

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

Financial Statements and  
Supplementary Information

Year Ended June 30, 2007

**NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY**

(A Component Unit of the State of New Jersey)

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Year Ended June 30, 2007

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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 financial statements of the governmental activities and each fund 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, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 financial position of the governmental activities, and each fund, of the New Jersey Transportation Trust Fund Authority as of June 30, 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2007, on our consideration of New Jersey Transportation Trust Fund 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.

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## INDEPENDENT AUDITORS' REPORT (CONTINUED)

The management's discussion and analysis on pages 5 and 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and 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 financial statements that collectively comprise New Jersey Transportation Trust Fund Authority's basic financial statements. The schedule of cash receipts and disbursements on page 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of cash receipts and disbursements has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

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

October 26, 2007

**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's (the "Authority"), a component unit of the State of New Jersey, as of and for the year ended June 30, 2007, and have issued our report thereon dated October 26, 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.

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Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's 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 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 generally accepted accounting principles 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.

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)

Internal Control Over Financial Reporting (Continued)

Our consideration of 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 consider to be material weaknesses, as described above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Jersey Transportation Trust Fund Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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*.

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

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

October 26, 2007

**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 for the fiscal year ended June 30, 2007. 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 \$1,441,319,063 to the Special Transportation Fund of the State of New Jersey to fund statewide transportation system improvements during the fiscal year. This was an increase of 1.03% from the prior year. The term "net assets" refers to the difference between assets and liabilities. At the close of fiscal year 2006, the Authority had a net deficit of \$306,895,970, as compared to net assets of \$753,320,352 at June 30, 2006. This decrease in net assets was caused by the increased funding of statewide transportation system improvements.

**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 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 result in increased net assets, which indicate an improved financial position.

The statement of revenues, expenses, and changes in fund net assets (deficit) presents information showing how a government's net assets (deficit) changed during the fiscal year. All changes in net assets (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**  
(A Component Unit of the State of New Jersey)

**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, liabilities exceeded assets by \$306,895,970 at the close of the most recent fiscal year.

The largest portion of the Authority's net asset deficit 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 bond issues outstanding.

**Significant and Subsequent Events**

At fiscal year end, the Authority had \$8,167,581,391 in bonds outstanding, as compared to \$8,336,724,364 in the prior fiscal year - a decrease of 2.03%. There was no debt incurred by the Authority during fiscal year 2007. A total of \$225,925,000 in bond principal was retired by the annual debt service payments during the fiscal year.

The Authority issued the 2007 Series A bonds totaling \$1,171,055,000, that closed on September 27, 2007. Principal repayments begin December 15, 2008, and end December 15, 2037. Interest payments begin June 15, 2008.

**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 as a self-supporting entity. 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/tffa](http://www.state.nj.us/tffa).



**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, 2007

	Special Revenue Fund	Other Funds (DSF)	Total Governmental Funds	Adjustments (Note H)	Statement of Net Assets
<b>ASSETS</b>					
Account receivable - State of New Jersey	\$ 33,500,000	\$ -	\$ 33,500,000	\$ 8,167,581,391	\$ 8,201,081,391
Cash and equivalents	222,599,744	218,618	222,818,362	-	222,818,362
Investments	18,645	112,607	131,252	-	131,252
Deferred loss on refunding of bonds	-	-	-	6,480,980	6,480,980
Unamortized bond issuance costs	-	-	-	97,153,507	97,153,507
Total Assets	<u>\$ 256,118,389</u>	<u>\$ 331,225</u>	<u>\$ 256,449,614</u>	<u>\$ 8,271,215,878</u>	<u>\$ 8,527,665,492</u>
<b>LIABILITIES</b>					
Accrued interest payable	\$ -	\$ -	\$ -	\$ 15,001,357	\$ 15,001,357
Accounts payable - State of New Jersey	216,701,880	-	216,701,880	-	216,701,880
Transportation system bonds payable:					
Due within one year	-	-	-	238,725,000	238,725,000
Due after one year	-	-	-	7,928,856,391	7,928,856,391
Unamortized bond premium	-	-	-	435,276,834	435,276,834
Total Liabilities	<u>216,701,880</u>	<u>-</u>	<u>216,701,880</u>	<u>8,617,859,582</u>	<u>8,834,561,462</u>
<b>FUND BALANCES/NET ASSETS (DEFICIT)</b>					
Restricted for:					
Debt Service	1,119,334	331,225	1,450,559	-	1,450,559
Deferred Charges	-	-	-	(346,643,704)	(346,643,704)
Payment of state transportation systems cost	38,297,175	-	38,297,175	-	38,297,175
Total Fund Balances/Net Assets (Deficit)	<u>39,416,509</u>	<u>331,225</u>	<u>39,747,734</u>	<u>(346,643,704)</u>	<u>(306,895,970)</u>
Total Liabilities and Fund Balances/Net Assets (Deficit)	<u>\$ 256,118,389</u>	<u>\$ 331,225</u>	<u>\$ 256,449,614</u>	<u>\$ 8,271,215,878</u>	<u>\$ 8,527,665,492</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  
Year Ended June 30, 2007

	Special Revenue Fund	Other Funds (DSF)	Total Governmental Funds	Adjustments (Note H)	Statement of Activities
<b>REVENUES</b>					
State appropriations equivalent to:					
Motor fuel taxes	\$ 483,000,000	\$ -	\$ 483,000,000	\$ -	\$ 483,000,000
Commercial vehicle fees and taxes	400,000,000	-	400,000,000	-	400,000,000
Toll Road Authority	12,000,000	-	12,000,000	-	12,000,000
Interest income and investment return	41,521,248	549,995	42,071,243	-	42,071,243
Amortization of bond premium	-	-	-	35,292,689	35,292,689
Total revenues	<u>936,521,248</u>	<u>549,995</u>	<u>937,071,243</u>	<u>35,292,689</u>	<u>972,363,932</u>
<b>EXPENDITURES</b>					
Operating expenses and financial costs	61,307	903,799	965,106	-	965,106
State transportation costs	1,441,319,063	-	1,441,319,063	-	1,441,319,063
Debt Service:					
Principal	-	225,925,000	225,925,000	(225,925,000)	-
Bond interest expense, including amortization of bond issuance costs	-	375,239,753	375,239,753	3,701,181	378,940,934
Bond interest expense, capital appreciation bonds	-	-	-	56,782,027	56,782,027
Total expenditures	<u>1,441,380,370</u>	<u>602,068,552</u>	<u>2,043,448,922</u>	<u>(165,441,792)</u>	<u>1,878,007,130</u>
Deficiency of revenues over expenses	<u>(504,859,122)</u>	<u>(601,518,557)</u>	<u>(1,106,377,679)</u>	<u>200,734,481</u>	<u>(905,643,198)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Garvee bond debt service reimbursement	-	14,569,849	14,569,849	(8,120,000)	6,449,849
Transfers - internal activities	(586,795,549)	586,795,549	-	-	-
Total other financing (uses) sources	<u>(586,795,549)</u>	<u>601,365,398</u>	<u>14,569,849</u>	<u>(8,120,000)</u>	<u>6,449,849</u>
Change in fund balance/net assets	<u>(1,091,654,671)</u>	<u>(153,159)</u>	<u>(1,091,807,830)</u>	<u>192,614,481</u>	<u>(899,193,349)</u>
Fund balance/net assets (deficit):					
Beginning of year	1,131,071,180	484,384	1,131,555,564	(378,235,212)	753,320,352
Current year bond activity, net	-	-	-	(161,022,973)	(161,022,973)
End of year	<u>\$ 39,416,509</u>	<u>\$ 331,225</u>	<u>\$ 39,747,734</u>	<u>\$ (346,643,704)</u>	<u>\$ (306,895,970)</u>

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

NOTES TO 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 of New Jersey 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.

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 of New Jersey from motor fuel taxes, good drivers' surcharges, and commercial vehicle fees and taxes.

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.

**Financial Instruments**

The Authority follows GASB: TB 2003-1, which established disclosure requirements for certain derivatives. This includes disclosing the fair value of financial instruments in the notes to financial statements. See Note D regarding 2003 Series B.

**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.

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

NOTES TO FINANCIAL STATEMENTS

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

**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	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.

**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.

**Unrestricted Net Assets**

The unrestricted net assets represent resources available for current operating expenses in compliance with appropriate legal requirements.

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

NOTES TO FINANCIAL STATEMENTS

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

**Accounts Receivable**

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

Due within one year	\$ 272,225,000
Due after one year	<u>7,928,856,391</u>
	<u><u>\$8,201,081,391</u></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.

**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.

The bank balances and amounts deposited in these accounts at June 30, 2007, were as follows:

NJCMF	\$ 222,818,362
Commerce Bank	<u>131,252</u>
Total	<u><u>\$ 222,949,614</u></u>

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

NOTES TO FINANCIAL STATEMENTS

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

**Custodial Credit Risk**

As of June 30, 2007, the Authority had the following investments and maturities:

	Fair Value	Investment Maturity (In Years)			
		Less than 1	1-5	6-10	More than 10
US Treasury Notes	\$ 131,252	\$ 131,252	\$ -	\$ -	\$ -

Since the Authority's cash and equivalents and investments are all government securities, in an external investment pool, or protected under the Governmental Unit Deposit Protection Act, 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 US Treasury Notes, it is subject to interest rate risk if interest rates fluctuate.

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

The balance due of \$216,701,880 consists of amounts due the State of New Jersey Special Transportation Fund for reimbursement of 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:

Series	Interest Rate Range	Bonds Outstanding (in Millions) June 30, 2006	Additions (in Millions)	Reductions (in Millions)	Bonds Outstanding (in Millions) June 30, 2007	Amounts Due within One Year (in Millions)
1995 Series B	4.50%-7.00%	\$ 93,960	\$ -	\$ -	\$ 93,960	\$ -
1998 Series A	4.25%-5.25%	102,830	-	-	102,830	-
1999 Series A	4.50%-5.75%	283,145	-	15,515	267,630	18,435
2001 Series A	4.00%-5.50%	9,625	-	-	9,625	8,055
2001 Series C	2.50%-6.00%	1,082,480	-	115,115	967,365	85,275
2003 Series A	4.00%-5.50%	320,300	-	3,990	316,310	4,155
2003 Series B	variable	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%	849,800	-	24,265	825,535	25,470
2005 Series A	5.00%-5.25%	566,785	-	58,920	507,865	61,945
2005 Series B	3.70%-5.50%	1,213,140	-	-	1,213,140	26,700
2005 Series C	3.25%-5.25%	48,480	-	-	48,480	-
2005 Series D	4.00%-5.00%	465,910	-	-	465,910	-
2006 Series A	4.25%-5.50%	1,580,540	-	-	1,580,540	-
2006 Series C	4.93%-5.05%	3,708,585	-	-	3,708,585	-
2006 A Garvee	5.00%	131,555	-	8,120	123,435	8,690
		10,925,340	-	225,925	10,699,415	238,725
Less unamortized bond accretion		(2,588,616)	-	-	(2,531,834)	-
Total		<u>\$ 8,336,724</u>	<u>\$ -</u>	<u>\$ 225,925</u>	<u>\$ 8,167,581</u>	<u>\$ 238,725</u>

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

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

Total maturities of transportation system bonds are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 238,725,000	\$ 361,010,283	\$ 599,735,283
2009	251,730,000	348,242,225	599,972,225
2010	265,575,000	334,953,599	600,528,599
2011	299,045,000	320,451,932	619,496,932
2012	316,080,000	320,451,932	636,531,932
2013-2017	1,924,480,000	1,327,392,457	3,251,872,457
2018-2022	2,838,557,142	796,951,451	3,635,508,593
2023-2027	2,229,714,035	121,528,694	2,351,242,729
2028-2032	1,485,245,997	-	1,485,245,997
2033-2037	789,008,245	-	789,008,245
Total	10,638,160,419	<u>\$ 3,930,982,573</u>	<u>\$14,569,142,992</u>
Accreted Interest - 2006 Series C	61,254,599		
Less unamortized bond accretion	<u>(2,531,833,627)</u>		
Total Bonds Payable	<u>\$ 8,167,581,391</u>		

The bonds are secured primarily by revenues received by the Authority from the State of New Jersey. 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 of New Jersey Legislature. The State of New Jersey Legislature has no legal obligation to make such appropriations.

**2003 Series B**

The Periodic Auction Reset Securities ("PARS") may be converted to a fixed or variable interest rate prior to their maturity as long as after any conversion there are no less than \$10,000,000 of the 2003 Series B bonds of a subseries outstanding bearing interest at the PARS rate unless consented to by the broker-dealers. On the conversion date of the 2003 Series B Bonds to be converted, such 2003 Series B Bonds to be converted shall be subject to mandatory tender at a purchase price equal to 100% of the principal amount thereof, plus accrued interest.

In connection with its issuance of \$345,000,000 Tax-Exempt Variable Rate Bonds, 2003 issue, Series B, also known as Periodic Action Reset Securities ("PARS") on January 24, 2003, the Authority entered into financial instrument contracts with financial counterparties. The transaction is described below:

**PARS Rate Instruments**

Under the terms of this transaction, the Authority pays Goldman Sachs & Co., Lehman Brothers and UBS PaineWebber, Inc. at fixed rates of interest on \$345,000,000. In return, the Authority receives the PARS Index rate as calculated at a daily auction conducted by Deutsche Bank.

**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 for the year ended June 30, 2007, were \$8,120,000 and \$6,449,849, respectively.

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NOTES TO FINANCIAL STATEMENTS

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

**2006 Series A and B Refunding Bonds**

In June 2006, the Authority issued \$1,580,540,000 of 2006 Series A Bonds and \$109,375,000 of 2006 Series B Bonds. The proceeds were used to refund \$1,791,455,000 of previously issued bonds and for the costs of issuance of the 2006 Series A Bonds.

As a result of the advance refundings during the year ended June 30, 2006, the Authority recorded a loss on defeasance totaling \$36,560,994 representing the difference between the new debt issued and the carrying amount of the debt refunded. The loss on defeasance is being deferred and amortized over the life of the new debt. For financial statement purposes, the Authority follows Governmental Accounting Standards Board Statement No. 23, "Accounting and Financial Reporting for Refunding of Debt reported by Proprietary Activities." The unamortized deferred loss on refundings of bonds amounted to \$6,480,980 at June 30, 2007. Amortization of \$1,742,561 is included in amortization of cost of issuance and deferred loss on refunding at June 30, 2007. The present value of the debt service savings resulted in an economic gain from the advanced refundings in 2006 in the amount of \$31,743,405.

**E. ADVANCE REFUNDINGS**

When conditions warranted during prior years, the Authority sold 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 were used to currently refund the outstanding bond issues or to deposit in an irrevocable escrow fund held by the 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.

Refunded bonds outstanding at June 30, 2007, are comprised of the following:

Issue	Principal Amount Outstanding <u>June 30, 2007</u>
1995 Series B	\$ 56,465,000
1998 Series A	387,090,000
1999 Series A	42,710,000
2000 Series A	330,410,000
2001 Series A	181,480,000
2001 Series B	208,070,000
2001 Series C	100,500,000
2003 Series C	876,290,000
2004 Series A	348,745,000
2005 Series C	476,270,000
2005 Series D	487,110,000
	\$ 3,495,140,000



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

**F. FINANCIAL INSTRUMENTS**

In connection with the interest rate swaps disclosed in note D, no amounts are recorded in the financial statements other than the net interest expense resulting from the agreements. As of June 30, 2007, the swaps had a total fair value of \$11,057,678.

**G. 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.

**Financial Instruments**

As disclosed in Notes D and F, the Authority's 2003 Series B bond issue utilized financial instruments. These agreements are structured to enable variable rate bond proceeds to meet specific needs by reducing the risk associated with changes in interest rates.

**H. 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, 2007, were:

Bond issuance costs	\$ 108,562,636
Accumulated amortization	<u>(11,409,129)</u>
Total unamortized bond issuance cost	<u>\$ 97,153,507</u>
Amortization expense	<u>\$ 6,148,497</u>

- (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, 2007, were:

Bonds payable	\$ 8,336,724,364
Less principal payments	(225,925,000)
Add accretion	<u>56,782,027</u>
Total	<u>\$ 8,167,581,391</u>
Accrued interest payable	<u>\$ 15,001,357</u>

**NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY**

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NOTES TO FINANCIAL STATEMENTS

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

(3) 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>\$ 225,925,000</u>
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(4) 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, 2007, were:

Bond premium	\$ 558,539,304
Accumulated amortization	<u>(123,262,470)</u>
Total unamortized bond premium	<u>\$ 435,276,834</u>
Amortization revenue	<u>\$ 35,292,689</u>

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

Bond principal payment	\$ (225,925,000)
Garvee bond debt service reimbursement	8,120,000
Capital appreciation	<u>56,782,027</u>
Current year bond activity, net	<u>\$ (161,022,973)</u>

**I. SUBSEQUENT EVENT**

The Authority issued the 2007 Series A bonds totaling \$1,171,055,000 on September 27, 2007. Principal repayments begin December 15, 2008, and end December 15, 2037. Interest payments begin June 15, 2008.

## **SUPPLEMENTARY INFORMATION**

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

Year Ended June 30, 2007

	Authority Reserve	Transportation Improvement	Total	Debt Service	Total
CASH BALANCES, JUNE 30, 2006	\$ -	\$ -	\$ -	\$ -	\$ -
RECEIPTS:					
Motor fuel taxes	-	483,000,000	483,000,000	-	483,000,000
Commercial vehicle fees and taxes	-	400,000,000	400,000,000	-	400,000,000
Toll road authorities	-	11,000,000	11,000,000	-	11,000,000
Interest income	1,117	41,520,130	41,521,247	549,995	42,071,242
Sale of cash management fund investment and other investments (net)	48,807	1,091,748,882	1,091,797,689	153,158	1,091,950,847
Garvee bond debt service reimbursement	-	-	-	14,569,849	14,569,849
Operating transfers in	11,383	-	11,383	586,795,549	586,806,932
Total Receipts	<u>61,307</u>	<u>2,027,269,012</u>	<u>2,027,330,319</u>	<u>602,068,551</u>	<u>2,629,398,870</u>
DISBURSEMENTS:					
Operating expenses and financial costs	61,307	462,081	523,388	903,799	1,427,187
Bond interest expense	-	-	-	375,239,752	375,239,752
State transportation costs	-	1,440,000,000	1,440,000,000	-	1,440,000,000
Principal retirement of bonds payable	-	-	-	225,925,000	225,925,000
Operating transfers out	-	586,806,931	586,806,931	-	586,806,931
Total Disbursements	<u>61,307</u>	<u>2,027,269,012</u>	<u>2,027,330,319</u>	<u>602,068,551</u>	<u>2,629,398,870</u>
CASH BALANCES, JUNE 30, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note: Cash balances consist of checking account activity only.