

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

Financial Statements and
Supplementary Information

June 30, 2009

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

(A Component Unit of the State of New Jersey)

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INDEPENDENT AUDITORS' REPORT

To the Honorable Chairperson and Members of
New Jersey Transportation Trust Fund Authority
A Component Unit of the State of New Jersey

We have audited the accompanying financial statements of the governmental activities, each fund, and the aggregate remaining fund information of New Jersey Transportation Trust Fund Authority (the "Authority"), a component unit of the State of New Jersey, as of and for the year ended June 30, 2009, 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 consideration of internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, and each fund, of the New Jersey Transportation Trust Fund Authority as of June 30, 2009, and the changes in the financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

- AN INDEPENDENTLY OWNED MEMBER
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PENNSYLVANIA OFFICE:
HOLLAND, PA
TEL 215-355-4860
FAX 215-825-8110

P.O. Box 7648 • Princeton, NJ 08543-7648 • 609.689.9700 • Fax 609.689.9720

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OVER 45 YEARS OF SERVICE TO THE COMMUNITY

INDEPENDENT AUDITORS' REPORT (CONTINUED)

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2009, 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 and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5 to 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise New Jersey Transportation Trust Fund Authority's basic financial statements. The schedule of cash receipts and disbursements on page 21 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.

Amoroso, PC
Certified Public Accountants

November 19, 2009

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Chairperson and Members of
New Jersey Transportation Trust Fund Authority
A Component Unit of the State of New Jersey

We have audited the accompanying financial statements of the New Jersey Transportation Trust Fund Authority's (the "Authority"), a component unit of the State of New Jersey, as of and for the year ended June 30, 2009, and have issued our report thereon dated November 19, 2009. 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.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS* (CONTINUED)

Internal Control Over Financial Reporting (Continued)

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in the internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted certain matters of an insignificant nature that we reported to management of the Authority in a separate letter dated November 19, 2009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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


November 19, 2009

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As financial management of the New Jersey Transportation Trust Fund Authority (the "Authority"), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Authority as of and for the year ended June 30, 2009. 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 \$1,497,018,844 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 4.74% from the prior year. The term "net assets" refers to the difference between assets and liabilities. At the close of fiscal year 2009, the Authority had net assets of \$26,962,361, as compared to a net deficit of \$248,538,350 at June 30, 2008. This increase in net assets was caused by the increased bond funding of statewide transportation system improvements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements, which are comprised of the basic financial statements and the notes to the financial statements. The Authority is a single program government that combines government-wide and governmental fund financial statements. This report also contains required supplementary information concerning the Authority's cash flow for the fiscal year.

Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to that which would be used by a private-sector business.

The balance sheet presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as useful indicators of whether the financial position of the Authority is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets without corresponding increases to liabilities result in increased net assets, which indicate an improved financial position.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Other Information

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

Financial Analysis

Net assets (deficit) may serve, over time, as a useful indicator of the Authority's financial position. In the case of the Authority, assets exceeded liabilities by \$26,962,361 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 primarily for state transportation costs and bond issues outstanding.

	June 30, 2009	June 30, 2008	June 30, 2007	Percentage Change 2009-2008
Accounts receivable	\$10,611,133,295	\$ 9,193,076,405	\$ 8,201,081,391	15
Cash and equivalents	424,693,446	293,822,721	222,818,362	45
Investments	31,844	88,805	131,252	(64)
Deferred loss on refunding on bonds	9,089,679	8,223,541	6,480,980	11
Unamortized bond discount	16,323,963	-	-	100
Unamortized bond issuance cost	114,233,065	108,234,243	97,153,507	6
Total Assets	<u>11,175,505,292</u>	<u>9,603,445,715</u>	<u>8,527,665,492</u>	16
Accrued interest payable	19,515,453	16,762,799	15,001,357	16
Accounts payable - State of New Jersey	207,441,354	246,982,044	216,701,880	(16)
Bonds payable:				
Due within one year	281,170,000	266,705,000	238,725,000	5
Due after one year	10,223,042,295	8,892,871,405	7,928,856,391	15
Unamortized bond premium	417,373,829	428,662,817	435,276,834	(6)
Total Liabilities	<u>11,148,542,931</u>	<u>9,851,984,065</u>	<u>8,834,561,462</u>	13
Net Assets (Deficit) Restricted for:				
Debt Services	262,581	316,314	1,450,559	(17)
Deferred Charge	(297,242,575)	(328,967,832)	(346,643,704)	(10)
Payment of state transportation system cost	<u>323,942,355</u>	<u>80,113,168</u>	<u>38,297,175</u>	485
Net Assets (Deficit)	<u>\$ 26,962,361</u>	<u>\$ (248,538,350)</u>	<u>\$ (306,895,970)</u>	111

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

	<u>Years Ended</u>			Percentage
	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Change</u> <u>2009-2008</u>
Revenues				
State appropriations				
Motor fuel taxes	\$ 483,000,000	\$ 483,000,000	\$ 483,000,000	-
Commercial vehicle fees and taxes	400,000,000	400,000,000	400,000,000	-
Toll road authority	12,000,000	12,000,000	12,000,000	-
Interest income and investment return	5,374,555	24,348,352	42,071,243	(78)
Amortization of bond premium and discount	33,947,426	33,044,665	35,292,689	3
Total Revenues	<u>934,321,981</u>	<u>952,393,017</u>	<u>972,363,932</u>	(2)
Expenses				
Operating expenses and financial costs	71,007	968,485	965,106	(93)
State transportation costs	1,497,018,844	1,429,280,164	1,441,319,063	5
Debt Service				
Bond interest expense, including amortization of bond issuance costs	448,869,731	410,978,498	378,940,934	9
Bond interest expense, capital appreciation bonds	72,365,327	59,665,032	56,782,027	21
Total Operating Expenses	<u>2,018,324,909</u>	<u>1,900,892,179</u>	<u>1,878,007,130</u>	6
Deficiencies of revenues over expenses	(1,084,002,928)	(948,499,162)	(905,643,198)	14
Other financing sources				
Garvee bond debt service reimbursement	5,737,250	6,171,750	6,449,849	(7)
Total other financing sources	<u>5,737,250</u>	<u>6,171,750</u>	<u>6,449,849</u>	(7)
Change in Net Deficit	(1,078,265,678)	(942,327,412)	(899,193,349)	14
Net Assets (Deficit), Beginning of Year	(248,538,350)	(306,895,970)	753,320,352	(19)
Current year bond activity, net	<u>1,353,766,389</u>	<u>1,000,685,032</u>	<u>(161,022,973)</u>	35
Net Assets (Deficit), End of Year	<u>\$ 26,962,361</u>	<u>\$ (248,538,350)</u>	<u>\$ (306,895,970)</u>	111

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Significant and Subsequent Events

As of June 30, 2009, the Authority had \$10,504,212,295 in bonds outstanding, as compared to \$9,159,576,405 in the prior fiscal year - an increase of 14.68%. There was new debt incurred by the Authority in the amount of \$1,538,975,562 during fiscal year 2009. A total of \$ 266,705,000 in bond principal was retired by the annual debt service payments during the fiscal year.

The Authority remarketed the 2003 Series B (Periodic Auction Reset Securities) bonds. The Remarketed Bonds were converted pursuant to the terms of the Resolution to bear interest in the Fixed Rate mode. Principal repayments begin December 15, 2016, and end December 15, 2019. Interest payments began December 15, 2008.

The Authority has issued no bonds nor entered into any credit agreements subsequent to the close of fiscal year June 30, 2009.

The following information summarizes the changes in debt between the fiscal year 2009, 2008 and 2007:

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>	Percentage Change <u>2009-2008</u>
Bonds Payable	<u>\$10,504,212,295</u>	<u>\$ 9,159,576,405</u>	<u>\$ 8,167,581,391</u>	<u>15</u>

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

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.

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

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2009

	Special Revenue Fund	Other Funds (DSF)	Total Governmental Funds	Adjustments (Note H)	Statement of Net Assets
ASSETS					
Accounts receivable - State of New Jersey	\$ 106,921,000	\$ -	\$ 106,921,000	\$ 10,504,212,295	\$ 10,611,133,295
Cash and equivalents	424,462,709	230,737	424,693,446	-	424,693,446
Investments	-	31,844	31,844	-	31,844
Deferred loss on refunding of bonds	-	-	-	9,089,679	9,089,679
Unamortized bond discount	-	-	-	16,323,963	16,323,963
Unamortized bond issuance costs	-	-	-	114,233,065	114,233,065
Total Assets	<u>\$ 531,383,709</u>	<u>\$ 262,581</u>	<u>\$ 531,646,290</u>	<u>\$ 10,643,859,002</u>	<u>\$ 11,175,505,292</u>
LIABILITIES					
Accrued interest payable	\$ -	\$ -	\$ -	\$ 19,515,453	\$ 19,515,453
Accounts payable - State of New Jersey	207,441,354	-	207,441,354	-	207,441,354
Transportation system bonds payable	-	-	-	281,170,000	281,170,000
Due within one year	-	-	-	10,223,042,295	10,223,042,295
Due after one year	-	-	-	417,373,829	417,373,829
Unamortized bond premium	-	-	-	10,941,101,577	11,148,542,931
Total Liabilities	<u>207,441,354</u>	<u>-</u>	<u>207,441,354</u>	<u>-</u>	<u>-</u>
FUND BALANCES/NET ASSETS (DEFICIT)					
Restricted for	-	262,581	262,581	-	262,581
Debt Service	-	-	-	(297,242,575)	(297,242,575)
Deferred Charges	323,942,355	-	323,942,355	-	323,942,355
Payment of state transportation systems cost	323,942,355	262,581	324,204,936	(297,242,575)	26,962,361
Total Fund Balances/Net Assets (Deficit)	<u>531,383,709</u>	<u>262,581</u>	<u>531,646,290</u>	<u>10,643,859,002</u>	<u>11,175,505,292</u>
Total Liabilities and Fund Balances/Net Assets (Deficit)					

See notes to financial statements.

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

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

Year Ended June 30, 2009

	Special Revenue Fund	Other Funds (DSF)	Governmental Funds	Adjustments (Note H)	Statement of Activities
REVENUES					
State appropriations equivalent to:					
Motor fuel taxes	\$ 483,000,000	-	\$ 483,000,000	-	\$ 483,000,000
Commercial vehicle fees and taxes	400,000,000	-	400,000,000	-	400,000,000
Toll Road Authority	12,000,000	-	12,000,000	-	12,000,000
Interest income and investment return	4,957,388	417,167	5,374,555	-	5,374,555
Amortization of bond premium and discount	-	-	-	33,947,426	33,947,426
Total revenues	<u>899,957,388</u>	<u>417,167</u>	<u>900,374,555</u>	<u>33,947,426</u>	<u>934,321,981</u>
EXPENDITURES					
Operating expenses and financial costs	71,007	-	71,007	-	71,007
State transportation costs	1,497,018,844	-	1,497,018,844	-	1,497,018,844
Debt Service					
Principal	-	266,705,000	266,705,000	(266,705,000)	-
Bond interest expense, including amortization of bond issuance costs	-	440,502,005	440,502,005	8,367,726	448,869,731
Bond interest expense, capital appreciation bonds	-	-	-	72,365,327	72,365,327
Total expenditures	<u>1,497,089,851</u>	<u>707,207,005</u>	<u>2,204,296,856</u>	<u>(185,971,947)</u>	<u>2,018,324,909</u>
Deficiency of revenues over expenses	<u>(597,132,463)</u>	<u>(706,789,838)</u>	<u>(1,303,922,301)</u>	<u>219,919,373</u>	<u>(1,084,002,928)</u>
OTHER FINANCING SOURCES (USES):					
Bonds issued	1,538,975,562	-	1,538,975,562	(1,538,975,562)	-
Bond premium and discount	6,334,475	-	6,334,475	(6,334,475)	-
Garvee bond debt service reimbursement	-	14,862,250	14,862,250	(9,125,000)	5,737,250
Transfers - internal activities	(691,873,855)	691,873,855	-	-	-
Cost of issuance	(12,474,532)	-	(12,474,532)	12,474,532	-
Total other financing (uses) sources	<u>840,961,650</u>	<u>706,736,105</u>	<u>1,547,697,755</u>	<u>(1,541,960,505)</u>	<u>5,737,250</u>
Change in fund balance/net assets	<u>243,829,187</u>	<u>(53,733)</u>	<u>243,775,454</u>	<u>(1,322,041,132)</u>	<u>(1,078,265,678)</u>
Fund balance/net deficit					
Beginning of year	80,113,168	316,314	80,429,482	(328,967,832)	(248,538,350)
Current year bond activity, net	-	-	-	1,353,766,389	1,353,766,389
End of year	<u>\$ 323,942,355</u>	<u>\$ 262,581</u>	<u>\$ 324,204,936</u>	<u>\$ (297,242,575)</u>	<u>\$ 26,962,361</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 Trenton, NJ, was created by the State of New Jersey (the "State") in 1984 pursuant to the New Jersey Transportation Trust Fund Authority Act in order to provide a stable, predictable funding mechanism for transportation system improvements undertaken by the New Jersey Department of Transportation. The Authority also finances State aid to counties and municipalities for transportation system improvements.

Basis of Accounting

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

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

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

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

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

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

Financial Instruments

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

For fiscal year ending June 30, 2010, the Authority will be required to implement Governmental Accounting Standards Board Statement No. 53, which requires the Authority to measure most derivative instruments at fair value in its 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 (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.
Debt Service Fund (DSF)	Amounts needed to pay matured principal and interest on bonds.	Interest and principal on bonds.

The Authority reserve, which accounts for the Authority's operating expenses, is included in the special revenue fund.

Income Taxes

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

Bond Issuance Costs

In the government-wide financial statements, bond issuance costs are reported as deferred charges (assets) and are amortized over the term of the related debt.

In the governmental fund financial statements, bond issuance costs are expensed when incurred.

Bond Premium

In the government-wide financial statements, bond premiums are reported as deferred revenues (liabilities) and are amortized over the term of the related debt.

In the governmental fund financial statements, bond premiums are recognized as revenue when received.

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 expense when received.

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)

Restricted Net Assets

In accordance with the terms of the various bond resolutions, cash and equivalents and investments of all funds required under such bond resolutions are classified as restricted assets. The amounts by which the restricted assets exceed the corresponding liabilities they will liquidate are not available for the payment of current operating expenses.

Accounts Receivable

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

Due within one year	\$ 388,091,000
Due after one year	<u>10,223,042,295</u>
	<u>\$10,611,133,295</u>

B. CASH AND EQUIVALENTS

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

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

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

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

Custodial Credit Risk

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

The bank balances and amounts deposited in these accounts at June 30, 2009, were as follows:

NJCMF	\$ 424,693,446
Commerce Bank	<u>31,844</u>
Total	<u>\$ 424,725,290</u>

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

B. CASH AND EQUIVALENTS (CONTINUED)

Custodial Credit Risk

As of June 30, 2009, the Authority had the following investments and maturities:

	Fair Value	Investment Maturity (In Years)			
		Less than 1	1-5	6-10	More than 10
US Treasury Notes	\$ 31,844	\$ 31,844	\$ -	\$ -	\$ -

Since the Authority's cash and equivalents and investments are all government securities, or an external investment pool, they are not subject to custodial credit risk.

Interest Rate Risk

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

C. ACCOUNTS PAYABLE - STATE OF NEW JERSEY

The balance due of \$207,441,354 consists of amounts due the State of New Jersey Special Transportation Fund for reimbursement of New Jersey Transit transportation costs.

D. TRANSPORTATION SYSTEM BONDS PAYABLE

Bond resolutions have been adopted by the Authority for the purpose of making improvements to the transportation system in the State of New Jersey. The following is a summary of revenue bonds outstanding:

Series	Interest Rate Range	Bonds Outstanding (in Thousands) June 30, 2008	Additions (in Thousands)	Reductions (in Thousands)	Bonds Outstanding (in Thousands) June 30, 2009	Amounts Due within One Year (in Thousands)
1995 Series B	4.50%-7.00%	\$ 93,960	\$ -	\$ -	\$ 93,960	\$ 29,370
1998 Series A	4.25%-5.25%	102,830	-	-	102,830	-
1999 Series A	4.50%-5.75%	249,195	-	18,450	230,745	2,520
2001 Series A	4.00%-5.50%	1,570	-	-	1,570	-
2001 Series C	2.50%-6.00%	882,090	-	145,115	736,975	124,295
2003 Series A	4.00%-5.50%	312,155	-	4,325	307,830	4,520
2003 Series B	3.50%-5.25%	345,000	-	-	345,000	-
2003 Series C	2.25%-5.50%	15,710	-	-	15,710	-
2004 Series A	3.25%-5.75%	107,495	-	-	107,495	-
2004 Series B	2.50%-5.50%	800,065	-	9,505	790,560	56,730
2005 Series A	5.00%-5.25%	445,920	-	65,210	380,710	38,560
2005 Series B	3.70%-5.50%	1,186,440	-	-	1,186,440	-
2005 Series C	3.25%-5.25%	48,480	-	-	48,480	-
2005 Series D	4.00%-5.00%	465,910	-	-	465,910	-
2006 Series A	4.25%-5.50%	1,580,540	-	-	1,580,540	-
2006 Series C	4.93%-5.05%	3,708,585	-	-	3,708,585	-
2006 A Garvee	5.00%	114,745	-	9,125	105,620	9,580
2007 Series A	3.60%-5.00%	1,171,055	-	14,975	1,156,080	15,595
2008 Series A	5.25%-6.00%	-	2,295,700	-	2,295,700	-
2009 Series A	6.23%-6.40%	-	869,075	-	869,075	-
2009 Series B	6.875%	-	273,500	-	273,500	-
		11,631,745	3,438,275	266,705	14,803,315	281,170
Less unamortized bond accretion		(2,472,168)	(1,826,934)	-	(4,299,102)	-
Total		\$ 9,159,577	\$ 1,611,341	\$ 266,705	\$ 10,504,213	\$ 281,170

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

D. TRANSPORTATION SYSTEM BONDS PAYABLE (CONTINUED)

Total maturities of transportation system bonds are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 281,170,000	\$ 463,653,297	\$ 744,823,297
2011	315,215,000	447,951,068	763,166,068
2012	332,855,000	430,800,249	763,655,249
2013	352,930,000	411,293,743	764,223,743
2014	373,190,000	391,368,614	764,558,614
2015-2019	2,250,005,000	1,635,646,549	3,885,651,549
2020-2024	2,955,865,000	952,059,513	3,907,924,513
2025-2029	1,952,980,000	1,506,361,440	3,459,341,440
2030-2034	2,180,075,000	1,528,402,792	3,708,477,792
2035-2039	3,055,615,000	2,103,549,778	5,159,164,778
2040	<u>753,415,000</u>	<u>419,205,780</u>	<u>1,172,620,780</u>
Total	14,803,315,000	<u>\$ 10,290,292,823</u>	<u>\$ 25,093,607,823</u>
Less unamortized bond accretion	<u>4,299,102,706</u>		
Total Bonds Payable	<u>\$ 10,504,212,294</u>		

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.

2003 Series B

The Authority remarketed the 2003 Series B (Periodic Auction Reset Securities) bonds in September 2008. The Remarketed Bonds were converted pursuant to the terms of the Resolution to bear interest in the Fixed Rate mode. Principal repayments begin December 15, 2016, and end December 15, 2019. Interest payments began December 15, 2008.

INTEREST RATE SWAP AGREEMENTS

In connection with the initial issuance of the Remarketed Bonds, the Authority entered into five swap agreements (the "Existing Swap Agreements") with Goldman Sachs Mitsui Marine Derivative Products L.P. (the "Existing Counterparty") for the purpose of converting the Authority's variable rate exposure on the Remarketed Bonds to a fixed rate. The outstanding aggregate principal amount of the Remarketed Bonds is equal to the aggregate notional amount of these related Existing Swap Agreements. Under the terms of the Existing Swap Agreements, the Authority pays a fixed rate to the Existing Counterparty between 3.537% and 3.675% and receives a variable rate equal to 67% of either one-month or one-

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

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NOTES TO FINANCIAL STATEMENTS

D. TRANSPORTATION SYSTEM BONDS PAYABLE (CONTINUED)

2003 Series B (Continued)

week LIBOR, in each case depending on the Existing Swap Agreement. These Existing Swap Agreements terminate upon the final maturity of the Remarketed Bonds; provided that the Authority may terminate and cancel any or all of the Existing Swap Agreements with no payment due from the Authority at any time on or after December 15, 2011. It is expected that the Existing Swap Agreements will not be terminated as a result of the conversion of the Remarketed Bonds to the Fixed Rate Mode. In connection with the conversion and remarketing of the Remarketed Bonds, the Existing Swap Agreements may be amended in a manner which could result in the Authority paying fixed rates in excess of the rates stated above.

In the event that an Existing Swap Agreement terminates prior to its stated termination date (other than a termination and cancellation by the Authority on or after December 15, 2011), either the Authority or the Existing Counterparty will be required to make a termination payment to the other party. The party required to make such payment and the amount thereof will be determined by market conditions at the time of such early termination.

The Authority's obligations to make regularly scheduled payments under each Existing Swap Agreement are payable from moneys in the Debt Service Fund established under the Resolution on a parity with the Remarketed Bonds and all other Bonds issued or to be issued under the Resolution. In the event that an Existing Swap Agreement terminates prior to its stated termination date (other than a termination and cancellation by the Authority on or after December 15, 2011), any termination payments required to be made by the Authority pursuant to such Existing Swap Agreement shall be payable from the Subordinated Debt Fund established under the Resolution, subject and subordinate to the payment of Bond Payment Obligations, including payment of the Remarketed Bonds, pursuant to the Resolution.

2006 A Garvee Bond

The debt service and interest expense payments on the 2006 A Garvee bond are reimbursed by the Federal Highway Administration, through the New Jersey Department of Transportation. These amounts are included in the principal and bond interest expense. The principal payment and interest payments reimbursed as of June 30, 2009, were \$9,125,000 and \$5,737,250, respectively.

2006 Series A and B Refunding Bonds

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

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

NOTES TO FINANCIAL STATEMENTS

D. TRANSPORTATION SYSTEM BONDS PAYABLE (CONTINUED)

2006 Series A and B Refunding Bonds (Continued)

As a result of the advance refundings during the year ended June 30, 2006, the Authority recorded a loss on defeasance totaling \$36,560,994 representing the difference between the new debt issued and the carrying amount of the debt refunded. The loss on defeasance is being deferred and amortized over the life of the new debt. For financial statement purposes, the Authority follows Governmental Accounting Standards Board Statement No. 23, "Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities." The unamortized deferred loss on refundings of bonds amounted to \$9,089,679 at June 30, 2009. Amortization of \$866,139 is included in amortization of cost of issuance and deferred loss on refunding at June 30, 2009. The present value of the debt service savings resulted in an economic gain from the advanced refundings in 2006 in the amount of \$31,743,405.

E. ADVANCE REFUNDINGS

When conditions warranted during prior years, the Authority sold various issues of bonds to provide for the refunding of previously issued obligations in order to achieve interest cost savings.

The proceeds received from the sales of the bond issues were used to currently refund the outstanding bond issues or to deposit in an irrevocable escrow fund held by 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. These transactions defeased the outstanding bond issues with a resultant reduction in annual debt service during the term of the issues.

Refunded bonds outstanding at June 30, 2009, are comprised of the following:

<u>Issue</u>	<u>Principal Amount Outstanding June 30, 2009</u>
1995 Series B	\$ 56,465,000
1998 Series A	69,360,000
1999 Series A	70,390,000
2001 Series A	131,880,000
2001 Series C	100,500,000
2003 Series C	806,190,000
2004 Series A	315,675,000
2005 Series C	421,425,000
2005 Series D	487,110,000
	<u>\$ 2,458,995,000</u>

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

F. FINANCIAL INSTRUMENTS

In connection with the interest rate swaps disclosed in Note D, no amounts are recorded in the financial statements other than the net interest expense resulting from the agreements. As of June 30, 2009, the swaps had a total net present value of \$(13,398,703). A negative net present value approximates the amount that Authority would owe the swap provider if the swap were terminated.

For fiscal year ending June 30, 2010, the Authority will be required to implement Governmental Accounting Standards Board Statement No. 53, which requires the Authority to measure most derivative instruments at fair value in its financial statements.

G. CONCENTRATION OF RISK AND UNCERTAINTIES

Cash and Equivalents

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

Financial Instruments

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

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

- (1) Unamortized bond issuance cost is recorded as deferred charges (other assets) in the statement of net assets and is amortized over the life of the debt. Amortization expense is recorded in the statement of activities. In governmental funds financial statements, bond issuance costs are expensed when incurred. Balances as of June 30, 2009, were:

Bond issuance costs	\$ 138,445,578
Accumulated amortization	<u>(24,212,513)</u>
Total unamortized bond issuance cost	<u>\$ 114,233,065</u>
Amortization expense	<u>\$ 6,475,711</u>

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

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

- (2) Long-term liabilities (bonds payable and accrued interest payable) applicable to the Authority's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets. Balances as of June 30, 2009, were:

Bonds payable	\$ 9,159,576,405
Add issuance of bonds	1,538,975,562
Less principal payments	(266,705,000)
Add accretion	<u>72,365,327</u>
Total	<u>\$10,504,212,294</u>
Accrued interest payable	<u>\$ 19,515,453</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:

2008 Series A Bond	\$ 1,122,744,638
2009 Series A Bond	142,730,924
2009 Series B Bond	<u>273,500,000</u>
Total Proceeds	<u>\$ 1,538,975,562</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 amounts required for refunding bond issues, were made as follows:

Scheduled principal payments	<u>\$ 266,705,000</u>
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NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

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

- (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, 2009, were:

Bond premium	\$ 607,912,584
Accumulated amortization	<u>(190,538,755)</u>
Total unamortized bond premium	<u>\$ 417,373,829</u>
Amortization revenue	<u>\$ 34,231,620</u>

- (6) Unamortized bond discount is recorded as deferred charge (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 discounts are recognized as expense when received. Balances as of June 30, 2009, were:

Bond discount	\$ 16,608,157
Accumulated amortization	<u>(284,194)</u>
Total unamortized bond discount	<u>\$ 16,323,963</u>
Amortization expense	<u>\$ 284,194</u>

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

Bond principal payment	\$ (266,705,000)
Garvee bond debt service reimbursement	9,125,000
Bond premium	(22,937,132)
Bond discount	16,608,157
Bond issuance costs	12,474,532
Net bond proceeds	1,532,835,505
Capital appreciation bonds interest expense	<u>72,365,327</u>
Current year bond activity, net	<u>\$ 1,353,766,389</u>

I. SUBSEQUENT EVENT

In accordance with Statement of Financial Accounting Standard No. 165 ("SFAS 165"), *Subsequent Events*, management has evaluated subsequent events that occurred after the balance sheet date but before November 19, 2009, the date the financial statements were available to be issued. No items were determined by management to require disclosure in accordance with SFAS 165.

SUPPLEMENTARY INFORMATION

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

Year Ended June 30, 2009

	Authority		Transportation		Total		Debt Service		Total	
	Reserve		Improvement							
CASH BALANCES, JUNE 30, 2008	\$	-	\$	-	\$	-	\$	-	\$	-
RECEIPTS:										
Motor fuel taxes	-	-	483,000,000	-	483,000,000	-	-	-	483,000,000	-
Commercial vehicle fees and taxes	-	-	400,000,000	-	400,000,000	-	-	-	400,000,000	-
Toll road authorities	-	-	12,000,000	-	12,000,000	-	-	-	12,000,000	-
Interest income	602	-	4,980,168	-	4,980,770	393,785	-	393,785	5,374,555	-
Bond proceeds	-	-	1,532,835,505	-	1,532,835,505	-	-	-	1,532,835,505	-
Sale of cash management fund investment and other investments (net)	53,865	-	-	-	53,865	(53,734)	-	(53,734)	131	-
Garvee bond debt service reimbursement	-	-	-	-	-	14,862,250	-	14,862,250	14,862,250	-
Operating transfers in	16,540	-	-	-	16,540	692,004,705	-	692,004,705	692,021,245	-
Total Receipts	71,007	-	2,432,815,673	-	2,432,886,680	707,207,006	-	707,207,006	3,140,093,686	-
DISBURSEMENTS:										
Operating expenses and financial costs	71,007	-	-	-	71,007	-	-	-	71,007	-
Bond interest expense	-	-	-	-	-	440,502,006	-	440,502,006	440,502,006	-
State transportation costs	-	-	1,609,873,067	-	1,609,873,067	-	-	-	1,609,873,067	-
Principal retirement of bonds payable	-	-	-	-	-	266,705,000	-	266,705,000	266,705,000	-
Purchase of cash management fund investments	-	-	130,921,361	-	130,921,361	-	-	-	130,921,361	-
Operating transfers out	-	-	692,021,245	-	692,021,245	-	-	-	692,021,245	-
Total Disbursements	71,007	-	2,432,815,673	-	2,432,886,680	707,207,006	-	707,207,006	3,140,093,686	-
CASH BALANCES, JUNE 30, 2009	\$	-	\$	-	\$	-	\$	-	\$	-

Note: Cash balances consist of checking account activity only.