

**NEW JERSEY TRANSPORTATION  
TRUST FUND AUTHORITY**  
(A Component Unit of the State of New Jersey)

Financial Statements and  
Supplementary Information

June 30, 2012

**NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY**

(A Component Unit of the State of New Jersey)

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Chairperson and Members of  
New Jersey Transportation Trust Fund Authority  
A Component Unit of the State of New Jersey

We have audited the accompanying basic financial statements of the governmental activities, each fund, and the aggregate remaining fund information of New Jersey Transportation Trust Fund Authority (the "Authority"), a component unit of the State of New Jersey, as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, and each fund, of the Authority as of June 30, 2012, and the changes in the financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5-8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of cash receipts and disbursements on page 20 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements by us or other auditors, and accordingly, we do not express an opinion or provide any assurance on it.

This report is intended solely for the information and use of Authority members, the finance committee, management, others within the Authority, and the State of New Jersey and is not intended to be and should not be used by anyone other than those specified parties.

*Amador, P.C.*  
*Certified Public Accountants*

October 19, 2012



INDEPENDENT AUDITORS' 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*

To the Honorable Chairperson and Members of  
New Jersey Transportation Trust Fund Authority  
A Component Unit of the State of New Jersey

We have audited the accompanying financial statements of the New Jersey Transportation Trust Fund Authority (the "Authority"), a component unit of the State of New Jersey, as of and for the year ended June 30, 2012, and have issued our report thereon dated October 19, 2012. 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 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 deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected or corrected on a timely basis.

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

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INDEPENDENT AUDITORS' 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* (CONTINUED)

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Authority in a separate letter dated October 19, 2012.

This report is intended solely for the information and use of Authority members, the finance committee, management, others within the Authority, and the State of New Jersey and is not intended to be and should not be used by anyone other than those specified parties.

*Shawcross PC*  
*Certified Public Accountants*

October 19, 2012

**NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY**  
(A Component Unit of the State of New Jersey)

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Management's Discussion and Analysis**

As financial management of the New Jersey Transportation Trust Fund Authority (the "Authority"), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Authority as of and for the year ended June 30, 2012. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

**Financial Highlights**

The Authority disbursed \$1,169,498,617 to the Special Transportation Fund of the State of New Jersey to fund statewide transportation system improvements during the fiscal year, as compared to \$1,531,052,425 the prior year, a decrease of 24%. The term "net assets" refers to the difference between assets and liabilities. At the close of fiscal year 2012, the Authority had net assets of \$152,653,628, as compared to a net deficit of \$173,353,748 at June 30, 2011. This increase in net assets was mainly due to decreases in statewide transportation system improvements and an increase in state appropriated taxes and toll road revenue during the fiscal year.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements, which are comprised of the basic financial statements and the notes to the financial statements. The Authority is a single program government that combines government-wide and governmental fund financial statements. This report also contains required supplementary information concerning the Authority's cash flow for the fiscal year.

**Basic Financial Statements**

The basic financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to that which would be used by a private-sector business.

The statement of net assets and governmental funds balance sheet presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as useful indicators of whether the financial position of the Authority is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets without corresponding increases to liabilities results in increased net assets, which indicate an improved financial position. The Authority's position improved by \$326,007,376 in the year ended June 30, 2012.

The statement of activities and governmental funds revenues, expenditures and changes in fund balance presents information showing how a government's net deficit changed during the fiscal year. All changes in net deficit are reported as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**Notes to the Financial Statements**

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

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the Authority's flow of cash for the fiscal year.

**Financial Analysis**

Net assets (deficit) may serve, over time, as a useful indicator of the Authority's financial position. In the case of the Authority, assets exceeded liabilities by \$152,653,628 at the close of the most recent fiscal year.

The largest portion of the Authority's net assets reflects its investments in current assets (*e.g., accounts receivable, cash and cash equivalents and investments*) less any related bonds outstanding and accounts payable. The Authority's current assets are restricted in use for payment of state transportation costs and bond issues outstanding.

	Years Ended			Percentage
	June 30, 2012	June 30, 2011	June 30, 2010	Change 2012-2011
Accounts receivable	\$14,114,275,200	\$ 12,924,816,045	\$ 11,514,907,881	9
Cash and equivalents	428,932,759	244,859,631	249,060,953	75
Investments	-	42,728	59,012	(100)
Deferred loss on refunding on bonds	9,467,602	8,756,115	9,759,287	8
Unamortized bond discount	19,708,191	20,443,307	21,737,978	(4)
Unamortized bond issuance cost	105,737,744	107,393,042	107,472,875	(2)
<b>Total Assets</b>	<u>14,678,121,496</u>	<u>13,306,310,868</u>	<u>11,902,997,986</u>	10
Accrued interest payable	25,147,922	23,819,811	20,613,249	6
Accounts payable - State of New Jersey	106,984,448	213,485,882	384,396,398	(50)
Accounts payable - other	147,000	109,193	181,574	35
Bonds payable:				
Due within one year	360,030,000	310,110,000	314,285,000	16
Due after one year	13,653,175,615	12,571,168,986	11,167,122,881	9
Unamortized bond premium	379,982,883	360,970,744	383,543,295	5
<b>Total Liabilities</b>	<u>14,525,467,868</u>	<u>13,479,664,616</u>	<u>12,270,142,397</u>	8
Net Assets (Deficit) Restricted for:				
Debt Service	232,106	274,729	290,549	(16)
Deferred Charges	(270,217,268)	(248,198,091)	(265,186,404)	9
Payment of state transportation system cost	422,638,790	74,569,614	(102,248,556)	467
<b>Net Assets (Deficit)</b>	<u>\$ 152,653,628</u>	<u>\$ (173,353,748)</u>	<u>\$ (367,144,411)</u>	188



**NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

	Years Ended			Percentage Change 2012-2011
	June 30, 2012	June 30, 2011	June 30, 2010	
<b>Revenues</b>				
<b>State appropriations</b>				
Motor fuel taxes	\$ 522,167,000	\$ 483,000,000	\$ 483,000,000	8
Commercial vehicle fees and taxes	422,500,000	400,000,000	400,000,000	6
Toll road authority	78,000,000	12,000,000	12,000,000	550
Interest income and investment return	454,024	1,055,820	1,916,436	(57)
Amortization of bond premium and discount	<u>43,852,659</u>	<u>40,054,655</u>	<u>33,142,068</u>	9
Total Revenues	<u>1,066,973,683</u>	<u>936,110,475</u>	<u>930,058,504</u>	14
<b>Expenses</b>				
Operating expenses and financial costs	1,359,831	4,825,663	48,264	(72)
State transportation costs	1,169,498,617	1,531,052,425	1,725,395,510	(24)
<b>Debt Service</b>				
Bond interest expense, including amortization of bond issuance costs	622,035,531	526,724,927	500,782,283	18
Bond interest expense, capital appreciation bonds	<u>127,036,629</u>	<u>120,251,087</u>	<u>101,612,225</u>	6
Total Operating Expenses	<u>1,919,930,608</u>	<u>2,182,854,102</u>	<u>2,327,838,282</u>	(13)
Deficiencies of revenues over expenses	(852,956,925)	(1,246,743,627)	(1,397,779,778)	(34)
<b>Other financing sources</b>				
Garvee bond debt service reimbursement	3,192,409	4,802,000	5,281,000	(147)
Build America Bond Credits	<u>38,722,469</u>	<u>31,491,600</u>	<u>11,616,420</u>	23
Total other financing sources	<u>41,914,878</u>	<u>36,293,600</u>	<u>16,897,420</u>	1
Change in Net Deficit	(811,042,047)	(1,210,450,027)	(1,380,882,358)	(33)
<b>Net Assets (Deficit), Beginning of Year</b>				
	(173,353,748)	(367,144,411)	26,962,361	(53)
Current year bond activity, net	<u>1,137,049,423</u>	<u>1,404,240,690</u>	<u>986,775,586</u>	(19)
Net Assets (Deficit), End of Year	<u>\$ 152,653,628</u>	<u>\$ (173,353,748)</u>	<u>\$ (367,144,411)</u>	188

**NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**Significant and Subsequent Events**

As of June 30, 2012, the Authority had \$14,013,205,615 in bonds outstanding, net of unamortized bond accretions, as compared to \$12,881,278,986 in the prior fiscal year, an increase of 9%. There was new debt incurred by the Authority in the amount of \$1,315,000,000 during fiscal year 2012. A total of \$310,110,000 in bond principal was retired by the annual debt service payments during the fiscal year.

The 2003 Series B Bonds (Periodic Auction Reset Securities) were re-marketed as fixed rate bonds in September 2008, with principal repayments set to begin December 15, 2016 and ending December 15, 2019. Amid favorable market conditions the existing Swap Agreements were terminated in December 2011 without additional fees or penalty, resulting in interest savings of \$6,222,725.

The Authority has issued no bonds nor entered into any credit agreements subsequent to the close of fiscal year June 30, 2012.

The following information summarizes the changes in debt between the fiscal year 2012, 2011 and 2010:

	Years Ended			Percentage
	June 30, 2012	June 30, 2011	June 30, 2010	Change 2012-2011
Bonds Payable	<u>\$14,013,205,615</u>	<u>\$ 12,881,278,986</u>	<u>\$11,481,407,881</u>	<u>9</u>

More detailed information about the Authority's bonds payable is presented in Note D of the financial statements.

The prior re-authorization of the Authority expired on June 30, 2011. Assembly Bill A-3205 granted legislative approval to support the State's Capital Transportation Program for Fiscal Years 2013 through 2016, authorizing the Authority to bond a total of \$3,458.3 million for fiscal years 2013 to 2016. For fiscal year 2012, the Authority had available, but did not utilize, \$326.6 million of its remaining authorizations from the previous act. It is anticipated that the remaining authorization will be utilized as part of the fiscal year 2013 planned debt issuance.

**Contacting the Authority's Financial Management**

This financial report is designed to provide the New Jersey citizens, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability to the State of New Jersey and bondholders. If you have questions about this report or need additional financial information, you can contact the New Jersey Transportation Trust Fund Authority at 1035 Parkway Avenue, P.O. Box 600, Trenton, NJ 08625-0600 or visit its website at [www.state.nj.us/ttfa](http://www.state.nj.us/ttfa).

**NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY**  
(A Component Unit of the State of New Jersey)

**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET**  
June 30, 2012

	Special Revenue Fund	Other Funds (DSF)	Total Governmental Funds	Adjustments (Note G)	Statement of Net Assets
<b>ASSETS</b>					
Accounts receivable - State of New Jersey	\$ 101,069,585	-	\$ 101,069,585	\$ 14,013,205,615	\$ 14,114,275,200
Cash and equivalents	428,700,653	232,106	428,932,759	-	428,932,759
Deferred loss on refunding of bonds	-	-	-	9,467,602	9,467,602
Unamortized bond discount	-	-	-	19,708,191	19,708,191
Unamortized bond issuance costs	-	-	-	105,737,744	105,737,744
<b>Total Assets</b>	<u>\$ 529,770,238</u>	<u>\$ 232,106</u>	<u>\$ 530,002,344</u>	<u>\$ 14,148,119,152</u>	<u>\$ 14,678,121,496</u>
<b>LIABILITIES</b>					
Accrued interest payable	-	-	-	25,147,922	25,147,922
Accounts payable - State of New Jersey	106,984,448	-	106,984,448	-	106,984,448
Accounts payable - other	147,000	-	147,000	-	147,000
Transportation system bonds payable	-	-	-	360,030,000	360,030,000
Due within one year	-	-	-	13,653,175,615	13,653,175,615
Due after one year	-	-	-	379,982,883	379,982,883
Unamortized bond premium	-	-	-	14,418,336,420	14,525,467,868
<b>Total Liabilities</b>	<u>107,131,448</u>	<u>-</u>	<u>107,131,448</u>	<u>14,418,336,420</u>	<u>14,525,467,868</u>
<b>FUND BALANCES/NET ASSETS (DEFICIT)</b>					
Restricted for					
Debt Service	-	232,106	232,106	-	232,106
Deferred Charges	-	-	-	(270,217,268)	(270,217,268)
Payment of state transportation system cost	422,638,790	-	422,638,790	-	422,638,790
<b>Total Fund Balances/Net Assets (Deficit)</b>	<u>422,638,790</u>	<u>232,106</u>	<u>422,870,896</u>	<u>(270,217,268)</u>	<u>152,653,628</u>
<b>Total Liabilities and Fund Balances/Net Assets (Deficit)</b>	<u>\$ 529,770,238</u>	<u>\$ 232,106</u>	<u>\$ 530,002,344</u>	<u>\$ 14,148,119,152</u>	<u>\$ 14,678,121,496</u>

See notes to financial statements.

**NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY**  
(A Component Unit of the State of New Jersey)

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

June 30, 2012

	Special Revenue Fund	Other Funds (DSF)	Total Governmental Funds	Adjustments (Note G)	Statement of Activities
<b>REVENUES</b>					
State appropriations equivalent to:					
Motor fuel taxes	\$ 522,167,000	-	\$ 522,167,000	-	\$ 522,167,000
Commercial vehicle fees and taxes	422,500,000	-	422,500,000	-	422,500,000
Toll Road Authority	78,000,000	-	78,000,000	-	78,000,000
Interest income and investment return	229,616	224,408	454,024	-	454,024
Amortization of bond premium and discount	-	-	-	43,852,659	43,852,659
Total revenues	<u>1,022,896,616</u>	<u>224,408</u>	<u>1,023,121,024</u>	<u>43,852,659</u>	<u>1,066,973,683</u>
<b>EXPENDITURES</b>					
Operating expenses and financial costs	64,723	1,295,108	1,359,831	-	1,359,831
State transportation costs	1,169,498,617	-	1,169,498,617	-	1,169,498,617
Debt Service					
Principal	-	310,110,000	310,110,000	(310,110,000)	-
Bond interest expense, including amortization of bond issuance costs	-	602,025,575	602,025,575	20,009,956	622,035,531
Bond interest expense, capital appreciation bonds	-	-	-	127,036,629	127,036,629
Total expenditures	<u>1,169,563,340</u>	<u>913,430,683</u>	<u>2,082,994,023</u>	<u>(163,063,415)</u>	<u>1,919,930,608</u>
Deficiency of revenues over expenses	<u>(146,666,724)</u>	<u>(913,206,275)</u>	<u>(1,059,872,999)</u>	<u>206,916,074</u>	<u>(852,956,925)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Bonds issued	1,315,000,000	-	1,315,000,000	(1,315,000,000)	-
Bond premium	51,941,986	-	51,941,986	(51,941,986)	-
Garvee bond debt service reimbursement	5,791,386	2,523,816	8,315,202	(5,122,793)	3,192,409
Transfers - internal activities	(871,917,367)	871,917,367	-	-	-
Build America Bond Credits	-	38,722,469	38,722,469	-	38,722,469
Cost of issuance	(6,080,105)	-	(6,080,105)	6,080,105	-
Total other financing sources (uses)	<u>494,735,900</u>	<u>913,163,652</u>	<u>1,407,899,552</u>	<u>(1,365,984,674)</u>	<u>41,914,878</u>
Change in fund balance/net assets	348,069,176	(42,623)	348,026,553	(1,159,068,600)	(811,042,047)
Fund balance/net deficit	74,569,614	274,729	74,844,343	(248,198,091)	(173,353,748)
Beginning of year	-	-	-	1,137,049,423	1,137,049,423
Current year bond activity, net	<u>422,638,790</u>	<u>232,106</u>	<u>422,870,896</u>	<u>(270,217,268)</u>	<u>152,653,628</u>
End of year					

See notes to financial statements.

**NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY**  
(A Component Unit of the State of New Jersey)

**NOTES TO BASIC FINANCIAL STATEMENTS**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Authority**

New Jersey Transportation Trust Fund Authority (the "Authority"), located in Ewing, New Jersey, was created by the State of New Jersey (the "State") in 1984 pursuant to the New Jersey Transportation Trust Fund Authority Act in order to provide a stable, predictable funding mechanism for transportation system improvements undertaken by the New Jersey Department of Transportation. The Authority also finances State aid to counties and municipalities for transportation system improvements.

**Basis of Accounting**

The Authority is a component unit of the State and is included in the general purpose financial statements of the State.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

In its accounting and financial reporting, the Authority follows the pronouncements of the Governmental Accounting Standards Board ("GASB") and other entities that promulgate accounting principles according to a hierarchy of sources of accounting principles. Per GASB Statement 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, priority is established as to which source of accounting principles to utilize in determining proper accounting treatment. The hierarchy is as follows: GASB Statements and Interpretations; GASB Technical Bulletins; American Institute of Certified Public Accountants ("AICPA") Industry Audit and Accounting Guides and AICPA Statements of Position, if applicable, and cleared by GASB; AICPA Practice Bulletins, if applicable, and cleared by GASB; Implementation Guides published by the GASB; AICPA pronouncements that are not specifically applicable to state and governmental entities; Financial Accounting Standards Board ("FASB") Statements and Interpretations; and Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure (issued on or before November 30, 1989). The Authority follows the hierarchy in determining accounting treatment.

The basic financial statements consist of government-wide and governmental fund financial statements.

The Authority, as a single program government, combines government-wide and governmental fund financial statements, which are linked together by the reconciliation.

The government-wide financial statements are prepared under the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenditures are recognized when incurred. The primary sources of revenues are appropriations received from the State from motor fuel taxes, good drivers' surcharges and commercial vehicle fees and taxes.



**NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY**  
(A Component Unit of the State of New Jersey)

NOTES TO BASIC FINANCIAL STATEMENTS

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

**Basis of Accounting (Continued)**

The governmental fund financial statements are prepared under current financial resources measurement focus and on the modified accrual basis of accounting. Revenues are recorded when measurable and available. Expenditures are recognized when the related liability is incurred. The exception to this rule is that principal and interest on long-term debt are recognized when due.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America for governmental units requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Fund Accounts**

In accordance with the 1995 Bond Resolution, the Authority has established the following fund accounts maintained by the Authority:

<u>Fund Accounts</u>	<u>Amount</u>	<u>Use for Which Restricted</u>
Special Revenue Fund Transportation Improvement	Deposit of all revenues received by the Authority. Also used to account for the accumulation of resources for payment of state transportation costs.	Expenditures for specific purposes.
Debt Service Fund (DSF)	Amounts needed to pay matured principal and interest on bonds.	Interest and principal on bonds.

The Authority reserve, which accounts for the Authority's operating expenses, is included in the special revenue fund.

**Income Taxes**

As a public body, under existing statute, the Authority is exempt from both federal and state taxes.

**Bond Issuance Costs**

In the government-wide financial statements, bond issuance costs are reported as deferred charges (assets) and are amortized over the term of the related debt.

In the governmental fund financial statements, bond issuance costs are expensed when incurred.

**Bond Premium**

In the government-wide financial statements, bond premiums are reported as deferred revenues (liabilities) and are amortized over the term of the related debt.

In the governmental fund financial statements, bond premiums are recognized as revenue when received.

**NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**

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

**Bond Discount**

In the government-wide financial statements, bond discounts are recognized as deferred charges (assets) and are amortized over the term of the related debt.

In the governmental fund financial statements, bond discounts are recognized as expense when received.

**Restricted Net Assets**

In accordance with the terms of the various bond resolutions, cash and equivalents and investments of all funds required under such bond resolutions are classified as restricted assets. The amounts by which the restricted assets exceed the corresponding liabilities they will liquidate are not available for the payment of current operating expenses.

**Accounts Receivable**

The following is a summary of receivables due from the State primarily to fund future bonds payable.

Due within one year	\$ 461,099,585
Due after one year	<u>13,653,175,615</u>
	<u>\$14,114,275,200</u>

**B. CASH AND EQUIVALENTS**

Cash and equivalents consist primarily of State of New Jersey cash management fund deposits. New Jersey statutes permit the deposit of public funds in the State of New Jersey Cash Management Fund ("NJCMF") or in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation or by any other agencies of the United States that insure deposits.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

- (a) The market value of the collateral must equal 5% of the average daily balance of public funds;  
or
- (b) If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**B. CASH AND EQUIVALENTS (CONTINUED)**

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of failure of the counterparty, the Authority will not be able to recover the value of its cash and investments that are in the possession of an outside party. Cash and equivalents and investments are substantially restricted under the terms of the Authority's bond resolutions for the payment of bond principal and interest expense and the extension of project loans. The bond resolutions limit investments to obligations of the U.S. government or its agencies, investments in certain certificates of deposit of commercial banks that are members of the Federal Reserve System, investments in cash management pools that restrict investments to U.S. government securities, money market funds that invest in high-grade AAA-rated securities, and direct and general obligations of any state that meets the minimum requirements of the resolution.

Cash and equivalents at June 30, 2012, were as follows:

NJCMF	<u>\$ 428,932,759</u>
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Since the Authority's cash and equivalents are all government securities, or an external investment pool, they are not subject to custodial credit risk.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Because the Authority maintains investments in government securities, or an external investment pool, it is not subject to interest rate risk if interest rates fluctuate.

**C. ACCOUNTS PAYABLE - STATE OF NEW JERSEY**

The balance due of \$106,984,448 consists of amounts due the State of New Jersey Special Transportation Fund for reimbursement of State, local and New Jersey Transit transportation costs.

**D. TRANSPORTATION SYSTEM BONDS PAYABLE**

Bond resolutions have been adopted by the Authority for the purpose of making improvements to the transportation system in the State of New Jersey. The following is a summary of revenue bonds outstanding:

**NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY**  
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NOTES TO BASIC FINANCIAL STATEMENTS

**D. TRANSPORTATION SYSTEM BONDS PAYABLE (CONTINUED)**

Series	Interest Rate Range	Bonds			Bonds Outstanding (in Thousands) June 30, 2012	Amounts Due within One Year (in Thousands)
		Outstanding (in Thousands) June 30, 2011	Additions (in Thousands)	Reductions (in Thousands)		
1995 Series B	4.50%-7.00%	\$ 33,310	\$ -	\$ 33,310	\$ -	\$ -
1999 Series A	4.50%-5.75%	194,800	-	16,865	177,935	19,140
2001 Series A	4.00%-5.50%	1,570	-	490	1,080	1,080
2001 Series C	2.50%-6.00%	439,210	-	99,665	339,545	105,410
2003 Series A	4.00%-5.50%	298,555	-	4,995	293,560	5,260
2003 Series B	3.50%-5.25%	345,000	-	-	345,000	-
2003 Series C	2.25%-5.50%	15,710	-	-	15,710	-
2004 Series A	3.25%-5.75%	107,495	-	-	107,495	-
2004 Series B	2.50%-5.50%	716,630	-	101,400	615,230	106,805
2005 Series A	5.00%-5.25%	301,510	-	42,825	258,685	81,745
2005 Series B	3.70%-5.50%	1,178,025	-	-	1,178,025	-
2005 Series C	3.25%-5.25%	48,480	-	-	48,480	-
2005 Series D	4.00%-5.00%	462,655	-	-	462,655	-
2006 Series A	4.25%-5.50%	1,576,785	-	-	1,576,785	-
2006 Series C	4.93%-5.05%	3,708,585	-	-	3,708,585	-
2006 A Garvee	5.00%	85,985	-	10,560	75,425	11,090
2007 Series A	3.60%-5.00%	871,175	-	-	871,175	-
2008 Series A	5.25%-6.00%	2,173,735	-	-	2,173,735	-
2009 Series A	6.23%-6.40%	869,075	-	-	869,075	-
2009 Series B	6.875%	273,500	-	-	273,500	-
2009 Series C	Variable	150,000	-	-	150,000	-
2009 Series D	Variable	147,500	-	-	147,500	-
2010 Series A	3.00%-5.00%	1,273,180	-	-	1,273,180	-
2010 Series B	6.561%	500,000	-	-	500,000	-
2010 Series C	5.75%-6.10%	1,000,000	-	-	1,000,000	-
2010 Series D	3.00%-5.25%	485,875	-	-	485,875	-
2010 Series E	3.60%	14,100	-	-	14,100	-
2011 Series A	6.561%	600,000	-	-	600,000	9,725
2011 Series B	5.00%-5.50%	-	1,315,000	-	1,315,000	19,775
		<u>17,872,445</u>	<u>1,315,000</u>	<u>310,110</u>	<u>18,877,335</u>	<u>360,030</u>
Less unamortized bond accretion		(4,991,166)	127,037	-	(4,864,130)	-
Total		<u>\$ 12,881,279</u>	<u>\$ 1,442,037</u>	<u>\$ 310,110</u>	<u>\$ 14,013,205</u>	<u>\$ 360,030</u>

Total maturities of transportation system bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 360,030,000	\$ 605,408,818	\$ 965,438,818
2014	380,840,000	585,380,576	966,220,576
2015	418,780,000	564,494,845	983,274,845
2016	440,680,000	542,483,141	983,163,141
2017	469,555,000	518,475,525	988,030,525
2018-2022	2,911,780,000	2,191,670,711	5,103,450,711
2023-2027	3,758,300,000	1,368,350,090	5,126,650,090
2028-2032	3,507,210,000	903,705,428	4,410,915,428
2033-2037	3,436,375,000	608,843,469	4,045,218,469
2038-2042	3,193,785,000	249,065,544	3,442,850,544
Total	<u>18,877,335,000</u>	<u>\$ 8,137,878,147</u>	<u>\$27,015,213,147</u>
Less unamortized bond accretion	<u>4,864,129,385</u>		
Total Bonds Payable	<u>\$14,013,205,615</u>		

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**D. TRANSPORTATION SYSTEM BONDS PAYABLE (CONTINUED)**

The bonds are secured primarily by revenues received by the Authority from the State. The payment of all such revenues to the Authority is subject to and dependent upon appropriations being made from time to time by the State Legislature. The State Legislature has no legal obligation to make such appropriations.

**2003 Series B**

The Authority remarketed the 2003 Series B (Periodic Auction Reset Securities) bonds in September 2008. The Remarketed Bonds were converted pursuant to the terms of the Resolution to bear interest in the Fixed Rate mode. Principal repayments begin December 15, 2016, and end December 15, 2019. Interest payments began December 15, 2008.

The 2003 Series B Bonds were re-marked as fixed rate bonds on various dates between September 2, 2008 and September 8, 2008. The Existing Swap Agreements may be amended, terminated or offset with additional interest rate swaps when market conditions permit. The Authority applied a portion of the Existing Swap Agreements as hedges related to the 2009 Series C Bonds and the 2009 Series D Bonds. Amid favorable market conditions these swap agreements were terminated in December 2011, in accordance with the bond agreement.

**2006 A Garvee Bond**

The debt service and interest expense payments on the 2006 A Garvee bond are reimbursed by the Federal Highway Administration, through the New Jersey Department of Transportation. These amounts are included in the principal and bond interest expense. The principal payment and interest payments reimbursed as of June 30, 2012, were \$5,122,793 and \$3,192,409, respectively.

**2009 Series C and D Bonds – Letter of Credit Facilities**

In connection with the issuance of and to provide additional security to the 2009 Series C and Series D bondholders, the Authority entered into irrevocable, direct-pay letter of credit facilities (the “Credit Facility” or “Credit Facilities”) with two separate financial institutions (the “Credit Facility Providers”). The Credit Facilities for the 2009 Series C Bonds and 2009 Series D Bonds in the original stated amount of \$152,367,124 and \$149,827,672, respectively, representing the sum of a) the aggregate principal amount of the 2009 Series C and D Bonds, and b) 48 days’ interest on the 2009 Series C and D Bonds (computed at a rate of 12% per annum) are scheduled to expire on December 15, 2011, unless extended in accordance with its terms. These two Credit Facilities were renewed by one financial institution on December 9, 2011, and are now set to expire on December 9, 2014. Each Credit Facility will terminate upon conversion of the 2009 Series C or Series D Bonds from a variable rate to a fixed rate interest mode. The bond trustee for each of the 2009 Series C and Series D Bonds is directed to draw on the Credit Facilities to pay when due the principal of and interest on the bonds. The Authority pays a letter of credit fee to the Credit Facility Providers and has entered into agreements to reimburse the Credit Facility Providers for any amounts drawn upon the Credit Facilities by the bond trustee. For the year ended June 30, 2012, the Authority paid \$2,856,246 in fees related to the Credit Facilities.



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**NOTES TO BASIC FINANCIAL STATEMENTS**

**E. ADVANCE REFUNDINGS**

When conditions warrant, the Authority sells various issues of bonds to provide for the refunding of previously issued obligations in order to achieve interest cost savings.

The proceeds received from the sales of the bond issues are used to currently refund the outstanding bond issues or to deposit in an irrevocable escrow fund held by an escrow agent an amount that, when combined with interest earnings thereon, will be at least equal to the sum of the first optional redemption date thereof and the premium required to redeem the bonds outstanding on such date. Accordingly, the Authority's assets and the liabilities for defeased bonds are not included in the Authority's financial statements. These transactions defeased the outstanding bond issues with a resultant reduction in annual debt service during the term of the issues.

There were no new refundings in fiscal year ended June 30, 2012.

Refunded bonds outstanding at June 30, 2012, are comprised of the following:

Issue	Principal Amount Outstanding June 30, 2012
2005 Series B	\$ 905,235,447
2005 Series D	999,836,047
2006 Series B	104,263,626
2010 Series D&E	174,707,566
	\$ 2,184,042,686

**F. CONCENTRATION OF RISK AND UNCERTAINTIES**

**Cash and Equivalents**

The Authority maintains cash and short-term investment balances which may exceed federally insured limits. It historically has not experienced any credit-related losses.

**G. ADJUSTMENTS - RECONCILIATION OF DIFFERENCES BETWEEN THE  
GOVERNMENTAL FUNDS AND GOVERNMENT-WIDE FINANCIAL STATEMENTS**

(1) Unamortized bond issuance cost is recorded as deferred charges (other assets) in the statement of net assets and is amortized over the life of the debt. Amortization expense is recorded in the statement of activities. In governmental funds financial statements, bond issuance costs are expensed when incurred. Balances as of June 30, 2012, were:

Bond issuance costs	\$ 151,388,788
Accumulated amortization	(45,651,044)
Total unamortized bond issuance cost	\$ 105,737,744
Amortization expense	\$ 7,735,404

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NOTES TO BASIC FINANCIAL STATEMENTS

**G. ADJUSTMENTS - RECONCILIATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS AND GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)**

- (2) Long-term liabilities (bonds payable and accrued interest payable) applicable to the Authority's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets. Balances as of June 30, 2012, were:

Bonds payable	\$12,881,278,986
Add issuance of bonds	1,315,000,000
Less principal payments	(310,110,000)
Add accretion	<u>127,036,629</u>
Total	<u>\$14,013,205,615</u>
 Accrued interest payable	 <u>\$ 25,147,922</u>

- (3) Bond proceeds contribute to the change in fund balance in governmental funds. In the government-wide statements, issuing debt increases long-term liabilities in the statement of net assets and does not affect the statements of activities.

Proceeds were received from:

2011 Series B Bond	<u>\$ 1,315,000,000</u>
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- (4) Repayment of bond principal is reported as an expenditure in governmental funds and thus reduces the fund balance. For the Authority as a whole, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. Principal payments, including amounts required for refunding bond issues, were made as follows:

Scheduled principal payments	<u>\$ 310,110,000</u>
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- (5) Unamortized bond premium is recorded as deferred revenue (other liabilities) in the statement of net assets and is amortized over the life of the debt. Amortization revenue is recorded in the statement of activities. In governmental funds financial statements, bond premiums are recognized as revenue when received. Balances as of June 30, 2012, were:

Bond premium	\$ 666,371,570
Accumulated amortization	<u>(286,388,687)</u>
Total unamortized bond premium	<u>\$ 379,982,883</u>
Amortization revenue	<u>\$ 44,587,775</u>

**NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY**  
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NOTES TO BASIC FINANCIAL STATEMENTS

**G. ADJUSTMENTS - RECONCILIATION OF DIFFERENCES BETWEEN THE  
GOVERNMENTAL FUNDS AND GOVERNMENT-WIDE FINANCIAL STATEMENTS  
(CONTINUED)**

(6) Unamortized bond discount is recorded as deferred charge (other assets) in the statement of net assets and is amortized over the life of the debt. Amortization expense is recorded in the statement of activities. In governmental funds financial statements, bond discounts are recognized as expense when received. Balances as of June 30, 2012, were:

Bond discount	\$ 22,099,436
Accumulated amortization	<u>(2,391,245)</u>
Total unamortized bond discount	<u>\$ 19,708,191</u>
Amortization expense	<u>\$ 735,116</u>

(7) The adjustment related to current year bond activity, net, is comprised of the following:

Bond principal payment	\$ (310,110,000)
Garvee bond principal reimbursement	5,122,793
Bond premium	(51,941,985)
Bond issuance costs	6,080,105
Net bond proceeds	1,360,861,881
Capital appreciation bonds interest expense	<u>127,036,629</u>
Current year bond activity, net	<u>\$ 1,137,049,423</u>

**H. SUBSEQUENT EVENTS**

Management has evaluated subsequent events that occurred after the balance sheet date but before October 19, 2012, the date the financial statements were available to be issued. No subsequent events were noted by management that require disclosure.

## **SUPPLEMENTARY INFORMATION**

**NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY**  
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**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS**

June 30, 2012

	Authority Reserve	Transportation Improvement	Total	Debt Service	Total
	\$	\$	\$	\$	\$
<b>CASH BALANCES, JUNE 30, 2011</b>					
<b>RECEIPTS:</b>					
Motor fuel taxes	-	522,167,000	522,167,000	-	522,167,000
Commercial vehicle fees and taxes	-	455,000,000	455,000,000	-	455,000,000
Toll road authorities	-	7,133,000	7,133,000	-	7,133,000
Build America Bond Credits	-	-	-	38,722,469	38,722,469
Interest income	5	229,612	229,617	224,408	454,025
Bond proceeds	-	1,360,861,881	1,360,861,881	-	1,360,861,881
Sale of cash management fund investment and other investments (net)	-	-	-	42,832	42,832
Garvee bond debt service reimbursement	-	-	-	2,149,625	2,149,625
Operating transfers in	<u>34,301</u>	<u>-</u>	<u>34,301</u>	<u>871,917,367</u>	<u>871,951,668</u>
Total Receipts	<u>34,306</u>	<u>2,345,391,493</u>	<u>2,345,425,799</u>	<u>913,056,701</u>	<u>3,258,482,500</u>
<b>DISBURSEMENTS:</b>					
Operating expenses and financial costs	19,533	411,576	431,109	928,722	1,359,831
Bond interest expense	-	-	-	602,017,979	602,017,979
State transportation costs	-	1,289,000,000	1,289,000,000	-	1,289,000,000
Principal retirement of bonds payable	-	-	-	310,110,000	310,110,000
Purchase of cash management fund investments	14,673	183,931,096	183,945,769	-	183,945,769
Operating transfers out	-	871,951,668	871,951,668	-	871,951,668
Total Disbursements	<u>34,206</u>	<u>2,345,294,340</u>	<u>2,345,328,546</u>	<u>913,056,701</u>	<u>3,258,385,247</u>
<b>CASH BALANCES, JUNE 30, 2012</b>	<u>\$ 100</u>	<u>\$ 97,153</u>	<u>\$ 97,253</u>	<u>\$ -</u>	<u>\$ 97,253</u>

Note: Cash balances consist of checking account activity only.