

TRANSPORTATION SOLUTIONS FROM ROADWAY TO RUNWAY



SOUTH JERSEY TRANSPORTATION AUTHORITY

2006 ANNUAL REPORT

Atlantic City International Airport • Atlantic City Expressway

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Letter from the Chairman

A Year of Building for the Future

The year 2006 is defined by major progress in each of the Authority's essential areas. Preliminary design work and environmental assessments began on a long-anticipated widening of the Atlantic City Expressway westbound from Exit 7 to the interchange at Route 73, the Authority broke ground on a much-needed parking garage at the Atlantic City International Airport (ACY) and dramatically expanded our journey-to-work service throughout southern New Jersey.

While all of these accomplishments are notable, I am particularly proud of the fact that these projects were undertaken in a manner that is consistent with Governor Jon Corzine's mandate that all state agencies operate efficiently and with fiscal restraint.

Moreover, the Authority's work continues to support the Governor's strong emphasis on economic development through conscientious transportation planning. For example, during 2006, the Authority furthered its plans to build a full interchange at Exit 17/Route 50 which promises not only to relieve congestion in that area but also to stimulate local commercial development in Egg Harbor City, Hamilton Township and surrounding municipalities.

Our Transportation Services Department, which operates journey-to-work shuttles throughout southern New Jersey, continues to match people in need of jobs with employers in need of workers. One-way trip rider-ship on the Authority's transportation shuttle routes grew 39.6 percent last year, from 267,139 one-way trips in 2005 to 372,983 trips in 2006.

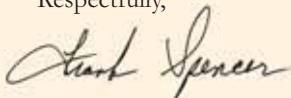
Growth was the norm on our roadway as well, with a traffic increase of 3.45 percent, from 64,594,708 vehicles tallied in 2005 compared to 66,820,291 in 2006.

The Atlantic City International Airport continues to take off. The Authority's steadfast commitment to make investments that are critically necessary to expand the Airport -- like improvements to the airfield, interior lobby upgrades to the terminal building and the construction of a six-story, 1,400-space parking garage just steps from the terminal -- are already bringing results. As we were breaking ground for the new garage in October 2006, the number of passengers using the Airport began to spike -- growing 20 percent in the latter part of 2006.

As I leave the Authority, I feel compelled to thank the hundreds of Authority employees -- toll takers, maintenance workers, administrative assistants, professionals, mechanics, all of our employees -- for their professionalism, their dedication and their commitment to always putting our customers first.

In addition, I wish to extend my heartfelt thanks to the hard-working members of the South Jersey Transportation Authority's Board of Commissioners who donate their time and their talent to fulfill the Authority's mission to operate safe and efficient transportation services that buoy the regional economy and provide a good quality of life for all of us.

Respectfully,



Frank Spencer
Chairman,
South Jersey Transportation Authority

Letter from the Executive Director

Safety and Quality Service an SJTA Hallmark

The year 2006 was marked by significant movement on major projects that will allow the Authority to grow with the demands of the traveling public. Good fiscal management, the identification of internal efficiencies and increased revenues in key areas has allowed the Authority to continue to take steps to augment critical infrastructure in its core areas of operations including: the Atlantic City Expressway, the Atlantic City International Airport (ACY) and the burgeoning Transportation Services Department.

Traffic and revenue on the Atlantic City Expressway continued to increase – from 64,594,708 in 2005 to more than 66 million in 2006. As importantly, revenue generated by the roadway increased 2.28 percent last year from about \$58 million in 2005 to more than \$59 million in 2006.

Parking receipts at the Atlantic City International Airport parking lot, which the Authority acquired from a private vendor in April 2005, increased dramatically during the first year under Authority management and continued to increase by double-digit percentages through the end of 2006. Garage parking revenue also increased due to operating adjustments late in the year.

Although offset by inevitable increases in fixed costs, such as insurance, law enforcement at the Airport and an increase in the Authority's contribution to the state pension fund, increased utilization of revenue-producing services has allowed the Authority to take steps to reinvest in the roadway, the Airport and shuttle and parking services throughout the region.

By far, the biggest project we were able to get off the ground in 2006 was the construction of a six-story, 1,400-space, \$24.5 million parking garage just steps from the Atlantic City International Airport terminal. This major capital project, which comes as we near completion of the construction of a new, state-of-the-art baggage screening facility, is a strong indication of the Airport's emergence as a viable alternative to large, congested metropolitan airports.

As I retire and leave my post as Executive Director, I am gratified to see growth in virtually every area of the Authority. Shuttle services offered by our Transportation Services Department have increased 40 percent, Expressway toll revenues are up and ACY is seeing record numbers of travelers.

I am particularly proud of the men and women who make these quality transportation services possible: the employees of the South Jersey Transportation Authority. Because of their efforts and their commitment, I see nothing but green lights for this Authority as it continues its mission to provide modern, safe and efficient transportation services to the traveling public and residents in southern New Jersey.

Respectfully,



James R. Iannone
Acting Executive Director,
South Jersey Transportation Authority

ATLANTIC CITY INTERNATIONAL AIRPORT:
Soaring into the Future



Notably, 2006 brought real progress in terms of both the number of people using the Atlantic City International Airport (ACY), improvements to the airport facility, and the expansion of air service, which is a critical component of the Airport's growth plans.

Passenger traffic fluctuated during 2006 as Spirit Airlines continued to retire all of its aging MD80 aircraft and transitioned to an all new Airbus fleet. This shift temporarily reduced seat capacity in 2005 and the first three quarters of 2006. However, when the fleet change-out was completed in the fall of 2006, passenger traffic increased immediately and dramatically.

Terminal Improvements

The year 2006 brought a bigger and better dining experience with the grand opening of Deuces Wild, a new and improved food and drink emporium on the main floor of the terminal. Operated by the Airport's food vendor, LC3, the Deuces Wild Restaurant replaced the former Pier 73 snack bar. Deuces Wild features improved seating, a bar, an enhanced menu and a 40-inch television screen. The new venture is part of the Authority's commitment to give travelers at ACY an even more pleasant and convenient experience continuing to put the fun back in travel.

In addition, construction was nearly completed in 2006 on a state-of-the-art baggage screening facility that paved the way for the removal of the bulky security screening machines from the terminal lobby. The baggage screening facility is part of a \$7.1 million Airport renovation and improvement program that will also result in planned upgrades to the terminal building.

When completed, this improvement program also will create a more efficient and convenient flow of passenger traffic culminating with a realignment of the Transportation Safety Administration's security checkpoint area and the installation of a down escalator and elevator in the baggage claim area. This will allow passengers to utilize two escalators up to the second floor of the terminal, and allows arriving passengers to exit down a designated escalator and elevator directly into baggage claim at the other end of the building.



The new Deuces Wild opened in March 2006

ACY Air Service:

The ongoing task of adding airlines and new routes continued to be a major priority for the Authority as numerous airlines have expressed an interest in bringing flights to ACY in the future.

ACY is currently served by two commercial scheduled service air carriers - Delta Airlines and Spirit Airlines. Delta offers connectivity through their national and international air systems and additional flight opportunities as a member of the SkyTeam alliance with Northwest and Continental Airlines. Delta also provided connectivity through two hubs, Cincinnati and the world's busiest airport and Delta's main hub in Atlanta. In addition to the flights to Cincinnati, Delta added direct service to Atlanta in the spring of 2006 and launched new direct service to Orlando beginning November.

Spirit Airlines has been providing air service to the Atlantic City market for more than two decades and launched commercial air service at the airport more than 15 years ago. Spirit provides direct service to most Florida cities and connections to the Caribbean and Mexico. Additionally, Spirit offers seasonal service to Detroit and on to three west coast cities; Las Vegas, San Francisco and Los Angeles.

In late 2006, Spirit announced an increase in flight frequencies for the ACY market to Fort Lauderdale, Orlando, Ft. Myers, Myrtle Beach and Tampa. These additional flights have brought more than 13,800 additional seats per month into the Atlantic City market.

During the latter part of 2006, Spirit completed a year-long initiative to retire their aging fleet of MD80's replacing all of the aircraft serving their markets with new A319's and A320's. As a result of this fleet change out, seat capacity was periodically reduced. This is reflected in the ACY passenger counts during 2005 and the first nine months of 2006. However, all load factors increased during this time period, indicating that the demand for air service continued to be strong. Once the fleet changeover was completed in early fall, passenger counts jumped 20 percent during the last three months of 2006.

Midlantic Jet Aviation continued its expansion last year with the acquisition of the Raytheon Aircraft Services building on the ACY property. Midlantic continues to expand its base of permanent customers while serving the thousands of itinerant general aviation aircraft that utilized ACY's airfield during 2006.

Charter service also had a growth year, accounting for 215,707 travelers in 2006. Gold Transportation tallied the largest number at 173,391 -- followed by Empire at 22,894 and Ultimate Air at 8,361. Total charter operations grew by 6.52 percent in 2006.

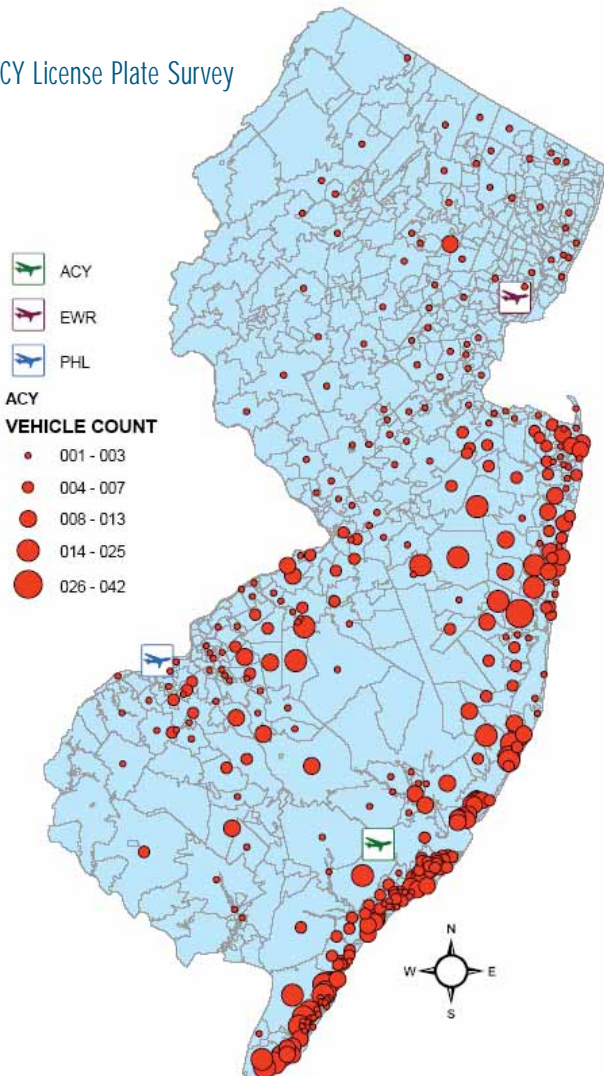
Taking Airport Parking to the Next Level

Expanded service means more customers and more cars that need to be parked. In order to accommodate increased use of the Airport, the SJTA took a major step forward to expand parking capacity when it approved the construction of a \$24.5 million, six-story, 1,400-space parking garage just steps from the terminal building. The garage, expected to be completed by spring 2008, will also accommodate rental cars and rental car offices, freeing up areas in the terminal for additional leased space and allowing for more surface parking.

Assessing the market, planning for the future

A periodic survey of license plates on cars parked at ACY reveals that more and more passengers are using ACY from a North/South direction traveling within a 90 minute drive time and beyond. The survey also supports the notion that an expansion of routes to and from ACY would provide airlines and customers a viable alternative to large, congested metropolitan airports.

ACY License Plate Survey



In June 2006, Spirit Airlines launched its nineteenth Airbus A319 which it named "Spirit of Atlantic City" and Delta Comair launched daily non-stop service to Atlanta, linking ACY customers to hundreds of destinations around the globe.



ArtPort: Where Art Meets Travel

While much of the news out of ACY during 2006 related to bricks and mortar, the Airport also continued its efforts to engage the local community and to support area artists with the launch of ArtPort: Where Art Meets Travel. Housed in the security checkpoint waiting area in the terminal building, the gallery offers passengers a pleasant visual experience while queuing through screening. The ArtPort gallery offers southern New Jersey artists the opportunity to display their art in a section of the airport visited by more than 40,000 enplaned travelers a month.

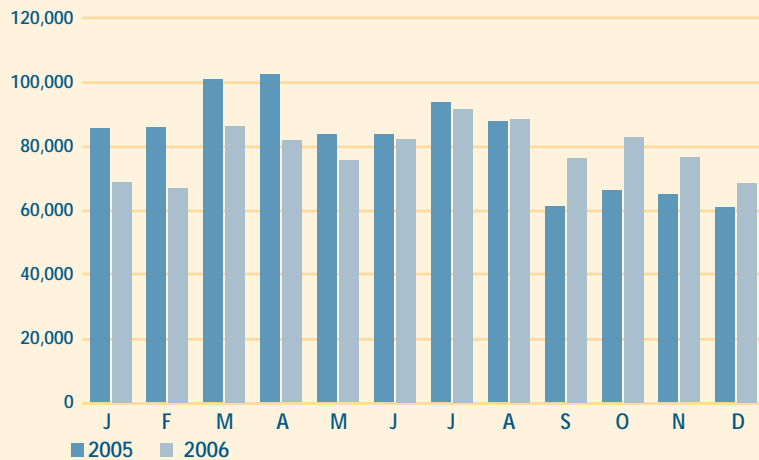


The ArtPort gallery is located in the security checkpoint. During monthly open houses and special events, such as scholarship competitions and a recent doggie fashion show, members of the public are invited to enter the secure area to view the installation.

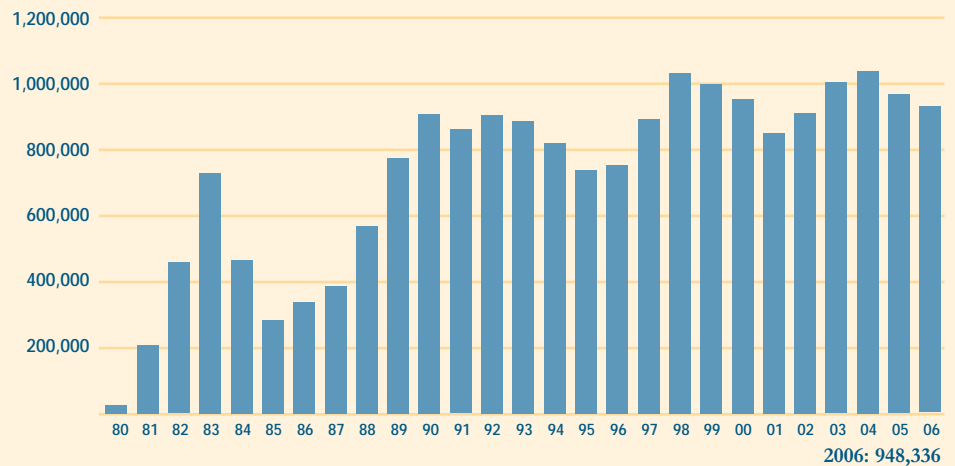
ACY Tenants

AVIS	Automobile Rentals
BUDGET	Automobile Rentals
COREY AIRPORT SERVICES	Advertising Services
DELTA/COMAIR	Scheduled Airline
FABER, COE & GREGG	News/Gifts
GATE SERVE	Airline Catering
GOLD TRANSPORTATION	Charter Airline
HERTZ	Automobile Rentals
LC3	Restaurant/Bar
MIDLANTIC JET	Fixed Base Operator
SPIRIT AIRLINES	Scheduled Airline
TALK OF THE WALK	Specialty Retail
TROPIANO TRANSPORTATION	Ground Transportation
AVEX FLIGHT SERVICES	Aircraft Cleaning Services

ACY Total Passengers, 2005-2006



ACY Passenger Counts, 1980-2006



SOUTH JERSEY TRANSPORTATION AUTHORITY:
Supporting Regional Growth



Atlantic City is “always turned on” and the SJTA is “always tuned in” to the transportation needs of the region

The South Jersey Transportation Authority (SJTA) and its component parts, the Expressway, the Airport and Transportation and Parking Services, continue to play a major role in furthering the overall economic development of southern New Jersey.

Indeed, a significant part of the Authority’s mission is to support economic development in the six South Jersey counties -- Atlantic, Camden, Cape May, Cumberland, Gloucester and Salem – by investing in transportation infrastructure.

Assisted by SJTA transportation infrastructure, the southern New Jersey economy continues to create jobs and sustain new construction and development throughout the region, even in the face of a national slowdown in housing starts. The relative health of the southern New Jersey economy creates more customers for retailers and expands new business opportunities.

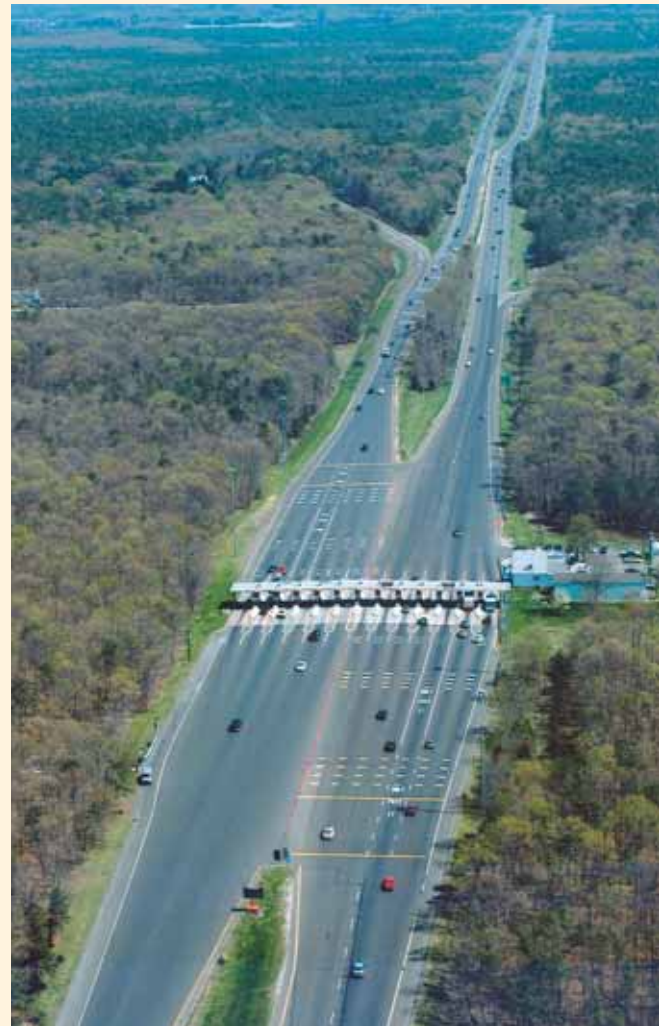
The SJTA directly supports the regional economy by operating “journey to work” transit routes that provide employment opportunities in areas underserved by transit. The operations -- funded by grants and employer contributions -- serve Camden, Gloucester, Burlington, Salem and Atlantic counties, plus a route to UPS in Philadelphia. Utilization of these routes grew about 40 percent between 2005 and 2006 underscoring the need to continue to expand this service.

A huge part of the regional economic development picture is tied to the fortunes of the gaming industry which continues to transform Atlantic City and has a positive residual economic impact on the entire region.

Atlantic City draws nearly 35 million visitors a year, the casinos employ 48,000 people and investor confidence in the city "that is always turned on" has resulted in billions of dollars in capital improvements that have created thousands of additional construction-related jobs in and around Atlantic City.

As Atlantic City casinos continue to increase the number of hotel rooms available to out-of-town overnight guests, experts predict that the city will gradually attract large conventions and more out-of-state travelers who will demand non-stop air service to their favorite gaming destination.

The Airport helps shape the trajectory of the local economy by adding new air service and also through the judicious use of the Authority’s extensive land holdings around the Airport. During 2006, the Authority began looking at potential uses for a 13.9-acre tract of land abutting the Airport circle. Among the uses being considered by the Authority are the construction of a hotel and conference center, restaurants and retail space.

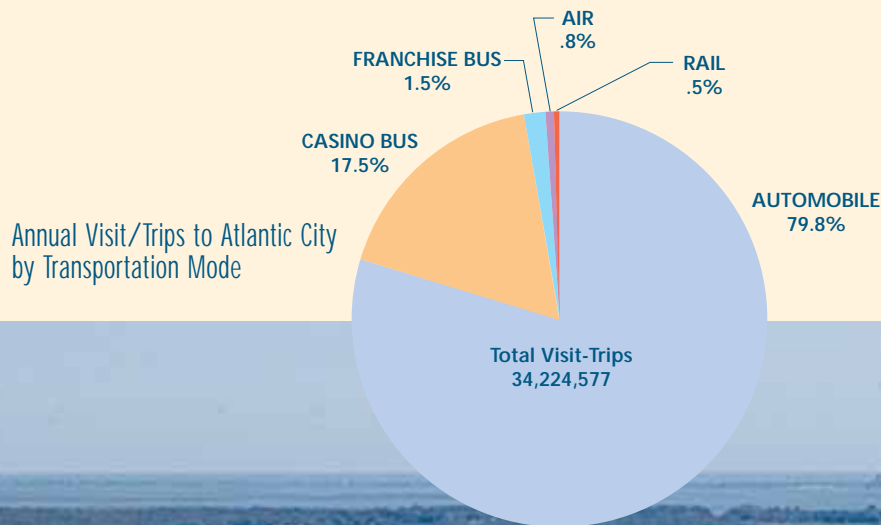


Paving the Way for Progress

The Authority's commitment to widening the roadway westbound out of the city to alleviate summer traffic congestion, to install Express E-ZPass to facilitate smooth sailing through the Egg Harbor Toll Plaza and to construct a full interchange at Exit 17, all speak to the Authority's commitment to foster economic development by providing effective and efficient transportation services to our customers and to the surrounding communities.

Planning and Partnership

The SJTA also continues to be a major player in planning for the transportation needs of the region. In concert with the NJ Department of Transportation, the Casino Reinvestment Development Authority and other partners, the SJTA is reviewing growth trends for the casino industry with an eye toward making the kind of infrastructure improvements that will continue to support growth in that sector and in the surrounding region.



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

	Las Vegas Gaming Win Per Visit/Trip	AC Gaming Win Per Visit/Trip	AC Win as a Percentage of Las Vegas Win
2006	\$212	\$151	71.3%
2005	\$196	\$144	73.2%
2004	\$182	\$145	79.7%
2003	\$172	\$139	81.0%
2002	\$170	\$132	77.6%
2001	\$171	\$133	77.8%
2000	\$170	\$130	76.5%
1999	\$169	\$125	74.0%
1998	\$163	\$118	72.4%
1997	\$161	\$115	71.4%
1996	\$156	\$112	71.8%
1995	\$157	\$113	72.0%
1994	\$155	\$109	70.3%
1993	\$158	\$109	69.0%

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

Focus on the South Jersey economy

Despite adverse trends in the housing market, the southern New Jersey economy continued in a positive direction buoyed by record high non-farm employment of 829,100, which was up 10,800 jobs or 1.3 percent from the previous year, according to statistics gathered by the New Jersey Department of Labor and Workforce Development.

Increased demand for consumer goods made retail expansion one of the most robust categories of the southern New Jersey economy – with the Atlantic City Expressway among the major transportation links between distribution centers and customers throughout the region.

The employment areas that include Camden and Gloucester counties garnered the greatest employment increases, reaching a record high average level of 540,500 in the first nine months of 2006. Services including retail trade and educational and health services employment showed the greatest gains.

Major retail outlets opened throughout the region in 2006 including the Marketplace at Garden State Park in Cherry Hill, anchored by a Home Depot and a Wegman's Food Market. Meanwhile, retail in Atlantic City continued to thrive with the opening of The Pier Shops at Caesars and the much-anticipated expansion of "The Walk" an upscale outlet shopping, dining and entertainment complex at the foot of the Expressway. Construction projects begun in 2006 at three of Atlantic City's premier hotel/casinos are expected to bolster lodging there from 15,000 rooms to more than 17,000.

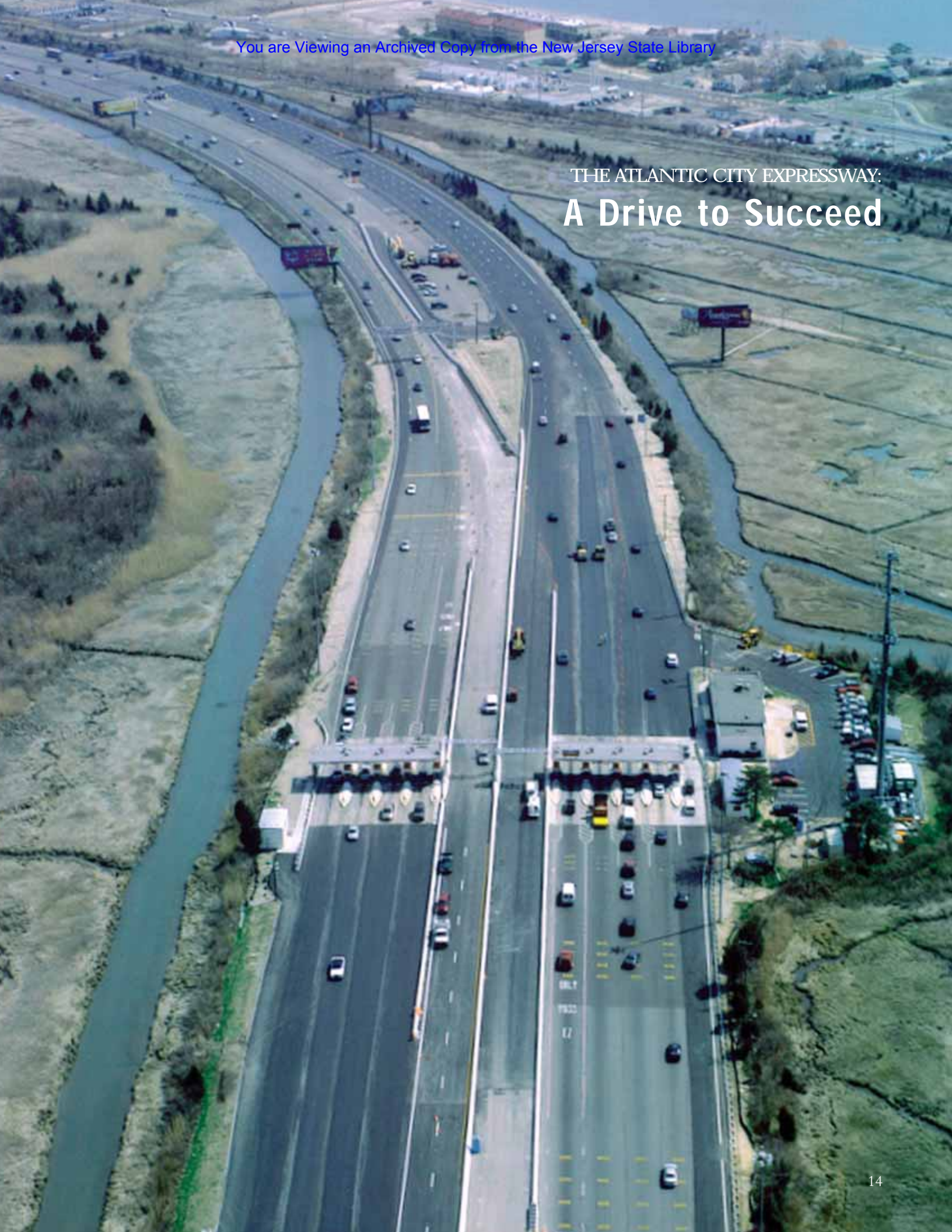
Further south, government leaders continue to recognize the need to support the state's vital tourism industry. The Casino Reinvestment Development Authority has approved a \$3 million grant that will be used toward construction of a \$21 million convention hall in Cape May. In Wildwood, there are several development proposals on tap to add high-rise hotel and condominiums to the seaside landscape.

Although employment remained unchanged in Salem County in 2006, Salem was one of the few counties in the state that showed an increase in construction activity due, in large measure, to the low cost of land there. Meanwhile, Cumberland County saw a mini-boom in retail development in 2006 with the opening of several big-name retail outlets that brought approximately 800 jobs to the area.

The SJTA, as part of its core mission of regional economic development, provides quality transportation services on the roadway, the runway and through journey-to-work shuttle services that support workforce development.



THE ATLANTIC CITY EXPRESSWAY: A Drive to Succeed



Despite high gas prices during 2006, the Atlantic City Expressway was the preferred route for increasing numbers of motorists seeking a safe, quick and convenient way to get to where they need to go.

The number of motorists using the Expressway continued its upward trend, increasing from 64,594,708 in 2005 to more than 66 million in 2006. The number of motorists using the roadway has increased each of the last seven years.

The Grand Opening of the Donio's Farm Market in the Expressway's Frank S. Farley Service Area in late June 2006 marked yet another example of the Authority's ongoing commitment to expand the number of amenities available to customers using the roadway. The farm market was open through the summer offering a wide variety of locally grown fruits and vegetables, including Jersey corn, tomatoes, asparagus, lettuce and cucumbers.

The farm market is just another of many amenities available to the Atlantic City Expressway traveler. HMS Host, the organization that manages the Farley Service area, offers premium food concessions, great services and products and a clean and convenient service plaza building all designed for the convenience and comfort of Atlantic City Expressway patrons.

The Expressway continued to make safety its number one priority with more than a dozen Emergency Service Patrol staffed vehicles continuously touring the roadway. ESP mechanics assist motorists with emergency gas, repairs and flat tires. To date, more than 40,000 motorists have benefited from this service.



SJTA Executive Director James R. Iannone kicked off the 2006 summer driving season with the grand opening of the Donio's Farm Market at the Farley Service Plaza in late June 2006.

Motorist Aids Handled by the E.S.P. June 1, 2003- May 1, 2007

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

Atlantic City Expressway Toll Schedule

	Current Rate	E-Z Pass Frequent User Discount
Pleasantville		
Auto	\$0.50	\$0.34
Limo	\$1.00	\$0.60
Dual Tire	\$1.00	\$0.90
Three Axle	\$1.50	\$1.35
Four Axle	\$2.00	\$1.80
Five Axle	\$2.50	\$2.25
Six Axle	\$3.00	\$2.70
Egg Harbor		
Auto	\$2.00	\$1.28
Limo	\$3.00	\$1.80
Dual Tire	\$3.00	\$2.70
Three Axle	\$4.50	\$4.05
Four Axle	\$6.00	\$5.40
Five Axle	\$7.50	\$6.75
Six Axle	\$9.00	\$8.10

Pomona, Mays Landing, Hammonton, Winslow, Route 9		
Auto	\$0.50	\$0.30*
Truck/Bus	\$0.50	\$0.50*

Williamstown, Berlin-Cross Keys		
Auto	\$0.25	\$0.15*
Truck/Bus	\$0.25	\$0.25*

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



SJTA maintenance crews work throughout the year repairing guardrails, patching roadway surfaces, trimming trees and plowing/salting during winter storms.



During the annual SJTA Bus Rodeo, motorcoach drivers and mechanics demonstrate their professional prowess in a fierce but friendly competition. The highlight of the competition is a bus obstacle course.

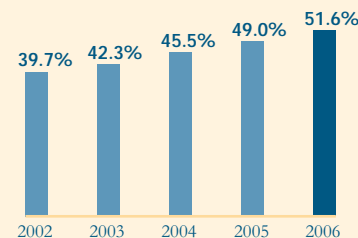
Tourist Services

A commitment to safety also guides the Authority's Tourist Services Department, which manages large traffic events and toll collection, promulgates bus regulations and offers safety programs for charter bus companies. As it has every year, the Tourist Services Department continued to find new and innovative ways to keep passengers and drivers safe on the roadway.

The Authority's annual Bus Rodeo is the centerpiece of the Tourist Services Department safety initiatives. The annual competition allows charter bus drivers to compete against one another in an obstacle course that tests their proficiency in safe driving techniques. In October 2006, 39 drivers and mechanics vied for prizes donated by local businesses.

In June 2006, more than 100 drivers participated in annual safety training that covered such topics as accidents, rollovers, and collision avoidance. Other topics covered included passenger safety and the importance of maintaining a clean driving record.

E-ZPass Usage as a Percent of Total Traffic



Planning for the future

In order to accommodate growth in the region and to alleviate congestion on area roadways and on the Expressway during peak hours, the Authority's Engineering department has moved forward with three major projects.

- The completion of a conceptual design for the rebuilding of the Egg Harbor toll plaza to accommodate Express E-ZPass, which allows cardholders to cruise through the toll plaza at 45 miles per hour.
- Creating a final design for the completion of Interchange 17 with an eye toward starting construction at the end of 2007.
- Finalizing field studies needed to obtain permits to widen the roadway westbound from mile post 8 to 31, at Route 73.

Other highlights on the roadway in 2006 included:

- The annual Memorial Day Weekend Safety Awareness Day which was held in alliance with NJ DOT, the State Police, South Jersey Traffic Safety Alliance and radio stations WPHT (1210 AM) and WOGL (98.5 FM) -- at the Farley Service Plaza on the Expressway.
- The installation of high mast lighting at Farley and cameras to monitor the Service Area, Sunoco and State Police.
- Painting the water tower at the Farley Service Plaza and reconstructing the westbound acceleration ramp.
- Line striping westbound from milepost 9 to 19 and mileposts 28 to 44.

Annual Traffic Increase or Decrease at Each Toll Area

YEAR	Pleasantville	New Road	Pomona	Mays Landing	Egg Harbor	Hammonton	Winslow	Williamstown	Cross Keys	Expressway Total
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%
1989	4.6%		9.8%	9.2%	1.0%	1.6%	9.7%	4.3%		3.8%

Atlantic City Expressway Annual Toll and Traffic Revenue

YEAR	EXPRESSWAY TOLL TRAFFIC	EXPRESSWAY TOLL REVENUE	AUTHORITY'S TOTAL REVENUES	PERCENT FROM EXPY TOLLS	CENTS PER TOLL
2006	66,820,291	\$ 59,477,706	\$ 83,676,217	71.1%	0.890
2005	64,594,708	\$57,970,661	\$82,007,410	70.7%	0.897
2004	62,986,400	\$57,247,411	\$78,771,768	72.7%	0.910
2003	60,332,338	\$51,188,734	\$59,488,734	86.0%	0.848
2002	59,000,044	\$48,532,827	\$56,373,284	86.1%	0.823
2001	54,490,349	\$45,841,128	\$58,712,782	78.1%	0.841
2000	50,619,351	\$44,320,684	\$56,594,079	78.3%	0.876
1999	48,050,179	\$44,400,684	\$57,923,324	76.7%	0.924
1998	50,855,587	\$27,457,987	\$35,321,293	77.7%	0.540
1997	49,290,846	\$25,056,326	\$31,958,892	78.4%	0.508
1996	46,243,612	\$23,932,905	\$30,498,288	78.5%	0.518
1995	47,602,146	\$24,246,948	\$31,458,000	77.1%	0.509
1994	48,023,048	\$24,218,472	\$30,713,109	78.9%	0.504
1993 (SJTA)	46,262,939	\$23,429,336	(SJTA begins)	N/A	0.506
1992	44,901,487	\$22,779,560	\$25,935,604	87.8%	0.507
1991	43,113,761	\$22,169,148	\$26,645,446	83.2%	0.514
1990	45,035,072	\$22,939,344	\$28,154,882	81.5%	0.509
1989	43,905,047	\$22,977,015	\$28,209,445	81.5%	0.523
1988	42,278,412	\$22,475,047	\$26,769,121	84.0%	0.532
1987	39,836,484	\$21,357,481	\$24,964,708	85.6%	0.536
1986	37,037,486	\$19,587,547	\$23,145,985	84.6%	0.529
1985	35,665,732	\$18,991,386	\$22,848,165	83.1%	0.532
1984	35,253,091	\$18,394,014	\$21,843,003	84.2%	0.522
1983	30,286,240	\$16,441,044	\$19,425,417	84.6%	0.543
1982	26,650,882	\$14,514,182	\$18,142,563	80.0%	0.545
1981	23,894,730	\$13,084,174	\$16,016,950	81.7%	0.548
1980	19,988,359	\$11,126,831	\$12,550,393	88.7%	0.557
1979	15,383,322	\$8,576,921	\$9,778,716	87.7%	0.558
1978	12,245,975	\$7,240,020	\$8,088,050	89.5%	0.591
1977	9,826,579	\$6,019,869	\$6,640,053	90.7%	0.613
1976	8,843,662	\$5,436,684	\$6,017,630	90.3%	0.615
1975	7,986,995	\$4,902,620	\$5,530,087	88.7%	0.614
1974	7,585,840	\$4,665,643	\$5,274,390	88.5%	0.615
1973	8,732,426	\$5,394,473	\$5,963,060	90.5%	0.618
1972	8,161,724	\$4,892,070	\$5,434,518	90.0%	0.599
1971	8,032,007	\$4,794,179	\$5,224,866	91.8%	0.597
1970	7,764,570	\$4,691,374	\$5,084,273	92.3%	0.604
1969	7,270,137	\$4,356,523	\$4,688,596	92.9%	0.599
1968	6,773,838	\$4,005,455	\$4,279,961	93.6%	0.591
1967	6,380,080	\$3,616,908	\$3,842,863	94.1%	0.567
1966	6,096,547	\$3,268,444	\$3,416,512	95.7%	0.536
1965	4,018,299	\$2,253,755	\$2,296,807	98.1%	0.561

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

TRANSPORTATION SERVICES AND PARKING:
**Transportation Solutions
for the 21st Century**



One of the fastest growing segments of the Authority's mission is the Transportation Services Department, which transports tens of thousands of people to work every day and operates parking facilities throughout southern New Jersey.

Transportation Services operates "journey to work" transit routes to provide employment opportunities in areas underserved by transit. The operations -- funded by grants and employer contributions -- serve Camden, Gloucester, Burlington, Salem and Atlantic counties, plus a route to UPS in Philadelphia.

One-way trip ridership on the Authority's transportation shuttle routes, which link people looking for work with employers who are hiring, grew a whopping 39.6 percent last year, from 267,139 one-way trips in 2005 to 372,983 trips in 2006.

Growth was seen in every service line, with utilization of the Atlantic City Airport Shuttle growing from 910 one-way trips per week in 2005 to nearly 1,300 one-way trips per week in 2006. Similarly, a shuttle between the River LINE's Route 73/Pennsauken Station and the Pennsauken Industrial Park and the Moorestown Industrial Park leaped from 456 one-way trips per week in 2005 to 630 trips per week in 2006, a 38 percent increase. In Atlantic County, the Delilah Road service jumped from 95 one-way trips per week in 2005 to 169 one-way trips per week last year, a 78 percent increase.

The Authority has aggressively and successfully sought federal grant funding to support its transportation routes, which buoy the local economy by helping people get to work.

Transportation Services provides a diverse array of transportation solutions. Two years ago, SJTA launched the "Breeze" which shuttles shoppers from SJTA parking facilities to "The Walk" shopping area at the heart of Atlantic City. Transportation Services also provides transportation to and from area VA hospitals as well as shuttle service to the Battleship New Jersey, on the Camden waterfront.

In September 2006, the SJTA Transportation Services Department entered into an agreement with the Richard Stockton College of New Jersey to transport students from parking lots and dorms located throughout the college's expansive campus to their classrooms. From the outset, SJTA shuttles transported approximately 1,600 passengers a week.



The Authority has also assumed a leadership role in promoting federal programs that enhance transportation services for specific populations that depend on alternative transportation for their day-to-day mobility. This includes planning public transportation services for people with disabilities, older adults, and individuals with lower incomes.

Chairman Frank Spencer, local government leaders and members of the SJTA Board of Commissioners wielded their golden shovels at the October 2006 ceremonial ground-breaking for the new ACY parking garage.

A Place to Park

Transportation Services is also responsible for the SJTA's parking facilities and operates parking shuttles in various locations including the Airport, which it took over from a private vendor in spring 2005.

From April 2005 to April 2006, the first full year of direct control of parking operations at Atlantic City International Airport, overnight parking at the airport topped 412,000 and was on track to exceed that mark by some 50,000 vehicles during year two.

Overall, the Authority accommodated 1,028,009 vehicles during 2006 at its four parking facilities which include: the Airport parking areas and the New York Avenue Garage, Atlantic Avenue lot and Fairmount Avenue lot in Atlantic City.

2006 SJTA Parking Statistics

	Fairmount	Atlantic	NVAG	ACY Parking
Jan	145	4,895	27,868	49,505
Feb	2,640	5,166	23,558	51,743
Mar	1,107	6,052	22,924	58,154
Apr	628	6,424	12,227	54,015
May	341	6,554	29,895	43,777
Jun	319	6,793	34,217	41,244
Jul	189	8,175	34,747	50,971
Aug	618	9,708	35,028	51,200
Sep	240	8,594	33,601	41,958
Oct	258	7,852	31,824	50,153
Nov	1,700	7,946	30,360	51,998
Dec	559	7,290	25,283	47,566
Totals	8,744	85,449	341,532	592,284
Total Cars Parked 2006:				1,028,009

Last year, the Authority took steps to bring new convenience to its Atlantic Avenue open-air parking facility - which offers convenient access to The Walk, the Convention Center and other entertainment and shopping venues - by installing E-ZPass Plus technology.

E-ZPass Plus is the same system the SJTA installed at its New York Avenue parking garage. It is available to any E-ZPass account holder who uses a credit card in good standing to replenish his revolving electronic tolls account. A six-story, 1,400-space, \$24.5 million parking garage currently under construction at the Airport will be equipped with E-ZPass Plus technology when it opens in spring 2008.



(Left to right) James A. Crawford, Executive Director of the Inter Agency Group for E-ZPass, Atlantic City Mayor Robert Levy Sr. and SJTA Executive Director James R. Iannone inaugurate E-ZPass Plus at the 299-space parking facility at Atlantic and Mississippi Avenues.

Key Dates in 42 Years of Expressway History

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

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

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

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

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

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

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.

1979: 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 completes paving 77 lane-miles of the Expressway's inside shoulder. Gas rationing at Farley Plaza is lifted.

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.

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.

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

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

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

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

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

May 7, 1996: 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.

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.

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.

Nov. 30, 1998: The South Jersey Transportation Authority collects its first \$2 toll at the Egg Harbor Plaza.

1998: For the first time, ACY passenger traffic tops 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: Ground is broken for the Cross Keys Interchange. Serving Gloucester and Winslow townships in Camden County and Washington Township in Gloucester County.

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

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

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

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

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

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

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

Jan. 1, 2004: The Authority assumes direct responsibility for operating the New York Avenue parking garage in Atlantic City.

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

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

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

2006: The Authority broke ground on a new \$24.5 million, six-story parking garage just steps from the airport terminal building. Traffic and toll revenue continued to increase on the Expressway and the Transportation Services Department parked more than 1 million vehicles.



South Jersey Transportation Authority
Report of Audit
For The Year Ended December 31, 2006

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying basic financial statements of the South Jersey Transportation Authority ("Authority"), a component unit of the State of New Jersey, as of and for the year ended December 31, 2006, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of December 31, 2006, and the respective changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2007 on our consideration of the Authority's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Ford, Scott, Seidenburg & Kennedy, L.L.C.
FORD, SCOTT, SEIDENBURG & KENNEDY, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello
Certified Public Accountant

March 12, 2007

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

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

We have audited the basic financial statements of the South Jersey Transportation Authority ("Authority"), a component unit of the State of New Jersey, as of and for the year ended December 31, 2006, and have issued our report thereon dated March 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance

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

We noted certain matters that we reported to the Authority's management in a separate letter dated March 12, 2007.

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

Ford, Scott, Seidenburg & Kennedy, L.L.C.
FORD, SCOTT, SEIDENBURG & KENNEDY, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello
Certified Public Accountant

March 12, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the South Jersey Transportation Authority's financial performance provides an overview of the Authority's financial activities for the year ended December 31, 2006. Please read it in conjunction with the Authority's financial statements that begin on Page 13.

Financial Highlights

- **ISSUANCE OF 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. On July 20, 2006, the Authority entered into a design/build contract for approximately \$24.7 million for the construction of the garage. The facility is anticipated to be open in Spring of 2008.
- **AIRPORT SUBSIDY:** The Authority's enabling legislation created the South Jersey Transportation Authority to deal with regional transportation issues. Included in the legislation were the powers to acquire and operate the Atlantic City International Airport. (ACY). The available surplus, net revenue generated by the Atlantic City Expressway project, has historically been available to subsidize the airport operations as was anticipated in the legislation and clearly presented in the original documents adopted by the Authority. The airport project is considered a general project under the Authority's General Bond Resolution and payment of any airport subsidy (excess of airport expenses over airport revenues) is subordinate to payments to bond holders under the Authority's General Bond Resolution and payable from the general reserve fund. Prior to September 11, 2001, the airport subsidy was steadily decreasing; in fact for the year ended December 31, 2000, the airport generated a small operating surplus. The subsidy has increased since the events of September 11, 2001 due to revenue losses resulting from declines in the airline industry and expense increases resulting from additional requirements including fulltime police presence, and increased insurance costs. The airport subsidy was \$2,055,441 for the year ended December 31, 2006.
- **MARINA PARKING REVENUE:** 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 8, 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. 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.

Financial Highlights (Continued)

Because of the subordination provisions described above the Authority does not recognize revenue until CRDA releases amounts collected in excess of amounts required to satisfy the debt service requirement under the senior lien bond resolutions. The Authority recognized \$2,846,946 during 2006 versus \$3,653,383 in 2005. As a result of the third amendment to the parking fee agreement, the Authority was able to accelerate release of some of the fees in 2005. The decrease in revenue in 2006 is due to sixteen months worth of parking fees being recognized in 2005 versus a full twelve months worth of revenue being recognized in 2006.

- **VOLUNTARY SEPARATION PLAN:** - On October 17, 2006, the Commissioners approved the Voluntary Separation Plan ("Plan"). The purpose of the Plan is to provide separation pay to certain Authority employees who voluntarily elect to terminate employment. This plan was open to any employee who had at least fifteen (15) years of Authority, Public Employees Retirement System ("PERS") or Police and Fireman's Retirement System ("PFRS") service, as of December 31, 2006. In addition, the plan was separate and distinct from any other benefits for which Participants may be eligible, such as retirement payment under the Public Employment Retirement System. Any Participant's separation payment was equal to one-half year of their Base Pay. During 2006, eleven (11) Participants elected to receive the early separation payment's totaling \$365,997.
- **TERMINATION AGREEMENT and DEFEASANCE OF CONDUIT DEBT** – In 1997, the Authority issued \$5,130,000 in Lease Revenue Bonds to provide funds to pay a portion of the cost of constructing and equipping a special fixed base operator facility at the Atlantic City International Airport which was leased and operated by Raytheon Aircraft Services, Inc. (Raytheon). These bonds were secured by Raytheon Corporation and were a conduit obligation of the Authority. On June 29, 2006, the Authority entered into a termination agreement with Raytheon wherein Raytheon agreed to terminate all of its rights under the contract and further agreed to deposit \$4,374,424.42 into an escrow account at Bank of New York. This amount was sufficient to pay the January 1, 2006 sinking fund payment, the optional call, call premium and interest. These bonds were called and paid off in January 2007. Simultaneously with this transaction, the Authority entered into a Modification of a Use and Occupancy agreement with an existing tenant at the Airport to allow them to take over the space previously occupied by Raytheon at terms more favorable to the Authority.

Using this Financial Report

This financial report consists of a series of financial statements, notes to the financial statements and supplementary information. The Basic Financial Statements consist of the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets ("Operating Statement") and the Statement of Cash Flows (on Pages 13 – 17) that provide information about the activities of the Authority as a single enterprise Fund. An enterprise fund uses proprietary fund reporting that focuses on the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. Proprietary Fund financial statements for the Authority's two main funds start on Page 18. These financial statements report the Authority's operations in more detail than the Basic Financial Statements by providing information about the Authority's most significant funds. The Authority's two major operating entities, which are being reported separately in the Proprietary Fund financial statements, are the Atlantic City Expressway ("Expressway") and the Atlantic City International Airport ("Airport"). Common costs for these two major operating entities are generally assigned to the Expressway.

Fund financial statements are also included in the Other Supplementary Information on Pages 60 - 64. Fund financial statements report the Authority's operations, in detail, for all of the funds of the Authority. Some funds are required to be established by bond covenants, while the Authority establishes many other funds to help it control and manage money for particular purposes. Resources are accounted for in individual funds based upon the purpose for which they are to be spent and the restrictions, if any, on the spending activities.

Financial Statements of the Authority

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

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

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

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

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

Financial Analysis of the Authority's Statement of Net Assets

The increase in unrestricted current assets in the amount of \$7.6 million resulted primarily from an increase in cash and cash equivalents in the amount of \$6.0 million, an increase in investments in the amount \$1.9 million and a decrease in accounts receivable in the amount of \$1.0 million primarily attributable to a Casino Parking Fee receivable.

Restricted current and other assets increased in 2006 in the amount of \$33.3 million. This increase resulted primarily from an increase in cash and cash equivalents in the amount of \$11.4 million, an increase in investments in the amount of \$21.2 million. The increase in cash and investments can be attributed to the proceeds from the issuance of the Transportation System Revenue Bonds in January of 2006.

Capital assets, net of accumulated depreciation, decreased by a net of \$4.1 million. The Expressway's Capital Assets, net of depreciation, decreased by \$6.6 million, while the Airport capital assets, net of depreciation, increased by \$2.5 million.

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

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

EXPRESSWAY

<u>Project</u>	<u>Amount</u>
Elevated Walkway	\$ 1.1 million
Third Lane Project Construction	0.5 million
Capital Equipment	0.8 million
Fleet Maintenance - State Police Vehicles	0.4 million
Farley Exit Ramp & Lot Improvements	0.6 million
Other Facility and Equipment Costs	3.5 million
Bridge Repairs and Inspections	0.5 million
Atlantic City Parking Facility	0.6 million
Change in Accumulated Depreciation	(14.6) million
Total Expressway Decrease	<u>\$ (6.6)</u>

AIRPORT

<u>Project</u>	<u>Amount</u>
Auto Parking	\$ 1.0 million
Passenger Screening Section 1	5.1 million
Change in Accumulated Depreciation	(3.6) million
Total Airport Increase	<u>\$ 2.5 million</u>

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

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 are to be 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.

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

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

In 2006, the Authority made \$15.5 million in bond principal payments and \$13.6 million in bond interest payments.

Current liabilities payable from unrestricted assets increased by \$1.9 million, primarily from an increase in the reserve for self insurance in the amount of \$736,000, an increase in the accrued compensated absence payable in the amount of \$337,000 and an increase in accounts payable in the amount of \$880,000 due, in part, to an increase in the accrual of year-end electronic toll collection expense.

Other non-current liabilities increased by \$1.0 million, entirely due to an increase in the arbitrage rebate payable.

Current liabilities payable from restricted assets decreased by \$7.5 million, primarily from the redemption of the Subordinated Notes, Series 2005 in the amount of \$10,400,000. These Notes were issued to fund a settlement which resulted in the acquisition of the airport surface lot operations at the Atlantic City International Airport. An increase in accounts payable in the amount of \$1.1 million primarily from the year-end accrual of Electronic Toll Collection expenses, an increase in the amount of Passenger Facility Charges in the amount of \$2.0 million, and a decrease in the unamortized SWAP Premium in the amount of \$468,000.

**SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS
December 31, 2006
With Comparative Totals as of December 31, 2005**

	2006	2005
Unrestricted Current and Other Assets	\$ 30,380,431	\$ 22,736,458
Restricted Current and Other Assets	90,807,426	57,416,018
Capital Assets	511,453,630	515,546,986
Other Noncurrent Assets	7,126,443	5,801,207
Total Assets	639,767,930	601,500,669
Long-term debt outstanding	268,347,626	224,338,654
Other Unrestricted Liabilities	7,229,516	5,265,217
Other Restricted Liabilities	22,904,978	30,488,247
Other Noncurrent Liabilities	1,229,642	184,495
Total Liabilities	299,711,762	260,276,613
Net Assets:		
Invested in Capital Assets, Net of Related Debt	237,826,510	272,891,217
Restricted	70,279,055	42,046,812
Unrestricted	31,950,603	26,286,027
Total Net Assets	\$ 340,056,168	\$ 341,224,056

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

Expressway Revenue and Expense:

Expressway operating revenues increased by \$749,000 as a result of the following:

- A \$1.5 million increase in toll revenue due to increased traffic.
- A \$.8 million decrease in marina parking revenue due to acceleration in payment of parking fees as a result of the third amendment to the parking fee agreement. Sixteen months worth of revenue was recognized during 2005, whereas a full twelve months worth of revenue was recognized in 2006.

These increases were offset by a \$346,000 decrease in SJTPO grant revenue, due to a reduction in Local Scoping Projects nearing completion. An increase in garage parking revenue in the amount of \$335,000 was due to a rate increase in October 2006, and an increase in rental revenue in the amount of \$137,500, also contributed to the change.

Expressway operating expenses increased by \$3.3 million in 2006 due in to an increase in the cost of the Authority's insurance program; increases in state police costs; an increase in the Authority's contribution to the state pension fund; and additional personnel to operate the Atlantic City garage and surface lots. Transportation Services grant expenses were also a part of the increase, but this increase was offset by increases in grant revenue.

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

Airport Revenue & Expense:

Airport revenue increased by \$.9 million primarily due to an increase in automobile parking revenue of \$1.6 million, and a Transportation Security Administration grant of \$141,000 for police services.

Operating expenses increased by \$1.2 million from \$11.7 million in 2005 to \$12.9 million in 2006. This increase is in part attributable to increased security costs at the Atlantic City International Airport in the amount of \$348,000, and operating expenses totaling \$200,000 associated with the Authority's operation of the airport surface parking lot which began on April 1, 2005, and an increase in depreciation expense in the amount of \$478,000.

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

Capital Contributions:

Capital Contributions at the Airport were primarily related to the FAA Airport Improvement grants. Capital Contributions received during the year decreased by \$3.7 million. The overall decrease is attributable to a decrease in FAA grant revenue in the amount of \$3.6 million, and a decrease in PFC grant revenue in the amount of \$158,000.

**SOUTH JERSEY TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
Year Ended December 31, 2006
With Comparative Totals as of December 31, 2005**

	2006	2005
Operating revenues	\$ 83,676,217	\$ 82,007,410
Operating expenses	77,107,812	72,499,829
Operating Income	6,568,405	9,507,581
Net Non-Operating Revenues (Expenses)		
Interest revenue	4,704,589	2,914,249
Interest on bonds	(13,746,371)	(11,986,825)
Other non-operating revenues (expenses)	(4,565,510)	(2,918,463)
Income (Loss) before Capital Contributions	(7,038,887)	(2,483,458)
Capital Contributions	5,870,999	9,736,593
Change in Net Assets	(1,167,888)	7,253,135
Total Net Assets -- Beginning	341,224,056	333,970,921
Total Net Assets -- Ending	\$ 340,056,168	\$ 341,224,056

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:

- (1) The Authority spent \$23.6 million less on capital acquisitions (See increase/decrease in capital asset section for details of Authority capital asset acquisitions during 2006).
- (2) The Authority issued \$50.3 million of Transportation System Revenue Bonds to finance the construction of the airport parking garage and to redeem the 2005 Subordinated Note in the amount of \$10.4 million (See financial highlight section for more information).
- (3) The Authority spent \$1.7 million more in interest payments on capital debt.
- (4) The Authority recorded a cumulative arbitrage rebate liability on the Transportation System Revenue Bonds, Series 2003 in the amount of \$1 million during 2006.

Cash used by investing activities increased by \$18.1 million because the Authority increased its purchase of investments by \$44.3 million, increased the sale of investments by \$24.0 million, and interest on investments increased by \$2.0 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, 2006
With Comparative Totals as of December 31, 2005**

	2006	2005
Cash Flows Provided by (Used in):		
Operating activities	\$ 29,080,629	\$ 23,286,845
Noncapital financing activities	(2,500,000)	(2,500,000)
Capital and related financing activities	9,032,138	(26,560,732)
Investing activities	(18,114,284)	317,227
Net increase in cash and cash equivalents	17,498,483	(5,456,660)
Cash and cash equivalents - beginning of the year	33,766,758	39,223,418
Cash and cash equivalents - end of the year	\$ 51,265,241	\$ 33,766,758

Non-cash Capital Financing Activities:

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

Notes to the Financial Statements

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

Other Supplementary Information

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

Contacting the Authority's Financial Management

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS

December 31, 2006

With Comparative Totals as of December 31, 2005

	2006	2005
ASSETS		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 19,648,657	\$ 13,625,386
Investments	3,963,816	2,000,000
Change Funds	39,790	35,891
Interest Receivable	133,231	51,622
Accounts Receivable (net of allowance for uncollectibles)	2,849,547	3,791,789
Grants Receivable	1,707,924	1,450,331
Prepaid Expenses	1,923,581	1,709,176
Fuel Inventory	113,885	72,263
	30,380,431	22,736,458
Total Unrestricted Assets		
Restricted Assets:		
Cash and Cash Equivalents	31,576,794	20,105,481
Investments	57,311,722	36,077,202
Grants Receivable	1,437,092	769,759
Interest Receivable	481,818	463,577
	90,807,426	57,416,019
Total Restricted Assets		
Noncurrent assets:		
Capital assets:		
Non-Infrastructure Capital Assets:		
Land and Improvements	147,321,510	147,321,510
Electronic Toll Equipment	8,917,935	8,917,935
Buildings and Equipment	62,307,942	60,544,752
Less Accumulated Depreciation	(38,310,789)	(33,866,675)
Total Non-Infrastructure Capital Assets	180,236,598	182,917,522
Infrastructure Capital Assets:		
Infrastructure - Equipment	9,617,363	9,267,040
Infrastructure	391,890,085	388,656,537
Less Accumulated Depreciation	(79,165,686)	(65,294,114)
Total Infrastructure Capital Assets	322,341,762	332,629,463
Construction in Progress	8,875,270	-
	511,453,630	515,546,985
Total Capital Assets		
Bond Issuance Costs	9,446,844	7,722,445
Less Accumulated Amortization	(2,320,401)	(1,921,238)
Total Non-current Non-capital Assets	7,126,443	5,801,207
Total Noncurrent Assets	518,580,073	521,348,192
TOTAL ASSETS	\$ 639,767,930	\$ 601,500,669

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS

December 31, 2006

With Comparative Totals as of December 31, 2005

	<u>2006</u>	<u>2005</u>
LIABILITIES AND NET ASSETS		
Current Liabilities Payable From		
Unrestricted Assets:		
Accounts Payable	\$ 4,635,550	\$ 3,755,752
Deferred Income	416,006	407,981
Escrow Deposits	117,943	115,168
Accrued Expenses	1,176,999	986,316
Reserve for Self Insurance	883,018	-
	<hr/>	<hr/>
Total Current Liabilities Payable From Unrestricted Assets	<u>7,229,516</u>	<u>5,265,217</u>
Current Liabilities Payable From		
Restricted Assets:		
Accrued Interest	2,239,176	2,135,349
Accounts Payable	3,154,802	1,959,656
Unamortized SWAP Premium	7,041,212	7,509,719
Retainages Payable	650,518	692,031
Due to Other Governmental Agencies	208,334	208,334
PFC Advanced	3,457,761	1,415,357
Economic Recovery Funds Advanced	695,932	848,615
Elevated U-Turn Advance	121,411	121,411
Bonds and Notes Payable, Net of Discount, Premium and Loss on Defeasance (\$52,084)	5,335,832	15,597,775
	<hr/>	<hr/>
Total Current Liabilities Payable From Restricted Assets	<u>22,904,978</u>	<u>30,488,247</u>
Noncurrent Liabilities:		
Arbitrage Rebate Payable	1,229,642	184,495
Bonds and Notes Payable, Net of Discount, Premium Loss on Defeasance (\$2,139,458)	268,347,626	224,338,654
	<hr/>	<hr/>
Total Noncurrent Liabilities	<u>269,577,268</u>	<u>224,523,149</u>
TOTAL LIABILITIES	\$ <u><u>299,711,762</u></u>	\$ <u><u>260,276,613</u></u>

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS

December 31, 2006

With Comparative Totals as of December 31, 2005

	<u>2006</u>	<u>2005</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 237,826,510	\$ 272,891,217
Restricted for:		
Debt Service	1,004,365	8,171,436
Rehabilitation and Repair	6,252,267	6,078,242
Debt Service Reserve	18,664,981	16,193,220
State Payment	87	137
Capital Projects	44,357,355	11,603,775
Unrestricted	<u>31,950,603</u>	<u>26,286,027</u>
Total Net Assets	<u>340,056,168</u>	<u>341,224,056</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>639,767,930</u></u>	\$ <u><u>601,500,669</u></u>

SOUTH JERSEY TRANSPORTATION AUTHORITY

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

Twelve Months Ended December 31, 2006

With Comparative Totals as of December 31, 2005

	<u>2006</u>	<u>2005</u>
Operating Revenues:		
Tolls	\$ 59,477,706	\$ 57,970,661
Concessions	2,046,941	1,962,861
ETC Administrative Revenue	1,492,252	1,624,406
Garage Parking	1,291,189	956,416
Marina Parking Revenue	2,846,946	3,653,383
Intercept Parking	351,312	500,929
Bus Permits	344,260	367,546
Rentals	3,789,944	3,652,537
Emergency Service Patrol	-	180,000
Directional Signage Program	32,599	-
SJTPO Programs	1,832,591	2,178,896
Transportation services	2,095,746	1,988,525
Other	797,578	613,503
Airport	<u>7,277,153</u>	<u>6,357,747</u>
Total Operating Revenues	83,676,217	82,007,410
Operating Expenses		
Executive	2,188,853	2,772,646
Policy and Planning	466,911	319,354
Engineering	3,209,405	2,945,965
Finance	1,162,221	1,129,904
Central Accounts	11,469,619	9,920,175
Marketing and Communications	974,636	606,357
Tourist Services	6,385,610	6,007,686
Maintenance	5,830,824	5,965,699
Police	6,974,056	5,966,440
Emergency Service Patrol	790,981	715,092
Electronic Toll Collection Expense	3,172,243	3,495,779
Directional Signage Program	32,599	-
Parking - (Non Airport)	966,052	834,447
Information Services	1,745,344	1,459,671
SJTPO Programs	1,832,591	2,178,896
Airport	9,332,594	8,603,063
Transportation Services	2,361,480	2,119,024
Depreciation	<u>18,211,791</u>	<u>17,459,628</u>
Total Operating Expenses	77,107,811	72,499,829
Operating Income (Loss)	<u>6,568,405</u>	<u>9,507,581</u>
Non-Operating Revenues (Expenses)		
Interest Revenue	4,704,589	2,914,248
Gain on Sale of Assets	-	50,507
Other Revenue	1,890	-
Claims	(1,750,000)	-
Fund Expenses	(1,011)	(199,592)
Amortization Expense	(407,027)	(371,176)
Amortization of Bond Premium	90,637	101,798
Interest on Bonds	(13,746,371)	(11,986,825)
State Payment	<u>(2,500,000)</u>	<u>(2,500,000)</u>
Total of Non-Operating Revenue (Expenses)	<u>(13,607,293)</u>	<u>(11,991,040)</u>
Income (Loss) before Capital Contributions	(7,038,888)	(2,483,459)
Capital Contributions	<u>5,870,999</u>	<u>9,736,590</u>
Change in Net Assets	(1,167,888)	7,253,135
Total Net Assets -- Beginning	<u>341,224,056</u>	<u>333,970,921</u>
Total Net Assets -- Ending	<u>\$ 340,056,168</u>	<u>\$ 341,224,056</u>

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF CASH FLOWS

Twelve Months Ended December 31, 2006

With Comparative Totals as of December 31, 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 83,702,280	\$ 80,014,536
Payments to suppliers	(31,125,559)	(26,373,163)
Payments to employees	<u>(23,496,092)</u>	<u>(30,354,528)</u>
Net cash provided by operating activities	<u>29,080,629</u>	<u>23,286,845</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payment of State Payment Obligation	<u>(2,500,000)</u>	<u>(2,500,000)</u>
Net cash (used) by noncapital financing activities	<u>(2,500,000)</u>	<u>(2,500,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital contributions	5,867,212	11,207,058
Proceeds from the sale of land	-	50,507
Deferred Income-SWAP Premium	-	7,747,500
Payments for capital acquisitions	(15,373,952)	(38,948,820)
Principal paid on capital debt	(15,650,000)	(5,065,000)
Proceeds from Notes Issued	47,831,428	10,400,000
Interest paid on capital debt	<u>(13,642,546)</u>	<u>(11,951,976)</u>
Net cash (used) by capital and related financing activities	<u>9,032,142</u>	<u>(26,560,731)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(61,636,703)	(17,325,234)
Proceeds from sales and maturities of investments	38,917,692	14,977,243
Interest and dividends	<u>4,604,723</u>	<u>2,665,217</u>
Net cash provided by investing activities	<u>(18,114,288)</u>	<u>317,226</u>
Net increase in cash and cash equivalents	17,498,483	(5,456,660)
Balances - beginning of the year	<u>33,766,758</u>	<u>39,223,418</u>
Balances - end of the year	<u>\$ 51,265,241</u>	<u>\$ 33,766,758</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income	\$ 6,568,405	\$ 9,507,585
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	18,211,790	17,459,628
Change in assets and liabilities:		
Receivables, net	942,242	(1,731,782)
Grants receivable	(924,926)	(341,395)
Prepaid expenses	(214,405)	(422,573)
Inventories	(41,622)	(54,418)
Accounts and other payables	3,454,647	(1,308,071)
Deferred income	8,022	30,252
Customer deposits	2,774	(11,057)
Reserve for self insurance	883,018	0
Accrued expenses	<u>190,684</u>	<u>158,676</u>
Net cash provided by operating activities	<u>\$ 29,080,629</u>	<u>\$ 23,286,845</u>

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2006

With Comparative Totals as of December 31, 2005

ASSETS	Expressway	Airport	Consolidation Eliminations	Totals	
				2006	2005
Unrestricted Assets:					
Cash and Cash Equivalents	\$ 17,668,527	\$ 1,980,130	\$ -	\$ 19,648,657	\$ 13,625,386
Investments	3,963,816	-	-	3,963,816	2,000,000
Change Funds	39,790	-	-	39,790	35,891
Interest Receivable	124,016	9,215	-	133,231	51,622
Accounts Receivable	2,152,714	696,833	-	2,849,547	3,791,789
Grants Receivable	1,707,924	-	-	1,707,924	1,450,331
Prepaid Expenses	1,539,441	384,140	-	1,923,581	1,709,176
Fuel Inventory	113,885	-	-	113,885	72,263
Interfunds Receivable	11,767,510	1,579,587	(13,347,097)	-	-
Total Unrestricted Assets	39,077,622	4,649,906	(13,347,097)	30,380,431	22,736,458
Restricted Assets:					
Cash and Cash Equivalents	21,268,662	10,308,132	-	31,576,794	20,105,481
Investments	26,604,110	30,707,613	-	57,311,722	36,077,202
Grants Receivable	-	1,437,092	-	1,437,092	769,759
Interfunds Receivable	4,990,140	-	(4,990,140)	-	-
Interest Receivable	481,818	-	-	481,818	463,577
Total Restricted Assets	53,344,729	42,452,837	(4,990,140)	90,807,426	57,416,019
Noncurrent assets:					
Capital assets:					
Non-Infrastructure Capital Assets:					
Land and Improvements	131,701,953	15,619,557	-	147,321,510	147,321,510
Electronic Toll Equipment	8,917,935	-	-	8,917,935	8,917,935
Buildings and Equipment	29,771,190	32,536,752	-	62,307,942	60,544,752
Less Accumulated Depreciation	(27,605,639)	(10,705,150)	-	(38,310,789)	(33,866,675)
Total Non-Infrastructure Capital Assets	142,785,440	37,451,158	-	180,236,598	182,917,522
Infrastructure Capital Assets:					
Infrastructure - Equipment	2,317,550	7,299,813	-	9,617,363	9,267,040
Infrastructure	339,039,452	52,850,633	-	391,890,085	388,656,537
Less Accumulated Depreciation	(68,204,116)	(10,961,571)	-	(79,165,686)	(65,294,114)
Total Infrastructure Capital Assets	273,152,886	49,188,875	-	322,341,762	332,629,463
Construction in Progress	1,833,355	7,041,915	-	8,875,270	-
Total Capital Assets	417,771,681	93,681,948	-	511,453,630	515,546,985
Bond Issuance Costs	9,446,844	-	-	9,446,844	7,722,445
Less Accumulated Amortization	(2,320,401)	-	-	(2,320,401)	(1,921,237)
Total Non-current Non-capital Assets	7,126,443	-	-	7,126,443	5,801,208
Total Noncurrent Assets	424,898,124	93,681,948	-	518,580,073	521,348,193
TOTAL ASSETS	\$ 517,320,476	\$ 140,784,690	\$ (18,337,237)	\$ 639,767,930	\$ 601,500,670

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2006

With Comparative Totals as of December 31, 2005

	Expressway	Airport	Consolidation Eliminations	Totals	
				2006	2005
LIABILITIES AND NET ASSETS					
Current Liabilities Payable From					
Unrestricted Assets:					
Accounts Payable	\$ 3,712,218	\$ 923,332	\$ -	\$ 4,635,550	\$ 3,755,752
Deferred Income	323,548	92,458	-	416,006	407,981
Escrow Deposits	69,996	47,947	-	117,943	115,168
Accrued Expenses	1,174,466	2,533	-	1,176,999	986,316
Reserve for Self Insurance	883,018	-	-	883,018	-
Interfunds Payable	-	13,347,097	(13,347,097)	-	-
Total Current Liabilities Payable From Unrestricted Assets	6,163,246	14,413,367	(13,347,097)	7,229,516	5,265,217
Current Liabilities Payable From Restricted Assets:					
Accrued Interest	2,239,176	-	-	2,239,176	2,135,349
Accounts Payable	1,825,295	1,329,507	-	3,154,802	1,959,656
Unamortized SWAP Premium	7,041,212	-	-	7,041,212	7,509,719
Retainages Payable	103,993	546,525	-	650,518	692,031
Due to Other Governmental Agencies	208,334	-	-	208,334	208,334
PFC Advanced	-	3,457,761	-	3,457,761	1,415,357
Economic Recovery Funds Advanced	-	695,932	-	695,932	848,615
Elevated U-Turn Advance	121,411	-	-	121,411	121,411
Interfunds Payable	-	4,990,140	(4,990,140)	-	-
Bonds and Notes Payable, Net of Discount, Premium and Loss on Defeasance (\$52,084)	5,335,832	-	-	5,335,832	15,597,775
Total Current Liabilities Payable From Restricted Assets	16,875,253	11,019,865	(4,990,140)	22,904,978	30,488,247
Noncurrent Liabilities:					
Arbitrage Rebate Payable	1,229,642	-	-	1,229,642	184,495
Bonds and Notes Payable, Net of Discount, Premium Loss on Defeasance (\$2,139,458)	219,000,704	49,346,922	-	268,347,626	224,338,654
Total Noncurrent Liabilities	220,230,346	49,346,922	-	269,577,268	224,523,149
TOTAL LIABILITIES	\$ 243,268,845	\$ 74,780,154	\$ (18,337,237)	\$ 299,711,762	\$ 260,276,613

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2006

With Comparative Totals as of December 31, 2005

	Expressway	Airport	Consolidation Eliminations	Totals	
				2006	2005
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	\$ 196,682,760	\$ 41,143,750	\$	\$ 237,826,510	\$ 272,891,217
Restricted for:					
Debt Service	1,004,365			1,004,365	8,171,436
Rehabilitation and Repair	6,252,267			6,252,267	6,078,242
Debt Service Reserve	18,664,981			18,664,981	16,193,220
State Payment	87			87	137
Capital Projects	6,531,769	37,825,586		44,357,355	11,603,777
Unrestricted	44,915,403	(12,964,800)		31,950,603	26,286,029
Total Net Assets	274,051,632	66,004,536	-	340,056,168	341,224,058
TOTAL LIABILITIES AND NET ASSETS	\$ 517,320,476	\$ 140,784,690	\$ (18,337,237)	\$ 639,767,930	\$ 601,500,671

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS

PROPRIETARY FUNDS

Twelve Months Ended December 31, 2006

With Comparative Totals as of December 31, 2005

	Expressway		Airport		Consolidation Eliminations	2006		2005		
Operating Revenues:										
Tolls	\$	59,477,706	\$		\$		\$	59,477,706	\$	57,970,661
Concessions		2,046,941				2,046,941		2,046,941		1,962,861
ETC Administrative Revenue		1,492,252				1,492,252		1,492,252		1,624,406
Garage Parking		1,291,189				1,291,189		1,291,189		956,416
Marina Parking Revenue		2,846,946				2,846,946		2,846,946		3,653,383
Intercept Parking		351,312				351,312		351,312		500,929
Bus Permits		344,260				344,260		344,260		367,546
Rentals		3,789,944				3,789,944		3,789,944		3,652,537
Emergency Service Patrol		-				-		-		180,000
Directional Signage Program		32,599				32,599		32,599		-
SJTPO Programs		1,832,591				1,832,591		1,832,591		2,178,896
Transportation Services		2,095,746				2,095,746		2,095,746		1,988,525.00
Other		797,578				797,578		797,578		613,503
Airport				7,277,153				7,277,153		6,357,747
Total Operating Revenues		76,399,064		7,277,153		-		83,676,217		82,007,410
Operating Expenses										
Executive		2,188,853				2,188,853		2,188,853		2,772,646
Policy and Planning		466,911				466,911		466,911		319,354
Engineering		3,209,405				3,209,405		3,209,405		2,945,965
Finance		1,162,221				1,162,221		1,162,221		1,129,904
Central Accounts		11,469,619				11,469,619		11,469,619		9,920,175
Marketing and Communications		974,636				974,636		974,636		606,357
Tourist Services		6,385,610				6,385,610		6,385,610		6,007,686
Maintenance		5,830,824				5,830,824		5,830,824		5,965,699
Police		6,974,056				6,974,056		6,974,056		5,966,440
Emergency Service Patrol		790,981				790,981		790,981		715,092
Electronic Toll Collection Expense		3,172,243				3,172,243		3,172,243		3,495,779
Directional Signage Program		32,599				32,599		32,599		-
Parking-(Non Airport)		966,052				966,052		966,052		834,447
Information Services		1,745,344				1,745,344		1,745,344		1,459,671
SJTPO Programs		1,832,591				1,832,591		1,832,591		2,178,896
Airport				9,332,594				9,332,594		8,603,063
Transportation Services		2,361,480				2,361,480		2,361,480		2,119,024
Depreciation		14,557,613		3,654,178		18,211,791		18,211,791		17,459,628
Total Operating Expenses		64,121,038		12,986,772		-		77,107,810		72,499,826
Operating Income (Loss)		12,278,026		(5,709,619)		-		6,568,407		9,507,584
Non-Operating Revenues (Expenses)										
Interest Revenue		4,627,751		76,838		4,704,589		4,704,589		2,914,248
Gain on Sale of Assets		-				-		-		50,507
Other Revenue		1,890				1,890		1,890		-
Claims		(1,750,000)				(1,750,000)		(1,750,000)		-
Fund Expenses		(200)		(811)		(1,011)		(1,011)		(199,592)
Amortization Expense		(407,027)				(407,027)		(407,027)		(371,175)
Amortization of Bond Premium		90,637				90,637		90,637		101,798
Interest on Bonds		(13,746,374)				(13,746,374)		(13,746,374)		(11,986,825)
State Payment		(2,500,000)				(2,500,000)		(2,500,000)		(2,500,000)
Total of Non-Operating Revenue (Expenses)		(13,683,323)		76,027		-		(13,607,296)		(11,991,039)
Income (Loss) before Contributions and Transfers		(1,405,298)		(5,633,592)		-		(7,038,890)		(2,483,455)
Capital Contributions		3,783		5,867,213				5,870,999		9,736,590
Change in Net Assets		(1,401,515)		233,622		-		(1,167,891)		7,253,135
Total Net Assets -- Beginning		275,453,147		65,770,914		-		341,224,056		333,970,921
Total Net Assets -- Ending	\$	274,051,632	\$	66,004,536	\$	-	\$	340,056,168	\$	341,224,056

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Twelve Months Ended December 31, 2006

With Comparative Totals as of December 31, 2005

	Expressway	Airport	Totals	
			2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers, users and grants	\$ 76,335,358	\$ 7,366,922	\$ 83,702,280	\$ 80,014,536
Payments to suppliers	(23,677,754)	(7,447,807)	(31,125,561)	(26,373,163)
Payments to employees	(21,722,200)	(1,773,890)	(23,496,090)	(30,354,528)
Net cash provided by operating activities	<u>30,935,404</u>	<u>(1,854,775)</u>	<u>29,080,629</u>	<u>23,286,845</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Payment of State Payment Obligation	(2,500,000)	-	(2,500,000)	(2,500,000)
Operating subsidies and transfers to other funds	(2,784,129)	2,784,129	-	-
Net cash provided (used) by noncapital financing activities	<u>(5,284,129)</u>	<u>2,784,129</u>	<u>(2,500,000)</u>	<u>(2,500,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital contributions	418,211	5,449,001	5,867,212	11,207,058
Proceeds from the sale of fixed assets	-	-	-	50,507
Deferred Income-SWAP Premium	-	-	-	7,747,500
Payments for capital acquisitions	(9,013,926)	(6,360,027)	(15,373,953)	(38,948,820)
Principal paid on capital debt	(5,250,000)	(10,400,000)	(15,650,000)	(5,065,000)
Proceeds from Notes Issued	-	47,831,425	47,831,425	10,400,000
Interest paid on capital debt	(13,642,546)	-	(13,642,546)	(11,951,976)
Net cash provided (used) by capital and related financing activities	<u>(27,488,261)</u>	<u>36,520,399</u>	<u>9,032,138</u>	<u>(26,560,731)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investments	(30,929,090)	(30,707,613)	(61,636,703)	(17,325,234)
Proceeds from sales and maturities of investments	38,917,692	-	38,917,692	14,977,243
Interest and dividends	4,533,814	70,913	4,604,727	2,665,217
Net cash provided (used) by investing activities	<u>12,522,416</u>	<u>(30,636,699)</u>	<u>(18,114,284)</u>	<u>317,226</u>
Net increase in cash and cash equivalents	10,685,430	6,813,054	17,498,483	(5,456,660)
Balances - beginning of the year	<u>28,291,549</u>	<u>5,475,208</u>	<u>33,766,758</u>	<u>39,223,418</u>
Balances - end of the year	<u>\$ 38,976,979</u>	<u>\$ 12,288,262</u>	<u>\$ 51,265,241</u>	<u>\$ 33,766,758</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 12,278,024	\$ (5,709,619)	\$ 6,568,405	\$ 9,507,585
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	14,557,612	3,654,178	18,211,790	17,459,628
Change in assets and liabilities:				
Receivables, net	868,803	73,439	942,242	(1,731,782)
Grants receivable	(924,926)	-	(924,926)	(341,395)
Prepaid expenses	(71,185)	(143,220)	(214,405)	(422,573)
Inventories	(41,622)	-	(41,622)	(54,418)
Accounts and other payables	3,202,619	252,028	3,454,647	(1,308,071)
Deferred income	(8,306)	16,329	8,022	30,252
Customer deposits	683	2,091	2,774	(11,057)
Reserve for self insurance	883,018	-	883,018	-
Accrued expenses	190,684	-	190,684	158,676
Net cash provided by operating activities	<u>\$ 30,935,404</u>	<u>\$ (1,854,775)</u>	<u>\$ 29,080,629</u>	<u>\$ 23,286,845</u>

Noncash capital financing activities:

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

B. Basis of Accounting

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

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (Continued)

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

C. Operating Revenues and Expenses

The Authority’s operating revenues and expenses consist of revenues earned and expenses incurred relating to the operation and maintenance of its Transportation System, which specifically includes the operations of the Atlantic City Expressway and the Atlantic City International Airport. Grant revenues and expenses are included in operations of the Atlantic City Expressway. All other revenues and expenses are reported as non-operating revenues and expenses.

D. Cash and Cash Equivalents

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

E. Investments

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Accounts Receivable

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

G. Restricted Assets

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

H. Basis of Organization: Description of Funds

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

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

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

Construction Fund – accounts for the receipt and disbursement of funds for the acquisition and construction of capital projects. Included in this Fund are proceeds from the issuance of Transportation System Revenue Bonds in 1999, 2004 and 2006, 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.

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Debt Service Reserve Fund – must maintain an amount equal to the Debt Service requirement. The monies in this fund are utilized to make up any deficiency in the Debt Service Fund. In accordance with the Bond Resolution, the Authority may maintain a surety bond or an insurance policy payable to the trustee in lieu of required cash deposit in the Debt Service Reserve. As of 12/31/06, the Authority maintained a Municipal Bond Debt Service Reserve Insurance Policy with Financial Security Assurance with a payment limit of \$2,289,600 and investments of \$18,382,383. The total of which exceeds the Debt Service Reserve requirement of \$18,880,963.

Rehabilitation and Repair Fund – accounts for monies that shall be applied to pay the costs of major resurfacing, repairs, renewals or reconstruction of each Pledged Project or any part thereof, whether buildings, improvements, fixtures, or equipment as determined in writing by the Authority and filed with the Trustee. The Authority is required to maintain a minimum balance of \$6,000,000 at December 31, 2006.

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

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

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

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

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Interest Income on Funds

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

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

J. Inability to Meet Debt Service Requirements

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

K. Pledged and General Projects

Pledged Projects are the projects for which the 2003 and 2004 Bonds were issued (except for the project constituting the acquisition of the parking garage facility) and, in addition to those projects, a project

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

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.

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Budgetary Information

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

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

M. Fuel Inventory

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

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.

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Capital Assets (Continued)

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

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 and state payment fund.

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

2. DEPOSITS AND INVESTMENTS (CONTINUED)

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

2. DEPOSITS AND INVESTMENTS (CONTINUED)

- (g) Banker's acceptances, Eurodollar deposits and certificates of deposit, in addition to the certificates of deposit provided for by (d) and (e) above of the domestic branches of foreign banks having a capital and surplus of \$1,000,000,000 or more, or any bank or trust company organized under the laws of the United States of America or Canada, or any state or province thereof, having capital and surplus, in the amount of \$1,000,000,000, provided that the aggregate maturity value of all such banker's acceptances and certificates of deposit held at any time as investments of funds under the Bond Resolution with respect to any particular bank, trust company, or national association shall not exceed 5% of its capital and surplus; and provided further that any such bank, trust company, or national association shall be rated in one of the two highest rating categories, without regard to rating sub-categories, by Moody's and S&P;
- (h) Other obligations of the United States of America or any agency thereof which may then be purchased with funds belonging to the State of New Jersey or which are legal investments for savings banks in the State of New Jersey;
- (i) Deposits in the New Jersey Cash Management Fund;
- (j) Obligations of any state, commonwealth or possession of the United States or a political subdivision thereof of any agency or instrumentality of such a state, commonwealth, possession or political subdivision, provided that at the time of their purchase such obligations are rated in either of the two highest rating categories by both Moody's and S&P;
- (k) Commercial paper with a maturity date not in excess of 270 days rated by the rating agencies at least equal to the rating assigned by the rating agencies to the applicable series of bonds and in no event lower than the "A" category established by a rating agency (which may include sub-categories indicated by plus or minus or by numbers) at the time of such investment, issued by an entity incorporated under the laws of the United States or any state thereof;
- (l) Shares of diversified open-end management investment company as defined in the Investment Act of 1940, which is a money-market fund which is then rated in any of the three highest rating categories by any nationally recognized bond rating agency which is then rating the bonds or money-market accounts of the Trustee or any bank or trust company organized under the laws of the United States or any state thereof which has a combined capital and surplus of not less than \$50,000,000; and

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

2. DEPOSITS AND INVESTMENTS (CONTINUED)

(m) Investment contracts

- (i) providing for the future purchase of securities of the type described in (a), (b), (c), and (g) above, which contracts have been approved for sale by a national securities exchange and all regulatory authorities having jurisdiction; or
- (ii) the obligor under which or the guarantor thereof shall have a credit rating such that its long-term debt is rated at least "A+" by S&P if the bonds are then rated by such rating agency and at least "A-1" by Moody's if the bonds are then rated by such rating agency.

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

All monies held under the Bond Resolution shall be continuously and fully secured by lodging, as collateral security, direct obligations of or obligations guaranteed by the United States of America having a market value not less than the amount of such monies. The Authority's total book (cash) balances were \$112,540,779 at December 31, 2006. The Authority's total bank (cash) balances were \$115,587,954 at December 31, 2006. The difference between bank balance and book balance is due primarily to the timing of deposits and outstanding checks.

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk:

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

<u>Institution/Issuer</u>	<u>Amount</u>	<u>% of Portfolio</u>
Federal National Mortgage Association	\$ 5,327,893	4.7%
Federal Home Loan Mortgage Discount Note	5,926,678	5.3%
U.S. Treasury Bill	178,836	0.2%
Societe Generale	14,324,938	12.7%
FSA Capital Management	1,791,168	1.6%
Sovereign Bank	3,201,670	2.8%
Wachovia Bank, NA	20,071,504	17.8%
Bank of New York	29,350,057	26.1%
NJ Cash Management Fund	831,481	0.7%
Commerce Bank	448,694	0.4%
Citizen's Bank	31,048,070	27.7%
Change Funds	39,790	0.0%
	<u>\$ 112,540,779</u>	<u>100.0%</u>

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk:

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

Insured	\$ 500,000
Collateralized:	
Collateral held by pledging bank in Authority's Name	36,087,610
Collateral held by pledging bank not in the Authority's Name	3,101,670
Pooled Investments	30,530,232
Government Securities	11,433,407
Change Funds	39,790
Uncollateralized and Uninsured	30,848,070
	<u>\$ 112,540,779</u>

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

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, 2006, the Authority's weighted average maturity on its short-term investments was as follows:

	Fair Value <u>12/31/06</u>	Weighted Average Maturity <u>(Years)</u>
Federal Home Loan Mortgage Discount Notes	\$ 5,926,678	0.51
Federal National Mortgage Association Notes	4,941,770	0.42
U.S. Treasury Bill	178,836	0.07
	<u>\$ 11,047,284</u>	

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

The Authority is a party to three guaranteed investment contracts totaling \$16,116,106. The first one, which relates to the 2003 Refunding Bonds, has a year-end carrying value of \$1,791,169, a fixed interest rate of 4.13% and matures on 10/30/12 at a value of \$2,289,600. This investment was awarded based on the provider who required the lowest cash deposit to yield a value of \$2,289,600 on 10/30/2012. The proceeds of this investment at maturity will be deposited in the debt service reserve fund to replace a debt service surety bond currently in place which expires on 10/31/12. The second contract, which relates to the 1999 Transportation System Revenue Bonds, has a year end carrying value of \$12,885,763, a fixed rate of 5.905% and matures on 11/1/29. This investment is restricted to the bond yield of 5.2059%. The excess earnings on this investment are rebated to the IRS every five years in accordance with IRS arbitrage regulations. The third contract, which relates to the 2004 Transportation System Revenue Bonds, has a year end carrying value of \$1,439,175, a fixed rate of 4.14% and matures on 11/1/33. The yield on this investment is less 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.

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

3. ACCOUNTS RECEIVABLE

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

	<u>2006</u>	<u>2005</u>
Airport user fees	\$ 696,833	\$ 770,272
Transportation services user fees	102,535	48,486
EZ-Pass toll revenue receivables	787,351	711,100
Casino Reinvestment Development Authority	691,483	1,844,743
Billboard lease receivable	318,509	250,927
Other expressway user fees	336,564	188,119
Gross receivables	<u>2,933,275</u>	<u>3,813,647</u>
Less: Allowance for Uncollectibles	<u>(83,728)</u>	<u>(21,858)</u>
Net total receivables	<u>\$ 2,849,547</u>	<u>\$ 3,791,789</u>

4. CAPITAL ASSETS

Capital assets for the year ended December 31, 2006 were as follows:

	December 31, <u>2005</u>	<u>Additions</u>	<u>Deletions</u>	December 31, <u>2006</u>
Capital Assets not being Depreciated:				
Land	\$ 147,321,510	\$	\$	\$ 147,321,510
Construction in Progress	<u>-</u>	<u>8,875,270</u>	<u>-</u>	<u>8,875,270</u>
Total Capital Assets not being Depreciated	<u>147,321,510</u>	<u>8,875,270</u>	<u>-</u>	<u>156,196,780</u>
Non-Infrastructure Capital Assets:				
Electronic Toll Equipment	8,917,935			8,917,935
Buildings and Equipment	60,544,752	1,875,069	(111,879)	62,307,942
Total Non-Infrastructure Capital Assets	<u>69,462,687</u>	<u>1,875,069</u>	<u>(111,879)</u>	<u>71,225,877</u>
Infrastructure Capital Assets:				
Infrastructure Equipment	9,267,040	357,905	(7,582)	9,617,363
Infrastructure	388,656,537	3,233,548		391,890,085
	<u>397,923,577</u>	<u>3,591,453</u>	<u>(7,582)</u>	<u>401,507,448</u>
Less:				
Accumulated Depreciation	<u>(99,160,789)</u>	<u>(18,630,384)</u>	<u>314,698</u>	<u>(117,476,475)</u>
Total Capital Assets	<u>\$ 515,546,985</u>	<u>\$ (4,288,592)</u>	<u>\$ 195,237</u>	<u>\$ 511,453,630</u>

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

5. CAPITAL CONTRIBUTIONS

The Authority received Capital Contributions totaling \$5,870,999 in 2006, a significant portion of these contributions detailed as follows:

The Authority receives capital funding from the United States Department of Transportation Federal Aviation Administration ("FAA") and the New Jersey Economic Development Authority and the State of New Jersey Transportation Trust Fund. These funds, as well as other local funds received, are designated and utilized towards the development and improvement of the Atlantic City International Airport and other expressway projects. The Authority received a total of \$5,583,393 in total from the Federal Aviation Administration and the New Jersey Economic Development Authority as Economic Recovery Funds during 2006. Funds from the New Jersey Economic Development Authority are classified as Economic Recovery Funds Advanced until costs are incurred. The Authority also received a total of \$81,000 from the New Jersey Air National Guard. At the time costs are incurred, they are reclassified to Capital Contributions.

The Authority has been approved by the Federal Aviation Administration ("FAA") to impose a Passenger Facility Charge ("PFC") of \$4.50 on passengers enplaned at the Atlantic City International Airport. This rate was increased from \$3.00 to \$4.50 per enplanement effective December 1, 2005. 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 \$1,772,983 in PFC fees during 2006. The balance of PFC Advance at December 31, 2006 was \$3,457,761. At the time costs are incurred, they are reclassified to Capital Contributions.

6. COMMITMENTS AND CONTINGENCIES

- A. The Authority recognizes expenses when they are incurred. Commitments do not constitute expenses or liabilities; they relate to unperformed contracts for goods or services. As of December 31, 2006, commitments for projects in progress were \$40,412,917.
- B. The Authority is the subject of, or a party to, various pending or threatened legal actions. The Authority believes that any ultimate liability arising from these legal actions should not have a material effect on its financial position or operations.
- C. The Authority receives financial assistance from the State of New Jersey and the U.S. Government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by grantors. As a result of these audits, costs previously reimbursed could be disallowed and require repayment to the grantor agency. As of December 31, 2006, the Authority estimates that no material liabilities will result from such audits.

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

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, 2006:

	<u>2006</u>	<u>2005</u>
Unrestricted:		
Electronic toll collection expense	\$ 1,033,587	\$ 1,065,469
State, and local police expenses	1,119,030	1,055,138
Payroll liabilities	514,580	311,240
Airport	256,219	338,804
SJTPO	147,953	23,701
Expressway operating expenses	1,564,181	961,400
	<u>\$ 4,635,550</u>	<u>\$ 3,755,752</u>
Restricted:		
Airport- Interim baggage building	\$ 1,061,499	\$ 231,625
Legal settlement expense	750,000	-
Various expressway improvements	1,075,295	1,009,379
Other airport terminal improvements	268,008	718,652
	<u>\$ 3,154,802</u>	<u>\$ 1,959,656</u>

8. BONDS AND NOTES PAYABLE

As of December 31, 2006, unamortized bond discounts in the amount of \$2,276,363, unamortized loss on refunding in the amount of \$143,330, and unamortized bond premium of \$228,151, have been offset against the outstanding bonds.

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.

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

8. BONDS AND NOTES PAYABLE (CONTINUED)

2006 Series A Transportation System Revenue Bonds

Optional Redemption

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

Mandatory Sinking Fund Redemption

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

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

Subordinated Notes, Series 2005

On March 29, 2005, Subordinated Notes, Series 2005 in the amount of \$10,400,000 were issued to fund the settlement reached in connection with litigation related to the Airport Parking Garage Project which resulted in the acquisitions of surface lot improvements at Atlantic City International Airport. The Subordinated Notes, Series 2005 has an interest rate of 3.10% and were due to mature on March 29, 2006. On February 16, 2006, the Notes were repaid in connection with the permanent financing secured for the Airport Parking Garage Project.

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%.

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

8. BONDS AND NOTES PAYABLE (CONTINUED)

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

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

2004 Series A Transportation System Revenue Bonds

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

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

8. BONDS AND NOTES PAYABLE (CONTINUED)

1999 Series Transportation System Revenue Bonds

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

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

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

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

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

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

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

8. BONDS AND NOTES PAYABLE (CONTINUED)

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

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

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

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

Bonds Payable:

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest *</u>	<u>Total</u>
2007	\$ 5,440,000	\$ 13,435,056	\$ 18,875,056
2008	5,655,000	13,221,431	18,876,431
2009	5,895,000	12,982,381	18,877,381
2010	6,145,000	12,730,069	18,875,069
2011	6,420,000	12,453,688	18,873,688
2012-2016	37,395,000	56,983,975	94,378,975
2017-2021	47,775,000	46,599,338	94,374,338
2022-2026	61,155,000	33,225,694	94,380,694
2027-2031	61,400,000	16,754,950	78,154,950
2032-2035	38,595,000	4,458,575	43,053,575
	<u>\$ 275,875,000</u>	<u>\$ 222,845,157</u>	<u>\$ 498,720,157</u>

* Includes capitalized interest from the proceeds of the 2006 Series A Bonds in the amounts of \$2,062,477 and \$515,612, respectively, for the bond years ending 2007 and 2008, respectively.

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

8. BONDS AND NOTES PAYABLE (CONTINUED)

Swaptions

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

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

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

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

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

8. BONDS AND NOTES PAYABLE (CONTINUED)

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

Fair value - As of December 30, 2006, the swaptions had a negative fair value of (\$5,869,207). The fair values were estimated using the Black, Derman and Toy (BDT) option pricing model. This model takes into consideration probabilities, volatilities, time, and underlying prices.

Market access risk and interest rate risk - If the options are exercised and the refunding bonds cannot be issued, the 1999 transportation system revenue bonds will not be refunded. In this case, the Authority will either have to unwind the swaps and pay a termination payment, or the Authority will make net swap payments as required by the terms of the swap agreements. If the options are exercised and the Authority issues variable rate bonds, the actual savings ultimately recognized by the transactions will be affected by the relationship between the interest rate terms of the variable rate bonds to be issued versus the variable rate payments on the swaps (75 percent of LIBOR).

At December 31, 2006, the unamortized SWAP Premium balance was \$7,041,212. During the year, \$468,506, was amortized to interest income.

9. ARBITRAGE REBATE PAYABLE

The Tax Reform Act of 1986 imposed additional restrictive regulations, reporting requirements and arbitrage rebate liabilities on issuers of tax-exempt debt. This Act requires the remittance to the IRS of 90% of the cumulative rebatable arbitrage within 60 days of the end of each five-year reporting period following the issuance of governmental bonds. The estimated amount of arbitrage payable represents the excess of amounts earned on "taxable" investments over the interest cost of the tax-exempt borrowing, plus income attributable to the excess. At December 31, 2006, the Transportation System Revenue Bonds Series 2004 A had negative arbitrage. Thus, no liability exists for the Series 2004 A Bonds at December 31, 2006. The Authority's cumulative arbitrage rebate liability related to the Transportation System Revenue Refunding Bonds Series 2003, at December 31, 2006, was \$1,045,147. The increase in this obligation has been recorded in operations as a reduction of current year interest income. The arbitrage rebate liability related to the Transportation System Revenue Bonds Series 1999, at December 31, 2006 and 2005, was \$184,495.

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

10. DEBT DEFEASANCE

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

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

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

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

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

These bonds were called and paid off in January 2007.

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

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

The total amount of this outstanding conduit debt as of December 31, 2006 was \$4,135,000. The Bonds were a special limited obligation of the Authority and were payable solely from revenues derived by the Authority pursuant to a Repayment Agreement between the Authority and Raytheon Aircraft Services, Inc. The Authority had no other responsibility for the payment of this debt.

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

11. CONDUIT DEBT OBLIGATIONS (CONTINUED)

The Authority issued and sold Special Revenue Bonds to Mirage Resorts, Incorporated in 1999, 2000, and 2001 to provide funds to pay a portion of Mirage's share of the cost of the Atlantic City Expressway Connector Project ("Connector"). The Special Revenue Bonds will be payable solely from amounts received by the Authority from CRDA pursuant to the Pledge Agreement, dated October 10, 1997 between the Authority and CRDA. The Authority has no other responsibility for the payment of this debt. The amounts payable by CRDA under the CRDA Pledge Agreement are Governmental Grants, which do not constitute Revenues under the Bond Resolution, and the Special Revenue Bonds are not payable from or secured by such Revenues. The total amount of this outstanding conduit debt as of December 31, 2006 is as follows:

<u>Year Issued</u>	<u>Amount Issued</u>	<u>Accreted Value at 12/31/06</u>	<u>Maturity Value</u>
1999	\$ 20,003,710	\$ 24,425,000	\$ 24,425,000
2000	24,999,328	30,075,000	30,075,000
2001	9,996,322	11,390,000	11,390,000
	<u>\$ 54,999,360</u>	<u>\$ 65,890,000</u>	<u>\$ 65,890,000</u>

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

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

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

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

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

12. RATES AND CHARGES (CONTINUED)

	Section 7.08 (a)(1) <u>120.00%</u>	Section 7.08 (a)(1) <u>100.00%</u>	Section 7.08 (a)(2) <u>100.00%</u>
Operating Revenue	\$ 83,676,217	\$ 83,676,217	\$ 83,676,217
Interest Revenue	429,687	429,687	429,687
Interest Revenue-Airport	76,838	76,838	76,838
Interest Revenue Transferred from Restricted Funds	634,087	634,087	634,087
Interest Revenue-General Reserve Fund	509,122	509,122	509,122
Total Revenue	<u>85,325,951</u>	<u>85,325,951</u>	<u>85,325,951</u>
Less:			
Grant Revenue	3,928,337	3,928,337	3,928,337
Airport Revenue	7,277,153	7,277,153	7,277,153
Airport Interest	76,838	76,838	76,838
Total Available Revenue	<u>74,043,623</u>	<u>74,043,623</u>	<u>74,043,623</u>
Pledged Project Expenses	<u>44,885,545</u>	<u>44,885,545</u>	<u>44,885,545</u>
Net Revenues	<u>\$ 29,158,078</u>	<u>\$ 29,158,078</u>	<u>\$ 29,158,078</u>
Senior Debt Service	\$ 16,775,043	\$ 16,775,043	\$ 16,775,043
Rehabilitation & Repair Requirement			
State Payment Requirement		2,500,000	
Other Required Deposits			
General Project Operating Expenses		<u>2,804,985</u>	
Total Debt Service & Other Obligations	<u>\$ 16,775,043</u>	<u>\$ 22,080,028</u>	N/A
Total Pledged Projects and Debt Service	N/A	N/A	<u>\$ 61,660,588</u>
Coverage Ratio	173.82%	132.06%	120.08%
Required Coverage	120.00%	100.00%	100.00%
Excess Coverage	<u>\$ 53.82%</u>	<u>\$ 32.06%</u>	<u>20.08%</u>

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

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% 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 and PFRS Plans for the year ended December 31, 2006 was \$ 904,335 and \$70,547 respectively. The Authority's contribution to the PERS and PFRS Plans for the year ended December 31, 2006 was \$401,893 and \$85,060 respectively.

14. 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.

Self-Insurance

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 \$830,000, which represents estimated claims relating to the period ended December 31, 2006. The Reserve for Insurance Claims balance at December 31, 2006 is \$883,018. During the year, claim expense in the amount of \$93,564 was charged to the reserve. The Authority has an umbrella excess liability policy over those self-insurance retention levels of \$15,000,000 per occurrence and \$30,000,000 annual aggregate.

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

15. AUTHORITY RETIREMENT MEDICAL BENEFITS

In accordance with the Authority's Personnel Policies Manual adopted by the Board in January 1993 (Resolution 1993-02), the Authority offers certain health-care benefits to its retired employees. All employees of the Authority are eligible if, at retirement, they have at least 20 years of full-time service with the Authority and are qualified to immediately receive pension payments from PERS; or if they have 25 years or more service credited in PERS and are immediately eligible to receive pension benefits. The Authority funds the benefits on a pay-as-you-go basis. The cost of providing these benefits for eighty-three (83) retirees for the year ended December 31, 2006 was \$1,353,826.

16. COMPENSATED ABSENCES

A. Non-Union Employees

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

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

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

16. COMPENSATED ABSENCES (CONTINUED)

B. Union Employees

In accordance with the union contracts in effect in 2004, members of the International Federation of Professional and Technical Engineers, Local 196, Chapter 2 and Local 193, Chapter A, ten vacation days may be carried to the next calendar year for Local 196 and Local 193. Any carried-over vacation time must be taken during the subsequent year or it is lost. In addition, members are entitled to accumulate sick time up to \$17,500. The following percentages apply:

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

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

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

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

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

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

16. COMPENSATED ABSENCES (CONTINUED)

C. Accrued Expense

The Authority has both operating and non-operating accrued expenses. The operating accrued expense pertains to compensated absences as described below. The Authority's accrued liability for compensated absences including additional amounts accrued for Social Security, Medicare and pension plan contributions as of December 31, 2006 is as follows:

	Amount
Sick Time	\$ 605,254
Vacation Time	460,267
Compensatory Time	<u>108,945</u>
	<u>\$ 1,174,466</u>

17. SOUTH JERSEY TRANSPORTATION PLANNING ORGANIZATION

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

18. AIRPORT MANAGEMENT

Pursuant to N.J.S.A. 27:25A-24, the Authority established a transportation project known as the Atlantic City International Airport ("ACY"). Effective April 1, 1996, pursuant to Authority Resolution #1996-06, the Authority entered into an operating and maintenance agreement with Johnson Controls World Services ("JCWS") for operations, maintenance and support service at ACY. Under this arrangement, the Authority is entitled to receive all of the revenue and must pay all the expenses associated with the operation of ACY terminal operations. JCWS was sold to American Port Services ("AvPorts") during 1997. AvPorts assumed all rights and obligations of the existing contract between the Authority and JCWS. Since April 1, 2001, the Authority and AvPorts have been operating under a five-year extension of the operating and maintenance agreement, which was provided for in the original contract. This extension expired March 31, 2006, however, the Authority continues to use the services of AvPorts on a month to month basis. During 2002, AvPorts was acquired by MacQuarrie Aviation North America 2 (MAVNA).

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

18. AIRPORT MANAGEMENT (CONTINUED)

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

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

19. STATE PAYMENT

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

20. ELECTRONIC TOLL COLLECTION

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

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

20. ELECTRONIC TOLL COLLECTION (CONTINUED)

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

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

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

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

21. INTERFUNDS AND AIRPORT SUBSIDY

The total interfund payable from the Airport Fund to the Expressway Fund at December 31, 2006 is \$18,337,237, which consists of \$13,347,097 payable from unrestricted funds and \$4,990,140 payable from restricted funds.

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

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

21. INTERFUNDS AND AIRPORT SUBSIDY (CONTINUED)

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

22. CRDA PARKING FEE AGREEMENT

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

Pursuant to the Agreement, a portion of certain statutory parking fees ("Marina Parking Fees") receivable by CRDA from marina parking facilities used in conjunction with any new licensed casino hotel construction and located on land in the Marina District (also commonly known as the H-Tract) will be payable to the Authority. These parking fees pertain to the minimum charge per day for each motor vehicle parked, garaged or stored in a parking space in the parking facility, other than for motor vehicles owned or leased by the owner or operator of such facility or by an employee of the casino hotel which owns or leases such facility. The maximum amount payable by CRDA under the Parking Fee Agreement is an amount sufficient to amortize \$65 million in Authority bonds issued to finance the Atlantic City Expressway Connector Project and certain allocated costs of issuance. CRDA's payment obligations under the Parking Fee Agreement, as amended by the First, Second and Third Amendments dated June 15, September 20, 2001, and March 2005 respectively are subordinate to the prior lien on the Marina Parking Fees of certain parking revenue bonds of CRDA, plus liens associated with two additional issuances CRDA parking revenue bonds. During 2006, the Authority recognized \$2,846,946 versus \$3,653,383 in 2005. 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. As a result of the third amendment to the parking fee agreement the Authority was able to accelerate release of some of the fees in 2005. The decrease in revenue in 2006 is due to sixteen months worth of parking fees being recognized in 2005 versus a full twelve months worth of revenue being recognized in 2006.

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

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 Camden County Veterans in and around Camden and Gloucester Counties. During 2006, an agreement was made with 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 2006. During 2006, this firm billed the Authority \$233,578 for services rendered. At December 31, 2006, \$60,024 was payable and due to the firm. As of the date of this report, all outstanding amounts for the year ending December 31, 2006 have been paid. This commissioner does not direct legal work to any law firms on behalf of the Authority and additionally, abstains from voting when legal invoices are presented to the Board of Commissioners for approval.

25. OPERATING LEASES

The Authority currently has a lease agreement with a private company to provide office space for the SJTPO office in Vineland, New Jersey. This lease expires in 2010. The Authority also has a lease agreement with another private company to provide for office space for the Transportation Services division located in Camden, New Jersey. This lease expires in 2009. The Authority has an option to renew this lease for three (3) consecutive terms of one (1) year each beyond the end of the initial term. Lease expenses incurred for 2006 and 2005 were \$127,481 and \$136,697, respectively.

SOUTH JERSEY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2006

26. LEGAL SETTLEMENT

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

27. VOLUNTARY SEPARATION PLAN

On October 17, 2006, the Commissioners approved the Voluntary Separation Plan ("Plan"). The purpose of the Plan is to provide separation pay to certain Authority employees who voluntarily elect to terminate employment. This plan was open to any employee who had at least fifteen (15) years of Authority, Public Employees Retirement System ("PERS") or Police and Fireman's Retirement System ("PFRS") service, as of December 31, 2006. In addition, the plan is separate and distinct from any other benefits for which Participants may be eligible, such as retirement payment under the Public Employment Retirement System. Any Participant's separation payment was equal to one-half year of their Base Pay. During 2006, eleven (11) Participants elected to receive the one-time early separation payments totaling \$365,997. The total amount was included in year end accounts payable.

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS

FUND FINANCIAL STATEMENTS

December 31, 2006

With Comparative Totals as of December 31, 2005

	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	2006	2005
ASSETS													
Unrestricted Assets													
Cash and Cash Equivalents	\$ 8,363,892	\$ 1,980,130	\$ 9,304,634	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,648,657	\$ 13,625,386
Investments			3,963,816									3,963,816	2,000,000
Change Funds	39,790											39,790	35,891
Interest Receivable	27,651	9,215	96,366									133,231	51,622
Accounts Receivable, net of allowance for uncollected accounts of \$83,728	2,152,713	696,833										2,849,547	3,791,789
Grants Receivable	1,707,924	-										1,707,924	1,450,331
Prepaid Expenses	1,539,441	384,140										1,923,581	1,709,176
Fuel Inventory	113,885											113,885	72,263
Interfunds Receivable	7,551,844	100,115	18,609,370								(26,261,329)	-	-
Total Unrestricted Assets	21,497,139	3,170,434	31,974,187								(26,261,329)	30,380,431	22,736,458
Restricted Assets													
Cash and Cash Equivalents				1,895,997	2,372,197	12	119,560	56	912	27,188,060		31,576,794	20,105,481
Investments				2,340,172	3,768,140		18,382,383	178,836		32,642,190		57,311,722	36,077,202
Accounts Receivable													
Grants Receivable										1,437,092		1,437,092	769,759
Interfunds Receivable				8,590,000	1,608,036	208,334		1,196,153		9,623,098	(21,225,622)	481,818	-
Interest Receivable				6,668	58,507	75	163,037	234		253,297		481,818	463,577
Total Restricted Assets				12,832,837	7,806,880	208,421	18,664,981	1,375,279	912	71,143,737	(21,225,622)	90,807,426	57,416,019
Noncurrent Assets													
Capital assets:													
Non-Infrastructure Capital Assets:													
Land and Improvements	-									147,321,510		147,321,510	147,321,510
Electronic Toll Equipment	-									8,917,935		8,917,935	8,917,935
Buildings and Equipment	-									62,307,942		62,307,942	60,544,752
Less Accumulated Depreciation	-									(38,310,789)		(38,310,789)	(33,866,675)
Total Non-Infrastructure Capital Assets	-	-	-	-	-	-	-	-	-	180,236,598	-	180,236,598	182,917,522
Infrastructure Capital Assets:													
Infrastructure - Equipment	-									9,617,363		9,617,363	9,267,040
Infrastructure	-									391,890,085		391,890,085	388,656,537
Less Accumulated Depreciation	-									(79,165,687)		(79,165,687)	(65,294,114)
Total Infrastructure Capital Assets	-	-	-	-	-	-	-	-	-	322,341,761	-	322,341,761	332,629,463
Construction in Progress										8,875,270		8,875,270	-
Total Capital Assets	-	-	-	-	-	-	-	-	-	511,453,629	-	511,453,629	515,546,985
Bond Issuance Costs										9,446,844		9,446,844	7,722,445
Less Accumulated Amortization										(2,320,400)		(2,320,400)	(1,921,237)
Total Non-current Non-capital Assets	-	-	-	-	-	-	-	-	-	7,126,444	-	7,126,444	5,801,208
Total Non-Current Assets	-	-	-	-	-	-	-	-	-	518,580,074	-	518,580,075	521,348,193
TOTAL ASSETS	\$ 21,497,139	\$ 3,170,434	\$ 31,974,187	\$ 12,832,837	\$ 7,806,880	\$ 208,421	\$ 18,664,981	\$ 1,375,279	\$ 912	\$ 589,723,811	\$ (47,486,951)	\$ 639,767,930	\$ 601,500,670

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS

FUND FINANCIAL STATEMENTS

December 31, 2006

With Comparative Totals as of December 31, 2005

	Unrestricted Accounts			Restricted Accounts						Consolidation Eliminations	Totals		
	Revenue Fund	Airport Fund	General Reserve Fund	Debt Service Fund	Rehabilitation and Repair Fund	State Payment Fund	Debt Service Reserve Fund	Rebate Fund	Subordinated Debt Fund		Construction Fund	2006	2005
LIABILITIES AND NET ASSETS													
Current Liabilities Payable From													
Unrestricted Assets:													
Accounts Payable	\$ 3,712,218	\$ 923,332	\$	\$	\$	\$	\$	\$	\$	\$	\$ 4,635,550	\$ 3,755,752	
Deferred Income	323,548	92,458									416,006	407,981	
Escrow Deposits	69,996	47,947									117,943	115,168	
Accrued Expenses	1,174,466								2,533		1,176,999	986,316	
Reserve for Self Insurance	883,018										883,018	-	
Interfunds Payable	4,262,713	13,347,097	-								(17,609,810)	-	
Total Current Liabilities Payable From Unrestricted Assets	10,425,959	14,410,835	-	-	-	-	-	-	2,533.00	(17,609,810)	7,229,516	5,265,217	
Current Liabilities Payable From													
Restricted Assets:													
Accrued Interest				2,239,176							2,239,176	2,135,349	
Accounts Payable								74	3,154,728		3,154,802	1,959,656	
Unamortized SWAP Premium									7,041,212		7,041,212	7,509,719.00	
Retainages Payable									650,518		650,518	692,031	
Due to Other Government Agencies	-					208,334			-		208,334	208,334	
PFC Advanced									3,457,761		3,457,761	1,415,357	
Economic Recovery Funds Advanced									695,932		695,932	848,615	
Elevated U-Turn Payable									121,411		121,411	121,411	
Interfunds Payable				9,589,296	1,554,613	-	0		838	18,732,393	(29,877,141)	-	
Bonds and Notes Payable													
Net of Discount, Premium and and Loss on Defeasance (\$52,084)										5,335,832	5,335,832	15,597,775	
Total Current Liabilities Payable From Restricted Assets	-	-	-	11,828,472	1,554,613	208,334	0	-	912	39,189,788	(29,877,141)	30,488,247	
Noncurrent Liabilities:													
Arbitrage Rebate Payable								1,229,642			1,229,642	184,495	
Bonds and Notes Payable													
Net of Discount, Premium and Loss on Defeasance (\$2,139,458)										268,347,626	-	268,347,626	
Total Noncurrent Liabilities	-	-	-	-	-	-	-	1,229,642	-	268,347,626	-	224,338,654	
TOTAL LIABILITIES	\$ 10,425,959	\$ 14,410,835	\$ -	\$ 11,828,472	\$ 1,554,613	\$ 208,334	\$ 0	\$ 1,229,642	\$ 912	\$ 307,539,947	\$ (47,486,951)	\$ 299,711,762	\$ 260,276,613

SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS

FUND FINANCIAL STATEMENTS

December 31, 2006

With Comparative Totals as of December 31, 2005

	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	2006	2005
NET ASSETS													
Invested in Capital Assets, Net of Related Debt	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 237,826,511	\$	\$ 237,826,511	\$ 272,891,217
Restricted for:													
Debt Service				1,004,365								1,004,365	8,171,436
Rehabilitation and Repair					6,252,267							6,252,267	6,078,242
Debt Service Reserve							18,664,981					18,664,981	16,193,220
State Payment						87						87	137
Capital Projects									44,357,352			44,357,352	11,603,777
Unrestricted	11,071,181	(11,240,401)	31,974,187					145,637	-	-		31,950,605	26,286,028
Total Net Assets	11,071,181	(11,240,401)	31,974,187	1,004,365	6,252,267	87	18,664,981	145,637	-	282,183,863	-	340,056,168	341,224,057
TOTAL LIABILITIES AND NET ASSETS	\$ 21,497,140	\$ 3,170,434	\$ 31,974,187	\$ 12,832,837	\$ 7,806,880	\$ 208,421	\$ 18,664,981	\$ 1,375,279	\$ 912	\$ 589,723,810	\$ (47,486,951)	\$ 639,767,930	\$ 601,500,670

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SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS

FUND FINANCIAL STATEMENTS

Twelve Months Ended December 31, 2006

With Comparative Totals for the Year Ended December 31, 2005

	Unrestricted Accounts			Restricted Accounts						Consolidation Eliminations	Totals	
	Revenue Fund	Airport Fund	General Reserve Fund	Rebate Fund	Subordinated Debt Fund	Debt Service Fund	Rehabilitation and Repair Fund	State Payment Fund	Debt Service Reserve Fund		Construction Fund	2006
Operating Revenues:												
Tolls	\$ 59,477,706	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 59,477,706	\$ 57,970,861
Concessions	2,046,941										2,046,941	1,962,861
ETC Administration Revenue	1,492,252										1,492,252	1,624,406
Garage Parking	1,291,189										1,291,189	956,416
Marina Parking Revenue	2,846,946										2,846,946	3,653,383
Intercept Parking	351,312										351,312	500,929
Bus Permits	344,260										344,260	367,546
Rentals	3,789,944										3,789,944	3,652,537
Emergency Service Patrol	0										0	180,000
Regional Marketing Program	-										-	
Directional Signage Program	32,599										32,599.00	
Grants	-										-	
SJTPO Programs	1,832,591										1,832,591	2,178,896
Transportation Services	2,095,746										2,095,746	1,988,525.00
Other	797,578		-								797,578	613,503
Airport	-	7,277,153									7,277,153	6,357,747
Total Operating Revenues	76,399,064	7,277,153	-	-	-	-	-	-	-	-	83,676,217	82,007,410
Operating Expenses:												
Executive	2,188,853										2,188,853	2,772,646
Policy and Planning	466,911										466,911	319,354
Engineering	3,209,405										3,209,405	2,945,965
Finance	1,162,221										1,162,221	1,129,904
Central Accounts	11,469,619										11,469,619	9,920,175
Marketing and Communications	974,636										974,636	606,357
Tourist Services	6,385,610										6,385,610	6,007,686
Maintenance	5,830,824										5,830,824	5,965,699
Police	6,974,056										6,974,056	5,966,440
Emergency Service Patrol	790,981										790,981	715,092
Electronic Toll Collection Expense	3,172,243										3,172,243	3,495,733
Parking-(Non Airport)	966,052										966,052	834,447
Information and Toll Technology	1,745,344										1,745,344	1,459,671
SJTPO Programs	1,832,591										1,832,591	2,178,896
Transportation Services	2,361,480										2,361,480	2,119,024
Airport	-	9,332,594									9,332,594	8,603,063
Depreciation	-								18,211,791		18,211,791	17,459,628
Total Operating Expenses	49,563,426	9,332,594	-	-	-	-	-	-	18,211,791	-	77,107,810	72,499,780
Operating Income (Loss)	26,835,638	(2,055,441)	-	-	-	-	-	-	(18,211,791)	-	6,568,406	9,507,629

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SOUTH JERSEY TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS

FUND FINANCIAL STATEMENTS

Twelve Months Ended December 31, 2006

With Comparative Totals for the Year Ended December 31, 2005

	Unrestricted Accounts			Restricted Accounts						Totals			
	Revenue Fund	Airport Fund	General Reserve Fund	Rebate Fund	Subordinated Debt Fund	Debt Service Fund	Rehabilitation and Repair Fund	State Payment Fund	Debt Service Reserve Fund	Construction Fund	Consolidation Eliminations	2006	2005
Non-Operating Income(Expenses)													
Interest Revenue	\$ 429,687	\$ 76,838	\$ 509,122	\$ 8,842		\$ 251,378	\$ 295,209	\$ 3,847	\$ 997,661	\$ 2,132,005	\$ -	\$ 4,704,589	\$ 2,914,248
Gain on Sale of Assets	-											-	50,507
Other Revenue										1,890		1,890	-
Air Service Grant Revenue		-										-	-
Air Service Development Expense		-										-	-
Claims										(1,750,000)		(1,750,000)	-
Fund Expenses	-									(1,000)		(1,000)	(199,643)
Amortization Expense										(407,023)		(407,023)	(371,172)
Amortization of Bond Premium										90,637		90,637	101,799
Interest on Bonds						(13,567,553)				(178,821)		(13,746,374)	(11,986,825)
State Payment								(2,500,000)				(2,500,000)	(2,500,000)
Total of Non-Operating Income/(Expenses)	429,687	76,838	509,122	8,842	-	(13,316,175)	295,209	(2,496,153)	997,661	(112,312)	-	(13,607,281)	(11,991,086)
Income (Loss) before Contributions and Transfers	27,265,325	(1,978,603)	509,122	8,842	-	(13,316,175)	295,209	(2,496,153)	997,661	(18,324,103)	-	(7,038,876)	(2,483,457)
Capital Contributions - Grants										5,668,177	(5,668,177)	-	-
Capital Contributions - Other Sources										202,819	(202,819)	-	-
Total Capital Contributions										5,870,996	(5,870,996)	5,870,996	9,736,593
Interest Revenue Transferred From Restricted Funds	634,087									(2,118)	(631,969)	-	-
Interest Revenue Transferred To Operating Account						(215,077)	(121,184)	(3,905)	(818,373)	-	631,969	(526,569)	(325,672)
Bonds Principal Payment Transfer						(15,650,000)				15,650,000		-	-
Transfers (To)/From Unrestricted Funds	(10,864,527)	34,061	10,898,588		-	22,014,181		2,500,008	2,292,472	10,144,097	(37,018,880)	-	-
Transfers (To)/From Restricted Funds	(16,910,269)		(3,932,048)							(15,650,000)	37,018,880	526,563	325,670
Change in Net Assets	124,616	(1,944,542)	7,475,662	8,842	-	(7,167,071)	174,025	(50)	2,471,761	(2,311,128)	-	(1,167,888)	7,253,134
Total Net Assets -- Beginning	10,946,564	(9,295,858)	24,498,525	136,795		8,171,436	6,078,242	137	16,193,220	284,494,995		341,224,056	333,970,922
Total Net Assets -- Ending	\$ 11,071,180	\$ (11,240,400)	\$ 31,974,187	\$ 145,637	\$ -	\$ 1,004,365	\$ 6,252,267	\$ 87	\$ 18,664,981	\$ 282,183,867	\$ -	\$ 340,056,168	\$ 341,224,056

SOUTH JERSEY TRANSPORTATION AUTHORITY

SCHEDULE OF BONDS, NOTES AND OTHER DEBT

Year Ended December 31, 2006

	Date of Issue	Amount Issued	Interest Rate	Maturity Date	Balance December 31, 2005	Issued	Paid	Balance December 31, 2006
Subordinated Notes, Series 2005 (Tax Exempt) Original Issue Amount \$10,400,000	3/30/2005	\$ 10,440,000	3.10%	3/26/06	\$ 10,400,000	\$	\$ 10,400,000	\$ -
Transportation System Revenue Bonds, 2003 Series (Tax Exempt) Original Issue Amount \$44,100,000	4/15/2003	15,790,000	3.00%	11/01/06	1,765,000		1,765,000	-
			2.25%	11/01/07	1,810,000		-	1,810,000
			3.00%	11/01/08	1,855,000		-	1,855,000
			4.00%	11/01/09	1,910,000		-	1,910,000
			3.25%	11/01/10	1,985,000		-	1,985,000
			5.00%	11/01/11	2,050,000		-	2,050,000
			5.25%	11/01/12	2,155,000		-	2,155,000
					<u>13,530,000</u>	<u>-</u>	<u>1,765,000</u>	<u>11,765,000</u>
Transportation System Revenue Bonds, 1999 Series (Tax Exempt) Original Issue Amount \$204,520,000	06/02/99	204,520,000	4.250%	11/01/06	3,065,000		3,065,000	-
			5.000%	11/01/07	3,200,000			3,200,000
			5.000%	11/01/08	3,360,000			3,360,000
			4.500%	11/01/09	3,530,000			3,530,000
			5.250%	11/01/10	3,685,000			3,685,000
			5.250%	11/01/11	3,880,000			3,880,000
			5.250%	11/01/12	4,080,000			4,080,000
			5.250%	11/01/13	6,565,000			6,565,000
			5.250%	11/01/14	6,910,000			6,910,000
			5.000%	11/01/15	7,275,000			7,275,000
			5.000%	11/01/16	7,635,000			7,635,000
			5.000%	11/01/17	8,020,000			8,020,000
			5.000%	11/01/18	8,420,000			8,420,000
			5.000%	11/01/19	8,840,000			8,840,000
			5.125%	11/01/20	9,280,000			9,280,000
			5.125%	11/01/21	9,755,000			9,755,000
			5.125%	11/01/22	10,255,000			10,255,000
			5.000%	11/01/23	10,785,000			10,785,000
			5.000%	11/01/24	11,320,000			11,320,000
			5.000%	11/01/25	11,890,000			11,890,000
			5.000%	11/01/26	12,485,000			12,485,000
			5.000%	11/01/27	13,105,000			13,105,000
			5.000%	11/01/28	13,760,000			13,760,000
			5.000%	11/01/29	14,450,000			14,450,000
		<u>204,520,000</u>			<u>195,550,000</u>	<u>-</u>	<u>3,065,000</u>	<u>192,485,000</u>

SOUTH JERSEY TRANSPORTATION AUTHORITY

SCHEDULE OF BONDS, NOTES AND OTHER DEBT

Year Ended December 31, 2006

	Date of Issue	Amount Issued	Interest Rate	Maturity Date	Balance December 31, 2005	Issued	Paid	Balance December 31, 2006
Transportation System Revenue Bonds, 2004 Series A (Tax Exempt) Original Issue Amount \$22,235,000	06/24/2004	\$ 22,235,000	2.250%	11/01/06	\$ 420,000	\$	\$ 420,000	\$ -
			3.000%	11/01/07	430,000			430,000
			3.500%	11/01/08	440,000			440,000
			3.750%	11/01/09	455,000			455,000
			3.875%	11/01/10	475,000			475,000
			4.000%	11/01/11	490,000			490,000
			4.125%	11/01/12	510,000			510,000
			4.250%	11/01/13	530,000			530,000
			4.250%	11/01/14	555,000			555,000
			4.125%	11/01/15	580,000			580,000
			4.250%	11/01/16	600,000			600,000
			5.000%	11/01/17	625,000			625,000
			5.000%	11/01/18	660,000			660,000
			5.000%	11/01/19	690,000			690,000
			5.000%	11/01/20	725,000			725,000
			5.000%	11/01/21	760,000			760,000
			5.000%	11/01/22	800,000			800,000
			5.150%	11/01/23	840,000			840,000
			5.150%	11/01/24	880,000			880,000
			5.150%	11/01/25	925,000			925,000
		5.150%	11/01/26	975,000			975,000	
		5.150%	11/01/27	1,020,000			1,020,000	
		5.150%	11/01/28	1,075,000			1,075,000	
		5.150%	11/01/29	1,125,000			1,125,000	
		5.150%	11/01/30	1,180,000			1,180,000	
		5.150%	11/01/31	1,240,000			1,240,000	
		5.150%	11/01/32	1,305,000			1,305,000	
		5.150%	11/01/33	1,370,000			1,370,000	
		<u>22,235,000</u>			<u>21,680,000</u>	<u>-</u>	<u>420,000</u>	<u>21,260,000</u>
Transportation System Revenue Bonds, 2006 Series A (Tax Exempt) Original Issue Amount \$50,365,000	01/12/06	50,365,000	4.50%	11/01/2030		7,065,000		7,065,000
			4.50%	11/01/2031		7,380,000		7,380,000
			4.50%	11/01/2032		7,710,000		7,710,000
			4.50%	11/01/2033		8,055,000		8,055,000
			4.50%	11/01/2034		9,855,000		9,855,000
			4.50%	11/01/2035		10,300,000		10,300,000
					<u>-</u>	<u>50,365,000</u>	<u>-</u>	<u>50,365,000</u>
		<u>\$ 226,755,000</u>			<u>\$ 241,160,000</u>	<u>\$ 50,365,000</u>	<u>\$ 15,650,000</u>	<u>\$ 275,875,000</u>

**South Jersey Transportation Authority
Schedule of Toll Revenue
Year Ended December 31, 2006**

Interchange:	<u>Toll Revenue</u>	<u>Vehicle Count</u>
Pleasantville	\$ 13,526,907	26,668,684
Exit 5, Route 9	598,550	1,332,167
Mays Landing	2,521,700	5,491,095
Egg Harbor	38,162,490	19,254,229
Hammonton	832,808	1,745,950
Winslow	419,538	877,107
Williamstown	1,148,385	4,819,046
Pomona	1,457,031	3,211,150
Berlin Crosskeys	810,296	3,420,863
Unusual and Toll Free	778,141	778,141
	<u>\$ 59,477,706</u>	<u>67,598,432</u>

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

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

South Jersey Transportation Authority
Report of Audit

For The Year Ended December 31, 2006

South Jersey Transportation Authority
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Hammonton, NJ 08037
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