


# Advancing Transportation
## Improving Lives

**South Jersey Transportation Authority**

2010 – Comprehensive Annual Report


ATLANTIC CITY EXPRESSWAY
SOUTH JERSEY TRANSPORTATION AUTHORITY
WELCOME TO THE SNACK ZONE
EMERGENCY SERVICE PATROL
CHICAGO
CHICAGO
FLY ACY!
NOW PLAYING: NONSTOP LOW FARES TO CHICAGO
DEPARTURES
ATLANTIC CITY INTERNATIONAL AIRPORT
Going Places
CORE VALUES

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*Gregg Kohl/ AC Photo*

## Letter from the Chairman

In 2010, the South Jersey Transportation Authority was quick to embrace the Governor's call for state authorities to review existing practices and identify areas where expenses can be reduced. The SJTA was diligent in implementing changes in policies and procedures to reduce operating costs without affecting our high standards for customer service delivery. Savings and efficiencies were achieved by eliminating toll free passage by SJTA employees; eliminating salary increases for non-union employees; reducing the hourly pay rates for part time employees; and eliminating the practice that allowed employees to cash in unused sick and vacation time which alone saved $915,000 in 2010.

The Atlantic City International Airport experienced historic growth in scheduled passenger traffic, ending the year with a 31.2% increase over the previous year. This had a profound impact on economic activity generated by the airport, demonstrating the importance of opening up the region to new markets and expanding the capacity of Atlantic City International Airport operations.

Throughout 2010, SJTA has introduced solutions that address transportation infrastructure, fueling economic growth while connecting people and commerce in southern New Jersey. The Authority's capital plan advances many air, rail and roadway projects, including initiatives to meet the needs of those underserved by transit. These projects create jobs and pave the way to a more reliable transportation system.

The Authority's commitment to excellence in transportation, serving millions of travelers from roadway to runway, provides a strong foundation for future growth that will benefit the region and the entire state.

Respectfully,

James S. Simpson

James S. Simpson
Board Chairman,
South Jersey Transportation Authority

SOUTH JERSEY TRANSPORTATION AUTHORITY

**Chris Christie**
Governor

**Kim Guadagno**
Lt. Governor

**James S. Simpson**
NJDOT Commissioner
SJTA Chairman

## SJTA BOARD OF COMMISSIONERS

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**Jeffery A. April, Esq.**
Commissioner

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Commissioner

**James U. Gaymon**
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**Joseph Ripa**
Commissioner

**Louis Toscano**
Commissioner

**Bart R. Mueller**
Executive Director

## Atlantic City Expressway

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

## Atlantic City International Airport

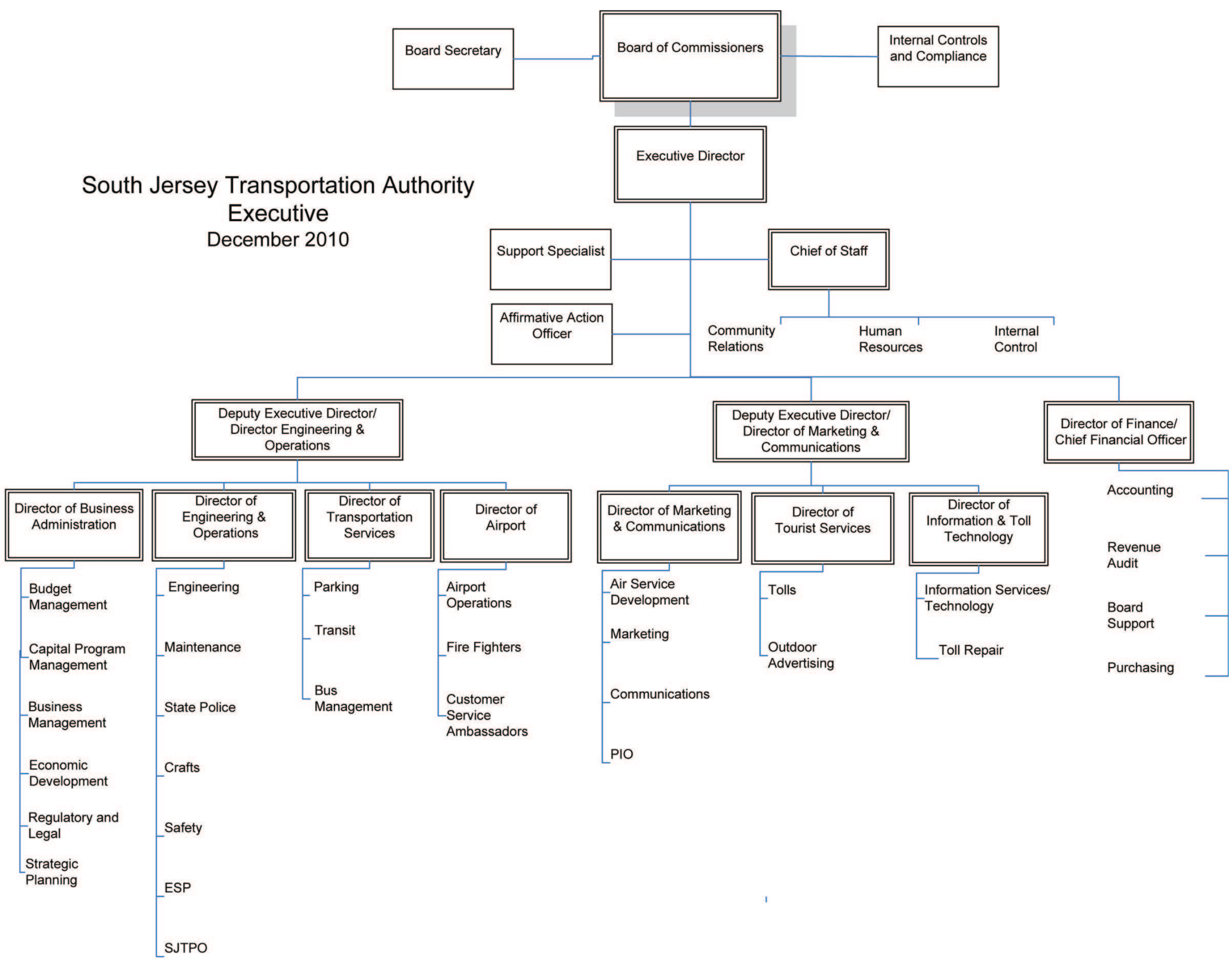
The Atlantic City International Airport (ACY) conducts commercial and general aviation operations, offering air travel to support commerce, tourism and the general public. The Airport provides convenient air passenger service to a host of destinations while safely delivering hundreds of thousands of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

## Transportation Services

The South Jersey Transportation Authority (SJTA) provides Transportation Services with transit routes that increase accessibility to employment opportunities in areas underserved by transit. Transportation Services operates and manages all of the SJTA parking facilities and parking shuttles in various locations, including ACY. The Department also promulgates and enforces the rules and regulations regarding the Motorbus industry in Atlantic County.

## Economic Development

The SJTA is charged with promoting economic growth and development through the implementation of transportation projects and services that support economies in Atlantic, Camden, Cape May, Cumberland, Gloucester and Salem counties.


South Jersey Transportation Authority
Executive
December 2010
Board Secretary
Board of Commissioners
Internal Controls and Compliance
Executive Director
Support Specialist
Chief of Staff
Affirmative Action Officer
Community Relations
Human Resources
Internal Control
Deputy Executive Director/ Director Engineering & Operations
Deputy Executive Director/ Director of Marketing & Communications
Director of Finance/ Chief Financial Officer
Director of Business Administration
Budget Management
Capital Program Management
Business Management
Economic Development
Regulatory and Legal
Strategic Planning
Director of Engineering & Operations
Engineering
Maintenance
State Police
Crafts
Safety
ESP
SJTPO
Director of Transportation Services
Parking
Transit
Bus Management
Director of Airport
Airport Operations
Fire Fighters
Customer Service Ambassadors
Director of Marketing & Communications
Air Service Development
Marketing
Communications
PIO
Director of Tourist Services
Tolls
Outdoor Advertising
Director of Information & Toll Technology
Information Services/ Technology
Toll Repair
Accounting
Revenue Audit
Board Support
Purchasing

## Letter from the Executive Director

The 2010 Annual Report of the South Jersey Transportation Authority captures the achievements and projects that have stimulated regional growth and economic development. From start to finish, 2010 proved to be a year brimming with new challenges and changes.

The Authority took the lead in making changes in existing policies and operating practices to curtail expenses and provide substantial savings without changing the quality or delivery of services to the traveling public. The SJTA continues to manage through difficult economic times to prepare for an improved economy.

The Atlantic City International Airport experienced a historic year, with significant increases in passenger growth month-over-month throughout the entire year. AirTran Airways, Spirit Airlines and WestJet offered new options to our travelers, with the return of the popular Detroit service in late spring, Canada, Boston and connections to more than 40 other destinations. The ACY Air Service Expansion coalition was successful in attracting the most sought after and desired cities for both inbound and outbound passengers. During the last quarter of 2010, the US Department of Transportation, Bureau of Statistics ranked ACY as having the lowest fares in the country for the third consecutive year. ACY ended the year with record breaking passenger traffic and breaking ground and beginning construction on a terminal expansion to include a Federal Inspection Station (FIS) that will provide a new customs border patrol facility and the ability to process direct international flights while creating hundreds of jobs.

An ambitious capital program for the Atlantic City Expressway included projects to improve the transportation infrastructure on the roadway from opening a full new interchange at Exit 17; bridge & deck rehabilitations, paving, milling, resurfacing and the anticipated completion of the Third Lane Westbound Widening Project designed to mitigate congestion providing expressway motorists a more expedient travel experience.

Transportation Service continues to meet the needs of riders underserved by transit. Parking revenue has skyrocketed over the previous year, due in part to the success of the Airport. In 2010, the Transportation Services division for the Pureland Shuttle service was touted as the best service among 26, connecting residents to jobs in urban centers.

The SJTA is poised to continue to grow and support regional growth and development.

Respectfully,

Bart R. Mueller
Executive Director,
South Jersey Transportation Authority

## SJTA Mission

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

## SJTA Vision

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

### *SJTA 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.

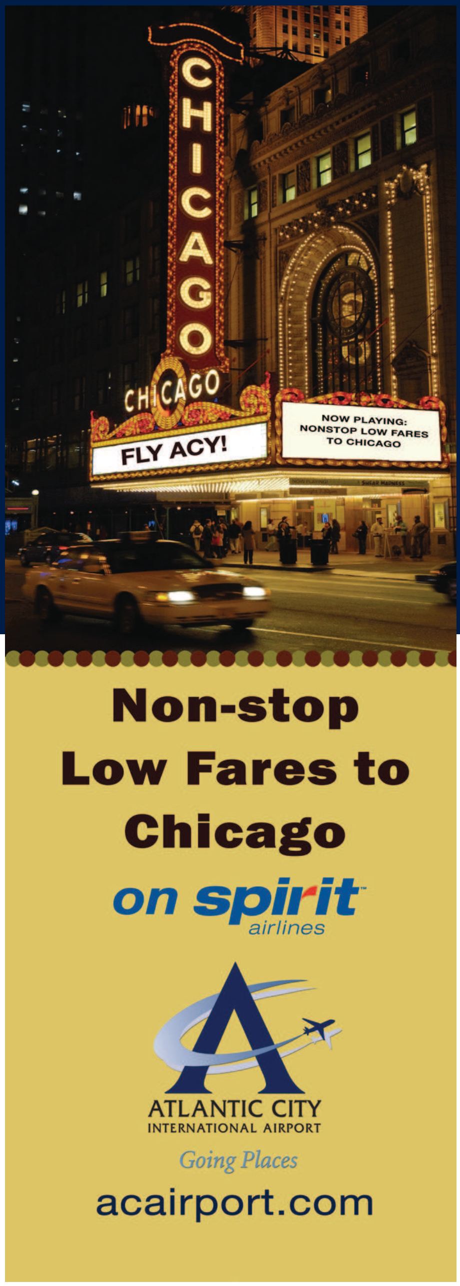
#### Diversity

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

#### Excellence

Commit to the highest standards of customer service delivery.

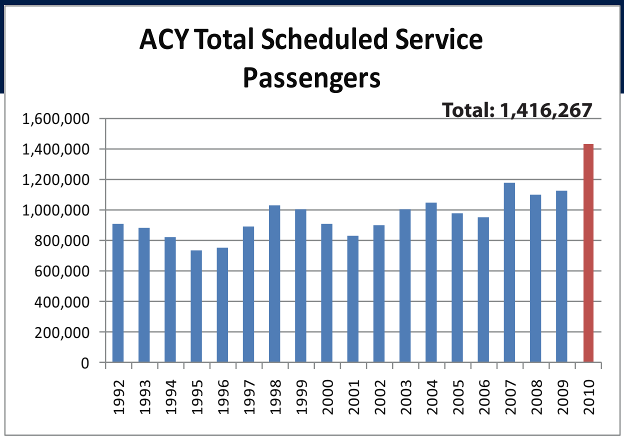
# ATLANTIC CITY INTERNATIONAL AIRPORT




## 2010: A HIGH FLYING, RECORD-BREAKING YEAR FOR ACY WITH A 31.2% INCREASE OVER 2009

January brought forth exciting momentum for Atlantic City International Airport (ACY) with a 23% increase in passengers over January 2009. AirTran Airways, Spirit Airlines and WestJet offered low-cost trips to Atlanta, Boston, Canada, Florida and connections to more than 40 exciting destinations in the U.S., Mexico, Latin America and the Caribbean.

To further accommodate travelers, Spirit Airlines announced the May 20th return of seasonal service between Detroit and Atlantic City, along with nonstop flights to Chicago scheduled for Spring 2011 with $9 introductory fares. Steady growth in commercial passenger trips helped the Airport serve a record 1.4 million passengers, a 31.2% increase over 2009.



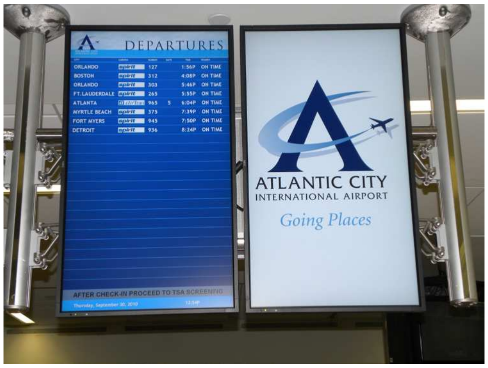

## SETTING THE STANDARD: EXCELLENCE

Since its inception in 2008, the ACY Air Service Expansion Coalition has been dedicated to attracting new airlines and new routes to a wish-list of cities identified as critical markets for Atlantic City. The core cities of Atlanta, Boston and Chicago—were captured by April when Spirit announced nonstop flights to Chicago with continuing service to Los Angeles. That same month, the coalition was recognized at the New Jersey Governor's Conference with the 2010 Governor's Tourism Award for Excellence in the New Jersey tourism industry.

The Airport's achievements turned heads at Airline Network News & Analysis, which honored ACY and four other U.S. airports with its traffic growth "US Annies" award in October.

The airport was also recognized for its dramatic impact on the region's economic growth at the Southern New Jersey Business People Impact Awards Reception on December 1, 2010.

## INNOVATION




On April 20, Atlantic City International Airport became the first airport to launch the Federal Aviation Administration's new digital Notice to Airmen (NOTAM) system. The web-based NOTAM system plays a crucial role in aviation safety by providing pilots with up-to-the-minute information about airport conditions and hazards that may affect flight.

The NOTAM system streamlines the communication process and has become the standard operating procedure for airlines and airport personnel across the U.S. New Multi-Use Flight Information Display System (MUFIDS) banks have been constructed throughout the Airport and are used to display arrival and departure times and other useful information for travelers. The high definition displays can also be used for revenue-generating digital advertising.

New ticket counters were also constructed as part of the project, as well as flat-panel screens behind the ticket counters, which display airport and airline carrier information.

An Airport Operational Database (AODB) is also part of the project, which will support airport resource and revenue management modules and will be expandable to support future airport systems.

## SAFETY

During February, two severe winter storms hit the Southern New Jersey region with record-setting amounts of snow within a five-day period. The first storm dropped nearly two feet of snow on parts of the area. With little time to recover, the second storm brought an additional 10-20 inches in near-blizzard conditions. Through both storms, with the dedication of SJTA work crews and personnel kept ACY open. In fact, AirTran brought Philadelphia passengers to ACY because PHL was closed.

In May, the Authority actively participated in a number of training exercises to enhance its emergency response capabilities, including the ACY Fire Department's Tri-Annual Full Scale Airport Emergency Preparedness Drill. During this type of drill, the Airport is confronted with fully simulated, real-time exercises that test its ability to quickly respond to an emergency and minimize the loss of life and property.



**Euro Cafe:** *Hudson News officials join SJTA Executive Director and staff to welcome Euro Cafe with a ceremonial "cup clink" and ribbon cutting. The restaurant/ bookstore combination proves to be a welcome addition to the second floor of the terminal.*

## "CHEERS" TO A TASTY NEW AMENITY

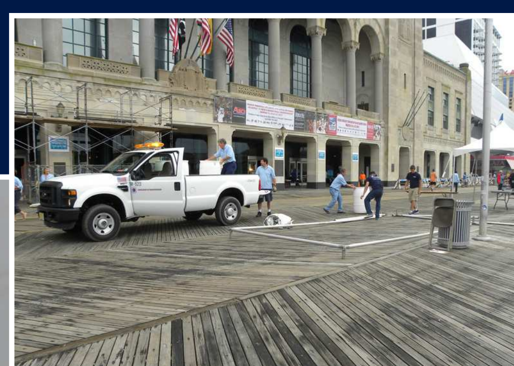
Euro Cafe took its place as a welcome addition when it opened November 18 on the second floor of the terminal. The Cafe offers a first-class cup of coffee, fresh pastries, a broad array of breakfast and lunch specials and books and other reading materials.

Airport and SJTA officials held a grand opening event at the site, where passengers were offered samples from the Cafe's menu. Author-autographed copies of popular novel-turned-HBO series *Boardwalk Empire* were also featured at the event.

*8th Annual "Thunder Over the Boardwalk, August 25, 2010*

## THUNDER OVER THE BOARDWALK

ACY was host airport for the 8th Annual "Thunder Over the Boardwalk" Atlantic City Airshow on August 25—named by the American Bus Association as one of North America's 100 Best Events. SJTA's maintenance department and staff worked long hours to ensure a safe and successful event. Despite cloudy weather, more than 600,000 visitors gathered on the beach and boardwalk to watch planes dip and twirl in thunderous procession. The ACCVA reported that all hotel rooms along the Boardwalk were occupied on event day, while ACY recorded a 38% increase in passengers for August 2010 compared to August 2009.



## HORSES DEPLANE AT ACY

About a dozen thoroughbred racing horses arrived at the Atlantic City International Airport on May 17, 2010 for the start of competition at Monmouth Park. The horses' flight originated in California, made a stop in Kentucky and arrived safely in Atlantic City.

Arrival of the horses marked resumption of landings at ACY after a three-year hiatus with prospects hopeful for more deliveries of show and race horses for events, shows and other equestrian facilities in the Tri-State area.

## WHAT'S NEXT FOR ACY

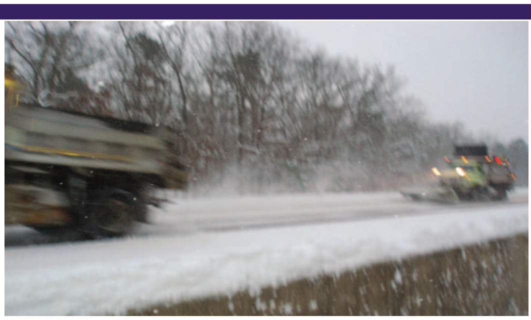
The Airport is projected to continue its dramatic increase in passenger traffic over the next couple of years. A combination of strategic marketing, air service coalition efforts and extensive terminal upgrades will introduce new opportunities for the Airport and stir economic activity for the region.

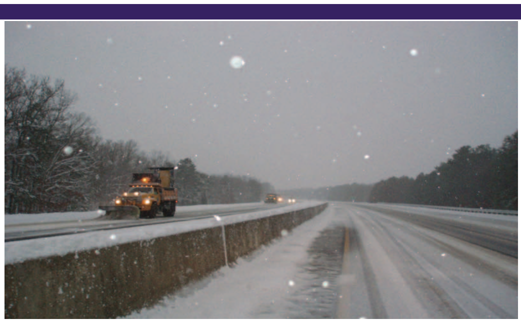

On December 7, New Jersey Department of Transportation Deputy Commissioner Joseph Mrozek joined SJTA Executive Director and elected officials to break ground on the Airport's highly anticipated Federal Inspection Station. The project includes a 75,000 square-foot expansion of the airport that will provide the space and facilities for processing international flights.

The $25 million project also includes a Customs and Border Patrol Facility, an expanded baggage claim area with space to process international passengers, apron reconstruction, installation of new passenger boarding bridges, additional concessions and restrooms and more. Completion of the project is anticipated by summer of 2012.


*New Jersey DOT Deputy Commisioner Joseph Mrozek informs event attendees of the many benefits of the terminal expansion and inspection station.*

*ACY Terminal Expanison Federal Inspection Services Facility Groundbreaking, December 7, 2010*





# ATLANTIC CITY EXPRESSWAY

## Atlantic City Expressway Toll Schedule

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

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

Each year, millions of travelers across the Tri-State area trust the South Jersey Transportation Authority's roadways to safely and conveniently get them to their destination.

A safe and well-maintained roadway requires diligent attention. The SJTA prepares well in advance for hazardous weather conditions and other safety issues that could compromise travelers' commutes along the Atlantic City Expressway (ACE).

In February, the SJTA efficiently handled two severe winter storms that dumped record-breaking amounts of snow within a five-day period. Both storms blanketed the South Jersey region with more than 48 inches of snowfall in near-blizzard conditions.

Authority work crews assembled with fleets of snowplows, tons of salt and gallons of liquid calcium and potassium acetate to battle the sleet, freezing rain and ice on the Expressway.

The Authority went above and beyond its mandated jurisdiction to utilize its resources to clear portions of New Jersey Routes 9 and 42.

In total, the crews would work a 7,000 combined hours to patrol the roadways and keep them clear and fully operational for travelers throughout the storms.

## Motorist Aids Handled by the E.S.P. in 2010

| | |
|---|---|
| **Dead Battery** | 597 |
| **Flat Tire** | 2729 |
| **Lock Out** | 72 |
| **Mechanical** | 1741 |
| **Out of Gas** | 930 |
| **Overheat** | 520 |
| **Directions** | 529 |
| **Request for Tow Truck** | 1748 |
| **Other** | 919 |
| **Total Motorist Aid** | 9,785 |

## 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 Roll |
|---|---|---|---|---|---|---|
| **2010** | | **54,977,031** | **$78,914,150** | **$108,654,245** | **72.6%** | **1.440** |
| 2009 | | 58,432,437 | $82,162,229 | $109,632,566 | 74.9% | 1.406 |
| 2008 | | 67,657,100 | $63,476,068 | $91,605,689 | 69.3% | 0.938 |
| 2007 | | 66,728,789 | $61,830,498 | $89,416,482 | 69.1% | 0.927 |
| 2006 | | 66,820,291 | $59,477,706 | $83,676,217 | 71.1% | 0.890 |
| 2005 | | 64,594,708 | $57,970,661 | $82,007,410 | 70.7% | 0.897 |
| 2004 | | 62,986,400 | $57,247,411 | $78,771,768 | 72.7% | 0.910 |
| 2003 | | 60,332,338 | $51,188,734 | $59,488,734 | 86.0% | 0.848 |
| 2002 | | 59,000,044 | $48,532,827 | $56,373,284 | 86.1% | 0.823 |
| 2001 | | 54,490,349 | $45,841,128 | $58,712,782 | 78.1% | 0.841 |
| 2000 | | 50,619,351 | $44,320,684 | $56,594,079 | 78.3% | 0.876 |
| 1999 | | 48,050,179 | $44,400,684 | $57,923,324 | 76.7% | 0.924 |
| 1998 | | 50,855,587 | $27,457,987 | $35,321,293 | 77.7% | 0.540 |
| 1997 | | 49,290,846 | $25,056,326 | $31,958,892 | 78.4% | 0.508 |
| 1996 | | 46,243,612 | $23,932,905 | $30,498,288 | 78.5% | 0.518 |
| 1995 | | 47,602,146 | $24,246,948 | $31,458,000 | 77.1% | 0.509 |
| 1994 | | 48,023,048 | $24,218,472 | $30,713,109 | 78.9% | 0.504 |
| 1993 | (SJTA begins) | 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 | | 32,253,091 | $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 | Route 50 | Expressway Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **2010** | **-10.22%** | **-4.55%** | **-1.30%** | **-11.57%** | **-2.94%** | **-2.44%** | **1.96%** | **-2.64%** | **1.64%** | **-6.05%** | **-5.91%** |
| 2009 | -15.44% | -11.25% | -17.71% | -18.37% | -6.35% | -1.98% | -8.54% | -12.49% | 17.53% | | 12.74% |
| 2008 | 6.4% | 6.0% | 2.1% | -4.4% | -5.4% | 3.9% | -1.0% | -1.0% | -1.9% | | 0.4% |
| 2007 | -0.12% | 9.66% | 4.8% | -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% |

## INTERCHANGE 17 COMPLETE

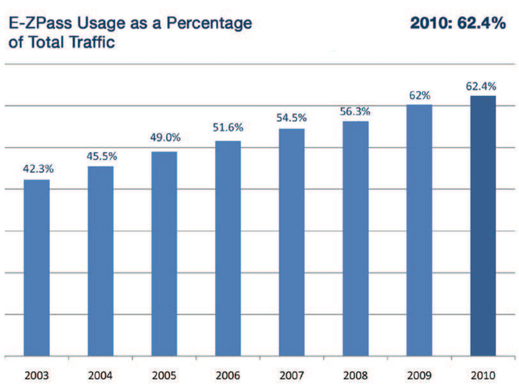
On June 18, a new full interchange opened to the public that grants travelers access between the Expressway and Route 50 in Hamilton Township. "Interchange 17", which already had an Expressway off-ramp (Exit 17), was improved and expanded to include an entry point to ACE from Route 50.

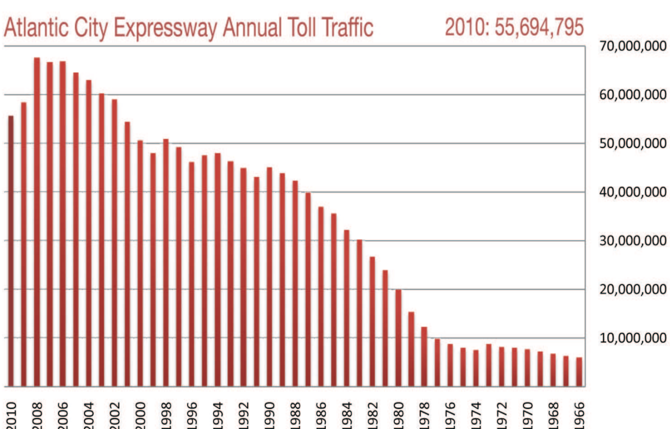
The $8.2 million interchange was built over an 18-month period  and improves mobility on Route 50 while making access to the Expressway safer and more convenient. Construction of the full interchange at Exit 41 (Berlin-Cross Keys Road) a decade ago resulted more than $100 million in housing and retail economic development. In the same way, Interchange 17 is expected to spur economic activity in the surrounding area.

The Authority also completed the Interchange 2 bridge repair project and reopened it to the public on January 22. The three-month, $734,567 job—which included a complete bridge deck removal and replacement, roadway repaving and other maintenance details—was completed ahead of schedule.

SJTA and other local officials come together for the Exit 17 Ribbon cutting event.


NJDOT Commissoner/SJTA Chairman James S. Simpson speaks at the Ribbon Cutting.




## MORE PROJECTS UNDERWAY

The $23.3 million Third Lane Westbound Widening project, one of the most significant capital roadway projects, continues to make steady progress. The widening will ease congestion along the Expressway and improve safety and convenience for travelers, who have already begun to enjoy the third lane from Atlantic City to as far as milepost 17.  The project is making steady progress, with sections of the roadway being expanded and paved at a time.

## PROMOTING SAFETY

The SJTA aggressively pursues measures that will ensure the safety of its patrons. In cooperation with the Transportation Security Lab, the SJTA has agreed to allow its entities to serve as a test bed for the most advanced and emerging safety technologies. On March 20, Authority staff along with State Police, Security and Fire personnel conducted a full-scale emergency drill of the 2,000-foot Atlantic City-Brigantine Connector tunnel. The Authority was able to successfully test state-of-the-art equipment that monitors and detects security threats that move through the tunnel. The Authority also promoted safety by completing an extensive list of roadway improvements, from cleaning and repairing storm drains to applying 3.5 tons of material to repair the potholes caused by the freezing winter weather.


*Emergency Safety Patrol provided 9,785 assists to motorists in 2010*

The Authority capitalizes on every opportunity to promote motor vehicle safety to the millions of travelers that use ACE. On May 28, the Authority hosted its 8th Annual Safety Awareness Day at the Farley Service Plaza just in time for the Memorial Day holiday—one of the busiest weekends for the Expressway. Thousands of travelers en route to the Jersey shore pulled into the rest area to watch live safety demonstrations, from children's car seat installation tips to the proper handling of fire extinguishers. Event exhibitors included CBS radio group, NJ State Police Highway and Marine Divisions, the SJTA's Emergency Service Patrol, HMS Host Corporation, SJTA Firefighter and EMS units, NJ Department of Tourism and Atlantic City International Airport.

*SJTA promotes safety with CBS Radio*

*SJTA teams up with State Police for Safety Awareness Day*

## STAYING GREEN

The Authority continued its tradition of delighting travelers with its seasonal Wildflower project. The 27 acre plantings—23% more than last year—covered the medians and shoulders of the 44-mile Expressway. In addition to a host of environmental benefits and advantages, the wildflower project saved its workers more than 600 hours of grass cutting to focus on other roadway services.

*Presentation on SJTA Energy Initiative Program*

Staying green and respecting the environment is an initiative that the Authority has adopted and shares with its surrounding communities. In April, the Authority presented its Five Point Energy Initiative to members of the 2010 TransAction Conference in Atlantic City. The initiative outlines steps the agency has taken to implement projects and solutions that lead to significant energy savings.

(L to R) *Trestle remediation product from start to finish.*

## BILLBOARDS OFFER ADDITIONAL SOURCE OF REVENUE


Consistent with its efforts to maintain an attractive appearance for travelers, the Authority tackled a longstanding problem of an unsightly railroad bridge leading into Atlantic City.

Improving the appearance of the trestle would be a challenge, since the trestle belongs to the Southern New Jersey Railroad Company. The Authority proposed to seek bids from billboard firms to finance the cost of painting the trestle in exchange for permission to install billboards. The proposal was accepted, and by April the trestle was transformed from an eyesore to a well-maintained structure for millions of Atlantic City visitors to pass beneath.

## THE STATE'S LEADING PUBLIC AGENCY IN BILLBOARD MANAGEMENT

The trestle remediation agreement was not the first instance of an Authority-managed billboard. In fact, SJTA has one of the most robust advertising programs of any public agency in the Northeast, with 36 billboards on ACE. These billboards generated $3.7 million in revenues in 2010, the second largest source of revenue for the Authority after toll revenues.


(ABOVE) *The SJTA installed and leased its first digital billboard at the foot of the Expressway (milepost 0.0). The billboard, in addition to the remediated trestle bridge, generates a substantial amount of non-toll revenue for the Authority.*


# TRANSPORTATION SERVICES

## OVERVIEW

The South Jersey Transportation Authority's Transportation Services Division was established to oversee parking in Atlantic City and provide shuttle services for people otherwise unable to travel to where employment is available. The division provides more than 630,000 trips for patrons annually, operating "journey to work" transit routes, shuttle services and special trip connections for communities underserved by transit.

In 2005, Transportation Services took over the management of parking facilities at ACY, where it operates the Airport's six-story parking garage and provides shuttle service to the terminal.

Airport parking revenue totaled $7.4 million, an increase of 19.8% over 2009.

## NEW SHUTTLE SERVICES

In September, the SJTA's Transportation Services Division introduced a new shuttle service that saves time and money for patrons destined for Egg Harbor City Station, The Richard Stockton College of New Jersey campus in Galloway Township, the Federal Aviation Administration campus and the Atlantic City International Airport terminal. The service provides about 250 round-trips each month with ridership trending upward.

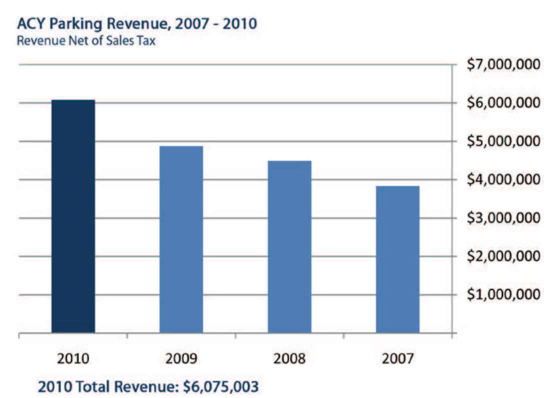
Over the next few years, the shuttle service will expand to provide faster service directly to the Airport and the highly-anticipated NextGen Aviation Research and Technology Park. Ridership studies are being prepared to help obtain federal funding that will finance the cost of expanding the service and building a new station on the rail line.

## IMPROVING COMMUNITIES— ONE RIDE AT A TIME

The transportation services provided by SJTA include an extensive bus network and a rail line that runs from Camden to Trenton. In October, Dr. Siim Soot, Director of the Urban Transportation Center at the University of Illinois at Chicago, conducted a study on 26 different Job Access and Reverse Commute (JARC) transportation service providers. Among the services surveyed was SJTA's Pureland Shuttle, which operates from the Walter Rand Transportation Center in Camden to the Pureland Industrial Park located southwest of Camden in Gloucester County.

Based on the overview of the survey results, the Pureland Shuttle did remarkably well in meeting the goals of the JARC program — better than all of the other services in the study. Of the many positive results of the survey, Soot found: more than half of the riders were employed after the shuttle service began;  those that were previously working spent significantly less time commuting to and from work; and those who were previously employed found a substantial increase in their hourly and monthly wages.

Soot remarks in his survey: "In short, the Pureland Shuttle is an exceptionally successful service."




# ECONOMIC DEVELOPMENT

In 2010, the SJTA forged ahead on the largest 10-year capital budget in its history to improve transportation infrastructure and stimulate the regional economy. Millions of dollars were poured into extensive capital projects covering roadway repairs, improvements and rehabilitations; safety management; congestion mitigation; and new equipment for maintaining the Authority's assets.

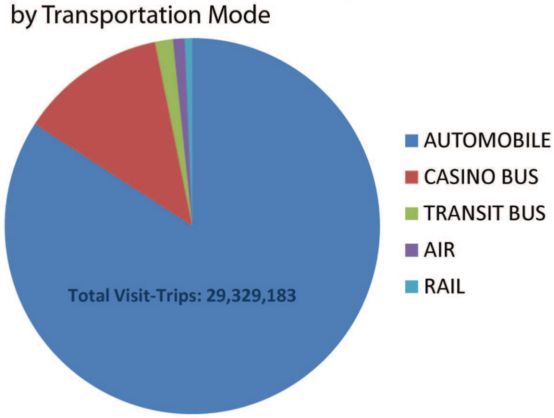
Projects include the ACY Terminal Door Replacement Project; the Mississippi Avenue Widening Project, Interchange 17 construction, the Westbound Third Lane Widening, Leipzig Bridge Deck Replacement, Multi-Use Flight Information Displays and much more—all of which created or supported hundreds of jobs.

The NextGen Aviation Research and Technology Park, located on the Atlantic City International Airport's campus, is well underway. The park will play a significant role in the economic growth of the region and will be supported by Authority projects. Once completed, the $300 million park is expected to generate more than 2,000 new technical jobs as the leading aviation research facility in the world.

The Authority's capital program brings innovative and functional improvements to its assets—the Atlantic City Expressway and the Atlantic City International Airport—while creating thousands of new, high skilled jobs for hard-working individuals in the six New Jersey counties that it serves. The program builds on a foundation that promotes a fully-optimized Southern New Jersey transportation infrastructure system.

Among the most anticipated capital projects is the $25 million Federal Inspection Station and terminal expansion at Atlantic City International Airport. The project will expand the existing terminal by 75,000 square feet and increase the number of passenger boarding bridges from 7 to 10 gates. A new customs border patrol facility in the expanded terminal will give ACY the ability to process direct international flights while supporting continued growth of scheduled service. The project will create hundreds of construction jobs and post-construction employment opportunities with new amenities and services in the expanded terminal.

Annual Visit/Trips to Atlantic City by Transportation Mode




## SJTA's Capital Plan 2011-2020

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Total 10 Year Plan |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Bridge Assets | 7,537,748.60 | 7,000,000.00 | 6,650,000.00 | 9,000,000.00 | 6,700,000.00 | 7,100,000.00 | 6,700,000.00 | 7,100,000.00 | 6,700,000.00 | 9,100,000.00 | 73,587,748.60 |
| Road Assets | 2,025,000.00 | 3,200,000.00 | 4,575,000.00 | 4,200,000.00 | 4,450,000.00 | 5,200,000.00 | 5,725,000.00 | 5,200,000.00 | 5,450,000.00 | 5,200,000.00 | 45,225,000.00 |
| Highway Facility Assets | 4,128,654.27 | 2,568,000.00 | 240,000.00 | 1,725,000.00 | 595,000.00 | 1,860,000.00 | 110,000.00 | 1,925,000.00 | 195,000.00 | 1,675,000.00 | 15,021,654.27 |
| Safety Management Ass | 507,660.81 | 450,000.00 | 700,000.00 | 2,500,000.00 | 600,000.00 | 7,650,000.00 | 600,000.00 | 500,000.00 | 600,000.00 | 525,000.00 | 14,632,660.81 |
| Congestion Relief | 64,803,215.00 | 50,000,000.00 | 20,000,000.00 | 0.00 | 0.00 | 0.00 | 150,000,000.00 | 0.00 | 0.00 | 0.00 | 284,803,215.00 |
| Capital Equipment | 1,572,000.00 | 2,535,000.00 | 2,595,000.00 | 2,595,000.00 | 2,595,000.00 | 2,595,000.00 | 2,595,000.00 | 2,595,000.00 | 2,595,000.00 | 2,595,000.00 | 24,867,000.00 |
| **Total Expressway** | **80,574,278.68** | **65,753,000.00** | **34,760,000.00** | **20,020,000.00** | **14,940,000.00** | **24,405,000.00** | **165,730,000.00** | **17,320,000.00** | **15,540,000.00** | **19,095,000.00** | **458,137,278.68** |
| **Airport** | **21,578,514.81** | **33,260,000.00** | **44,790,000.00** | **7,335,000.00** | **54,990,000.00** | **1,720,000.00** | **32,000,000.00** | **2,550,000.00** | **320,000.00** | **2,805,000.00** | **201,348,514.81** |
| **Grand Total** | **102,152,793.49** | **99,013,000.00** | **79,550,000.00** | **27,355,000.00** | **69,930,000.00** | **26,125,000.00** | **197,730,000.00** | **19,870,000.00** | **15,860,000.00** | **21,900,000.00** | **659,485,793.49** |

# Key Dates in SJTA History

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

The Farley Service Center opens for business.

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

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

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

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

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

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

Toll collection reaches $3,616,908.

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

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

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

**1969:** The Farm Market opens at the Service Center.

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

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

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

**April 12, 1977**: The Service Center is dedicated as the Frank S. Farley Plaza.

Traffic volume rises 11.1 percent, and toll collection crosses the $6-million mark.

**1978**: The arrival of casino gaming gives the Atlantic City Expressway a greatly enhanced mission. Traffic volume rises sharply in the seven months since the first casino, Resorts, opened – up 21 percent at Egg Harbor Toll Plaza and 49 percent at Pleasantville. Toll collection reflected the change – up 20 percent to $7,240,020!

**1979**: With Atlantic City's hotels making way for the advent of the casinos, the nature of the Atlantic City Expressway changed, too. As traffic volume soared, toll collections reached $8,576,921, up 18.5 percent and its largest dollar increase yet. Because of the second oil shock, gasoline had to be rationed at the Farley Plaza to $3 a customer – later raised to $5 to keep up with rising prices.

**1980**: With usage rising exponentially, the Authority completed paving 77 lane-miles of the Expressway's inside shoulder. Gas rationing at Farley Plaza is lifted. The crisis did not discourage drivers, as once again traffic volume set a record – at 29.9 percent growth! The new motorists were not all gamblers. Some were employees at the casinos, making the trip every working day. Toll collections hit an astonishing $11,126,831.

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

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

**July 31, 1989**: The Expressway celebrates its 25th anniversary at the Egg Harbor Toll Plaza. During the boom years of 1985-88, a third eastbound lane was constructed starting at the Route 73 entrance through the Pleasantville Toll Plaza, which was expanded from eight to 12 lanes. Egg Harbor was widened to 13 lanes. Looking ahead, the Authority planned approaches to the proposed Atlantic City Convention Center and a new interchange to serve the burgeoning suburbs around Berlin-Cross Keys Road in Camden County.

By 1989, traffic volume was nearly 44 million, more than seven times the 6 million vehicles that rode the Expressway 25 years before. Toll collections had doubled since 1980, hitting $22,977,015.

Jersey Transportation Authority, serving six counties – Atlantic, Camden, Cape May, Cumberland, Gloucester and Salem. It is a successor to the New Jersey Expressway Authority and Atlantic County Transportation Authority. The new body will assume operational responsibilities for the Atlantic City Expressway, Atlantic City International Airport terminal and parking facilities in Atlantic City in 1992.

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

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

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

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

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

**May 7, 1996**: Gov. Christine Todd Whitman cuts the ceremonial ribbon to open the expanded ACY terminal, which grew from 45,000 to 78,000 square feet under roof – and from three gates to seven, three of them elevated boarding bridges.

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

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

**1997**: Design and legal groundwork is laid for the $330-million Atlantic City-Brigantine Connector, which also promotes $1-billion growth in the city's

Marina District. Work continues on preparing for E-ZPass with several trial runs of the electronic toll collection system. Toll revenue tops $25 million.

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

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

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

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

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

**1998**: A banner year at Atlantic City International Airport. For the first time, passenger traffic topped 1 million, up more than 15 percent year-over-year. The South Jersey Transportation Authority assumes full responsibility for airfield operations from the Federal Aviation Administration.

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

**1999**: The first year under the new tolls regimen produces revenues of $44,434,942.E-ZPass usage grows to 28 percent of all transactions.

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

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

Vehicular traffic picked up, as vacationers preferred to stick closer to home. Toll revenue reflected a three-month surge, reaching $45,853,899, up 3.5 percent from the year before.

**Oct. 1, 2002**: Delta Comair begins service between ACY and its Cincinnati hub, from which connections can be made to 115 destinations around the world. In its 11th year at ACY, Spirit Airlines expanded its schedule to include flights to Detroit, Denver, Las Vegas and Los Angeles.

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

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

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

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

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

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

**Jan. 1, 2004**: The Authority opens its Transportation Services Division, which provides shuttle transportation to work. It also assumes direct responsibility for operating the New York Avenue parking garage in Atlantic City.

**May 6, 2004**: The first vehicle uses Express E-ZPass at the Pleasantville toll plaza, driving through the barrier-free lane at 45 mph. On the same day, the widening of the Expressway approach to Atlantic City was completed, three lanes each way between the Pleasantville plaza and Interchange 1.

**July 2004:** SJTA celebrates the 40th Year Anniversary of the Atlantic City Expressway.

**October 2004**: Construction work begins on Taxiway "P", a second route for aircraft between the runway and the terminal at Atlantic City International Airport. It is a necessary step for the airport development plan.

**October 2004**: Grading begins for a new parking lot, designed for nearly 1,000 long-term spaces plus employee parking.

**2004**: The year ends with more statistical evidence of strong growth in the region, and especially in Atlantic City. The city attracted 33,230,000 visits/trips, while the casinos recorded an average "win" per visit/trip reached $144.65, roughly 80 percent of the same measurement in Las Vegas. Atlantic City International Airport, meanwhile, drew 1.03 million travelers * topping one million for the second straight year. SJTA revenues jumped to $78.8 million. Tolls accounted for 72.7 percent of the total, a record low and continuing the SJTA's trend toward finding other revenue streams.

**March 2005**: The SJTA and its airport parking contractor settle year-long litigation with termination of the lease, remuneration to the contractor and the Authority's taking over. The agreement removes an obstacle to a long-planned parking garage.

**April 1, 2005**: SJTA parking lot operation begins at ACY with an expanded shuttle service to and from the terminal.

**April 12, 2005**: The Atlantic City Expressway is closed overnight while a crane installs a massive overhead walkway at the Pleasantville toll plaza. It enables toll collectors to cross the Express E-ZPass lanes safely, as well as automates the movement of cash. The tricky maneuver goes off without a hitch.

**May 4, 2005**: The Authority takes part in the initial First Wednesday, a promotion designed to attract visitors to Atlantic City's non-gaming retail and entertainment sites. The SJTA offers discounted parking and connections via "The Breeze," its Atlantic City shuttle.

**Aug. 11, 2005**: Funded by a state grant, SJTA's Transportation Services Division begins service to transport veterans in Camden and Gloucester counties to VA facilities and other medical providers.

**Sept. 12, 2005**: SJTA's Transportation Services Division begins TransIT Link, a shuttle to work sites between the Pleasantville bus terminal and Atlantic City International Airport.

**Oct. 18, 2005**: SJTA Commissioners shovel a ceremonial mound of soil at Atlantic City International Airport to inaugurate a project to house state-of-the-art baggage screening equipment and to improve passenger movement and security inside the terminal.

**Nov. 10, 2005**: The redesigned SJTA website goes online to the public.

**October 17, 2006**: SJTA Board of Commissioners and local officials used their golden shovels to break ground on a $24.5 million, six-story parking garage to be constructed just steps from the ACY terminal building

**July 2007**: Final design completed for Exit 17 Began environmental permitting and design for Atlantic City Expressway widening project west-bound from milepost 8.0 to milepost 31.0

**August 2007**: Began All Electronic Tolling (AET) Study. Atlantic City International Airport (ACY) completes 10,000 square foot major security baggage screening facility

**August 2007**: ACY receives $5 million in federal funding to expand apron

**October 2007**: SJTA breaks ground on new ACY parking garage. ACY reports historic scheduled passenger growth ending the year with 34 percent increase over previous years.

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

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

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

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

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

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

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

**December 2008**: Spirit Airlines announces direct service to Boston from ACY.

A group of casinos, economic development officials and government leaders form a coalition to attract new airline carriers and increased service at ACY.

**March 2009**: AirTran Airway becomes newest transportation choice for ACY.

**April 2009**: A groundbreaking ceremony is held for Berlin-Cross Keys Bridge Widening project.

**June 2009**: ACY celebrates AirTran Airways' inaugural flight with a festive party in the terminal. Musical artists Earth, Wind & Fire gave a performance for fans.

**August 2009**: ACY hosts 2009 "Thunder Over the Boardwalk" Air Show with more than 750,000 fans in attendance.

**October 2009**: The NextGen Aviation Research and Technology Park groundbreaking takes place at Atlantic City International Airport.

**October 2009**: Westjet launches Toronto service from ACY, connecting travelers to Canadian cities.

**October 2009**: ACE Third Lane Westbound Widening groundbreaking ceremony takes place at the Visitor Welcome Center.

**November 2009**: The Federal Bureau of Transporta-tion Statistics reports that ACY has the nation's least expensive airline tickets in the nation

**December 2009**: SJTA celebrates completion of the Berlin-Cross Keys Bridge Widening Project, which is completed ahead of schedule.

**January 2010:** ACY launches interactive Facebook and Twitter pages, following a popular social media trend.

**March 2010**: Spirit Airlines executives announce seasonal service between Detroit and Atlantic City to begin in May.

**April 2010:** ACY Air Service Expansion Coalition is awarded a 2010 Governor's Tourism Award for Excellence. The coalition was instrumental in attracting two new airlines and three new air service routes to ACY.

**April 2010**: The Authority transforms the Expressway's railroad trestle bridge from an eyesore to a freshly painted structure.

**April 7, 2010**: ACY becomes the first airport the FAA's new digital Notice to Airmen (NOTAM) System.

**May 2010:** The Authority actively participates in a number of training exercises to enhance its emergency response capabilities including the Expressway Tunnel Drill and ACY Fire Department's Tri-Annual Full Scale Airport Emergency Preparedness Drill.

**June 2010:** A ribbon cutting ceremony is held on June 18 for the opening of Interchange 17, providing convenient access between the Expressway and Route 50.

**July 2010:** Following direct efforts of the Authority, The Northeast Chapter of the American Association of Airline Executives (AAAE) commits to hold their annual conference in Atlantic City in August 2011.

**August 2010:** ACY plays a major role as the host Airport for the 8th Annual Thunder Over the Boardwalk Airshow on August 25.

**October 2010:** Full operation of new flat screen monitors are installed in the ACY terminal as part of the Multi-Use Flight Information Display project. SJTA installs and leases its first digital billboard at the foot of the Expressway (milepost 0.0).

**November 2010**: Restaurant/Bookstore combo Euro Cafe officially opens to travelers on the second floor of the Airport terminal. The opening is celebrated with a ribbon cutting event.

**December 2010:** The Authority holds a groundbreaking ceremony on December 7 for a $25 million Federal Inspection Station and terminal expansion at ACY.

**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, 2010, 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 of America. 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 of America. 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 47-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, Oil the operation of a Job Access/Reverse Commute Program in Camden County, (ii) a partnership with New Jersey Transit to provide local shuttle motor bus passenger service in and around Camden County, and (iii) transportation services for residents of Gloucester County to and from employers in 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 Governors Office of 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 Executive Directors, a Chief of Staff, a Chief Financial Officer and various Department Directors.

The Authority prepares both operating and capital budgets annually. The annual operating budget is a financial planning tool for the associated fiscal year. Each of the Authority's Department Directors contributes to the development of a preliminary operating budget based on the expected staffing and funding levels necessary to operate the Authority's facilities in an efficient manner. The individual departmental budgets are reviewed at budget meetings conducted by the budget review committee.

The budget review committee consists of the Director of Business Administration, Budget Manager, and other staff. Once the review process is complete, a proposed operating budget is presented by the Executive Director to the Board of Commissioners for its review and approval. Any subsequent addition to funds to the total operating budget requires the approval of the Board of Commissioners. Expenditures are monitored continuously throughout the year by the Budget Division to ensure that each department is in compliance with the approved operating budget. Additionally, the accounting system does not permit expenditures to exceed amounts budgeted without a line item transfer. All line item transfers are approved in writing by the Executive Director.

A capital budget is also prepared annually. The budget is prepared by a Capital Program Committee which is chaired by the Deputy Executive Director and comprised of three additional members of senior leadership and other staff. 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 contracts. 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 and 2009 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, obligations of any state, commonwealth or possession of the United States or political subdivision thereof, 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-I 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.

### Derivatives

During the year the Authority implemented GASB Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments* of the Governmental Accounting Standards Board (GASB). Under GASB 53, the Authority is required to report derivative instruments on the Statement of Net Assets at fair value with changes in fair value presented as deferred inflows or outflows on the Statement of Net Assets. The Authority is a party to two debt-related derivative instruments described as fixed-payer interest rate swaps. If the derivative agreement is terminated prior to expected conclusion or if the hedge is no longer considered effective, the accumulated gains or losses will be reported on the Statement of Revenues, Expenses and Changes in Net Fund Assets. As of December 31, 2010, the Authority's interest rate swaps passed one of the established GASB 53 hedge effectiveness testing methods (regression analysis method) and therefore are considered hedging derivatives for the year ended December 31, 2010.

As of December 31, 2010, the Swaps had a negative fair value of $20.8 million indicating the estimated amount that the Authority would have been required to pay in total if both of the Swaps were terminated. However, as of that date, no event of termination had occurred. Accordingly, the $20.8 million deferred outflows and associated derivative liability are shown on the accompanying Statement of Net Assets.

**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 employees currently employed at the Airport. The Authority has an umbrella excess liability policy over those self-insurance retention levels of $15,000,000 per occurrence and $30,000,000 annual aggregate. Additional information can be found in Note 14 of the financial statements.

**Pension Plans**

All full-time Authority employees participate in the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS"). The Division of Pensions and Benefits ("Division") within the Treasury Department of the State of New Jersey is the administrator of the funds and charges the employee and employer annually for their respective contributions. The Plans provide retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Covered employees are required by State statute to contribute a certain percentage of their salary to the plans. PERS and PFRS bill the Authority annually at an actuarially determined rate for its required contribution. The current rate is 5.5% for PERS and 8.5% for PFRS of annual covered payroll. Additional information can be found in Note 13 of the financial statements.

**Other Post-employment Benefits**

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

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

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

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

The Authority's total unfunded actuarial accrued liability at December 31, 2009 was $52 million. At December 31, 2010 the liability had increased by $18 million to $70 million. The primary reason for this increase was due to changes in the underlying actuarial assumptions supporting the OPEB calculation. The most significant change was the reduction of the discount rate from 6.25% to 4.50%. This rate can vary over time due to market conditions. $60 million is related to the Expressway and $10 million is related to the Airport. This liability is reflected in Non-current Liabilities on the accompanying Statement of Net Assets.

In 2008, the Authority also established an account by resolution, the purpose of which was to begin to make contributions to fund the Authority's unfunded OPEB obligation. The resolution authorized up to $2 million annually to be deposited in the restricted account to fund the OPEB Obligations. The Authority has made a $2 million contribution annually for years 2008 – 2010. This $6 million contribution is reflected in restricted cash and the net assets restricted for funded OPEB obligation in the accompanying Statement of Net Assets.

**ACKNOWLEDGEMENT:**
The preparation of this report would not have been possible without the dedication and efficiency of the entire staff of both 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.

Kathleen M. Sharman

Respectfully submitted:
Kathleen M. Sharman
Director of Finance/Treasurer

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## Executive Order No. 37 (2009)

## Certification of Annual Audit

For Year Ending 2010

In accordance with Executive Order No. 37 (2006) and Executive Order No. 122 (2004), we certify that, to the best of our knowledge, the information provided to the auditor in connection with this annual audit and contained in the attached report is accurate, and to the best of our knowledge, fairly represents the financial condition of the South Jersey Transportation Authority for year ending December 31, 2010.

Kathleen M. Sharman, Director of Finance
Kathleen M. Sharman, Director of Finance

Bart R. Mueller, Executive Director

South Jersey Transportation Authority

Financial Statements
and Supplementary Information

For the Year Ended December 31, 2010

with

Independent Auditor's Reports

South Jersey Transportation Authority

Financial Statements

For the Year Ended December 31, 2010

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Contents

**Hutchins, Farrell, Meyer & Allison, P.A.**
Certified Public Accountants • Business & Financial Advisors

Robert H. Hutchins, CPA, CVA, CFF
Eugene M. Farrell, CPA, RMA, CFP
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## INDEPENDENT AUDITOR'S REPORT

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

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, 2010, 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. The prior year comparative information has been derived from South Jersey Transportation Authority's financial statements as of and for the year ended December 31, 2009 which were audited by other auditors who issued a report thereon dated March 24, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 of our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2010 and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2011 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of South Jersey Transportation Authority. The accompanying financial information listed as Other Supplementary Information is presented for purposes of additional analysis and is not a required part of the financial statements. The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements and to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Hutchins, Farrell, Meyer & Allison, P.A.*

Toms River, New Jersey
March 23, 2011

# Hutchins, Farrell, Meyer & Allison, P.A.

Certified Public Accountants • Business & Financial Advisors

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

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

We have audited the basic financial statements of South Jersey Transportation Authority (Authority"), a component unit of the State of New Jersey, as of and for the year ended December 31, 2010, and have issued our report thereon dated March 23, 2011. 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 South Jersey Transportation 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 South Jersey Transportation 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Jersey Transportation 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 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 management of South Jersey Transportation Authority in a separate letter dated March 23, 2011.

This report is intended solely for the information and use of management, the Audit 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.

*Hutchins, Farrell, Meyer & Allison, P.A.*

Toms River, New Jersey
March 23, 2011

# 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, 2010. Please read it in conjunction with the Authority's financial statements that begin on Page 15.

### Financial Highlights

- **NET OPERATING REVENUE** Although traffic on the Atlantic City Expressway (ACE) was down 5.9% in 2010 compared with 2009, the Atlantic City International Airport (ACY) recorded its all time highest number of passengers totaling over 1.4 million. Air service was expanded during the year to two new destinations, Spirit opened seasonal service to Detroit and added an additional flight to Boston in May 2010. The parking facilities at the airport also generated more revenue than in any prior year, $6 million up from $4.8 million in 2009.

  Additionally, in 2010, winter storms hit the northeast and severely impacted commuting and recreational travel throughout the region costing the Authority an unanticipated $1.7 million. The Authority maintained its operating margins by closely monitoring spending and making significant expense cuts in the following areas to offset the reduction in anticipated revenue and the increased expense due to snow. These cuts included delay in hiring vacant positions, elimination of toll free passage for employee commuting on the Atlantic City Expressway, elimination of cashing in sick and vacation for non-represented employees as well as reduction in departmental spending across the board.

  This resulted in actual operating expenses totaling $67.6 million, $2.3 million less than the 2010 budgeted operating expenses.

- **AIRTRAN AIRWAYS RISK ABATEMENT** On March 20, 2009, the Authority entered into a Transportation Services Agreement with AirTran Airways, Inc. ("AirTran"). Under the terms of the agreement, effective June 11, 2009, AirTran operates daily scheduled round-trip jet service between Atlantic City ("ACY") and Atlanta ("ATL").

  As an inducement to AirTran to provide jet service, the Authority guarantees to AirTran gross passenger revenues of $4,496 plus appropriate fuel adjustments per block hour for the ATL-ACY service. According to the terms of the agreement with AirTran, in no event shall the cumulative Block Hour Shortfall exceed $3,100,000.

  On February 3, 2011 the Authority and AirTran agreed to extend this agreement for one year.Under the terms of this extension AirTran agreed to operate jet service until September 7, 2011 and the Authority agreed to guarantee gross passenger revenues of $4,872 plus appropriate fuel adjustments per block hour for the ATL-ACY. However, in no event shall the cumulative Block Hour Shortfall exceed $1,400,000 for the additional one year term of the agreement.

  Total amount of airline risk abatement expense for AirTran for 2010 and 2009 was $1,531,126 and $2,474,637, respectively.

  The amounts payable under this agreement are payable solely from revenues received by the Authority for operating, maintaining or repairing the Transportation System, other than airport revenues and deposited in the General Reserve Fund as defined in the Authority's Bond Resolution.

**Financial Highlights (Continued)**

- **INVESTMENT IN INFRASTRUCTURE AT ACY** On December 7th, the Authority broke ground on the Airport's highly anticipated Federal Inspection Station. The project includes a 75,000 square-foot expansion of the airport that will provide the space and facilities for processing international flights and allow officials to pursue international air carriers and air service routes. The $25 million project also includes a Customs and Border Patrol Facility, an expanded baggage claim area with space to process international passengers, apron reconstruction, installation of new passenger boarding bridges, additional concessions and restrooms and more. Completion of the project is anticipated by summer of 2012.

- **RE-DESIGNATION OF PROJECT FUNDING** On December 7, 2010, the Authority re-designated a portion of the 2009 A-3 and A-4 Senior Bonds as Airport Bonds pursuant to, and in compliance with, Section 2.12 of the Third Amended and Restated Resolution. Funds made available through this re-designation will be used specifically for the construction of the Atlantic City International Airport Terminal Expansion and Federal Inspection Services Facility described above. In addition to the funds generated from the re-designation, the Authority has entered into an Intra-Governmental Grant Agreement with the Casino Reinvestment Development Authority ("CRDA"), where CRDA will provide up to $4,000,000 to help fund the completion of this project.

- **IMPLEMENTATION OF GASB 53** During the year the Authority implemented GASB Statement No.53 *Accounting and Financial Reporting for Derivative Instruments* of the Governmental Accounting Standards Board. Under GASB 53, the Authority is required to report derivative instruments on the Statement of Net Assets at fair value with changes in fair value presented as deferred inflows or deferred outflows on the Statement of Net Assets. The Authority is a party to two debt-related derivative instruments described as fixed-payer interest rate swaps. Under GASB 53, the interest rate swaps ("Swaps") are considered a hedging derivative instrument. As of December 31, 2010, the Swaps had a negative fair value of $20,845,179 indicating the estimated amount that the Authority would have been required to pay in total if both of the 2009 Swaps were terminated. However, as of that date, no event of termination had occurred.

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

  Post-employment benefits are part of an exchange of salaries and benefits for employee services rendered. Most OPEB 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.

**Financial Highlights (Continued)**

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

The Authority's total unfunded actuarial accrued liability at December 31, 2009 was $52 million. At December 31, 2010 the liability had increased by $18 million to $70 million. The primary reason for this increase was due to changes in the underlying actuarial assumptions supporting the OPEB calculation that were contained in the independent actuary's report. The most significant change was a reduction of the discount rate from 6.25% to 4.5%. This rate can vary over time depending on market conditions.

Since 2008, the Authority has had a funding plan for the OPEB liability. $2 million annually is contributed to an OPEB account which is recorded as a restricted asset on the Statement of Net Assets. At December 31, 2010 the estimated market value of the account was $6 million. The OPEB assets are not in a third party trust.

- **AIRPORT SUBSIDY:** The Authority's enabling legislation created the South Jersey Transportation Authority to deal with regional transportation issues. Included in the legislation were the powers to acquire and operate the Atlantic City International Airport. (ACY). The available surplus, net revenue generated by the Atlantic City Expressway project, has historically been available to subsidize the airport operations as was anticipated in the legislation and clearly presented in the original documents adopted by the Authority. The airport project is considered a general project under the Authority's General Bond Resolution and payment of any airport subsidy (excess of airport expenses over airport revenues) is subordinate to payments to bond holders under the Authority's General Bond Resolution and payable from the general reserve fund. Prior to September 11, 2001, the airport subsidy was steadily decreasing; in fact for the year ended December 31, 2000, the airport generated a small operating surplus. Prior to 2010, the subsidy has been increasing since the events of September 11, 2001 due to revenue losses resulting from declines in the airline industry and expense increases resulting from additional requirements including fulltime police presence, and increased insurance costs. In an effort to generate additional airport revenues, in March 2009, the Authority entered into a risk assurance agreement with Air-Tran Airways for two flights daily to Atlanta.

  For the first time in nine years, the airport subsidy was substantially lower than the previous year. The airport subsidy, net of depreciation and debt service was $3,195,491 for the year ended December 31, 2010 compared with $4,787,364 in 2009.

**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 15 – 19) 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 20.

**Using this Financial Report (Continued)**

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 89-99. 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 entity to generate future cash flows
- Ability of an entity to pay its debt as the debt matures
- Need to seek outside financing
- Reasons for differences between cash flows from operations and operating income

- Effect on an entity's financial position of cash and non-cash transactions from investing, capital and financing activities

**Financial Analysis of the Authority's Statement of Net Assets**

Restricted current assets decreased by $49.3 million in 2010 due to ongoing construction projects. Restricted cash balances decreased in the amount of $9.1 million and investment balances decreased by $40.8 million.

Capital assets, net of accumulated depreciation, increased by a net of $39.9 million. The Expressway's Capital Assets, net of depreciation, increased by $26.7 million, while the Airport capital assets, net of depreciation, increased by $13.2 million.

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

**EXPRESSWAY**

| Project | | Amount | |
|---|---|---|---|
| Third Lane Widening | $ | 19.4 | million |
| Bridge Painting, Redecking and Repairs | | 6.3 | million |
| Equipment | | 3.8 | million |
| Route 50 Easterly Access | | 2.8 | million |
| Road Overlay Delineation | | 2.7 | million |
| E-ZPass Electronic Tolls | | 2.1 | million |
| Mississippi Ave. Two Way | | 0.6 | million |
| Atlantic City Signal One Way | | 0.4 | million |
| Berlin Cross-Keys Road | | 0.3 | million |
| Guide Rails/Fixed Hazard Protection | | 0.3 | million |
| Facility Improvements | | 0.3 | million |
| Storm Drainage Structures | | 0.2 | million |
| Farley Core Routing | | 0.1 | million |
| Sign Structure Inspection Program | | 0.1 | million |
| Change in Accumulated Depreciation | | (12.7) | million |
| Total Expressway Increase | $ | 26.7 | million |

**AIRPORT**

| Project | | Amount | |
|---|---|---|---|
| Arm/Disarm Pads on Runway | $ | 3.6 | million |
| Airport Expansion Phase 1B | | 7.4 | million |
| Common Use Technology | | 3.5 | million |
| Terminal Expansion Phase 3 | | 1.2 | million |
| Capital Rehabilitation | | 0.8 | million |
| Other Facility and Equipment Costs | | 3.2 | |
| Change in Accumulated Depreciation | | (6.5) | million |
| Total Airport Increase | $ | 13.2 | million |

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

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

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

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

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

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

In 2010 the Authority made $7.1 million in bond and note principal payments and $26,155,205 in interest expense.

Current liabilities payable from unrestricted assets decreased by $1.5 million, primarily from a decrease in accrued expenses in the amount of $1.5 million.

Current liabilities payable from restricted assets decreased by $9.6 million primarily form a $10.9 million decrease in state payment and CRDA loan requirements. Additional changes can be explained by the following other factors: a $2.8 million increase in the reserve for self-insurance a $2.6 million decrease in Passenger Facility Charges Advanced, a $1.2 million increase in construction retainages payable, a $.4 million decrease in construction related payable, a $.4 million decrease in unamortized swap premiums being amortized during the year, an increase of $.2 million in accrued interest payable and an increase in the current portion of bonds payable in the amount of $.6 million.

Long term debt and other obligations outstanding increased by $31.6 million. This large increase was due mostly to the issuance of the recording of derivative liabilities in the amount of $20.8 million related to a GASB 53 reporting requirement, an increase in the OPEB obligation in the amount of $18.3 million and a reduction in non-current bonds and notes payable in the amount of $7.5 million.

**SOUTH JERSEY TRANSPORTATION AUTHORITY**
**STATEMENT OF NET ASSETS**
**December 31, 2010**
**With Comparative Totals as of December 31, 2009**

| | 2010 | as restated 2009 |
|---|---|---|
| Unrestricted Current and Other Assets | $ 48,991,591 | $ 53,787,597 |
| Restricted Current and Other Assets | 232,663,070 | 282,026,349 |
| Capital Assets (net) | 605,023,549 | 565,037,189 |
| Other Noncurrent Assets | 29,421,769 | 9,116,277 |
| Total Assets | 916,099,979 | 909,967,412 |
| | | |
| Long-term debt outstanding | 70,924,600 | 52,686,344 |
| Other Unrestricted Liabilities | 10,963,529 | 12,522,790 |
| Other Restricted Liabilities | 39,282,677 | 48,843,292 |
| Other Noncurrent Liabilities | 503,239,369 | 489,823,811 |
| Total Liabilities | 624,410,175 | 603,876,237 |
| | | |
| Net Assets: | | |
| Invested in Capital Assets, Net of Related Debt | 268,337,119 | 268,272,483 |
| Restricted | 58,308,452 | 55,647,073 |
| Unrestricted | 29,968,833 | 30,857,963 |
| Unfunded OPEB/(Deficit) | (70,924,600) | (52,686,344) |
| Funded OPEB Obligation | 6,000,000 | 4,000,000 |
| Total Net Assets | $ 291,689,804 | $ 306,091,175 |

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

Expressway Revenue and Expense:

Expressway operating revenues decreased by $3.6 million as a result of the following:

- A $3.2 million decrease in toll revenue partially due to major snowstorms that had an impact on the number of vehicles using the expressway and the opening of table games at various Pennsylvania gaming halls reduced the number of visitors to Atlantic City.
- A $.3 million decrease in intercept parking revenue.
- A $.5 million decrease in transportation services division revenue.

Expressway operating expenses, net of depreciation increased by $1.1 million. This is due in part to a health insurance expense increasing by $1.1 million, a $.8 million increase in maintenance expense, a $.9 million decrease in police expense an $.3 million decrease in tourist services division expenses as well as a $.4 million increase in SJTPO Grant expenses.

Airport Revenue & Expense:

Airport revenue increased by $2.6 million primarily due to a $1.2 million increase in automobile parking revenue, $.3 million increase in landing fee revenue, a $.1 million increase in FEMA snow removal reimbursements, a $.1 million increase in concession revenue and an increase in all other revenues totaling $.9 million.

Operating expenses increased by $1.0 million from $14.3 million in 2009 to $15.3 million in 2010. This increase is in part attributable to an increase in snow removal costs in the amount of $.8 million, and fire administration salary costs increased by $.2 million

Capital Contributions:

Capital Contributions received during the year increased by $1.1 million. These contributions were primarily attributed to a decrease in grants received from the New Jersey Department of Transportation, in the amount of $2.6 million, in addition, the overall increase is also attributable to a decrease in FAA Airport Improvement grants in the amount of $2.8 million, a increase in PFC grant revenue in the amount of $4.8 million, new New Jersey Air National Guard grant revenue in the amount of $3.4 million, a decrease in Customer Facility Charges in the amount of $.6 million, a loss of Homeland Security grants in the amount of $.6 million, an decrease in CRDA funds in the amount of $1.0 million, an increase in FEMA grant reimbursements in the amount of $.3 million and miscellaneous contributions in the amount of $.2 million.

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

| | | 2010 | | 2009 |
|---|---|---|---|---|
| Operating revenues | $ | 108,654,245 | $ | 109,632,566 |
| Operating expenses | | 88,601,926 | | 85,299,391 |
| Operating Income | | 20,052,319 | | 24,333,175 |
| Net Non-Operating Revenues (Expenses) | | | | |
| Interest revenue | | 3,121,681 | | 2,099,762 |
| Interest on bonds | | (26,155,205) | | (17,040,610) |
| (Increase)/Reduction in OPEB liability | | (18,238,256) | | 1,809,764 |
| Other non-operating revenues (expenses) | | (5,053,294) | | (13,823,722) |
| Income (Loss) before Capital Contributions | | (26,272,755) | | (2,621,631) |
| Capital Contributions | | 11,871,384 | | 10,798,168 |
| Change in Net Assets | | (14,401,371) | | 8,176,537 |
| Total Net Assets -- Beginning | | 306,091,175 | | 297,914,638 |
| Total Net Assets -- Ending | $ | 291,689,804 | $ | 306,091,175 |

**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 $14.0 million more on capital acquisitions in 2010 than in 2009 (See increase/decrease in capital asset section for details of Authority capital asset acquisitions during 2010), $9.8 million more was disbursed during the year for interest on capital debt and a $2.9 million increase in loan repayments.

- Capital Contributions received were $1.1 million more than what was received in 2009. The Authority received a total of $.6 million and $3.4 million from the Federal Aviation Administration for the years ended December 31, 2010 and 2009, respectively, recognized a total of $5.6 million and $.8 million from passenger facility charges for the years ended December 31, 2010 and 2009, respectively and had decreases of (1) $1.0 million from the Casino Reinvestment Development Authority, (2) $.6 million from Customer Facility Charges, (3) $2.6 million from the New Jersey Department of Transportation, and (4) $.6 million from the New Jersey Department of Homeland Security.

- Cash provided by investing activities increased by $181.5 million because the Authority decreased its purchase of investments by $82.7 million, increased the sale of investments by $98.0 million, and interest and dividends on investments increased by $1.0 million.

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

**SOUTH JERSEY TRANSPORTATION AUTHORITY**
**STATEMENT OF CASH FLOWS**
**Year Ended December 31, 2010**
**With Comparative Totals as of December 31, 2009**

| | 2010 | 2009 |
|---|---|---|
| Cash Flows Provided by/(Used in): | | |
| Operating activities | $ 41,110,866 | $ 45,739,012 |
| Noncapital financing activities | (10,500,000) | (2,500,000) |
| Capital and related financing activities | (90,329,597) | 148,865,628 |
| Investing activities | 43,873,062 | (137,809,757) |
| Net increase (decrease) in cash and cash equivalents | (15,845,669) | 54,294,883 |
| Cash and cash equivalents - beginning of the year | 109,766,098 | 55,471,215 |
| Cash and cash equivalents - end of the year | $ 93,920,429 | $ 109,766,098 |

### Non-cash Capital Financing Activities:

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

### Notes to the Financial Statements

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

### Other Supplementary Information

In addition to the financial statements and accompanying notes, this report also presents certain supplementary information concerning the Authority's fund financial statements, bonds and other debt, 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, 2010**

**With Comparative Totals as of December 31, 2009**

| | 2010 | as restated 2009 |
|---|---|---|
| ASSETS | | |
| Unrestricted Assets: | | |
| Cash and Cash Equivalents | $ 38,061,595 | $ 44,754,093 |
| Investments | 2,655,222 | 2,589,144 |
| Change Funds | 49,045 | 54,902 |
| Interest and Dividend Receivable | 14,034 | 6,831 |
| Accounts Receivable (net of allowance for uncollectibles) | 4,021,420 | 2,864,221 |
| Grants Receivable | 1,864,746 | 1,238,677 |
| Prepaid Expenses | 1,867,805 | 1,907,611 |
| Security Deposits | 115,698 | 114,168 |
| Inventory | 342,026 | 257,950 |
| Total Unrestricted Assets | 48,991,591 | 53,787,597 |
| Restricted Assets: | | |
| Cash and Cash Equivalents | 55,809,789 | 64,957,103 |
| Investments | 156,283,129 | 197,117,182 |
| Accounts Receivable | 16,498,882 | 18,206,605 |
| Grants Receivable | 3,658,499 | 1,385,745 |
| Interest Receivable | 412,771 | 359,714 |
| Total Restricted Assets | 232,663,070 | 282,026,349 |
| Noncurrent assets: | | |
| Capital assets: | | |
| Non-Infrastructure Capital Assets: | | |
| Land and Improvements | 146,921,642 | 146,921,642 |
| Electronic Toll Equipment | 8,917,935 | 8,917,935 |
| Buildings and Equipment | 113,648,916 | 112,720,027 |
| Less Accumulated Depreciation | (52,348,691) | (49,360,579) |
| Total Non-Infrastructure Capital Assets | 217,139,802 | 219,199,025 |
| Infrastructure Capital Assets: | | |
| Infrastructure - Equipment | 12,774,391 | 12,587,169 |
| Infrastructure | 438,722,491 | 424,864,360 |
| Less Accumulated Depreciation | (138,022,673) | (122,206,190) |
| Total Infrastructure Capital Assets | 313,474,209 | 315,245,339 |
| Construction in Progress | 74,409,538 | 30,592,825 |
| Total Capital Assets | 605,023,549 | 565,037,189 |
| Bond Issuance Costs | 11,902,275 | 11,389,610 |
| Less Accumulated Amortization | (3,325,685) | (2,273,333) |
| Total Non-current Non-capital Assets | 8,576,590 | 9,116,277 |
| Deferred Outflow- Interest Rate Swaps | 20,845,179 | - |
| Total Noncurrent Assets | 634,445,318 | 574,153,466 |
| TOTAL ASSETS | $ 916,099,979 | $ 909,967,412 |

**SOUTH JERSEY TRANSPORTATION AUTHORITY**

**STATEMENT OF NET ASSETS**

**December 31, 2010**

**With Comparative Totals as of December 31, 2009**

| | 2010 | 2009 |
|---|---|---|
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities Payable From Unrestricted Assets: | | |
| Accounts Payable | $ 8,459,328 | $ 8,241,483 |
| Deferred Income | 508,025 | 554,652 |
| Escrow Deposits | 117,031 | 110,251 |
| Accrued Expenses | 1,879,145 | 3,266,409 |
| Total Current Liabilities Payable From Unrestricted Assets | 10,963,529 | 12,522,790 |
| Current Liabilities Payable From Restricted Assets: | | |
| Accrued Interest | 3,836,794 | 3,651,969 |
| Accounts Payable | 7,473,336 | 7,961,168 |
| Unamortized SWAP Premium | 7,493,293 | 7,909,587 |
| Retainages Payable | 2,637,172 | 1,370,230 |
| Due to Other Governmental Agencies | 1,138,389 | 12,053,282 |
| PFC Advanced | 3,247,336 | 5,863,275 |
| Reserve for Self-Insurance | 5,190,901 | 2,389,314 |
| Economic Recovery Funds Advanced | 104,662 | 104,662 |
| Bonds and Notes Payable, Net of Discount, Premium and Loss on Defeasance ($286,123) | 8,160,794 | 7,539,805 |
| Total Current Liabilities Payable From Restricted Assets | 39,282,677 | 48,843,292 |
| Noncurrent Liabilities: | | |
| Other Postemployment Benefits other than Pensions | 70,924,600 | 52,686,344 |
| Arbitrage Rebate Payable | 107,843 | 94,305 |
| Bonds and Notes Payable, Net of Discount, Premium and Loss on Defeasance ($3,571,736) | 482,286,347 | 489,729,506 |
| Derivative Instrument Liability- Interest Rate Swaps | 20,845,179 | - |
| Total Noncurrent Liabilities | 574,163,969 | 542,510,155 |
| TOTAL LIABILITIES | $ 624,410,175 | $ 603,876,237 |

**SOUTH JERSEY TRANSPORTATION AUTHORITY**

**STATEMENT OF NET ASSETS**

**December 31, 2010**

**With Comparative Totals as of December 31, 2009**

| | 2010 | as restated 2009 |
|---|---|---|
| NET ASSETS | | |
| Invested in Capital Assets, Net of Related Debt | $ 268,337,119 | $ 268,272,483 |
| Restricted for: | | |
| Debt Service | 15,226,224 | 15,653,439 |
| Rehabilitation and Repair | 6,315,954 | 6,313,712 |
| Debt Service Reserve | 33,100,491 | 32,228,922 |
| State Payment | 90 | 91 |
| Capital Projects | 2,154,680 | 1,327,474 |
| Arbitrage Rebate | 104,501 | 117,641 |
| Subordinated Debt Fund | 1,406,512 | 5,794 |
| Unrestricted for: | | |
| Unrestricted Net Assets | 29,968,833 | 30,857,963 |
| Unfunded OPEB/(Deficit) | (70,924,600) | (52,686,344) |
| Funded OPEB Obligation | 6,000,000 | 4,000,000 |
| Total Net Assets | 291,689,804 | 306,091,175 |
| TOTAL LIABILITIES AND NET ASSETS | $ 916,099,979 | $ 909,967,412 |

**SOUTH JERSEY TRANSPORTATION AUTHORITY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

**Twelve months ended December 31, 2010**

**With Comparative Totals as of December 31, 2009**

| | 2010 | 2009 |
|---|---|---|
| Operating Revenues: | | |
| Tolls | $ 78,914,150 | $ 82,162,229 |
| Concessions | 1,922,597 | 1,914,142 |
| ETC Administrative Revenue | 2,571,164 | 2,313,100 |
| Garage Parking | 847,494 | 928,839 |
| Marina Parking Revenue | 2,788,965 | 2,941,184 |
| Intercept Parking | 3,974 | 339,071 |
| Bus Permits | 329,268 | 383,401 |
| Rentals | 4,435,596 | 4,360,381 |
| Directional Signage Program | 49,837 | - |
| FEMA Snow Reimbursement Revenue | 374,581 | - |
| SJTPO Programs | 2,315,918 | 1,822,778 |
| Transportation services | 1,530,611 | 2,106,283 |
| Other | 379,742 | 833,087 |
| Airport | 12,190,348 | 9,528,071 |
| Total Operating Revenues | 108,654,245 | 109,632,566 |
| Operating Expenses | | |
| Executive | 2,060,434 | 2,207,394 |
| Business Administration | 568,450 | - |
| Policy and Planning | 1,951 | 495,542 |
| Engineering | 3,258,398 | 3,333,800 |
| Finance | 1,373,225 | 1,600,396 |
| Central Accounts | 12,082,088 | 10,864,209 |
| Other Post-Employment Benefits | 1,211,744 | 993,764 |
| Marketing and Communications | 345,996 | 336,801 |
| Tourist Services | 5,907,768 | 6,229,920 |
| Maintenance | 7,369,272 | 6,522,283 |
| Police | 6,861,680 | 7,800,907 |
| Emergency Service Patrol | 712,429 | 694,876 |
| Electronic Toll Collection Expense | 4,124,385 | 3,811,498 |
| Parking - (Non Airport) | 739,067 | 728,272 |
| Information Services | 1,674,492 | 1,663,670 |
| SJTPO Programs | 2,315,918 | 1,822,778 |
| Airport | 15,204,077 | 14,166,369 |
| Transportation Services | 1,820,794 | 2,115,810 |
| Depreciation | 20,969,758 | 19,911,102 |
| Total Operating Expenses | 88,601,926 | 85,299,391 |
| Operating Income (Loss) | 20,052,319 | 24,333,175 |
| Non-Operating Revenues (Expenses) | | |
| Interest Revenue | 3,121,681 | 2,099,762 |
| Gain on Acquisition of Marketable Securities | 43,666 | - |
| Gain/(Loss) on Disposal of Assets | (54,761) | 42,442 |
| Reduction/(Increase) in OPEB Liability | (18,238,256) | 1,809,764 |
| Air Service Development/Feeder Rd. Expense | (2,231,116) | (2,824,632) |
| Amortization Expense | (545,711) | (788,952) |
| Amortization of Bond Premium | 234,627 | 247,421 |
| Interest on Bonds | (26,155,205) | (17,040,610) |
| State Payment | (2,499,999) | (10,500,000) |
| Total of Non-Operating Revenue (Expenses) | (46,325,074) | (26,954,805) |
| Income (Loss) before Capital Contributions | (26,272,755) | (2,621,630) |
| Capital Contributions | 11,871,384 | 10,798,167 |
| Change in Net Assets | (14,401,371) | 8,176,537 |
| Total Net Assets -- Beginning | 306,091,175 | 297,914,638 |
| Total Net Assets -- Ending | $ 291,689,804 | $ 306,091,175 |

**SOUTH JERSEY TRANSPORTATION AUTHORITY**

**STATEMENT OF CASH FLOWS**

**Twelve months ended December 31, 2010**

**With Comparative Totals as of December 31, 2009**

| | 2010 | 2009 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Receipts from customers and users | $ 107,177,864 | $ 109,319,351 |
| Payments to suppliers | (41,973,518) | (39,074,877) |
| Payments to employees | (24,093,480) | (24,505,462) |
| Net cash provided by operating activities | 41,110,866 | 45,739,012 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:** | | |
| Payment of State Payment Obligation | (10,500,000) | (2,500,000) |
| Net cash (used) by noncapital financing activities | (10,500,000) | (2,500,000) |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:** | | |
| Capital contributions | 7,628,467 | 10,798,167 |
| Advances/loans for capital acquisitions | - | 3,844,948 |
| Loan repayments | (2,914,893) | - |
| Proceeds from the sale of land | - | 542,442 |
| Deferred Income-SWAP Premium | (416,294) | 1,783,034 |
| Payments for capital acquisitions | (59,505,539) | (45,778,070) |
| AirTran Risk Abatement/ NJDOT Feeder Road | (2,059,495) | (2,090,490) |
| Principal paid on capital debt | (7,105,000) | (99,910,000) |
| Loans issued | - | (17,000,000) |
| Proceeds from bonds and notes Issued | - | 312,804,803 |
| Interest paid on capital debt | (25,956,843) | (16,129,206) |
| Net cash (used) by capital and related financing activities | (90,329,597) | 148,865,628 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Purchase of investments | (88,232,799) | (170,954,676) |
| Proceeds from sales and maturities of investments | 129,060,287 | 31,165,881 |
| Acquisition of marketable securities | (15,847) | - |
| Interest and dividends | 3,061,421 | 1,979,038 |
| Net cash provided by investing activities | 43,873,062 | (137,809,757) |
| Net increase in cash and cash equivalents | (15,845,669) | 54,294,883 |
| Balances - beginning of the year | 109,766,099 | 55,471,215 |
| Balances - end of the year | $ 93,920,429 | $ 109,766,098 |
| **Reconciliation of operating income (loss) to net cash provided (used) by operating activities:** | | |
| Operating income | $ 20,052,320 | $ 24,333,174 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation expense | 20,969,758 | 19,911,102 |
| Change in assets and liabilities: | | |
| Receivables, net | (1,157,198) | (1,026,601) |
| Grants receivable | (274,120) | (124,111) |
| Prepaid expenses | 39,805 | 136,783 |
| Security Deposits | (1,530) | - |
| Inventories | (84,076) | (75,471) |
| Accounts and other payables | 188,897 | 347,815 |
| PFC & CFC Advanced | - | 894,381 |
| Deferred income | (46,626) | (9,985) |
| Escrow deposits and reserves | 6,860 | (224,267) |
| Accrued expenses | 1,416,776 | 1,576,192 |
| Net cash provided by operating activities | $ 41,110,866 | $ 45,739,012 |

**Noncash capital financing activities:**

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

**SOUTH JERSEY TRANSPORTATION AUTHORITY**

**STATEMENT OF NET ASSETS**

**PROPRIETARY FUNDS**

**December 31, 2010**

**With Comparative Totals as of December 31, 2009**

| | Expressway | Airport | Consolidation Eliminations | Totals 2010 | Totals as restated 2009 |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Unrestricted Assets: | | | | | |
| Cash and Cash Equivalents | $ 35,044,246 | $ 3,017,349 | | $ 38,061,595 | $ 44,754,093 |
| Investments | 2,655,222 | | | 2,655,222 | 2,589,144 |
| Change Funds | 42,446 | 6,599 | | 49,045 | 54,902 |
| Interest and Dividends Receivable | 13,369 | 665 | | 14,034 | 6,831 |
| Accounts Receivable | 2,761,928 | 1,259,492 | | 4,021,420 | 2,864,221 |
| Grants Receivable | 1,864,746 | - | | 1,864,746 | 1,238,677 |
| Prepaid Expenses | 1,562,384 | 305,421 | | 1,867,805 | 1,907,611 |
| Security Deposits | 115,698 | | | 115,698 | 114,168 |
| Inventory | 342,026 | | | 342,026 | 257,950 |
| Interfunds Receivable | 23,253,306 | 435,950 | $ (23,689,256) | - | |
| Total Unrestricted Assets | 67,655,371 | 5,025,476 | (23,689,256) | 48,991,591 | 53,787,597 |
| Restricted Assets: | | | | | |
| Cash and Cash Equivalents | 32,639,277 | 23,170,512 | | 55,809,789 | 64,957,103 |
| Investments | 129,085,396 | 27,197,733 | | 156,283,129 | 197,117,182 |
| Accounts Receivable | 16,498,882 | | | 16,498,882 | 18,206,605 |
| Grants Receivable | 423,685 | 3,234,814 | | 3,658,499 | 1,385,745 |
| Interfunds Receivable | - | 111,391 | (111,391.34) | - | - |
| Interest Receivable | 412,771 | | | 412,771 | 359,714 |
| Total Restricted Assets | 179,060,010 | 53,714,451 | (111,391.34) | 232,663,070 | 282,026,349 |
| Noncurrent assets: | | | | | |
| Capital assets: | | | | | |
| Non-Infrastructure Capital Assets: | | | | | |
| Land and Improvements | 131,302,085 | 15,619,557 | | 146,921,642 | 146,921,642 |
| Electronic Toll Equipment | 8,917,935 | - | | 8,917,935 | 8,917,935 |
| Buildings and Equipment | 37,258,586 | 76,390,330 | | 113,648,916 | 112,720,027 |
| Less Accumulated Depreciation | (33,504,213) | (18,844,478) | | (52,348,691) | (49,360,579) |
| Total Non-Infrastructure Capital Assets | 143,974,394 | 73,165,408 | - | 217,139,802 | 219,199,025 |
| Infrastructure Capital Assets: | | | | | |
| Infrastructure - Equipment | 2,746,375 | 10,028,016 | | 12,774,391 | 12,587,169 |
| Infrastructure | 369,053,247 | 69,669,244 | | 438,722,491 | 424,864,360 |
| Less Accumulated Depreciation | (115,772,075) | (22,250,598) | | (138,022,673) | (122,206,190) |
| Total Infrastructure Capital Assets | 256,027,547 | 57,446,662 | - | 313,474,209 | 315,245,339 |
| Construction in Progress | 48,082,856 | 26,326,682 | | 74,409,538 | 30,592,825 |
| Total Capital Assets | 448,084,798 | 156,938,751 | - | 605,023,549 | 565,037,189 |
| Bond Issuance Costs | 10,497,072 | 1,405,203 | | 11,902,275 | 11,389,610 |
| Less Accumulated Amortization | (3,076,479) | (249,206) | | (3,325,685) | (2,273,333) |
| Total Non-current Non-capital Assets | 7,420,593 | 1,155,997 | - | 8,576,590 | 9,116,277 |
| Deferred Outflow- Interest Rate Swaps | 16,470,332 | 4,374,846 | | 20,845,179 | - |
| Total Noncurrent Assets | 471,975,723 | 162,469,594 | - | 634,445,318 | 574,153,466 |
| TOTAL ASSETS | $ 718,691,105 | $ 221,209,522 | $ (23,800,647) | $ 916,099,979 | $ 909,967,412 |

**SOUTH JERSEY TRANSPORTATION AUTHORITY**

**STATEMENT OF NET ASSETS**

**PROPRIETARY FUNDS**

**December 31, 2010**

**With Comparative Totals as of December 31, 2009**

| | Expressway | Airport | Consolidation Eliminations | Totals 2010 | Totals 2009 |
|---|---|---|---|---|---|
| LIABILITIES AND NET ASSETS | | | | | |
| Current Liabilities Payable From Unrestricted Assets: | | | | | |
| Accounts Payable | $ 5,991,202 | $ 2,468,126 | | $ 8,459,328 | $ 8,241,483 |
| Deferred Income | 494,501 | 13,524 | | 508,025 | 554,652 |
| Escrow Deposits and Reserves | 50,718 | 66,313 | | 117,031 | 110,251 |
| Accrued Expenses | 1,599,504 | 279,641 | | 1,879,145 | 3,266,409 |
| Interfunds Payable | | 23,689,256 | $ (23,689,256) | - | - |
| Total Current Liabilities Payable From Unrestricted Assets | 8,135,925 | 26,516,860 | (23,689,256) | 10,963,529 | 12,522,790 |
| Current Liabilities Payable From Restricted Assets: | | | | | |
| Accrued Interest | 3,028,234 | 808,560 | | 3,836,794 | 3,651,969 |
| Accounts Payable | 6,522,962 | 950,374 | | 7,473,336 | 7,961,168 |
| Unamortized SWAP Premium | 7,493,293 | - | | 7,493,293 | 7,909,587 |
| Retainages Payable | 1,799,722 | 837,450 | | 2,637,172 | 1,370,230 |
| Due to Other Governmental Agencies | 208,333 | 930,055 | | 1,138,388 | 12,053,282 |
| PFC Advanced | | 3,247,336 | | 3,247,336 | 5,863,275 |
| Reserve for Self-Insurance | 4,171,636 | 1,019,265 | | 5,190,901 | 2,389,314 |
| Economic Recovery Funds Advanced | - | 104,662 | | 104,662 | 104,662 |
| Elevated U-Turn Advance | - | - | | - | - |
| Interfunds Payable | 111,391 | | (111,391) | - | - |
| Bonds and Notes Payable, Net of Discount, Premium | | | | | - |
| and Loss on Defeasance ($286,123) | 8,160,794 | - | | 8,160,794 | 7,539,805 |
| Total Current Liabilities Payable From Restricted Assets | 31,496,365 | 7,897,704 | (111,391) | 39,282,676 | 48,843,292 |
| Noncurrent Liabilities: | | | | | |
| Other Postemployment Benefits other than Pensions | 60,110,187 | 10,814,413 | | 70,924,600 | 52,686,344 |
| Arbitrage Rebate Payable | 107,843 | | | 107,843 | 94,305 |
| Bonds and Notes Payable, Net of Discount, Premium | | | | | - |
| and Loss on Defeasance ($3,571,736) | 383,273,843 | 99,012,504 | | 482,286,347 | 489,729,506 |
| Derivative Instrument Liability- Interest Rate Swaps | 16,470,332 | 4,374,847 | | 20,845,179 | - |
| Total Noncurrent Liabilities | 459,962,205 | 114,201,764 | - | 574,163,969 | 542,510,155 |
| TOTAL LIABILITIES | $ 499,594,495 | $ 148,616,328 | $ (23,800,647) | $ 624,410,174 | $ 603,876,237 |

**SOUTH JERSEY TRANSPORTATION AUTHORITY**

**STATEMENT OF NET ASSETS**

**PROPRIETARY FUNDS**

**December 31, 2010**

**With Comparative Totals as of December 31, 2009**

| | Expressway | Airport | Consolidation Eliminations | Totals 2010 | Totals as restated 2009 |
|---|---|---|---|---|---|
| NET ASSETS | | | | | |
| Invested in Capital Assets, Net of Related Debt | $ 174,174,934 | $ 94,162,185 | $ | $ 268,337,119 | $ 268,272,483 |
| Restricted for: | | | | | |
| Debt Service | 14,529,325 | 696,899 | | 15,226,224 | 15,653,439 |
| Rehabilitation and Repair | 6,315,954 | - | | 6,315,954 | 6,313,712 |
| Debt Service Reserve | 31,132,790 | 1,967,701 | | 33,100,491 | 32,228,922 |
| State Payment | 90 | - | | 90 | 91 |
| Capital Projects | (9,601,661) | 11,756,341 | | 2,154,680 | 1,327,474 |
| Arbitrage Rebate | 104,501 | - | | 104,501 | 117,641 |
| Subordinated Debt Fund | 1,406,512 | - | | 1,406,512 | 5,794 |
| Unrestricted for: | | | | | |
| Unrestricted Net Assets | 56,038,401 | (26,069,568) | | 29,968,833 | 30,857,963 |
| Unfunded OPEB/(Deficit) | (60,110,187) | (10,814,413) | | (70,924,600) | (52,686,344) |
| Funded OPEB Obligation | 5,105,951 | 894,049 | | 6,000,000 | 4,000,000 |
| Total Net Assets | 219,096,609 | 72,593,195 | - | 291,689,804 | 306,091,175 |
| TOTAL LIABILITIES AND NET ASSETS | $ 718,691,103 | $ 221,209,523 | $ (23,800,647) | $ 916,099,978 | $ 909,967,412 |

**SOUTH JERSEY TRANSPORTATION AUTHORITY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

**PROPRIETARY FUNDS**

**Twelve months ended December 31, 2010**

**With Comparative Totals as of December 31, 2009**

| | Expressway | Airport | Consolidation Eliminations | Totals 2010 | Totals 2009 |
|---|---|---|---|---|---|
| Operating Revenues: | | | | | |
| Tolls | $ 78,914,150 | | $ | $ 78,914,150 | $ 82,162,229 |
| Concessions | 1,922,597 | | | 1,922,597 | 1,914,142 |
| ETC Administrative Revenue | 2,571,164 | | | 2,571,164 | 2,313,100 |
| Garage Parking | 847,494 | | | 847,494 | 928,839 |
| Marina Parking Revenue | 2,788,965 | | | 2,788,965 | 2,941,184 |
| Intercept Parking | 3,974 | | | 3,974 | 339,071 |
| Bus Permits | 329,268 | | | 329,268 | 383,401 |
| Rentals | 4,435,596 | | | 4,435,596 | 4,360,381 |
| Directional Signage Program | 49,837 | | | 49,837 | - |
| FEMA Snow Reimbursement Revenue | 374,581 | | | 374,581 | - |
| SJTPO Programs | 2,315,918 | | | 2,315,918 | 1,822,778 |
| Transportation Services | 1,530,611 | | | 1,530,611 | 2,106,283 |
| Other | 379,742 | | | 379,742 | 833,087 |
| Airport | | $ 12,190,348 | | 12,190,348 | 9,528,071 |
| Total Operating Revenues | 96,463,897 | 12,190,348 | - | 108,654,245 | 109,632,566 |
| Operating Expenses | | | | | |
| Executive | 2,060,434 | | | 2,060,434 | 2,207,394 |
| Business Administration | 568,450 | | | 568,450 | - |
| Policy and Planning | 1,951 | | | 1,951 | 495,542 |
| Engineering | 3,258,398 | | | 3,258,398 | 3,333,800 |
| Finance | 1,373,225 | | | 1,373,225 | 1,600,396 |
| Central Accounts | 12,082,088 | | | 12,082,088 | 10,864,209 |
| Other Post-Employment Benefits | 1,029,982 | 181,762 | | 1,211,744 | 993,764 |
| Marketing and Communications | 345,996 | | | 345,996 | 336,801 |
| Tourist Services | 5,907,768 | | | 5,907,768 | 6,229,920 |
| Maintenance | 7,369,272 | | | 7,369,272 | 6,522,283 |
| Police | 6,861,680 | | | 6,861,680 | 7,800,907 |
| Emergency Service Patrol | 712,429 | | | 712,429 | 694,876 |
| Electronic Toll Collection Expense | 4,124,385 | | | 4,124,385 | 3,811,498 |
| Parking-(Non Airport) | 739,067 | | | 739,067 | 728,272 |
| Information Services | 1,674,492 | | | 1,674,492 | 1,663,670 |
| SJTPO Programs | 2,315,918 | | | 2,315,918 | 1,822,778 |
| Airport | | 15,204,077 | | 15,204,077 | 14,166,369 |
| Transportation Services | 1,820,794 | | | 1,820,794 | 2,115,810 |
| Depreciation | 14,848,412 | 6,121,346 | | 20,969,758 | 19,911,102 |
| Total Operating Expenses | 67,094,741 | 21,507,185 | - | 88,601,926 | 85,299,391 |
| Operating Income (Loss) | 29,369,156 | (9,316,837) | - | 20,052,319 | 24,333,175 |
| Non-Operating Revenues (Expenses) | | | | | |
| Interest and Dividend Revenue | 3,078,496 | 43,185 | | 3,121,681 | 2,099,762 |
| Gain on Acquisition of Marketable Securities | 43,666 | | | 43,666 | - |
| Gain/(Loss) on Disposal of Assets | (54,761) | - | | (54,761) | 42,442 |
| Reduction/(Increase) in OPEB Liability | (15,502,518) | (2,735,738) | | (18,238,256) | 1,809,764 |
| Air Service Development/Feeder Rd. Expense | (2,231,116) | - | | (2,231,116) | (2,824,632) |
| Amortization Expense | (335,489) | (210,222) | | (545,711) | (788,952) |
| Amortization of Bond Premium | 234,626 | - | | 234,626 | 247,421 |
| Interest on Bonds | (21,301,937) | (4,853,268) | | (26,155,205) | (17,040,610) |
| State Payment | (2,499,999) | - | | (2,499,999) | (10,500,000) |
| Total of Non-Operating Revenue (Expenses) | (38,569,033) | (7,756,042) | - | (46,325,075) | (26,954,805) |
| Income (Loss) before Contributions and Transfers | (9,199,877) | (17,072,879) | - | (26,272,756) | (2,621,630) |
| Capital Contributions | 1,725,664 | 10,145,721 | | 11,871,384 | 10,798,167 |
| Transfers In | - | 14,368,439 | (14,368,439) | - | - |
| Transfers Out | (14,368,439) | | 14,368,439 | - | - |
| Change in Net Assets before Prior Period Adjustment | (21,842,652) | 7,441,280 | - | (14,401,371) | 8,176,537 |
| Total Net Assets -- Beginning | 240,939,261 | 65,151,914 | | 306,091,175 | 297,914,638 |
| Cumulative Effect of Accounting Change | - | - | | - | - |
| Total Net Asset Balance -- Beginning as adjusted | 240,939,261 | 65,151,914 | - | 306,091,175 | 297,914,638 |
| Total Net Assets -- Ending | $ 219,096,609 | $ 72,593,194 | $ - | $ 291,689,804 | $ 306,091,175 |

**SOUTH JERSEY TRANSPORTATION AUTHORITY**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUNDS**

**Twelve months ended December 31, 2010**

**With Comparative Totals as of December 31, 2009**

| | | | Totals | |
|---|---|---|---|---|
| | Expressway | Airport | 2010 | 2009 |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | | |
| Receipts from customers, users and grants | $ 98,145,122 | $ 9,032,742 | $ 107,177,864 | $ 109,319,351 |
| Payments to suppliers | (29,837,735) | (12,135,783) | (41,973,518) | (39,074,877) |
| Payments to employees | (21,033,726) | (3,059,754) | (24,093,480) | (24,505,462) |
| Net cash provided by operating activities | 47,273,661 | (6,162,795) | 41,110,866 | 45,739,012 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:** | | | | |
| Payment of State Payment Obligation | (10,500,000) | - | (10,500,000) | (2,500,000) |
| Operating subsidies and transfers to other funds | (4,870,762) | 4,870,762 | - | - |
| Net cash provided (used) by noncapital financing activities | (15,370,762) | 4,870,762 | (10,500,000) | (2,500,000) |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:** | | | | |
| Capital contributions | 2,973,038 | 4,655,428 | 7,628,467 | 10,798,167 |
| Advances/loans for capital acquisitions | - | - | - | 3,844,948 |
| Loan repayments | - | (2,914,893) | (2,914,893) | - |
| Proceeds from the sale of fixed assets | - | - | - | 542,442 |
| Deferred Income-SWAP Premium | (416,294) | - | (416,294) | 1,783,034 |
| Payments for capital acquisitions | (48,961,290) | (10,544,248) | (59,505,539) | (45,778,070) |
| Air Service Development/Feeder Rd. Expense | (2,059,495) | - | (2,059,495) | - |
| Fund Expenses | - | - | - | (2,090,490) |
| Principal paid on capital debt | (7,075,000) | (30,000) | (7,105,000) | (99,910,000) |
| Loans issued | - | | - | (17,000,000) |
| Proceeds from Bonds and Notes Issued | - | - | - | 312,804,803 |
| Interest paid on capital debt | (21,662,428) | (4,294,415) | (25,956,843) | (16,129,206) |
| Net cash provided (used) by capital and related financing activities | (77,201,470) | (13,128,128) | (90,329,597) | 148,865,628 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | | |
| Purchase of investments | (87,734,120) | (498,680) | (88,232,799) | (170,954,676) |
| Proceeds from sales and maturities of investments | 119,060,287 | 10,000,000 | 129,060,287 | 31,165,881 |
| Acquisition of marketable securities | (15,847) | - | (15,847) | - |
| Interest and dividends | 2,911,002 | 150,420 | 3,061,421 | 1,979,040 |
| Net cash provided (used) by investing activities | 34,221,322 | 9,651,740 | 43,873,062 | (137,809,755) |
| Net increase in cash and cash equivalents | (11,077,249) | (4,768,421) | (15,845,670) | 54,294,885 |
| Balances - beginning of the year | 78,803,218 | 30,962,881 | 109,766,099 | 55,471,215 |
| Balances - end of the year | $ 67,725,969 | $ 26,194,460 | $ 93,920,429 | $ 109,766,101 |
| **Reconciliation of operating income (loss) to net cash provided (used) by operating activities:** | | | | |
| Operating income (loss) | $ 29,369,157 | $ (9,316,837) | $ 20,052,320 | $ 24,333,174 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation expense | 14,848,412 | 6,121,346 | 20,969,758 | 19,911,102 |
| Change in assets and liabilities: | | | | |
| Receivables, net | (646,815) | (510,383) | (1,157,198) | (1,026,601) |
| Grants receivable | (274,120) | - | (274,120) | (124,111) |
| Prepaid expenses | 11,850 | 27,955 | 39,805 | 136,783 |
| Security Deposits | - | (1,530) | (1,530) | - |
| Inventories | (84,076) | - | (84,076) | (75,471) |
| Accounts and other payables | 277,369 | (88,472) | 188,897 | 347,815 |
| PFC & CFC Advanced | 2,615,939 | (2,615,939) | - | 894,381 |
| Deferred income | (16,873) | (29,753) | (46,626) | (9,985) |
| Escrow deposits and reserves | 3,175 | 3,685 | 6,860 | (224,267) |
| Accrued expenses | 1,169,643 | 247,134 | 1,416,776 | 1,576,192 |
| Net cash provided by operating activities | $ 47,273,661 | $ (6,162,795) | $ 41,110,866 | $ 45,739,012 |

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

NOTES TO FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

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

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

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

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

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

### B. Basis of Accounting

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

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

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

B. Basis of Accounting (Continued)

All funds of the Authority follow Financial Accounting Standards Board ("FASB") Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with Governmental Accounting Standards Board ("GASB") pronouncements.

C. Operating Revenues and Expenses

The Authority's operating revenues and expenses consist of revenues earned and expenses incurred relating to the operation and maintenance of its Transportation System, which specifically includes the operations of the Atlantic City Expressway and the Atlantic City International Airport. Grant revenues and expenses for SJTPO and Transportation Services (see Footnotes 17 and 23, respectively) are included in operations of the Atlantic City Expressway. All other revenues and expenses are reported as non-operating revenues and expenses. The Authority has allocated certain direct costs to Airport operations. Among the direct cost allocations made included expenses for health insurance coverage for eligible 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 both unrestricted and restricted investments, and are carried at fair value as determined in an active market.

F. Accounts Receivable

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

G. Restricted Assets

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

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

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

Construction Fund – accounts for the receipt and disbursement of funds for the acquisition and construction of capital projects. Included in this Fund are proceeds from the issuance of Transportation System Revenue Bonds in 1999, 2004, 2006 and 2009, 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, 2010, the Authority maintained a Municipal Bond Debt Service Reserve Insurance Policy with Financial Security Assurance with a payment limit of $2,289,600 and cash and investments in the Senior Debt Service Reserve of $32,954,096. The total of which exceeds the maximum annual debt on all Authority Bonds outstanding the Debt Service Reserve requirement of $34,881,477, which includes LOC fees on outstanding variable rate debt estimated at the rate of 165 basis points. LOC facility fees are permitted to be treated as interest expense under the resolution.

Rehabilitation and Repair Fund – accounts for monies that shall be applied to pay the costs of major resurfacing, repairs, renewals or reconstruction of each Pledged Project or any part thereof, whether buildings, improvements, fixtures, or equipment as determined in writing by the Authority and filed with the Trustee. The Authority is required to maintain a minimum balance of $6,000,000 at December 31, 2010.

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

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

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

### I. Interest Income on Funds

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

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

### J. Inability to Meet Debt Service Requirements

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED

### K. Pledged and General Projects

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

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

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

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

### L. Budgetary Information

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

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

### M. Inventory

Inventory consists of fuel for the Authority's vehicles valued at cost of the most recent purchases. During 2010, the Authority maintained a small supply of "E-ZPass On the Go" tags to be sold at various locations on the expressway.

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

### M. Inventory (Continued)

| | 2010 | 2009 |
|---|---|---|
| Fuel | $ 337,651 | $ 254,200 |
| E-Z Pass tags | 4,375 | 3,750 |
| | $ 342,026 | $ 257,950 |

### N. Capital Assets

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

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

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

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

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

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

### 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.

### P. Restricted Net Assets

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

### Q. Recent Accounting Pronouncements

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

The Authority has completed the process of evaluating the impact that will result from implementing GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments, and addresses hedge accounting requirements. This statement is effective for financial statements for periods beginning after June 15, 2009. As a result the Authority is reporting deferred outflows from interest rate swap and a derivative instrument liability- interest rate swap in the amount of $20,845,179 at December 31, 2010.

The Authority has not completed the process of evaluating the impact that will result from implementing GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds. This statement is effective for financial statements for periods beginning after June 15, 2010.

The Authority has completed the process of evaluating the impact that would result from implementing GASB Statement No. 60, *Accounting and Financial Reporting for Concession Arrangements (SCA)*. The requirement of this statement is to improve financial reporting by establishing recognition, measurement and disclosure requirements for SCA's for both transferors and governmental operators, requiring governments to account for and report SCA's in the same manner, which improves the comparability of financial statements.

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

Q. Recent Accounting Pronouncements (Continued)

This Statement is effective for financial statements prepared by state and local governments for periods beginning after December 15, 2011. The Authority has determined that GASB 60 will have no impact on its financial statement position, results of operations and cash flows and therefore is not applicable at this time.

## 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;

## 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 subparagraphs (a) or (b) above, which shall have a market value at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit;

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

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

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

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

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

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

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

## 2. DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

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

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

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

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

(m) Investment contracts

(n) any other investments permitted by State and Federal law.

## 2. DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

"Federal Securities" shall mean (i) any direct and general obligations of, or any obligations guaranteed by, the United States of America, including but not limited to interest obligations of the Resolution Funding Corporation or any successor thereto, (ii) any obligations of any state or political subdivision of a state ("Refunded Bonds") which are 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 $252,858,780 at December 31, 2010. The Authority’s total bank (cash) balances were $256,831,435 at December 31, 2010. The difference between bank balance and book balance is due primarily to the timing of deposits and outstanding checks.

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

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

## 2. DEPOSITS AND INVESTMENTS (CONTINUED)

### Concentration of Credit Risk:

| Institution/Issuer | | Amount | % of Portfolio |
|---|---|---|---|
| U.S.Treasury Bill | $ | 11,690,448 | 4.6% |
| Federal Home Loan Mortgage Discount Note | | 26,275,495 | 10.4% |
| Societe Generale | | 9,003,085 | 3.6% |
| Bank of America | | 1,439,206 | 0.6% |
| FSA Capital Management | | 2,109,685 | 0.8% |
| Wells Fargo/Wachovia Bank, NA | | 29,493,811 | 11.7% |
| Bank of New York | | 159,600,206 | 63.1% |
| NJ Cash Management Fund | | 12,594,977 | 5.0% |
| TD Bank | | 473,518 | 0.2% |
| Citibank NA | | 69,791 | 0.0% |
| AboveNet | | 59,514 | 0.0% |
| Change Funds | | 49,044 | 0.0% |
| | $ | 252,858,780 | 100.0% |

### Custodial Credit Risk:

Custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty to a transaction, the Authority will not be able to recover the value of its investment. The Authority mitigates this risk by depositing or investing the majority of its funds available for investment in insured or collateralized investments or in pooled investments of US government securities from time to time as of December 31, 2010 as well as investing in high rated uncollateralized financial instruments.

| | | |
|---|---|---|
| Insured | $ | 1,069,791 |
| Collaterialized: | | |
| Collateral held by pledging bank in Authority's Name | | 39,496,370 |
| Collateral held by pledging bank not in the Authority's Name | | |
| Pooled Investments | | 172,168,701 |
| Government Securities | | 40,015,360 |
| Change Funds | | 49,044 |
| Uncollaterialized and Uninsured | | 59,514 |
| | $ | 252,858,780 |

## 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, 2010, the Authority did not have any short-term investments.

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

The Authority is a party to three guaranteed investment contracts totaling $12,551,977. The first one, which relates to the 2003 Refunding Bonds, has a year-end carrying value of $2,109,685, 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 $9,003,085, 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 $1,439,207, a fixed rate of 4.14% and matures on 11/1/33. The yield on this investment is less that the bond yield of 5.044%.

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

## 3. ACCOUNTS RECEIVABLE

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

| | 2010 | 2009 |
|---|---|---|
| **Unrestricted:** | | |
| Airport user fees | $ 1,259,492 | $ 749,109 |
| Transportation services user fees | 159,251 | 135,697 |
| EZ-Pass toll revenue receivables | 1,165,277 | 971,377 |
| Casino Reinvestment Development Authority | 386,777 | 381,285 |
| Billboard lease receivable | 611,716 | 361,405 |
| Other expressway user fees | 665,280 | 419,627 |
| Gross receivables | 4,247,793 | 3,018,500 |
| Less: Allowance for Uncollectibles | (226,373) | (154,279) |
| Net total receivables | $ 4,021,420 | $ 2,864,221 |

| | 2010 | 2009 |
|---|---|---|
| **Restricted:** | | |
| New Jersey DOT-South Inlet Project | $ 16,290,000 | $ 17,563,433 |
| New Jersey Department of Homeland Security | - | 143,172 |
| New Jersey Department of Transportation - Other | 103,013 | - |
| Casino Reinvestment Development Authority | 105,869 | - |
| Land Sale | | 500,000 |
| | $ 16,498,882 | $ 18,206,605 |

The receivable from the New Jersey Department of Transportation represents $16,290,000 borrowed from the Authority for the South Inlet Transportation Improvements Program (See Footnote #27 for additional information) and $103,013 for various transportation construction projects.

## 4. CAPITAL ASSETS

Capital assets for the year ended December 31, 2010, were as follows:

| | December 31, 2009 as restated | Additions | Transfers to Completed/ Deletions | December 31, 2010 |
|---|---|---|---|---|
| Capital Assets not being Depreciated: | | | | |
| Land | $ 146,921,642 | $ | $ | $ 146,921,642 |
| Construction in Progress | 30,592,825 | 56,738,905 | (12,922,192) | 74,409,538 |
| Total Capital Assets not being Depreciated | 177,514,467 | 56,738,905 | (12,922,192) | 221,331,180 |
| Non-Infrastructure Capital Assets: | | | | |
| Electronic Toll Equipment | 8,917,935 | | | 8,917,935 |
| Buildings and Equipment (1) | 112,720,027 | 3,136,034 | (2,207,145) | 113,648,916 |
| Total Non-Infrastructure Capital Assets | 121,637,962 | 3,136,034 | (2,207,145) | 122,566,851 |
| Infrastructure Capital Assets: | | | | |
| Infrastructure Equipment (1) | 12,587,169 | 200,000 | (12,778) | 12,774,391 |
| Infrastructure | 424,864,360 | 13,858,131 | | 438,722,491 |
| | 437,451,529 | 14,058,131 | (12,778) | 451,496,882 |
| Less: Accumulated Depreciation | (171,566,769) | (20,969,757) | 2,165,162 | (190,371,364) |
| Total Capital Assets | $ 565,037,189 | $ 52,963,313 | $ (12,976,953) | $ 605,023,549 |

(1) - See Note 31 for details of restated beginning balances.

## 5. CAPITAL CONTRIBUTIONS

The Authority received Capital Contributions totaling $11,871,384 in 2010. These contributions are detailed as follows:

| Source | 2010 | 2009 |
|---|---|---|
| Federal Aviation Administration | $ 657,729 | $ 3,428,754 |
| Passenger Facility Charges (PFC's) | 5,666,916 | 869,316 |
| New Jersey Air National Guard | 3,400,192 | - |
| FEMA Grant Reimbursement | 351,948 | - |
| Customer Facility Charges (CFC's) | 315,014 | 934,016 |
| New Jersey Department of Homeland Security | - | 682,520 |
| Casino Reinvestment Development Authority | 354,538 | 1,368,676 |
| New Jersey Department of Transportation | 770,682 | 3,391,331 |
| Miscellaneous | 354,365 | 123,554 |
| | $ 11,871,384 | $ 10,798,167 |

The capital funding the Authority receives from the United States Department of Transportation Federal Aviation Administration (“FAA”) and the State of New Jersey Transportation Trust Fund, as well as other local funds received, are designated and utilized towards the development and improvement of the Atlantic City International Airport and other expressway projects.

The Authority has been approved by the Federal Aviation Administration (“FAA”) to impose a Passenger Facility Charge (“PFC”) of $4.50 on passengers enplaned at the Atlantic City International Airport. PFC collections, including any interest earned after such collections, may be used only to finance the allowable costs of approved projects at the Airport. PFC collections are classified as PFC Advanced until allowable costs are incurred. The Authority collected $3,050,977 in PFC fees during 2010. The balance of PFC Advance at December 31, 2010 was $3,247,336. At the time costs are incurred, the associated PFC revenues are recognized as Capital Contributions. The Authority recognized $5,666,916 in PFC Capital Contributions in 2010. The Authority has pledged all PFC’s received after July 1, 2009 to CRDA for repayment of a $5.2M loan, the proceeds of which were used to partially fund the $13.1 million Apron Expansion (See Footnote #30 for details).

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.

## 5. CAPITAL CONTRIBUTIONS (CONTINUED)

During 2007, the Authority executed an agreement with rental car companies at the Airport increasing the Customer Facility Charge ("CFC") from $1.50 per vehicle, per day, to $3.00 per vehicle, per day. These charges, along with any interest earned on cash balances, will be dedicated to the improvements in the construction of the parking garage associated with rental cars. CFC collections are classified as CFC Advanced until allowable costs are incurred. At the time costs are incurred, the associated CFC revenues are recognized as Capital Contributions. The Authority collected CFC fees in the amounts of $315,014 and $236,847 during 2010 and 2009, respectively. During 2010, the Authority recognized revenue of $315,014 versus $934,016 in 2009. Through December 31, 2010, the authority has recognized CFC revenue in the amount of $1,249,030.

## 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, 2010, commitments for projects in progress was $61,783,096.

B. The Authority is the subject of, or a party to, various pending or threatened legal actions. The Authority believes that any ultimate liability arising from these legal actions should not have a material effect on its financial position or operations. Public liability claim exposures are self-insured by the Authority. The Authority self-insures the initial retention limit of $200,000, per occurrence, after which, exists $15,000,000 of excess liability insurance per occurrence to respond to any large losses exceeding the retention. The Authority is a defendant in a number of claims and suits resulting from motor vehicle accidents on Authority roadways. The Authority plans to vigorously defend these claims. Two (2) cases that have been assessed where losses could be reasonably possible are described below:

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

C. The Authority receives financial assistance from the State of New Jersey and the U.S. Government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by grantors. As a result of these audits, costs previously reimbursed could be disallowed and require repayment to the grantor agency. As of December 31, 2010, the Authority estimates that no material liabilities will result from such audit.

## 7. ACCOUNTS PAYABLE

Accounts payable consists of unrestricted liabilities and restricted liabilities. The following provides a summary of the amounts of accounts payable at December 31, 2010:

| | | 2010 | | 2009 |
|---|---|---|---|---|
| **Unrestricted:** | | | | |
| Electronic toll collection expense | $ | 822,149 | $ | 410,026 |
| State and local police expense | | 2,194,753 | | 2,844,116 |
| Payroll Liabilities | | 198,707 | | 334,341 |
| Airport | | 2,468,126 | | 2,556,598 |
| SJTPO | | 186,970 | | 25,627 |
| Expressway operating expenses | | 2,588,623 | | 2,070,775 |
| | $ | 8,459,328 | $ | 8,241,483 |

| | | 2010 | | 2009 |
|---|---|---|---|---|
| **Restricted:** | | | | |
| Apron expansion | $ | 997,049 | $ | 560,993 |
| Exit 17 Construction | | 277,654 | | 494,167 |
| Third Lane Widening | | 2,133,935 | | 1,259,630 |
| Various expressway improvements | | 2,103,367 | | 2,089,806 |
| Road Overlay | | 631,363 | | 2,554,239 |
| Other airport terminal improvements | | 1,329,968 | | 1,002,333 |
| | $ | 7,473,336 | $ | 7,961,168 |

## 8. BONDS AND NOTES PAYABLE

As of December 31, 2010, the outstanding bonds payable balance has been offset with unamortized bond discounts in the amount of $3,029,700, unamortized loss on refunding in the amount of $2,004,800, and increased by the unamortized bond premium of $1,176,641.

**Transportation System Revenue Bonds 2009:**

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

## 8. BONDS AND NOTES PAYABLE (CONTINUED)

The proceeds of the 2009 Senior Bonds, together with other available Authority funds, will be used to finance (i) certain Expressway Projects ("Pledged Projects") and Airport Projects ("General Projects") contained in the Authority’s ten-year Capital Program; (ii) the funding of an amount required to increase the amount on deposit in the Debt Service Reserve Fund to the Debt Service Reserve Requirement; (iii) the current refunding of all of the Authority's outstanding 2007 Taxable Notes and 2009 Notes (each as hereinafter defined); (iv) the current refunding of a portion of the Authority's Outstanding 1999 Bonds; and (v) the payment of certain costs of issuing the 2009 Senior Bonds. The proceeds of the 2009 Subordinated Bonds will be used to finance (i) a portion of the Costs of the South Inlet Transportation Improvements Project; (ii) the funding of an amount required to increase the amount on deposit in the Subordinated Bonds Debt Service Reserve Fund to the Subordinated Bonds Debt Service Reserve Requirement; and (iii) the payment of certain costs of issuing the 2009 Subordinated Bonds. The Authority has elected to issue the 2009 Taxable Senior Bonds as "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 and to receive a cash subsidy from the United States Treasury equal to 35% of the interest payable on the 2009 Taxable Senior Bonds.

### Transportation System Revenue Bonds, Series 2009 A-1

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

### Optional Redemption

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

### Transportation System Revenue Bonds, Series 2009 A-2

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

## 8. BONDS AND NOTES PAYABLE (CONTINUED)

### Optional Redemption

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

### Mandatory Sinking Fund Redemption

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

| Year November 1 | Interest Rate | Principal Amount |
|---|---|---|
| 2030 | 5.50% | $ 5,405,000 |
| 2031 | 5.50% | 5,680,000 |
| 2032 | 5.50% | 5,960,000 |
| 2033 * | 5.50% | 865,000 |

* Final Maturity

### Transportation System Revenue Bonds, Series 2009 A-5

Federally Taxable – Issuer Subsidy- Build America Bonds

On August 4, 2009, the Authority issued $96,260,000 of Transportation System Revenue Bonds, 2009 Series A-5, Federally Taxable – Issuer Subsidy- Build America Bonds. The proceeds of the 2009 A-5 Taxable Senior Bonds were used to (i) pay a portion of the costs of the 2009 Expressway Project consisting of, among other things, westbound third lane widening, bridge rehabilitation and repair, electronic toll collection upgrades, and pavement overlay; (ii) fund the amount required to increase the amount on deposit in the Debt Service Reserve Fund to the Debt Service Reserve Requirements and; (iii) pay certain costs of issuing the 2009 A-5 Taxable Senior Bonds. The 2009 Taxable Senior Bonds have been issued as taxable, Build America Bonds as authorized by The American Recovery and Reinvestment Act of 2009 signed into law by President Obama on February 17, 2009 ("Recovery Act"). Pursuant to the Recovery Act, the Authority will receive cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the 2009 Taxable Senior Bonds. The cash subsidy payments received are treated as an offset to interest expense pursuant to the Third Amended and Restated Resolution. During 2010, the Authority received $2,358,371 versus $569,939 in 2009. Through December 31, 2010, the Authority has received a total of $2,928,310 in cash subsidy payments from the United States Treasury.

## 8. BONDS AND NOTES PAYABLE (CONTINUED)

**Redemption – 2009 Taxable Senior Bonds**

**Make Whole Redemption**

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

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

**Extraordinary Optional Redemption**

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

## 8. BONDS AND NOTES PAYABLE (CONTINUED)

### Mandatory Sinking Fund Redemption

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

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

* Final Maturity

### 2009 Subordinated Bonds, Series A

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

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

## 8. BONDS AND NOTES PAYABLE (CONTINUED)

### Redemption

Optional Redemption.

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

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

**2009 Variable Rate Senior Bonds**

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

**2009 A-3 Senior Bonds**

The principal of, Redemption Price, if any, and interest on, the 2009 Series A-3 Senior Bonds tendered for purchase and not otherwise remarketed, when due, are payable from an irrevocable direct-pay Letter of Credit ("2009 A-3 Senior Bonds Letter of Credit") issued by Bank of America, N.A. ("2009 A-3 Senior Bonds Credit Issuer"). The 2009 A-3 Senior Bonds Letter of Credit will terminate on August 4, 2011 ("2009 A-3 Senior Bonds Stated Expiration Date"), unless terminated earlier or extended in accordance with its terms. The 2009 A-3 Senior Bonds Letter of Credit is issued pursuant to a Reimbursement Agreement, dated as of August 1, 2009 ("2009 A-3 Senior Bonds Reimbursement Agreement"), between the Authority and the 2009 A-3 Senior Bonds Credit Issuer. The 2009 A-3 Senior Bonds Letter of Credit is the initial Credit Facility for the 2009 A-3 Senior Bonds. All payment and reimbursement obligations of the Authority under the 2009 A-3 Senior Bonds Reimbursement Agreement in connection with drawings under the 2009 A-3 Senior Bonds Letter of Credit constitute Credit Facility Reimbursement Obligations for purposes of the Senior Resolution.

## 8. BONDS AND NOTES PAYABLE (CONTINUED)

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

### 2009 A-4 Senior Bonds

The principal of, Redemption Price, if any, and interest on, the 2009 Series A-4 Senior Bonds tendered for purchase and not otherwise remarketed, when due, are payable from an irrevocable direct-pay Letter of Credit ("2009 A-4 Senior Bonds Letter of Credit"; and together with the 2009 A-3 Senior Bonds Letter of Credit, the "Letters of Credit") issued by Wachovia Bank, National Association ("2009 A-4 Senior Bonds Credit Issuer"; and together with the 2009 A-3 Senior Bonds Credit Issuer, the "Credit Issuers"), in favor of the Trustee. The 2009 A-4 Senior Bonds Letter of Credit will terminate on August 4, 2011 ("2009 A-4 Senior Bonds Stated Expiration Date"; and together with the 2009 A-3 Senior Bonds Stated Expiration Date, the "Stated Expiration Dates"), unless terminated earlier or extended in accordance with its terms. The 2009 A-4 Senior Bonds Letter of Credit is issued pursuant to a Reimbursement Agreement, dated as of August 1, 2009 ("2009 A-4 Senior Bonds Reimbursement Agreement"; and together with the 2009 A-3 Senior Bonds Reimbursement Agreement, the "Reimbursement Agreements"), between the Authority and the 2009 A-4 Senior Bonds Credit Issuer. The 2009 A-4 Senior Bonds Letter of Credit is the initial Credit Facility for the 2009 A-4 Senior Bonds. All payment and reimbursement obligations of the Authority under the 2009 A-4 Senior Bonds Reimbursement Agreement in connection with drawings under the 2009 A-4 Senior Bonds Letter of Credit constitute Credit Facility Reimbursement Obligations for purposes of the Senior Resolution.

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

## 8. BONDS AND NOTES PAYABLE (CONTINUED)

### Remarketing Agreements

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

### The 2009 Variable Rate Senior Bonds

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

### Redemption Provisions

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

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

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

## 8. BONDS AND NOTES PAYABLE (CONTINUED)

### Mandatory Sinking Fund Redemption.

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

**2009 A-3 Senior Bonds**

| Year November 1 | Principal Amount | Year November 1 | Principal Amount |
|---|---|---|---|
| 2011 | $ - | 2026 | $ 715,000 |
| 2012 | 150,000 | 2027 | 750,000 |
| 2013 | 175,000 | 2028 | 785,000 |
| 2014 | 225,000 | 2029 | 825,000 |
| 2015 | 425,000 | 2030 | 865,000 |
| 2016 | 445,000 | 2031 | 905,000 |
| 2017 | 470,000 | 2032 | 950,000 |
| 2018 | 490,000 | 2033 | 995,000 |
| 2019 | 515,000 | 2034 | 1,235,000 |
| 2020 | 540,000 | 2035 | 1,285,000 |
| 2021 | 565,000 | 2036 | 1,540,000 |
| 2022 | 595,000 | 2037 | 1,800,000 |
| 2023 | 620,000 | 2038 | 11,085,000 |
| 2024 | 650,000 | 2039 | 13,590,000 |
| 2025 | 685,000 | | |

## 8. BONDS AND NOTES PAYABLE (CONTINUED)

**2009 A-4 Senior Bonds**

| Year November 1 | Principal Amount | Year November 1 | Principal Amount |
|---|---|---|---|
| 2011 | $ - | 2026 | $ 715,000 |
| 2012 | 150,000 | 2027 | 750,000 |
| 2013 | 175,000 | 2028 | 785,000 |
| 2014 | 225,000 | 2029 | 820,000 |
| 2015 | 420,000 | 2030 | 860,000 |
| 2016 | 445,000 | 2031 | 905,000 |
| 2017 | 465,000 | 2032 | 945,000 |
| 2018 | 490,000 | 2033 | 995,000 |
| 2019 | 510,000 | 2034 | 1,230,000 |
| 2020 | 535,000 | 2035 | 1,275,000 |
| 2021 | 565,000 | 2036 | 1,530,000 |
| 2022 | 590,000 | 2037 | 1,795,000 |
| 2023 | 620,000 | 2038 | 11,030,000 |
| 2024 | 650,000 | 2039 | 13,515,000 |
| 2025 | 680,000 | | |

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

### Purchase in Lieu of Redemption

Whenever 2009 Variable Rate Senior Bonds are subject to redemption, they may instead be purchased at the option of the Authority (with the consent of the Credit Issuer, if applicable) at a purchase price equal to the Redemption Price. The Authority shall give written notice thereof and of the 2009 Variable Rate Senior Bonds of the maturity to be so purchased to the Trustee. Promptly thereafter, the Trustee shall give notice of the purchase of such 2009 Variable Rate Senior Bonds at the times and in the manner as for giving notice of redemption. The Trustee shall not give such notice unless prior to the date such notice is given the Authority has caused to be delivered to the Trustee the written consent to such purchase of the Authority. All such purchases may be subject to conditions to the Authority's obligation to purchase such 2009 Variable Rate Senior Bonds and shall be subject to the condition that money for the payment of the purchase price therefor is available on the date set for such purchase. If sufficient money to pay the purchase price of such 2009 Variable Rate Senior Bonds is held by the Trustee, the purchase price of the 2009 Variable Rate Senior Bonds or portions thereof so called for purchase shall become due and payable on the date set for purchase, upon presentation and surrender of such 2009 Variable Rate Senior Bonds (other than Book Entry 2009 Variable Rate

## 8. BONDS AND NOTES PAYABLE (CONTINUED)

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

**Selection of 2009 Variable Rate Senior Bonds for Redemption**.

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

**Notice of Redemption**.

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

## 8. BONDS AND NOTES PAYABLE (CONTINUED)

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

### 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.

## 8. BONDS AND NOTES PAYABLE (CONTINUED)

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:

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

**2004 Series A Transportation System Revenue Bonds**

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

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

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

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

## 8. BONDS AND NOTES PAYABLE (CONTINUED)

| 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.

1999 Series Transportation System Revenue Bonds

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

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

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

## 8. BONDS AND NOTES PAYABLE (CONTINUED)

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:

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

Sources of Payment and Security for Bonds and Subordinated Indebtedness

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

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

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

## 8. BONDS AND NOTES PAYABLE (CONTINUED)

Re-designation of Projects

The Third Amended and Restated Resolution permits the Authority to re-designate all or a portion of a Series of Bonds, originally issued to pay all or a portion of the Costs of a Pledged Project pursuant to Section 2.05 of the Third Amended and Restated Resolution, as "Airport Bonds" (which are additionally secured by Airport Revenues) pursuant to Section 2.12 of the Third Amended and Restated Resolution and to use the proceeds of such re-designated Airport Bonds to pay Costs relating to an Airport Project (such Costs being Costs of a General Project for all purposes of the Third Amended and Restated Resolution) upon satisfaction of, among other matters, certain financial tests set forth in Section 2.06 of the Third Amended and Restated Resolution with respect to the issuance of Additional Bonds for a General Project.
On December 7, 2010, the Authority re-designated a portion of the 2009 A-3 and A-4 Senior Bonds as Airport Bonds pursuant to, and in compliance with, Section 2.12 of the Third Amended and Restated Resolution. The following table sets forth the respective annual Debt Service Requirements, following the re-designation, for (i) all senior lien Outstanding Bonds (excluding Airport Bonds); and (ii) all senior lien Airport Bonds of the Authority.

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

Bonds Payable:

| Calendar | Non-Airport | | Airport | | |
|---|---|---|---|---|---|
| Year | Principal | Interest * | Principal | Interest * | Total |
| 2011 | $ 7,445,000 | 21,148,572 | | 4,582,127 | $ 33,175,699 |
| 2012 | 7,980,000 | 20,721,045 | 40,000 | 4,560,520 | 33,301,565 |
| 2013 | 8,365,000 | 20,363,336 | 815,000 | 4,559,084 | 34,102,420 |
| 2014 | 8,770,000 | 20,022,482 | 1,130,000 | 4,534,398 | 34,456,880 |
| 2015 | 9,455,000 | 19,657,934 | 1,235,000 | 4,497,503 | 34,845,437 |
| 2016-2020 | 54,030,000 | 91,435,370 | 7,505,000 | 21,685,798 | 174,656,168 |
| 2021-2025 | 69,405,000 | 76,544,787 | 7,295,000 | 20,056,565 | 173,301,352 |
| 2026-2030 | 68,275,000 | 56,906,081 | 25,435,000 | 18,045,260 | 168,661,341 |
| 2031-2035 | 70,320,000 | 41,948,594 | 49,725,000 | 6,717,820 | 168,711,414 |
| 2036-2039 | 90,375,000 | 16,194,016 | 6,705,000 | 795,508 | 114,069,524 |
| | $ 394,420,000 | $ 384,942,217 | $ 99,885,000 | $ 90,034,583 | $ 969,281,800 |

* - Interest on the variable rate portion of the bonds listed above is estimated at the swap rate of 4.70% plus the letter of Credit (LOC) facility fee rate of 1.24 basis points, the current rate at April 1, 2011

## 8. BONDS AND NOTES PAYABLE (CONTINUED)

### Derivative and Hedging Activities

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

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

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

## 8. BONDS AND NOTES PAYABLE (CONTINUED)

### Derivative and Hedging Activities

The total fair value balances and notional amounts of the hedging derivative instruments outstanding as of December 31, 2010 and reported as such in the 2010 financial statements are as follows:

| | Changes in Fair Value | | Fair Value at December 31, 2010 | | |
|---|---|---|---|---|---|
| | Classification | Amount | Classification | Amount | Notional |
| Governmental activities: | | | | | |
| Cash flow hedges: | | | | | |
| Pay-fixed interest rate swaps | Deferred outflow | $ 4,213,129 | Debt | $ (20,845,179) | $ 87,795,000 |

### Objective and Terms of Hedging Derivative Instruments

The Authority is a party to two debt-related derivative instruments described as pay-fixed interest rate swaps. As per GASB 53, the interest rate swaps ("Swaps") are considered a hedging derivative instrument. The following table presents the objective, terms and fair value of the Authority's hedging derivative instruments outstanding at December 31, 2010:

| Type | Objective | Notional Amount | Effective Date | Termination Date | Cash (Paid) Received * | Terms | Fair Value at 12/31/2010 |
|---|---|---|---|---|---|---|---|
| Pay-fixed interest rate swap | Hedge changes in cash flows on Seies 2009 A-3 and A-4 Bonds | $52,675,000 | 11/1/09 | 11/1/29 | $5,872,000 | Pay 4.70% Receive 1M LIBOR x 75% | ($12,506,000) |
| Pay-fixed interest rate swap | Hedge changes in cash flows on Seies 2009 A-3 and A-4 Bonds | $35,120,000 | 11/1/09 | 11/1/29 | $3,914,000 | Receive 1M LIBOR x 75% | ($8,338,000) |

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

## 8. BONDS AND NOTES PAYABLE (CONTINUED)

### Objective and Terms of Hedging Derivative Instruments

In June of 2005, the Authority entered into two (2) Swaptions with two (2) Counterparties that provided the Authority with an upfront payment of $4,552,500 from Bank of America, N.A. and $3,035,000 from Wachovia, N.A. (collectively, the "Premium"), net of issue costs of $160,000. As a synthetic refunding of its 1999 Transportation System Revenue Bonds, the Premium represents the present value savings as of June 2005, of a refunding on November 1, 2009, without issuing refunding bonds as of June 2005. The proceeds of the synthetic refunding (the Premium) were used to establish a capital project revolving fund. This fund is used to advance fund capital projects, which the Authority has a reasonable expectation that it will be reimbursed with Federal, State or Other Grants. The Swaptions had given the Bank of America, N.A. and Wachovia Bank, N.A. (collectively, the "Counterparties") the option to enter into a Swap whereby they would receive fixed amounts and pay variable amounts. It was originally anticipated that if the options were exercised; the Authority would then issue variable-rate refunding bonds.

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

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

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

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

## 8. BONDS AND NOTES PAYABLE (CONTINUED)

### Counterparty Ratings

The current ratings of the counterparties are as follows as of December 31, 2010.

| Counterparty | S&P | Moody's | Fitch |
|---|---|---|---|
| Bank of America | A+ | Aa3 | A+ |
| Wachovia/Wells Fargo | AA- | Aa2 | AA- |

The following table sets forth the notional amount and the outstanding principal amount as of December 31, 2010 for the swaps compared with the outstanding principal amount of the associated bonds.

| Counterparty | Associated Bond Issue | Outstanding Principal | Notional Amount |
|---|---|---|---|
| Bank of America | SJTA Transportation System Revenue Bonds Series A-3 | $ 43,875,000 | $ 52,675,000 |
| Wachovia/Wells Fargo | SJTA Transportation System Revenue Bonds Series A-4 | 43,670,000 | 35,120,000 |
| | Totals | $ 87,545,000 | $ 87,795,000 |

### Risks Associated with the 2009 Swaps

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

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

## 8. BONDS AND NOTES PAYABLE (CONTINUED)

The following table shows, as of December 31, 2010, the diversification, by percentage of notional amount, among the two different counterparties that have entered into ISDA Master Agreements with the Authority. The notional amount totals below include both Swaps in connection with the Authority's Variable Rate Bonds Series A-3 and A-4. The counterparties have the ratings set forth above.

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

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

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

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

Under the Authority's bond resolution, the payments relating to debt service on the 2009 Swaps are parity obligations with all other senior bonds issued under the Third Amended and Restated Bond Resolution, but all other payments, including the termination payments, are subordinate to the payment of debt service on the swap and all bonds issued under that bond resolution. In order to further mitigate termination risk, the Authority maintains the Capital Project Revolving Fund that was established with the proceeds received from the upfront premiums and exercise payments. This Fund is used to advance fund projects that the Authority reasonably expects to be reimbursed with Federal, State and other Grants. On August 4, 2009, the exercise payment of $2,199,328 was deposited in the account in the Revolving Fund. This deposit combined with the original swap premium of $7,587,500 provides a total of $9,786,828 that would ultimately be available to make a termination payment if required under the terms of the swap agreement. See *Fair Value* above for discussion of termination liability at December 31, 2010.

## 8. BONDS AND NOTES PAYABLE (CONTINUED)

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

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

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

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

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

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

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

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

## 8. BONDS AND NOTES PAYABLE (CONTINUED)

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

Fair Value- The fair market value of the Authority's interest rate swaps changes daily primarily as a result of capital markets changes. Factors that influence LIBOR are local interest rates, banks expectations of future rate movements, liquidity in the capital markets or changes in the value of the dollar. The Authority has obtained a market evaluation of its 2009 Swaps from an independent derivative valuation specialist. These fair value estimates were estimated using the independent derivative valuation specialist's proprietary pricing models that take into consideration probabilities, volatilities, time and underlying prices. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the 2009 Swaps, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds, due on the date of each future net settlement of the Swap. As of December 31, 2010, the 2009 Swaps had a negative fair value of $20,845,179 indicating the estimated amount that the Authority would have been required to pay in total if both of the 2009 Swaps were terminated. However, as of that date, no event of termination had occurred.

### Swap payments and Associated Debt

The following tables contain the aggregate amount of estimated variable-rate bond debt service and swap payments. The Authority entered into the swaps to protect against the potential of rising interest rates; achieve a lower net cost of borrowing; reduce exposure to changing interest rates on a related bond issue; and achieve upfront net present value of debt service savings through a synthetic fixed rate transaction. As rates vary, variable-rate bond interest payments and swap payments will vary. Using the assumptions noted below, debt service of the Authority's outstanding variable-rate debt and net swap payments are estimated to be as follows:

## 8. BONDS AND NOTES PAYABLE (CONTINUED)

### Swap payments and Associated Debt

**Variable Rate Series 2009 A-3 and A-4**

| Years | Principal | Fixed Rate Interest Payments (Swap Rate 4.7%) (1) | Letter of Credit Fees (5) | Variable Rate Interest Payments (2) (4) | Variable Rate Swap Receipts (3) | Total | Principal Balance |
|---|---|---|---|---|---|---|---|
| 2010 | 250,000 | 4,126,365 | 1,448,618 | 192,619 | (149,834) | 5,867,768 | 87,545,000 |
| 2011 | | 4,114,615 | 1,310,207 | 284,521 | (171,126) | 5,538,217 | 87,545,000 |
| 2012 | 300,000 | 4,114,615 | 1,085,558 | 284,521 | (171,126) | 5,613,568 | 87,245,000 |
| 2013 | 350,000 | 4,100,515 | 1,081,838 | 283,546 | (170,540) | 5,645,359 | 86,895,000 |
| 2014 | 450,000 | 4,084,065 | 1,077,498 | 282,409 | (169,856) | 5,724,116 | 86,445,000 |
| 2015-2019 | 4,675,000 | 19,896,275 | 5,249,230 | 1,375,806 | (827,483) | 30,368,828 | 81,770,000 |
| 2020-2024 | 5,930,000 | 18,681,850 | 4,929,620 | 1,292,038 | (777,101) | 30,056,407 | 75,840,000 |
| 2025-2029 | 7,510,000 | 17,149,360 | 4,524,512 | 1,185,860 | (713,240) | 29,656,492 | 68,330,000 |
| 2030-2034 | 9,885,000 | 15,206,380 | 4,011,896 | 1,051,505 | | 30,154,781 | 58,445,000 |
| 2035-2039 | 58,445,000 | 11,443,090 | 3,019,028 | 791,278 | | 73,698,396 | - |

| | |
|---|---|
| (1) Swap payments began November 1, 2009 | |
| (2) Based on actual average rate paid for 2010 | 0.00325 |
| 2011 thereafter based on rate at December 31, 2010 | |
| (3) Based on actual receipts for 2010 | 0.001955 |
| 2011 thereafter assumed 75% of 1 mo. LIBOR at 12/31/2010 | |
| (4) Debt Service Payments began August 4, 2009 | |
| (5) Letter of Credit fee estimated at current rate | 0.0124 |
| 100% of 1 month USD-LIBOR rate at 12/31/2010 | 0.0026 |

At December 31, 2010, the total of the unamortized Swap Premium and unamortized exercise payment was $7,493,293. During the year, $416,294 was amortized to interest income.

## 9. ARBITRAGE REBATE PAYABLE

The Tax Reform Act of 1986 imposed additional restrictive regulations, reporting requirements and arbitrage rebate liabilities on issuers of tax-exempt debt. This Act requires the remittance to the IRS of 90% of the cumulative rebatable arbitrage within 60 days of the end of each five-year reporting period following the issuance of governmental bonds. The estimated amount of arbitrage payable represents the excess of amounts earned on "taxable" investments over the interest cost of the tax-exempt borrowing, plus income attributable to the excess. The arbitrage rebate liability related to the Transportation System Revenue Bonds Series 2003, at December 31, 2010, was $107,843.

## 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 1999 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.

## 10. DEBT DEFEASANCE (CONTINUED)

In 2009, the Authority current refunded a portion of certain maturities of its outstanding 1999 Series Bonds by issuing $62,015,000 of Series 2009 Bonds to achieve a reduction in Debt Service. Proceeds from the 2009 Bonds were used to purchase U.S. Government Securities that were placed in an escrow account. The investments and fixed earnings from the investments were sufficient to fully service the defeased debt until the debt was called. For financial reporting purposes, the debt has been considered defeased and therefore, removed as a liability from the Authority's balance sheet. The amount of defeased debt removed from the balance sheet was $61,625,000. The proceeds from the 2009 Bonds placed in the escrow account were used to refund serial bonds with interest rates ranging from 5.0% to 5.25% and a par value of $61,625,000 that were called on November 1, 2009 at a redemption price of 101% of the par amount, plus accrued interest to the redemption date. As a result of the defeasance, the Authority reduced its total debt service requirements by $4,443,075, which resulted in an economic gain (difference between the preset value of the debt service payments on the old and new debt) $3,772,001.

## 11. CONDUIT DEBT OBLIGATIONS

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

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

The Authority has no other responsibility for the payment of this debt. The amounts payable by CRDA under the CRDA Pledge Agreement are Governmental Grants, which do not constitute Revenues under the Bond Resolution, and the Special Revenue Bonds are not payable from or secured by such Revenues. The total amount of this outstanding conduit debt as of December 31, 2010 is as follows:

| Year Issued | Amount Issued | Accreted Value at 12/31/10 | 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%.

## 11. CONDUIT DEBT OBLIGATIONS (CONTINUED)

In 2007, the Authority began receiving payments pursuant to the CRDA Pledge Agreement described above. For the year ended December 31, 2010, the Authority received $3,268,056. As of December 31, 2010, the Authority has cumulatively received $14,016,975. This amount was applied to outstanding interest payable proportionally to all series and remitted to the bondholders by the trustee in accordance with the terms of the indenture.

## 12. RATES AND CHARGES

Section 7.08 of the Bond Resolution states as follows:

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

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

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

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

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

## 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 | $ 108,654,245 | $ 108,654,245 | $ 108,654,245 |
| Interest Revenue | 635,666 | 635,666 | 635,666 |
| Interest Revenue-Airport | 10,472 | 10,472 | 10,472 |
| Interest Revenue Transferred from Restricted Funds | 651,160 | 651,160 | 651,160 |
| Interest Revenue-General Reserve Fund | 40,374 | 40,374 | 40,374 |
| Total Revenue | 109,991,917 | 109,991,917 | 109,991,917 |
| Less: | | | |
| Grant Revenue | 3,846,529 | 3,846,529 | 3,846,529 |
| Airport Revenue | 12,190,348 | 12,190,348 | 12,190,348 |
| Airport Interest | 10,472 | 10,472 | 10,472 |
| Total Available Revenue | 93,944,568 | 93,944,568 | 93,944,568 |
| Pledged Project Expenses | 48,052,334 | 48,052,334 | 48,052,334 |
| Net Revenues | $ 45,892,234 | $ 45,892,234 | $ 45,892,234 |
| Airport Revenues Available for Debt Service (ARAFDS) | $ 4,883,268 | $ 4,883,268 | $ 4,883,268 |
| Net Revenue plus ARAFDS | 50,775,502 | 50,775,502 | 50,775,502 |
| Total Available Revenue plus ARAFDS | | | 98,827,836 |
| Senior Debt Service | 30,422,310 | 30,422,310 | 30,422,310 |
| Subordinated Debt Service | | 1,495,635 | |
| Rehabilitation & Repair Requirement | | | |
| State Payment Requirement | | 2,499,999 | |
| Other Required Deposits | | 2,231,116 | |
| General Project Operating Expenses | | 8,415,753 | |
| Total Debt Service & Other Obligations | $ 30,422,310 | $ 45,064,813 | N/A |
| Total Pledged Projects and Debt Service | N/A | N/A | $ 78,474,644 |
| Coverage Ratio | 166.90% | 112.67% | 125.94% |
| Required Coverage | 120.00% | 100.00% | 100.00% |
| Excess Coverage | 46.90% | 12.67% | 25.94% |

## 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 include financial statement and required supplementary information. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions, P.O. Box 295, Trenton, New Jersey, 08625-0295.

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

The contribution requirements of Plan members and the Authority are established and may be amended by the Board of Trustees of the respective Plans. The employees' contribution to the PERS Plan was $1,057,472 and $1,035,207 for the years ending December 31, 2010 and 2009 respectively. The allocation of Employees' contributions for 2010 is summarized below:

**Employee Contributions**

| | Expressway | Airport | Total |
|---|---|---|---|
| Public Employees Retirement System (PERS) | $ 1,025,998 | $ 31,474 | $ 1,057,472 |
| Police and Fire Retirement System (PFRS) | - | 100,518 | 100,518 |
| | $ 1,025,998 | $ 131,992 | $ 1,157,990 |

In 2010, the Authority continued to allocate their required contribution to the PERS and PFRS Plans between Expressway operations and Airport operations. The allocation of Authority contributions are summarized below:

## 13. PENSION PLAN (CONTINUED)

**Authority Contributions**

| | Expressway | Airport | Total |
|---|---|---|---|
| Public Employees Retirement System (PERS) | $ 1,518,782 | $ 168,754 | $ 1,687,536 |
| Police and Fire Retirement System (PFRS) | - | 266,168 | 266,168 |
| | $ 1,518,782 | $ 434,922 | $ 1,953,704 |

## 14. RISK MANAGEMENT AND HEALTH INSURANCE

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

### Risk Management

### Expressway

Effective September 1, 2005, the Authority established a Self-Insurance fund program for certain risk areas. The Authority's per occurrence self insurance retention levels are $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 $819,000 which represents estimated claims relating to the period ended December 31, 2010. The Reserve for Insurance Claims balance at December 31, 2010 is $817,088. During the year, claim expense in the amount of $1,438,842 was charged to the reserve.

### 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 have been made based on the number of employees currently employed at the Airport. The Authority has recorded accrued expenses of $96,000, which represents estimated claims relating to the period ended December 31, 2010. Charges have been made to the reserve in the amount of $21,042 as of December 31, 2010. The reserve balance as of December 31, 2010 is $434,686.

## 14. RISK MANAGEMENT AND HEALTH INSURANCE (CONTINUED)

Risk Management

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.

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

Health Insurance

Expressway

In 2009, the Authority established a Self-Insurance Reserve in the Expressway Fund for health insurance. During 2010, health insurance costs were charged to the reserve in the amount of $6,716,216. The reserve balance as of December 31, 2010 is $3,233,614.

Airport

In 2009, the Authority established a Self-Insurance Reserve in the Airport Fund for health insurance. During 2010 health insurance costs were charged to the reserve during the year in the amount of $751,777. The reserve balance as of December 31, 2010 is $584,579.

## 15. AUTHORITY RETIREMENT MEDICAL BENEFITS

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

A. Non-Union Employees

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

## 15. AUTHORITY RETIREMENT MEDICAL BENEFITS (CONTINUED)

B. Union Employees

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

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

The Authority funds the benefits on a pay-as-you-go basis. The cost of providing these benefits for ninety-seven (97) retirees for the year ended December 31, 2010 was $1,211,744.

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During 2010, the Authority allocated the expense related to employees whose salaries were charged to the Airport immediately prior to their retirement.

## 16. COMPENSATED ABSENCES

A. Non-Union Employees

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

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

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

Part-time employees are not entitled to compensated absences.

## 16. COMPENSATED ABSENCES (CONTINUED)

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

B. Union Employees

Vacation Time

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

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

Sick Time

Members of the International Federation of Professional and Technical Engineers, Local 196, Chapter 2 and Local 193, Chapter A, are entitled to cash out sick time up to $15,000. The following percentages apply:

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

- 50% of present salary for the first 150 days of accumulated sick days.
- 100% of present salary for accumulated sick leave in excess of 150 days.
- Maximum of $15,000

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

- 75% of present salary for the first 150 days of accumulated sick days.
- 100% of present salary for accumulated sick leave in excess of 150 days.
- Maximum of $15,000

Local S-18 members are entitled to cash out sick leave up to $15,000 at the employees' rate of pay at retirement. Unused sick time earned will not be paid upon resignation, termination or layoff.

Compensatory Time

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

## 16. COMPENSATED ABSENCES (CONTINUED)

Compensatory Time

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

C. Accrued Expense

The Authority has both operating and non-operating accrued expenses. The operating accrued expense pertains to compensated absences as described above. The Authority's accrued liability for compensated absences, including additional amounts accrued for Social Security, Medicare and pension plan contributions as of December 31, 2010 is as follows:

| | Expressway | Airport | Total |
|---|---|---|---|
| Sick Time | $ 1,172,581 | $ 122,870 | $ 1,295,451 |
| Vacation Time | 450,611 | 107,288 | 557,899 |
| Compensatory Time | 97,246 | 49,483 | 146,729 |
| | $ 1,720,438 | $ 279,641 | $ 2,000,079 |

## 17. SOUTH JERSEY TRANSPORTATION PLANNING ORGANIZATION

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

## 18. AIRPORT MANAGEMENT

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

## 18. AIRPORT MANAGEMENT (CONTINUED)

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

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

## 19. STATE PAYMENT

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

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

## 20. ELECTRONIC TOLL COLLECTION

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

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

## 20. ELECTRONIC TOLL COLLECTION (CONTINUED)

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.

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, 2010 is $23,689,256, which consists of $23,689,256 payable from unrestricted funds.

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

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

## 22. CRDA PARKING FEE AGREEMENT

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

Pursuant to the Agreement, a portion of certain statutory parking fees ("Marina Parking Fees") receivable by CRDA from marina parking facilities used in conjunction with any new licensed casino hotel construction and located on land in the Marina District (also commonly known as the H-Tract) will be payable to the Authority. These parking fees pertain to the minimum charge per day for each motor vehicle parked, garaged or stored in a parking space in the parking facility, other than for motor vehicles owned or leased by the owner or operator of such facility or by an employee of the casino hotel which owns or leases such facility. The maximum amount payable by CRDA under the Parking Fee Agreement is an amount sufficient to amortize $65 million in Authority bonds issued to finance the Atlantic City Expressway Connector Project and certain allocated costs of issuance. CRDA's payment obligations under the Parking Fee Agreement, as amended by the First, Second and Third Amendments dated June 15, September 20, 2001, and March 2005 respectively are subordinate to the prior lien on the Marina Parking Fees of certain parking revenue bonds of CRDA, plus liens associated with two additional issuances CRDA parking revenue bonds. During 2010, the Authority recognized revenue of $2,788,965 versus $2,941,184 in 2009.

## 22. CRDA PARKING FEE AGREEMENT (CONTINUED)

Through December 31, 2010, CRDA has paid the Authority a total of $22,035,476. Because of the subordination provisions described above, there are no assurances that the amount of Marina Parking Fees available to enable CRDA to repay the Authority will be sufficient for such purposes.

## 23. TRANSPORTATION SERVICES

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

## 24. RELATED PARTY

As of June 30, 2005, a board member was appointed to the Authority Board of Commissioners. This individual is the brother of one of the partners in a law firm that provided representation and received compensation from the Authority during 2010. During 2010, this firm billed the Authority $263,126 for services rendered. At December 31, 2010, $24,100 was payable and due to the firm. As of the date of this report, all outstanding amounts for the year ending December 31, 2010 have been paid. This commissioner does not direct legal work to any law firms on behalf of the Authority and additionally, abstains from voting when legal invoices are presented to the Board of Commissioners for approval.

## 25. OPERATING LEASES

The Authority currently has a lease agreement with a private company to provide office space for the SJTPO office in Vineland, New Jersey. This lease expired in 2010 but was renewed on August 25, 2010 for a new five (5) year lease term expiring on August 24, 2015. Lease expenses incurred for 2010 and 2009 were $71,274 and $80,160 respectively.

At December 31, 2010, the future minimum lease payments are as follows:

| | | Operating |
|---|---|---|
| 2011 | $ | 67,860 |
| 2012 | | 67,860 |
| 2013 | | 67,860 |
| 2014 | | 67,860 |
| 2015 | | 67,860 |
| 2016-2020 | $ | 351,250 |
| | | 690,550 |

In October of 2008, the Authority entered into a sublease agreement with a private company to lease office space in Camden, New Jersey. The term of this Sublease shall be for a period of three (3) years, commencing on June 17, 2008. The term of the Sublease shall expire on June 16, 2011, unless sub-lessee has exercised its renewal options. The Authority has the option to renew the Sublease Agreement, for two (2) additional terms of one (1) year. Lease expenses incurred for 2010 and 2009 were $40,016 and $34,592, respectively.

## 26. OTHER POST EMPLOYMENT BENEFITS

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

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

## 26. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

### Plan Description

Pursuant to N.J.S.A. 27:25 A-1 et seq, and certain board resolutions, the South Jersey Transportation Authority provides group health care, prescription drugs, dental, vision benefits and Medicare Part B premium reimbursements for active and retired employees (and for eligible dependents and survivors of active and retired employees). Collectively, these covered individuals are referred to as participants. Group health and prescription drug benefits for participants age 65 and older are provided through insurance companies whose premiums are based on the benefits paid during the year. Group health, prescription drug and vision benefits for participants under age 64 and dental benefits for all participants are paid through a plan under which benefits are paid by the service provider on behalf of the Authority. Vision benefits for participants age 65 and older and Medicare Part B premium reimbursements are paid directly by the Authority. The actuarial valuation report was based on 309 total participants including 155 retirees. As of December 31, 2010, there were no funding contributions required from the retired employees. All active employees are required to contribute $75.00 per month towards the cost of the benefits plan. 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.

### 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, 2009 actuarial valuation, the projected unit credit cost method was used for all participants. The actuarial assumptions used to project future costs included a discount rate of 4.50%, an annual medical healthcare and prescription drug cost trend rate of 10.0% in 2011, with a gradual decline of .5% per year until an ultimate health care cost trend rate is reached in 2021 of 5.0%. Medicare Part B premiums are assumed to increase by 5.0% each year. Dental and Vision costs are also assumed to increase by 5.0% annually. In addition, the unfunded actuarial accrued liability is being amortized over the maximum acceptable period of 30 years and is calculated assuming a level percentage of projected payrolls.

## 26. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

### Plan Changes Since Prior Evaluation

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

In the February 2011 actuarial valuation, the Annual Required Contribution (ARC) for the year ending December 31, 2010 was projected as follows:

| | Expressway | Airport | Total |
|---|---|---|---|
| Normal Cost with Interest | $ 2,359,600 | $ 416,400 | $ 2,776,000 |
| Amortization of Unfunded Actuarial Accrued Liability | 12,157,550 | 2,145,450 | - 14,303,000 |
| | $ 14,517,150 | $ 2,561,850 | $ 17,079,000 |

### Other Post-employment Benefit Costs and Obligations

The following reflects the components of the 2010 annual OPEB Costs, amounts paid, and changes to the net accrued OPEB obligation based on the February 2011 actuarial valuation and actual OPEB payments made or accrued during 2010:

## 26. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

### Other Post-employment Benefit Costs and Obligations

| | Expressway | Airport | Total |
|---|---|---|---|
| Net OPEB Obligation - Beginning of Year | $44,607,669 | $8,078,675 | $52,686,344 |
| Annual Required Contribution | 14,517,150 | 2,561,850 | 17,079,000 |
| Interest on Net OPEB Obligation | 2,015,350 | 355,650 | 2,371,000 |
| Adjustment to ARC | | | - |
| Annual OPEB Cost | 16,532,500 | 2,917,500 | 19,450,000 |
| Employer Contributions | (1,029,982) | (181,762) | (1,211,744) |
| Increase in Net OPEB Obligation | 15,502,518 | 2,735,738 | 18,238,256 |
| Net OPEB Obligation - End of Year | 60,110,187 | 10,814,413 | 70,924,600 |
| Percentage of OPEB Cost Contributed | 6.23% | 6.23% | 6.23% |

Required Supplementary Information:

| | Expressway | Airport | Total |
|---|---|---|---|
| Actuarial Value of Plan Assets | $ - | $ - | $ - |
| Actuarial Accrued Liability (AAL) | 56,940,650 | 10,048,350 | 66,989,000 |
| Total Unfunded AAL (UAAL) | 56,940,650 | 10,048,350 | 66,989,000 |
| Funded Ratio | 0.00% | 0.00% | 0.00% |
| Covered Payroll | 19,469,443 | 2,713,444 | 22,182,887 |
| UAAL as a % of Covered Payroll | 292.46% | 370.32% | 301.99% |

## 26. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

During 2008, the Authority established an account for OPEB contributions and authorized contributions up to $2 million per year. During 2010 the Authority contributed $2 million to this account. The balance in this account at December 31, 2010 was $6,000,000. Had this contribution been made to Trust administered by a third-party, the actuarial value of the plan assets as well as other significant plan data would be as follows:

| | Expressway | Airport | Total |
|---|---|---|---|
| Actuarial Value of Plan Assets | $ 5,105,951 | $ 894,049 | $ 6,000,000 |
| Actuarial Accrued Liability (AAL) | 56,940,650 | 10,048,350 | 66,989,000 |
| Total Unfunded AAL (UAAL) | 51,834,699 | 9,154,301 | 60,989,000 |
| Funded Ratio | 8.97% | 8.90% | 8.96% |
| Covered Payroll | 19,469,443 | 2,713,444 | 22,182,887 |
| UAAL as a % of Covered Payroll | 266.24% | 337.37% | 274.94% |

## 27. SOUTH INLET TRANSPORTATION IMPROVEMENTS PROJECT

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

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

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

## 27. SOUTH INLET TRANSPORTATION IMPROVEMENTS PROJECT (CONTINUED)

| Year | Amount | Year | Amount |
|---|---|---|---|
| 2011 | $ 1,504,419 | 2020 | $ 1,501,957 |
| 2012 | 1,504,419 | 2021 | 1,502,331 |
| 2013 | 1,504,019 | 2022 | 1,499,425 |
| 2014 | 1,504,019 | 2023 | 1,503,125 |
| 2015 | 1,499,819 | 2024 | 1,499,350 |
| 2016 | 1,500,419 | 2025 | 1,503,325 |
| 2017 | 1,499,619 | 2026 | 1,501,338 |
| 2018 | 1,502,419 | 2027 | 1,501,500 |
| 2019 | 1,503,619 | | |

## 28. AIRTRAN AIRWAYS RISK ABATEMENT

On March 20, 2009, the Authority entered into a Transportation Services Agreement with AirTran Airways, Inc. (“AirTran”). Under the terms of the agreement, effective June 11, 2009, AirTran will operate daily scheduled round-trip jet service between Atlantic City (“ACY”) and Atlanta (“ATL”).

AirTran has identified and set the frequency of flights and flight times in the identified city pair markets. All flights will be operated with AirTran’s normal passenger in-flight services. AirTran has determined the fare levels and inventory allocations by fare level for all jet services. AirTran is responsible for all operating expenses related to the jet service provided including, but not limited to aircraft, crew, maintenance, insurance, fuel, ground services, reservations and normal distribution.

As an inducement to AirTran to provide jet service, the Authority guarantees to AirTran gross passenger revenues of $4,496 plus appropriate fuel adjustments per block hour for the ATL-ACY service, as such amount may be adjusted from time to time in accordance with the terms of the agreement. AirTran has set a proposed block hour time for the jet service between ACY and ATL. The Authority agrees that AirTran’s determination of the actual block hour times will be the basis for the “Block Hour Guarantee”. AirTran will determine on a monthly basis whether its gross passenger revenues fall below the Block Hour Guarantee (“Block Hour Shortfall”). In the event a Block Hour Shortfall occurs, AirTran will prepare and submit a Block Hour Shortfall billing to the Authority. According to the terms of the agreement with AirTran, in no event shall the cumulative Block Hour Shortfall exceed $3,100,000. The amounts payable under this agreement are payable solely from revenues received by the Authority for operating, maintaining or repairing the Transportation System, other than airport revenues and deposited in the General Reserve Fund as defined in the Authority’s Bond Resolution. On February 3, 2011 the Authority and AirTran agreed to extend this agreement for one year.

## 28. AIRTRAN AIRWAYS RISK ABATEMENT (CONTINUED)

Under the terms of this extension AirTran agreed to operate jet service until September 7, 2011 and the Authority agreed to guarantee gross passenger revenues of $4,872 plus appropriate fuel adjustments per block hour for the ATL-ACY service, as such amount may be adjusted from time to time in accordance with the terms of the agreement however, in no event shall the cumulative Block Hour Shortfall exceed $1,400,000 for the additional one year term of the agreement.

Total amount of airline risk abatement expense for AirTran for 2010 and 2009 was $1,531,126 and $2,474,637, respectively.

## 29. POLLUTION REMEDIATION COST

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

- An imminent threat to public health due to pollution exists.
- The Authority is in violation of a pollution prevention-related permit or license.
- The Authority is named by a regulator as a responsible or potentially responsible party to participate in remediation.
- The Authority is named or there is evidence to indicate that it will be named in a lawsuit that compels participation in remediation activities, or
- The Authority voluntarily commences or legally obligates itself to commence remediation efforts.

As of December 31, 2010, the Authority has determined that it is not required to recognize any operating expense or record a corresponding liability for any pollution remediation obligation.

## 30. LOAN AGREEMENT WITH THE CASINO REINVESTMENT DEVELOPMENT AUTHORITY

On March 16, 2009, the Authority entered into a Loan and Security Agreement ("Loan") with the Casino Reinvestment Development Authority ("CRDA") in the amount of $5,200,000. The proceeds of this loan are being used to partially fund the construction of a $13.1 million Apron Expansion at the Atlantic City International Airport. Improvements to the apron were necessary to accommodate the planned expansion of the main terminal and effectuate safety upgrades. The safety upgrades will improve the grade of the existing apron area to meet Federal Aviation Administration (FAA) standards, provide for the separation of airplane traffic and ground vehicle traffic, and increase the area for remote overnight parking of aircraft to allow for greater aircraft movement.

This Loan is secured solely from Passenger Facility Charges ("PFC's") collected by the Authority, and accordingly repayments of the Loan are made from PFC' s collected by the Authority in the month following receipt. Interest is accruing on the outstanding balance of the Loan at the rate of 4.132% per year during the term of the Loan. The Loan shall mature upon the expiration of five (5) years from the date of the Note. During 2010, the Authority received a total of $370,251 in Loan Proceeds from CRDA, and has repaid principal and interest in the amount of $3,285,144 and $111,656 respectively. The outstanding loan payable balance at December 31, 2010 is $930,055.

## 31. RECLASSIFICATION OF PRIOR YEAR BALANCE

A reclassification of the prior year balance in Buildings and Equipment and Infrastructure Equipment is necessary. The balance reported at December 31, 2009 for Non-Infrastructure Capital Assets; Buildings and Equipment in the amount of $101,751,293 was understated by $10,968,734, and the balance in Infrastructure Capital Assets; Infrastructure Equipment was overstated by the same amount. This reclassification does not impact the Statement of Revenues, Expenses and Changes in Net Assets. Below is a summary of this reclassification:

| | December 31, 2009 Balance as Originally Reported | Reclassification | December 31, 2009 Balance as Restated |
|---|---|---|---|
| **Non-Infrastructure Capital Assets:** | | | |
| Buildings and Equipment | $ 101,751,293 | $ 10,968,734 | $ 112,720,027 |
| **Infrastructure Capital Assets:** | | | |
| Infrastructure - Equipment | $ 23,555,903 | $ (10,968,734) | $ 12,587,169 |

## 31. RECLASSIFICATION OF PRIOR YEAR BALANCE (CONTINUED)

The Authority has restated the balances of "Net Assets; Invested in Capital Assets, Net of Related Debt" and "Net Assets; Restricted for Capital Projects" at December 31, 2009. Based on further interpretation of the requirements as outlined in *Governmental Accounting Standards Board's Statement 34: Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, it was determined that certain components related to capital expense accruals, retainage payable, loans payable and certain cash and investment accounts at December 31, 2009 were not included in the calculation of the Investment in Capital Assets, Net of Related Debt. Because bond proceeds were used to acquire capital assets these components are necessary in the calculation. This reclassification does not impact the Statement of Revenues, Expenses and Changes in Net Assets. Inclusion of these components has changed the balance in Net Assets, Invested in Capital Assets, Net of Related Debt, and Net Assets, Restricted for Capital Projects as outlined in the analysis below.

| | December 31, 2009 Balance as Originally Reported | Reclassification | December 31, 2009 Balance as Restated |
|---|---|---|---|
| **Net Assets:** | | | |
| Invested in Capital Assets, Net of Related Debt | $ 148,940,298 | $ 119,332,185 | $ 268,272,483 |
| **Restricted for:** | | | |
| Capital Outlay | $ 120,659,659 | $ (119,332,185) | $ 1,327,474 |

The Authority has restated the balances of "Net Assets; Unrestricted for Unfunded OPEB /(Deficit) and Unrestricted Net Assets" at December 31, 2009. The Authority decided to change the presentation of the Unfunded OPEB/(Deficit) and Funded OPEB Obligation accounts as components of Unrestricted Net Assets rather than as components of Restricted Net Assets as originally reported at December 31, 2009, and reclassify Unrestricted Net Assets to clearly identify the portion which relates to the OPEB Net Assets. This reclassification does not impact the Statement of Revenues, Expenses and Changes in Net Assets as outlined below.

| | December 31, 2009 Balance as Originally Reported | Reclassification | December 31, 2009 Balance as Restated |
|---|---|---|---|
| **Net Assets:** | | | |
| **Restricted for:** | | | |
| Unfunded OPEB Deficit | $ (47,073,242) | $ 47,073,242 | $ - |
| Funded OPEB Obligation | 4,000,000 | (4,000,000) | - |
| **Unrestricted for:** | | | |
| Unrestricted Net Assets | $ 25,244,861 | $ 5,613,102 | $ 30,857,963 |
| Unfunded OPEB Deficit | - | (52,686,344) | (52,686,344) |
| Funded OPEB Obligation | | 4,000,000 | 4,000,000 |
| | (17,828,381) | - | (17,828,381) |

# OTHER SUPPLEMENTARY INFORMATION

**SOUTH JERSEY TRANSPORTATION AUTHORITY**

**STATEMENT OF NET ASSETS**

**FUND FINANCIAL STATEMENTS**

**December 31, 2010**

**With Comparative Totals as of December 31, 2009**

| | Unrestricted Accounts | | | Restricted Accounts | | | | | | | | Totals | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Revenue Fund | Airport Fund | General Reserve Fund | Debt Service Fund | Rehabilitation and Repair Fund | State Payment Fund | Debt Service Reserve Fund | Rebate Fund | Subordinated Debt Fund | Construction Fund | Consolidation Eliminations | 2010 | as restated 2009 |
| ASSETS | | | | | | | | | | | | | |
| Unrestricted Assets | | | | | | | | | | | | | |
| Cash and Cash Equivalents | $ 15,383,789 | $ 3,017,349 | $ 19,660,457 | | | | | | | | | $ 38,061,595 | $ 44,754,093 |
| Investments | 59,512 | | 2,595,710 | | | | | | | | | 2,655,222 | 2,589,144 |
| Change Funds | 42,446 | 6,599 | | | | | | | | | | 49,045 | 54,902 |
| Interest and Dividends Receivable | 9,452 | 665 | 3,917 | | | | | | | | | 14,034 | 6,831 |
| Accounts Receivable, net of allowance for uncollected accounts of $108,066 | 2,761,928 | 1,259,492 | | | | | | | | | | 4,021,420 | 2,864,221 |
| Grants Receivable | 1,864,746 | - | | | | | | | | | | 1,864,746 | 1,238,677 |
| Prepaid Expenses | 1,562,384 | 305,421 | | | | | | | | | | 1,867,805 | 1,907,611 |
| Security Deposits | 114,168 | 1,530 | | | | | | | | | | 115,698 | 114,168 |
| Inventory | 342,026 | | | | | | | | | | | 342,026 | 257,950 |
| Interfunds Receivable | 17,908,488 | 435,950 | 27,874,249 | | | | | | | | $ (46,218,687) | - | |
| Total Unrestricted Assets | 40,048,939 | 5,027,006 | 50,134,332 | | | | | - | | | (46,218,687) | 48,991,591 | 53,787,597 |
| Restricted Assets | | | | | | | | | | | | | |
| Cash and Cash Equivalents | 887,532 | | | $ 3,781,537 | $ 5,286,186 | $ 71 | $ 1,844,671 | $ 190,377 | $ 162,579 | $ 43,656,835 | | 55,809,789 | 64,957,103 |
| Investments | 6,889,989 | | | - | 827,889 | | 29,630,871 | - | 1,472,903 | 117,461,476 | | 156,283,129 | 197,117,182 |
| Accounts Receivable | | | | | | | | | 16,290,000 | 208,882 | | 16,498,882 | 18,206,605 |
| Grants Receivable | | | | | | | | | | 3,658,499 | | 3,658,499 | 1,385,745 |
| Interfunds Receivable | | | | 16,350,634 | 1,608,036 | 208,334 | 1,507,322 | 181,447 | 3,168,242 | 16,142,951 | (39,166,967) | - | |
| Interest Receivable | | | | 668 | 1,075 | 18 | 117,627 | 39 | 546 | 292,799 | | 412,771 | 359,714 |
| Total Restricted Assets | 7,777,521 | - | - | 20,132,839 | 7,723,186 | 208,423 | 33,100,491 | 371,863 | 21,094,271 | 181,421,441 | (39,166,967) | 232,663,070 | 282,026,349 |
| Noncurrent Assets | | | | | | | | | | | | | |
| Capital assets: | | | | | | | | | | | | | |
| Non-Infrastructure Capital Assets: | | | | | | | | | | | | | |
| Land and Improvements | - | | | | | | | | | 146,921,642 | | 146,921,642 | 146,921,642 |
| Electronic Toll Equipment | - | | | | | | | | | 8,917,935 | | 8,917,935 | 8,917,935 |
| Buildings and Equipment | - | | | | | | | | | 113,648,916 | | 113,648,916 | 112,720,027 |
| Less Accumulated Depreciation | - | | | | | | | | | (52,348,691) | | (52,348,691) | (49,360,579) |
| Total Non-Infrastructure Capital Assets | - | - | - | - | - | - | - | - | - | 217,139,802 | - | 217,139,802 | 219,199,025 |
| Infrastructure Capital Assets: | | | | | | | | | | | | | |
| Infrastructure - Equipment | - | | | | | | | | | 12,774,391 | | 12,774,391 | 12,587,169 |
| Infrastructure | - | | | | | | | | | 438,722,491 | | 438,722,491 | 424,864,360 |
| Less Accumulated Depreciation | - | | | | | | | | | (138,022,673) | | (138,022,673) | (122,206,190) |
| Total Infrastructure Capital Assets | - | - | - | - | - | - | - | - | - | 313,474,209 | - | 313,474,209 | 315,245,339 |
| Construction in Progress | | | | | | | | | | 74,409,538 | | 74,409,538 | 30,592,825 |
| Total Capital Assets | - | - | - | - | - | - | - | - | - | 605,023,549 | - | 605,023,549 | 565,037,189 |
| Bond Issuance Costs | | | | | | | | | 651,170 | 11,251,105 | | 11,902,275 | 11,389,610 |
| Less Accumulated Amortization | | | | | | | | | (20,294) | (3,305,391) | | (3,325,685) | (2,273,333) |
| Total Non-current Non-capital Assets | - | - | - | - | - | - | - | - | 630,876 | 7,945,714 | - | 8,576,590 | 9,116,277 |
| Deferred Outflow- Interest Rate Swaps | | | | | | | | | | 20,845,179 | | 20,845,179 | - |
| Total Non-Current Assets | - | - | - | - | - | - | - | - | 630,876 | 633,814,442 | - | 634,445,318 | 574,153,466 |
| TOTAL ASSETS | $ 47,826,460 | $ 5,027,006 | $ 50,134,332 | $ 20,132,839 | $ 7,723,186 | $ 208,423 | $ 33,100,491 | $ 371,863 | $ 21,725,147 | $ 815,235,882 | $ (85,385,654) | $ 916,099,979 | $ 909,967,412 |

**SOUTH JERSEY TRANSPORTATION AUTHORITY**

**STATEMENT OF NET ASSETS**

**FUND FINANCIAL STATEMENTS**

**December 31, 2010**

**With Comparative Totals as of December 31, 2009**

| | Unrestricted Accounts | | | Restricted Accounts | | | | | | | | Totals | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Revenue Fund | Airport Fund | General Reserve Fund | Debt Service Fund | Rehabilitation and Repair Fund | State Payment Fund | Debt Service Reserve Fund | Rebate Fund | Subordinated Debt Fund | Construction Fund | Consolidation Eliminations | 2010 | 2009 |
| LIABILITIES AND NET ASSETS | | | | | | | | | | | | | |
| Current Liabilities Payable From | | | | | | | | | | | | | |
| Unrestricted Assets: | | | | | | | | | | | | | |
| Accounts Payable | $ 5,085,438 | $ 2,468,126 | $ 905,764 | | | | | | | | | $ 8,459,328 | $ 8,241,483 |
| Due to Other Governmental Agencies | | | - | | | | | | | | | - | 349,995 |
| Deferred Income | 494,501 | 13,524 | | | | | | | | | | 508,025 | 554,652 |
| Escrow Deposits and Reserves | 50,718 | 66,313 | | | | | | | | | | 117,031 | 110,251 |
| Accrued Expenses | 1,599,504 | 279,641 | | | | | | | | $ - | | 1,879,145 | 3,266,409 |
| Interfunds Payable | 26,825,273 | 23,689,256 | 350,006 | | | | | | | | $ (50,864,535) | - | - |
| Total Current Liabilities Payable From Unrestricted Assets | 34,055,434 | 26,516,860 | 1,255,770 | - | - | - | - | - | - | - | (50,864,535) | 10,963,529 | 12,522,790 |
| Current Liabilities Payable From | | | | | | | | | | | | | |
| Restricted Assets: | | | | | | | | | | | | | |
| Accrued Interest | | | | $ 3,707,433 | | | | | $ 129,361 | - | | 3,836,794 | 3,651,969 |
| Accounts Payable | | | | 492,668 | | | | | 13 | 6,980,655 | | 7,473,336 | 7,961,168 |
| Unamortized SWAP Premium | | | | | | | | | | 7,493,293 | | 7,493,293 | 7,909,587 |
| Retainages Payable | | | | | | | | | | 2,637,172 | | 2,637,172 | 1,370,231 |
| Due to Other Government Agencies | - | | | | | $ 208,333 | | | | 930,055 | | 1,138,388 | 12,053,282 |
| PFC Advanced | | | | | | | | | | 3,247,336 | | 3,247,336 | 5,863,275 |
| Reserve for Self-Insurance | 4,171,636 | 1,019,265 | | | | | | | | | | 5,190,902 | 2,389,314 |
| Economic Recovery Funds Advanced | | | | | | | | | | 104,662 | | 104,662 | 104,662 |
| Interfunds Payable | | | | 706,515 | $ 1,407,232 | - | $ - | $ 159,519 | 1,755,260 | 30,492,593 | (34,521,119) | - | - |
| Bonds and Notes Payable Net of Discount, Premium and and Loss on Defeasance ($286,123) | | | | | | | | | 715,794 | 7,445,000 | | 8,160,794 | 7,539,805 |
| Total Current Liabilities Payable From Restricted Assets | 4,171,636 | 1,019,265 | - | 4,906,615 | 1,407,232 | 208,333 | - | 159,519 | 2,600,428 | 59,330,766 | (34,521,119) | 39,282,677 | 48,843,293 |
| Noncurrent Liabilities: | | | | | | | | | | | | | |
| Other Postemployment Benefits other than Pensions | 60,110,187 | 10,814,413 | | | | | | | | | | 70,924,600 | 52,686,344 |
| Arbitrage Rebate Payable | | | | | | | | 107,843 | | | | 107,843 | 94,305 |
| Bonds and Notes Payable Net of Discount, Premium and and Loss on Defeasance ($3,571,736) | | | | | | | | | 17,718,207 | 464,568,140 | - | 482,286,347 | 489,729,506 |
| Derivative Instrument Liability- Interest Rate Swaps | | | | | | | | | | 20,845,179 | | 20,845,179 | - |
| Total Noncurrent Liabilities | 60,110,187 | 10,814,413 | - | - | - | - | - | 107,843 | 17,718,207 | 485,413,319 | - | 574,163,969 | 542,510,155 |
| TOTAL LIABILITIES | $ 98,337,257 | $ 38,350,538 | $ 1,255,770 | $ 4,906,615 | $ 1,407,232 | $ 208,333 | $ - | $ 267,362 | $ 20,318,635 | $ 544,744,085 | $ (85,385,654) | $ 624,410,175 | $ 603,876,238 |

**SOUTH JERSEY TRANSPORTATION AUTHORITY**

**STATEMENT OF NET ASSETS**

**FUND FINANCIAL STATEMENTS**

**December 31, 2010**

**With Comparative Totals as of December 31, 2009**

| | Unrestricted Accounts | | | Restricted Accounts | | | | | | | | Totals | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Revenue Fund | Airport Fund | General Reserve Fund | Debt Service Fund | Rehabilitation and Repair Fund | State Payment Fund | Debt Service Reserve Fund | Rebate Fund | Subordinated Debt Fund | Construction Fund | Consolidation Eliminations | 2010 | as restated 2009 |
| NET ASSETS | | | | | | | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | | | | | | | | | | $ 268,337,119 | | $ 268,337,119 | $ 268,272,483 |
| Restricted for: | | | | | | | | | | | | | |
| Debt Service | | | | $ 15,226,224 | | | | | | | | 15,226,224 | 15,653,439 |
| Rehabilitation and Repair | | | | | $ 6,315,954 | | | | | | | 6,315,954 | 6,313,712 |
| Debt Service Reserve | | | | | | | $ 33,100,491 | | | | | 33,100,491 | 32,228,922 |
| State Payment | | | | | | $ 90 | | | | | | 90 | 91 |
| Capital Projects | | | | | | | | | | 2,154,678 | | 2,154,678 | 1,327,473 |
| Arbitrage Rebate | | | | | | | | $ 104,501 | | | | 104,501 | 117,641 |
| Subordinated Debt Fund | | | | | | | | | $ 1,406,512 | | | 1,406,512 | 5,794 |
| Unrestricted for: | | | | | | | | | | | | | |
| Unrestricted Net Assets | $ 4,493,439 | $ (23,403,168) | $ 48,878,564 | | | | | | | - | | 29,968,835 | 30,857,963 |
| Unfunded OPEB/(Deficit) | (60,110,187) | (10,814,413) | | | | | | | | | | (70,924,600) | (52,686,344) |
| Funded OPEB Obligation | 5,105,951 | 894,049 | | | | | | | | | | 6,000,000 | 4,000,000 |
| Total Net Assets | (50,510,797) | (33,323,532) | 48,878,564 | 15,226,224 | 6,315,954 | 90 | 33,100,491 | 104,501 | 1,406,512 | 270,491,797 | - | 291,689,804 | 306,091,174 |
| TOTAL LIABILITIES AND NET ASSETS | $ 47,826,460 | $ 5,027,006 | $ 50,134,334 | $ 20,132,839 | $ 7,723,186 | $ 208,423 | $ 33,100,491 | $ 371,863 | $ 21,725,147 | $ 815,235,882 | $ (85,385,654) | $ 916,099,979 | $ 909,967,412 |

**SOUTH JERSEY TRANSPORTATION AUTHORITY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

**FUND FINANCIAL STATEMENTS**

**Twelve months ended December 31, 2010**

**With Comparative Totals as of December 31, 2009**

| | Unrestricted Accounts | | Restricted Accounts | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Revenue Fund | Airport Fund | General Reserve Fund | Debt Service Fund | Rehabilitation and Repair Fund | State Payment Fund | Debt Service Reserve Fund | Rebate Fund | Subordinated Debt Fund | Construction Fund | Consolidation Eliminations | Totals 2010 | Totals 2009 |
| Operating Revenues: | | | | | | | | | | | | | |
| Tolls | $ 78,914,150 | | | | | | | | | | | $ 78,914,150 | $ 82,162,229 |
| Concessions | 1,922,597 | | | | | | | | | | | 1,922,597 | 1,914,142 |
| ETC Administration Revenue | 2,571,164 | | | | | | | | | | | 2,571,164 | 2,313,100 |
| Garage Parking | 847,494 | | | | | | | | | | | 847,494 | 928,839 |
| Marina Parking Revenue | 2,788,965 | | | | | | | | | | | 2,788,965 | 2,941,184 |
| Intercept Parking | 3,974 | | | | | | | | | | | 3,974 | 339,071 |
| Bus Permits | 329,268 | | | | | | | | | | | 329,268 | 383,401 |
| Rentals | 4,435,596 | | | | | | | | | | | 4,435,596 | 4,360,381 |
| Directional Signage Program | 49,837 | | | | | | | | | | | 49,837 | - |
| FEMA Snow Reimbursement Revenue | 374,581 | | | | | | | | | | | 374,581 | - |
| SJTPO Programs | 2,315,918 | | | | | | | | | | | 2,315,918 | 1,822,778 |
| Transportation Services | 1,530,611 | | | | | | | | | | | 1,530,611 | 2,106,283 |
| Other | 379,742 | | - | | | | | | | | | 379,742 | 833,087 |
| Airport | - | $ 12,190,348 | | | | | | | | | | 12,190,348 | 9,528,071 |
| Total Operating Revenues | 96,463,897 | 12,190,348 | - | - | - | - | - | - | - | - | - | 108,654,245 | 109,632,566 |
| Operating Expenses: | | | | | | | | | | | | | |
| Executive | 2,060,434 | | | | | | | | | | | 2,060,434 | 2,207,394 |
| Business Administration | 568,450 | | | | | | | | | | | 568,450 | - |
| Policy and Planning | 1,951 | | | | | | | | | | | 1,951 | 495,542 |
| Engineering | 3,258,398 | | | | | | | | | | | 3,258,398 | 3,333,800 |
| Finance | 1,373,225 | | | | | | | | | | | 1,373,225 | 1,600,396 |
| Central Accounts | 12,082,088 | | | | | | | | | | | 12,082,088 | 10,864,209 |
| Other Post-Employment Benefit | 1,029,982 | 181,762 | | | | | | | | | | 1,211,744 | 993,764 |
| Marketing and Communications | 345,996 | | | | | | | | | | | 345,996 | 336,801 |
| Tourist Services | 5,907,768 | | | | | | | | | | | 5,907,768 | 6,229,920 |
| Maintenance | 7,369,272 | | | | | | | | | | | 7,369,272 | 6,522,283 |
| Police | 6,861,680 | | | | | | | | | | | 6,861,680 | 7,800,907 |
| Emergency Service Patrol | 712,429 | | | | | | | | | | | 712,429 | 694,876 |
| Electronic Toll Collection Expense | 4,124,385 | | | | | | | | | | | 4,124,385 | 3,811,498 |
| Parking-(Non Airport) | 739,067 | | | | | | | | | | | 739,067 | 728,272 |
| Information and Toll Technology | 1,674,492 | | | | | | | | | | | 1,674,492 | 1,663,670 |
| SJTPO Programs | 2,315,918 | | | | | | | | | | | 2,315,918 | 1,822,778 |
| Transportation Services | 1,820,794 | | | | | | | | | | | 1,820,794 | 2,115,810 |
| Airport | - | 15,204,077 | | | | | | | | | | 15,204,077 | 14,166,369 |
| Depreciation | - | | | | | | | | | $ 20,969,758 | | 20,969,758 | 19,911,102 |
| Total Operating Expenses | 52,246,328 | 15,385,839 | - | - | - | - | - | - | - | 20,969,758 | - | 88,601,926 | 85,299,391 |
| Operating Income (Loss) | 44,217,569 | (3,195,491) | - | - | - | - | - | - | - | (20,969,758) | - | 20,052,319 | 24,333,175 |

**SOUTH JERSEY TRANSPORTATION AUTHORITY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

**FUND FINANCIAL STATEMENTS**

**Twelve months ended December 31, 2010**

**With Comparative Totals as of December 31, 2009**

| | Unrestricted Accounts | | | Restricted Accounts | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Revenue Fund | Airport Fund | General Reserve Fund | Debt Service Fund | Rehabilitation and Repair Fund | State Payment Fund | Debt Service Reserve Fund | Rebate Fund | Subordinated Debt Fund | Construction Fund | Consolidation Eliminations | Totals 2010 | Totals 2009 |
| Non-Operating Income(Expenses) | | | | | | | | | | | | | |
| Interest and Dividend R | $ 635,666 | $ 10,472 | $ 40,374 | $ 18,985 | $ 13,143 | $ 217 | $ (16,316) | $ 398 | $ 766,529 | $ 1,652,213 | $ | $ 3,121,681 | $ 2,099,762 |
| Gain on Acquisition of Marketable Securities | 43,666 | | | | | | | | | | | 43,666 | |
| Gain/(Loss) on Disposal of Assets | - | | | | | | | | | (54,761) | | (54,761) | 42,442 |
| Reduction/(Increase) in OPEB Liability | (15,502,518) | (2,735,738) | | | | | | | | | | (18,238,256) | 1,809,764 |
| AirTran Risk Abatement/NJDOT Feeder Rd. | - | | (2,231,116) | - | - | | | | | - | | (2,231,116) | (2,824,632) |
| Amortization Expense | | | | | | | | | (10,177) | (535,534) | | (545,711) | (788,952) |
| Amortization of Bond Premium | | | | | | | | | 5,794 | 228,832 | | 234,626 | 247,421 |
| Interest on Bonds | | | | (23,608,523) | | | | (13,538) | (785,635) | (1,747,510) | | (26,155,207) | (17,040,610) |
| State Payment | | | | | | (2,499,999) | | | | | | (2,499,999) | (10,500,000) |
| Total of Non-Operating Income/(Expenses) | (14,823,186) | (2,725,266) | (2,190,742) | (23,589,538) | 13,143 | (2,499,782) | (16,316) | (13,141) | (23,490) | (456,760) | - | (46,325,077) | (26,954,805) |
| Income (Loss) before Contributions and Transfers | 29,394,383 | (5,920,757) | (2,190,742) | (23,589,538) | 13,143 | (2,499,782) | (16,316) | (13,141) | (23,490) | (21,426,518) | - | (26,272,758) | (2,621,630) |
| Capital Contributions - Grants | 351,948 | | | | | | | | | 11,519,437 | (11,871,385) | - | |
| Total Capital Contributions | | | | | | | | | | | 11,871,385 | 11,871,385 | 107,981,167 |
| Interest Revenue Transferred | | | | | | | | | | | | - | |
| From Restricted Funds | 651,160 | | | | | | | | | | (651,160) | - | |
| Interest Revenue Transferred | | | | | | | | | | | | - | |
| To Operating Account | | | | | | | | | | | 651,160 | 651,160 | 688,809 |
| Bonds Principal Payment Transfer | | | | | | | | | | - | | - | - |
| Transfers (To)/From Unrestricted Funds | 9,084,133 | 2,789,730 | 12,931,419 | 22,783,382 | (10,901) | 2,499,781 | 889,181 | | 1,422,913 | 10,798,920 | (63,382,539) | (193,981) | |
| Transfers (To)/From Restricted Funds | (57,380,025) | - | (6,838,633) | 378,940 | | | (1,296) | | 1,296 | - | 63,382,539 | (457,179) | (688,809) |
| Change in Net Assets before Cumulative Effect of Accounting Change | (17,898,401) | (3,131,027) | 3,902,044 | (427,216) | 2,242 | (1) | 871,569 | (13,141) | 1,400,719 | 891,839 | - | (14,401,373) | 105,359,537 |
| Total Net Asset Balance -- Beginning | (32,612,396) | (30,192,505) | 44,976,520 | 15,653,439 | 6,313,711 | 91 | 32,228,922 | 117,641 | 5,794 | 269,599,960 | | 306,091,177 | 297,914,638 |
| Cumulative Effect of Accounting Change | - | | | | | | | | | | | - | - |
| Total Net Asset Balance -- Beginning as adjusted | (32,612,396) | (30,192,505) | 44,976,520 | 15,653,439 | 6,313,711 | 91 | 32,228,922 | 117,641 | 5,794 | 269,599,960 | - | 306,091,177 | 297,914,638 |
| Total Net Assets -- Ending | $ (50,510,797) | $ (33,323,532) | $ 48,878,564 | $ 15,226,223 | $ 6,315,953 | $ 90 | $ 33,100,491 | $ 104,500 | $ 1,406,513 | $ 270,491,799 | $ - | $ 291,689,804 | $ 403,274,175 |

**SOUTH JERSEY TRANSPORTATION AUTHORITY**

**SCHEDULE OF BONDS, NOTES AND OTHER DEBT**

**Period Ending December 31, 2010**

| | Date of Issue | Amount Issued | Interest Rate | Maturity Date | Balance December 31, 2009 | Issued | Paid | Balance December 31, 2010 |
|---|---|---|---|---|---|---|---|---|
| Transportation System Revenue Bonds, | 4/15/2003 | $ 15,790,000 | 3.25% | 11/01/10 | $ 1,985,000 | $ | $ 1,985,000 | $ - |
| 2003 Series, (Tax Exempt) | | | 5.00% | 11/01/11 | 2,050,000 | | | 2,050,000 |
| Original Issue Amount $44,100,000 | | | 5.25% | 11/01/12 | 2,155,000 | | | 2,155,000 |
| | | | | | 6,190,000 | - | 1,985,000 | 4,205,000 |
| Transportation System Revenue Bonds, | 06/02/99 | 204,520,000 | 5.250% | 11/01/10 | 3,685,000 | | 3,685,000 | - |
| 1999 Series | | | 5.125% | 11/01/20 | 9,280,000 | | | 9,280,000 |
| (Tax Exempt) | | | 5.125% | 11/01/21 | 9,755,000 | | | 9,755,000 |
| Original Issue Amount $204,520,000 | | | 5.125% | 11/01/22 | 10,255,000 | | | 10,255,000 |
| | | | 5.000% | 11/01/23 | 10,785,000 | | | 10,785,000 |
| | | | 5.000% | 11/01/24 | 11,320,000 | | | 11,320,000 |
| | | | 5.000% | 11/01/25 | 11,890,000 | | | 11,890,000 |
| | | | 5.000% | 11/01/26 | 12,485,000 | | | 12,485,000 |
| | | | 5.000% | 11/01/27 | 13,105,000 | | | 13,105,000 |
| | | | 5.000% | 11/01/28 | 13,760,000 | | | 13,760,000 |
| | | | 5.000% | 11/01/29 | 14,450,000 | | | 14,450,000 |
| | | | | | 120,770,000 | | 3,685,000 | 117,085,000 |
| Transportation System Revenue Bonds, | 06/24/2004 | $ 22,235,000 | 3.875% | 11/01/10 | $ 475,000 | $ | $ 475,000 | $ - |
| 2004 Series A | | | 4.000% | 11/01/11 | 490,000 | | | 490,000 |
| (Tax Exempt) | | | 4.125% | 11/01/12 | 510,000 | | | 510,000 |
| Original Issue Amount $22,235,000 | | | 4.250% | 11/01/13 | 530,000 | | | 530,000 |
| | | | 4.250% | 11/01/14 | 555,000 | | | 555,000 |
| | | | 4.125% | 11/01/15 | 580,000 | | | 580,000 |
| | | | 4.250% | 11/01/16 | 600,000 | | | 600,000 |
| | | | 5.000% | 11/01/17 | 625,000 | | | 625,000 |
| | | | 5.000% | 11/01/18 | 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 |
| | | | | | 19,935,000 | - | 475,000 | 19,460,000 |

**SOUTH JERSEY TRANSPORTATION AUTHORITY**

**SCHEDULE OF BONDS, NOTES AND OTHER DEBT**

**Period Ending December 31, 2010**

| | Date of Issue | | Amount Issued | Interest Rate | Maturity Date | | Balance December 31, 2009 | | Issued | | Paid | | Balance December 31, 2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Transportation System Revenue Bonds, | 01/12/06 | | 50,365,000 | 4.50% | 11/01/2030 | | 7,065,000 | | | | | | 7,065,000 |
| 2006 Series A | | | | 4.50% | 11/01/2031 | | 7,380,000 | | | | | | 7,380,000 |
| (Tax Exempt) | | | | 4.50% | 11/01/2032 | | 7,710,000 | | | | | | 7,710,000 |
| Original Issue Amount $50,365,000 | | | | 4.50% | 11/01/2033 | | 8,055,000 | | | | | | 8,055,000 |
| | | | | 4.50% | 11/01/2034 | | 9,855,000 | | | | | | 9,855,000 |
| | | | | 4.50% | 11/01/2035 | | 10,300,000 | | | | | | 10,300,000 |
| | | | | | | | 50,365,000 | | - | | - | | 50,365,000 |
| Transportation System Revenue Bonds, | 08/04/09 | $ | 62,015,000 | 3.000% | 11/01/11 | | 4,180,000 | | | | | | 4,180,000 |
| 2009 Series A-1 | | | | 4.000% | 11/01/12 | | 4,305,000 | | | | | | 4,305,000 |
| (Tax Exempt) | | | | 4.000% | 11/01/13 | | 6,745,000 | | | | | | 6,745,000 |
| Original Issue Amount $62,015,000 | | | | 4.000% | 11/01/14 | | 7,015,000 | | | | | | 7,015,000 |
| | | | | 4.000% | 11/01/15 | | 7,300,000 | | | | | | 7,300,000 |
| | | | | 5.000% | 11/01/16 | | 7,590,000 | | | | | | 7,590,000 |
| | | | | 4.000% | 11/01/17 | | 7,970,000 | | | | | | 7,970,000 |
| | | | | 4.000% | 11/01/18 | | 8,290,000 | | | | | | 8,290,000 |
| | | | | 4.000% | 11/01/19 | | 8,620,000 | | | | | | 8,620,000 |
| | | | | | | | 62,015,000 | | - | | - | | 62,015,000 |
| Transportation System Revenue Bonds, | 08/04/09 | $ | 38,995,000 | 3.000% | 11/01/13 | $ | 775,000 | $ | | $ | | $ | 775,000 |
| 2009 Series A-2 | | | | 3.250% | 11/01/14 | | 1,080,000 | | | | | | 1,080,000 |
| (Tax Exempt) | | | | 3.500% | 11/01/15 | | 1,135,000 | | | | | | 1,135,000 |
| Original Issue Amount $38,995,000 | | | | 3.750% | 11/01/16 | | 1,320,000 | | | | | | 1,320,000 |
| | | | | 4.000% | 11/01/17 | | 1,390,000 | | | | | | 1,390,000 |
| | | | | 4.000% | 11/01/18 | | 1,445,000 | | | | | | 1,445,000 |
| | | | | 4.250% | 11/01/19 | | 1,510,000 | | | | | | 1,510,000 |
| | | | | 5.000% | 11/01/20 | | 1,250,000 | | | | | | 1,250,000 |
| | | | | 4.500% | 11/01/21 | | 1,290,000 | | | | | | 1,290,000 |
| | | | | 4.625% | 11/01/22 | | 1,310,000 | | | | | | 1,310,000 |
| | | | | 5.000% | 11/01/23 | | 1,320,000 | | | | | | 1,320,000 |
| | | | | 4.750% | 11/01/24 | | 1,325,000 | | | | | | 1,325,000 |
| | | | | 4.875% | 11/01/25 | | 650,000 | | | | | | 650,000 |
| | | | | 5.000% | 11/01/25 | | 650,000 | | | | | | 650,000 |
| | | | | 4.875% | 11/01/26 | | 725,000 | | | | | | 725,000 |
| | | | | 5.000% | 11/01/26 | | 535,000 | | | | | | 535,000 |
| | | | | 5.000% | 11/01/27 | | 1,210,000 | | | | | | 1,210,000 |
| | | | | 5.000% | 11/01/28 | | 1,130,000 | | | | | | 1,130,000 |
| | | | | 5.125% | 11/01/29 | | 1,035,000 | | | | | | 1,035,000 |
| | | | | 5.500% | 11/01/30 | | 5,405,000 | | | | | | 5,405,000 |
| | | | | 5.500% | 11/01/31 | | 5,680,000 | | | | | | 5,680,000 |
| | | | | 5.500% | 11/01/32 | | 5,960,000 | | | | | | 5,960,000 |
| | | | | 5.500% | 11/01/33 | | 865,000 | | | | | | 865,000 |
| | | | | | | | 38,995,000 | | - | | - | | 38,995,000 |

**SOUTH JERSEY TRANSPORTATION AUTHORITY**

**SCHEDULE OF BONDS, NOTES AND OTHER DEBT**

**Period Ending December 31, 2010**

| | Date of Issue | Amount Issued | Interest Rate | Maturity Date | Balance December 31, 2009 | Issued | Paid | Balance December 31, 2010 |
|---|---|---|---|---|---|---|---|---|
| Transportation System Revenue Bonds, | 08/04/09 | 96,260,000 | 7.000% | 11/01/30 | 5,460,000 | | | 5,460,000 |
| 2009 Series A-5 | | | 7.000% | 11/01/31 | 5,725,000 | | | 5,725,000 |
| Federally Taxable- Issuer Subsidy- Build America Bonds | | | 7.000% | 11/01/32 | 6,020,000 | | | 6,020,000 |
| Original Issue Amount $96,260,000 | | | 7.000% | 11/01/33 | 11,710,000 | | | 11,710,000 |
| | | | 7.000% | 11/01/34 | 12,775,000 | | | 12,775,000 |
| | | | 7.000% | 11/01/35 | 13,375,000 | | | 13,375,000 |
| | | | 7.000% | 11/01/36 | 19,555,000 | | | 19,555,000 |
| | | | 7.000% | 11/01/37 | 19,725,000 | | | 19,725,000 |
| | | | 7.000% | 11/01/38 | 1,915,000 | | | 1,915,000 |
| | | | | | 96,260,000 | - | - | 96,260,000 |
| Subordinated Serial Bonds | 08/04/09 | $ 19,085,000 | 2.000% | 11/01/10 | $ 710,000 | $ | $ 710,000 | $ - |
| 2009 Series A | | | 3.000% | 11/01/11 | 725,000 | | | 725,000 |
| (Tax Exempt) | | | 4.000% | 11/01/12 | 750,000 | | | 750,000 |
| Original Issue Amount $19,085,000 | | | 3.000% | 11/01/13 | 780,000 | | | 780,000 |
| | | | 3.500% | 11/01/14 | 800,000 | | | 800,000 |
| | | | 4.000% | 11/01/15 | 830,000 | | | 830,000 |
| | | | 4.000% | 11/01/16 | 860,000 | | | 860,000 |
| | | | 4.000% | 11/01/17 | 895,000 | | | 895,000 |
| | | | 4.000% | 11/01/18 | 930,000 | | | 930,000 |
| | | | 4.000% | 11/01/19 | 970,000 | | | 970,000 |
| | | | 4.125% | 11/01/20 | 1,010,000 | | | 1,010,000 |
| | | | 4.250% | 11/01/21 | 1,050,000 | | | 1,050,000 |
| | | | 4.375% | 11/01/22 | 1,095,000 | | | 1,095,000 |
| | | | 4.500% | 11/01/23 | 1,140,000 | | | 1,140,000 |
| | | | 4.500% | 11/01/24 | 1,195,000 | | | 1,195,000 |
| | | | 4.500% | 11/01/25 | 1,245,000 | | | 1,245,000 |
| | | | 4.750% | 11/01/26 | 1,305,000 | | | 1,305,000 |
| | | | 4.750% | 11/01/27 | 1,365,000 | | | 1,365,000 |
| | | | 5.000% | 11/01/28 | 1,430,000 | | | 1,430,000 |
| | | | | | 19,085,000 | - | 710,000 | 18,375,000 |

**SOUTH JERSEY TRANSPORTATION AUTHORITY**

**SCHEDULE OF BONDS, NOTES AND OTHER DEBT**

**Period Ending December 31, 2010**

| | Date of Issue | Amount Issued | Interest Rate | Maturity Date | Balance December 31, 2009 | Issued | Paid | Balance December 31, 2010 |
|---|---|---|---|---|---|---|---|---|
| Variable Rate Transportation System Revenue Bonds | 08/04/09 | 44,000,000 | 4.700% | 11/01/10 | 125,000 | | 125,000 | - |
| 2009 Series A-3 | | | 4.700% | 11/01/12 | 150,000 | | | 150,000 |
| (Tax Exempt) | | | 4.700% | 11/01/13 | 175,000 | | | 175,000 |
| Original Issue Amount $44,000,000 | | | 4.700% | 11/01/14 | 225,000 | | | 225,000 |
| | | | 4.700% | 11/01/15 | 425,000 | | | 425,000 |
| | | | 4.700% | 11/01/16 | 445,000 | | | 445,000 |
| | | | 4.700% | 11/01/17 | 470,000 | | | 470,000 |
| | | | 4.700% | 11/01/18 | 490,000 | | | 490,000 |
| | | | 4.700% | 11/01/19 | 515,000 | | | 515,000 |
| | | | 4.700% | 11/01/20 | 540,000 | | | 540,000 |
| | | | 4.700% | 11/01/21 | 565,000 | | | 565,000 |
| | | | 4.700% | 11/01/22 | 595,000 | | | 595,000 |
| | | | 4.700% | 11/01/23 | 620,000 | | | 620,000 |
| | | | 4.700% | 11/01/24 | 650,000 | | | 650,000 |
| | | | 4.700% | 11/01/25 | 685,000 | | | 685,000 |
| | | | 4.700% | 11/01/26 | 715,000 | | | 715,000 |
| | | | 4.700% | 11/01/27 | 750,000 | | | 750,000 |
| | | | 4.700% | 11/01/28 | 785,000 | | | 785,000 |
| | | | 4.700% | 11/01/29 | 825,000 | | | 825,000 |
| | | | 4.700% | 11/01/30 | 865,000 | | | 865,000 |
| | | | 4.700% | 11/01/31 | 905,000 | | | 905,000 |
| | | | 4.700% | 11/01/32 | 950,000 | | | 950,000 |
| | | | 4.700% | 11/01/33 | 995,000 | | | 995,000 |
| | | | 4.700% | 11/01/34 | 1,235,000 | | | 1,235,000 |
| | | | 4.700% | 11/01/35 | 1,285,000 | | | 1,285,000 |
| | | | 4.700% | 11/01/36 | 1,540,000 | | | 1,540,000 |
| | | | 4.700% | 11/01/37 | 1,800,000 | | | 1,800,000 |
| | | | 4.700% | 11/01/38 | 11,085,000 | | | 11,085,000 |
| | | | 4.700% | 11/01/39 | 13,590,000 | | | 13,590,000 |
| | | | | | 44,000,000 | - | 125,000 | 43,875,000 |
| Variable Rate Transportation System Revenue Bonds | 08/04/09 | 43,795,000 | 4.700% | 11/01/10 | 125,000 | | 125,000 | - |
| 2009 Series A-4 | | | 4.700% | 11/01/12 | 150,000 | | | 150,000 |
| (Tax Exempt) | | | 4.700% | 11/01/13 | 175,000 | | | 175,000 |
| Original Issue Amount $43,795,000 | | | 4.700% | 11/01/14 | 225,000 | | | 225,000 |
| | | | 4.700% | 11/01/15 | 420,000 | | | 420,000 |
| | | | 4.700% | 11/01/16 | 445,000 | | | 445,000 |
| | | | 4.700% | 11/01/17 | 465,000 | | | 465,000 |
| | | | 4.700% | 11/01/18 | 490,000 | | | 490,000 |
| | | | 4.700% | 11/01/19 | 510,000 | | | 510,000 |
| | | | 4.700% | 11/01/20 | 535,000 | | | 535,000 |
| | | | 4.700% | 11/01/21 | 565,000 | | | 565,000 |
| | | | 4.700% | 11/01/22 | 590,000 | | | 590,000 |
| | | | 4.700% | 11/01/23 | 620,000 | | | 620,000 |
| | | | 4.700% | 11/01/24 | 650,000 | | | 650,000 |
| | | | 4.700% | 11/01/25 | 680,000 | | | 680,000 |
| | | | 4.700% | 11/01/26 | 715,000 | | | 715,000 |
| | | | 4.700% | 11/01/27 | 750,000 | | | 750,000 |
| | | | 4.700% | 11/01/28 | 785,000 | | | 785,000 |
| | | | 4.700% | 11/01/29 | 820,000 | | | 820,000 |
| | | | 4.700% | 11/01/30 | 860,000 | | | 860,000 |

**SOUTH JERSEY TRANSPORTATION AUTHORITY**

**SCHEDULE OF BONDS, NOTES AND OTHER DEBT**

**Period Ending December 31, 2010**

| Date of Issue | Amount Issued | Interest Rate | Maturity Date | Balance December 31, 2009 | Issued | Paid | Balance December 31, 2010 |
|---|---|---|---|---|---|---|---|
| | | 4.700% | 11/01/31 | 905,000 | | | 905,000 |
| | | 4.700% | 11/01/32 | 945,000 | | | 945,000 |
| | | 4.700% | 11/01/33 | 995,000 | | | 995,000 |
| | | 4.700% | 11/01/34 | 1,230,000 | | | 1,230,000 |
| | | 4.700% | 11/01/35 | 1,275,000 | | | 1,275,000 |
| | | 4.700% | 11/01/36 | 1,530,000 | | | 1,530,000 |
| | | 4.700% | 11/01/37 | 1,795,000 | | | 1,795,000 |
| | | 4.700% | 11/01/38 | 11,030,000 | | | 11,030,000 |
| | | 4.700% | 11/01/39 | 13,515,000 | | | 13,515,000 |
| | | | | 43,795,000 | - | 125,000 | 43,670,000 |
| | $ 597,060,000 | | | $ 501,410,000 | $ - | $ 7,105,000 | $ 494,305,000 |

**South Jersey Transportation Authority**
**Schedule of Toll Revenue**
**Period Ending December 31, 2010**

| Interchange: | Toll Revenue | Vehicle Count |
|---|---|---|
| Pleasantville | $ 17,533,442 | 21,520,551 |
| Exit 5, Route 9 | 836,873 | 1,163,159 |
| Mays Landing | 2,833,119 | 3,763,162 |
| Egg Harbor | 50,536,815 | 16,302,461 |
| Hammonton | 1,294,704 | 1,677,460 |
| Winslow | 620,085 | 803,193 |
| Williamstown | 1,716,058 | 4,024,868 |
| Pomona | 2,048,618 | 2,791,398 |
| Berlin Crosskeys | 1,214,447 | 2,849,808 |
| Route 50 | 279,990 | 80,971 |
| Unusual and Toll Free | | 717,764 |
| | $ 78,914,150 | 55,694,795 |

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.