retail
 Ground Transportation
 Aircraft Cleaning Services

Transportation Services

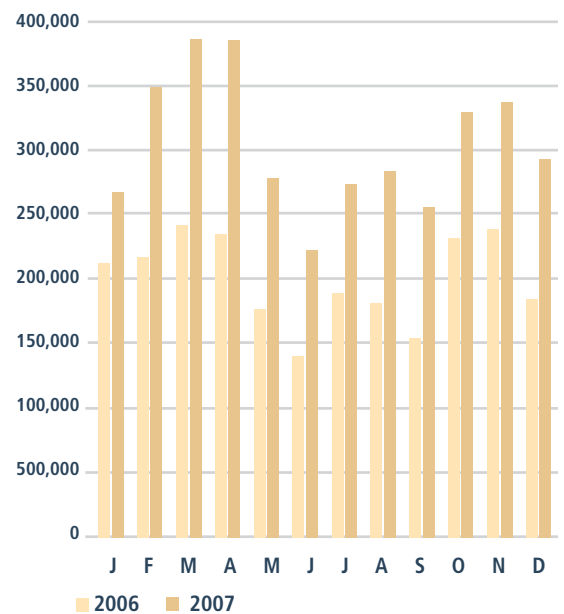


Transportation Services Delivers

The SJTA delivers transportation services, meeting the needs of the public through journey-to-work transit routes to increase employment opportunities in areas underserved by transit. Through public/private partnerships and alliances with public agencies, the SJTA provided 659,459 one-way transportation trip services to patrons in 2007.

The SJTA provides experienced management and oversight of all SJTA parking facilities and parking shuttles in various locations, including the Atlantic City International Airport. In 2007, SJTA parking had a banner year – reaching revenues of \$4.1 million, up 57.5 percent over the previous year.

ACY Parking Revenue, 2006-2007



Total Revenue: 2006 \$2,543,903
2007 \$3,831,843



Economic Development

SJTA's Capital Plan

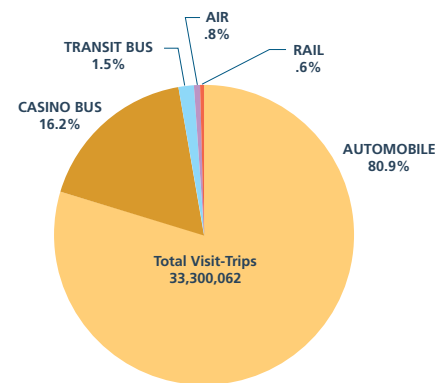
Strengthening New Jersey's Economy

SJTA's mandate is to advance regional growth through infrastructure improvements on the Atlantic City Expressway and at the Atlantic City International Airport. Those projects enhance accessibility for tourism and commerce, as well as for employment opportunities in the region.

The Authority's operations are consistent with the Economic Growth Strategy for the State of New Jersey in support of business development, workforce advancement, and strategic infrastructure investments which foster new innovative technologies to stimulate economic growth, while protecting the environment. Furthermore, the SJTA has gone beyond its mandated efforts to provide opportunities for Southern New Jersey's small, minority, and women owned businesses to access SJTA contracts. These opportunities will help foster growth to Southern New Jersey's economy.

A Capital Program Committee was established in 2007 to provide an overarching, decision-making framework for capital investments to build on the state's growth strategy. The capital budget process balances investments among highway, transit, and air transportation. In addition to its five-year capital plan, a ten-year plan was developed as part of the Statewide Transportation Capital Investment Strategy.

Annual Visit/Trips to Atlantic City by Transportation Mode



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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
Bridge Assets	\$380,000	\$895,000	\$5,495,000	\$825,000	\$525,000	\$6,850,000	\$6,550,000	\$6,850,000	\$6,600,000	\$6,900,000	\$41,870,000
Road Assets	\$2,580,200	\$14,828,603	\$4,025,000	\$3,130,000	\$2,080,000	\$3,275,000	\$3,280,000	\$3,275,000	\$3,280,000	\$3,275,000	\$43,028,803
Highway Facility Assets	\$1,697,687	\$1,088,992	\$1,345,000	\$345,000	\$485,000	\$1,800,000	\$250,000	\$1,925,000	\$535,000	\$1,740,000	\$11,211,679
Safety Management Assets	\$291,700	\$2,065,047	\$500,000	\$450,000	\$165,000	\$600,000	\$450,000	\$2,450,000	\$450,000	\$7,450,000	\$14,871,747
Congestion Relief	\$10,696,561	\$75,000	\$140,700,000	\$7,000,000	-	\$30,000,000	\$20,000,000	-	-	-	\$208,471,561
Roadway Capital Equipment	\$1,634,300	\$2,431,000	\$2,150,000	\$2,400,000	\$2,425,000	\$2,660,000	\$2,660,000	\$2,660,000	\$2,660,000	\$2,660,000	\$24,340,300
Airport Assets	\$6,322,543	\$9,162,376	\$29,085,000	\$53,053,421	\$31,480,000	\$26,050,000	\$21,070,000	\$50,400,000	\$30,200,000	\$895,000	\$257,718,340
Airport Safety & Security	\$1,805,750	\$490,663	\$2,500,000	\$27,325,000	\$55,000	\$10,195,000	\$195,000	\$195,000	\$120,000	\$2,045,000	\$44,926,413
Airport Capital Equipment	\$394,679	\$608,018	\$561,000	\$605,000	\$100,000	\$230,000	\$100,000	\$480,000	\$500,000	\$630,000	\$4,208,697
Total	\$25,803,420	\$61,644,699	\$186,361,000	\$95,133,421	\$37,315,000	\$81,660,000	\$54,555,000	68,235,000	\$44,345,000	\$25,595,000	\$650,647,540

Key Dates in SJTA History

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



1st Car through Egg Harbor Plaza - 1964

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2007:
Final Design completed for Exit 17

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

Began All Electronic Tolling (AET) Study

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

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

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



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

Letter from the CFO

TO THE BOARD OF COMMISSIONERS SOUTH JERSEY TRANSPORTATION AUTHORITY:

The annual financial report to the South Jersey Transportation Authority (the Authority) for the year ended December 31, 2007, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the combined financial position and results of operations of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

The Authority's enabling legislation as well as the Authority's Bond Resolution requires an annual audit of the Authority's financial statements by a firm of independent auditors. As a recipient of federal funds primarily from the Federal Aviation Administration for projects involving the Atlantic City International Airport, the Authority is required to have a single audit performed annually by an independent auditor in accordance with the Single Audit Act of 1984, as amended in 1996, and OMB Circular A-133. The purpose of the single audit is to determine the adequacy of the Authority's internal controls and compliance with applicable laws and regulations relating to the receipt of federal assistance. The Authority retains an independent auditor to satisfy these audit requirements. The report of the independent auditor on the combined financial statements of the Authority is included in the financial section of this report. The Authority's management is primarily and ultimately responsible for the content and presentation of the audited financial report.

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

The combined financial statements of the Authority are prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States. The Authority is a component unit included in the State of New Jersey's comprehensive annual financial report.

Management has provided a narrative introduction, overview, and analysis to accompany the basic financial statements in the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The South Jersey Transportation Authority's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF GOVERNMENT:

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

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

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

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

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

The Authority prepares both operating and capital budgets annually. The annual operating budget is a financial planning tool for the associated fiscal year. Each of the Authority's Department Directors contributes to the development of a preliminary operating budget based on the expected staffing and funding levels necessary to operate the Authority's facilities in an efficient manner. After individual departmental budgets are reviewed at budget meetings conducted by the budget review committee, which consists of the Chief of Staff, Director of Finance/Treasurer, Budget Manager, appropriate Deputy Director and other staff, a proposed operating budget is presented by the Executive Director to the Board of Commissioners for its review and approval. Any subsequent addition to funds to the total operating budget requires the approval of the Board of Commissioners.

Expenditures are monitored continuously throughout the year by the Budget Division to ensure that each department is in compliance with the approved operating budget. Additionally, the accounting system does not permit expenditures to exceed amounts budgeted without line item transfer. All line item transfers are approved in writing by the Executive Director.

A capital budget is also prepared annually. The budget is prepared by a Capital Program Committee which is chaired by the Director of Policy and Planning and comprised of four additional members of senior leadership. The capital budget is prepared by the Capital Program Committee in a similar process to the operating budget and submitted to the Board of Commissioners for approval. The capital budget is a planning document identifying the Authority's potential commitments. The approval of the capital budget does not in itself authorize any specific project. Specific approval by the Board of Commissioners is required before any contracts above the current SJTA bidding threshold involving a capital project may commence.

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

FACTORS AFFECTING FINANCIAL CONDITION:

Investment Management

Investments of the Authority are purchased in accordance with the Authority's 1999, 2003, 2004 and 2006 Bond Resolutions. Cash available during the year is generally invested in money market funds, repurchase agreements (collateralized by obligation of the US Treasury), obligations of the United States Treasury, obligations of federal government agencies or their instrumentalities, obligations of public agencies or municipalities or certificates of deposits rated in either of the two highest rating categories by Standard and Poor's corporation or Moody's Investors Service, and commercial paper rated A-1 by Standard and Poor's Corporation. The Authority's Investment policy is to match the maturities of its investments with the present and anticipated needs of the Authority, thereby maximizing the return on available funds. In addition, the Authority is required to maintain certain invested amounts as reserves for its debt obligations.

Risk Management

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

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

Pension Plans

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

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

ACKNOWLEDGEMENT:

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

Respectfully submitted:



Kathleen M. Sharman
Director of Finance/Treasurer

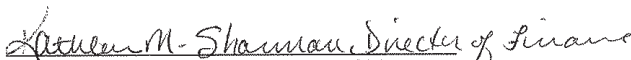
South Jersey Transportation Authority Report of Audit


For The Year Ended December 31, 2007

Executive Order 37 (2007)
Certification of Annual Audit

For Year Ending 2007

In accordance with Executive Order No. 37 (2007) 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 year ending December 31, 2007.


Kathleen M. Sharman, Director of Finance


Bart R. Mueller, Executive Director

South Jersey Transportation Authority

Report of Audit

For The Year Ended December 31, 2007

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1-2
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	3-4
Required Supplementary Information - Part I	
Management's Discussion and Analysis	5-13
Basic Financial Statements	
Statement of Net Assets	14-16
Statement of Revenues, Expenses, and Changes in Net Assets	17
Statement of Cash Flows	18
Statement of Net Assets - Proprietary Funds	19-21
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds	22
Statement of Cash Flows - Proprietary Funds	23
Notes to Financial Statements	24-67
Other Supplementary Information	
Statement of Net Assets - Fund Financial Statements	68-70
Statement of Revenues, Expenses, and Changes in Net Assets - Fund Financial Statements	71-72
Schedule of Bonds and Other Debt	73-75
Schedule of Toll Revenue	76



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • PO BOX 538 • OCEAN CITY, NJ • 08226-0538

PHONE 609.399.6333 • FAX 609.399.3710

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying basic financial statements of the South Jersey Transportation Authority ("Authority"), a component unit of the State of New Jersey, as of and for the year ended December 31, 2007, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of December 31, 2007, and the respective changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2008 on our consideration of the Authority's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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



Leon P. Costello
Certified Public Accountant

April 3, 2008



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • PO BOX 538 • OCEAN CITY, NJ • 08226-0538

PHONE 609.399.6333 • FAX 609.399.3710

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

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

We have audited the basic financial statements of the South Jersey Transportation Authority ("Authority"), a component unit of the State of New Jersey, as of and for the year ended December 31, 2007, and have issued our report thereon dated April 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

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

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

Compliance

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

We noted certain matters that we reported to the Authority's management in a separate letter dated April 3, 2008.

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

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



Leon P. Costello
Certified Public Accountant

April 3, 2008

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, 2007. Please read it in conjunction with the Authority's financial statements that begin on Page 13.

Financial Highlights

- **ELIMINATION OF REGIONAL E-ZPASS DISCOUNT:** On January 17, 2007, the Authority eliminated the 10% regional E-ZPass discount on the Atlantic City Expressway. This combined with a 5.6% increase in E-ZPass traffic, resulted in an increase in E-ZPass toll revenue. Although overall traffic slightly decreased from 2006 to 2007, total toll revenue increased \$2,352,792 from \$59,477,706 in 2006 to \$61,830,498 in 2007.
- **ISSUANCE OF TAXABLE SUBORDINATED NOTES, SERIES 2007:** On July 5, 2007, the Authority issued Taxable Subordinated Notes, Series 2007, in the principal amount of \$22,390,000. Proceeds of the 2007 Notes will be used to finance: (i) the design of (a) a westbound third lane widening on the Atlantic City Expressway, and (b) an Express E-ZPass at the Egg Harbor Toll Plaza on the Expressway; (ii) the construction of a full interchange at the intersection of the Expressway and New Jersey State Route 50; (iii) other capital improvements to the Expressway Project as shall be included in the Authority's 2007-2011 capital plan, as the same may be amended; (iv) the payment of capitalized interest on a portion of the 2007 Notes; and (v) the payment of certain costs of issuance of the 2007 Notes. The 2007 Notes are subject to redemption at the option of the Authority, in whole but not part, at any time on or after January 1, 2008, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the redemption date. The notes are due January 1, 2010.
- **IMPLEMENTATION OF GASB STATEMENT NO. 45 "ACCOUNTING AND FINANCIAL REPORTING FOR EMPLOYERS FOR POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS":** 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.

The Authority has decided to record the entire unfunded actuarial accrued liability in addition to the annual required contribution obligation in the financial statements. This is to ensure that the OPEB liability associated with the Atlantic City Expressway (ACE) assets (see Proposed Legislation discussion below) is transferred with the ACE assets to the New Jersey Turnpike Authority or successor entity at the transfer date if and when the legislation is passed.

The Authority's total unfunded actuarial accrued liability at December 31, 2007 is \$100,018,000. \$84,320,108 is related to the Expressway and \$15,697,892 is related to the Airport. This liability is reflected in Non-current Liabilities on the accompanying Statement of Net Assets. The Authority's annual required contribution for the year ended December 31, 2007 was \$8,567,000. \$8,389,663 was related to the Expressway and \$177,337 was related to the Airport. The annual required contribution is reflected in Operating Expenses on the accompanying Statement of

Financial Highlights (Continued)

Revenues, Expenses and Changes in Net Assets. The recording of these OPEB estimates results in an unfunded OPEB (deficit) of \$(92,731,642). The Authority is currently in the process of developing a funding plan for the OPEB liability.

- **PROPOSED LEGISLATION:** In February 2008, New Jersey Governor, Jon S. Corzine, released proposed legislation for the financial restructuring and debt reduction plan, the "Financial Restructuring, Debt Reduction, and Transportation Infrastructure Financing Act of 2008," for public review. The legislation proposes to capture the value of New Jersey's toll roads, including the Atlantic City Expressway (ACE), to pay down a portion of the State of New Jersey's bonded indebtedness and fund state-wide transportation improvements.

With respect to the SJTA, the draft legislation proposes that the Authority will transfer certain assets defined as ACE assets to a successor entity of the New Jersey Turnpike Authority in exchange for receipt of an amount sufficient to and for the purpose of repayment and/or defeasance of all the existing outstanding bonded indebtedness of the Authority and the transfer of all debts, liabilities, obligations and contracts with respect to the ACE assets. As of December 31, 2007, the book value of the ACE assets is \$541,822,328 and the book value of total bonded indebtedness (not including conduit debt) and other debts, liabilities and obligations associated with the ACE assets is \$398,844,592. See notes to the financial statements for further discussion.

- **AIRPORT SUBSIDY:** The Authority's enabling legislation created the South Jersey Transportation Authority to deal with regional transportation issues. Included in the legislation were the powers to acquire and operate the Atlantic City International Airport. (ACY). The available surplus, net revenue generated by the Atlantic City Expressway project, has historically been available to subsidize the airport operations as was anticipated in the legislation and clearly presented in the original documents adopted by the Authority. The airport project is considered a general project under the Authority's General Bond Resolution and payment of any airport subsidy (excess of airport expenses over airport revenues) is subordinate to payments to bond holders under the Authority's General Bond Resolution and payable from the general reserve fund. Prior to September 11, 2001, the airport subsidy was steadily decreasing; in fact for the year ended December 31, 2000, the airport generated a small operating surplus. The subsidy has increased since the events of September 11, 2001 due to revenue losses resulting from declines in the airline industry and expense increases resulting from additional requirements including fulltime police presence, and increased insurance costs. The airport subsidy was \$2,938,748 for the year ended December 31, 2007.

Using this Financial Report

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

Financial Statements of the Authority

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

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

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

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

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

The increase in unrestricted current assets in the amount of \$5.1 million resulted primarily from an increase in cash and cash equivalents in the amount of \$7.8 million. This increase was due in part from the issuance of the Taxable Subordinated Notes, Series 2007. This increase was offset by a decrease in investments in the amount \$1.9 million, a decrease in Transportation Services grants receivable in the amount of \$.34 million, and a decrease in SJTPO grants receivable in the amount of \$.4 million.

Restricted current and other assets increased in 2007 in the amount of \$8.1 million. This increase resulted primarily from an increase in investments in the amount of \$14.9 million which can be attributable to the proceeds from the issuance of the 2007 Subordinated Notes; a decrease in cash and cash equivalents in the amount of \$5.9 million and a decrease in grants receivable in the amount of \$.9 million primarily related to a decrease in Federal Aviation Administration (FAA) grants.

Financial Analysis of the Authority's Statement of Net Assets

Capital assets, net of accumulated depreciation, increased by a net of \$13.3 million. The Expressway's Capital Assets, net of depreciation, decreased by \$9.3 million, while the Airport capital assets, net of depreciation, increased by \$22.5 million.

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

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

EXPRESSWAY

<u>Project</u>	<u>Amount</u>
Road Overlay Programs	\$ 1.1 million
Third Lane Project Construction	.4 million
Capital Equipment	.9 million
Fleet Maintenance - State Police Vehicles	.4 million
Transportation Services Buses	.2 million
Route 50 Easterly Access	.3 million
Other Facility and Equipment Costs	.3 million
Bridge Repairs and Inspections	.3 million
Elevated Walkway	.1 million
Change in Accumulated Depreciation	(13.3) million
Total Expressway Decrease	\$ <u>9.3 million</u>

AIRPORT

<u>Project</u>	<u>Amount</u>
Auto Parking	\$ 19.6 million
Passenger Screening Section 1	3.7 million
Airfield Security Fencing	.2 million
Wind Indicators	1.1 million
Relocate Taxi H	.7 million
Terminal Apron Expansion	.8 million
Change in Accumulated Depreciation	(3.6) million
Total Airport Increase	\$ <u>22.5 million</u>

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

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

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

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

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

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

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

In 2007, the Authority made \$5.4 million in bond principal payments and \$14.1 million in bond interest payments.

Current liabilities payable from unrestricted assets increased by \$.8 million, primarily from an increase in accounts payable in the amount of \$.7 million due, in part, to an increase in the accrual of state police expenses.

Current liabilities payable from restricted assets increased by \$6.9 million, primarily from the increase in of Passenger Facility Charges in the amount of \$2.6 million, an increase in accounts payable in airport related expense accruals in the amount of \$1.8 million. The remaining increase can be explained by the following other factors: an increase in retainage payables related to airport construction projects in the amount of \$.8 million, an increase in the reserve for self-insurance in the amount of \$.7 million, an increase in accrued interest expense payable in the amount of \$.5 million, an increase in the amount of \$.5 million, an increase in Customer Facility Charges Advanced in the amount of \$.5 million, an increase in state payment payable of \$.2 million, an increase in current portion of bonds payable of \$.3 million and a decrease in the unamortized SWAP premium in the amount of \$.5 million.

Long term debt outstanding increased by \$116.7 million. This large increase was due mostly to the recording of other post-employment benefits other than pensions in the amount of \$100 million, the issuance of \$22 million of 2007 taxable subordinated notes and a decrease in long-term debt due to a payment of bond principal in the amount of \$5.4 million.

Other non-current liabilities decreased by \$.8 million. This decrease was entirely related to the decrease in the arbitrage rebate payable.

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

**SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS
December 31, 2007
With Comparative Totals as of December 31, 2006**

	2007	2006
Unrestricted Current and Other Assets	\$ 35,467,867	\$ 30,380,431
Restricted Current and Other Assets	98,976,601	90,807,426
Capital Assets	524,772,014	511,453,630
Other Noncurrent Assets	7,055,698	7,126,443
Total Assets	666,272,180	639,767,930
Long-term debt outstanding	385,100,080	268,347,626
Other Unrestricted Liabilities	7,135,450	6,346,498
Other Restricted Liabilities	30,624,749	23,787,996
Other Noncurrent Liabilities	407,877	1,229,642
Total Liabilities	423,268,156	299,711,762
 Net Assets:		
Invested in Capital Assets, Net of Related Debt	231,947,017	237,826,510
Restricted	73,723,300	70,279,055
Unfunded OPEB/(Deficit)	(92,731,642)	-
Unrestricted	30,065,349	31,950,603
Total Net Assets	\$ 243,004,024	\$ 340,056,168

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

Expressway Revenue and Expense:

Expressway operating revenues increased by \$4.2 million as a result of the following:

- o A \$2.3 million increase in toll revenue due to the elimination of the E-ZPass discounts.
- o A \$.5 million increase in rental revenue due in part to a \$.3 million increase in billboard rental revenue, and increase in office rental and radio tower rental revenues in the amount of \$.2 million.
- o A \$.5 million increase in transportation services revenue due to an increase in JARC grant revenue.
- o A \$.4 million increase in electronic toll collection administrative revenue.
- o A \$.3 million increase in marina parking revenue.
- o A \$.2 million increase in garage and surface lot parking revenue.

Expressway operating expenses, net of depreciation increased by \$6 million. This increase is almost entirely due to an increase in the current year post-retirement benefit obligation in the amount of \$7.1 million. Other factors contributing to this increase include the following: increase in police expense in the amount of \$.54 million and a reduction in health insurance costs of \$.9 million. The reduction in health insurance cost is due to the Authority's decision to allocate the cost of health insurance for certain employees that can be directly attributable to airport operations to the Airport fund in 2007,

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

Airport Revenue & Expense:

Airport revenue increased by \$1.5 million primarily due to an increase in automobile parking revenue of \$1.3 million, and an increase in landing fees in the amount of \$.2 million.

Operating expenses increased by \$2.4 million from \$9.3 million in 2006 to \$11.7 million in 2007. This increase is in part attributable to an increase in health insurance costs due to an allocation of \$.9 million from expressway operations. In addition to various increases in other operating costs, other factors that contributed to this increase included an increase in security costs at the Atlantic City International Airport in the amount of \$.3 million, operating expenses totaling \$.2 million associated with the Authority's operation of the airport surface parking lot as well as an allocation of PERS and PFRS costs charged in prior years to expressway operations to airport operations in the amount of \$183,000 and an increase in the current year post-retirement benefit obligation in the amount of \$150,000.

Capital Contributions:

Capital Contributions at the Airport were primarily related to the FAA Airport Improvement grants. Capital Contributions received during the year decreased by \$3.7 million. The overall decrease is attributable to a decrease in FAA grant revenue in the amount of \$3.3 million, an increase in PFC grant revenue in the amount of \$115,000, and a decrease in Economic Recovery Fund revenue in the amount of \$218,000.

**SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
Year Ended December 31, 2007
With Comparative Totals as of December 31, 2006**

	<u>2007</u>	<u>2006</u>
Operating revenues	\$ 89,416,482	\$ 83,676,217
Operating expenses	<u>85,929,695</u>	<u>77,107,812</u>
Operating Income	3,486,787	6,568,405
Net Non-Operating Revenues (Expenses)		
Interest revenue	7,079,013	4,704,589
Interest on bonds	(14,159,395)	(13,746,371)
Other non-operating revenues (expenses)	<u>(2,886,483)</u>	<u>(4,565,510)</u>
Income (Loss) before Capital Contributions	(6,480,078)	(7,038,887)
Capital Contributions	<u>2,159,576</u>	<u>5,870,999</u>
Change in Net Assets	(4,320,502)	(1,167,888)
Cumulative Effect of Accounting Change	(92,731,642)	-
Total Net Assets -- Beginning	<u>340,056,168</u>	<u>341,224,056</u>
Total Net Assets -- Ending	<u>\$ 243,004,024</u>	<u>\$ 340,056,168</u>

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

Cumulative Effect of Accounting Change

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.

The amount of \$92,731,642 represents a charge to beginning net assets for the cost of the annual OPEB cost pertaining to prior years'.

Financial Analysis of the Authority's Statement of Cash Flows

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

- The Authority spent \$10.0 million more on capital acquisitions (See increase/decrease in capital asset section for details of Authority capital asset acquisitions during 2007).
- The Authority issued \$22.4 million of Taxable Subordinated Notes, series 2007.

Cash used by investing activities increased by \$12.1 million because the Authority decreased its purchase of investments by \$2.6 million, increased the sale of investments by \$7.1 million, and interest on investments increased by \$2.4 million.

**SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended December 31, 2007
With Comparative Totals as of December 31, 2006**

	<u>2007</u>	<u>2006</u>
Cash Flows Provided by (Used in):		
Operating activities	\$ 31,912,696	\$ 29,080,629
Noncapital financing activities	(2,500,000)	(2,500,000)
Capital and related financing activities	(21,577,068)	9,032,138
Investing activities	<u>(5,951,930)</u>	<u>(18,114,284)</u>
Net increase in cash and cash equivalents	1,883,698	17,498,483
Cash and cash equivalents - beginning of the year	<u>51,265,241</u>	<u>33,766,758</u>
Cash and cash equivalents - end of the year	<u>\$ 53,148,939</u>	<u>\$ 51,265,241</u>

Non-cash Capital Financing Activities:

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

Notes to the Financial Statements

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

Other Supplementary Information

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

Contacting the Authority's Financial Management

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

BASIC FINANCIAL STATEMENTS

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS

December 31, 2007

With Comparative Totals as of December 31, 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 27,509,816	\$ 19,648,657
Investments	1,990,053	3,963,816
Change Funds	51,284	39,790
Interest Receivable	113,873	133,231
Accounts Receivable (net of allowance for uncollectibles)	2,685,283	2,849,547
Grants Receivable	994,571	1,707,924
Prepaid Expenses	1,988,503	1,923,581
Fuel Inventory	135,441	113,885
	<u>35,468,824</u>	<u>30,380,431</u>
Total Unrestricted Assets		
Restricted Assets:		
Cash and Cash Equivalents	25,587,839	31,576,794
Investments	72,252,483	57,311,722
Grants Receivable	570,207	1,437,092
Interest Receivable	565,115	481,818
	<u>98,975,644</u>	<u>90,807,426</u>
Total Restricted Assets		
Noncurrent assets:		
Capital assets:		
Non-Infrastructure Capital Assets:		
Land and Improvements	147,321,510	147,321,510
Electronic Toll Equipment	8,917,935	8,917,935
Buildings and Equipment	62,720,775	62,307,942
Less Accumulated Depreciation	(41,318,103)	(38,310,789)
Total Non-Infrastructure Capital Assets	<u>177,642,117</u>	<u>180,236,598</u>
Infrastructure Capital Assets:		
Infrastructure - Equipment	10,195,499	9,617,363
Infrastructure	393,348,853	391,890,085
Less Accumulated Depreciation	(93,122,441)	(79,165,686)
Total Infrastructure Capital Assets	<u>310,421,911</u>	<u>322,341,762</u>
Construction in Progress		
	36,707,986	8,875,270
	<u>524,772,014</u>	<u>511,453,630</u>
Total Capital Assets		
Bond Issuance Costs	9,865,987	9,446,844
Less Accumulated Amortization	(2,810,289)	(2,320,401)
Total Non-current Non-capital Assets	<u>7,055,698</u>	<u>7,126,443</u>
Total Noncurrent Assets		
	<u>531,827,712</u>	<u>518,580,073</u>
TOTAL ASSETS		
	<u>\$ 666,272,180</u>	<u>\$ 639,767,930</u>

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS

December 31, 2007

With Comparative Totals as of December 31, 2006

	<u>2007</u>	<u>2006</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities Payable From		
Unrestricted Assets:		
Accounts Payable	\$ 5,378,459	\$ 4,635,550
Deferred Income	475,479	416,006
Escrow Deposits	147,964	117,943
Accrued Expenses	<u>1,133,548</u>	<u>1,176,999</u>
 Total Current Liabilities Payable From Unrestricted Assets	 <u>7,135,450</u>	 <u>6,346,498</u>
 Current Liabilities Payable From		
Restricted Assets:		
Accrued Interest	2,781,670	2,239,176
Accounts Payable	4,923,967	3,154,802
Unamortized SWAP Premium	6,580,049	7,041,212
Retainages Payable	1,461,077	650,518
Due to Other Governmental Agencies	416,667	208,334
PFC Advanced	6,036,384	3,457,761
CFC Advanced	463,615	-
Reserve for Self-Insurance	1,541,061	883,018
Economic Recovery Funds Advanced	695,932	695,932
Elevated U-Turn Advance	121,411	121,411
Bonds and Notes Payable, Net of Discount, Premium and Loss on Defeasance (\$66,968)	<u>5,602,916</u>	<u>5,335,832</u>
 Total Current Liabilities Payable From Restricted Assets	 <u>30,624,749</u>	 <u>23,787,996</u>
 Noncurrent Liabilities:		
Other Postemployment Benefits other than Pensions	100,018,000	-
Arbitrage Rebate Payable	407,877	1,229,642
Bonds and Notes Payable, Net of Discount, Premium and Loss on Defeasance (\$2,034,960)	<u>285,082,080</u>	<u>268,347,626</u>
 Total Noncurrent Liabilities	 <u>385,507,957</u>	 <u>269,577,268</u>
 TOTAL LIABILITIES	 <u>\$ 423,268,156</u>	 <u>\$ 299,711,762</u>

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS

December 31, 2007

With Comparative Totals as of December 31, 2006

	<u>2007</u>	<u>2006</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 231,947,017	\$ 237,826,510
Restricted for:		
Debt Service	3,976,437	1,004,365
Rehabilitation and Repair	6,316,019	6,252,267
Debt Service Reserve	18,941,274	18,664,981
State Payment	287	87
Capital Projects	44,489,283	44,357,355
Unfunded OPEB/(Deficit)	(92,731,642)	-
Unrestricted	<u>30,065,349</u>	<u>31,950,603</u>
Total Net Assets	<u>243,004,024</u>	<u>340,056,168</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 666,272,180</u>	<u>\$ 639,767,930</u>

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS

Twelve Months Ended December 31, 2007

With Comparative Totals as of December 31, 2006

	<u>2007</u>	<u>2006</u>
Operating Revenues:		
Tolls	\$ 61,830,498	\$ 59,477,706
Concessions	2,066,267	2,046,941
ETC Administrative Revenue	1,862,604	1,492,252
Garage Parking	1,548,413	1,291,189
Marina Parking Revenue	3,105,820	2,846,946
Intercept Parking	358,765	351,312
Bus Permits	459,786	344,260
Rentals	4,266,050	3,789,944
Directional Signage Program	21,108	32,599
SJTPO Programs	2,008,293	1,832,591
Transportation services	2,535,960	2,095,746
Other	562,260	797,578
Airport	<u>8,790,658</u>	<u>7,277,153</u>
Total Operating Revenues	89,416,482	83,676,217
Operating Expenses		
Executive	2,045,053	2,188,853
Policy and Planning	268,003	466,911
Engineering	3,163,331	3,209,405
Finance	1,158,854	1,162,221
Central Accounts	9,232,336	11,469,619
Other Post-Employment Benefits	8,567,000	-
Marketing and Communications	1,030,489	974,636
Tourist Services	6,268,587	6,385,610
Maintenance	5,980,100	5,830,824
Police	7,436,902	6,974,056
Emergency Service Patrol	806,469	790,981
Electronic Toll Collection Expense	3,371,814	3,172,243
Directional Signage Program	21,108	32,599
Parking - (Non Airport)	824,823	966,052
Information Services	1,725,773	1,745,344
SJTPO Programs	2,008,293	1,832,591
Airport	11,552,069	9,332,594
Transportation Services	2,642,536	2,361,480
Depreciation	<u>17,826,155</u>	<u>18,211,791</u>
Total Operating Expenses	85,929,695	77,107,810
Operating Income (Loss)	<u>3,486,787</u>	<u>6,568,407</u>
Non-Operating Revenues (Expenses)		
Interest Revenue	7,079,013	4,704,589
Gain on Sale of Assets	32,003	-
Other Revenue	329	1,890
Claims	-	(1,750,000)
Fund Expenses	-	(1,011)
Amortization Expense	(497,627)	(407,027)
Amortization of Bond Premium	78,813	90,637
Interest on Bonds	(14,159,395)	(13,746,371)
State Payment	<u>(2,500,000)</u>	<u>(2,500,000)</u>
Total of Non-Operating Revenue (Expenses)	<u>(9,966,864)</u>	<u>(13,607,293)</u>
Income (Loss) before Capital Contributions	(6,480,078)	(7,038,888)
Capital Contributions	<u>2,159,576</u>	<u>5,870,999</u>
Change in Net Assets before Cumulative Effect of Accounting Change	(4,320,502)	(1,167,888)
Total Net Assets -- Beginning	<u>340,056,168</u>	<u>341,224,056</u>
Cumulative Effect of Accounting Change (See Note 29)	(92,731,642)	-
Total Net Asset Balance -- Beginning as adjusted	<u>247,324,526</u>	<u>-</u>
Total Net Assets -- Ending	<u>\$ 243,004,024</u>	<u>\$ 340,056,168</u>

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF CASH FLOWS

Twelve Months Ended December 31, 2007

With Comparative Totals as of December 31, 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 91,244,181	\$ 83,702,280
Payments to suppliers	(35,902,926)	(31,125,559)
Payments to employees	(23,428,559)	(23,496,092)
Net cash provided by operating activities	31,912,696	29,080,629
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payment of State Payment Obligation	(2,500,000)	(2,500,000)
Net cash (used) by noncapital financing activities	(2,500,000)	(2,500,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital contributions	2,159,578	5,867,212
Proceeds from the sale of land	32,003	-
Payment of Arbitrage Rebate obligation	(821,765)	-
Payments for capital acquisitions	(26,020,967)	(15,373,952)
Principal paid on capital debt	(5,440,000)	(15,650,000)
Proceeds from bonds and notes Issued	22,130,981	47,831,428
Interest paid on capital debt	(13,616,898)	(13,642,546)
Net cash (used) by capital and related financing activities	(21,577,068)	9,032,142
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(59,029,654)	(61,636,703)
Proceeds from sales and maturities of investments	46,062,656	38,917,692
Interest and dividends	7,015,068	4,604,723
Net cash provided by investing activities	(5,951,930)	(18,114,288)
Net increase in cash and cash equivalents	1,883,698	17,498,483
Balances - beginning of the year	51,265,241	33,766,758
Balances - end of the year	\$ 53,148,939	\$ 51,265,241
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income	\$ 3,486,787	\$ 6,568,405
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	17,826,156	18,211,790
Change in assets and liabilities:		
Receivables, net	164,264	942,242
Grants receivable	1,580,239	(924,926)
Prepaid expenses	(64,921)	(214,405)
Inventories	(21,557)	(41,622)
Accounts and other payables	951,287	3,454,647
OPEB Liability	7,286,358	-
Deferred income	59,469	8,022
Customer deposits	29,465	2,774
Reserve for self insurance	918,736	883,018
Accrued expenses	(303,587)	190,684
Net cash provided by operating activities	\$ 31,912,696	\$ 29,080,629

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2007

With Comparative Totals as of December 31, 2006

	Expressway	Airport	Consolidation Eliminations	Totals	
				2007	2006
ASSETS					
Unrestricted Assets:					
Cash and Cash Equivalents	\$ 24,856,005	\$ 2,653,811	\$ -	\$ 27,509,816	\$ 19,648,657
Investments	1,990,053	-	-	1,990,053	3,963,816
Change Funds	40,566	10,718	-	51,284	39,790
Interest Receivable	104,555	9,318	-	113,873	133,231
Accounts Receivable	1,986,911	698,372	-	2,685,283	2,849,547
Grants Receivable	994,571	-	-	994,571	1,707,924
Prepaid Expenses	1,500,256	488,247	-	1,988,503	1,923,581
Fuel Inventory	135,441	-	-	135,441	113,885
Interfunds Receivable	18,093,368	-	(18,093,368)	-	-
Total Unrestricted Assets	49,701,726	3,860,466	(18,093,368)	35,468,824	30,380,431
Restricted Assets:					
Cash and Cash Equivalents	13,456,163	12,131,676	-	25,587,839	31,576,794
Investments	48,971,164	23,281,319	-	72,252,483	57,311,722
Grants Receivable	-	570,207	-	570,207	1,437,092
Interfunds Receivable	15,105,141	-	(15,105,141)	-	-
Interest Receivable	565,116	-	-	565,116	481,818
Total Restricted Assets	78,097,584	35,983,202	(15,105,141)	98,975,645	90,807,426
Noncurrent assets:					
Capital assets:					
Non-Infrastructure Capital Assets:					
Land and Improvements	131,701,953	15,619,557	-	147,321,510	147,321,510
Electronic Toll Equipment	8,917,935	-	-	8,917,935	8,917,935
Buildings and Equipment	30,184,023	32,536,752	-	62,720,775	62,307,942
Less Accumulated Depreciation	(29,397,078)	(11,921,025)	-	(41,318,103)	(38,310,789)
Total Non-Infrastructure Capital Assets	141,406,833	36,235,284	-	177,642,117	180,236,598
Infrastructure Capital Assets:					
Infrastructure - Equipment	2,566,951	7,628,548	-	10,195,499	9,617,363
Infrastructure	340,498,220	52,850,633	-	393,348,853	391,890,085
Less Accumulated Depreciation	(79,699,810)	(13,422,631)	-	(93,122,441)	(79,165,686)
Total Infrastructure Capital Assets	263,365,361	47,056,550	-	310,421,911	322,341,762
Construction in Progress	3,736,591	32,971,395	-	36,707,986	8,875,270
Total Capital Assets	408,508,785	116,263,229	-	524,772,014	511,453,630
Bond Issuance Costs	9,865,987	-	-	9,865,987	9,446,844
Less Accumulated Amortization	(2,810,290)	-	-	(2,810,290)	(2,320,401)
Total Non-current Non-capital Assets	7,055,697	-	-	7,055,697	7,126,443
Total Noncurrent Assets	415,564,482	116,263,229	-	531,827,711	518,580,073
TOTAL ASSETS	\$ 543,363,792	\$ 156,106,897	\$ (33,198,509)	\$ 666,272,180	\$ 639,767,930

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2007

With Comparative Totals as of December 31, 2006

	Expressway	Airport	Consolidation Eliminations	Totals	
				2007	2006
LIABILITIES AND NET ASSETS					
Current Liabilities Payable From					
Unrestricted Assets:					
Accounts Payable	\$ 3,992,456	\$ 1,386,003	\$	\$ 5,378,459	\$ 4,635,550
Deferred Income	442,534	32,945		475,479	416,006
Escrow Deposits	93,792	54,172		147,964	117,943
Accrued Expenses	820,322	313,226		1,133,548	1,176,999
Interfunds Payable		18,093,368	(18,093,368)	-	-
Total Current Liabilities Payable From Unrestricted Assets	5,349,103	19,879,715	(18,093,368)	7,135,450	6,346,498
Current Liabilities Payable From					
Restricted Assets:					
Accrued Interest	2,403,932	377,738		2,781,670	2,239,176
Accounts Payable	1,187,308	3,736,659		4,923,967	3,154,802
Unamortized SWAP Premium	6,580,049	-		6,580,049	7,041,212
Retainages Payable	105,436	1,355,641		1,461,077	650,518
Due to Other Governmental Agencies	416,667	-		416,667	208,334
PFC Advanced		6,036,384		6,036,384	3,457,761
CFC Advanced		463,615		463,615	-
Reserve for Self-Insurance	1,407,025	134,036		1,541,061	883,018
Economic Recovery Funds Advanced	-	695,932		695,932	695,932
Elevated U-Turn Advance	121,411	-		121,411	121,411
Interfunds Payable		15,105,141	(15,105,141)	-	-
Bonds and Notes Payable, Net of Discount, Premium and Loss on Defeasance (\$66,968)	5,602,916	-		5,602,916	5,335,832
Total Current Liabilities Payable From Restricted Assets	17,824,744	27,905,146	(15,105,141)	30,624,749	23,787,996
Noncurrent Liabilities:					
Other Postemployment Benefits other than Pensions	85,312,879	14,705,121		100,018,000	-
Arbitrage Rebate Payable	407,877			407,877	1,229,642
Bonds and Notes Payable, Net of Discount, Premium and Loss on Defeasance (\$2,034,960)	235,697,081	49,384,999		285,082,080	268,347,626
Total Noncurrent Liabilities	321,417,837	64,090,120	-	385,507,957	269,577,268
TOTAL LIABILITIES	\$ 344,591,684	\$ 111,874,981	\$ (33,198,509)	\$ 423,268,156	\$ 299,711,762

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2007

With Comparative Totals as of December 31, 2006

	Expressway	Airport	Consolidation Eliminations	Totals	
				2007	2006
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	\$ 168,505,840	\$ 63,441,180	\$	\$ 231,947,020	\$ 237,826,510
Restricted for:					
Debt Service	3,976,437			3,976,437	1,004,365
Rehabilitation and Repair	6,316,019			6,316,020	6,252,267
Debt Service Reserve	18,941,274			18,941,274	18,664,981
State Payment	287			287	87
Capital Projects	32,959,177	11,530,101		44,489,278	44,357,355
Unfunded OPEB/(Deficit)	(78,177,349)	(14,554,294)		(92,731,643)	-
Unrestricted	46,250,422	(16,185,071)		30,065,351	31,950,603
Total Net Assets	198,772,107	44,231,916	-	243,004,024	340,056,168
TOTAL LIABILITIES AND NET ASSETS	\$ 543,363,792	\$ 156,106,897	\$ (33,198,509)	\$ 666,272,180	\$ 639,767,930

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS

PROPRIETARY FUNDS

Twelve Months Ended December 31, 2007

With Comparative Totals as of December 31, 2006

	Expressway	Airport	Consolidation Eliminations	Totals	
				2007	2006
Operating Revenues:					
Tolls	\$ 61,830,498	\$ -	\$ -	\$ 61,830,498	\$ 59,477,706
Concessions	2,066,267	-	-	2,066,267	2,046,941
ETC Administrative Revenue	1,862,604	-	-	1,862,604	1,492,262
Garage Parking	1,548,413	-	-	1,548,413	1,291,189
Marina Parking Revenue	3,105,820	-	-	3,105,820	2,846,946
Intercept Parking	358,765	-	-	358,765	351,312
Bus Permits	459,786	-	-	459,786	344,260
Rentals	4,266,050	-	-	4,266,050	3,789,944
Directional Signage Program	21,108	-	-	21,108	32,599
SJTPO Programs	2,008,293	-	-	2,008,293	1,832,591
Transportation Services	2,535,960	-	-	2,535,960	2,095,746
Other	562,260	-	-	562,260	797,578
Airport	-	8,790,658	-	8,790,658	7,277,153
Total Operating Revenues	80,625,824	8,790,658	-	89,416,482	83,676,217
Operating Expenses					
Executive	2,045,053	-	-	2,045,053	2,188,853
Policy and Planning	268,003	-	-	268,003	466,911
Engineering	3,163,331	-	-	3,163,331	3,209,405
Finance	1,158,854	-	-	1,158,854	1,162,221
Central Accounts	9,232,336	-	-	9,232,336	11,469,619
Other Post-Employment Benefits	8,389,663	177,337	-	8,567,000	-
Marketing and Communications	1,030,489	-	-	1,030,489	974,636
Tourist Services	6,268,587	-	-	6,268,587	6,385,610
Maintenance	5,980,100	-	-	5,980,100	5,830,824
Police	7,436,902	-	-	7,436,902	6,974,056
Emergency Service Patrol	806,469	-	-	806,469	790,981
Electronic Toll Collection Expense	3,371,814	-	-	3,371,814	3,172,243
Directional Signage Program	21,108	-	-	21,108	32,599
Parking-(Non Airport)	824,823	-	-	824,823	966,052
Information Services	1,725,773	-	-	1,725,773	1,745,344
SJTPO Programs	2,008,293	-	-	2,008,293	1,832,591
Airport	-	11,552,069	-	11,552,069	9,332,594
Transportation Services	2,642,536	-	-	2,642,536	2,361,480
Depreciation	14,149,222	3,676,933	-	17,826,155	18,211,791
Total Operating Expenses	70,523,356	15,406,339	-	85,929,695	77,107,810
Operating Income (Loss)	10,102,468	(6,615,681)	-	3,486,787	6,568,407
Non-Operating Revenues (Expenses)					
Interest Revenue	5,319,386	1,759,627	-	7,079,013	4,704,589
Gain on Sale of Assets	32,003	-	-	32,003	-
Other Revenue	329	-	-	329	1,890
Claims	-	-	-	-	(1,750,000)
Fund Expenses	-	-	-	-	(1,011)
Amortization Expense	(439,378)	(58,251)	-	(497,629)	(407,027)
Amortization of Bond Premium	78,813	-	-	78,813	90,637
Interest on Bonds	(11,892,973)	(2,266,425)	-	(14,159,398)	(13,746,374)
State Payment	(2,500,000)	-	-	(2,500,000)	(2,500,000)
Total of Non-Operating Revenue (Expenses)	(9,401,819)	(565,049)	-	(9,966,869)	(13,607,296)
Income (Loss) before Contributions and Transfers	700,649	(7,180,731)	-	(6,480,081)	(7,038,890)
Capital Contributions	-	2,159,578	-	2,159,578	5,870,999
Change in Net Assets before Prior Period Adjustment	700,649	(5,021,153)	-	(4,320,503)	(1,167,891)
Total Net Assets -- Beginning	274,051,632	66,004,536	-	340,056,168	341,224,056
Prior Period Adjustment (See Note 29)	2,197,173	(2,197,173)	-	-	-
Cumulative Effect of Accounting Change (See Note 29)	(78,177,349)	(14,554,294)	-	(92,731,642)	-
Total Net Asset Balance -- Beginning as adjusted	198,071,456	49,253,069	-	247,324,526	341,224,056
Total Net Assets -- Ending	\$ 198,772,106	\$ 44,231,916	\$ -	\$ 243,004,024	\$ 340,056,168

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Twelve Months Ended December 31, 2007

With Comparative Totals as of December 31, 2006

	Expressway	Airport	Totals	
			2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers, users and grants	\$ 82,514,577	\$ 8,729,604	\$ 91,244,181	\$ 83,702,280
Payments to suppliers	(27,261,277)	(8,641,649)	(35,902,926)	(31,125,561)
Payments to employees	(21,301,148)	(2,127,411)	(23,428,559)	(23,496,090)
Net cash provided by operating activities	<u>33,952,152</u>	<u>(2,039,456)</u>	<u>31,912,696</u>	<u>29,080,629</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Payment of State Payment Obligation	(2,500,000)	-	(2,500,000)	(2,500,000)
Operating subsidies and transfers to other funds	(2,460,912)	2,460,912	-	-
Net cash provided (used) by noncapital financing activities	<u>(4,960,912)</u>	<u>2,460,912</u>	<u>(2,500,000)</u>	<u>(2,500,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital contributions	-	2,159,578	2,159,578	5,867,212
Proceeds from the sale of fixed assets	32,003	-	32,003	-
Payments for capital acquisitions	(18,910,001)	(7,110,967)	(26,020,967)	(15,373,953)
Principal paid on capital debt	(5,440,000)	-	(5,440,000)	(15,650,000)
Proceeds from Notes Issued	22,130,981	-	22,130,981	47,831,425
Interest paid on capital debt	(11,350,479)	(2,266,424)	(13,616,903)	(13,642,546)
Net cash provided (used) by capital and related financing activities	<u>(14,359,261)</u>	<u>(7,217,814)</u>	<u>(21,577,073)</u>	<u>9,032,138</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investments	(49,929,671)	(9,099,983)	(59,029,654)	(61,636,703)
Proceeds from sales and maturities of investments	29,536,378	16,526,277	46,062,654	38,917,692
Interest and dividends	5,137,070	1,878,006	7,015,076	4,604,727
Net cash provided (used) by investing activities	<u>(15,256,223)</u>	<u>9,304,300</u>	<u>(5,951,924)</u>	<u>(18,114,284)</u>
Net increase in cash and cash equivalents	(624,244)	2,507,942	1,883,699	17,498,483
Balances - beginning of the year	<u>38,976,979</u>	<u>12,288,262</u>	<u>51,265,241</u>	<u>33,766,758</u>
Balances - end of the year	<u>\$ 38,352,735</u>	<u>\$ 14,796,204</u>	<u>\$ 53,148,939</u>	<u>\$ 51,265,241</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 10,102,468	\$ (6,615,681)	\$ 3,486,787	\$ 6,568,405
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	14,149,223	3,676,933	17,826,156	18,211,790
Change in assets and liabilities:				
Receivables, net	165,803	(1,539)	164,264	942,242
Grants receivable	1,580,239	-	1,580,239	(924,926)
Prepaid expenses	39,185	(104,106)	(64,921)	(214,405)
Inventories	(21,557)	-	(21,557)	(41,622)
Accounts and other payables	488,616	462,671	951,287	3,454,647
OPEB Liability	7,135,530	150,828	7,286,358	-
Deferred income	118,987	(59,518)	59,469	8,022
Escrow deposits	23,239	6,226	29,465	2,774
Reserve for self insurance	474,006	444,730	918,736	883,018
Accrued expenses	(303,587)	-	(303,587)	190,684
Net cash provided by operating activities	<u>\$ 33,952,152</u>	<u>\$ (2,039,456)</u>	<u>\$ 31,912,696</u>	<u>\$ 29,080,629</u>

Noncash capital financing activities:

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

NOTES TO FINANCIAL STATEMENTS

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

B. Basis of Accounting

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

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (Continued)

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

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

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

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

C. Operating Revenues and Expenses

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

D. Cash and Cash Equivalents

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

E. Investments

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

F. Accounts Receivable

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

G. Restricted Assets

Restricted assets of the Authority represent bond proceeds designated for construction, and other monies and assets required to be restricted for debt service, the state payment, arbitrage rebate, rehabilitation and repair, subordinated debt, and capital projects.

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Basis of Organization: Description of Funds

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

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

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

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

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

Debt Service Reserve Fund – must maintain an amount equal to the Debt Service requirement. The monies in this fund are utilized to make up any deficiency in the Debt Service Fund. In accordance with the Bond Resolution, the Authority may maintain a surety bond or an insurance policy payable to the trustee in lieu of required cash deposit in the Debt Service Reserve. As of December 31, 2007, the Authority maintained a Municipal Bond Debt Service Reserve Insurance Policy with Financial Security Assurance with a payment limit of \$2,289,600 and investments of \$18,382,383. The total of which exceeds the Debt Service Reserve requirement of \$18,880,963.

Rehabilitation and Repair Fund – accounts for monies that shall be applied to pay the costs of major resurfacing, repairs, renewals or reconstruction of each Pledged Project or any part thereof, whether buildings, improvements, fixtures, or equipment as determined in writing by the Authority and filed with the Trustee. The Authority is required to maintain a minimum balance of \$6,000,000 at December 31, 2007.

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Basis of Organization: Description of Funds

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

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

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

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

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

I. Interest Income on Funds

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

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

J. Inability to Meet Debt Service Requirements

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

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, in addition to those projects, a project

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

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

L. Budgetary Information

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

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

M. Fuel Inventory

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Capital Assets

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

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

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

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

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

O. Bond Discount, Premium and Amortization of Issuance Costs

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Restricted Net Assets

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

2. DEPOSITS AND INVESTMENTS

Pursuant to Article VI, Sections 6.02(a) and (b) and Section 6.03 of the Authority's Bond Resolution, all monies held by any depository may be placed on demand or time deposit, as directed by the Authority, provided that such deposits shall permit the monies so held to be available for use when needed.

All monies held by the Trustee, or any other fiduciary, or any depository shall be insured by the Federal Deposit Insurance Corporation and to the extent not so insured, shall be continuously and fully secured either by federal securities having a market value of not less than the amount of such monies or in such other manner as may then be required by applicable federal or state laws and regulations to provide security for the deposit of public funds.

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

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

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

2. DEPOSITS AND INVESTMENTS (CONTINUED)

- (d) Negotiable or non-negotiable certificates of deposit (or other time deposit arrangements) issued by any bank, trust company or national banking association, including a Fiduciary, which certificates of deposit shall be continuously secured or collateralized by obligations described in (a) or (b) above, which shall have a market value at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit;
- (e) Uncollateralized negotiable or non-negotiable certificates of deposit (or other time deposit arrangements) issued by any bank, trust company or national banking association, the unsecured obligations of which are rated in one of the two highest rating categories, without regard to sub-categories, by Moody's and Standard & Poor's ("S&P");
- (f) Repurchase agreements collateralized by obligations described in (a), (b) or (c) with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction, which has an uninsured, unsecured and unguaranteed obligation rate of "Prime-1" or "A-3" or better by Moody's, and "A-1" or "A" or better by S&P, or any commercial bank with the above ratings, provided:
 - (i) a master repurchase agreement or specific written repurchase agreement governs the transaction which characterizes the transaction as a purchase and sale of securities;
 - (ii) the securities are held free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is a Federal Reserve Bank, a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus, and undivided profits of not less than \$75,000,000, or a bank approved in writing for such purpose by each credit issuer, if any, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee;
 - (iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 CFR 306.1 et seq. or 31 CFR 350.0 et seq. or a successor provision in such securities is created for the benefit of the Trustee;
 - (iv) the repurchase agreement has a term of six months or less, or the Authority will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation;

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

2. DEPOSITS AND INVESTMENTS (CONTINUED)

- (v) the repurchase agreement matures on or before a debt service payment date (or, if held in a fund other than the Debt Service Fund, Debt Service Reserve Fund or Subordinated Debt Fund, other appropriate liquidation period); and
 - (vi) the fair market value of the securities in relation to the amount of the repurchase obligation is equal to the collateral levels established by a rating agency for the ratings assigned by the rating agency to the seller.
- (g) Banker's acceptances, Eurodollar deposits and certificates of deposit, in addition to the certificates of deposit provided for by (d) and (e) above of the domestic branches of foreign banks having a capital and surplus of \$1,000,000,000 or more, or any bank or trust company organized under the laws of the United States of America or Canada, or any state or province thereof, having capital and surplus, in the amount of \$1,000,000,000, provided that the aggregate maturity value of all such banker's acceptances and certificates of deposit held at any time as investments of funds under the Bond Resolution with respect to any particular bank, trust company, or national association shall not exceed 5% of its capital and surplus; and provided further that any such bank, trust company, or national association shall be rated in one of the two highest rating categories, without regard to rating sub-categories, by Moody's and S&P;
- (h) Other obligations of the United States of America or any agency thereof which may then be purchased with funds belonging to the State of New Jersey or which are legal investments for savings banks in the State of New Jersey;
- (i) Deposits in the New Jersey Cash Management Fund;
- (j) Obligations of any state, commonwealth or possession of the United States or a political subdivision thereof of any agency or instrumentality of such a state, commonwealth, possession or political subdivision, provided that at the time of their purchase such obligations are rated in either of the two highest rating categories by both Moody's and S&P;
- (k) Commercial paper with a maturity date not in excess of 270 days rated by the rating agencies at least equal to the rating assigned by the rating agencies to the applicable series of bonds and in no event lower than the "A" category established by a rating agency (which may include sub-categories indicated by plus or minus or by numbers) at the time of such investment, issued by an entity incorporated under the laws of the United States or any state thereof;

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

2. DEPOSITS AND INVESTMENTS (CONTINUED)

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

(m) Investment contracts

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

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

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

All monies held under the Bond Resolution shall be continuously and fully secured by lodging, as collateral security, direct obligations of or obligations guaranteed by the United States of America having a market value not less than the amount of such monies. The Authority's total book (cash) balances were \$127,391,475 at December 31, 2007. The Authority's total bank (cash) balances were \$130,745,808 at December 31, 2007. 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.

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk:

Concentration of credit risk is the inability to recover the value of deposit, investment, or collateral securities in the possession of an outside party caused by a lack of diversification. The Authority's Investment Policy does not limit the amount of funds that can be 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.

<u>Institution/Issuer</u>	<u>Amount</u>	<u>% of Portfolio</u>
Federal National Mortgage Association	\$ 1,990,053	1.6%
Federal Home Loan Mortgage Discount Note	7,467,468	5.9%
Societe Generale	14,324,937	11.2%
FSA Capital Management	1,865,979	1.5%
Sovereign Bank	4,398,485	3.5%
Wachovia Bank, NA	22,816,313	17.9%
Bank of New York	35,609,773	28.0%
NJ Cash Management Fund	830,866	0.7%
Commerce Bank	467,903	0.4%
Citizen's Bank	37,568,414	29.5%
Change Funds	51,284	0.0%
	<u>\$ 127,391,475</u>	<u>100.0%</u>

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk:

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

Insured	\$	500,000
Collateralized:		
Collateral held by pledging bank in Authority's Name		38,907,230
Collateral held by pledging bank not in the Authority's Name		4,298,485
Pooled Investments		36,708,541
Government Securities		9,457,521
Change Funds		51,283
Uncollateralized and Uninsured		37,468,415
	\$	<u>127,391,475</u>

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

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 one year. The weighted average maturity is calculated taking into consideration the maturity dates of the securities in the consolidated portfolio. On December 31, 2007, the Authority's weighted average maturity on its short-term investments was as follows:

	Fair Value <u>12/31/07</u>	Weighted Average Maturity <u>(Years)</u>
Federal Home Loan Mortgage Discount Notes	\$ 4,965,923	0.71
Federal National Mortgage Association Notes	1,990,053	0.14
	<u>\$ 6,955,976</u>	

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

The Authority is a party to three guaranteed investment contracts totaling \$16,190,917. The first one, which relates to the 2003 Refunding Bonds, has a year-end carrying value of \$1,865,979, a fixed interest rate of 4.13% and matures on 10/30/12 at a value of \$2,289,600. This investment was awarded based on the provider who required the lowest cash deposit to yield a value of \$2,289,600 on 10/30/2012. The proceeds of this investment at maturity will be deposited in the debt service reserve fund to replace a debt service surety bond currently in place which expires on 10/31/12. The second contract, which relates to the 1999 Transportation System Revenue Bonds, has a year end carrying value of \$12,885,763, a fixed rate of 5.905% and matures on 11/1/29. This investment is restricted to the bond yield of 5.2059%. The excess earnings on this investment are rebated to the IRS every five years in accordance with IRS arbitrage regulations. The third contract, which relates to the 2004 Transportation System Revenue Bonds, has a year end carrying value of \$1,439,175, 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.

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

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:

	<u>2007</u>	<u>2006</u>
Airport user fees	\$ 698,372	\$ 696,833
Transportation services user fees	138,761	102,535
EZ-Pass toll revenue receivables	644,379	787,351
Casino Reinvestment Development Authority	500,591	691,483
Billboard lease receivable	416,227	318,509
Other expressway user fees	357,336	336,564
Gross receivables	<u>2,755,666</u>	<u>2,933,275</u>
Less: Allowance for Uncollectibles	<u>(70,383)</u>	<u>(83,728)</u>
Net total receivables	<u>\$ 2,685,283</u>	<u>\$ 2,849,547</u>

4. CAPITAL ASSETS

Capital assets for the year ended December 31, 2007 were as follows:

	<u>December 31, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2007</u>
Capital Assets not being Depreciated:				
Land	\$ 147,321,510	\$	\$	\$ 147,321,510
Construction in Progress	8,875,270	27,832,716		36,707,986
Total Capital Assets not being Depreciated	<u>156,196,780</u>	<u>27,832,716</u>	<u>-</u>	<u>184,029,496</u>
Non-Infrastructure Capital Assets:				
Electronic Toll Equipment	8,917,935			8,917,935
Buildings and Equipment	62,307,942	1,336,989	(924,156)	62,720,775
Total Non-Infrastructure Capital Assets	<u>71,225,877</u>	<u>1,336,989</u>	<u>(924,156)</u>	<u>71,638,710</u>
Infrastructure Capital Assets:				
Infrastructure Equipment	9,617,363	578,135		10,195,498
Infrastructure	391,890,085	1,458,768		393,348,853
	<u>401,507,448</u>	<u>2,036,903</u>	<u>-</u>	<u>403,544,351</u>
Less: Accumulated Depreciation	<u>(117,476,475)</u>	<u>(17,826,155)</u>	<u>862,087</u>	<u>(134,440,543)</u>
Total Capital Assets	<u>\$ 511,453,630</u>	<u>\$ 13,380,453</u>	<u>\$ (62,069)</u>	<u>\$ 524,772,014</u>

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

5. CAPITAL CONTRIBUTIONS

The Authority received Capital Contributions totaling \$2,159,576 in 2007, a significant portion of these contributions detailed as follows:

The Authority receives capital funding from the United States Department of Transportation Federal Aviation Administration ("FAA") and the New Jersey Economic Development Authority and the State of New Jersey Transportation Trust Fund. These funds, as well as other local funds received, are designated and utilized towards the development and improvement of the Atlantic City International Airport and other expressway projects. The Authority received a total of \$2,006,114 in total from the Federal Aviation Administration. The Authority also received a total of \$38,423 from the New Jersey Air National Guard.

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 \$2,262,002 in PFC fees during 2007. The balance of PFC Advance at December 31, 2007 was \$6,033,012. At the time costs are incurred, the associated PFC revenues are recognized as Capital Contributions. The Authority recognized \$115,039 in 2007.

As part of the Airport Development Plan, the Authority desired to relocate the car rental operations at Atlantic City International Airport ("Airport") into the parking garage subject to the private use limitations set forth in the indenture related to the financing of the construction of the parking garage. These improvements in the construction of the parking garage will directly benefit the rental car companies. During 2007, the Authority executed an agreement with rental car companies at the Airport increasing the Customer Facility Charge ("CFC") from \$1.50 per vehicle, per day, to \$3.00 per vehicle, per day. These charges along with any interest earned on cash balances will be dedicated to the improvements in the construction of the parking garage associated with rental cars. CFC collections are classified as CFC Advanced until allowable costs are incurred. At the time costs are incurred, the associated CFC revenues are recognized as Capital Contributions.

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, 2007, commitments for projects in progress were \$38,318,831.
- B. The Authority is the subject of, or a party to, various pending or threatened legal actions. The Authority believes that any ultimate liability arising from these legal actions should not have a material effect on its financial position or operations.

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

6. COMMITMENTS AND CONTINGENCIES (CONTINUED)

C. The Authority receives financial assistance from the State of New Jersey and the U.S. Government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by grantors. As a result of these audits, costs previously reimbursed could be disallowed and require repayment to the grantor agency. As of December 31, 2007, the Authority estimates that no material liabilities will result from such audits.

7. ACCOUNTS PAYABLE

Accounts payable consists of unrestricted liabilities and restricted liabilities. The following provides a summary of the amounts of accounts payable at December 31, 2007:

	<u>2007</u>	<u>2006</u>
Unrestricted:		
Electronic toll collection expense	\$ 426,373	\$ 1,033,587
State, and local police expenses	1,268,053	740,663
Payroll liabilities	615,438	514,580
Airport	1,386,003	923,332
SJTPO	88,711	147,953
Expressway operating expenses	1,593,881	1,275,435
	<u>\$ 5,378,459</u>	<u>\$ 4,635,550</u>
Restricted:		
Airport- Interim baggage building	\$ 389,315	\$ 1,061,499
Airport parking garage	2,168,495	-
Apron expansion	232,391	-
Legal settlement expense	-	750,000
Various expressway improvements	1,038,026	1,075,295
Vehicles and Equipment	149,282	-
Other airport terminal improvements	946,458	268,008
	<u>\$ 4,923,967</u>	<u>\$ 3,154,802</u>

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

8. BONDS AND NOTES PAYABLE

As of December 31, 2007, unamortized bond discounts in the amount of \$2,192,633, unamortized loss on refunding in the amount of \$96,709, and unamortized bond premium of \$149,338, have been offset against the outstanding bonds.

Taxable Subordinated Notes, Series 2007

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

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

Redemption

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

Pledge Effected by the 2007 Subordinated Note Resolution

The 2007 Notes are special, limited obligations of the Authority payable solely from the following sources: (i) from the proceeds of a Series of Bonds, if any, issued to refinance the 2007 Notes; (ii) from the moneys and securities from time to time transferred from the Project Fund to the Subordinated Debt Fund, and (iii) from the moneys and securities from time to time on deposit in the Subordinated Debt Fund and the General Reserve Fund pursuant to the terms of the Resolution and subject to Section 5.12 (a) of the Resolution. The amount on deposit at December 31, 2007, was \$22,238,757.

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

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:

Mandatory Sinking Fund Redemption

<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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

8. BONDS AND NOTES PAYABLE (CONTINUED)

2004 Series A Transportation System Revenue Bonds

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

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

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

2004 Series A Transportation System Revenue Bonds

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:

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

8. BONDS AND NOTES PAYABLE (CONTINUED)

2004 Series A Transportation System Revenue Bonds

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

1999 Series Transportation System Revenue Bonds

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

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

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

8. BONDS AND NOTES PAYABLE (CONTINUED)

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

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

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

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

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

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

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

8. BONDS AND NOTES PAYABLE (CONTINUED)

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

Bonds Payable:

Calendar Year	Principal	Interest	Total
2008	\$ 5,655,000	\$ 14,415,254	\$ 20,070,254
2009	5,895,000	14,213,831	20,108,831
2010	28,535,000	13,345,794	41,880,794
2011	6,420,000	12,453,688	18,873,688
2012	6,745,000	12,127,888	18,872,888
2013-2017	39,295,000	55,087,125	94,382,125
2018-2022	50,185,000	44,186,794	94,371,794
2023-2027	64,225,000	30,155,125	94,380,125
2028-2032	56,290,000	13,757,175	70,047,175
2033-2035	29,580,000	2,708,425	32,288,425
	<u>\$ 292,825,000</u>	<u>\$ 212,451,099</u>	<u>\$ 505,276,099</u>

Swaptions

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

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

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

8. BONDS AND NOTES PAYABLE (CONTINUED)

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

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

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

Fair value - As of December 30, 2007, the swaptions had a negative fair value of (\$7,550,948). The fair values were estimated using the Black, Derman and Toy (BDT) option pricing model. This model takes into consideration probabilities, volatilities, time, and underlying prices.

Market access risk and interest rate risk - If the options are exercised and the refunding bonds cannot be issued, the 1999 transportation system revenue bonds will not be refunded. In this case, the Authority will either have to unwind the swaps and pay a termination payment, or the Authority will make net swap payments as required by the terms of the swap agreements. If the options are exercised and the Authority issues variable rate bonds, the actual savings ultimately recognized by the transactions will be affected by the relationship between the interest rate terms of the variable rate bonds to be issued versus the variable rate payments on the swaps (75 percent of LIBOR). At December 31, 2007, the unamortized SWAP Premium balance was \$6,580,049. During the year, \$461,163, was amortized to interest income.

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

9. ARBITRAGE REBATE PAYABLE

The Tax Reform Act of 1986 imposed additional restrictive regulations, reporting requirements and arbitrage rebate liabilities on issuers of tax-exempt debt. This Act requires the remittance to the IRS of 90% of the cumulative rebatable arbitrage within 60 days of the end of each five-year reporting period following the issuance of governmental bonds. The estimated amount of arbitrage payable represents the excess of amounts earned on "taxable" investments over the interest cost of the tax-exempt borrowing, plus income attributable to the excess. At December 31, 2007, the Transportation System Revenue Bonds Series 2004 A had negative arbitrage. Thus, no liability exists for the Series 2004 A Bonds at December 31, 2007. The arbitrage rebate liability related to the Transportation System Revenue Bonds Series 1999, at December 31, 2007, was \$407,877.

10. DEBT DEFEASANCE

In 1999, the Authority defeased a portion of certain maturities of its outstanding 1992 Series B Bonds with a portion of the proceeds of the 1999 Bonds to achieve a reduction in Debt Service. Proceeds from the 1999 Bonds were used to purchase U.S. Government Securities that were placed in an irrevocable trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Authority's balance sheet. The amount of defeased debt outstanding but removed from the balance sheet was \$20,670,000. The proceeds from the 1999 Bonds placed in the Trust Fund were used to refund serial bonds with interest rates ranging from 5.7% to 5.9% and a par value of \$7,880,000 and term bonds with an interest rate of 6% and a par value of \$12,790,000. The total par value of the refunded debt is \$20,670,000, and was called on November 1, 2002 at a redemption price of 102% of the par amount, plus accrued interest to the redemption date. As a result of the defeasance, the Authority reduced its total debt service requirements by \$1,368,894, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,024,436.

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

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 had two conduit debt obligations as of December 31, 2006 as described below.

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

On June 29, 2006, the Authority entered into a termination agreement with Raytheon wherein Raytheon agreed to terminate all of its rights under the contract and further agreed to deposit \$4,374,424.42 into an escrow account at Bank of New York. This amount was sufficient to pay the January 1, 2006 sinking fund payment, the optional call, call premium and interest.

These bonds were called and paid off in January 2007.

(2) 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, 2007 is as follows:

Year Issued	Amount Issued	Accreted Value at 12/31/07	Maturity Value
1999	\$ 20,003,710	\$ 24,425,000	\$ 24,425,000
2000	24,999,328	30,075,000	30,075,000
2001	9,996,322	11,390,000	11,390,000
	\$ 54,999,360	\$ 65,890,000	\$ 65,890,000

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

In 2007, the Authority began receiving payments pursuant to the CRDA Pledge Agreement described above. For the year ended December 31, 2007 the Authority received \$3,388,448.02. 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, 2007

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, 2007

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	\$ 89,416,482	\$ 89,416,482	\$ 89,416,482
Interest Revenue	1,162,765	1,162,765	1,162,765
Interest Revenue Transferred from Restricted Funds	634,087	634,087	634,087
Interest Revenue-General Reserve Fund	665,411	665,411	665,411
Total Revenue	<u>91,878,745</u>	<u>91,878,745</u>	<u>91,878,745</u>
Less:			
Grant Revenue	4,544,253	4,544,253	4,544,253
Airport Revenue	8,790,658	8,790,658	8,790,658
Total Available Revenue	<u>78,543,834</u>	<u>78,543,834</u>	<u>78,543,834</u>
Pledged Project Expenses	<u>51,377,103</u>	<u>51,377,103</u>	<u>51,377,103</u>
Net Revenues	<u>\$ 27,166,731</u>	<u>\$ 27,166,731</u>	<u>\$ 27,166,731</u>
Airport Revenues Available for Debt Service (ARAFDS)	203,948	203,948	203,948
Net Revenue plus ARAFDS	27,370,679	27,370,679	27,370,679
Total Available Revenue plus ARAFDS			78,747,782
Senior Debt Service	\$ 16,812,580	\$ 16,812,580	\$ 16,812,580
Rehabilitation & Repair Requirement		2,500,000	
State Payment Requirement		3,238,356	
Other Required Deposits		3,238,356	
General Project Operating Expenses		<u>3,238,356</u>	
Total Debt Service & Other Obligations	<u>\$ 16,812,580</u>	<u>\$ 22,550,936</u>	N/A
Total Pledged Projects and Debt Service	N/A	N/A	<u>\$ 68,189,683</u>
Coverage Ratio	162.80%	121.37%	115.48%
Required Coverage	120.00%	100.00%	100.00%
Excess Coverage	<u>42.80%</u>	<u>21.37%</u>	<u>15.48%</u>

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

13. PENSION PLAN

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

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

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

The contribution requirements of Plan members and the Authority are established and may be amended by the Board of Trustees of the respective Plans. The employees' contribution to the PERS Plan was \$947,610 and \$904,335 for the years ending December 31, 2007 and 2006 respectively. The allocation of Employees' contributions for 2007 is summarized below:

Employee Contributions

	<u>Expressway</u>	<u>Airport</u>	<u>Total</u>
Public Employees Retirement System (PERS)	\$ 925,588	\$ 22,022	\$ 947,610
Police and Fire Retirement System (PFRS)	-	76,047	76,047
	<u>\$ 925,588</u>	<u>\$ 98,069</u>	<u>\$ 1,023,657</u>

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

13. PENSION PLAN (CONTINUED)

Authority Contributions

	<u>Expressway</u>	<u>Airport</u>	<u>Total</u>
Public Employees Retirement System (PERS)	\$ 636,271	\$ 49,180	\$ 685,451
Police and Fire Retirement System (PFRS)	-	134,164	134,164
	<u>\$ 636,271</u>	<u>\$ 183,344</u>	<u>\$ 819,615</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.

Self-Insurance

Expressway

Effective September 1, 2005, the Authority established a Self-Insurance fund program for certain risk areas. The Authority's per occurrence self insurance retention levels are \$350,000 for worker's compensation, \$200,000 for auto liability, and \$200,000 for general liability. Based on estimates provided by an independent actuary, the Authority has recorded accrued expenses of \$719,964, which represents estimated claims relating to the period ended December 31, 2007. The Reserve for Insurance Claims balance at December 31, 2007 is \$1,541,061. During the year, claim expense in the amount of \$245,958 was charged to the reserve. The Authority has an umbrella excess liability policy over those self-insurance retention levels of \$15,000,000 per occurrence and \$30,000,000 annual aggregate.

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

14. RISK MANAGEMENT AND HEALTH INSURANCE (CONTINUED)

Airport

During 2007, the Authority established a Self-Insurance Reserve for certain risk areas related to Airport activity. The Authority's per occurrence self insurance retention levels are \$350,000 for worker's compensation, \$200,000 for auto liability, and \$200,000 for general liability. An allocation of these retention levels has been made based on the number of employee's currently employed at the Airport. The Authority has recorded accrued expenses of \$134,036, which represents estimated claims relating to the period ended December 31, 2007. No charges have been made to the Reserve as of December 31, 2007. The Authority has an umbrella excess liability policy over those self-insurance retention levels of \$15,000,000 per occurrence and \$30,000,000 annual aggregate.

Health Insurance

Prior to January 1, 2007, the Authority did not break out the cost of health insurance between Expressway and Airport. During 2007, the Authority began allocating health insurance costs to the Airport Fund. The total cost of providing health care to the Airport for the period ending December 31, 2007 was \$1,136,730.

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. All employees of the Authority are eligible if, at retirement, they have at least 20 years of full-time service with the Authority and are qualified to immediately receive pension payments from PERS; or if they have 25 years or more service credited in PERS and are immediately eligible to receive pension benefits. The Authority funds the benefits on a pay-as-you-go basis. The cost of providing these benefits for eighty (80) retirees for the year ended December 31, 2007 was \$1,280,642.

During 2007, the Authority allocated the expense related to retired Airport employees. Two (2) retired Airport employees were paid a total of \$26,454. This cost has been allocated to the Airport Fund as a health insurance operating cost.

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

16. COMPENSATED ABSENCES

A. Non-Union Employees

Full-time, non-union employees are entitled to fifteen paid sick leave days each year. Unused sick leave may be accumulated and carried forward to the subsequent year. The Authority compensates employees for unused sick leave upon retirement or upon resignation if the employee vests in the pension system until retirement age has been reached. The current policy entitles an employee to receive a maximum payout of \$17,500 that is paid at the employee's rate of pay at retirement. A full year's vacation entitlement may be carried to the next calendar year. Any carried-over vacation time must be taken during the subsequent year or it is lost.

Part-time employees are entitled to a proportionate amount of compensated absences based on hours worked.

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

B. Union Employees

In accordance with the union contracts in effect in 2004, members of the International Federation of Professional and Technical Engineers, Local 196, Chapter 2 and Local 193, Chapter A, 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. In addition, members are entitled to accumulate sick time up to \$17,500. The following percentages apply:

- (a) For employees who resign in good standing, or retire, but do not receive pension payments under PERS:
 - (i) 50% of present salary for the first 150 days of accumulated sick days up to a maximum of \$17,500;
 - (ii) 100% of present salary for accumulated sick leave in excess of 150 days.

- (b) For employees who retire and are immediately eligible to receive payments under PERS:
 - (i) 75% of present salary for the first 150 days of accumulated sick days up to a maximum of \$17,500;
 - (ii) 100% of present salary for accumulated sick leave in excess of 150 days.

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

16. COMPENSATED ABSENCES (CONTINUED)

B. Union Employees

On August 1, 1996, a compensatory time policy was put in place for members of Local 196, Chapter 2. Under this policy, compensatory time can be accrued up to a maximum of forty hours per contract year but can re-accumulate up to forty hours as the time is used.

Under the contract for Local 193, Chapter A, compensatory time cannot accrue beyond sixty hours and must be taken within twelve months of being earned.

Members of the Atlantic City International Airport Fire Fighters, Local S-18 of the International Association of Fire Fighters, AFL-CIO, CLC may carry up to one year's vacation allotment. Any carried over vacation time must be taken during the subsequent year or it is lost. In addition, members are entitled to accumulate sick leave up to \$17,500 at the employee's rate of pay at retirement. Unused sick time earned will not be paid upon resignation, termination or layoff.

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

C. Accrued Expense

The Authority has both operating and non-operating accrued expenses. The operating accrued expense pertains to compensated absences as described below. The Authority's accrued liability for compensated absences including additional amounts accrued for Social Security, Medicare and pension plan contributions as of December 31, 2007 is as follows:

	<u>Expressway</u>	<u>Airport</u>	<u>Total</u>
Sick Time	\$ 378,436	\$ 155,347	\$ 533,783
Vacation Time	325,881	127,228	453,109
Compensatory Time	116,005	28,116	144,121
	<u>\$ 820,322</u>	<u>\$ 310,691</u>	<u>\$ 1,131,013</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.

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

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. Since April 1, 2001, the Authority and AvPorts have been operating under a five-year extension of the operating and maintenance agreement, which was provided for in the original contract. This extension expired March 31, 2006, however, the Authority continues to use the services of AvPorts on a month to month basis. During 2002, AvPorts was acquired by MacQuarrie Aviation North America 2 (MAVNA).

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

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

19. STATE PAYMENT

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

20. ELECTRONIC TOLL COLLECTION

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

20. ELECTRONIC TOLL COLLECTION (CONTINUED)

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, 2012, unless the ACS Agreement is earlier terminated in accordance with its terms.

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

20. ELECTRONIC TOLL COLLECTION (CONTINUED)

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

21. INTERFUNDS AND AIRPORT SUBSIDY

The total interfund payable from the Airport Fund to the Expressway Fund at December 31, 2007 is \$33,198,509, which consists of \$18,093,368 payable from unrestricted funds and \$15,105,141 payable from restricted funds.

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

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

22. CRDA PARKING FEE AGREEMENT

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

22. CRDA PARKING FEE AGREEMENT (CONTINUED)

Pursuant to the Agreement, a portion of certain statutory parking fees ("Marina Parking Fees") receivable by CRDA from marina parking facilities used in conjunction with any new licensed casino hotel construction and located on land in the Marina District (also commonly known as the H-Tract) will be payable to the Authority. These parking fees pertain to the minimum charge per day for each motor vehicle parked, garaged or stored in a parking space in the parking facility, other than for motor vehicles owned or leased by the owner or operator of such facility or by an employee of the casino hotel which owns or leases such facility. The maximum amount payable by CRDA under the Parking Fee Agreement is an amount sufficient to amortize \$65 million in Authority bonds issued to finance the Atlantic City Expressway Connector Project and certain allocated costs of issuance. CRDA's payment obligations under the Parking Fee Agreement, as amended by the First, Second and Third Amendments dated June 15, September 20, 2001, and March 2005 respectively are subordinate to the prior lien on the Marina Parking Fees of certain parking revenue bonds of CRDA, plus liens associated with two additional issuances CRDA parking revenue bonds. During 2007, the Authority recognized \$3,105,820 versus \$2,846,945 in 2006. 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. During 2006, an agreement was made with Richard Stockton State College to provide for shuttle bus services to the College.

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

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 2007. During 2007, this firm billed the Authority \$184,975 for services rendered. At December 31, 2007, \$21,453 was payable and due to the firm. As of the date of this report, all outstanding amounts for the year ending December 31, 2007 have been paid. This commissioner does not direct legal work to any law firms on behalf of the Authority and additionally, abstains from voting when legal invoices are presented to the Board of Commissioners for approval.

25. OPERATING LEASES

The Authority currently has a lease agreement with a private company to provide office space for the SJTPO office in Vineland, New Jersey. This lease expires in 2010. The Authority also has a lease agreement with another private company to provide for office space for the Transportation Services division located in Camden, New Jersey. This lease expires in 2009. The Authority has an option to renew this lease for three (3) consecutive terms of one (1) year each beyond the end of the initial term. Lease expenses incurred for 2007 and 2006 were \$140,774 and \$127,481, respectively.

26. LEGAL SETTLEMENT

On November 13, 2003, Trump Hotels and Casino Resorts, Inc. ("Trump Hotels") filed an action in the Superior Court of New Jersey, Atlantic County, Law Division against the Authority. Trump Hotels has alleged in the action that the Authority breached an agreement entered into between Trump Hotels and the Authority on or about June 28, 2002 (the "Trump Agreement"). Trump Hotels alleged that the Authority failed to complete the road project known as "Huron Avenue U-Turn" in the time provided in the Trump Agreement. Trump Hotels alleged that pursuant to the Trump Agreement, the Authority was required to complete the aforementioned project on or before June 30, 2003, or, alternatively, prior to the opening of the first facility in the Huron North Redevelopment Area, subject to any unforeseen construction delays that may be experienced by the Authority. The project was not completed, and thereby open for use, until October 23, 2003, due to the unforeseen occurrence of prolonged settlement related to the two-stage surcharges, and unforeseen weather conditions. Trump Hotels had sought damages, alleging that the failure to complete the said road project caused a loss of slot revenues at Trump Hotels marina casino for the 115 days that the project was delayed in opening. Trump Hotels did not allege the loss of any other revenues. The Authority and Trump Hotels amicably resolved the claims made in the suit by and through a settlement approved by the Authority's Commissioners at the July 20, 2006 regular meeting in the amount of \$1,750,000 was paid in two (2) payments, one payment was made in 2006, and the second payment was made in 2007. The second payment was appropriately reported as an accounts payable in the amount of \$750,000 at December 31, 2006. The charges totaling \$1,750,000 were reported in the 2006 financial statements as a non-operating expense ("Claims") in the Construction Fund.

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

27. OTHER POST EMPLOYMENT BENEFITS

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

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

Plan Description

Pursuant to N.J.S.A. 27:25 A-1 et seq, and certain board resolutions, the South Jersey Transportation Authority provides group health care, prescription drugs, dental, vision benefits and Medicare Part B premium reimbursements for active and retired employees (and for eligible dependents and survivors of active and retired employees). Collectively, these covered individuals are referred to as participants. Group health and prescription drug benefits are provided through insurance companies whose premiums are based on the benefits paid during the year. Dental benefits are paid through a plan under which benefits are paid by the service provider on behalf of the Authority. Vision and Medicare Part B premium reimbursements are paid directly by the Authority. The actuarial valuation report was based on 397 total participants including 85 retirees. As of December 31, 2007, there were no funding contributions required from any of the participants. The actuarial determined valuation of these benefits has been reviewed and will be reviewed bi-annually for the purpose of estimating the present value of future benefits for active and retired employees and their dependents as required by GASB 45.

Annual OPEB Cost and Net OPEB Obligation

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

27. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions

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

In the January 1, 2007 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 5.0%, an annual medical healthcare and prescription drug cost trend rate of 11.0% in 2007, with a gradual decline of .05% per year to an ultimate rate of 6.0% and a dental benefits trend rate of 6.0% per year. In addition, the unfunded actuarial accrued liability is being amortized over the maximum acceptable period of 30 years and is calculated assuming a level percentage of projected payroll.

Other Post-employment Benefit Costs and Obligations

In the January 1, 2007 actuarial valuation, the Annual Required Contribution (ARC) for the year ending December 31, 2007 was projected as follows:

	<u>Expressway</u>	<u>Airport</u>	<u>Total</u>
Normal Cost	\$ 4,252,121	\$ 89,879	\$ 4,342,000
Interest on Normal Cost	212,508	4,492	217,000
Amortization	3,737,988	79,012	3,817,000
Interest on Amortization	187,046	3,954	191,000
Total ARC	<u>\$ 8,389,663</u>	<u>\$ 177,337</u>	<u>\$ 8,567,000</u>

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

27. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Other Post-employment Benefit Costs and Obligations (Continued)

The following reflects the components of the 2007 annual OPEB Costs, amounts paid, and changes to the net accrued OPEB obligation based on the January 1, 2007 actuarial valuation and actual OPEB payments made or accrued during 2007:

	<u>Expressway</u>	<u>Airport</u>	<u>Total</u>
Net OPEB Obligation - Beginning of Year	\$ 0 \$	0 \$	0
Annual OPEB Cost	8,389,663	177,337	8,567,000
OPEB Payments	1,254,133	26,509	1,280,642
Increase in Net OPEB Obligation	7,135,530	150,828	7,286,358
Net OPEB Obligation - End of Year	7,135,530	150,828	7,286,358
Percentage of OPEB Cost Contributed	14.95%	14.95%	14.95%

Required Supplementary Information:

	<u>Expressway</u>	<u>Airport</u>	<u>Total</u>
Actuarial Value of Plan Assets	\$ 0 \$	0 \$	0
Actuarial Accrued Liability (AAL)	84,320,108	15,697,892	100,018,000
Total Unfunded AAL (UAAL)	84,320,108	15,697,892	100,018,000
Funded ratio	0.00%	0.00%	0.00%
Covered payroll	19,332,557	2,108,416	21,440,973
UAAL as a % of Covered Payroll	436.16%	744.53%	466.48%

The Authority has decided to record the entire unfunded accrued actuarial liability in addition to the net OPEB obligation in the financial statements. This is to ensure that the OPEB liability associated with the Atlantic City Expressway (ACE) assets (see Note 28 Proposed Legislation) is transferred with the ACE assets to the New Jersey Turnpike Authority or successor entity at the transfer date if and when the legislation is passed.

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

27. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Other Post-employment Benefit Costs and Obligations

	<u>Expressway</u>	<u>Airport</u>	<u>Total</u>
Current Year increase in OPEB Obligation	\$ 7,135,530	\$ 150,828	\$ 7,286,358
Reduction in Net Assets	<u>77,184,578</u>	<u>15,547,064</u>	<u>92,731,642</u>
Total Unfunded Accrued Actuarial Liability	<u>\$ 84,320,108</u>	<u>\$ 15,697,892</u>	<u>\$ 100,018,000</u>

28. PROPOSED LEGISLATION

In February 2008, New Jersey Governor, Jon S. Corzine released proposed legislation for the financial restructuring and debt reduction plan, the "Financial Restructuring, Debt Reduction, and Transportation Infrastructure Financing Act of 2008," for public review. The legislation proposes to capture the value of New Jersey's toll roads, including the Atlantic City Expressway, to invest in transportation and pay down a portion of the State of New Jersey's bonded indebtedness and fund state-wide transportation improvements.

With respect to the SJTA, the draft legislation proposes that the Authority will transfer certain assets defined as ACE assets to a successor entity of the New Jersey Turnpike Authority in exchange for receipt of an amount sufficient to and for the purpose of repayment and/or defeasance of all the existing outstanding bonded indebtedness of the Authority and the transfer of all debts, liabilities, obligations and contracts with respect to the ACE assets. ACE assets are defined as the Atlantic City Expressway together with all existing easements, rights-of-way and other encumbrances and all associated assets including but not limited to signage, billboards, restaurant and fuel concession buildings and rest stations, information technology, contact rights and use of rights-of-way. The ACE assets shall also include the Atlantic City/Brigantine Connector (ACBC) but shall not include any rights of the Authority to receive payments from third parties under certain designated agreements entered into with respect to the debt incurred by the Authority to finance the ACBC (Marina Parking Revenue).

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

28. PROPOSED LEGISLATION (CONTINUED)

ACE assets also do not include any other assets of the Authority including but not limited to the Atlantic City International Airport, Public Transportation Services and any related parking facilities and roads for ingress or egress to such non-ACE assets or related properties real and personal necessary for the proper operation of such assets. As December 31, 2007, the book value of the ACE assets as described above is \$541,822,328 and book value of the total bonded indebtedness (not including conduit debt) and other debts, liabilities and obligations associated with the ACE assets is \$398,844,592.

The proposed Financial Restructuring, Debt Reduction, and Transportation Infrastructure Financing Act of 2008 would require approval from both the New Jersey Assembly and Senate. There can be no assurances that the proposed legislation will ultimately be approved in the form described above or in any other form and/or no assurances that the State will proceed with all or part of the transaction.

29. PRIOR PERIOD ADJUSTMENT

Correction of an Error

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

Cumulative Effect of an Accounting Change

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2007

29. PRIOR PERIOD ADJUSTMENT (CONTINUED)

Correction of an Error and Cumulative Effect of Accounting Change

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

OTHER SUPPLEMENTARY INFORMATION

SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS
FUND FINANCIAL STATEMENTS
December 31, 2007
With Comparative Totals as of December 31, 2006

	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	Construction Fund	2007	2006
ASSETS											
Unrestricted Assets											
Cash and Cash Equivalents	\$ 9,717,082	\$ 2,653,811	\$ 15,138,923	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,509,816	\$ 19,648,657
Investments			1,990,053							1,990,053	3,993,816
Change Funds	40,566	10,718	69,968							51,284	39,790
Interest Receivable	34,567	9,318	-							113,873	133,231
Accounts Receivable, net of allowance for uncollected accounts of \$70,383	1,986,911	698,372	-							2,685,283	2,849,547
Grants Receivable	994,571	-	-							994,571	1,707,924
Prepaid Expenses	1,500,256	488,247	-							1,988,503	1,923,561
Fuel Inventory	135,441	-	-							135,441	113,885
Interfund Receivable	8,941,050	112,995	19,679,299							-	-
Total Unrestricted Assets	23,350,454	3,973,462	36,878,242							35,459,824	30,380,431
Restricted Assets											
Cash and Cash Equivalents	536,562			2,022,428	1,365,363	208,380	235,267	186,850	21,032,989	25,587,899	31,576,794
Investments	1,250,000			289,486	4,796,238		18,542,803		47,373,956	72,282,463	57,311,722
Grants Receivable						208,334		533,907	570,207	570,207	1,437,092
Interfund Receivable				8,590,000	1,608,036	240	163,204		4,251,454		
Interest Receivable				5,488	95,354				337,920		481,818
Total Restricted Assets	1,786,562			10,907,402	7,828,001	416,954	18,941,274	720,757	73,566,426	95,975,645	90,807,426
Noncurrent Assets											
Capital assets:											
Non-Infrastructure Capital Assets:											
Land and Improvements									147,321,510	147,321,510	147,321,510
Electronic Toll Equipment									8,917,935	8,917,935	8,917,935
Buildings and Equipment									62,720,775	62,720,775	62,720,775
Less Accumulated Depreciation									(41,318,102)	(39,310,789)	(39,310,789)
Total Non-Infrastructure Capital Assets									177,842,118	177,842,118	180,238,596
Infrastructure Capital Assets:											
Infrastructure - Equipment									10,195,499	10,195,499	9,617,363
Less Accumulated Depreciation									(393,348,853)	(393,348,853)	(391,890,085)
Total Infrastructure Capital Assets									(383,153,354)	(383,153,354)	(382,272,722)
Construction in Progress									36,707,987	36,707,987	8,875,270
Total Capital Assets									524,772,016	524,772,016	511,453,629
Bond Issuance Costs									9,865,987	9,865,987	9,446,844
Less Accumulated Amortization									(2,810,290)	(2,810,290)	(2,320,400)
Total Non-current Non-capital Assets									7,055,697	7,055,697	7,126,444
Total Non-Current Assets									531,827,713	531,827,713	518,580,073
TOTAL ASSETS	\$ 25,137,026	\$ 3,973,462	\$ 36,878,242	\$ 10,907,402	\$ 7,828,001	\$ 416,954	\$ 18,941,274	\$ 720,757	\$ 605,394,139	\$ 666,272,180	\$ 639,767,930

SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS
FUND FINANCIAL STATEMENTS

December 31, 2007
With Comparative Totals as of December 31, 2006

	Unrestricted Accounts			Restricted Accounts			Consolidation Eliminations	Totals	
	Revenue Fund	Airport Fund	General Reserve Fund	Debt Service Fund	Rehabilitation and Repair Fund	State Payment Fund		Debt Service Reserve Fund	2007
LIABILITIES AND NET ASSETS									
Current Liabilities Payable From Unrestricted Assets:									
Accounts Payable	\$ 3,992,456	\$ 1,386,003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,378,459	\$ 4,635,550
Deferred Income	442,534	32,945	-	-	-	-	-	475,479	416,006
Escrow Deposits	93,793	54,172	-	-	-	-	-	147,964	117,943
Accrued Expenses	820,321	310,694	-	-	-	-	-	1,133,548	1,176,999
Interfunds Payable	4,185,648	15,930,763	-	-	-	-	(20,116,411)	-	-
Total Current Liabilities Payable From Unrestricted Assets	9,534,752	17,714,576	-	-	-	-	(20,116,411)	7,135,450	6,346,498
Current Liabilities Payable From Restricted Assets:									
Accounts Payable	-	-	-	2,781,669	-	-	-	2,781,669	2,239,176
Accrued Interest	-	-	-	-	-	-	-	4,923,967	3,154,802
Accounts Payable	-	-	-	-	-	-	-	6,580,049	7,041,212
Unamortized SWAP Premium	-	-	-	-	-	-	-	1,461,081	660,518
Reimbursements Payable	-	-	-	-	-	416,667	-	416,667	208,334,00
Due to Other Government Agencies	-	-	-	-	-	-	-	6,036,385	3,457,761
PFC Advanced	-	-	-	-	-	-	-	463,616	-
CFC Advanced	-	-	-	-	-	-	-	695,932	883,018
Reserve for Self-insurance	1,407,025	134,036	-	-	-	-	-	1,541,061	695,932
Economic Recovery Funds Advanced	-	-	-	-	-	-	-	121,411	121,411
Elevated U-Turn Payable	-	-	-	4,149,296	1,511,982	-	-	17,987,669	-
Interfunds Payable	-	-	-	-	-	-	-	-	-
Bonds and Notes Payable	-	-	-	-	-	-	-	-	-
Net of Discount, Premium and and Loss on Defeasance (\$66,968)	-	-	-	-	-	-	-	-	-
Total Current Liabilities Payable From Restricted Assets	1,407,025	134,036	-	6,930,965	1,511,982	416,667	(23,808,665)	5,602,916	5,355,832
Noncurrent Liabilities:									
Other Postemployment Benefits other than Pensions	85,312,879	14,705,121	-	-	-	-	-	100,018,000	1,229,642
Arbitrage Rebate Payable	-	-	-	-	-	-	-	407,877	-
Bonds and Notes Payable	-	-	-	-	-	-	-	-	285,082,060
Net of Discount, Premium and and Loss on Defeasance (\$2,034,960)	-	-	-	-	-	-	-	-	268,347,626
Total Noncurrent Liabilities	85,312,879	14,705,121	-	-	-	-	(43,925,076)	385,507,957	269,577,268
TOTAL LIABILITIES	\$ 96,254,656	\$ 32,553,733	\$ -	\$ 6,930,965	\$ 1,511,982	\$ 416,667	\$ (43,925,076)	\$ 423,268,161	\$ 295,711,762

SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS

FUND FINANCIAL STATEMENTS

Twelve Months Ended December 31, 2007

With Comparative Totals as of December 31, 2006

	Unrestricted Accounts		Restricted Accounts				Totals				
	Revenue Fund	General Reserve Fund	Rebate Fund	Debt Service Fund	Rehabilitation and Repair Fund	State Payment Fund	Debt Service Reserve Fund	Construction Fund	Consolidation Eliminations	2007	2006
Operating Revenues:											
Tolls	\$ 61,830,498	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,830,498	\$ 59,477,706
Concessions	2,066,267	-	-	-	-	-	-	-	-	2,066,267	2,046,941
ETC Administration Revenue	1,862,604	-	-	-	-	-	-	-	-	1,862,604	1,492,252
Garage Parking	1,548,413	-	-	-	-	-	-	-	-	1,548,413	1,291,189
Marina Parking Revenue	3,105,820	-	-	-	-	-	-	-	-	3,105,820	2,846,946
Intercept Parking	358,765	-	-	-	-	-	-	-	-	358,765	351,312
Bus Permits	459,786	-	-	-	-	-	-	-	-	459,786	344,260
Rentals	4,266,050	-	-	-	-	-	-	-	-	4,266,050	3,769,944
Directional Signage Program	21,108	-	-	-	-	-	-	-	-	21,108	32,599
SJTPO Programs	2,008,293	-	-	-	-	-	-	-	-	2,008,293	1,832,591
Transportation Services	2,535,960	-	-	-	-	-	-	-	-	2,535,960	2,095,746
Other	562,260	-	-	-	-	-	-	-	-	562,260	797,578
Airport	-	8,790,658	-	-	-	-	-	-	-	8,790,658	7,277,153
Total Operating Revenues	80,625,823	8,790,658	-	-	-	-	-	-	-	89,416,482	83,678,217
Operating Expenses:											
Executive	2,045,053	-	-	-	-	-	-	-	-	2,045,053	2,188,853
Policy and Planning	268,003	-	-	-	-	-	-	-	-	268,003	466,911
Engineering	3,163,331	-	-	-	-	-	-	-	-	3,163,331	3,209,405
Finance	1,159,854	-	-	-	-	-	-	-	-	1,159,854	1,162,221
Central Accounts	9,232,336	-	-	-	-	-	-	-	-	9,232,336	11,469,619
Other Post-Employment Benefit	8,389,663	-	-	-	-	-	-	-	-	8,389,663	974,636
Marketing and Communications	1,030,489	-	-	-	-	-	-	-	-	1,030,489	6,385,610
Tourist Services	6,268,587	-	-	-	-	-	-	-	-	6,268,587	5,830,824
Maintenance	5,980,100	-	-	-	-	-	-	-	-	5,980,100	6,974,056
Police	7,436,902	-	-	-	-	-	-	-	-	7,436,902	790,981
Emergency Service Patrol	806,469	-	-	-	-	-	-	-	-	806,469	3,172,243
Electronic Toll Collection Expense	3,371,814	-	-	-	-	-	-	-	-	3,371,814	32,599
Directional Signage Program	21,108	-	-	-	-	-	-	-	-	21,108	966,052
Parking (Non Airport)	824,823	-	-	-	-	-	-	-	-	824,823	1,745,344
Information and Toll Technology	1,725,773	-	-	-	-	-	-	-	-	1,725,773	1,832,591
SJTPO Programs	2,008,293	-	-	-	-	-	-	-	-	2,008,293	2,361,480
Transportation Services	2,642,536	-	-	-	-	-	-	-	-	2,642,536	9,332,594
Airport	-	11,562,069	-	-	-	-	-	-	-	11,562,069	18,211,791
Depreciation	-	-	-	-	-	-	-	17,826,155	-	17,826,155	-
Total Operating Expenses	56,374,133	11,729,406	-	-	-	-	-	17,826,155	-	85,929,695	77,107,810
Operating Income (Loss)	24,251,690	(2,938,748)	-	-	-	-	-	(17,826,155)	-	3,486,787	6,568,406

SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS

FUND FINANCIAL STATEMENTS

Twelve Months Ended December 31, 2007

With Comparative Totals as of December 31, 2006

	Unrestricted Accounts			Restricted Accounts			Consolidation Eliminations	Totals		
	Revenue Fund	General Reserve Fund	Rentals Fund	Debt Service Fund	Rehabilitation and Repair Fund	State Payment Fund		Debt Service Reserve Fund	Construction Fund	2007
Non-Operating Income/(Expenses)	\$ 1,162,785	\$ 153,170	\$ 153,170	\$ 142,750	\$ 311,750	\$ 3,561	\$ 462,692	\$ 4,169,192	\$ 7,079,014	\$ 4,704,589
Interest Revenue	32,003							210	32,003	1,890
Gain on Sale of Assets										(1,750,000)
Other Revenue		119							329	
Claims										
Fund Expenses								(497,629)	(497,629)	(1,000)
Amortization Expense								76,813	76,813	(407,023)
Amortization of Bond Premium								(181,848)	(181,848)	90,637
Interest on Bonds				(13,977,549)		(2,500,000)			(14,159,396)	(13,746,374)
State Payment									(2,500,000)	(2,500,000)
Total of Non-Operating Income/(Expenses)	1,194,768	153,170	153,170	13,834,800	311,750	(2,496,439)	462,692	3,568,738	(9,966,868)	(13,607,281)
Income (Loss) before Contributions and Transfers	25,446,458	(2,785,578)	(2,785,578)	13,834,800	311,750	(2,496,439)	462,692	(14,257,417)	(6,480,084)	(7,038,876)
Capital Contributions - Grants										
Total Capital Contributions										
Interest Revenue Transferred From Restricted Funds	634,087								2,159,578	5,870,998
Interest Revenue Transferred To Operating Account									(634,087)	
Bonds Principal Payment Transfer				(143,189)		(3,371)	(186,399)		634,087	(526,569)
Transfers (To)/From Unrestricted Funds	2,327,953	17,777,566		(5,440,000)		2,500,010		5,440,000	(51,345,834)	
Transfers (To)/From Restricted Funds	(32,419,959)	(13,539,028)		22,390,041				(5,440,000)	51,345,834	526,563
Change in Net Assets before Cumulative Effect of Accounting Change	(4,011,461)	(2,785,578)	(11,240,401)	2,972,072	63,754	200	276,293	(5,747,565)	(4,320,502)	(1,167,888)
Total Net Asset Balance -- Beginning	11,071,188	31,874,187	31,874,187	1,004,365	6,252,266	87	18,664,981	282,183,866	340,056,168	341,224,056
Cumulative Effect of Accounting Change (See Note 30)	(78,177,349)								(82,731,642)	
Total Net Asset Balance -- Beginning as adjusted	(67,106,161)	31,874,187	31,874,187	1,004,365	6,252,266	87	18,664,981	282,183,866	247,324,526	341,224,056
Total Net Assets -- Ending	\$ (71,117,629)	\$ 36,878,244	\$ 36,878,244	\$ 3,976,437	\$ 6,316,020	\$ 287	\$ 18,941,274	\$ 276,436,301	\$ 243,004,024	\$ 340,056,168

SOUTH JERSEY TRANSPORTATION AUTHORITY
SCHEDULE OF BONDS, NOTES AND OTHER DEBT

Period Ending December 31, 2007

	Date of Issue	Amount Issued	Interest Rate	Maturity Date	Balance December 31, 2006	Issued	Paid	Balance December 31, 2007
Transportation System Revenue Bonds, 2003 Series (Tax Exempt) Original Issue Amount \$44,100,000	4/15/2003	\$ 15,790,000	2.25%	11/01/07	\$ 1,810,000	\$ -	\$ 1,810,000	-
			3.00%	11/01/08	1,855,000			1,855,000
			4.00%	11/01/09	1,910,000			1,910,000
			3.25%	11/01/10	1,985,000			1,985,000
			5.00%	11/01/11	2,050,000			2,050,000
			5.25%	11/01/12	2,155,000			2,155,000
					11,765,000		1,810,000	9,955,000
					3,200,000		3,200,000	3,360,000
					3,360,000			3,530,000
					3,530,000			3,685,000
Transportation System Revenue Bonds, 1999 Series (Tax Exempt) Original Issue Amount \$204,520,000	06/02/99	204,520,000	5.000%	11/01/07	3,200,000			3,360,000
			5.000%	11/01/08	3,360,000			3,530,000
			4.500%	11/01/09	3,530,000			3,685,000
			5.250%	11/01/10	3,685,000			3,880,000
			5.250%	11/01/11	3,880,000			4,080,000
			5.250%	11/01/12	4,080,000			4,280,000
			5.250%	11/01/13	4,280,000			4,480,000
			5.250%	11/01/14	4,480,000			4,680,000
			5.000%	11/01/15	4,680,000			4,880,000
			5.000%	11/01/16	4,880,000			5,080,000
			5.000%	11/01/17	5,080,000			5,280,000
			5.000%	11/01/18	5,280,000			5,480,000
			5.000%	11/01/19	5,480,000			5,680,000
			5.125%	11/01/20	5,680,000			5,880,000
			5.125%	11/01/21	5,880,000			6,080,000
			5.125%	11/01/22	6,080,000			6,280,000
			5.000%	11/01/23	6,280,000			6,480,000
			5.000%	11/01/24	6,480,000			6,680,000
			5.000%	11/01/25	6,680,000			6,880,000
		5.000%	11/01/26	6,880,000			7,080,000	
		5.000%	11/01/27	7,080,000			7,280,000	
		5.000%	11/01/28	7,280,000			7,480,000	
		5.000%	11/01/29	7,480,000			7,680,000	
				192,485,000		3,200,000	189,285,000	

SOUTH JERSEY TRANSPORTATION AUTHORITY
SCHEDULE OF BONDS, NOTES AND OTHER DEBT

Period Ending December 31, 2007

	Date of Issue	Amount Issued	Interest Rate	Maturity Date	Balance December 31, 2006	Issued	Paid	Balance December 31, 2007
Transportation System Revenue Bonds, 2004 Series A (Tax Exempt) Original Issue Amount \$22,235,000	06/24/2004 \$	22,235,000	3.000%	11/01/07 \$	430,000 \$		430,000 \$	-
			3.500%	11/01/08	440,000			440,000
			3.750%	11/01/09	455,000			455,000
			3.875%	11/01/10	475,000			475,000
			4.000%	11/01/11	490,000			490,000
			4.125%	11/01/12	510,000			510,000
			4.250%	11/01/13	530,000			530,000
			4.250%	11/01/14	555,000			555,000
			4.125%	11/01/15	580,000			580,000
			4.250%	11/01/16	600,000			600,000
			5.000%	11/01/17	625,000			625,000
			5.000%	11/01/18	660,000			660,000
			5.000%	11/01/19	690,000			690,000
			5.000%	11/01/20	725,000			725,000
			5.000%	11/01/21	760,000			760,000
			5.000%	11/01/22	800,000			800,000
			5.150%	11/01/23	840,000			840,000
			5.150%	11/01/24	880,000			880,000
			5.150%	11/01/25	925,000			925,000
			5.150%	11/01/26	975,000			975,000
			5.150%	11/01/27	1,020,000			1,020,000
			5.150%	11/01/28	1,075,000			1,075,000
			5.150%	11/01/29	1,125,000			1,125,000
			5.150%	11/01/30	1,180,000			1,180,000
			5.150%	11/01/31	1,240,000			1,240,000
			5.150%	11/01/32	1,305,000			1,305,000
			5.150%	11/01/33	1,370,000			1,370,000
					21,260,000		430,000	20,830,000

SOUTH JERSEY TRANSPORTATION AUTHORITY
SCHEDULE OF BONDS, NOTES AND OTHER DEBT

Period Ending December 31, 2007

	Date of Issue	Amount Issued	Interest Rate	Maturity Date	Balance December 31, 2006	Issued	Paid	Balance December 31, 2007
Transportation System Revenue Bonds, 2006 Series A (Tax Exempt) Original Issue Amount \$50,365,000	01/12/06	\$ 50,365,000	4.50%	11/01/2030	\$ 7,065,000	\$ -	\$ -	7,065,000
			4.50%	11/01/2031	7,380,000			7,380,000
			4.50%	11/01/2032	7,710,000			7,710,000
			4.50%	11/01/2033	8,055,000			8,055,000
			4.50%	11/01/2034	9,855,000			9,855,000
			4.50%	11/01/2035	10,300,000			10,300,000
					<u>50,365,000</u>			<u>50,365,000</u>
Taxable Subordinated Notes, Series 2007 Original Issue Amount \$22,390,000	07/05/07	22,390,000	5.50%	01/01/2010		22,390,000		22,390,000
						<u>22,390,000</u>		<u>22,390,000</u>
		<u>\$ 315,300,000</u>			<u>\$ 275,875,000</u>	<u>\$ 22,390,000</u>	<u>\$ 5,440,000</u>	<u>\$ 292,825,000</u>

**South Jersey Transportation Authority
Schedule of Toll Revenue
Period Ending December 31, 2007**

Interchange:	<u>Toll Revenue</u>	<u>Vehicle Count</u>
Pleasantville	\$ 14,158,027	26,638,006
Exit 5, Route 9	684,531	1,460,832
Mays Landing	2,629,423	5,455,342
Egg Harbor	39,363,306	18,963,517
Hammonton	863,746	1,737,591
Winslow	436,908	870,193
Williamstown	1,190,449	4,773,692
Pomona	1,637,122	3,364,791
Berlin Crosskeys	866,986	3,464,825
Unusual and Toll Free		730,476
	<u>\$ 61,830,498</u>	<u>67,459,265</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.

South Jersey Transportation Authority

P.O. Box 351

Hammonton, NJ 08037

www.sjta.com