

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

Financial Statements and
Supplementary Information

June 30, 2021

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

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each fund 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, 2021, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibility

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of the Authority as of June 30, 2021, and the respective changes in the financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages four through nine be presented to supplement the basic financial statements. Such information, although not 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of cash receipts and disbursements on page twenty-four 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We have applied certain limited procedures to the accompanying 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2021, 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, grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mercedien, P.C.

Certified Public Accountants

November 19, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Management's Discussion and Analysis

The New Jersey Transportation Trust Fund Authority (the "Authority") provides a discussion and analysis to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position in the financial statements for the year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

On a cash basis, the Authority reimbursed the State's Special Transportation Fund \$1,658,000,000 in fiscal year 2021, for statewide transportation system improvements. After adjusting for accrued expenses, the Authority's total obligations to the State of New Jersey Special Transportation Fund amounted to \$1,667,748,328 to fund statewide transportation system improvements during the fiscal year. This compares to reimbursements totaling \$1,759,000,000 and total obligations of \$1,757,789,527 in the prior fiscal year.

The term "net position" refers to the difference between assets and liabilities. At the close of fiscal year 2021, the Authority had a net position of \$504,369,639, as compared to a net position of \$242,523,993 at June 30, 2020. The Authority's net position increased in fiscal year 2021, primarily due to the fact that the issuance of new money bonds and cash and other available resources exceeded capital spending levels used to fund capital projects.

In fiscal year 2021, the Authority received a total of \$578,541,274 in Pay As You Go ("PayGo") capital funding from the Transportation Trust Fund Subaccount for Capital Reserves ("Subaccount"), comprised of \$286,319,856 in PayGo capital funding and \$292,221,418 for PayGo federal project costs. In fiscal year 2020, the Authority received a total of \$872,598,381 of PayGo funding, including \$537,821,027 in PayGo capital funding and \$334,777,354 for PayGo federal project costs. The decrease in PayGo capital funding reflects the impact COVID-19 had on State revenues. The 2016 Transportation Trust Fund Re-Authorization Act ("Re-Authorization") provides for funding the Subaccount with the excess of constitutionally-dedicated Petroleum Products Gross Receipts Tax revenues not needed to satisfy current year debt service costs.

Overview of the Financial Statements

The Management's Discussion and Analysis section 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 supplementary information concerning the Authority's cash flow for the fiscal year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

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 Position 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 position. Over time, increases and decreases in net position may serve as useful indicators as to whether the financial position of the Authority is improving or deteriorating. Net position decreases when expenditures exceed revenues and other funding sources and/or liabilities increase without a corresponding increase to assets, which may indicate a worsened financial position. The Authority's net position increased by \$261,845,646 for the year ended June 30, 2021.

The statement of activities and governmental funds revenues, expenditures and changes in fund balances/net position presents information that shows how the Authority's net position changed during the fiscal year. All changes in net position are reported as underlying events occur, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that may result in cash inflows or outflows in future periods.

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.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Financial Analysis

The largest portion of the Authority's net position reflects its cash and cash equivalents 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.

	June 30, 2021	June 30, 2020	Percentage Change 2021-2020
Cash and equivalents	\$ 1,283,538,051	\$ 889,807,349	44.25 %
Accounts receivable	20,097,636,484	19,429,887,774	3.44 %
Accrued Build America Bond Credits	-	10,956,267	(100.00) %
Unamortized bond discount	13,257,840	9,479,911	39.85 %
Total assets	<u>21,394,432,375</u>	<u>20,340,131,301</u>	5.18 %
Accrued interest payable	31,956,434	31,565,493	1.24 %
Accounts payable - State of New Jersey	78,989,368	69,241,040	14.08 %
Accounts payable - other	433,113	385,355	12.39 %
Bonds payable			
Due within one year	932,890,000	886,045,000	5.29 %
Due after one year	19,164,746,484	18,543,842,774	3.35 %
Unamortized bond premium	643,604,547	519,406,462	23.91 %
Total liabilities	<u>20,852,619,946</u>	<u>20,050,486,124</u>	4.00 %
Deferred inflows of resources	<u>37,442,790</u>	<u>47,121,184</u>	(20.54) %
Net position restricted for:			
Debt service	2,844,219	13,889,631	(79.52) %
Deferred charges	(699,745,931)	(588,613,228)	(18.88) %
Payment of state transportation system costs	<u>1,201,271,351</u>	<u>817,247,590</u>	46.99 %
Net position	<u>\$ 504,369,639</u>	<u>\$ 242,523,993</u>	107.97 %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Financial Analysis (Continued)

	Year Ended		Percentage Change 2021-2020
	June 30, 2021	June 30, 2020	
Revenues			
State appropriations			
Motor fuel taxes	\$ 434,363,319	\$ 440,368,195	(1.36) %
Petroleum Products Gross Receipts Tax	779,894,217	759,830,303	2.64 %
Sales Tax	200,000,000	200,000,000	- %
Toll road authority	12,000,000	12,000,000	- %
Funding, Subaccount Capital Reserve	578,541,274	872,598,381	(33.70) %
Interest income and investment return	569,254	14,207,384	(95.99) %
Amortization of bond premium and discount	53,831,025	49,613,792	8.50 %
Total revenues	<u>2,059,199,089</u>	<u>2,348,618,055</u>	(12.32) %
Expenses			
Operating expenses and financial costs	58,893	82,706	(28.79) %
State transportation costs	1,667,748,328	1,757,789,527	(5.12) %
Debt Service			
Bond interest expense, including amortization of deferred gain on advanced refunding	756,855,280	775,047,977	(2.35) %
Bond interest expense, capital appreciation bonds	<u>208,828,710</u>	<u>197,597,932</u>	5.68 %
Total operating expenses	<u>2,633,491,211</u>	<u>2,730,518,142</u>	(3.55) %
Deficiencies of revenues over expenses	(574,292,122)	(381,900,087)	(50.38) %
Other financing sources (uses)			
Build America Bond Credits	21,798,560	29,365,807	(25.77) %
Bond issuance costs	<u>(8,444,502)</u>	<u>(10,090,577)</u>	(16.31) %
Total other financing sources	<u>13,354,058</u>	<u>19,275,230</u>	(30.72) %
Changes in net position	(560,938,064)	(362,624,857)	54.69 %
Net position			
Beginning of year	242,523,993	288,865,919	(16.04) %
Current year bond activity, net	822,783,710	316,282,931	160.14 %
Net position, end of year	<u>\$ 504,369,639</u>	<u>\$ 242,523,993</u>	107.97 %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Other Information

As of June 30, 2021, the Authority had \$20,097,636,484 in bonds and notes outstanding, net of unamortized bond accretions, as compared to \$19,429,887,774 in the prior fiscal year, an increase of 3.44%. During fiscal year 2021, the Authority refunded \$702,150,000 of existing Transportation System Bonds (par value). These advance refunding issues did not count against the Authority's eight-year, \$12 billion bonding cap provided by the 2016 Capital Program Re-Authorization. The Authority also remarketed \$147,500,000 (par) in variable rate SIFMA Index Multimodal Transportation Program Notes (the "2014 Series BB-2 Notes") as fixed rate obligations. As of June 30, 2021, the Authority had no remaining variable rate SIFMA Index Multimodal Transportation Program Note obligations.

In the current fiscal year the Authority issued Transportation Program Bonds totaling \$1,500,000,000 which, with the related bond premium, will count against the Authority's eight-year, \$12 billion bonding cap related to the Re-Authorization.

During the fiscal year, the Authority retired a total of \$1,735,695,000 in bond principal through annual debt service payments, bond refunding and bond remarketing activity, including \$166,110,000 of Garvee bond principal paid.

The Authority did not enter into any credit agreements subsequent to the close of fiscal year June 30, 2021. The Authority did not enter into any new Swap Agreements during the fiscal year.

The following information summarizes the changes in debt between fiscal year 2021 and 2020:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage Change 2021-2020</u>
Bonds Payable	<u>\$ 20,097,636,484</u>	<u>\$ 19,429,887,774</u>	3.44 %

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

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

Significant and Subsequent Events

On October 1, 2020, the Petroleum Products Gross Receipts Tax ("PPGRT") was increased by \$.093 cents to offset the decline in Motor Fuel and PPGRT revenues due to COVID-19. The PPGRT decreased by \$.083 cents per gallon, effective October 1, 2021, as State revenue collections exceeded fiscal year revenue targets. These respective increases and decreases were provided by provisions of the Re-Authorization that allows the State to adjust the rate contingent upon meeting budgeted fiscal year fuel tax revenue targets.

The Re-Authorization also established the Subaccount, which is funded from the excess of constitutionally-dedicated PPGRT revenues not needed to satisfy current year debt service. As noted above, in fiscal year 2021, the Authority received \$286,319,856 in PayGo capital funding from the Subaccount. Future anticipated funds from the Subaccount will provide an estimated \$552 million in PayGo capital funding in fiscal year 2022 and \$1.013 billion in additional estimated funding through fiscal year 2024 in support of statewide transportation capital projects.

In addition to the May 2021 current refunding, and in order to take advantage of favorable interest rate conditions to fund future transportation projects, the Authority entered into two Tax-Exempt Forward Refunding agreements to refund \$326,255,000 in Transportation System Bonds (2022 Series A) and \$693,260,000 in Transportation Program Bonds (2022 Series AA), which are scheduled to settle in spring 2022. The Forward Refunding is anticipated to yield approximately \$189 million in net present value savings. The forward refunding agreements did not impact the amounts of existing debt as of June 30, 2021.

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.

BASIC FINANCIAL STATEMENTS

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

(A Component Unit of the State of New Jersey)

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2021

	Special Revenue Fund	Other Funds (DSF)	Total Govern- mental Funds	Adjustments (Note G)	Statement of Net Position
ASSETS					
Cash and equivalents	\$ 1,280,693,832	\$ 2,844,219	\$ 1,283,538,051	\$ -	\$ 1,283,538,051
Accounts receivable - State of New Jersey	-	-	-	20,097,636,484	20,097,636,484
Unamortized bond discount	-	-	-	13,257,840	13,257,840
Total assets	<u>\$ 1,280,693,832</u>	<u>\$ 2,844,219</u>	<u>\$ 1,283,538,051</u>	<u>\$ 20,110,894,324</u>	<u>\$ 21,394,432,375</u>
LIABILITIES					
Accrued interest payable	\$ -	\$ -	\$ -	\$ 31,956,434	\$ 31,956,434
Accounts payable - State of New Jersey	78,989,368	-	78,989,368	-	78,989,368
Accounts payable - other	433,113	-	433,113	-	433,113
Bonds and notes payable					
Due within one year	-	-	-	932,890,000	932,890,000
Due after one year	-	-	-	19,164,746,484	19,164,746,484
Unamortized bond premium	-	-	-	643,604,547	643,604,547
Total liabilities	<u>79,422,481</u>	<u>-</u>	<u>79,422,481</u>	<u>20,773,197,465</u>	<u>20,852,619,946</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred gains on advanced refundings	-	-	-	37,442,790	37,442,790
FUND BALANCES/NET POSITION					
Restricted for					
Debt service	-	2,844,219	2,844,219	-	2,844,219
Deferred charges	-	-	-	(699,745,931)	(699,745,931)
Payment of state transportation system costs	1,201,271,351	-	1,201,271,351	-	1,201,271,351
Total fund balances/net position	<u>1,201,271,351</u>	<u>2,844,219</u>	<u>1,204,115,570</u>	<u>(699,745,931)</u>	<u>504,369,639</u>
Total liabilities, deferred inflows of resources, and fund balances/net position	<u>\$ 1,280,693,832</u>	<u>\$ 2,844,219</u>	<u>\$ 1,283,538,051</u>	<u>\$ 20,110,894,324</u>	<u>\$ 21,394,432,375</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 NET POSITION/FUND BALANCES Year Ended June 30, 2021

	Special Revenue Fund	Other Funds (DSF)	Total Govern- mental Funds	Adjustments (Note G)	Statement of Net Position
REVENUES					
State appropriations equivalent to:					
Motor fuel taxes	\$ 434,363,319	\$ -	\$ 434,363,319	\$ -	\$ 434,363,319
Petroleum Products Gross Receipts Tax	779,894,217	-	779,894,217	-	779,894,217
Sales Tax	200,000,000	-	200,000,000	-	200,000,000
Toll Road Authority	12,000,000	-	12,000,000	-	12,000,000
Funding Subaccount Capital Reserve	578,541,274	-	578,541,274	-	578,541,274
Interest income and investment return	569,254	-	569,254	-	569,254
Amortization of bond premium and discount	-	-	-	53,831,025	53,831,025
Total revenues	<u>2,005,368,064</u>	<u>-</u>	<u>2,005,368,064</u>	<u>53,831,025</u>	<u>2,059,199,089</u>
EXPENDITURES					
Operating expenses and financial costs	24,548	34,345	58,893	-	58,893
State transportation costs	1,667,748,328	-	1,667,748,328	-	1,667,748,328
Debt Service					
Principal	-	886,045,000	886,045,000	(886,045,000)	-
Bond interest expense, including amortization of deferred gain on advanced refunding	-	802,190,471	802,190,471	(45,335,191)	756,855,280
Bond interest expense, capital appreciation bonds	-	-	-	208,828,710	208,828,710
Total expenditures	<u>1,667,772,876</u>	<u>1,688,269,816</u>	<u>3,356,042,692</u>	<u>(722,551,481)</u>	<u>2,633,491,211</u>
Excess/deficiency of revenues over expenditures	337,595,188	(1,688,269,816)	(1,350,674,628)	776,382,506	(574,292,122)
OTHER FINANCING SOURCES (USES)					
Bonds and notes issued	2,080,420,000	-	2,080,420,000	(2,080,420,000)	-
Net bond premium	350,590,072	-	350,590,072	(350,590,072)	-
Transfers - internal activities	(1,655,425,844)	1,655,425,844	-	-	-
Build America Bond Credits	-	21,798,560	21,798,560	-	21,798,560
Escrow fund deposit	(720,711,153)	-	(720,711,153)	720,711,153	-
Bond issuance costs	(8,444,502)	-	(8,444,502)	-	(8,444,502)
Total other financing sources (uses)	<u>46,428,573</u>	<u>1,677,224,404</u>	<u>1,723,652,977</u>	<u>(1,710,298,919)</u>	<u>13,354,058</u>
Changes in fund balances/net position	384,023,761	(11,045,412)	372,978,349	(933,916,413)	(560,938,064)
Fund balances/net position, beginning of year	817,247,590	13,889,631	831,137,221	(588,613,228)	242,523,993
Current year bond activity, net	-	-	-	822,783,710	822,783,710
Fund balances/net position, end of year	<u>\$ 1,201,271,351</u>	<u>\$ 2,844,219</u>	<u>\$ 1,204,115,570</u>	<u>\$ (699,745,931)</u>	<u>\$ 504,369,639</u>

See notes to financial statements.

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 and New Jersey Transit Corporation. The Authority also provides 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. GASB Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply. Per the Statement, the sources of authoritative generally accepted accounting principles ("GAAP") are categorized in descending order of authority as follows: GASB Statements and Interpretations, GASB Technical Bulletins, GASB Implementation Guides, and literature of the American Institute of Certified Public Accountants ("AICPA") cleared by the GASB. Authoritative GAAP is incorporated periodically into the *Codification of Governmental Accounting and Financial Reporting Standards* (Codification), and when presented in the Codification, it retains its authoritative status. If the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP described above, a governmental entity should first consider accounting principles for similar transactions or other events within a source of authoritative GAAP described above and then may consider non-authoritative accounting literature from other sources. These include GASB Concepts Statements; pronouncements and other literature of the Financial Accounting Standards Board ("FASB"), Federal Accounting Standards Advisory Board, International Public Sector Accounting Standards Board, and International Accounting Standards Board, and AICPA literature not cleared by the GASB; practices that are widely recognized and prevalent in state and local government; literature of other professional associations or regulatory agencies; and accounting textbooks, handbooks and articles.

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

The Authority, as a single program government, combines governmental fund (modified accrual basis) and government-wide (accrual basis) financial statements, which are linked together by the reconciliation of differences between the Governmental Funds and Government-Wide Financial Statements (see Note G).

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)

Basis of Accounting (Continued)

The government-wide financial statements are prepared under the current 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, Petroleum Products Gross Receipts Tax ("PPGRT") and sales taxes, the toll road authorities, and Pay As You Go ("PayGo") capital funding. As provided for in the 2016 Transportation Trust Fund Re-Authorization Act, PayGo represents the excess of constitutionally-dedicated PPGRT revenue not needed to satisfy current year debt service costs that is deposited into the Transportation Trust Fund Subaccount for Capital Reserves ("Subaccount").

The governmental fund financial statements are prepared under the 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:

<u>Fund Accounts</u>	<u>Amount</u>	<u>Use for Which Restricted</u>
Special Revenue Fund (General 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.	Bond interest and principal payments.

Income Taxes

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

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)

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.

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 expenditures when received.

Deferred Inflows of Resources

Gain on advanced refunding of bonds is recorded as a deferred inflow of resources in the statement of net position and is amortized over the life of old debt or the life of new debt, whichever is shorter.

Restricted Net Position

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	\$ 932,890,000
Due after one year	19,164,746,484
	<u>\$20,097,636,484</u>

B. CASH AND EQUIVALENTS

Cash and equivalents consist primarily of State 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. NJCMF is considered to be an investment trust fund as defined in GASB Statement No. 31.

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

NOTES TO FINANCIAL STATEMENTS

B. CASH AND EQUIVALENTS (CONTINUED)

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. The Authority's NJCMF funds are not subject to custodial credit risk due to the fact that the funds are held by and in the name of the NJCMF in a segregated trust account with a third-party custodian rather than in the possession of a third-party custodian. Additionally, cash and equivalents and investments of the Authority 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 vehicles with limited or no custodial credit risk such as 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.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's), Standard & Poor's Corporation (S&P), and Fitch Ratings (Fitch). Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. Though the underlying assets and investments of the NJCMF pool are subject to credit risk, the risk is limited by a mix of the credit quality ratings of the assets in the portfolio maintained by the NJCMF.

Cash and equivalents at June 30, 2021, were as follows:

NJCMF	\$ 1,280,011,053
US Bank	3,526,998
Total	<u>\$ 1,283,538,051</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investments maintained by the Authority are not subject to interest rate risk.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

C. ACCOUNTS PAYABLE - STATE OF NEW JERSEY

The balance due of \$78,989,368 consists of amounts due the State of New Jersey Special Transportation Fund for reimbursement of State, local and New Jersey Transit transportation costs.

D. BONDS AND NOTES PAYABLE

Bonds and notes payable consist of Transportation System Bonds Payable, Transportation Program Bonds Payable, and Federal Highway Revenue Reimbursement Notes (Indirect Garvees) Payable. Bond resolutions have been adopted by the Authority which authorize the issuance of bonds and notes to fund transportation system improvements in the State.

Transportation System Bonds refer to bonds issued pursuant to authorizations previously provided in P.L. 1995, c. 108 and P.L. 2006, c.3, as well as any bonds issued to refund those prior bonds. Transportation Program Bonds refer to bonds issued pursuant to P.L. 2012, c.13 and the most recent authorization enacted in October 2016, (P.L. 2016, c. 56), and any bonds subsequently issued to refund those particular bonds.

The Transportation Program Bonds are issued as "state contract" debt backed by a contract between the State Treasurer and the Authority. This contract pledges that constitutionally-dedicated revenues appropriated by the Legislature will be made available to the Authority for debt service payments on its Transportation Program Bonds.

The Transportation System Bonds are secured by a separate contract between the State Treasurer and the Authority which pledges that any dedicated Authority revenues appropriated by the Legislature to the payment of such bonds will be made available to the Authority for debt service payments.

For Federal Indirect Garvee bonds, the state agency issuer submits eligible project expenses to the Federal Highway Administration for reimbursement, and a portion of such reimbursements is used to pay the resulting debt service on the Indirect Garvees. Indirect Garvee bonds are typically used to finance a series of future projects, the exact details of which have yet to be determined. Future federal appropriations are pledged to pay debt service on Indirect Garvee bonds and the State can decide whether additional revenues beyond federal appropriations will be pledged to provide security to the bond holders.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

D. BONDS AND NOTES PAYABLE (CONTINUED)

The following is a summary of transportation system bonds, transportation program bonds, and Federal Highway Revenue Reimbursement notes outstanding:

Series	Interest Rate Range	Bonds Outstanding (in Thousands)	Additions (in Thousands)	Reductions (in Thousands)	Bonds Outstanding (in Thousands)	Amounts Due Within One Year (in Thousands)
		June 30, 2020			June 30, 2021	
2004 Series A	5.75%	\$ 107,495	\$ -	\$ -	\$ 107,495	\$ -
2005 Series B	5.25%-5.50%	584,070	-	207,930	376,140	219,430
2006 Series A	4.25%-5.50%	1,514,740	-	387,695	1,127,045	408,960
2006 Series C	4.93%-5.05%	3,708,585	-	-	3,708,585	-
2008 Series A	6.12%-6.75%	1,422,955	-	-	1,422,955	-
2009 Series A	6.23%-6.40%	869,075	-	-	869,075	-
2009 Series C Note	5.25%	150,000	-	-	150,000	-
2009 Series D Note	5.00%	147,500	-	-	147,500	-
2010 Series A	5.85%-6.25%	1,273,180	-	-	1,273,180	-
2010 Series B	6.56%	500,000	-	-	500,000	-
2010 Series C	5.75%	575,000	-	-	575,000	-
2010 Series D	3.50%-5.25%	380,835	-	-	380,835	-
2011 Series A	N/A	151,285	-	151,285	-	-
2011 Series B	N/A	593,215	-	593,215	-	-
2012 Series A	5.00%	326,255	-	-	326,255	-
2012 Series AA	3.00%-5.00%	752,150	-	28,735	723,415	30,155
2013 Series A	4.00%-5.00%	14,445	-	-	14,445	-
2013 Series AA	3.50%-5.50%	761,820	-	16,955	744,865	17,790
2014 Series AA	4.25%-5.00%	679,515	-	23,860	655,655	25,035
2014 Series BB-1	5.00%	150,000	-	-	150,000	-
2014 Series BB-2	5.00%	147,500	114,195	147,500	114,195	-
2015 Series AA	4.00%-5.25%	585,495	-	11,470	574,025	12,045
2016 A Garvee	4.10%-5.00%	1,059,070	-	55,635	1,003,435	65,915
2016 B Garvee	3.01%-3.23%	500,000	-	-	500,000	-
2018 A Garvee	3.00%-5.00%	1,176,060	-	110,475	1,065,585	108,200
2018 Series A	4.00%-5.00%	1,531,595	-	-	1,531,595	-
2019 Series AA	3.75%-5.25%	750,000	-	-	750,000	-
2019 Series BB	3.25%-5.00%	1,000,000	-	-	1,000,000	-
2019 Series A	4.00%-5.00%	619,775	-	940	618,835	-
2019 Series B	2.38%-4.13%	946,335	-	-	946,335	45,360
2020 Series AA	3.00%-5.00%	-	1,500,000	-	1,500,000	-
2021 Series A	4.00%-5.00%	-	580,420	-	580,420	-
		22,977,950	2,194,615	1,735,695	23,436,870	932,890
Less bond accretion		(3,548,062)	-	(208,828)	(3,339,234)	-
Total		<u>\$ 19,429,888</u>	<u>\$ 2,194,615</u>	<u>\$ 1,526,867</u>	<u>\$ 20,097,636</u>	<u>\$ 932,890</u>

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

D. BONDS AND NOTES PAYABLE (CONTINUED)

Total maturities of transportation system bonds, transportation program bonds, and Federal Highway Revenue Reimbursement notes are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 932,890,000	\$ 762,778,959	\$ 1,695,668,959
2023	980,375,000	715,277,296	1,695,652,296
2024	1,023,735,000	666,964,098	1,690,699,098
2025	1,045,190,000	622,317,436	1,667,507,436
2026	1,070,125,000	590,613,791	1,660,738,791
2027-2031	5,674,975,000	2,474,965,902	8,149,940,902
2032-2036	4,534,170,000	1,728,695,225	6,262,865,225
2037-2041	5,464,950,000	1,123,449,430	6,588,399,430
2042-2046	1,810,345,000	395,527,152	2,205,872,152
2047-2050	900,115,000	93,423,400	993,538,400
Total	23,436,870,000	\$ 9,174,012,687	\$ 32,610,882,687
Less unamortized bond accretion	3,339,233,516		
Total Bonds Payable	\$ 20,097,636,484		

Interest payments vary by series. The majority of the Authority's debts have fixed rate interest payments, payable semi-annually on June 15 and December 15. Excluded from these debts are capital appreciation bonds. Capital appreciation bonds do not pay interest periodically, but add the interest value to the face value of the bond to be paid at maturity.

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.

2006 Series C and 2008, 2009, and 2010 Series A - Capital Appreciation Bonds

The Series 2006C, 2008A, 2009A and 2010A bonds were issued as capital appreciation bonds. The bonds were originally issued at principal values of \$1,115,496,792, \$1,122,744,638, \$416,230,924 and \$859,253,361, respectively. Portions of the total issuances that were capital appreciation bonds were \$1,115,496,792, \$249,999,638, \$142,730,924 and \$359,253,361, respectively. Interest on each series is not payable on a current basis. Interest is calculated on the basis of a 360-day year and is part of the accreted value from the date of issuance through the date of maturity or prior redemption, compounded as of each semi-annually each June and December 15th. The accreted values of the bonds reflect the initial principal of the bonds as noted above plus the interest accrued from the date of issuance. As of June 30, 2021, capital appreciation bonds are reported net of their unamortized bond accretion values of \$1,356,811,284, \$855,403,731, \$564,971,857 and \$562,046,644, respectively. The bonds are payable upon the respective maturity dates at the accreted values or prior to maturity at the greater of the accreted values and the present value of the accreted value discounted at the applicable tax-exempt municipal bond rate plus 30 basis points. Total accreted values at maturity are expected to be \$3,708,585,000, \$1,422,955,000, \$869,075,000 and \$1,273,180,000, respectively.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

D. BONDS AND NOTES PAYABLE (CONTINUED)

2010 Series B, and 2010 Series C - Build America Bonds

The Series 2010B and 2010C Transportation System bonds were issued as Build America Bonds. These federally taxable bonds were issued in connection with the American Recovery and Reinvestment Act of 2009, constituting Section 54AA of the Internal Revenue Code of 1986, as amended, for which the Authority, through the State, is entitled to receive a cash subsidy from the United States Treasury equal to 35% of the interest payable on each bond series on each interest payment date. The Budget Control Act of 2011 reduced the amount of the subsidy paid by the United States Treasury.

In fiscal year 2020 the Authority fully refunded the 2009 Series B bonds and partially refunded the 2010 Series B bonds, reducing the amount of qualifying federally taxable bond tax credits by approximately 40%. The Authority received payments totaling \$32,754,827 in fiscal year 2021, including \$10,956,267 outstanding from June 30, 2020. This represents 33% of the total interest due on June and December 15th for these series and a 2% decrease on the original subsidy.

There can be no certainty the United States Treasury will not make further cuts to the program. The bonds are subject to redemption prior to their maturity at the option of the Authority upon a material reduction or elimination of the subsidy payments.

2014 Series BB-1 and Series BB-2 Notes – SIFMA Index Bonds

The 2014 Series BB Notes were publicly offered SIFMA Index Multimodal Bonds. During the SIFMA Index Rate period, interest on the notes was payable on the first business day of each month. The 2014 Series BB-1 Notes bore interest at the SIFMA Index Rate plus an interest rate spread of 1.00% until their remarketing as fixed rate notes in October 2019. The 2014 Series BB-1 Notes now bear a fixed interest rate at 5%. The 2014 Series BB-2 Notes bore interest at the SIFMA Index Rate plus an interest rate spread of 1.20%, until their remarketing in May 2021. The 2014 Series BB-2 Notes were subject to redemption prior to maturity at the option of the Authority at any time after June 15, 2021, at a value equal to 100% of the principal amount of the notes being redeemed plus accrued interest, as well as being subject to mandatory tender on December 15, 2021. In May 2021 the Authority remarketed as fixed rate notes the full \$147,500,000 in 2014 Series BB-2 Transportation Program Notes (\$114,195,000 par), which now bear a fixed interest rate at 5%. For the year ended June 30, 2021, a total of \$9,868,275 in interest was paid on the 2014 Series BB Notes, including \$8,118,556 paid as fixed rate interest on the 2014 Series BB-1 Notes and \$1,749,719 of variable interest paid on the 2014 Series BB-2 Notes prior to the May 2021 remarketing.

2016 Series A and B Federal Highway Reimbursement Revenue Notes (Indirect Garvees)

On November 2, 2016, the Authority issued \$3,241,425,000 of Federal Highway Reimbursement Revenue Notes (Indirect Garvees) which consisted of \$2,741,425,000 of publicly offered 2016 Series A Indirect Garvees and \$500,000,000 of 2016 Series B Indirect Garvees, which are bank loan notes, purchased by Bank of America, N.A. Both series of notes are secured solely through reimbursements received by or on behalf of the New Jersey Department of Transportation pursuant to Title 23 of the United States Code from the Federal Highway Administration. The proceeds were used to fund Transportation Capital Program expenditures for fiscal years 2017, 2018 and part of fiscal year 2019.

For the year ended June 30, 2021, a total of \$123,304,505 in debt service was paid on these obligations.

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NOTES TO FINANCIAL STATEMENTS

D. BONDS AND NOTES PAYABLE (CONTINUED)

2018 Series A Federal Highway Reimbursement Revenue Refunding Notes (Indirect Garvees)

On July 25, 2018, the Authority issued \$1,195,730,000 of Federal Highway Reimbursement Revenue Refunding Notes (Indirect Garvees). These notes are secured through reimbursements received by or on behalf of the New Jersey Department of Transportation pursuant to Title 23 of the United States Code from the Federal Highway Administration. The proceeds were used to refund \$1,300,000,000 in 2016 Series A Federal Highway Reimbursement Revenue Notes for fiscal year 2019 and generated \$124 million in net present value debt service savings.

For the year ended June 30, 2021, a total of \$168,366,912 in debt service was paid on these obligations. Combined with the 2016 Series A and B Federal Highway Reimbursement Revenue Notes, a total of \$291,671,417 in debt service was paid on the Federal Highway Reimbursement Revenue Notes for the year ended June 30, 2021.

New Bonds Issued in FY 2021

In fiscal year 2021 the Authority issued \$1,500,000,000 2020 Series AA of new money Transportation Program Bonds, authorized under the October 2016 Act. The proceeds of any new Transportation Program Bond issuance are used to support transportation projects within the State.

E. 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. A Bond refunding is typically categorized as either current, in which outstanding bonds are called and paid off within 90 days, an advanced refunding, in which the new bond proceeds are placed into escrow until the call date of the bonds, or a forward refunding, in which an issuer and underwriter agree that the issuer will issue refunding bonds on a specified future date and which the underwriter will purchase those bonds at a specified price. The funds originally pledged for the prior bonds secures the refunding bonds.

The proceeds received from the sales of the bond issues are used to currently refund the outstanding bond issues or to deposit into 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. Typically, these transactions result in a deduction of debt service over the term of the bonds.

On May 6, 2021, the Authority issued \$580,420,000 in 2021 Series A Transportation System Refunding Bonds which, together with the premium generated on the bonds, was used to refund \$137,440,000 and \$564,710,000 of principal on the 2011 Series A and 2011 Series B Transportation System Bonds, respectively. The refunding generated a total of \$194 million in net present value debt service savings.

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NOTES TO FINANCIAL STATEMENTS

E. REFUNDINGS (CONTINUED)

During the fiscal year ended June 30, 2021, the Authority entered Forward Refunding agreements scheduled to settle in Spring 2022, which is discussed in Note I below, Subsequent Events.

As of June 30, 2021, the Authority has approximately \$8,691,315,000 bonds outstanding which have been previously defeased and are secured by investments held in escrow by the bond trustee. The escrow accounts are not controlled by the Authority. The bonds are considered extinguished and accordingly, the assets and related debt obligations are not reflected on the financial statements of the Authority.

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) Long-term liabilities (bonds payable, notes 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 position. Balances as of June 30, 2021, were:

Bonds payable (June 30, 2020)	\$ 19,429,887,774
Add issuance of bonds and notes	1,500,000,000
Less scheduled principal payments and Indirect Garvee Bonds	(886,045,000)
Less net principal reduction from refunded/remarketed debt	(155,035,000)
Add accretion of capital appreciation bonds	208,828,710
Bonds payable (June 30, 2021)	<u>\$ 20,097,636,484</u>
Accrued interest payable	<u>\$ 31,956,434</u>

(2) Bonds and notes issued and net bond premium 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 consisting of bonds and notes issued and net bond premium were received from:

2020 Series AA Transportation Program Bonds	\$ 1,674,125,833
2021 Series A Transportation System Bonds	723,165,447
2014 Series BB-2 SIFMA Index Bonds Remarketing	33,421,211
Total	<u>\$ 2,430,712,491</u>

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

G. ADJUSTMENTS - RECONCILIATION OF DIFFERENCES 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 net position/fund balances. For the Authority as a whole, the principal payments reduce the liabilities in the statement of net position 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	\$ 719,935,000
Scheduled principal payments of Garvee Bonds	166,110,000
Total	<u>\$ 886,045,000</u>

(4) Unamortized bond premium is recorded as deferred revenue (other liabilities) in the statement of net position 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, 2021, were:

Bond premium	\$ 1,202,335,091
Accumulated amortization	(558,730,544)
Total unamortized bond premium	<u>\$ 643,604,547</u>
Amortization revenue	<u>\$ 54,097,748</u>

(5) Unamortized bond discount is recorded as an asset (deferred change) in the statement of net position 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 expensed when incurred. Balances as of June 30, 2021, were:

Bond discount	\$ 14,023,321
Accumulated amortization	(765,481)
Total unamortized bond discount	<u>\$ 13,257,840</u>
Amortization expense	<u>\$ 266,723</u>

(6) Deferred gain on advanced refundings is recorded as deferred inflows of resources in the statement of net position and is amortized over the remaining life of the old debt or the life of new debt, whichever is shorter. Amortization revenue is recorded in the statement of activities. In governmental funds financial statements, deferred gain on advanced refunding is not applicable. Balances as of June 30, 2021, were:

Net gain/(loss) on advanced refunding	\$ 80,517,738
Net loss on advanced refunding	(43,074,948)
Net deferred gain on advanced refundings	<u>\$ 37,442,790</u>
Amortization revenue as a component of interest expense	<u>\$ 3,222,614</u>

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NOTES TO FINANCIAL STATEMENTS

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

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

Bond principal payments	\$ (886,045,000)
Net bond premium	(350,292,491)
Bond issuance costs	8,075,566
Net bond proceeds	2,562,928,078
Escrow Fund Deposit	(720,711,153)
Capital appreciation bonds	208,828,710
Current year bond activity, net	<u>\$ 822,783,710</u>

H. COVID-19 IMPACTS

Governor Murphy's Executive Order No. 107 dated March 21, 2020, mandating statewide stay-at-home practices and closure of all non-essential retail businesses, resulted in a decline in fiscal year 2020 Motor Fuel and PPGRT revenues and reduced the State's fiscal year 2021 PayGo deposit. However, the Authority had other available resources to cover this shortfall, which precluded any negative impact to the fiscal 2021 program. Conversely, fiscal year 2021 Motor Fuel and PPGRT revenues came in higher than anticipated, which in turn will result in a significant increase in the State's fiscal year 2022 PayGo deposit. It is unknown what the future financial impact to the Authority will be from conditions related to COVID-19.

I. SUBSEQUENT EVENTS

Management has evaluated subsequent events that occurred after June 30, 2021, and through November 19, 2021, the date the financial statements were available to be issued. Based on this evaluation, the Authority has determined the following disclosures to be reported in the financial statements.

On May 6, 2021, the Authority entered into two Forward Refunding agreements totaling \$893,750,000 which, together with the premiums generated on the bonds, will be used to refund \$326,255,000 in 2012 Series A Transportation System Bonds (2022 Series A Transportation System Refunding Bonds) and \$693,260,000 in 2012 Series AA Transportation Program Bonds (2022 Series AA Transportation Program Refunding Bonds), respectively. The Tax-Exempt Forward Refunding agreements are anticipated to yield \$189 million in net present value savings and are scheduled to settle in spring 2022.

In order to meet the highway fuel cap revenue targets, the State decreased the PPGRT by 8.3 cents on October 1, 2021, reversing the majority of the prior year's 9.3 cents increase implemented to offset the decline in Motor Fuel and PPGRT revenues due to COVID-19. The respective increase and decrease is provided by provisions of the Re-Authorization that allows the State to adjust the rate contingent upon meeting budgeted fiscal year fuel tax revenue targets.

In fall 2021, the Authority plans on issuing \$750,000,000 of new money Transportation Program Bonds with a final maturity of June 15, 2051, with coupon rates ranging from 3.00% to 5.00%, in order to fund transportation project costs and take advantage of the favorable interest rate environment.

SUPPLEMENTARY INFORMATION

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

Year Ended June 30, 2021

	Transportation Improvement	Debt Service	Total
Cash Balances, June 30, 2020	\$ 527,666	\$ 680,521	\$ 1,208,187
RECEIPTS			
Motor fuel taxes	-	464,593,000	464,593,000
Petroleum Products Gross Receipts and Sales Tax	-	862,525,817	862,525,817
Toll Road Authority	-	12,000,000	12,000,000
Build America Bond Credits	32,754,827	-	32,754,827
Operating transfers in	1,328,208	24,417,247	25,745,455
Total Receipts	<u>34,083,035</u>	<u>1,363,536,064</u>	<u>1,397,619,099</u>
DISBURSEMENTS			
Operating expenses and financial costs	1,267,759	-	1,267,759
Bond interest expense	-	478,140,783	478,140,783
Principal retirement of bonds payable	-	886,045,000	886,045,000
Operating transfers out	32,754,827	-	32,754,827
Total Disbursements	<u>34,022,586</u>	<u>1,364,185,783</u>	<u>1,398,208,369</u>
Cash Balances, June 30, 2021	<u>\$ 588,115</u>	<u>\$ 30,802</u>	<u>\$ 618,917</u>

Note: Cash balances consist of checking account activity only.

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, in accordance with the 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, the accompanying financial statements of the governmental activities and each fund 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, 2021, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 19, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected or corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and other matters, noncompliance with which could have a direct and material effect on the financial statements. 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mercedien, P.C.
Certified Public Accountants

November 19, 2021