

**NEW JERSEY TRANSPORTATION
TRUST FUND AUTHORITY**

**Financial Statements and
Supplementary Information**

Year Ended June 30, 2001

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

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INDEPENDENT AUDITORS' REPORT

To the Honorable Chairperson and Members of
NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

We have audited the accompanying balance sheet of NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY as of June 30, 2001, and the related statement of revenues, expenditures and changes in fund balance for the year then ended. 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. The prior year summarized comparative information has been derived from the Authority's 2000 financial statements and, in our report dated August 16, 2000, we expressed an unqualified opinion on those financial statements.

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 NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY as of June 30, 2001, and the results of its operations 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 August 9, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedule on page nine is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Druker, Rahl & Fein

August 9, 2001
(Except for Note E, as to which the date is August 21, 2001)

DONALD F. CONWAY, CPA*
CONRAD L. DRUKER, CPA
ESMOND S. DRUKER, CPA
EUGENE J. ELIAS, CPA, RMA
JACK H. FEIN, CPA*
ROBERT J. RAHL, CPA*
DAVID L. STAFFORD, CPA*
RICHARD S. WILLINGER, CPA
PETER A. INVERSO, CPA

*CPA IN NJ AND PA
* CPA IN NY

OTHER OFFICE:
86 BUCK ROAD
HOLLAND, PA 18966
215-355-4860

- NATIONAL ASSOCIATED CPA FIRMS
- AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
- NEW JERSEY SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
- PENNSYLVANIA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
- PRIVATE COMPANIES PRACTICE SECTION
- SEC PRACTICE SECTION

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING 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

We have audited the general purpose financial statements of NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY as of and for the year ended June 30, 2001, and have issued our report thereon dated August 9, 2001. 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.

Compliance

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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, and others within the Authority, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Druker, Rahl & Fein

August 9, 2001

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NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
BALANCE SHEET
June 30, 2001
(With Comparative Totals for 2000)

	Government Fund Types				Account Group	Total - Memorandum Only	
	Special Revenue		Total	Debt Service	General Long-Term Debt	June 30,	
	Authority Reserve	Transportation Improvement				2001	2000
ASSETS							
Account Receivable - State of New Jersey	\$	\$ 24,855,571	\$ 24,855,571	\$	\$	\$ 24,855,571	\$,258,571
Cash and short-term investments	40,289	217,275,260	217,315,549	1,055,670		228,371,219	685,050,195
Due from other funds	-	-	-	-		-	264,935,394
Amount available in debt service fund							265,450,183
Amount to be provided for retirement of bonds					4,328,835,000	4,328,835,000	4,229,794,817
Total Assets	<u>\$ 40,289</u>	<u>\$ 242,130,831</u>	<u>\$ 242,171,120</u>	<u>\$ 11,055,670</u>	<u>\$ 4,328,835,000</u>	<u>\$ 4,582,061,790</u>	<u>\$ 5,456,489,160</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Accrued interest payable	\$ -	\$	\$	\$ 9,545,295	\$	\$ 9,545,295	\$ 9,666,632
Account payable - State of New Jersey		68,423,000	68,423,000			68,423,000	42,794,646
Due to other funds		-	-			-	264,935,394
Transportation system bonds payable					4,328,835,000	4,328,835,000	4,495,245,000
Total Liabilities		<u>68,423,000</u>	<u>68,423,000</u>	<u>9,545,295</u>	<u>4,328,835,000</u>	<u>4,406,803,295</u>	<u>4,812,641,672</u>
FUND BALANCES:							
Reserve for debt service requirements				,510,375		,510,375	265,450,183
Reserve for payment of State transportation system cost		173,707,831	173,707,831			73,707,831	378,096,165
Unreserved - designated for operating expenses	40,289		40,289			40,289	301,140
Total fund balances	<u>40,289</u>	<u>173,707,831</u>	<u>173,748,120</u>	<u>1,510,375</u>		<u>175,258,495</u>	<u>643,847,488</u>
Total Liabilities and Fund Balances	<u>\$ 40,289</u>	<u>\$ 242,130,831</u>	<u>\$ 242,171,120</u>	<u>\$ 11,055,670</u>	<u>\$ 4,328,835,000</u>	<u>\$ 4,582,061,790</u>	<u>\$ 5,456,489,160</u>

See notes to financial statements.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended June 30, 2001
(With Comparative Totals for the Year Ended June 30, 2000)

	<u>Government Fund Types</u>				<u>Total - Memorandum Only</u>	
	<u>Special Revenue</u>		<u>Total</u>	<u>Debt Service</u>	<u>Year Ended June 30,</u>	
	<u>Authority Reserve</u>	<u>Transportation Improvement</u>			<u>2001</u>	<u>2000</u>
OPERATING REVENUES						
State appropriations equivalent to:						
Motor fuel taxes	\$ -	\$ 360,000,000	\$ 360,000,000	\$ -	\$ 360,000,000	\$ 360,000,000
Good driver's surcharge	-	60,000,000	60,000,000	-	60,000,000	60,000,000
Commercial vehicle fees and taxes	-	30,000,000	30,000,000	-	30,000,000	30,000,000
Toll road authorities	-	24,500,000	24,500,000	-	24,500,000	24,500,000
General fund	-	226,900,000	226,900,000	-	226,900,000	8,600,237
Interest income	2,625	27,634,778	27,637,403	620,406	28,257,809	36,447,278
Total operating revenues	<u>2,625</u>	<u>729,034,778</u>	<u>729,037,403</u>	<u>620,406</u>	<u>729,657,809</u>	<u>519,547,515</u>
OPERATING EXPENSES						
Operating expenses and financial costs	25,710	-	25,710		25,710	227,572
Bond issuance costs	-	8,000	8,000	-	8,000	16,573,454
Bond interest expense	-	-	-	241,209,738	241,209,738	217,871,248
State transportation costs		790,593,354	790,593,354	-	790,593,354	747,556,689
Principal retirement of bonds/notes payable				166,410,000	166,410,000	137,535,000
Total operating expenses	<u>25,710</u>	<u>790,601,354</u>	<u>790,627,064</u>	<u>407,619,738</u>	<u>1,198,246,802</u>	<u>1,119,763,963</u>
LOSS FROM OPERATIONS	<u>(23,085)</u>	<u>(61,566,576)</u>	<u>(61,589,661)</u>	<u>(406,999,332)</u>	<u>(468,588,993)</u>	<u>(600,216,448)</u>
OTHER CHANGES						
Bond proceeds	-	-	-	-	-	918,853,052
Operating transfers in	(237,766)	-	(237,766)	407,741,076	407,503,310	1,054,441,957
Operating transfers out	-	(142,821,758)	(142,821,758)	(264,681,552)	(407,503,310)	(1,054,441,957)
Total other changes	<u>(237,766)</u>	<u>(142,821,758)</u>	<u>(143,059,524)</u>	<u>143,059,524</u>	<u>-</u>	<u>918,853,052</u>
Excess (deficiency) of revenues over expenditures	(260,851)	(204,388,334)	(204,649,185)	(263,939,808)	(468,588,993)	318,636,604
FUND BALANCES, BEGINNING OF YEAR	<u>301,140</u>	<u>378,096,165</u>	<u>378,397,305</u>	<u>265,450,183</u>	<u>643,847,488</u>	<u>325,210,884</u>
FUND BALANCES, END OF YEAR	<u>\$ 40,289</u>	<u>\$ 173,707,831</u>	<u>\$ 173,748,120</u>	<u>\$ 1,510,375</u>	<u>\$ 175,258,495</u>	<u>\$ 643,847,488</u>

See notes to financial statements.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

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 in 1984 pursuant to the New Jersey Transportation Trust Fund Authority Act 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 financial statements of NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY have been prepared on the modified accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America for governmental units.

Revenues

Revenues are recognized as they are earned. The primary sources of revenues are appropriations received from the State of New Jersey from motor fuel taxes, good driver's surcharge, commercial vehicle fees and taxes and toll road authorities.

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.

Basis of Investments

As of January 1, 1998 the Authority adopted statement of Government Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under Statement No. 31, investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the statement of operations. The Authority's investments are limited by the 1995 Bond Resolution to obligations of, or guaranteed by, the Federal government and bank certificates of deposit.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

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>
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
General long-term debt	Establish accounting control and accountability for the Authority's general long-term debt.	Transfers to meet minimum levels in debt service accounts
Authority reserve	Accounts for the operating expenditures of the Authority.	Operating expenditures

Income Taxes

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

Debt Issue Cost and Original Issue Discount

Costs related to the issuance of bonds are expensed when incurred.

Total (Memorandum Only)

Total (Memorandum Only) columns contain the totals of the similar accounts of the various funds and the General Long-Term Debt Account Group. Since the assets of the funds are restricted, the combination of the funds and account group is for convenience only and does not indicate that the combined assets are available for expenditures in any manner other than that provided for in the bond resolution.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended June 30, 2000, from which the summarized information was derived.

B. SHORT-TERM INVESTMENTS

Investments are stated at fair value and consist of U.S. obligations in the State of New Jersey cash management fund.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

NOTES TO FINANCIAL STATEMENTS

C. 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	Issue Date	Maturity Date	Interest Rates	Amount of Original Issue	June 30,	
					2001	2000
1995 Series A	07/15/95	06/15/2015	5.00%-6.50%	\$ 804,475,000	\$ 644,860,000	\$ 674,530,000
1995 Series B	10/15/96	06/15/2015	4.50%-7.00%	788,225,000	630,265,000	659,280,000
1996 Series A	02/01/96	12/15/2016	4.50%-6.00%	334,065,000	291,160,000	302,680,000
1996 Series B	10/15/96	06/15/2017	4.75%-6.00%	714,340,000	624,755,000	648,985,000
1997 Series A	12/01/97	06/15/2018	4.50%-6.00%	703,940,000	628,940,000	651,620,000
1998 Series A	12/01/98	06/15/2019	4.25%-6.00%	700,000,000	646,000,000	668,255,000
1999 Series A	10/06/99	06/15/2020	4.50%-5.75%	450,000,000	432,075,000	445,145,000
2000 Series A	01/01/00	06/15/2019	5.00%-6.13%	<u>450,000,000</u>	<u>430,780,000</u>	<u>444,750,000</u>
Total				<u>\$ 4,945,045,000</u>	4,328,835,000	4,495,245,000
Less current portion					<u>175,105,000</u>	<u>166,410,000</u>
Net long-term portion					<u>\$ 4,153,730,000</u>	<u>\$ 4,328,835,000</u>

Total maturities of transportation system bonds are as follows:

Year Ending June 30,	
2002	\$ 175,105,000
2003	183,855,000
2004	191,405,000
2005	202,940,000
2006	215,425,000
Thereafter	<u>3,360,105,000</u>
Total	<u>\$ 4,328,835,000</u>

All bonds are subject to mandatory redemption in annual installments through their final maturity.

D. CONCENTRATION OF RISK AND UNCERTAINTIES

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

E. SUBSEQUENT EVENT

The Authority issued its transportation system 2001 Series A bonds totalling \$325,000,000 on August 21, 2001. The Authority is entitled to issue up to \$650,000,000 per year for transportation system improvement projects. During fiscal year 2001 no bonds were issued.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

NOTES TO FINANCIAL STATEMENTS

F. NEW PRONOUNCEMENT

In June of 1999, the Government Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This Statement establishes new accounting and financial reporting standards for state and local governments. The Statement provides guidance established for special-purpose governments and requires management to include a discussion and analysis of the financial activities of the organization in addition to the basic financial statements and other required supplementary information. The new Statement will be effective for the fiscal year beginning on July 1, 2001.

SUPPLEMENTARY INFORMATION

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 2001

	Authority Reserve	Transportation Improvement	Total	Debt Service	Total Memorandum
CASH BALANCES, JUNE 30, 2000	\$ -	\$ -	\$ -	\$ -	\$ -
RECEIPTS:					
Motor fuel taxes	-	360,000,000	360,000,000	-	360,000,000
Good driver's surcharge	-	60,000,000	60,000,000	-	60,000,000
Commercial vehicle fees and taxes	-	30,000,000	30,000,000	-	30,000,000
Toll road authorities	-	24,500,000	24,500,000	-	24,500,000
General fund	-	226,300,000	226,300,000	-	226,300,000
Interest income	2,625	27,634,778	27,637,403	620,407	28,257,810
Sale of cash management fund investment (Net)	12,221	675,000,000	675,012,221	-	675,012,221
Operating transfers in	10,864	-	10,864	407,741,076	407,751,940
Total Receipts	25,710	1,403,434,778	1,403,460,488	408,361,483	1,811,821,971
DISBURSEMENTS:					
Operating expenses and financial costs	25,710	8,000	33,710	-	33,710
Bond issuance costs	-	-	-	-	-
Bond interest expense	-	-	-	241,331,076	241,331,076
State transportation costs	-	765,000,000	765,000,000	-	765,000,000
Principal retirement of bonds/notes payable	-	-	-	166,410,000	166,410,000
Purchase of cash management fund investments	-	230,639,838	230,639,838	620,407	231,260,245
Operating transfers out	-	407,751,940	407,751,940	-	407,751,940
Total Disbursements	25,710	1,403,399,778	1,403,425,488	408,361,483	1,811,786,971
CASH BALANCES, JUNE 30, 2001	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000