



## NJ TRANSPORTATION TRUST FUND AUTHORITY

Philip D. Murphy, Governor | Sheila Y. Oliver, Lieutenant Governor

Members:

The Honorable Diane-Gutierrez-Scaccetti, Chairperson  
The Honorable Elizabeth Maher Muoio, State Treasurer  
Greg Lavee, Vice Chairperson  
Robert A. Briant, Jr.  
Nelson Ferreira  
John J. Duthie

December 18, 2019

Joy Johnson  
Office of the Governor  
225 West State Street  
Trenton, NJ 08625

Dear Ms. Johnson:

Pursuant to Section 4 (g) of the New Jersey Transportation Trust Fund Authority Act, I herein transmit to you for the Governor's approval the minutes of the December 18, 2019, meeting of the New Jersey Transportation Trust Fund Authority.

Sincerely,

Jackie Brown  
Assistant Secretary of the Authority

## **NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY**

Minutes of the meeting of the New Jersey Transportation Trust Fund Authority (“Authority” or “NJTTFA”) held at the Office of the Commissioner in the Main Office Building of the New Jersey Department of Transportation, 1035 Parkway Avenue, Trenton, New Jersey on December 16, 2019 at 3:00 PM (EDT).

The following Authority Board Members were present:

- Joseph Bertoni, NJTTFA Chairperson Designee, Deputy Commissioner, New Jersey Department of Transportation
- Michael Kanef, NJTTFA Treasurer (Director, Office of Public Finance, New Jersey Department of the Treasury / Designee for the Honorable Elizabeth Maher Muoio, New Jersey State Treasurer) [Via Teleconference]
- Gregory Lalevee, NJTTFA Vice Chairperson [Via Teleconference]
- Robert A. Briant, Jr., NJTTFA Public Member [Via Teleconference]
- Nelson Ferreira, NJTTFA Public Member [Via Teleconference]
- John J. Duthie – [Via Teleconference]

Constituting a quorum of the Members of the Authority.

There were also present:

- Lewis Daidone, NJTTFA Executive Director; Assistant Commissioner Finance and Administration, NJDOT
- Susan Wilkerson, Deputy Attorney General, NJDOL
- Aimee Manocchio-Nason, Deputy Attorney General, NJDOL [Via Teleconference]

- Joy Johnson, Governor's Authorities Unit [Via Teleconference]
- Jackie Brown, Assistant Secretary to the Authority, NJDOT
- Samuel Braun, NJTTFA Comptroller, NJDOT Government Representative
- Naileen Rodriguez, NJDOT Budget Analyst

Chairperson Designee Joseph Bertoni presided at the meeting and Jackie Brown, Authority Assistant Secretary, kept the minutes.

Chairperson Designee Joseph Bertoni convened the meeting at 3:00 PM. He introduced himself and made the following statement:

*"I wish to announce that adequate notice of today's meeting of the New Jersey Transportation Trust Fund Authority has been provided in accordance with the Open Public Meetings Act. Notice was filed with the Secretary of State. This notice was also e-mailed and mailed to five [5] newspapers of general distribution (The Trentonian, Trenton Times, Courier Post, Star Ledger, and the Atlantic City Press); posted on the Authority's website, and posted in the main entrance of the New Jersey Department of Transportation's Headquarters."*

Assistant Secretary Jackie Brown called the roll. The following acknowledged their presence: Joseph Bertoni, Gregory Lavee, Robert A. Briant, Jr., Nelson Ferreira, John J. Duthie and Michael Kanef.

After acknowledging that a quorum was present, Chairperson Designee Joseph Bertoni called the first order of business by requesting a motion to approve the minutes of the Authority's Board meeting held on October 17, 2019.

Gregory Lavee moved to approve the following resolution approving the Authority's October 17, 2019 meeting:

**WHEREAS**, Article II, Section 2 of the By-laws of the New Jersey Transportation Trust Fund Authority (the “Authority”) provides that the minutes of actions taken at the meetings of the Authority be approved by the Authority.

**NOW, THEREFORE, BE IT RESOLVED**, that the minutes taken at the meeting of October 17, 2019 of the New Jersey Transportation Trust Fund Authority are hereby approved.

Chairperson Designee Joseph Bertoni asked if anyone had any questions or further discussion. The Members did not have any questions or discussion on the motion. The motion was seconded by Nelson Ferreira. The Members were polled with all Members being in favor, and no members were in opposition; therefore, the motion was carried.

Chairperson Designee Joseph Bertoni declared said motion carried and said resolution adopted.

For the next order of business, Chairperson Designee Joseph Bertoni requested the election of the Secretary and Assistant Secretary for the Authority for Fiscal Year 2020. Chairperson Designee Joseph Bertoni motioned that Jackie Brown be elected to serve as Secretary of the Authority for Fiscal Year 2020.

**WHEREAS**, the Bylaws of the Authority provide for the election by the Authority of Secretary and such other offices as it shall deem necessary; and

**WHEREAS**, the Authority desires to fill the position of Secretary;

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority elects Jackie Brown to serve in the capacity of Secretary through Fiscal Year 2020.

Robert Briant Jr. seconded the above resolution. The Members were polled with all Members being in favor, and none in opposition; therefore, the motion was carried. Chairperson Designee Joseph Bertoni declared said motion carried and said resolution adopted.

Next, Chairperson Designee Joseph Bertoni motioned that Naileen Rodriguez serve in the capacity of Assistant Secretary of the Authority through Fiscal Year 2020.

**WHEREAS**, the Bylaws of the Authority provide for the election by the Authority of an Assistant Secretary and such other offices as it shall deem necessary; and

**WHEREAS**, the Authority desires to fill the position of Assistant Secretary;

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority elects Naileen Rodriguez to serve in the capacity of Assistant Secretary through Fiscal Year 2020.

The above resolution was seconded by Gregory Lalevee. The Members were polled with all Members being in favor, and none in opposition; therefore, the motion was carried. Chairperson Designee Joseph Bertoni declared said motion carried and said resolution adopted.

For the next order of business, Chairperson Designee Joseph Bertoni requested that Lewis Daidone discuss the audit.

Mr. Daidone stated that the Audit Committee met on November 15 and 26 to review the Financial Statements. Present at these meetings were the auditors (Mercadien), the NJTTFA Comptroller, and the NJTTFA Executive Director. He stated that two meetings were required this year as the NJ Treasurer's office determined after the November 15 meeting that some minor adjustments were necessary to ensure that the NJTTFA Financial Statements were consistent with the State's CAFR.

Mr. Daidone noted that at the November 15 meeting the auditors explained the audit process to the Committee and provided a brief overview of the Financial Statements. The auditors indicated that an Unqualified (clean) opinion was issued and concluded with providing the required communications to the Audit Committee noting that there were no internal control issues or non-compliance with laws, regulations or contracts.

Mr. Daidone indicated that the November 26 meeting was held solely to review the change suggested by Treasury. He explained that the change had no impact on the overall financial position of the NJTTFA and that the meeting concluded with the Committee recommending the approval of the Financial Statements to the full Board.

Mr. Daidone asked if the Board Members had any questions. There were no questions. Mr. Daidone continued and gave a brief overview of the Financial Statements to the Board Members and went over highlights of the Management Discussion and Analysis (MD&A) located on page four of the Financial Statements.

At the conclusion of Mr. Daidone's discussion, Chairperson Designee Joseph Bertoni asked the Members if there were any questions or further discussion on this matter. Hearing none, Chairperson Designee Joseph Bertoni requested a motion to approve the resolution accepting the Authority's Fiscal Year 2019 audited financial statements. Robert Briant Jr. moved to adopt the following resolution:

**RESOLUTION AUTHORIZING THE ACCEPTANCE OF THE AUDIT  
REPORT FOR THE NEW JERSEY TRANSPORTATION TRUST FUND  
AUTHORITY**

**WHEREAS**, pursuant to Section 17 of the New Jersey Transportation Trust Fund Authority Act of 1984, as amended (the "Act"), N.J.S.A. 27:1B-1 et seq., the New Jersey Transportation Trust Fund Authority (the "Authority") is required to conduct an annual audit of its affairs and deliver a written report with respect to such audit to the Governor and the Legislature; and

**WHEREAS**, the Authority requires the services of a professional accounting firm with respect to the preparation of such audit; and

**WHEREAS**, the Authority selected the firm of The Mercadien Group ("Mercadien") to perform the audit of the Authority for Fiscal Year 2019; and

**WHEREAS**, Mercadien has prepared the audit for Fiscal Year 2019, a copy of which is attached to this Resolution as Exhibit "A"; and

**WHEREAS**, the Authority's Audit Committee has reviewed the audit report for Fiscal Year 2018 and recommended its adoption by the Authority.

**NOW, THEREFORE, BE IT RESOLVED**, that

1. The Authority hereby accepts the audit report of Mercadien attached hereto as Exhibit "A".
2. This Resolution shall take effect upon adoption in accordance with the Act

The Members were polled with all Members being in favor, and none in opposition; therefore, the motion was carried. Chairperson Designee Joseph Bertoni declared said motion carried and said resolution adopted.

Chairperson Designee Joseph Bertoni stated that the next order of business is the resolution to approve the 2020 New Jersey Transportation Trust Fund Authority board meeting schedule as noted below:

**New Jersey Transportation Trust Fund Authority**

**Meeting Schedule for 2020**

**NJDOT, 1035 Parkway Avenue, Commissioner's Conf. Rm.**

January 23 @ 11:00 AM

February 20 @ 11:00 AM

March 19 @ 11:00 AM

April 16 @ 11:00 AM

May 21 @ 11:00 AM

June 17 @ **1:00 PM**

July 16 @ 11:00 AM

August 20 @ 11:00 AM

September 17 @ 11:00 AM

October 15 @ 11:00 AM

November 19 @ 11:00 AM

December 17 @ 11:00 AM

Chairperson Designee Joseph Bertoni asked the Members if there were any questions or further discussion on this matter. Hearing none, Chairperson Designee Joseph Bertoni requested a motion to approve the resolution accepting the NJTTFA 2020 Board Meeting Schedule. Nelson Ferreira moved to adopt the resolution. The motioned was seconded by John Duthie. The Members were polled with all Members being in favor, and none in opposition; therefore, the motion was carried.

Chairperson Designee Joseph Bertoni declared said motion carried and said resolution adopted.

There being no further business coming from the Authority, Chairperson Designee Joseph Bertoni requested a motion to adjourn the meeting. Nelson Ferreira moved that the December 16, 2019 meeting of the New Jersey Transportation Trust Fund Authority be adjourned. Gregory Lalevee seconded the motion, which was carried by unanimous vote.

The December 16, 2019 meeting of the New Jersey Transportation Trust Fund Authority ended at approximately 3:09 PM.

Respectfully Submitted,



Jackie Brown

Assistant Secretary of the Authority



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

Financial Statements and  
Supplementary Information

June 30, 2019

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

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**INDEPENDENT AUDITORS' REPORT**

DRAFT

## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each fund of the New Jersey Transportation Trust Fund Authority (the "Authority"), a component unit of the State of New Jersey, as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

## **INDEPENDENT AUDITORS' REPORT (CONTINUED)**

### **Auditors' Responsibility**

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of the Authority as of June 30, 2019, and the respective changes in the financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages four through nine be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of cash receipts and disbursements on page twenty-four is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of cash receipts and disbursements is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We have applied certain limited procedures to the accompanying supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated DATE, 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 grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

DATE

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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**Management's Discussion and Analysis**

The New Jersey Transportation Trust Fund Authority (the "Authority"), provides a discussion and analysis of these financial statements and financial activities of the Authority as of and for the year ended June 30, 2019 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**

On a cash basis, the Authority reimbursed the State's Special Transportation Fund \$1,823,500,000 in fiscal year 2019 for statewide transportation system improvements. After adjusting for accrued expenses, the Authority's total obligations to the State of New Jersey Special Transportation Fund amounted to \$1,701,802,850 to fund statewide transportation system improvements during the fiscal year. This compares to reimbursements totaling \$1,488,500,000 and total obligations of \$1,570,270,114 in the prior fiscal year.

The term "net position" refers to the difference between assets and liabilities. At the close of fiscal year 2019, the Authority had a net position of \$288,865,919, as compared to a net position of \$546,286,824 at June 30, 2018. The Authority's net position decreased in fiscal year 2019 primarily due to higher levels of capital spending offset in part by the issuance of new bonds. In comparison, no new bonds were issued in fiscal 2018 as the Federal Highway Reimbursement Revenue Notes issued in fiscal year 2017 provided the necessary funding to cover capital projects for both fiscal year 2017 and 2018.

In fiscal year 2019, the Authority received a total of \$772,975,015 in Pay As You Go ("PayGo") capital funding from the Transportation Trust Fund Subaccount for Capital Reserves, comprised of \$435,031,562 in PayGo capital funding and \$337,943,453 for PayGo Federal project costs. In fiscal year 2018, the Authority received a total of \$329,930,313 of PayGo funding, including \$914,582 for Federal project costs. The 2016 Transportation Trust Fund Re-Authorization Act provides for funding the Subaccount with the excess of constitutionally-dedicated Petroleum Products Gross Receipts Tax revenues not needed to satisfy current year debt service costs.

**Overview of the Financial Statements**

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.



## **NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY**

(A Component Unit of the State of New Jersey)

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

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#### **Basic Financial Statements**

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

The Statement of Net Position and Governmental Funds Balance Sheet presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as useful indicators as to whether the financial position of the Authority is improving or deteriorating. Net position decreases when expenses exceed revenues and/or liabilities increase without a corresponding increase (or decrease) to assets, which may indicate a worsened financial position. The Authority's net position decreased by \$257,420,905 in the year ended June 30, 2019 as the level of capital construction outpaced the issuance of new debt.

The Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances/Net Position presents information showing how the Authority's net position changed during the fiscal year. All changes in net position deficit are reported as underlying events occur, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows for future periods.

#### **Notes to the Financial Statements**

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

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

#### **Financial Analysis**

Net position (deficit) may serve, over time, as a useful indicator of the Authority's financial position. In the current fiscal year assets exceeded liabilities and deferred inflows of resources by \$288,865,919.

**NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY**

(A Component Unit of the State of New Jersey)

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)****Financial Analysis (Continued)**

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

	June 30, 2019	June 30, 2018	Percentage Change 2019-2018
Accounts receivable	\$19,139,794,842	\$19,191,218,760	-
Cash and equivalents	904,478,344	1,417,455,138	(36)
Unamortized bond discount	8,850,569	8,299,262	7
Total assets	<u>20,053,123,755</u>	<u>20,616,973,160</u>	(3)
Accrued interest payable	32,921,477	33,304,299	(1)
Accounts payable - State of New Jersey	70,451,514	192,147,439	(63)
Accounts payable - other	321,433	29,168	1,002
Bonds payable:			
Due within one year	881,315,000	781,460,000	13
Due after one year	18,258,479,842	18,409,758,760	(1)
Unamortized bond premium	457,901,345	639,172,683	(28)
Total liabilities	<u>19,701,390,611</u>	<u>20,055,872,349</u>	(2)
Deferred inflows of resources	<u>62,867,225</u>	<u>14,813,987</u>	324
Net Position restricted for:			
Debt service	5,068,605	2,043,530	148
Deferred charges	(544,839,478)	(678,991,707)	(20)
Payment of state transportation system costs	<u>828,636,792</u>	<u>1,223,235,001</u>	(32)
Net position	<u>\$ 288,865,919</u>	<u>\$ 546,286,824</u>	(47)

**NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY**

(A Component Unit of the State of New Jersey)

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)****Financial Analysis (Continued)**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change 2019-2018</u>
<b>Revenues</b>			
State appropriations			
Motor fuel taxes	\$ 503,000,000	\$ 536,408,176	(6)
Petroleum Products Gross Receipts & Sales			
Tax	790,582,229	726,333,000	9
Toll road authority	12,000,000	12,000,000	-
Funding, Subaccount Capital Reserve	772,975,015	329,930,313	100
Interest income and investment return	12,424,693	16,645,852	(25)
Amortization of bond premium and discount	181,218,738	55,196,744	228
Total revenues	<u>2,272,200,675</u>	<u>1,676,514,085</u>	36
<b>Expenses</b>			
Operating expenses and financial costs	128,039	427,134	(70)
State transportation costs	1,701,802,850	1,570,270,114	8
Debt Service			
Bond interest expense, including amortization of deferred gain on advanced refunding	766,814,279	824,963,674	(7)
Bond interest expense, capital appreciation bonds	187,386,082	176,726,376	6
Total operating expenses	<u>2,656,131,250</u>	<u>2,572,387,298</u>	3
Deficiencies of revenues over expenses	(383,930,575)	(895,873,213)	(57)
<b>Other financing sources (uses)</b>			
Direct Garvee bond debt service reimbursement	-	706,267	(100)
Build America bond credits	36,321,676	36,166,786	-
Bond issue costs	(17,062,233)	-	(100)
Total other financing sources	<u>19,259,443</u>	<u>36,873,053</u>	(48)
Change in net position	(364,671,132)	(859,000,160)	(58)
<b>Net position</b>			
Beginning of year	546,286,824	1,838,719,670	(70)
Prior period adjustment	-	(55,919,062)	-
Beginning of year - as restated	-	1,782,800,608	-
Current year bond activity, net	107,250,227	(377,513,624)	(128)
Net position, end of year	<u>\$ 288,865,919</u>	<u>\$ 546,286,824</u>	(47)

## NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

(A Component Unit of the State of New Jersey)

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

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#### Other Information

As of June 30, 2019, the Authority had \$19,139,794,842 in bonds and notes outstanding, net of unamortized bond accretions, as compared to \$19,191,218,760 in the prior fiscal year, a decrease of 0.3%. During Fiscal Year 2019 the Authority refunded \$2,763,165,000 of existing debt comprised of Federal Highway Reimbursement Revenue Refunding Notes (Garvee) in the amount of \$1,195,730,000 and Transportation System Bonds amounting to \$1,567,435,000. These refunding issues did not count against the Authority's eight-year, \$12 billion bonding cap related to the 2016 Capital Program Re-Authorization. The Authority also issued new money Transportation Program Bonds of \$750,000,000 which, with the related bond premium, will count against the Authority's eight-year, \$12 billion bonding cap related to the 2016 Capital Program Re-Authorization.

Overall during the fiscal year, the Authority issued \$750,000,000 of new money bonds, while a total of \$3,751,975,000 in bond principal was retired through annual debt service payments and bond refunding activity, including \$1,499,355,000 of Garvee bond principal paid.

The Authority did not enter into any credit agreements subsequent to the close of fiscal year June 30, 2019. The Authority did not enter into any new Swap Agreements during the fiscal year.

The following information summarizes the changes in debt between the fiscal year 2019 and 2018:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change 2019-2018</u>
Bonds Payable	<u>\$19,139,794,842</u>	<u>\$19,191,218,760</u>	<u>(0.3)</u>

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

Per Government Accounting Standards Board Pronouncement 65 regarding the treatment of bond issuance costs, the Authority no longer amortizes these costs over the term of the bond issue but expenses them in the year they are incurred.

## **NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY**

(A Component Unit of the State of New Jersey)

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

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#### **Significant and Subsequent Events**

The 2016 Re-Authorization Act included a \$0.23 per gallon increase in the fuel tax to support an eight-year, \$16 billion capital projects program. In October 2018, the per gallon fuel tax increased an additional \$0.04 cents per gallon as provided by the 2016 legislation that allows the State to adjust the rate contingent upon meeting budgeted fiscal year fuel tax revenue targets.

The legislation also established the Transportation Trust Fund Subaccount for Capital Reserves, which is funded from the excess of constitutionally-dedicated Petroleum Products Gross Receipts tax revenue not needed to satisfy current year debt service. As noted above, in fiscal year 2019 the Authority received \$435,031,562 million in PayGo capital funding from the Transportation Trust Fund Subaccount for Capital Reserves. Future anticipated funds from the Subaccount for Capital Reserves will provide an estimated \$498 million in PayGo capital funding in fiscal year 2020 and approximately \$969 million through fiscal year 2024 in support of statewide transportation capital projects.

To take advantage of a favorable municipal bond market, the Authority issued \$1.0 billion in new money 2019 Series BB Transportation Program Bonds in October 2019. The Authority also re-marketed \$150 million in variable rate SIFMA Index Multimodal Transportation Program Notes as fixed rate obligations.

#### **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](http://www.state.nj.us/ttfa).

## BASIC FINANCIAL STATEMENTS

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**NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY**

(A Component Unit of the State of New Jersey)

**STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET**

June 30, 2019

	Special Revenue Fund	Other Funds (DSF)	Total Govern- mental Funds	Adjustments (Note G)	Statement of Net Position
<b>ASSETS</b>					
Cash and equivalents	\$ 899,409,739	\$ 5,068,605	\$ 904,478,344	\$ -	\$ 904,478,344
Accounts receivable - State of New Jersey	-	-	-	19,139,794,842	19,139,794,842
Unamortized bond discount	-	-	-	8,850,569	8,850,569
Total assets	<u>\$ 899,409,739</u>	<u>\$ 5,068,605</u>	<u>\$ 904,478,344</u>	<u>\$19,148,645,411</u>	<u>\$20,053,123,755</u>
<b>LIABILITIES</b>					
Accrued interest payable	\$ -	\$ -	\$ -	\$ 32,921,477	\$ 32,921,477
Accounts payable - State of New Jersey	70,451,514	-	70,451,514	-	70,451,514
Accounts payable - other	321,433	-	321,433	-	321,433
Bonds and notes payable					
Due within one year	-	-	-	881,315,000	881,315,000
Due after one year	-	-	-	18,258,479,842	18,258,479,842
Unamortized bond premium	-	-	-	457,901,345	457,901,345
Total liabilities	<u>70,772,947</u>	<u>-</u>	<u>70,772,947</u>	<u>19,630,617,664</u>	<u>19,701,390,611</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred gains on advanced refundings	-	-	-	62,867,225	62,867,225
<b>FUND BALANCES/NET POSITION</b>					
Restricted for					
Debt service	-	5,068,605	5,068,605	-	5,068,605
Deferred charges	-	-	-	(544,839,478)	(544,839,478)
Payment of state transportation system costs	828,636,792	-	828,636,792	-	828,636,792
Total fund balances/net position	<u>828,636,792</u>	<u>5,068,605</u>	<u>833,705,397</u>	<u>(544,839,478)</u>	<u>288,865,919</u>
Total liabilities, deferred inflows of resources, and fund balances/net position	<u>\$ 899,409,739</u>	<u>\$ 5,068,605</u>	<u>\$ 904,478,344</u>	<u>\$19,148,645,411</u>	<u>\$20,053,123,755</u>

# NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

(A Component Unit of the State of New Jersey)

## STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN NET POSITION/FUND BALANCES

Year Ended June 30, 2019

	Special Revenue Fund	Other Funds (DSF)	Total Govern- mental Funds	Adjustments (Note G)	Statement of Activities
<b>REVENUES</b>					
State appropriations equivalent to:					
Motor fuel taxes	\$ 503,000,000	\$ -	\$ 503,000,000	\$ -	\$ 503,000,000
Petroleum Products Gross Receipts and Sales Tax	790,582,229	-	790,582,229	-	790,582,229
Toll Road Authority	12,000,000	-	12,000,000	-	12,000,000
Funding Subaccount Capital Reserve	772,975,015	-	772,975,015	-	772,975,015
Interest income and investment return	12,424,693	-	12,424,693	-	12,424,693
Amortization of bond premium and discount	-	-	-	181,218,738	181,218,738
Total revenues	<u>2,090,981,937</u>	<u>-</u>	<u>2,090,981,937</u>	<u>181,218,738</u>	<u>2,272,200,675</u>
<b>EXPENDITURES</b>					
Operating expenses and financial costs	99,854	28,185	128,039	-	128,039
State transportation costs	1,701,802,850	-	1,701,802,850	-	1,701,802,850
Debt Service					
Principal	-	830,140,000	830,140,000	(830,140,000)	-
Bond interest expense, including amortization of deferred gain on advanced refunding	-	764,977,983	764,977,983	1,836,296	766,814,279
Bond interest expense, capital appreciation bonds	-	-	-	187,386,082	187,386,082
Total expenditures	<u>1,701,902,704</u>	<u>1,595,146,168</u>	<u>3,297,048,872</u>	<u>(640,917,622)</u>	<u>2,656,131,250</u>
Excess/deficiency of revenues over expenditures	<u>389,079,233</u>	<u>(1,595,146,168)</u>	<u>(1,206,066,935)</u>	<u>822,136,360</u>	<u>(383,930,575)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bonds and notes issued	3,513,165,000	-	3,513,165,000	(3,513,165,000)	-
Net bond premium	249,913,883	-	249,913,883	(249,913,883)	-
Transfers - internal activities	(1,561,849,567)	1,561,849,567	-	-	-
Build America Bond Credits	-	36,321,676	36,321,676	-	36,321,676
Escrow fund deposit	(2,967,844,525)	-	(2,967,844,525)	2,967,844,525	-
Cost of issuance	(17,062,233)	-	(17,062,233)	-	(17,062,233)
Total other financing sources (uses)	<u>(783,677,442)</u>	<u>1,598,171,243</u>	<u>814,493,801</u>	<u>(795,234,358)</u>	<u>19,259,443</u>
Changes in fund balances/net position	(394,598,209)	3,025,075	(391,573,134)	26,902,002	(364,671,132)
Fund balances/net position, beginning of year	1,223,235,001	2,043,530	1,225,278,531	(678,991,707)	546,286,824
Current year bond activity, net	-	-	-	107,250,227	107,250,227
Fund balances/net position, end of year	<u>\$ 828,636,792</u>	<u>\$ 5,068,605</u>	<u>\$ 833,705,397</u>	<u>\$ (544,839,478)</u>	<u>\$ 288,865,919</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

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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 (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 provides State aid to counties and municipalities for transportation system improvements.

#### **Basis of Accounting**

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting (Continued)**

The government-wide financial statements are prepared under the current economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenditures are recognized when incurred. The primary sources of revenues are appropriations received from the State from motor fuel taxes, petroleum products gross receipts and sales taxes, and toll road authorities. In fiscal year 2018, the Authority received a new revenue source of Pay As You Go capital funding from the Transportation Trust Fund Subaccount for Capital Reserves. As provided for in the 2016 Transportation Trust Fund Re-Authorization Act, the Subaccount is funded with the excess of constitutionally-dedicated Petroleum Products Gross Receipts Tax revenue not needed to satisfy current year debt service costs.

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

**Use of Estimates**

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

**Fund Accounts**

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

<u>Fund Accounts</u>	<u>Amount</u>	<u>Use for Which Restricted</u>
Special Revenue Fund (General Fund) Transportation Improvement	Deposit of all revenues received by the Authority. Also used to account for the accumulation of resources for payment of state transportation costs.	Expenditures for specific purposes.
Debt Service Fund (DSF)	Amounts needed to pay matured principal and interest on bonds.	Interest and principal on bonds.

**Income Taxes**

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

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

NOTES TO FINANCIAL STATEMENTS

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Bond Premium**

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

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

**Bond Discount**

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

In the governmental fund financial statements, bond discounts are recognized as expenditures when received.

**Deferred Inflows of Resources**

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

**Restricted Net Position**

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

**Accounts Receivable**

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

Due within one year	\$ 881,315,000
Due after one year	<u>18,258,479,842</u>
	<u>\$19,139,794,842</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. NJCMF is considered to be an investment trust fund as defined in GASB Statement No. 31.

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

NOTES TO FINANCIAL STATEMENTS

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**B. CASH AND EQUIVALENTS (CONTINUED)**

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

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

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

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of failure of the counterparty, the Authority will not be able to recover the value of its cash and investments that are in the possession of an outside party. The Authority's NJCMF funds are not subject to custodial credit risk due to the fact that the funds are held by and in the name of the NJCMF in a segregated trust account with a third-party custodian rather than in the possession of a third-party custodian. Additionally, cash and equivalents and investments of the Authority are substantially restricted under the terms of the Authority's bond resolutions for the payment of bond principal and interest expense and the extension of project loans. The bond resolutions limit investments to vehicles with limited or no custodial credit risk such as obligations of the U.S. government or its agencies, investments in certain certificates of deposit of commercial banks that are members of the Federal Reserve System, investments in cash management pools that restrict investments to U.S. government securities, money market funds that invest in high-grade AAA-rated securities, and direct and general obligations of any state that meets the minimum requirements of the resolution.

**Credit Risk**

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

Cash and equivalents at June 30, 2019, were as follows:

NJCMF	\$ 899,014,196
US Bank	5,464,148
Total	<u>\$ 904,478,344</u>

**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 government securities, or an external investment pool, it is not subject to interest rate risk if interest rates fluctuate.

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

NOTES TO FINANCIAL STATEMENTS

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**C. ACCOUNTS PAYABLE - STATE OF NEW JERSEY**

The balance due of \$70,451,514 consists of amounts due the State of New Jersey Special Transportation Fund for reimbursement of State, local and New Jersey Transit transportation costs.

**D. BONDS AND NOTES PAYABLE**

Bonds and notes payable consist of Transportation System Bonds Payable, Transportation Program Bonds Payable, and Federal Highway Revenue Reimbursement Notes (Indirect Garvees) Payable. Bond resolutions have been adopted by the Authority for the purpose of making improvements to the transportation systems and programs in the State of New Jersey.

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

In fiscal year 2019, the Authority issued the 2019 Series AA of new money Transportation Program Bonds, authorized under the October 2016 Act. The proceeds of any new Transportation Program Bond issuance are used to support transportation projects within the State of New Jersey.

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

The Transportation System Bonds continue to be secured by the existing contract between the State Treasurer and the Authority which pledges that any dedicated New Jersey Transportation Trust Fund Authority revenues appropriated by the Legislature to the payment of such bonds will be made available to the Authority for debt service payments.

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

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

NOTES TO FINANCIAL STATEMENTS

**D. BONDS AND NOTES PAYABLE (CONTINUED)**

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

Series	Interest Rate Range	Bonds Outstanding (in Thousands) June 30, 2018	Additions (in Thousands)	Reductions (in Thousands)	Bonds Outstanding (in Thousands) June 30, 2019	Amounts Due Within One Year (in Thousands)
1999 Series A	5.75%	\$ 69,245	\$ -	\$ 33,655	\$ 35,590	\$ 35,590
2001 Series C	5.50%	38,215	-	38,215	-	-
2003 Series B	5.25%	183,100	-	89,750	93,350	93,350
2004 Series A	5.75%	107,495	-	-	107,495	-
2005 Series B	5.25%-5.50%	683,540	-	-	683,540	99,470
2006 Series A	4.25%-5.50%	1,576,785	-	-	1,576,785	62,045
2006 Series C	4.93%-5.05%	3,708,585	-	-	3,708,585	-
2007 Series A	4.75%-5.00%	871,055	-	871,055	-	-
2008 Series A	5.25%-6.75%	2,173,735	-	750,780	1,422,955	-
2009 Series A	6.23%-6.40%	869,075	-	-	869,075	-
2009 Series B	6.875%	273,500	-	-	273,500	-
2009 Series C Note	5.250%	150,000	-	-	150,000	-
2009 Series D Note	5.000%	147,500	-	-	147,500	-
2010 Series A	5.85%-6.25%	1,273,180	-	-	1,273,180	-
2010 Series B	6.51%	500,000	-	-	500,000	-
2010 Series C	5.75%-6.10%	1,000,000	-	-	1,000,000	-
2010 Series D	3.00%-5.25%	444,910	-	63,600	381,310	475
2011 Series A	3.25%-6.00%	535,175	-	12,590	522,585	13,215
2011 Series B	2.50%-5.50%	1,182,110	-	26,035	1,156,075	27,145
2012 Series A	5.00%	326,255	-	-	326,255	-
2012 Series AA	2.50%-5.00%	805,595	-	26,080	779,515	27,365
2013 Series A	3.00%-5.00%	292,090	-	7,575	284,515	270,070
2013 Series B	1.76%	250,000	-	250,000	-	-
2013 Series AA	3.00%-5.50%	793,410	-	15,410	778,000	16,180
2014 Series AA	4.25%-5.00%	723,825	-	21,565	702,260	22,745
2014 Series BB	Variable	297,500	-	-	297,500	-
2015 Series AA	3.00%-5.25%	606,960	-	10,470	596,490	10,995
2016 A Garvee	4.10%-5.00%	2,741,425	-	1,486,515	1,254,910	195,840
2016 B Garvee	3.12%-3.34%	500,000	-	-	500,000	-
2018 A Garvee	3.00%-5.00%	-	1,195,730	12,840	1,182,890	6,830
2018 Series A	4.00%-5.00%	-	1,567,435	35,840	1,531,595	-
2019 Series AA	3.75%-5.25%	-	750,000	-	750,000	-
		23,124,265	3,513,165	3,751,975	22,885,455	881,315
Less bond accretion		(3,933,046)	-	187,386	(3,745,660)	-
Total		<u>\$ 19,191,219</u>	<u>\$ 3,513,165</u>	<u>\$ 3,564,589</u>	<u>\$ 19,139,795</u>	<u>\$ 881,315</u>

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

NOTES TO FINANCIAL STATEMENTS

**D. BONDS AND NOTES PAYABLE (CONTINUED)**

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

Year Ending June 30,	Principal	Interest	Total
2020	\$ 881,315,000	\$ 783,346,943	\$ 1,664,661,943
2021	885,105,000	732,973,270	1,618,078,270
2022	931,930,000	686,131,943	1,618,061,943
2023	980,640,000	637,416,911	1,618,056,911
2024	1,025,230,000	587,939,838	1,613,169,838
2025-2029	5,749,210,000	2,368,210,217	8,117,420,217
2030-2034	4,604,585,000	1,551,369,111	6,155,954,111
2035-2039	4,562,925,000	998,286,044	5,561,211,044
2040-2044	2,978,235,000	343,046,638	3,321,281,638
2045-2049	286,280,000	34,859,400	321,139,400
Total	22,885,455,000	\$ 8,723,580,315	\$31,609,035,315
Less unamortized bond accretion	3,745,660,158		
Total Bonds Payable	<u>\$19,139,794,842</u>		

Interest payments vary by series. The majority of Authority debts are fixed rate interest payments, payable semi-annually on June 15 and December 15. Excluded from these debts are capital appreciation and Securities Industry and Financial Markets Association ("SIFMA") Multimodal notes. Capital appreciation bonds do not pay interest annually, but add the interest value to the face value of the bond to be paid at maturity. SIFMA Multimodal notes are variable rate debts in which interest rates are reset weekly and interest is payable monthly.

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.

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

NOTES TO FINANCIAL STATEMENTS

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**D. BONDS AND NOTES PAYABLE (CONTINUED)**

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

The Series 2006C, 2008A, 2009A, and 2010A bonds were issued as Capital Appreciation bonds. The bonds were originally issued at principal values of \$1,115,496,792, \$1,122,744,638, \$416,230,924, and \$859,253,361, respectively. Portions of the total issuances that were capital appreciation bonds were \$1,115,496,792, \$249,999,638, \$142,730,924, and \$359,253,361, respectively. Interest on each series is not payable on a current basis. Interest is calculated on the basis of a 360-day year and is part of the accreted value from the date of issuance through the date of maturity or prior redemption, compounded as of each semi-annually each June and December 15th. The accreted values of the bonds reflect the initial principal of the bonds as noted above plus the interest accrued from the date of issuance. The bonds are reported at their net accreted values of \$1,578,306,717, \$924,638,841, \$600,781,963, and \$641,932,635, respectively, as of June 30, 2019. The bonds are payable upon the respective maturity dates at the accreted values or prior to maturity at the greater of the accreted values and the present value of the accreted value discounted at the applicable tax-exempt municipal bond rate plus 30 basis points. Total accreted values at maturity are expected to be \$3,708,585,000, \$1,422,955,000, \$869,075,000 and \$1,273,180,000, respectively.

**2009 Series B, 2010 Series B, and 2010 Series C - Build America Bonds**

The Series 2009B, 2010B, and 2010C bonds were issued as Build America Bonds. These Federally Taxable bonds were issued in connection with the American Recovery and Reinvestment Act of 2009, constituting Section 54AA of the Internal Revenue Code of 1986, as amended, for which the Authority, through the State of New Jersey, is entitled to receive a cash subsidy from the United States Treasury equal to 35% of the interest payable on each bond series on each interest payment date. The Budget Control Act of 2011 reduced the amount of the subsidy paid by the United States Treasury. In the fiscal year ended June 30, 2019, the Authority received payments totaling \$36,321,676 that represented 32.8% of the total interest due on June and December 15th for these series. This represents a 2.2% decrease on the original subsidy. There can be no certainty the United States Treasury will not make further cuts to the program. The bonds are subject to redemption prior to their maturity at the option of the Authority upon a material reduction or elimination of the subsidy payments. In this case the redemption price is equal to the greater of 100% of the principal amount of the bonds to be redeemed plus accrued and unpaid interest or the sum of the present value of the remaining scheduled payments of principal and interest, discounted by the adjusted treasury rate plus 40 or 30 basis points. This calculation assumes a 360-day year.

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

The Series 2014 BB Notes are publicly offered SIFMA Index Multimodal Bonds. Each series bear interest at the SIFMA Index Rate plus an interest rate spread. The interest rate spread for the 2014 Series BB-1 and Series BB-2 Notes is 1.00% and 1.20%, respectively. During the SIFMA Index Rate period, interest on the notes is payable on the first business day of each month. The Series BB-1 and Series BB-2 Notes are subject to redemption prior to maturity at the option of the Authority at any time after June 15, 2019 and June 15, 2021, respectively, at a value equal to 100% of the principal amount of the notes being redeemed plus accrued interest. The Series BB-1 and Series BB-2 Notes are subject to mandatory tender on December 15, 2019 and December 15, 2021. For the year ended June 30, 2019, a total of \$7,831,191 in interest was paid on the notes. In October 2019, the Authority remarketed the 2014 Series BB-1 Transportation Program Notes into fixed rate notes.



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

NOTES TO FINANCIAL STATEMENTS

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**D. BONDS AND NOTES PAYABLE (CONTINUED)**

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

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

For the year ended June 30, 2019, a total of \$273,603,227 in debt service was paid on these obligations from the Transportation Trust Fund Subaccount for Capital Reserves, as provided by the 2016 Reauthorization Act. The Subaccount is funded with the excess of constitutionally dedicated Petroleum Products Gross Receipts Tax revenue not needed to satisfy current year debt service costs. The 2016 Series A and Series B Capitalized Interest Funds established at the time of bond issuance, which provided the funds necessary to pay debt service obligations for fiscal years 2017 and 2018 were fully exhausted at the end of fiscal year 2018.

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

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

For the year ended June 30, 2019, a total of \$64,998,856 in debt service was paid on these obligations from the Transportation Trust Fund Subaccount for Capital Reserves, as provided by the 2016 Reauthorization Act.

**E. REFUNDINGS**

When conditions warrant, the Authority sells various issues of bonds to provide for the refunding of previously issued obligations in order to achieve interest cost savings.

The proceeds received from the sales of the bond issues are 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.

# NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

(A Component Unit of the State of New Jersey)

## NOTES TO FINANCIAL STATEMENTS

### E. REFUNDINGS (CONTINUED)

During fiscal year ended June 30, 2019, there were two refundings. As discussed above, the Authority's 2018 Series A Indirect Garvees refunded \$1,300,000,000 of 2016 Series A Indirect Garvee notes. The Authority also refunded \$1,621,835,000 in Transportation System Bonds with the 2018 Series A Transportation System Refunding Bonds. This issuance fully refunded the remaining \$871,055,000 of principal due on the 2007 Series A Transportation System Bonds and \$750,780,000 of principal on the 2008 Series A Transportation System Bonds, which generated \$169 million in net present value debt service savings.

As of June 30, 2019, the Authority has approximately \$6,396,865,000 bonds outstanding which have been previously defeased and are secured by investments held in escrow by the bond trustee. The escrow accounts are not controlled by the Authority. The bonds are considered extinguished and accordingly, the assets and related debt obligations are not reflected on the financial statements of the Authority.

### F. CONCENTRATION OF RISK AND UNCERTAINTIES

#### Cash and Equivalents

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

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

- (1) Long-term liabilities (bonds payable, notes payable and accrued interest payable) applicable to the Authority's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Balances as of June 30, 2019, were:

Bonds payable (June 30, 2018)	\$19,191,218,760
Add issuance of bonds and notes	750,000,000
Less scheduled principal payments and Indirect Garvee Bonds	(830,140,000)
Less principal reduction from refunded debt	(158,670,000)
Add accretion of capital appreciation bonds	187,386,082
Total	<u>\$19,139,794,842</u>
Accrued interest payable	<u>\$ 32,921,477</u>

- (2) Bond and note 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:

2018 Series A Transportation System Bonds	\$ 961,319
2019 Series AA Transportation Program Bonds	<u>778,897,625</u>
Total Proceeds	<u>\$ 779,858,944</u>

**NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY**

(A Component Unit of the State of New Jersey)

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

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

Scheduled principal payments	\$ 630,785,000
Scheduled principal payments of Garvee Bonds	<u>199,355,000</u>
	<u>\$ 830,140,000</u>

- (4) Unamortized bond premium is recorded as deferred revenue (other liabilities) in the statement of net position and is amortized over the life of the debt. Amortization revenue is recorded in the statement of activities. In governmental funds financial statements, bond premiums are recognized as revenue when received. Balances as of June 30, 2019, were:

Bond premium	\$ 970,850,440
Accumulated amortization	<u>(512,949,095)</u>
Total unamortized bond premium	<u>\$ 457,901,345</u>
Amortization revenue	<u>\$ 186,666,284</u>

- (5) Unamortized bond discount is recorded as an asset (deferred charge) in the statement of net position and is amortized over the life of the debt. Amortization expense is recorded in the statement of activities. In governmental funds financial statements, bond discounts are expensed when incurred. Balances as of June 30, 2019, were:

Bond discount	\$ 10,363,912
Accumulated amortization	<u>(1,513,343)</u>
Total unamortized bond discount	<u>\$ 8,850,569</u>
Amortization expense	<u>\$ 5,447,546</u>

- (6) Deferred gain on advanced refundings is recorded as deferred inflows of resources in the statement of net position and is amortized over the remaining life of the old debt or the life of new debt, whichever is shorter. Amortization revenue is recorded in the statement of activities. In governmental funds financial statements, deferred gain on advanced refunding is not applicable. Balances as of June 30, 2019, were:

Net gain on advanced refunding	\$ 107,235,897
Net loss on advanced refunding	<u>(44,368,673)</u>
Net deferred gain on advanced refundings	<u>\$ 62,867,224</u>
Amortization revenue as component of interest expense	<u>\$ (1,965,939)</u>

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

Bond principal payments	\$ (830,140,000)
Net bond premium	(249,913,883)
Bond issuance costs	17,062,233
Net bond proceeds	3,950,700,319
Escrow Fund Deposit	(2,967,844,525)
Capital appreciation bonds	<u>187,386,083</u>
Current year bond activity, net	<u>\$ 107,250,227</u>

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

**NOTES TO FINANCIAL STATEMENTS**

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**H. SUBSEQUENT EVENTS**

Management has evaluated subsequent events that occurred after June 30, 2019, but before DATE, the date the financial statements were available to be issued. Based on this evaluation, the Authority has determined the following disclosure to be reported in the financial statements.

On October 3, 2019, the Authority issued \$1,000,000,000 in new money 2019 Series BB Transportation Program Bonds maturing through June 15, 2050, at interest rates ranging from 3.25-5.00% and remarketed as fixed rate instruments \$150,000,000 in 2014 Series BB-1 Transportation Program Notes (SIFMA Index Multimodal Notes), at interest rates not to exceed 6.5% per annum.

**SUPPLEMENTARY INFORMATION**

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

**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS**

Year Ended June 30, 2019

	Transportation Improvement	Debt Service	Total
Cash Balances, June 30, 2018	<u>\$ 77,686</u>	<u>\$ 2,043,530</u>	<u>\$ 2,121,216</u>
<b>RECEIPTS</b>			
Motor fuel taxes	-	503,000,000	503,000,000
Commercial vehicle fees and taxes	-	582,752,038	582,752,038
Sales taxes	-	114,611,000	114,611,000
Toll road authorities	-	12,000,000	12,000,000
Build America Bond Credits	36,321,676	-	36,321,676
Operating transfers in	<u>1,841,590</u>	<u>43,671,674</u>	<u>45,513,264</u>
Total Receipts	<u>38,163,266</u>	<u>1,256,034,712</u>	<u>1,294,197,978</u>
<b>DISBURSEMENTS</b>			
Operating expenses and financial costs	1,617,358	-	1,617,358
Bond interest expense	-	426,375,904	426,375,904
Principal retirement of bonds payable	-	830,140,000	830,140,000
Operating transfers out	<u>36,321,676</u>	<u>-</u>	<u>36,321,676</u>
Total Disbursements	<u>37,939,034</u>	<u>1,256,515,904</u>	<u>1,294,454,938</u>
Cash Balances, June 30, 2019	<u>\$ 301,918</u>	<u>\$ 1,562,338</u>	<u>\$ 1,864,256</u>

Note: Cash balances consist of checking account activity only.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities and each fund of the New Jersey Transportation Trust Fund Authority (the "Authority"), a component unit of the State of New Jersey, as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated DATE.

## **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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*.

**Purpose of this Report**

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

DATE