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**NEW JERSEY TRANSPORTATION
TRUST FUND AUTHORITY**

Financial Statements and
Supplementary Information

Year Ended June 30, 2003

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 statement of net assets and governmental funds balance sheet of **NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY** as of June 30, 2003, and the related statement of activities and governmental funds 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.

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, 2003, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2003 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 fifteen 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.

The management's discussion and analysis on pages 4-5, 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 presentation of management's discussion and analysis. However, we did not audit the information and express no opinion on it.

August 29, 2003

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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 financial statements of **NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY** as of and for the year ended June 30, 2003, and have issued our report thereon dated August 29, 2003. 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 finance committee, management, 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.

August 29, 2003

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MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2003. 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 \$959,261,842 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 7.7% over the prior year. The term "net assets" refers to the difference between assets and liabilities. At the close of fiscal year 2003, the Authority had a net asset deficit of \$84,534,898 as compared to net assets of \$635,590,115 at June 30, 2002. The decrease in net assets is due to the Authority not issuing new bonds during fiscal year ending June 30, 2003, thus causing a depletion of the Authority's cash assets.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements, which is comprised of the basic financial statements and the notes to the financial statements. The Authority is a single program government, which combines government-wide and governmental financial statements. This report also contains other 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 a private-sector business.

The balance sheets present 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 a useful indicator of whether the financial position of the Authority is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities result in increased net assets, which indicates an improved financial position.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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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 may serve, over time, as a useful indicator of the Authority's financial position. In the case of the Authority, liabilities exceeded assets by \$84,534,898 at the close of the most recent fiscal year. As stated above, the decrease in net assets is a result of the Authority not issuing new bonds during fiscal year ending June 30, 2003, thus causing a depletion of the Authority's cash assets.

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

Significant Events

At fiscal year end, the Authority had \$5,033,355,000 in bonds outstanding versus \$5,136,710,000 in the prior fiscal year - a decrease of 2%. There was new debt incurred by the Authority during fiscal year 2003 in the amount of \$678,100,000, which refinanced preexisting bonds totaling \$623,640,000 at more favorable rates. A total of \$157,815,000 in bond principal was retired by the annual debt service payments.

Of the total proceeds, \$345,000,000 was invested into five synthetic fixed rate-financing (Swap) agreements. The purpose of the agreements was to take advantage of the favorable interest rates in the market place.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2003

	Special Revenue Fund	Other Funds (DSF)	Total Governmental Funds	Adjustments (Note F)	Statement of Net Assets
ASSETS					
Account Receivable - State of New Jersey	\$ 25,000,000	\$ -	\$ 25,000,000	\$ 5,033,355,000	\$ 5,058,355,000
Cash and equivalents	36,024,983	550,121	36,575,104	-	36,575,104
Unamortized bond issuance costs	-	-	-	39,863,260	39,863,260
Total Assets	<u>\$ 61,024,983</u>	<u>\$ 550,121</u>	<u>\$ 61,575,104</u>	<u>\$ 5,073,218,260</u>	<u>\$ 5,134,793,364</u>
LIABILITIES					
Accrued interest payable	\$ -	\$ 10,743,899	\$ 10,743,899	\$ -	\$ 10,743,899
Accounts payable - State of New Jersey	99,258,364	-	99,258,364	-	99,258,364
Transportation system bonds payable:					
Due within one year	-	-	-	191,540,000	191,540,000
Due after one year	-	-	-	4,841,815,000	4,841,815,000
Unamortized bond premium	-	-	-	75,970,999	75,970,999
Total Liabilities	<u>99,258,364</u>	<u>10,743,899</u>	<u>110,002,263</u>	<u>5,109,325,999</u>	<u>5,219,328,262</u>
FUND BALANCES/NET ASSETS (DEFICIT)					
Restricted for:					
Debt Service	-	(10,193,778)	(10,193,778)	-	(10,193,778)
Deferred Charges	-	-	-	(36,107,739)	(36,107,739)
Payment of State transportation systems cost	(38,252,112)	-	(38,252,112)	-	(38,252,112)
Unrestricted	18,731	-	18,731	-	18,731
Total Fund Balances/Net Assets (Deficit)	<u>(38,233,381)</u>	<u>(10,193,778)</u>	<u>(48,427,159)</u>	<u>(36,107,739)</u>	<u>(84,534,898)</u>
Total Liabilities and Fund Balances/Net Assets (Deficit)	<u>\$ 61,024,983</u>	<u>\$ 550,121</u>	<u>\$ 61,575,104</u>	<u>\$ 5,073,218,260</u>	<u>\$ 5,134,793,364</u>

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended June 30, 2003

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	Special Revenue Fund	Other Funds (DSF)	Total Governmental Funds	Adjustments (Note F)	Statement of Activities
REVENUES					
State appropriations equivalent to:					
Motor fuel taxes	\$ 405,000,000	\$ -	\$ 405,000,000	\$ -	\$ 405,000,000
Commercial vehicle fees and taxes	340,000,000	-	340,000,000	-	340,000,000
Interest income	8,878,621	538,889	9,417,510	-	9,417,510
Amortization of bond premium	-	-	-	3,693,945	3,693,945
Total revenues	<u>753,878,621</u>	<u>538,889</u>	<u>754,417,510</u>	<u>3,693,945</u>	<u>758,111,455</u>
EXPENDITURES					
Operating expenses and financial costs	491,075	-	491,075	-	491,075
State transportation costs	959,261,842	-	959,261,842	-	959,261,842
Debt Service:					
Principal	-	157,815,000	157,815,000	(157,815,000)	-
Bond interest expense, including amortization of bond issuance costs	-	288,248,066	288,248,066	2,239,846	290,487,912
Total expenditures	<u>959,752,917</u>	<u>446,063,066</u>	<u>1,405,815,983</u>	<u>(155,575,154)</u>	<u>1,250,240,829</u>
Deficiency of revenues over expenses	<u>(205,874,296)</u>	<u>(445,524,177)</u>	<u>(651,398,473)</u>	<u>159,269,099</u>	<u>(492,129,374)</u>
OTHER FINANCING SOURCES (USES):					
Refunding bonds issued	678,100,000	-	678,100,000	(678,100,000)	-
Bond premium	40,370,640	-	40,370,640	(40,370,640)	-
Transfers - internal activities	(410,150,000)	410,150,000	-	-	-
Payments to escrow agent	(709,016,533)	-	(709,016,533)	709,016,533	-
Cost of issuance	(9,454,107)	-	(9,454,107)	9,454,107	-
Total other financing sources (uses)	<u>(410,150,000)</u>	<u>410,150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance/net assets	<u>(616,024,296)</u>	<u>(35,374,177)</u>	<u>(651,398,473)</u>	<u>159,269,099</u>	<u>(492,129,374)</u>
Fund balance/net assets (deficit):					
Beginning of year	577,790,915	25,130,399	602,971,314	32,618,801	635,590,115
Current Year Bond Principal Payment, Net	-	-	-	(188,701,335)	(188,701,335)
Prior Period Adjustment (bond premium)	-	-	-	(39,294,304)	(39,294,304)
End of year	<u>\$ (38,233,381)</u>	<u>\$ (10,193,778)</u>	<u>\$ (48,427,159)</u>	<u>\$ (36,107,739)</u>	<u>\$ (84,534,898)</u>

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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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.

In June 1999, Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as amended by Statement No. 37, Basic Financial Statements - State and Local Government: Omnibus - an amendment of GASB Statements No. 21 and 34, and Statement No. 38, Certain Financial Statement Note Disclosures. These Statements establish new accounting and financial reporting requirements for state and local governments. The Authority implemented this new financial reporting model in fiscal year 2002. The changes are reflected in the accompanying financial statements (including notes to financial statements).

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles 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 driver's surcharge, 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 is recognized when due.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Fund Accounts

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

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

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 of all funds required under such bond resolutions are classified as restricted assets. The amounts of which the restricted assets exceed the corresponding liabilities they will liquidate are not available for the payment of current operating expenses.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted Net Assets

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

Accounts Receivable

The following is a summary of receivables due from the State of New Jersey:

Due within one year	\$ 216,540,000
Due after one year	<u>4,841,815,000</u>
	<u>\$5,058,355,000</u>

B. CASH AND EQUIVALENTS

Cash and equivalents consist of State of New Jersey cash management fund deposits and short term investments acquired under forward delivery agreements as described in the following paragraph.

In May 2002, on behalf of its transportation improvement fund project, the Authority entered into Forward Delivery Agreements in connection with construction payment money on Transportation System Bonds, 2001 Series B for \$690,000,000. The Authority will continue to make construction payments; however, under terms of the agreements the trustee is required to purchase eligible securities, as defined in the bond indenture, from the supplying financial institutions at minimum fixed rates of returns of 2.6651% and 2.713% per annum. These securities mature on a monthly basis or prior to the time the required construction payments have to be made from the transportation improvement fund. In the event of a default or an early termination, the responsible party is required to make a termination payment to the other party.

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	Interest Rate Range	Bonds Outstanding (in millions) June 30, 2002	Additions (in millions)	Reductions (in millions)	June 30,	
					Bonds Outstanding (in millions) June 30, 2003	Amounts due within one year (in millions)
1995 Series A	5.00%-6.50%	\$ 564,255	\$ -	\$ 33,335	\$ 530,920	\$ 35,335
1995 Series B	4.50%-7.00%	458,290	-	32,295	425,995	34,315
1996 Series A	4.50%-6.00%	279,105	-	12,605	266,500	13,190
1996 Series B	4.75%-6.00%	461,455	-	48,360	413,095	27,915
1997 Series A	4.50%-6.00%	348,070	-	46,785	301,285	630
1998 Series A	4.25%-5.25%	351,365	-	93,500	257,865	25,215
1999 Series A	4.50%-5.75%	418,385	-	14,340	404,045	15,060

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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C. TRANSPORTATION SYSTEM BONDS PAYABLE (CONTINUED)

2000 Series A	5.00%-6.13%	66,775	-	15,435	51,340	16,245
2001 Series A	4.50%-5.50%	312,920	-	22,755	290,165	23,025
2001 Series B	5.00%-6.00%	690,000	-	456,280	233,720	-
2001 Series C	2.50%-5.75%	1,186,090	-	-	1,186,090	610
2003 Series A	4.00%-5.50%	-	333,100	5,765	327,335	-
2003 Series B	3.675%	-	<u>345,000</u>	-	<u>345,000</u>	-
Total		<u>\$ 5,136,710</u>	<u>\$ 678,100</u>	<u>\$ 781,455</u>	<u>\$ 5,033,355</u>	<u>\$ 191,540</u>

Total maturities of transportation system bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2004	\$ 191,540,000	\$ 261,846,726	\$ 453,386,726
2005	231,600,000	251,825,326	483,425,326
2006	245,255,000	238,655,696	483,910,696
2007	260,945,000	222,962,084	483,907,084
2008	273,680,000	210,228,944	483,908,944
2009-2013	1,611,350,000	808,207,578	2,419,557,578
2014-2018	1,665,615,000	343,587,153	2,009,202,153
2019-2022	<u>553,370,000</u>	<u>47,886,561</u>	<u>601,256,561</u>
Total	<u>\$ 5,033,355,000</u>	<u>\$ 2,385,200,068</u>	<u>\$ 7,418,555,068</u>

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

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.

The Periodic Auction Reset Securities ("PARS") may be converted to a fixed or variable 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 converted by the broker-dealers.

D. FINANCIAL INSTRUMENTS

Tax-Exempt Variable Rate Bonds, 2003 Issue

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 various financial instrument contracts with financial counter parties Goldman Sachs & Co., Lehman Brothers and UBS PaineWebber, Inc. The transaction is described below:

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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D. FINANCIAL INSTRUMENTS (CONTINUED)

1) PARS Rate Instruments

Under the terms of this transaction, the Authority pays to 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.

In connection with the interest rate Swaps, other than the net interest expense resulting from the agreements, no amounts are recorded in the financial statements.

E. CONCENTRATION OF RISK AND UNCERTAINTIES

Cash and Equivalents

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

Financial Instruments

As disclosed in Note H, financial Instruments, the Authority's 2003 Series B bond issuance used 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.

F. 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, 2003 were:

Bond issuance costs	\$ 45,691,865
Accumulated amortization	<u>5,828,605</u>
Total unamortized bond issuance cost	<u>\$ 39,863,260</u>
Amortization expense	<u>\$ 2,239,846</u>

(2) Long-term liabilities (bond 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, 2003 were:

Bonds payable	\$ 5,136,710,000
Less principal payments	781,455,000
Add debt issued in year end 2003	<u>678,100,000</u>
Total	<u>\$ 5,033,355,000</u>

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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F. RECONCILIATION (CONTINUED)

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

Proceeds were received from:

2003 Series A Bond	\$ 333,100,000
2003 Series B Bond	<u>345,000,000</u>
Total Proceeds	<u>\$ 678,100,000</u>

- (4) Repayment of bond principal is reported as an expenditure in governmental funds and, thus, reduces the fund balance. For the Authority as a whole, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. Principal payments, including payments from proceeds of refunding bond issues, were made as follows:

1995 Series A Bonds	\$ 33,335,000
1995 Series B Bonds	32,295,000
1996 Series A Bonds	12,605,000
1996 Series B Bonds	48,360,000
1997 Series A Bonds	46,785,000
1998 Series A Bonds	93,500,000
1999 Series A Bonds	14,340,000
2000 Series A Bonds	15,435,000
2001 Series A Bonds	22,755,000
2001 Series B Bonds	456,280,000
2003 Series A Bonds	<u>5,765,000</u>
Total	<u>\$ 781,455,000</u>

- (5) Unamortized bond premium is recorded as deferred revenue (other liabilities) in the statement of net assets and is amortized over the life of the debt. Amortization revenue is recorded in the statement of activities. In governmental funds financial statements, bond premiums are recognized as revenue when received. Balances as of June 30, 2003 were:

Bond premium	\$ 88,025,744
Accumulated amortization	<u>12,054,745</u>
Total unamortized bond premium	<u>\$ 75,970,999</u>
Amortization revenue	<u>\$ 3,693,945</u>

- (6) The adjustment related to current year bond principal payment, net, is comprised of the following:

Bond principal payment	\$ (157,815,000)
Bond premium	(40,370,640)
Bond issuance costs	9,454,107
Other charges	<u>30,198</u>
	<u>\$ (188,701,335)</u>

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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G. LITIGATION

The Authority is part of a lawsuit brought on by taxpayers against the State of New Jersey challenging the constitutionality of State Contract Statutes. The main argument is whether the State can issue State Contract Bonds without prior voter approval.

On April 9, 2003 the State Supreme Court affirmed the Appellate Division's decision upholding the constitutionality of State Contracts and concluding that the issuance of bonds pursuant to such Statutes does not violate the debt limitation clause.

H. SUBSEQUENT EVENT

The Authority issued 2003 Series C bonds on July 31, 2003 totaling \$924,810,000. Principal repayments begin June 15, 2007 and end June 15, 2024. Interest payments will begin December 15, 2003.

I. PRIOR PERIOD ADJUSTMENT

In the year 2002, when the Authority converted to GASB 34, premium on bonds issued was not recorded as a deferred liability in the government wide financial statements. Accordingly, a prior period adjustment of \$39,294,304 relating to the unamortized premium on bonds issued subsequent to 2001 has been made to the net assets in the government wide financial statements.

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SUPPLEMENTARY INFORMATION

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 2003

	<u>Authority Reserve</u>	<u>Transportation Improvement</u>	<u>Total</u>	<u>Debt Service</u>	<u>Total</u>
CASH BALANCES, JUNE 30, 2002	\$ -	\$ -	\$ -	\$ -	\$ -
RECEIPTS:					
Motor fuel taxes	-	405,000,000	405,000,000	-	405,000,000
Commercial vehicle fees and taxes	-	344,041,668	344,041,668	-	344,041,668
Interest income	409	8,878,212	8,878,621	538,889	9,417,510
Bond proceeds	-	17,548,848	17,548,848	-	17,548,848
Sale of cash management fund investment (Net)	14,662	1,202,268,307	1,202,282,969	37,740,092	1,240,023,061
Operating transfers in	-	-	-	410,150,000	410,150,000
Total Receipts	<u>15,071</u>	<u>1,977,737,035</u>	<u>1,977,752,106</u>	<u>448,428,981</u>	<u>2,426,181,087</u>
DISBURSEMENTS:					
Operating expenses and financial costs	15,071	476,291	491,362	-	491,362
Bond interest expense	-	-	-	290,553,655	290,553,655
State transportation costs	-	1,010,000,000	1,010,000,000	-	1,010,000,000
Principal retirement of bonds payable	-	-	-	157,815,000	157,815,000
Purchase of cash management fund investments	-	557,110,744	557,110,744	-	557,110,744
Operating transfers out	-	410,150,000	410,150,000	-	410,150,000
Total Disbursements	<u>15,071</u>	<u>1,977,737,035</u>	<u>1,977,752,106</u>	<u>448,368,655</u>	<u>2,426,120,761</u>
CASH BALANCES, JUNE 30, 2003	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,326</u>	<u>\$ 60,326</u>