

**NEW JERSEY TRANSPORTATION
TRUST FUND AUTHORITY**

Financial Statements and
Supplementary Information

Year Ended June 30, 2005

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

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Year Ended June 30, 2005

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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 financial statements of the governmental activities, and each fund, of **NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY** (the "Authority"), as of and for the year ended June 30, 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each fund, of the **NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY** as of June 30, 2005, and the respective changes in financial position, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2005, 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.

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RSM MCGLADREY NETWORK

INDEPENDENT AUDITORS' REPORT (CONTINUED)

The management's discussion and analysis on pages 5 and 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise **NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY'S** basic financial statements. The schedule of cash receipts and disbursements is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of cash receipts and disbursements has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Amercador, PC
Certified Public Accountants

October 7, 2005, except for Note I, as to which the date is October 27, 2005.

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

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RSM MCGladREY NETWORK

We have audited the financial statements of **NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY** as of and for the year ended June 30, 2005, and have issued our report thereon dated October 7, 2005. 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.

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* (CONTINUED)

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

Mercaderes, P.C.
Certified Public Accountants

October 7, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As financial management of the New Jersey Transportation Trust Fund Authority (the "Authority"), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2005. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

The Authority disbursed \$1,328,224,653 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 4% over the prior year. The term "net assets" refers to the difference between assets and liabilities. At the close of fiscal year 2005, the Authority had a net asset deficit of \$403,760,051 as compared to a net asset deficit of \$107,329,347 at June 30, 2004. This deficit is caused by the increased funding of statewide transportation system improvements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements, which are comprised of the basic financial statements and the notes to the financial statements. The Authority is a single program government that combines government-wide and governmental 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 that which would be used by a private-sector business.

The balance sheet presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as 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 corresponding increases to liabilities result in increased net assets, which indicate an improved financial position.

The statements of revenues, expenses, and changes in fund net assets 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 expenses 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)

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 \$403,760,051 at the close of the most recent fiscal year.

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

Significant Events

At fiscal year end, the Authority had \$6,422,465,000 in bonds outstanding versus \$5,766,625,000 in the prior fiscal year - an increase of 11.37%. There was new debt incurred by the Authority during fiscal year 2005 in the amount of \$3,626,130,000. A total of \$231,600,000 in bond principal was retired by the annual debt service payments during the fiscal year. A total of \$2,738,690,000 bond principal was refunded.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2005

	Special Revenue Fund	Other Funds (DSF)	Total Governmental Funds	Adjustments (Note G)	Statement of Net Assets
ASSETS					
Account receivable - State of New Jersey	\$ 32,500,000	\$ -	\$ 32,500,000	\$ 6,422,465,000	\$ 6,454,965,000
Other receivable	-	50,000	50,000	-	50,000
Cash and equivalents	135,982,836	271,656	136,254,492	-	136,254,492
Investments	57,013,124	-	57,013,124	-	57,013,124
Unamortized bond issuance costs	-	-	-	73,527,124	73,527,124
Total Assets	<u>\$ 225,495,960</u>	<u>\$ 321,656</u>	<u>\$ 225,817,616</u>	<u>\$ 6,495,992,124</u>	<u>\$ 6,721,809,740</u>
LIABILITIES					
Accrued interest payable	\$ -	\$ -	\$ -	\$ 16,301,883	\$ 16,301,883
Accounts payable - State of New Jersey	203,964,632	-	203,964,632	-	203,964,632
Deferred gain on refunding of bonds	-	-	-	72,395,808	72,395,808
Transportation system bonds payable:					
Due within one year	-	-	-	161,120,000	161,120,000
Due after one year	-	-	-	6,261,345,000	6,261,345,000
Unamortized bond premium	-	-	-	410,442,468	410,442,468
Total Liabilities	<u>203,964,632</u>	<u>-</u>	<u>203,964,632</u>	<u>6,921,605,159</u>	<u>7,125,569,791</u>
FUND BALANCES/NET ASSETS (DEFICIT)					
Restricted for:					
Debt Service	71,550,234	321,656	71,871,890	-	71,871,890
Deferred Charges	-	-	-	(425,613,035)	(425,613,035)
Payment of state transportation systems cost	(50,018,906)	-	(50,018,906)	-	(50,018,906)
Total Fund Balances/Net Assets (Deficit)	<u>21,531,328</u>	<u>321,656</u>	<u>21,852,984</u>	<u>(425,613,035)</u>	<u>(403,760,051)</u>
Total Liabilities and Fund Balances/Net Assets (Deficit)	<u>\$ 225,495,960</u>	<u>\$ 321,656</u>	<u>\$ 225,817,616</u>	<u>\$ 6,495,992,124</u>	<u>\$ 6,721,809,740</u>

See notes to financial statements.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Year Ended June 30, 2005

	Special Revenue Fund	Other Funds (DSF)	Total Governmental Funds	Adjustments (Note G)	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	400,000,000	-	400,000,000	-	400,000,000
Interest income and investment return	5,050,249	420,651	5,470,900	-	5,470,900
Amortization of bond premium and deferred gain on refunding	-	-	-	47,842,831	47,842,831
Total revenues	<u>810,050,249</u>	<u>420,651</u>	<u>810,470,900</u>	<u>47,842,831</u>	<u>858,313,731</u>
EXPENDITURES					
Operating expenses and financial costs	36,351	894,511	930,862	-	930,862
State transportation costs	1,328,224,653	-	1,328,224,653	-	1,328,224,653
Debt Service:					
Principal	-	231,600,000	231,600,000	(231,600,000)	-
Bond interest expense, including amortization of bond issuance costs	-	261,202,573	261,202,573	6,535,425	267,737,998
Total expenditures	<u>1,328,261,004</u>	<u>493,697,084</u>	<u>1,821,958,088</u>	<u>(225,064,575)</u>	<u>1,596,893,513</u>
Deficiency of revenues over expenses	<u>(518,210,755)</u>	<u>(493,276,433)</u>	<u>(1,011,487,188)</u>	<u>272,907,406</u>	<u>(738,579,782)</u>
OTHER FINANCING SOURCES (USES):					
Bonds issued	3,626,130,000	-	3,626,130,000	(3,626,130,000)	-
Bond premium	412,622,019	-	412,622,019	(412,622,019)	-
Transfers - internal activities	(493,358,740)	493,358,740	-	-	-
Payments to escrow agent	(2,952,380,922)	-	(2,952,380,922)	2,952,380,922	-
Cost of issuance	(45,714,251)	-	(45,714,251)	45,714,251	-
Total other financing sources (uses)	<u>547,298,106</u>	<u>493,358,740</u>	<u>1,040,656,846</u>	<u>(1,040,656,846)</u>	<u>-</u>
Change in fund balance/net assets	<u>29,087,351</u>	<u>82,307</u>	<u>29,169,658</u>	<u>(767,749,440)</u>	<u>(738,579,782)</u>
Fund balance/net deficit:					
Beginning of year	(55,853,221)	(12,096,356)	(67,949,577)	(87,676,968)	(155,626,545)
Adjustments	48,297,198	12,335,705	60,632,903	(12,335,705)	48,297,198
Beginning of year, restated	(7,556,023)	239,349	(7,316,674)	(100,012,673)	(107,329,347)
Current year bond activity, net	-	-	-	442,149,078	442,149,078
End of year	<u>\$ 21,531,328</u>	<u>\$ 321,656</u>	<u>\$ 21,852,984</u>	<u>\$ (425,613,035)</u>	<u>\$ (403,760,051)</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 in order to provide a stable, predictable funding mechanism for transportation system improvements undertaken by the New Jersey Department of Transportation. The Authority also finances State aid to counties and municipalities for transportation system improvements.

Basis of Accounting

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

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

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

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

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

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

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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 and investments 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.

Unrestricted Net Assets

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

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

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

Due within one year	\$ 193,620,000
Due after one year	<u>6,261,345,000</u>
	<u>\$6,454,965,000</u>

B. CASH AND EQUIVALENTS

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

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

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

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

The Authority's bank balance at June 30, 2005, was \$136,254,492, all of which was covered by federal depository insurance.

Custodial Credit Risk

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

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

NOTES TO FINANCIAL STATEMENTS

B. CASH AND EQUIVALENTS (CONTINUED)

The amounts deposited in these accounts at June 30, 2005, are as follows:

New Jersey Cash Management Fund	\$136,082,117
Commerce Bank	<u>172,375</u>
Total	<u>\$136,254,492</u>

Custodial Credit Risk

As of June 30, 2005, the Authority had the following investments and maturities:

	Fair	Investment Maturity (In Years)			
	Value	Less than 1	1-5	6-10	More than 10
US Treasury Notes	<u>\$57,013,124</u>	<u>\$30,836,234</u>	<u>\$25,650,077</u>	<u>\$ -</u>	<u>\$ -</u>

Since the Authority's cash and equivalents and investments are all government securities, are in an external investment pool, or are protected under the Governmental Unit Deposit Protection Act, they are not subject to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Because the Authority maintains investments in US Treasury Notes, it is subject to interest rate risk if interest rates fluctuate.

C. 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)	Additions (in Millions)	Reductions (in Millions)	Bonds Outstanding (in Millions)	Amounts Due within One Year (in Millions)
		June 30, 2004			June 30, 2005	
1995 Series A	5.00%-6.50%	\$ 495,585	\$ -	\$ 477,745	\$ 17,840	\$ 17,840
1995 Series B	4.50%-7.00%	391,680	-	297,720	93,960	-
1996 Series A	4.50%-6.00%	253,310	-	222,875	30,435	14,760
1996 Series B	4.75%-6.00%	385,180	-	354,110	31,070	31,070
1997 Series A	4.50%-6.00%	300,655	-	271,575	29,080	29,080
1998 Series A	4.25%-5.25%	232,650	-	103,220	129,430	26,600
1999 Series A	4.50%-5.75%	388,985	-	15,810	373,175	16,640
2000 Series A	5.00%-6.13%	35,095	-	17,100	17,995	17,995
2001 Series A	4.50%-5.50%	267,140	-	109,805	157,335	1,430
2001 Series B	5.00%-6.00%	233,720	-	233,720	-	-
2001 Series C	2.50%-5.75%	1,185,480	-	630	1,184,850	1,870
2003 Series A	4.00%-5.50%	327,335	-	3,200	324,135	3,835
2003 Series B	3.675%	345,000	-	-	345,000	-
2003 Series C	2.25%-5.50%	924,810	-	644,945	279,865	-
2004 Series A	3.25%-5.75%	-	471,655	217,835	253,820	-
2004 Series B	2.50%-5.25%	-	849,800	-	849,800	-
2005 Series A	2.33%-3.76%	-	566,785	-	566,785	-
2005 Series B	3.60%-5.50%	-	1,213,140	-	1,213,140	-
2005 Series C	3.11%-4.38%	-	524,750	-	524,750	-
Total		<u>\$ 5,766,625</u>	<u>\$ 3,626,130</u>	<u>\$ 2,970,290</u>	<u>\$ 6,422,465</u>	<u>\$ 161,120</u>

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

NOTES TO FINANCIAL STATEMENTS

C. TRANSPORTATION SYSTEM BONDS PAYABLE (CONTINUED)

Total maturities of transportation system bonds are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 161,120,000	\$ 360,205,945	\$ 521,325,945
2007	310,295,000	315,215,423	625,510,423
2008	327,315,000	300,561,393	627,876,393
2009	344,890,000	283,179,314	628,069,314
2010	362,655,000	265,954,205	628,609,205
2011-2015	2,242,355,000	996,311,644	3,238,666,644
2016-2020	1,916,880,000	417,841,558	2,334,721,558
2021-2025	756,955,000	78,595,825	835,550,825
Total	<u>\$ 6,422,465,000</u>	<u>\$ 3,017,865,307</u>	<u>\$ 9,440,330,307</u>

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

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.

Refunding Bond Issues

As a result of the refundings during the year ended June 30, 2005, the Authority recorded gain on defeasance totaling \$100,945,008 representing the difference between the new debt issued and the carrying amount of the debt refunded. The gain on defeasance is being deferred and amortized over the life of the new debt. For financial statement purposes, the Authority follows Governmental Accounting Standards Board Statement No. 23, "Accounting and Financial Reporting for Refunding of Debt reported by Proprietary Activities." The unamortized deferred gain on refunding of bonds, amounted to \$72,395,808 at June 30, 2005. Amortization of \$28,549,201 is included in amortization of bond premium and deferred gain on refunding.

D. ADVANCE REFUNDINGS

When conditions warranted during the year ended June 30, 2005, the Authority sold various issues of bonds to provide for the refunding of previously issued obligations.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

NOTES TO FINANCIAL STATEMENTS

D. ADVANCE REFUNDINGS (CONTINUED)

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

These transactions defeased the outstanding bond issues with a resultant reduction in annual debt service during the term of the issues. The savings, together with any accounting gain or loss to be reported in the year of the refunding, accrue to the respective participants.

Refunded bonds outstanding at June 30, 2005, are comprised of the following:

<u>Issue</u>	<u>Principal Amount Outstanding June 30, 2005</u>
1995 Series A	\$ 196,460,000
1995 Series B	131,830,000
1996 Series A	208,975,000
1996 Series B	484,370,000
1997 Series A	497,350,000
1998 Series A	417,480,000
2000 Series A	349,305,000
2001 Series A	85,685,000
2001 Series B	690,000,000
2003 Series C	644,945,000
2004 Series A	<u>217,835,000</u>
	<u>\$ 3,924,235,000</u>

E. 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 a financial instrument contract with financial counter-parties. The transaction is described below:

PARS Rate Instruments

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

In connection with the interest rate Swaps, no amounts are recorded in the financial statements other than the net interest expense resulting from the agreements. As of June 30, 2005, the Swaps had a total fair value of \$(8,738,914).

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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

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

- (1) Unamortized bond issuance cost is recorded as deferred charges (other assets) in the statement of net assets and is amortized over the life of the debt. Amortization expense is recorded in the statement of activities. In governmental funds financial statements, bond issuance costs are expensed when incurred. Balances as of June 30, 2005, were:

Bond issuance costs	\$ 84,554,723
Accumulated amortization	<u>11,027,599</u>
Total unamortized bond issuance cost	<u>\$ 73,527,124</u>
Amortization expense	<u>\$ 2,569,245</u>

- (2) Long-term liabilities (bonds 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, 2005, were:

Bonds payable	\$ 5,766,625,000
Less principal payments	(2,970,290,000)
Add debt issued	<u>3,626,130,000</u>
Total	<u>\$ 6,422,465,000</u>

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

Proceeds were received from:

2004 Series A Bonds	\$ 471,655,000
2004 Series B Bond	849,800,000
2005 Series A Bond	566,785,000
2005 Series B Bond	1,213,140,000
2005 Series C Bond	<u>524,750,000</u>
Total Proceeds	<u>\$ 3,626,130,000</u>

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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

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

Scheduled principal payments	\$ 231,600,000
Payments to escrow agent relating to refunding issues	<u>2,952,380,922</u>
	<u>\$3,183,980,922</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, 2005, were:

Bond premium	\$ 458,211,601
Accumulated amortization	<u>47,769,133</u>
Total unamortized bond premium	<u>\$ 410,442,468</u>
Amortization revenue	<u>\$ 19,293,630</u>

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

Bond principal payment	\$ (231,600,000)
Bond premium	(412,622,019)
Bond issuance costs	45,714,251
Net bond proceeds	<u>1,040,656,846</u>
	<u>\$ 442,149,078</u>

H. ADJUSTMENTS

The adjustments amount relates to the 2003 Series C bond issuance that was placed in a capitalized interest cash escrow account with a bond trustee and to the reclassification of accrued interest payable. This resulted in an increase of cash and fund balance/net deficit of \$48,297,198 as of June 30, 2004.

I. SUBSEQUENT EVENT

The Authority issued 2005 Series D bonds on October 27, 2005 totaling \$953,020,000. Principal repayments will be made during the periods ending June 15, 2014 and June 15, 2016 through June 15, 2020. Interest payments will begin during the period ending June 15, 2006. Interest rates on the bonds range from 4-5%. These bond proceeds are to be used for the purposes of paying state transportation costs and certain costs of issuance for these bonds.

SUPPLEMENTARY INFORMATION

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 2005

	<u>Authority Reserve</u>	<u>Transportation Improvement</u>	<u>Total</u>	<u>Debt Service</u>	<u>Total</u>
CASH BALANCES, JUNE 30, 2004	\$ -	\$ -	\$ -	\$ 57,871	\$ 57,871
RECEIPTS:					
Motor fuel taxes	-	405,000,000	405,000,000	-	405,000,000
Commercial vehicle fees and taxes	-	400,000,000	400,000,000	-	400,000,000
Interest income	2,070	5,048,179	5,050,249	420,651	5,470,900
Bond proceeds	-	1,040,656,846	1,040,656,846	-	1,040,656,846
Operating transfers in	81,077	-	81,077	493,358,740	493,439,817
Total Receipts	<u>83,147</u>	<u>1,850,705,025</u>	<u>1,850,788,172</u>	<u>493,779,391</u>	<u>2,344,567,563</u>
DISBURSEMENTS:					
Operating expenses and financial costs	11,192	25,160	36,352	944,511	980,863
Bond interest expense	-	-	-	261,202,574	261,202,574
State transportation costs	-	1,264,500,000	1,264,500,000	-	1,264,500,000
Principal retirement of bonds payable	-	-	-	231,600,000	231,600,000
Purchase of cash management fund investments	71,876	92,721,080	92,792,956	17,926	92,810,882
Operating transfers out	-	493,358,740	493,358,740	-	493,358,740
Total Disbursements	<u>83,068</u>	<u>1,850,604,980</u>	<u>1,850,688,048</u>	<u>493,765,011</u>	<u>2,344,453,059</u>
CASH BALANCES, JUNE 30, 2005	<u>\$ 79</u>	<u>\$ 100,045</u>	<u>\$ 100,124</u>	<u>\$ 72,251</u>	<u>\$ 172,375</u>