



NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Financial Statements

December 31, 2014 and 2013

(With Independent Auditors' Report Thereon)

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Table of Contents

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	3
Basic Financial Statements:	
Statements of Net Position as of December 31, 2014 and 2013	22
Statements of Revenues, Expenses, and Changes in Net Position for the years ended December 31, 2014 and 2013	23
Statements of Cash Flows for the years ended December 31, 2014 and 2013	24
Notes to the Financial Statements	25
Schedules	
1 Required Supplementary Information (Unaudited) – Schedule of Funding Progress – Other Postemployment Benefits Plan as of December 31, 2014	72
2 Schedule of Net Position – Reconciliation of Bond Resolution to GAAP as of December 31, 2014	73
3 Schedule of Revenues, Expenses and Changes in Net Position – Reconciliation of Bond Resolution to GAAP as of December 31, 2014	74
4 Schedule of Cash Flows – Reconciliation of Bond Resolution to GAAP as of December 31, 2014	75
5 Schedule of Net Revenue Requirement for the years ended December 31, 2014 and 2013	76
6A Schedule of Investments as of December 31, 2014	77
6B Schedule of Investments as of December 31, 2013	78
7 Schedule of Depositories as of December 31, 2014 and 2013	79
8 Schedule of Cost of Investment in Facilities as of December 31, 2014	80
9A Schedule of Bond Indebtedness as of December 31, 2014	81
9B Schedule of Refunded Bond and Note Indebtedness as of December 31, 2014 and 2013	82
10A Schedule of Toll Revenue (Unaudited) for the years ended December 31, 2014 and 2013	83
10B Schedule of Toll Revenue (Unaudited) for the years ended December 31, 2014 and 2013	84



KPMG LLP
New Jersey Headquarters
51 John F. Kennedy Parkway
Short Hills, NJ 07078-2702

Independent Auditors' Report

The Commissioners
New Jersey Turnpike Authority:

Report on the Financial Statements

We have audited the accompanying basic financial statements of the New Jersey Turnpike Authority (the Authority), a component unit of the State of New Jersey, as of and for the years ended December 31, 2014 and 2013, and the related notes to the basic 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 U.S. generally accepted accounting principles; 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2014 and 2013, and the respective statements of revenues, expenses, and changes in net position, and cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 21 and the schedule of funding progress – other postemployment benefits plan (schedule 1) on page 72 be presented to supplement the basic financial statements. Such information, although not a 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 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.

Our audits for the year ended December 31, 2014 and 2013 were conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Authority's basic financial statements. The supplemental information included on Schedules 2 through 10B as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. This information, except for those schedules and portions of schedules marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the basic financial statements for the years ended December 31, 2014 and 2013 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information included in Schedules 2 through 10B is fairly stated in all material respects, in relation to the basic financial statements as a whole.

KPMG LLP

March 31, 2015

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

December 31, 2014 and 2013

(Unaudited)

(In thousands)

The management of the New Jersey Turnpike Authority (the Authority) offers this narrative overview and analysis of the Authority's financial activities for the years ended December 31, 2014 and 2013, which should be read in conjunction with the Authority's financial statements.

Overview of the Financial Statements

This discussion and analysis is intended to present an overview of the Authority's financial performance for the years ended December 31, 2014 and 2013. The Authority's financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). This section is intended to provide an assessment of how the Authority's financial position has improved or deteriorated and identify the factors that, in management's view, significantly affected the Authority's overall financial position. It may contain opinions, assumptions, or conclusions by the Authority's management that should not be considered a replacement for the financial statements included in this report.

The Statement of Net Position provides information about the nature and amount of investments in resources (assets) and the obligations to Authority creditors (liabilities), as well as the deferred outflows and inflows of resources, with the difference between these amounts reported as net position.

The Statement of Revenues, Expenses, and Changes in Net Position, which accounts for all of the current year's revenues and expenses, measures the success of the Authority's operations over the past year and can be used to determine how the Authority has funded its costs.

The Statement of Cash Flows provides information about the Authority's cash receipts, cash payments, and net changes in cash resulting from operating, investing and financing activities.

The notes to the Financial Statements provide:

- Information that is essential to understanding the basic financial statements, such as the Authority's accounting methods and policies.
- Details of contractual obligations, future commitments and contingencies of the Authority.
- Other events or developing situations that could materially affect the Authority's financial position.

The Required Supplementary Information included in Schedule 1 presents information regarding the Authority's progress in funding its obligation to provide postemployment benefits other than pensions to its employees.

The Other Supplementary Information included in Schedules 2 through 10B presents information regarding the Authority's accounting and compliance with its 1991 Turnpike Revenue Bond Resolution, as amended, restated and supplemented (the Resolution), and the Authority's interpretation of such Resolution.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

December 31, 2014 and 2013

(Unaudited)

(In thousands)

The Authority's Business

The New Jersey Turnpike Authority (the Authority), is a body corporate and politic created by the New Jersey Turnpike Authority Act of 1948, as amended and supplemented (the Act). The Act authorizes the Authority to construct, maintain, repair, and operate the New Jersey Turnpike (the Turnpike System), to fix and establish tolls for the use of the Turnpike System and to issue Turnpike revenue bonds or notes of the Authority, subject to prior approval in writing from the Governor and from either or both the State Treasurer and the Director of the Division of Budget and Accounting of the Department of the Treasury, payable solely from tolls and other revenues of the Authority. Under the provisions of the Act, the Turnpike bonds or notes and the interest thereon shall not be deemed to constitute a debt or liability or a pledge of the faith and credit of the State of New Jersey (the State) or any political subdivision thereof. The Act further provides that the powers conferred upon the Governor and the Treasurer of the State described shall be exercised with due regard for the rights of the holders of bonds of the Authority at any time outstanding, and nothing in, or done pursuant to, the Act shall in any way limit, restrict or alter the obligation or powers of the Authority or any representative or officer of the Authority to carry out and perform in every detail each and every covenant, agreement or contract at any time made or entered into by or on behalf of the Authority with respect to its bonds or for the benefit, protection or security of the holders thereof.

On May 27, 2003, the Act was last amended. The amendment empowered the Authority, effective July 9, 2003, to assume all powers, rights, obligations and duties of the New Jersey Highway Authority (the Highway Authority), which owned and operated the Garden State Parkway (the Parkway) and the PNC Bank Arts Center.

2014 Highlights

- The Authority's \$7 Billion Capital Investment Plan continued, and as of December 31, 2014, nearly 82% of the overall budget has been spent or committed on projects. The Authority spent over \$771,000 on construction fund projects in 2014.
- The New Jersey Turnpike Interchange 6-9 widening was completed in November 2014 and is the single largest project in the \$7 Billion Capital Investment Plan. The project expanded capacity to 12 lanes on a 35-mile stretch of the roadway, adding three lanes in each direction between Interchanges 6 through 8A, and one lane in each direction between Interchanges 8A and 9. The estimated final cost of \$2,300,000 is \$200,000 lower than the original anticipated cost of \$2,500,000.
- The Authority continued to secure funding for the \$7 Billion Capital Investment Plan through the issuance of \$1,000,000 of Series 2014A Turnpike Revenue Bonds. The bonds have a final maturity of January 1, 2035 and an all in true interest cost of 3.906%, well below the 5% assumed in the Authority's financial plan.
- The Series 2014B Bonds were issued to refund the Series 2011A and 2011B Bonds, avoiding the mandatory tender date on December 22, 2014. In addition to avoiding the mandatory tender interest rate escalation penalties, the Authority achieved debt service savings of approximately \$400 per year compared

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

December 31, 2014 and 2013

(Unaudited)

(In thousands)

to the refunded bonds. The bonds are Floating Rate Bonds using LIBOR as the index, thereby matching the index on the associated interest rate swaps, eliminating basis risk.

- The Series 2014C Bonds were issued to partially refund the Series 2005A Bonds. The refunding achieved net present value debt service savings of \$38,500, or 16.3% of the principle amount of the refunded bonds. On an annual basis, the Authority will save approximately \$1,600 per year until 2018, and approximately \$5,800 per year from 2019 until maturity on January 1, 2025.
- All three rating agencies affirmed the Authority's current ratings. Moody's changed the Authority's outlook to "positive" from stable with the issuance of the Series 2014A Bonds in May 2014. Fitch, while reaffirming the Authority's rating and outlook, upgraded one of its rating criteria. The Authority's Debt Structure Key Rating Factor was changed to "Stronger" from "Mid-Range" based upon the 100% cash funding of the Debt Reserve, which was finally achieved in 2014, after five years, from bond proceeds and Authority cash.
- The Authority's Debt Service Coverage Ratio for 2014 was 1.92, and the Total Requirements Coverage Ratio was 1.64, both in excess of Bond Resolution covenants and Financial Management Principles and Guidelines targets.
- Toll revenue in 2014 was \$1,445,748, which was \$12,871, or 0.9% above projections. In 2014, traffic on the New Jersey Turnpike increased by 3.5% compared to 2013, while toll transactions on the Garden State Parkway increased by 0.4%. Traffic and revenue increased due to improving economic conditions, declining gas prices, and favorable weather conditions from April through December 2014. This was the third consecutive year that the Authority met its toll revenue projections.
- The E-ZPass usage rate, on a 24 hour, 7 day a week basis, was 81.2% on the New Jersey Turnpike, with passenger cars at 80.0% and commercial vehicles at 89.3%. The E-ZPass usage rate on the Garden State Parkway was 78.1%. These usage rates are among the highest electronic toll collection rates in the country.
- The Authority's net position increased by \$265,137, or 39.6%, from \$669,787 in 2013 to \$934,924 in 2014. Net position increased as the Authority's operating income exceeded its net non-operating expenses. The increase in net position was negatively affected by the \$32,178 investment loss recognized in connection with the Authority's Series 2000B-G interest rate swap agreement, which is treated as an investment under *Governmental Accounting Standard Board Statement No. 53, Accounting and Financial Reporting for Derivative Instruments* (GASB Statement No. 53). Excluding the effect of the investment loss, net position would have increased by \$297,315, or 44.4% to \$967,102.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

December 31, 2014 and 2013

(Unaudited)

(In thousands)

2014 – 2013

The Authority's total net position is reported at \$934,924 and \$669,787 as of December 31, 2014 and 2013, respectively, representing an increase of \$265,137 or 39.6%, compared to 2013. The major factor causing this increase was increased toll revenue, as traffic on both the New Jersey Turnpike and the Garden State Parkway was higher in 2014 than in 2013. Capital assets increased by \$964,219 or 10.6% and other noncurrent assets increased by \$88,871 or 8.3%. Capital assets increased as a result of spending on the ongoing \$7 Billion Capital Investment Plan, while the other noncurrent assets increased due to an increase in restricted investments representing the unspent proceeds of the \$1,000,000 Series 2014A Turnpike Revenue Bonds. Noncurrent liabilities increased by \$975,256 or 9.7% primarily due to the issuance of the \$1,000,000 Series 2014A Turnpike Revenue Bonds in May 2014.

2013 – 2012

The Authority's total net position is reported at \$669,787 and \$293,499 as of December 31, 2013 and 2012, respectively, representing an increase of \$376,288 or 128.2%, compared to 2012. The major factors causing this increase was a gain in operating revenue due to increased toll revenue as traffic on both the New Jersey Turnpike and the Garden State Parkway were higher in 2013 than in 2012 and an increase in interest income due to a decrease in the negative fair market value of the Authority's interest rate swaps which are treated as investments. Capital assets increased by \$1,213,870 or 15.5% and other noncurrent assets increased by \$447,424 or 71.3%. Capital assets increased as a result of spending on the ongoing \$7.0 billion capital improvement program, while the other noncurrent assets increased due to the proceeds of the \$1.4 billion Series 2013A Turnpike Revenue Bonds. Noncurrent liabilities increased by \$1,539,767 or 18.1% primarily due to the issuance of the \$1.4 billion Series 2013A Turnpike Revenue Bonds in March 2013.

Capital Investment Plan Highlights

The Authority is in the midst of a \$7 Billion Capital Investment Plan that includes large-scale projects including widening stretches of both the Turnpike and Parkway and smaller projects that improve interchanges, rehabilitate bridges, and deploy new technologies. The \$7 Billion Capital Investment Plan continues to be on-time and on budget or even ahead of schedule and under budget on some projects.

The Projects currently included in the \$7 Billion Capital Investment Plan are the following:

Project	Current Budget	Amount Spent or Committed to Date	Percent Spent or Committed to Date
Turnpike Widening (Interchanges 6-9)	\$ 2,324,659	2,165,744	93.2%
Bridge improvements	1,700,300	1,237,354	72.8%
Interchange improvements	1,079,486	753,337	69.8%
Roadway improvements	793,680	760,984	95.9%
Facility improvements	511,875	246,875	48.2%
Parkway Widening (Milepost 35-80)	590,000	540,763	91.7%
Total	\$ 7,000,000	5,705,057	81.5%

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

December 31, 2014 and 2013

(Unaudited)

(In thousands)

Turnpike Widening: The Turnpike Interchanges 6-9 Widening Program, which was completed on schedule and under budget, was opened to traffic in November 2014. The Turnpike widening provides three additional travel lanes in each direction between Interchanges 6 and 8A, and one additional lane in each direction between Interchanges 8A and 9. The program also added a new toll plaza at Interchange 8.

Bridge Improvements: In addition to the widening projects, the \$7 billion CIP includes \$1,700,000 for Bridge Improvements. Highlights include the re-decking of two major bridges on the Turnpike - the Newark Bay Bridge and the Hackensack River Bridge, which were completed in 2014. The \$7 billion CIP also includes the Turnpike Newark Bay-Hudson County Extension Bridge Deck Reconstruction which is in progress and will be completed by 2018. Four of the six major Parkway Bridges - Bass River Bridge, Mullica River Bridge, Patcong Creek Bridge and Great Egg Harbor Bridge - have been or will be rehabilitated as part of the CIP. Three of the four bridges will be completed by 2015.

Interchange Improvements: The \$7 billion CIP also includes \$1,100,000 for Interchange Improvements on both roadways. Of note, the reconstruction of Interchange 14A on the Turnpike began in early 2015. Improvements to interchanges 9, 10 and 11 on the Parkway are also included. The at-grade crossings were eliminated for southbound traffic in October 2014, and northbound work is expected to be complete in late 2015.

Roadway Improvements: Roadway improvements totaling \$793,600 are also included in the \$7 billion CIP, the most significant being Parkway mainline shoulder improvements between mileposts 83 to 100, expected to be completed in mid-2015. This project will restore full-width shoulders on the right and left sides of the highway, improve sight distances and remove obstructions in this section of the roadway. The improvements being made include the replacement of 20 bridges, the re-decking of nine bridges, and the construction of two new bridges, 26 storm water basins and 24 sign structures.

Facility Improvements: Finally, the \$7 Billion CIP includes \$500,000 for facilities improvements. In total, the Authority will build 42 new structures and rehabilitate 18 others. Projects include the replacement of State Police Troop D buildings, the rehabilitation of 22 maintenance district facilities and improvements at all Turnpike toll plaza buildings.

Garden State Parkway Widening: The Parkway widening project will add a third travel lane and full shoulders between Mileposts 35 and 80 and will be completed as follows:

Phase I – Milepost 63 to 80 – Construction completed and open to motorists in May 2011.

Phase II – Milepost 48 to 63 – Construction underway on the second phase of the widening and in the spring of 2013 the third lane was opened to traffic from Interchange 52 to Interchange 63. Upon completion of the Bass River Bridge scheduled to open in May 2015, the remaining widening of this section of the Parkway will be completed with the third lane open to traffic to Interchange 48.

Phase III – Milepost 35 to 48 – The first construction contract for this section was awarded in June 2014 and construction began in July 2014. Phase III is scheduled for completion in May 2018.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

December 31, 2014 and 2013

(Unaudited)

(In thousands)

Total budgeted costs for the Parkway 35-80 Widening Program are \$690,000; however, \$100,000 of those costs were financed from the proceeds of bond anticipation notes prior to the issuance of the first Series of Bonds for the Capital Investment Plan.

Capital Assets, Net

	December 31		
	2014	2013	2012
Land	\$ 797,313	775,569	758,866
Construction-in-progress	1,582,797	3,839,776	2,857,781
Road bed	2,402,834	1,995,674	1,934,831
Road surface	852,963	351,538	289,099
Bridges	3,279,488	1,335,963	1,261,155
Buildings and sound barriers	318,763	252,600	259,149
Equipment	799,195	518,014	494,383
	\$ 10,033,353	9,069,134	7,855,264
Total capital assets, net of accumulated depreciation	\$ 10,033,353	9,069,134	7,855,264

Capital assets consist of land, buildings, improvements, equipment, infrastructure and construction-in-progress. Infrastructure assets are typically items that are immovable, such as highways and bridges.

2014 – 2013

The Authority's investment in capital assets as of December 31, 2014 was \$12,881,138 of gross asset value with an accumulated depreciation of \$2,847,785 leaving a net book value of \$10,033,353. This investment represents 79.2% of the Authority's total assets.

Capital assets, net of accumulated depreciation, increased by \$964,219 due to the continued spending on the Authority's \$7 Billion Capital Investment Plan. Major projects include the widening of the Garden State Parkway between mileposts 35-80 which is still under construction and the Turnpike Interchange 6-9 widening which was opened in November 2014. Land increased by \$21,744 in 2014 due to the continued acquisition of parcels needed for the Turnpike Interchange 14A Improvement Project, the Parkway Milepost 35-63 Widening Project, the Parkway Interchange 105 Improvement project as well as other various improvement projects along the Authority's right-of-way. Construction-in-progress decreased by \$2,256,979 in 2014. The decrease is a result of the additional lanes constructed for the Turnpike 6-9 Widening Project being put into service. This decrease was partially offset by continued spending on the Parkway Mainline Shoulder Improvement Project, the Authority Phase I & II Facilities Projects, the Parkway Great Egg Harbor/Drag Channel Bridge Improvement and the Parkway Milepost 35-63 Widening Project. Road Bed increased by a net of \$407,160 in 2014. This was largely due to the completion of contracts related to the Turnpike 6-9 Widening Project, the Authority Drainage Improvement Project, and the Parkway Milepost 35-63 Widening Project. Road Surface increased by a net of \$501,425 in 2014 due to the Turnpike 6-9 Widening Project and the Parkway interchange 35-63 Widening Project as well as general maintenance resurfacing on both the Turnpike and Parkway. Bridges increased by a net of \$1,943,525 in 2014

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

December 31, 2014 and 2013

(Unaudited)

(In thousands)

largely due to on Turnpike 6-9 Widening Project, the Newark Bay-Hudson County Extension Project and the Hackensack Easterly River Bridge Re-decking Bridge. Buildings and sound barriers increased by a net of \$66,163 in 2014 largely due to sound barrier construction for the Turnpike 6-9 Widening Project. Equipment increased by a net of \$281,181 in 2014 primarily due to the installation of signs and technology equipment for the Turnpike 6-9 Widening Project and the Parkway Milepost 35-63 Widening Project.

The Authority had open commitments related to construction contracts totaling approximately \$1,411,224 as of December 31, 2014. This work relates to the Authority's \$7 Billion Capital Investment Plan and will be completed over the next several years.

2013 – 2012

The Authority's investment in capital assets as of December 31, 2013 was \$11,715,918 of gross asset value with an accumulated depreciation of \$2,646,784, leaving a net book value of \$9,069,134. This investment represents 80% of the Authority's total assets.

Capital assets, net of accumulated depreciation, increased by \$1,213,870 due to the continued spending on the Authority's \$7 Billion Capital Investment Plan. Major projects include the Turnpike Interchange 6-9 widening and the widening of the Garden State Parkway between mileposts 35-80. Land increased by \$16,703 in 2013 due to the continued acquisition of parcels needed for the Turnpike Interchange 6-9 widening, the Parkway Interchange 9, 10 and 11 improvement project and the Parkway Mainline Shoulder Improvement Project. Construction-in-progress increased by \$981,995 in 2013 due to the continued spending on the \$7 Billion Capital Investment Plan. This increase was due to continued spending on the Turnpike Interchange 6-9 widening, the Parkway Mainline Shoulder improvement, and the rehabilitation of the Easterly Hackensack River Bridge. Road Bed increased by a net of \$60,843 in 2013. This was due to the completion of contracts related to the Parkway milepost 35-80 Widening, and Roadway Improvements at Interchange 154 and 155. Road Surface increased by a net of \$62,439 in 2013 due to the Garden State Parkway widening and the continued planned spending on Parkway milepost 35-80 widening, and general maintenance resurfacing on both the Turnpike and Parkway. Bridges increased by a net of \$74,808 in 2013 due to the continued spending on Turnpike Bridge Repairs from Milepost 83 to 122 and the Newark Bay-Hudson County Extension, the Patcong Creek Bridge Widening and Rehabilitation and the Parkway Widening 35-80. Buildings and sound barriers decreased by a net of \$6,549 in 2013 due to an increase of \$7,325 for PNC Arts Center improvements, and toll plaza and storage facility improvements along both roadways, offset by an increase of \$13,874 in accumulated depreciation. Equipment increased by a net of \$23,631 in 2013 primarily due to the installation of variable message signs and the acquisition of trucks and computer network upgrades.

The Authority had open commitments related to construction contracts totaling approximately \$1,186,594 as of December 31, 2013. This work relates to the Authority's \$7 Billion Capital Investment Plan and will be completed over the next several years.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

December 31, 2014 and 2013

(Unaudited)

(In thousands)

Condensed Summary of Revenues, Expenses, and Changes in Net Position

	Year ended December 31		
	2014	2013 *	2012 *
Operating revenues	\$ 1,549,740	1,513,464	1,486,313
Operating expenses, excluding depreciation (1)	(561,868)	(533,002)	(518,839)
Net operating revenue	987,872	980,462	967,474
Depreciation expense	(201,001)	(173,901)	(159,578)
Operating income	786,871	806,561	807,896
Nonoperating revenues (expenses):			
Build America Bonds subsidy	75,745	75,173	81,665
Payments to the State of New Jersey	(354,001)	(354,001)	(361,001)
Interest expense, Turnpike Revenue Bonds	(205,195)	(195,382)	(192,576)
Other bond expenses	(4,738)	(7,378)	(7,932)
Sale of capital assets	(4,763)	—	—
Investment (loss) income	(32,312)	48,137	(1,069)
Arts Center	3,530	3,178	3,118
Total nonoperating revenues (expenses), net	(521,734)	(430,273)	(477,795)
Change in net position	265,137	376,288	330,101
Net position – beginning of year	669,787	293,499	(36,602)
Net position – end of year	\$ 934,924	669,787	293,499

* Certain amounts have been reclassified to conform with the current year's presentation.

(1) Operating expenses include both the funded and the non-cash portion of the annual OPEB cost.

2014 – 2013

Operating revenues totaled \$1,549,740 for the year ended December 31, 2014, representing an increase of \$36,276, or 2.4% from the year ended December 31, 2013. The principal source of revenue for the Authority is tolls. During 2014, toll revenue totaled \$1,445,748 and constituted 93.3% of the Authority's operating revenues, as compared to \$1,413,763, or 93.4%, in 2013. On the New Jersey Turnpike, passenger car traffic increased 3.7% while commercial vehicle traffic increased by 2.1% resulting in an overall increase of 3.5%. On the Garden State Parkway, passenger car toll transactions increased 0.4% while commercial vehicle toll transactions decreased 0.5%. Passenger cars constituted 98.6% of all Parkway toll transactions; therefore, changes in commercial toll transactions only have minimal impacts. The increases on both roadways as compared to 2013 reflect an improving economy, declining gas prices in 2014 and favorable weather conditions from April through December 2014.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

December 31, 2014 and 2013

(Unaudited)

(In thousands)

Electronic toll collection remains popular and overall usage rates continue to be strong. On the New Jersey Turnpike, the E-ZPass usage rate for passenger cars was 80.0% and for commercial vehicles was 89.3%, resulting in an overall usage rate of 81.2%. On the Garden State Parkway, the overall E-ZPass usage rate was up to 78.1% from 77.6% in 2013. During 2014, passenger cars had a usage rate of 77.9% and commercial vehicles had a usage rate of 88.4%.

E-ZPass fees totaled \$52,773 and \$51,372 for the years ended December 31, 2014 and 2013, respectively, representing an increase of \$1,401, or 2.7%. E-ZPass fees consist of monthly membership fees, transponder sales, returned check fees, administrative fees, fiber lease revenue, interest on prepaid accounts and monthly statement fees. The increase resulted from gains in membership fees and administrative fees. There are approximately 175,000 more *NJ E-ZPass* accounts at the end of 2014 as compared to 2013. Administrative fee collections increased due to enhanced enforcement and collection efforts, including New Jersey Motor Vehicle Commission registration holds for repeat violators.

Concession revenues were \$36,842, constituting 2.4% of total operating revenues. This represents an increase of \$1,880 or 5.4% from \$34,962 in 2013. The increase is due to the higher gross profit margin on diesel fuel sales on the Turnpike. Overall, revenue from fuel sales on the Turnpike increased 15.2% and decreased 9.0% on the Parkway. Revenue from food sales on the Turnpike increased 8.6% and decreased 1.7% on the Parkway. Miscellaneous revenue totaled \$14,377 for the year ended December 31, 2014, representing an increase of \$1,010, or 7.6%, compared to the year ended December 31, 2013. Miscellaneous revenue includes rentals of cell tower sites, fiber optic lines, towing commissions, park and ride receipts and easements. The increase in 2014 is largely due to the \$2,335 FEMA reimbursement for Superstorm Sandy and \$1,051 in surplus land sales, offset by two one-time payments of \$152 and \$2,474 in 2013 from the municipal derivative settlements between multi-state Attorney Generals and JP Morgan Chase and UBS, respectively.

General operating expenses, excluding depreciation, totaled \$561,868 for the year ended December 31, 2014, representing an increase of \$28,866, or 5.4% from \$533,002 for the year ended December 31, 2013. The higher costs are a result of increased Maintenance expenses of \$25,925 primarily due to increased snow and severe weather costs. In 2014, the Authority spent a total of \$43,931 on snow and severe weather costs. The amount spent in 2014 was a record level and was an increase of \$19,185 over 2013 costs. Also, in 2014 less personnel and fringe benefit costs were charged to capital projects based upon time spent on capital projects. Maintenance expenses also increased due to higher utility costs from the severe winter weather in the first quarter of 2014 as well as higher property insurance costs as insured values increased from the completed projects in the \$7 Billion Capital Investment Plan. State police and traffic control costs increased by \$7,233 due primarily to a planned increase in the number of State Troopers patrolling the roadways, as well as higher fringe benefit costs. General and Administrative expenses decreased by \$2,556 due primarily to savings in insurance (other than property insurance) as well as continued headcount reductions and control of discretionary expenses. Toll collection costs decreased by \$2,116 due to the savings from the renegotiated toll collector contracts and the extended electronic toll collection contract with Xerox. In accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB)* (GASB Statement No. 45), the Authority recorded an expense of \$75,636 representing the annual OPEB cost. The annual OPEB cost, including the non-cash portion, is included in Operating Expenses and is allocated to each functional expense category based

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

December 31, 2014 and 2013

(Unaudited)

(In thousands)

upon the number of active full time employees in each category. Depreciation expense during 2014 totaled \$201,001, which was an increase of \$27,100 from 2013 due to the increase in capital assets generated from the \$7 Billion Capital Investment Plan. Net non-operating expenses increased by \$91,461 from 2013 primarily due to the recording of an investment loss in 2014 as compared to investment income in 2013. The investment loss was the result of an increase in the negative mark-to-market value of the Series 2000B-G interest rate swap, which is classified as an investment in accordance with GASB Statement No. 53. The Build America Bonds subsidy represents a direct payment by the United States Treasury to the Authority originally equal to 35% of the interest payable on the Series 2009F bonds and the Series 2010A bonds. The Build America Bonds subsidy in 2014 was \$75,745, an increase of \$572 from 2013 due to a change in the automatic Federal deficit reduction spending cuts. The subsidy payment received in June 2014 was reduced by 7.2%, and the payment received in December 2014 was reduced by 7.3%, while in 2013 the comparable payments were reduced by 8.7% and 7.2%.

Payments to the State of New Jersey remained unchanged at \$354,001 in 2014 and 2013. Under the terms of an agreement dated April 27, 1984 and amendments dated August 1, 1995 and March 27, 2000, the Authority agreed to make annual payments to the State of New Jersey to assist in transportation purposes. These payments are \$22,000 annually and are due until all obligations of the New Jersey Transportation Trust Fund Authority, as set forth in the 2000 Amendment, are paid for or such payment has been provided for. The payments are made from the General Reserve Fund and are subordinate to debt service payments on all outstanding bonds and all other obligations under the Authority's General Bond Resolution. Under the terms of a State Transportation Projects Funding Agreement dated September 30, 2011, the Authority agreed to make annual payments to the State of New Jersey for the development of state transportation projects. These payments total \$331,000 in calendar 2012, \$324,000 in calendar 2013, \$324,000 in calendar 2014, \$324,000 in calendar 2015, and \$162,000 in calendar 2016. The agreement terminates on June 30, 2016. The payments are made from the General Reserve Fund and are subordinate to debt service payments on all outstanding bonds and all other obligations under the Authority's General Bond Resolution. The Authority also made annual payments to the State of New Jersey in the amount of \$8,001 in 2014 and 2013 for feeder road maintenance provided by the New Jersey Department of Transportation. This agreement is expected to be renewed annually.

Investment earnings were a loss of \$32,312 in 2014 as compared to income of \$48,137 in 2013. Interest income earned by the Authority on investments was \$15,118 in 2014, increasing from \$13,247 in 2013 as a result of an increase in investable balances and an increase in the unrealized gain from the mark-to-market of the investment portfolio. The adoption of GASB Statement No. 53 in 2010 requires the recognition of certain of the Authority's interest rate swaps as investments. Accordingly, the fixed payments made on these interest rate swaps, the variable payments received and the changes in fair market value are required to be reported as investment income (loss). In 2014 and 2013, the Authority was required to report the mark-to-market value of the interest rate swaps that hedge the Series 2000B-G bonds as investments. In 2014, the Authority recorded an investment loss of \$12,678 representing the fixed interest payments on the Series 2000B-G swaps, net of the variable payments received. In 2014, the Authority recognized an investment loss of \$32,178, representing the change in fair market value of the Series 2000B-G swaps. In addition, in 2014 and 2013, the Authority recorded capitalized interest income of \$2,577 and \$3,123, respectively. In 2013, the Authority recorded an investment loss of \$13,837 representing the fixed interest payments on the Series 2000B-G swaps, net of the variable payments received. In addition, in 2013, the

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

December 31, 2014 and 2013

(Unaudited)

(In thousands)

Authority recognized investment income of \$51,848 representing the change in fair market value of the Series 2000B-G swaps.

Interest expense increased by \$9,813 in 2014 as compared to 2013, due to interest expense on the Series 2013A Bonds for a full year in 2014 and the interest paid on the Series 2014A bonds issued in May 2014, partially offset by a higher deduction for interest capitalized to projects in 2014, as well as an increase in amortization.

2013 – 2012

Operating revenues totaled \$1,513,464 for the year ended December 31, 2013, representing an increase of \$27,151, or more than 1.8%, from the year ended December 31, 2012. The principal source of revenue for the Authority is tolls. During 2013, toll revenue totaled \$1,413,763 and constituted 93.4% of the Authority's operating revenues, as compared to \$1,393,658, or 93.8%, in 2012. On the Turnpike, passenger car traffic increased 0.4% while commercial vehicle traffic increased by 2.3% resulting in an overall increase of 0.6%. On the Parkway, passenger car toll transactions increased 0.7% while commercial vehicle toll transactions increased 4.8%. Passenger cars constituted 98.6% of all Parkway toll transactions; therefore, changes in commercial vehicle toll transactions only have minimal impacts. The increases on both roadways as compared to 2012 reflect an improving economy and relatively stable gas prices in 2013.

Electronic toll collection remains popular and overall usage rates continue to be strong. On the Turnpike, the E-ZPass usage rate for passenger cars was 79.5% and for commercial vehicles was 88.2%, resulting in an overall usage rate of 80.6%. On the Parkway, the overall E-ZPass usage rate was up to 77.6% from 76.0% in 2012. During 2013, passenger cars had a usage rate of 77.4%, and commercial vehicles had a usage rate of 87.9%.

E-ZPass fees totaled \$51,372 and \$47,315 for the years ended December 31, 2013 and 2012, respectively, representing an increase of \$4,057, or 8.6%. E-ZPass fees consists of monthly membership fees, transponder sales, returned check fees, administrative fees, fiber lease revenue, interest on prepaid accounts and monthly statement fees. The increase resulted from gains in membership fees and administrative fees. There are approximately 87,500 more NJ E-ZPass accounts at the end of 2013 as compared to 2012. Administrative fee collections increased due to enhanced enforcement and collection efforts, including New Jersey Motor Vehicle Commission registration holds for repeat violators.

Concession revenues were \$34,962 constituting 2.3% of total operating revenues. This represents a decrease of \$28 or 0.1% from \$34,990 in 2012. The decrease is due to a decline in fuel sales on the Turnpike as the number of patrons utilizing Grover Cleveland Service Area declined as a result of the closure of the restaurant portion of the service area following Superstorm Sandy. The decline in fuel sales was largely offset by increases in revenue from food sales on both the Turnpike and the Parkway. Overall, revenue from fuel sales on the Turnpike declined 4.1% and increased 3.5% on the Parkway. Revenue from food sales on the Turnpike and Parkway increased 1.9% and 1.5%, respectively. Miscellaneous revenue totaled \$13,367 for the year ended December 31, 2013, representing an increase of \$3,017, or 29.1%, compared to the year ended December 31, 2012. Miscellaneous revenue includes rentals of cell tower sites, fiber optic lines, towing commissions, park and ride receipts and easements. The increase in 2013 is largely due to two one-time payments of \$152 and \$2,474 from the municipal derivative settlements between multi-state Attorney Generals and JP Morgan Chase and UBS, respectively.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

December 31, 2014 and 2013

(Unaudited)

(In thousands)

General operating expenses, excluding depreciation, totaled \$533,002 for the year ended December 31, 2013, representing an increase of \$14,163, or 2.7%, from \$518,839 for the year ended December 31, 2012. The higher costs are a result of increased Maintenance expenses primarily due to increased snow removal costs and an establishment of a reserve for emergency road and bridge repairs. General and Administrative expenses increased due to the establishment of reserves for future self-funded insurance claims and Technology costs increased as a result of the reclassification of toll equipment maintenance technicians from the Toll Collection Department. However, operating expenses remain lower than 2011 due to the Authority's continued authorized headcount reduction and control of discretionary expenses. Of note, total toll collection costs decreased by \$20,382 or 13.4% primarily due to the savings from the renegotiated toll collector contracts and the extended electronic toll collection contract with Xerox. In accordance with GASB Statement No. 45, the Authority recorded an expense of \$75,608 representing the annual OPEB cost. The annual OPEB cost, including the non-cash portion, is included in Operating Expenses and allocated to each functional expense category based upon the number of full time employees in each category. Depreciation expense during 2013 totaled \$173,901, which was an increase of \$14,323 from 2012 due to the increase in capital assets generated from the \$7.0 Billion Capital Investment Plan. Net non-operating expenses decreased by \$47,522 from 2012 primarily due to a decrease in payments to the State of New Jersey and an increase in investment income. The Build America Bonds subsidy in 2013 was \$75,173, a decrease of \$6,492 from 2012 due to automatic Federal deficit reduction spending cuts. The subsidy payment received in June 2013 was reduced by 8.7% and the payment received in December 2013 was reduced by 7.2%. The Build America Bonds subsidy represents a direct payment by the United States Treasury to the Authority originally equal to 35% of the interest payable on the Series 2009F bonds and the Series 2010A bonds.

Payments to the State of New Jersey decreased from \$361,001 in 2012 to \$354,001 in 2013. Under the terms of an agreement dated April 27, 1984 and amendments dated August 1, 1995 and March 27, 2000, the Authority agreed to make annual payments to the State of New Jersey to assist in transportation purposes. These payments are \$22,000 annually and are due until all obligations of the New Jersey Transportation Trust Fund Authority, as set forth in the 2000 Amendment, are paid for or such payment has been provided for. The payments are made from the General Reserve Fund and are subordinate to debt service payments on all outstanding bonds and all other obligations under the Authority's General Bond Resolution. Under the terms of a State Transportation Projects Funding Agreement dated September 30, 2011, the Authority agreed to make annual payments to the State of New Jersey for the development of state transportation projects. These payments total \$331,000 in calendar 2012, \$324,000 in calendar 2013, \$324,000 in calendar 2014, \$324,000 in calendar 2015 and \$162,000 in calendar 2016. The agreement terminates on June 30, 2016. The payments are made from the General Reserve Fund and are subordinate to debt service payments on all outstanding bonds and all other obligations under the Authority's General Bond Resolution. The Authority also made annual payments to the state of \$8,001 in 2013 and 2012 for feeder road maintenance provided by the New Jersey Department of Transportation. This agreement is expected to be renewed annually.

Investment earnings increased from a loss of \$1,069 in 2012 to a gain of \$48,137 in 2013. Interest income earned by the Authority on investments in 2012 was \$14,988 and decreased to \$13,247 in 2013 as a result of lower interest rates. The adoption of GASB Statement No. 53 in 2010 requires the recognition of certain of the Authority's interest rate swaps as investments. Accordingly, the fixed payments made on these interest rate swaps, the variable payments received and the changes in fair market value are required to be reported as investment income/(loss). In

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

December 31, 2014 and 2013

(Unaudited)

(In thousands)

2013 and 2012, the Authority was required to report the \$400,000 nominal value of the interest rate swaps that hedge the Series 2000B-G bonds as investments. In 2013, the Authority recorded an investment loss of \$13,837 representing the fixed interest payments on the Series 2000B-G swaps, net of the variable payments received. In 2013, the Authority recognized investment income of \$51,848 representing the change in fair market value of the Series 2000B-G swaps. In addition, in 2013 and 2012, the Authority recorded capitalized interest income of \$3,123 and \$3,156, respectively. In 2012, the Authority recorded an investment loss of \$14,659 representing the fixed interest payments on the Series 2000B-G swaps, net of the variable payments received. In addition, in 2012, the Authority recognized investment income of \$1,756 representing the change in fair market value of the Series 2000B-G swaps.

Interest expense increased by \$2,806 in 2013 as compared to 2012, due to interest on the \$1.4 billion Series 2013 new money bonds which were not outstanding in 2012, partially offset by a higher deduction for interest capitalized to projects in 2013, as well as an increase in amortization.

Financial Management Principles and Guidelines

In December 2012, the Authority adopted its *Financial Management Principles and Guidelines* (the Guidelines). Among the policies established, the Authority will manage its toll rates, expense budget and debt issuance program to achieve minimum senior debt service coverage of 1.4x and a total requirement coverage of 1.2x. The Authority will also manage its cash flow and total expenditure levels such that it maintains an average unrestricted cash balance in the General Reserve Fund equal to at least \$75,000. The Guidelines were implemented at the option of the Authority and are not a legal covenant with Bondholders. Such Guidelines can be changed or eliminated at any time at the option of the Authority. As specified in the Guidelines, the Authority also adopted an Investment Rate Swap Management Plan in April 2013, an Investment Policy in September 2013, and a Debt Management Policy in January 2014.

Debt Administration

The issuance of new bonds is conducted in accordance with the New Jersey Turnpike Act of 1948, constituting Chapter 454 of the Laws of New Jersey of 1948, as amended and supplemented and the Turnpike Revenue Bond Resolution adopted on August 20, 1991, as amended, restated and supplemented. The issuance of new bonds requires the approval of the Board of Commissioners and prior approval in writing from the Governor and from either or both the State Treasurer and the Director of the Division of Budget and Accounting of the Department of Treasury, payable solely from tolls and other revenues of the Authority.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

December 31, 2014 and 2013

(Unaudited)

(In thousands)

The Authority's outstanding Turnpike Revenue Bonds are as follows:

Series	2014	2013	2012
Series 1991C	\$ 67,160	67,160	67,160
Series 2000A	—	—	17,275
Series 2000B-G	400,000	400,000	400,000
Series 2003B	234,210	382,775	498,475
Series 2003C	—	—	225,000
Series 2004B	164,411	156,260	148,512
Series 2004C-2	132,850	132,850	132,850
Series 2005A	173,650	409,180	409,180
Series 2005B	32,500	32,500	32,500
Series 2005C	—	—	95,880
Series 2005D1-D4	208,735	208,735	208,735
Series 2009A	92,500	92,500	92,500
Series 2009B	50,000	50,000	50,000
Series 2009E	300,000	300,000	300,000
Series 2009F	1,375,000	1,375,000	1,375,000
Series 2009G	34,770	34,770	34,770
Series 2009H	306,170	306,170	306,170
Series 2009I	178,005	178,005	178,005
Series 2010A	1,850,000	1,850,000	1,850,000
Series 2011A	—	75,000	225,000
Series 2011B	—	50,000	50,000
Series 2012A	141,255	141,255	141,255
Series 2012B	804,435	804,435	804,435
Series 2012C	—	—	71,000
Series 2012D	—	—	150,000
Series 2012E	—	—	150,000
Series 2012F	—	—	43,750
Series 2012G	43,750	43,750	43,750
Series 2013A	1,400,000	1,400,000	—
Series 2013B	100,000	100,000	—
Series 2013C	271,000	271,000	—
Series 2013D	225,000	225,000	—
Series 2013E	150,000	150,000	—
Series 2013F	90,880	90,880	—
Series 2013G	43,750	43,750	—
Series 2014A	1,000,000	—	—
Series 2014B1-3	125,000	—	—
Series 2014C	201,860	—	—
Premium and discount, net	428,080	315,032	271,796
Total outstanding bonds	\$ 10,624,971	9,686,007	8,372,998

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

December 31, 2014 and 2013

(Unaudited)

(In thousands)

2014 – 2013

On May 22, 2014, the Authority issued \$1,000,000 of Series 2014A Turnpike Revenue Bonds. The bonds bear interest at fixed rates from 4.00% to 5.00% and mature from January 1, 2027 to January 1, 2035. The interest on the Series 2014A Turnpike Revenue Bonds is paid semi-annually. The purpose of the Series 2014A Turnpike Revenue Bonds was to (i) continue to fund projects under the \$7 Billion Capital Investment Plan, (ii) make a deposit to the Debt Reserve Fund, (iii) capitalize a portion of the interest payable of the Series 2014A Turnpike Revenue Bonds from their Date of Delivery through May 22, 2016, and (iv) pay the costs of issuance of the Series 2014A Turnpike Revenue Bonds.

On August 4, 2014, the Authority issued \$125,000 of Series 2014B-1, 2014B-2 and 2014B-3 (Series 2014B) Turnpike Revenue Bonds with a floating rate. The purpose of the Series 2014B Turnpike Revenue Bonds was to pay the redemption price of all of the Series 2011A and Series 2011B Turnpike Revenue Bonds to avoid the mandatory tender on December 22, 2014. The Series 2014B Turnpike Revenue Bonds pay interest at a floating rate of 67% of one-month LIBOR plus 27 basis points for Series 2014B-1, plus 42 basis points for Series 2014B-2 and plus 57 basis points for Series 2014B-3. The interest rate resets monthly and interest is paid monthly. The existing interest rate swaps on the Series 2011A and 2011B Turnpike Revenue Bonds were re-identified to the Series 2014B Turnpike Revenue Bonds.

On October 7, 2014, the Authority issued \$201,860 of Series 2014C Turnpike Revenue Bonds. The bonds bear interest at a fixed rate of 5% and mature from January 1, 2019 to January 1, 2025. The interest on the Series 2014C Turnpike Revenue Bonds is paid semi-annually. The purpose of the Series 2014C Turnpike Revenue Bonds was to refund and defease a portion of the Authority's Series 2005A Bonds.

The total savings on the Series 2014C Turnpike Revenue Bonds was approximately \$38,473 when compared to the projected interest costs on the refunded bonds. The refunding resulted in a loss on defeasance of \$4,935 in 2014, which is being amortized over the life of the new bonds.

The rating agencies assigned the following ratings to the Series 2014A, Series 2014B, and 2014C Turnpike Revenue Bonds: Moody's A3, S&P A+ and Fitch A.

2013 – 2012

On April 4, 2013, the Authority issued \$1,400,000 of Series 2013A Turnpike Revenue Bonds. The bonds bear interest at fixed rates from 3.00% to 5.00% and mature from January 1, 2016 to January 1, 2043. The interest on the Series 2013A Turnpike Revenue Bonds is paid semi-annually. The purpose of the Series 2013A Turnpike Revenue Bonds was to (i) continue to fund projects under the \$7 billion capital program, (ii) make a deposit to the Debt Reserve Fund, (iii) capitalize a portion of the interest payable of the Series 2013A Turnpike Revenue Bonds from their Date of Delivery through January 1, 2015, and (iv) pay the costs of issuance of the Series 2013A Turnpike Revenue Bonds.

On May 21, 2013, the Authority issued \$100,000 of Series 2013B Turnpike Revenue Bonds and \$43,750 of Series 2013G Turnpike Revenue Bonds pursuant to direct purchase transactions with TD Bank and U.S. Bank, respectively. The purpose of the Series 2013B and the Series 2013G Turnpike Revenue Bonds were to pay the

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

December 31, 2014 and 2013

(Unaudited)

(In thousands)

redemption price of all or a portion of the Series 2012C, Series 2012D and Series 2012F Turnpike Revenue Bonds, refinancing these bonds for savings as tax-exempt bonds were used to refund taxable bonds. The Series 2013B Turnpike Revenue Bonds pay interest at a floating rate of 75% of one-month LIBOR plus 59.25 basis points and the Series 2013G Turnpike Revenue Bonds pay interest at 75% of one-month LIBOR plus 59 basis points. The interest resets weekly and is paid monthly. The existing interest rate swaps on the Series 2012C, 2012D and 2012F Turnpike Revenue Bonds were re-identified to the Series 2013B and Series 2013G Turnpike Revenue Bonds.

On May 21, 2013, the Authority issued \$646,000 of Series 2013C-E Turnpike Revenue Bonds in the form of SIFMA Index Bonds. The bonds bear interest at the adjusted SIFMA Rate plus 0.48% – 0.68% and mature from January 1, 2017 to January 1, 2024. The purpose of the Series 2013C-E Turnpike Revenue Bonds in the form of SIFMA Index Bonds was to (i) refund and defease the Authority's Series 2003C-1, Series 2012D and Series 2012E Turnpike Revenue Bonds in order to replace the existing standby liquidity provider on the Series 2003C-1 Turnpike Revenue Bonds, and refund for savings and more favorable terms the Series 2012D and Series 2012E Turnpike Revenue Bonds, and (ii) provide funds for the purchase of \$150,000 Series 2011A Turnpike Revenue Bonds, refunded for savings. The existing interest rate swaps on the Series 2003C-1, Series 2012D and Series 2012E Turnpike Revenue Bonds were re-identified to the Series 2013C and Series 2013D Turnpike Revenue Bonds. The original Series 2003C-1 interest rate swap was novated from UBS to Wells Fargo, and was re-identified to the Series 2013D bonds. In addition, \$150 million of the Series 2011A swap was re-identified to the Series 2013E Turnpike Revenue Bonds.

On May 21, 2013, the Authority issued \$90,880 of Series 2013F Turnpike Revenue Bonds. The bonds bear interest at fixed rates from 3.00% to 5.00% and mature on January 1, 2026 to January 1, 2035. The interest rate on the Series 2013F Turnpike Revenue Bonds is paid semi-annually. The purpose of the Series 2013F Turnpike Revenue Bonds was to (i) provide funds for the refunding and defeasance of the of the Authority's Series 2005C Turnpike Revenue Bonds and (ii) pay the costs of issuance for the Series 2013F Turnpike Revenue Bonds.

The total savings on the Series 2013B-G Turnpike Revenue Bonds was approximately \$14,839 when compared to the projected interest costs, liquidity facility costs and remarketing fees on the refunded bonds. The refunding resulted in a loss on defeasance of \$10,651 in 2013, which is being amortized over the life of the new bonds.

The rating agencies assigned the following ratings to the Series 2013A, Series 2013C, 2013D, 2013E and 2013F Turnpike Revenue Bonds: Moody's A3, S&P A+ and Fitch A. The Series 2013B and Series 2013G Turnpike Revenue Bonds were private placements with commercial banks and ratings were not required.

Build America Bond Subsidy Payments

The Authority's Series 2009F and Series 2010A Turnpike Revenue Bonds were issued as Build America Bonds (BAB). The BAB program was authorized by the American Recovery and Reinvestment act enacted in February 2009 to encourage local spending on new construction. Under the program, the U.S. Treasury makes a direct payment to the Authority originally equal to 35% of the interest expense for eligible bonds.

The Budget Control Act of 2011 reduced the amount of the subsidy paid by the Federal Government through automatic federal spending cuts commonly known as sequestration. The payment to the Authority received in

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

December 31, 2014 and 2013

(Unaudited)

(In thousands)

June 2013 (for July 1, 2013 interest payment) was reduced by 8.7%, or \$3,552 and the payments received in December 2013 (for January 1, 2014 interest payment) and June 2014 (for July 1, 2014 interest payment) were reduced by 7.2%, or \$2,940. The payment received in December 2014 (for January 1, 2015) was reduced by \$2,981 or 7.3%. The Internal Revenue Service has reported that the Authority's payment due on July 1, 2015 will also have a 7.3% reduction. There can be no certainty the Federal Government will not make further cuts to the program.

Debt Compliance

The Revenue Requirement under Section 713(b) of the Turnpike Revenue Bond Resolution states that in each calendar year, Net Revenues shall at least equal the Net Revenue Requirement for such year. The Net Revenue Requirement means with respect to any period of time, "an amount equal to the greater of (i) the sum of Aggregate Debt Service, Maintenance Reserve Payments, Special Project Reserve Payments and payments, if any, to the Charges Fund for such period or (ii) 1.20 times the Aggregate Debt Service for such period."

The net revenue requirement was met under test (i) and (ii) above for 2014 and 2013 as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
(i):			
Net revenue available for Debt Service	\$ 1,166,909	1,128,375	1,110,193
Less net revenue requirements computed under test (the sum of aggregate debt service, maintenance reserve, special project reserve and charges fund payments)	<u>(713,660)</u>	<u>(686,836)</u>	<u>(707,254)</u>
Excess net revenue	<u>\$ 453,249</u>	<u>441,539</u>	<u>402,939</u>
(ii):			
Net revenue available for Debt Service	\$ 1,166,909	1,128,375	1,110,193
Less net revenue requirements computed under test (120% x aggregate debt service requirements of \$608,896 and \$584,772 in 2014 and 2013, respectively)	<u>(730,675)</u>	<u>(701,727)</u>	<u>(716,569)</u>
Excess net revenue	<u>\$ 436,234</u>	<u>426,648</u>	<u>393,624</u>

The debt service coverage ratio (Net Revenue divided by Debt Service) was 1.92 and 1.93 in 2014 and 2013, respectively. Please refer to note 8 for more details.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

December 31, 2014 and 2013

(Unaudited)

(In thousands)

Contacting Authority's Financial Management

The purpose of this narrative and the attached exhibits was to assist the readers in obtaining a general overview of the Authority's business and finances. If you should have any questions about this report or need clarification on its contents, please contact the Chief Financial Officer of the New Jersey Turnpike Authority, P.O. Box 5042, Woodbridge, New Jersey 07095-5042 or via e-mail at info@turnpike.state.nj.us.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Statements of Net Position
December 31, 2014 and 2013

(In thousands)

Assets	2014	2013
Current assets:		
Cash	\$ 202,456	198,147
Restricted cash	87,276	80,891
Investments	502,669	451,644
Restricted investments	569,949	381,320
Receivables, net of allowance	56,180	58,826
Restricted receivables	75	75
Inventory	20,474	18,693
Due from State of New Jersey	508	19,707
Restricted deposits	25,336	24,253
Prepaid expenses	3,943	4,534
Total current assets	1,468,866	1,238,090
Noncurrent assets:		
Restricted investments	1,164,147	1,075,201
Restricted receivables	—	75
Capital assets, net of accumulated depreciation	10,033,353	9,069,134
Total noncurrent assets	11,197,500	10,144,410
Total assets	\$ 12,666,366	11,382,500
Deferred Outflows		
Deferred outflows:		
Accumulated decrease in fair value of hedging derivatives	\$ 6,067	—
Deferred amount on refunding	162,311	204,256
Total deferred outflows	\$ 168,378	204,256
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 143,175	144,157
Funds held in trust	216,773	221,694
Due to State of New Jersey	2,594	2,648
Accrued interest payable	255,972	233,400
Unearned revenue	50,467	51,871
Current portion of bonds payable	164,205	148,565
Current portion of hybrid instrument borrowing	23,226	15,166
Current portion of other long-term liabilities	7,854	8,181
Total current liabilities	864,266	825,682
Noncurrent liabilities:		
Bonds payable, net	10,460,766	9,537,442
Hybrid instrument borrowing	106,955	131,643
Other long-term liabilities	102,561	90,943
Other postemployment benefits liability	319,906	282,847
Interest rate swap liabilities	45,366	17,423
Total noncurrent liabilities	11,035,554	10,060,298
Total liabilities	\$ 11,899,820	10,885,980
Deferred Inflows		
Deferred inflows:		
Accumulated increase in fair value of interest rate swaps	\$ —	30,989
Total deferred inflows	\$ —	30,989
Net Position		
Net position:		
Net investment in capital assets	\$ 710,972	407,125
Restricted under trust agreements	183,764	162,432
Unrestricted	40,188	100,230
Total net position	\$ 934,924	669,787

See accompanying notes to basic financial statements.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended December 31, 2014 and 2013

(In thousands)

	2014	2013
Operating revenues:		
Toll revenue	\$ 1,445,748	1,413,763
E-ZPass fees	52,773	51,372
Concession revenue	36,842	34,962
Miscellaneous revenue	14,377	13,367
Total operating revenues	1,549,740	1,513,464
Operating expenses:		
Maintenance of roadway, buildings, and equipment	243,733	217,808
Toll collection	168,080	170,196
State police and traffic control	76,349	69,116
Technology	30,692	30,312
General administrative costs	43,014	45,570
Depreciation	201,001	173,901
Total operating expenses	762,869	706,903
Operating income	786,871	806,561
Nonoperating revenues (expenses):		
Build America Bonds subsidy	75,745	75,173
Payments to the State of New Jersey	(354,001)	(354,001)
Interest expense, Turnpike Revenue Bonds	(205,195)	(195,382)
Other bond expenses	(4,738)	(7,378)
Sale of capital assets	(4,763)	—
Investment (loss) income	(32,312)	48,137
Arts Center	3,530	3,178
Total nonoperating revenues (expenses), net	(521,734)	(430,273)
Change in net position	265,137	376,288
Net position – beginning of year	669,787	293,499
Net position – end of year	\$ 934,924	669,787

See accompanying notes to basic financial statements.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Statements of Cash Flows

Years ended December 31, 2014 and 2013

(In thousands)

	2014	2013
Cash flows from operating activities:		
Receipts from customers and patrons	\$ 1,551,259	1,519,091
Payments to suppliers	(246,828)	(269,822)
Payments to employees	(163,938)	(162,529)
Payments for self insured health benefit claims	(85,191)	(80,591)
Net cash provided by operating activities	1,055,302	1,006,149
Cash flows from noncapital financing activities:		
Payments to State of New Jersey	(354,001)	(354,001)
Proceeds from Arts Center	3,530	3,178
Net cash used in noncapital financing activities	(350,471)	(350,823)
Cash flows from capital and related financing activities:		
Proceeds acquired from new capital debt	1,479,788	2,427,493
Purchases and sales of capital assets, net	(1,176,778)	(1,418,743)
Principal paid on capital debt	(148,565)	(132,975)
Refunded capital debt	(360,530)	(885,630)
Proceeds from Build America Bonds subsidy	75,745	75,173
Interest paid on capital debt	(235,894)	(194,830)
Payments for bond expenses	(4,738)	(7,378)
Net cash used in capital and related financing activities	(370,972)	(136,890)
Cash flows from investing activities:		
Purchases of investments	(7,648,226)	(7,667,119)
Sales and maturities of investments	7,289,669	7,135,403
Interest received	35,392	39,583
Net cash used in investing activities	(323,165)	(492,133)
Net increase in cash	10,694	26,303
Cash – beginning of year	279,038	252,735
Cash – end of year	\$ 289,732	279,038
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 786,871	806,561
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	201,001	173,901
Changes in assets and liabilities:		
Receivables	21,920	(15,230)
Inventory	(1,781)	3,439
Other assets	316	(1,648)
Accounts payable and accrued expenses	2,386	(327)
Unearned revenue	(1,404)	10,529
Other liabilities	10,166	(6,399)
Other postemployment benefit liability	37,059	37,631
Pollution remediation liability	(1,232)	(2,308)
Net cash provided by operating activities	\$ 1,055,302	1,006,149

See accompanying notes to basic financial statements.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

(1) Organization

The New Jersey Turnpike Authority (the Authority) is a body corporate and politic created by the New Jersey Turnpike Authority Act of 1948, as amended, restated and supplemented (the Act). The Act authorizes the Authority to construct, maintain, repair, and operate the New Jersey Turnpike (the Turnpike System) projects at locations established by law, to fix and establish tolls for the use of the Turnpike System, and to issue Turnpike revenue bonds or notes of the Authority, subject to prior approval in writing from the Governor and from either or both the State Treasurer and the Director of the Division of Budget and Accounting of the Department of the Treasury, payable solely from tolls and other revenues of the Authority. Under the provisions of the Act, the Turnpike bonds or notes and the interest thereon shall not be deemed to constitute a debt or liability or a pledge of the faith and credit of the State or any political subdivision thereof.

On May 27, 2003, the Act was amended. The amendment empowered the Turnpike Authority, effective at the Transfer Date, which was July 9, 2003, to assume all powers, rights, obligations and duties of the New Jersey Highway Authority (the Highway Authority), which owned and operated the Garden State Parkway and the PNC Bank Arts Center.

The Authority has no stockholders or equity holders and all bond proceeds, revenues or other cash received must be applied for specific purposes in accordance with the provisions of the above Act and the Turnpike Revenue Bond Resolution of 1991 as amended, restated and supplemented (the Bond Resolution) for security of the bondholders. The Authority's board of commissioners is comprised of eight members, five appointed by the Governor with the advice and consent of the Senate, and two members appointed by the Governor, one upon the recommendation of the President of the Senate and one upon the recommendation of the Speaker of the General Assembly. The Commissioner of the New Jersey Department of Transportation serves ex officio. As of December 31, 2014, all commission seats were filled, with one seat vacant as of December 31, 2013.

The Act provides that the Governor shall have the right to veto any action of the Authority, and that the prior written approval of the Governor and either the State Treasurer or the Director of the Division of Budget and Accounting in the Department of the Treasury shall be obtained prior to adoption of any bond resolution or revision of tolls.

(2) Summary of Significant Accounting Policies

(a) Reporting Entity

The Governmental Accounting Standards Board (GASB) establishes the criteria used in determining which organizations should be included in these financial statements. The GASB's Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, requires the inclusion of government organizations for which the Authority is financially accountable. Financial accountability is defined as: 1) appointment of a voting majority of the component unit's board and either (a) the ability to impose will by the primary government or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or 2) fiscal dependency on the primary government.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

The Garden State Arts Foundation, Inc. (the Foundation) (see note 14) is included in the financial statements presented in accordance with accounting principles generally accepted in the United States of America as a blended component unit. Although legally separate from the Authority, the Foundation's members include the Commissioners of the Authority, who represent a voting majority of the Foundation's members.

Additionally, the Authority is a component unit of the State of New Jersey, and its financial statements are included in the State of New Jersey's Comprehensive Annual Financial Report.

(b) Basis of Accounting

The Authority's activities are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net position, revenues and expenses are accounted for as an enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

The Authority follows the pronouncements of the GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which requires the Authority to follow the pronouncements of the GASB in its accounting and financial reporting. GASB Statement No. 62 superseded previous guidance contained in GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Funds Accounting*.

(c) Capital Assets

Capitalization Policy

The cost to construct, acquire or replace an existing asset (or otherwise prolong the useful life of an existing asset) is capitalized under the Authority's capitalization policy. The capitalization threshold is \$50 and includes equipment valued over \$50 or any purchase related to a capital project whose project value exceeds \$50.

Capital assets are reported at cost, including all ancillary charges necessary to place the assets in their intended location and condition for use. If land is purchased, the capitalized amount includes the purchase price plus costs such as legal fees, filling, and excavation costs incurred to put the land in condition for its intended use. The capitalized amounts for building include both acquisition and capital improvement costs and net construction period interest.

An asset is deemed substantially complete when the structure or project is ready for the purpose for which it was constructed.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

Depreciation Policy

Capital assets are depreciated using straight-line method over their estimated useful lives as follows:

Road bed	100 years
Road surface	5–10 years
Major bridge repairs	20 years
Bridges:	
Bridges piers and abutments	75 years
Bridges deck	40 years
Bridge spans	40 years
Buildings and sound barriers	35 years
Equipment	3–15 years

(d) Investments

Investments are reported at fair value based on quoted market prices, except for time deposits and certificates of deposit, which are reported at cost plus accrued interest. All investment income, including changes in the fair value of investments, is reported as nonoperating revenue.

Authorized Investments – Investment Policy

The investment policies of the Authority are established in conformity with the Investment Policy adopted by the Board of Commissioners on September 24, 2013, which defines investment securities to mean any of the following securities legal for investment of the Authority’s funds at the time of the purchase thereof:

- (i) Federal securities, which are (a) any direct and general obligations of, or any obligations guaranteed by, the United States of America, including but not limited to interest obligations of the Resolution Funding Corporation or any successor thereto, (b) any obligations of any state or political subdivision of a state (collectively Municipal Bonds) which Municipal Bonds are fully secured as to principal and interest by an irrevocable pledge of moneys or direct and general obligations of, or obligations guaranteed by, the United States of America, which moneys or obligations are segregated in trust and pledged for the benefit of the holders of the Municipal Bonds, and (c) certificates of ownership of the principal or interest of direct and general obligations of, or obligations guaranteed by, the United States of America, which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System;
- (ii) Bonds, debentures, notes or other evidences of indebtedness issued by any agency or instrumentality of the United States to the extent such obligations are guaranteed by the United States or by another such agency the obligations (including guarantees) of which are guaranteed by the United States;
- (iii) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Government National Mortgage Association, Federal Land Banks, Federal Agency

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

Notes, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, United States Postal Service, Farmers Home Administration, Export-Import Bank, Federal Financing Bank and Student Loan Marketing Association;

- (iv) Negotiable or nonnegotiable certificates of deposit issued by any bank, trust company or national banking association, which certificates of deposit shall be continuously secured or collateralized by obligations described in subparagraphs (i) or (ii) of this definition, which shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit;
- (v) Uncollateralized negotiable or nonnegotiable certificates of deposit issued by any bank, trust company or national banking association, the unsecured obligations of which are rated in one of the two highest rating categories, without regard to rating sub-categories, by Moody's and Standard & Poor's (S&P);
- (vi) Repurchase agreements collateralized by obligations described in subparagraphs (i), (ii) or (iii) of this definition with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction, which has an uninsured, unsecured and unguaranteed obligation rated Prime-1 or A3 or better by Moody's and A-1 or A or better by S&P, or any commercial bank with the above ratings, provided:
 - (a) master repurchase agreement or specific written repurchase agreement governs the transaction, which characterizes the transaction as a purchase and sale of securities,
 - (b) the securities are held free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (i) a Federal Reserve Bank, (ii) a bank which is a member of the FDIC and which has combined capital, surplus, and undivided profits of not less than \$75,000, or (iii) a bank approved in writing for such purpose by each Credit Issuer, if any, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee,
 - (c) a perfected first security interest under the Uniform Commerce Code, or book entry procedures prescribed at 31 CFR 306.1 et seq. or 31 CFR 350.0 et seq. or a successor provision in such securities is created for the benefit of the Trustee,
 - (d) the repurchase agreement has a term of six months or less, or the Authority will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation,
 - (e) the repurchase agreement matures on or before a debt service payment date (or other appropriate liquidation period), and
 - (f) the fair market value of the securities in relation to the amount of the repurchase obligation is equal to at least 100%.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

- (vii) Banker's acceptances, Eurodollar deposits and certificates of deposit (in addition to the certificates of deposit provided for by subparagraphs (iv) and (v) above) of the domestic branches of foreign banks having a capital and surplus of \$1,000,000 or more, or any bank or trust company organized under the laws of the United States of America or Canada, or any state or province thereof, having capital and surplus, in the amount of \$1,000,000; provided that the aggregate maturity value of all such bankers acceptances and certificates of deposit held at any time as investments of funds under this Resolution with respect to any particular bank, trust company, or national association shall not exceed 5% of its capital and surplus; and provided further that any such bank, trust company, or national association shall be rated in one of the two highest rating categories, without regard to rating sub-categories, by both Moody's and S&P;
- (viii) Other obligations of the United States of America or any agency thereof which may then be purchased with funds belonging to the State of New Jersey or which are legal investments for savings banks in the State of New Jersey;
- (ix) Deposits in the New Jersey Cash Management Fund;
- (x) Obligations of any state, commonwealth or possession of the United States or a political subdivision thereof or any agency or instrumentality of such a state, commonwealth, possession or political subdivision, provided that at the time of their purchase such obligations are rated in either of the two highest rating categories by both Moody's and S&P; and
- (xi) Commercial paper with a maturity date not in excess of 270 days rated A-1+ by S&P and P-1 by Moody's at the time of such investment, issued by an entity incorporated under the laws of the United States or any state thereof.

(e) *Accounts Receivable*

Accounts receivable consist of various tolls, charges and amounts due from individuals, commercial companies and other agencies and concession revenues receivable from operators of food and fuel concessions at the service plazas. Toll accounts receivable from E-ZPass postpaid customers are guaranteed by a surety bond. Reserves for uncollectible accounts receivable are established based on specific identification and historical experience.

(f) *Inventories*

Inventories are reported at average cost basis.

(g) *Deposits*

Deposits consist mainly of collateral deposits for owner controlled insurance policies relating to the Authority's worker's compensation program.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

(h) Net Capitalized Interest

Net interest cost on funds borrowed to finance the construction or acquisition of certain capital assets, during the period of construction or acquisition, are capitalized and depreciated over the life of the related assets placed in service. The Authority capitalized net interest expense of \$306,629 and \$273,204 during the years ended December 31, 2014 and 2013, respectively.

(i) Bonds Payable

Bonds payable consist of the total amount of outstanding bonds plus unamortized premiums and less unamortized discounts.

(j) Compensated Absences

The Authority accrues employees' unused sick leave and vacation time to be used at a later date or paid in cash upon termination or retirement from the Authority. The liability for sick leave is based on application dates and limits vary based upon the employee's specific contract and effective dates. The liability for unused vacation is calculated based on years of service, and the terms of the relevant labor agreement. The liability for both amounts is calculated based on the pay and salary rates in effect at the statement of net position date.

(k) Funds Held in Trust

Included in the December 31, 2014 and 2013 statements of net position is approximately \$36,250 and \$40,400, respectively, for amounts retained from contractors and engineers and \$176,400 and \$176,800, respectively, received primarily from New Jersey E-ZPass Customer Service Center customers for E-ZPass tag deposits and account prepayments.

(l) Unearned Revenue

The New Jersey Turnpike Authority recognizes revenue when earned. Amounts received in advance of the periods in which related services are rendered are recorded as a liability, which consists of pre-funding from the Pennsylvania Turnpike Commission for cost sharing construction work and prepayment of rent by customers for the use of the Authority's fiber optic lines and communication towers.

(m) Net Position

Net position is displayed in three components as follows:

Net investment in capital assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted under trust agreements – This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, and then unrestricted resources when they are needed.

Unrestricted – This consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

(n) Toll Revenue

Revenues from tolls are recognized in the period earned except for tolls collected through the violation enforcement process which are recognized when received. Pursuant to the provisions of the Bond Resolution, the Authority has covenanted to charge and collect such tolls as are required in order that in each calendar year net revenue shall at least equal the net revenue requirement under the aforementioned resolution. The Act authorizes the Authority to set tolls subject to prior approval in writing from the Governor and from either or both the State Treasurer and the Director of Budget and Accounting of the Department of the Treasury. The Act further provides that the powers conferred upon the Governor and the Treasurer of the State described shall be exercised with due regard for the rights of the holders of bonds of the Authority at any time outstanding, and nothing in, or done pursuant to, the Act shall in any way limit, restrict or alter the obligation or powers of the Authority or officer of the Authority to carry out and perform in every detail each and every covenant, agreement or contract at any time made or entered into by or on behalf of the Authority with respect to its bonds or for the benefit, protection or security of the holders thereof.

E-ZPass Fees

E-ZPass fees consist of the Authority's share of fees and charges generated from the operation of the New Jersey E-ZPass Customer Service Center. This Customer Service Center is currently operated on behalf of the New Jersey Turnpike Authority, South Jersey Transportation Authority, Delaware River Port Authority, Delaware River Bay Authority, the Burlington County Bridge Commission and the Delaware River Joint Toll Bridge Commission by Xerox State and Local Solutions, Inc. The fees and charges consist primarily of the monthly membership fee charged to New Jersey E-ZPass account holders and the administrative fee collected from toll evaders. In addition, other fees are charged to E-ZPass account holders for such items as monthly statement delivery, transponders sales, lost and stolen transponders and returned checks. Revenue is also generated from leasing of the Authority's fiber optic network, allowing certain parking lots to accept E-ZPass as payment and interest on prepaid and deposit account balances. For financial reporting purposes, fees and charges are recognized when earned for all but administrative fees which are recognized when received from the patrons.

(o) Classification of Revenues over Expenses

The Authority has classified its revenues and expenses as either operating or nonoperating.

Operating revenues include activities that have the characteristics of exchange transactions including tolls, E-ZPass fees, rental fees received from concessionaires, and miscellaneous operating revenues. Non-operating revenue includes activities that have the characteristics of nonexchange transactions, such as the Build America Bonds subsidy and investment income.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

Operating expenses include the costs of operating and maintaining the toll roads, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition, including interest expense, are reported as nonoperating expenses.

(p) Income Taxes

The Authority is exempt from federal income taxes under the Internal Revenue Code Section 115 and from state income taxes under N.J.S.A. 27:25-16. Accordingly, no provision is recorded for federal and state income taxes.

(q) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(r) Reclassification

Certain prior year amounts have been reclassified to conform with the current year's presentation.

(3) Cash and Investments

The New Jersey Turnpike Authority is authorized to engage in investment activity pursuant to the Act, and the Bond Resolution. Specific investment policies and practices are set forth in certain sections of the Authority's Investment Policy adopted on September 24, 2013. These guidelines are adhered to by the Authority's Finance Department when making day-to-day investment decisions. The Authority principally invests in securities of United States agencies, highly rated commercial paper, demand accounts, certificates of deposit, and repurchase agreements. According to management, the Authority is not in violation of any provisions of its Investment Policy.

(a) Cash

The total cash carrying amount as of December 31, 2014 and 2013 is \$289,732 and \$279,038, respectively. The actual amount of cash on deposit in all bank accounts as of December 31, 2014 and 2013 was \$282,092 and \$265,630, respectively. Authority accounts had a book balance as of December 31, 2014 and 2013 of \$288,833 and \$278,073, respectively, actual cash on deposit of \$281,165 and \$264,657, respectively, and are collateralized by pledged securities totaling \$413,335 and \$340,477, respectively, held in the Authority's name by the Authority's financial institutions or its agents. The Foundation's cash balance as of December 31, 2014 and 2013 includes a book balance of \$899 and \$965, respectively. The actual amount of cash on deposit in the Foundation's bank accounts as of December 31, 2014 and 2013 was \$927 and \$973, respectively, of which \$500 was insured by the Federal Deposit Insurance Corporation (FDIC) in both years and \$427 and \$473, respectively, which was not insured or collateralized.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

(b) Investments

All securities, other than securities held by the respective trustees for the benefit of the bondholders, are held by the Authority. All investment transactions are recorded on a transaction date basis. As of December 31, 2014 and 2013, the Authority had the following investments:

		December 31, 2014		
Investment type	Fair value	Investment maturities		
		Less than 1 year	1–5 years	Over 5 years
Investments:				
Commercial paper	\$ 487,305	487,305	—	—
Repurchase agreements	7,000	7,000	—	—
U.S. Treasury Bill	4,750	4,750	—	—
Federal agency notes	3,614	3,614	—	—
Total investments	<u>502,669</u>	<u>502,669</u>	<u>—</u>	<u>—</u>
Restricted investments held by trustee:				
Certificates of deposit	310,626	—	310,626	—
Commercial paper	139,130	139,130	—	—
U.S. Treasury bills	73,500	73,500	—	—
Federal agency notes	460,918	357,319	—	103,599
Total restricted investments held by trustee	<u>984,174</u>	<u>569,949</u>	<u>310,626</u>	<u>103,599</u>
Restricted investments held by Authority:				
Certificates of deposit	\$ 275,904	250,842	25,062	—
Commercial paper	303,779	303,779	—	—
U.S. Treasury bills	93	93	—	—
Municipal bonds	70,417	55,771	14,646	—
Federal agency notes	196,624	146,651	49,973	—
Total restricted investments held by Authority	<u>846,817</u>	<u>757,136</u>	<u>89,681</u>	<u>—</u>

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

December 31, 2014				
Investment type	Fair value	Investment maturities		
		Less than 1 year	1–5 years	Over 5 years
Restricted investments:				
Derivative instruments	\$ (96,895)	—	—	(96,895)
Total investments	\$ 2,236,765	1,829,754	400,307	6,704

Note: Table includes \$5,609 of accrued interest, and \$1,231 of unamortized premium and discount on investments for the year ended December 31, 2014. Federal agency notes include \$1,553 in unrealized loss and Municipal bonds include \$377 in unrealized gains for year ended December 31, 2014.

December 31, 2013				
Investment type	Fair value	Investment maturities		
		Less than 1 year	1–5 years	Over 5 years
Investments:				
Commercial paper	\$ 392,243	392,243	—	—
Repurchase agreements	11,750	11,750	—	—
Federal agency notes	47,651	47,651	—	—
Total investments	451,644	451,644	—	—
Restricted investments held by trustee:				
Certificates of deposit	409,766	—	409,766	—
Commercial paper	21,135	21,135	—	—
U.S. Treasury bills	9,366	9,366	—	—
Federal agency notes	453,383	350,819	102,564	—
Total restricted investments held by trustee	893,650	381,320	512,330	—

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

December 31, 2013				
Investment type	Fair value	Investment maturities		
		Less than 1 year	1–5 years	Over 5 years
Restricted investments held by Authority:				
Certificates of deposit	\$ 326,233	276,007	50,226	—
Commercial paper	179,313	179,313	—	—
Federal agency notes	122,042	—	122,042	—
Total restricted investments held by Authority	627,588	455,320	172,268	—
Restricted investments:				
Derivative instruments	(64,717)	—	—	(64,717)
Total investments	\$ 1,908,165	1,288,284	684,598	(64,717)

Note: Table includes \$5,972 of accrued interest, and \$3 of unamortized premium and discount on investments for the year ended December 31, 2013. Federal agency notes include \$2,529 in unrealized gains for the year ended December 31, 2013.

- (1) Included in investments above at December 31, 2013 is \$42,320 the Authority has designated as reserved for national toll interoperability requirements under Federal Law P.L. 112-131, the Moving Ahead for Progress in the 21st Century Act (Map-21) (\$10,500), reconstruction of the Grover Cleveland Service Area (\$4,320), widening of New Jersey Turnpike Interchanges 6-9 (\$20,000) and emergency maintenance work (\$7,500). In addition, in 2014 an additional investment of \$4,439 was designated as reserved for the reconstruction of the Grover Cleveland Service Area.

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's Investment Policy sets maximum maturity limits for investments and requires that investment maturities are matched to the Authority's liquidity needs.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

Credit risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment guidelines and policies are designed to protect principal by limiting credit risk. This is accomplished through ratings, and collateral requirements that vary according to the type of investment as defined in the Authority's Investment Policy. The New Jersey Cash Management Fund is a common trust fund administered by the State of New Jersey Department of the Treasury, Division of Investment and is an unrated investment authorized by the Authority's Investment Policy. As of December 31, 2014 and 2013, the Authority's investment quality ratings as rated by Standard & Poor's and Moody's were as follows:

December 31, 2014							
Standard and Poor's/Moody's ratings							
	A1/P-1	A-1+/P-1	AAA/Aaa	AA+/AAA	MIG1	**A-1	Totals
Commercial paper	\$ 810,116	120,098	—	—	—	—	930,214
Repurchase agreements	7,000	—	—	—	—	—	7,000
Federal agency notes	—	508,719	—	105,121	—	50,005	663,845
U.S. Treasury bills	—	77,207	—	—	—	—	77,207
Municipal bonds	—	—	14,269	4,545	51,226	—	70,040
	<u>\$ 817,116</u>	<u>706,024</u>	<u>14,269</u>	<u>109,666</u>	<u>51,226</u>	<u>50,005</u>	<u>1,748,306</u>

** Rated by Egan-Jones Rating company

December 31, 2013						
Standard and Poor's/Moody's ratings						
	A1/P-1	A-1+/P-1	**A2/P-1	AA+/AAA	Totals	
Commercial paper	\$ 503,073	85,119	4,500	—	592,692	
Repurchase agreements	11,750	—	—	—	11,750	
Federal agency notes	—	398,470	—	227,134	625,604	
U.S. Treasury bills	—	9,366	—	—	9,366	
	<u>\$ 514,823</u>	<u>492,955</u>	<u>4,500</u>	<u>227,134</u>	<u>1,239,412</u>	

** The issuer Motiva was downgraded from A1/P-1 to A2/P-1 on December 19, 2013. The investment matured on January 6, 2014

Custodial credit risk: For investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments that are in the possession of the outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty's trust department or agent but not in the name of the Authority.

The Authority manages custodial credit risk by limiting its investments to highly rated institutions, having its investments registered in its name, and requiring high quality collateral be held by the counterparty in the name of the Authority for certain investment securities. As of December 31, 2014 and 2013, the Authority was not exposed to custodial credit risk on its investment securities.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

All moneys held under the Bond Resolution, except amounts held by the Trustee or amounts which constitute investment securities, shall be continuously and fully secured by pledging, as collateral security, direct obligations of or obligations guaranteed by the United States of America having a fair value not less than the amount of such moneys.

Concentration of credit risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer that exceeds 5% or more of its total investments. Concentration limits are established in the Authority's Investment Policy as follows: (1) there are no limitations on investments carrying the full faith and credit of the United States Government, including repurchase agreements collateralized by such investments; (2) investments in any single Federal Agency not carrying the full faith and credit of the United States Government are limited to 40% of the portfolio; (3) investments in Certificates of Deposit are limited to 30% of the portfolio; (4) investments made in Commercial Paper are limited to 30% of the total portfolio; and (5) investments in Municipal Securities are limited to 30% of the total portfolio. Investments in any one single issuer (excluding U.S. Treasury and Federal Agency securities) are limited to 5% of the portfolio. The Investment Policy authorizes management to deviate from the policy if in the general best interests of the Authority. At December 31, 2014 the Authority exceeded its concentration limits for a single issuer with U.S. Bank and Bank of Tokyo due to a scarcity of highly rated investments available in current market conditions. At December 31, 2013 the Authority exceeded its concentration limits for a single issuer with U.S. Bank, Abbey National North America, and Bank of Tokyo due to a scarcity of highly rated investments available in current market conditions. More than 5% of the Authority's investments are concentrated in the following issuers as of December 31, 2014 and 2013, respectively:

Issuer	December 31	
	2014	2013
U.S. Bank	9.3%	24.3%
Federal National Mortgage Association	8.1%	6.9%
Federal Home Loan Mortgage Corp	5.6%	N/A
Abbey National North America	N/A	14.8%
Federal Home Loan Bank	13.8%	23.3%
Bank of Tokyo	5.9%	5.5%

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

(4) Capital Assets

A summary of changes in the capital assets as of December 31, 2014 and 2013 is as follows:

Classification	December 31, 2013	Additions	Retirements/ transfers	December 31, 2014
Nondepreciable capital assets:				
Land	\$ 775,569	26,507	(4,763)	797,313
Construction-in-progress	3,839,776	1,145,650	(3,402,629)	1,582,797
Total nondepreciable capital assets	<u>4,615,345</u>	<u>1,172,157</u>	<u>(3,407,392)</u>	<u>2,380,110</u>
Depreciable capital assets:				
Road bed	2,661,166	433,959	—	3,095,125
Road surface	791,784	552,499	—	1,344,283
Bridges	2,255,389	1,995,688	—	4,251,077
Buildings and sound barriers	526,898	80,012	—	606,910
Equipment	865,336	338,297	—	1,203,633
Total depreciable capital assets	<u>7,100,573</u>	<u>3,400,455</u>	<u>—</u>	<u>10,501,028</u>
Total capital assets	<u>11,715,918</u>	<u>4,572,612</u>	<u>(3,407,392)</u>	<u>12,881,138</u>
Less accumulated depreciation:				
Road bed	(665,492)	(26,799)	—	(692,291)
Road surface	(440,246)	(51,074)	—	(491,320)
Bridges	(919,426)	(52,163)	—	(971,589)
Buildings and sound barriers	(274,298)	(13,849)	—	(288,147)
Equipment	(347,322)	(57,116)	—	(404,438)
Total accumulated depreciation	<u>(2,646,784)</u>	<u>(201,001)</u>	<u>—</u>	<u>(2,847,785)</u>
Capital assets, net	<u>\$ 9,069,134</u>	<u>4,371,611</u>	<u>(3,407,392)</u>	<u>10,033,353</u>

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

<u>Classification</u>	<u>December 31, 2012</u>	<u>Additions</u>	<u>Retirements/ transfers</u>	<u>December 31, 2013</u>
Nondepreciable capital assets:				
Land	\$ 758,866	16,703	—	775,569
Construction-in-progress	<u>2,857,781</u>	<u>1,371,068</u>	<u>(389,073)</u>	<u>3,839,776</u>
Total nondepreciable capital assets	<u>3,616,647</u>	<u>1,387,771</u>	<u>(389,073)</u>	<u>4,615,345</u>
Depreciable capital assets:				
Road bed	2,574,555	86,611	—	2,661,166
Road surface	690,242	101,542	—	791,784
Bridges	2,133,678	121,711	—	2,255,389
Buildings and sound barriers	519,573	7,325	—	526,898
Equipment	<u>793,451</u>	<u>71,885</u>	<u>—</u>	<u>865,336</u>
Total depreciable capital assets	<u>6,711,499</u>	<u>389,074</u>	<u>—</u>	<u>7,100,573</u>
Total capital assets	<u>10,328,146</u>	<u>1,776,845</u>	<u>(389,073)</u>	<u>11,715,918</u>
Less accumulated depreciation:				
Road bed	(639,724)	(25,768)	—	(665,492)
Road surface	(401,143)	(39,103)	—	(440,246)
Bridges	(872,523)	(46,903)	—	(919,426)
Buildings and sound barriers	(260,424)	(13,874)	—	(274,298)
Equipment	<u>(299,068)</u>	<u>(48,254)</u>	<u>—</u>	<u>(347,322)</u>
Total accumulated depreciation	<u>(2,472,882)</u>	<u>(173,902)</u>	<u>—</u>	<u>(2,646,784)</u>
Capital assets, net	<u>\$ 7,855,264</u>	<u>1,602,943</u>	<u>(389,073)</u>	<u>9,069,134</u>

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

(5) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following as of December 31, 2014 and 2013:

	December 31	
	2014	2013
Vendors	\$ 31,623	31,771
Vendors – capital related	95,768	99,650
Accrued salaries and benefits	13,921	9,964
Other accrued expenses	1,863	2,772
Total	\$ 143,175	144,157

(6) Bond Indebtedness

As of December 31, 2014 and 2013, bond indebtedness consisted of the following:

	Interest rate	Maturity	December 31	
			2014	2013
Turnpike revenue bonds:				
Series 1991C, subject to mandatory redemption Jan. 1, 2016	6.50%	Jan. 1, 2016	\$ 67,160	67,160
Series 2000B-G, subject to mandatory redemption Jan. 1, 2021 and Jan. 1, 2030 and optional redemption prior to maturity in whole or part at redemption price of 100% plus accrued interest	Variable rate not to exceed 10.00% (0.10% to 0.18% at Dec. 31, 2014); (0.10% to 0.30% at Dec. 31, 2013);	Jan. 1, 2030	400,000	400,000
Series 2003B (Federally Taxable), not subject to redemption	1.15% to 3.14%	Jan. 1, 2004 through Jan. 1, 2016	234,210	382,775
Series 2004B, Capital appreciation bonds, growth and income securities term bond with sinking fund redemption Jan. 1, 2031 through Jan. 1, 2035, subject to optional redemption on/after Jan. 1, 2017 equal to 100% of accreted value plus accrued interest	5.15%	Jan. 1, 2035	164,411	156,260
Series 2004C-2, not subject to redemption	5.50%	Jan. 1, 2025	132,850	132,850
Series 2005A, subject to optional redemption prior to maturity on/after Jan. 1, 2015 at redemption price plus of 100% plus accrued interest	5.00%	Jan. 1, 2019 through Jan. 1, 2025	—	235,530
Not subject to optional redemption prior to maturity	5.25%	Jan. 1, 2026 through Jan. 1, 2030	173,650	173,650

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

	Interest rate	Maturity	December 31	
			2014	2013
Series 2005B (Federally Taxable), not subject to optional redemption prior to maturity	4.81%	Jan. 1, 2019	\$ 32,500	32,500
Series 2005D1-D4, (Federally Taxable Converting to Tax-Exempt) convertible to tax-exempt on Jan. 1, 2009 through Jan. 1, 2013, not subject to optional redemption	5.25%	Jan. 1, 2026	208,735	208,735
Series 2009A, subject to optional redemption prior to maturity on any interest payment date in whole or part with mandatory redemptions between Jan. 1, 2020 and Jan. 1, 2024	Variable 0.04% at Dec. 31, 2014 0.07% at Dec. 31, 2013	Jan. 1, 2024	92,500	92,500
Series 2009B, subject to optional redemption prior to maturity on any interest payment date in whole or part with mandatory redemptions between Jan. 1, 2020 and Jan. 1, 2024	Variable 0.04% at Dec. 31, 2014 0.03% at Dec. 31, 2013	Jan. 1, 2024	50,000	50,000
Series 2009E, subject to optional redemption prior to maturity on/after Jan. 1, 2019 in whole or in part	5.25%	Jan. 1, 2040	300,000	300,000
Series 2009F, Term Bond, Federally Taxable – Issuer Subsidy – Build America Bonds, subject to redemption prior to maturity at make-whole redemption price, subject to mandatory redemption on Jan. 1, 2037 through Jan. 1, 2040	7.41%	Jan. 1, 2040 Jan. 1, 2017 and Jan. 1, 2018	1,375,000	1,375,000
Series 2009G, not subject to redemption prior to maturity	5.00%	Jan. 1, 2017 and Jan. 1, 2018	34,770	34,770
Series 2009H, subject to optional redemption prior to maturity on/after Jan. 1, 2019 in whole or part at redemption price plus 100% accrued interest	5.00% and 4.25%	Jan. 1, 2020 through Jan. 1, 2024 and Jan. 1, 2036	306,170	306,170
Series 2009I, subject to optional redemption prior to maturity on/after Jan. 1, 2020 in whole or part at redemption price plus 100% accrued interest	5.00%	Jan. 1, 2031	32,215	32,215
Subject to optional redemption prior to maturity on/after Jan. 1, 2020 in whole or part at redemption price plus 100% accrued interest, subject to mandatory redemption on Jan. 1, 2032 through Jan. 1, 2035	5.00%	Jan. 1, 2035	145,790	145,790

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

	<u>Interest rate</u>	<u>Maturity</u>	<u>December 31</u>	
			<u>2014</u>	<u>2013</u>
Series 2010A, Federally Taxable – Issuer Subsidy Build America Bonds, subject to optional redemption prior to maturity at make-whole redemption price. Subject to mandatory redemption on Jan. 1, 2035 through Jan. 1, 2041	7.10%	Jan. 1, 2041	\$ 1,850,000	1,850,000
Series 2011A, subject to mandatory tender Dec. 22, 2014 and mandatory redemption Jan. 1, 2022 and Jan. 1, 2023	Variable 0.81% at Dec. 31, 2013	Jan. 1, 2024	—	75,000
Series 2011B, subject to mandatory tender Dec. 22, 2014 and mandatory redemption Jan. 1, 2022 and Jan. 1, 2023	Variable 0.81% at Dec. 31, 2013	Jan. 1, 2024	—	50,000
Series 2012A, subject to optional redemption prior to maturity on/after Jan. 1, 2022 in whole or in part	3.62% to 5.00%	Jan. 1, 2031 through Jan. 1, 2033	80,740	80,740
Subject to mandatory redemption on Jan. 1, 2034 and 2035	5.00%	Jan. 1, 2035	60,515	60,515
Series 2012B, not subject to optional redemption prior to Jan. 1, 2023	5.00%	Jan. 1, 2019 through Jan. 1, 2023	329,250	329,250
Subject to optional maturing on/after Jan. 1, 2024	3.50% to 5.00%	Jan. 1, 2024 through Jan. 1, 2030	475,185	475,185
Series 2012G, subject to mandatory tender Sept 21, 2015, subject to redemption Jan. 1, 2020 to Jan. 1, 2024	Variable 0.72% at Dec 31, 2014 0.71% at Dec 31, 2013	Jan. 1, 2024	43,750	43,750
Series 2013A, not subject to optional redemption prior to Jan. 1, 2023	3.00% to 5.00%	Jan. 1, 2016 through Jan. 1, 2023	78,315	78,315
Maturing on/after Jan. 1, 2024	3.00% to 5.00%	Jan. 1, 2024 through Jan. 1, 2043	1,321,685	1,321,685
Series 2013B, not subject to optional redemption prior to maturity	Variable 0.74% at Dec 31, 2014 0.74% at Dec 31, 2013	Jan. 1, 2018	100,000	100,000
Series 2013C, not subject to optional redemption prior to maturity	Variable 0.52% at Dec 31, 2014 0.54% at Dec 31, 2013 0.59% at Dec 31, 2014 0.61% at Dec 31, 2013	Jan. 1, 2017	129,500	129,500
Series 2013D1-3, subject to optional redemption Jul. 1, 2015 and Mandatory tender Jan. 1, 2016	Variable 0.57% at Dec 31, 2014 0.59% at Dec 31, 2013	Jan. 1, 2022	72,350	72,350
Subject to optional redemption Jul. 1, 2016 and mandatory tender Jan. 1, 2017	Variable 0.66% at Dec 31, 2014 0.68% at Dec 31, 2013	Jan. 1, 2023	75,025	75,025
Subject to optional redemption Jul. 1, 2017 and mandatory tender Jan. 1, 2018	Variable 0.72% at Dec 31, 2014 0.74% at Dec 31, 2013	Jan. 1, 2024	77,625	77,625

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

	Interest rate	Maturity	December 31	
			2014	2013
Series 2013E1-3, subject to optional redemption Jul. 1, 2015 and Mandatory tender Jan. 1, 2016	Variable 0.57% at Dec 31, 2014 0.59% at Dec 31, 2013	Jan. 1, 2022	\$ 48,235	48,235
Subject to optional redemption Jul. 1, 2016 and mandatory tender Jan. 1, 2017	Variable 0.66% at Dec 31, 2014 0.68% at Dec 31, 2013	Jan. 1, 2023	50,015	50,015
Subject to optional redemption	Variable 0.72% at Dec 31, 2014	Jan. 1, 2024	51,750	51,750
Series 2013F, subject to optional redemption prior to maturity on/after Jan. 1, 2023 in whole or part	0.74% at Dec 31, 2013 3.00% to 5.00%	Jan. 1, 2026 through Jan. 1, 2035	90,880	90,880
Series 2013G, not subject to optional redemption prior to maturity	Variable 0.72% at Dec 31, 2014	Jan. 1, 2024	43,750	43,750
Series 2014A, subject to optional redemption prior to maturity on/after July. 1, 2024 in whole or part	0.71% at Dec 31, 2013 4.00% to 5.00%	Jan. 1, 2027 through Jan. 1, 2035	1,000,000	—
Series 2014B-1, subject to optional redemption Jul. 1, 2015 and mandatory tender Jan. 1, 2016 mandatory redemption 2022, 2023, 2024	Variable 0.37% at Dec 31, 2014	Jan. 1, 2024	25,000	—
Series 2014B-2, subject to optional redemption Jul. 1, 2016 and mandatory tender Jan. 1, 2017 mandatory redemption 2022, 2023, 2024	Variable 0.52% at Dec 31, 2014	Jan. 1, 2024	50,000	—
Series 2014B-3, subject to optional redemption Jul. 1, 2017 and mandatory tender Jan. 1, 2018 mandatory redemption 2022, 2023, 2024	Variable 0.67% at Dec 31, 2014	Jan. 1, 2024	50,000	—
Series 2014C, not subject to optional redemption prior to maturity	5.00%	Jan. 1, 2019 through Jan. 1, 2025	201,860	—
			10,196,891	9,370,975
Bond premium-Net			438,676	326,510
Bond discount-Net			(10,596)	(11,478)
			428,080	315,032
			\$ 10,624,971	9,686,007

On May 22, 2014, the Authority issued \$1,000,000 of Series 2014A Turnpike Revenue Bonds. The bonds bear interest at fixed rates from 4.0% to 5.0%, and mature from January 1, 2027 to January 1, 2035. The interest on the Series 2014A Bonds is paid semi-annually. The purpose of the Series 2014A Turnpike Revenue Bonds was to pay the costs of construction of various projects which are part of the Authority's \$7 billion capital improvement program for the Turnpike system.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

In accordance with its refunding plan, on August 4, 2014, the Authority issued Floating Rate Bonds in the amount of \$125,000 comprised of Series 2014B Turnpike Revenue Bonds. The Series 2014B Floating Rate Bonds bear interest at 67% of LIBOR Rate, plus or minus a certain spread for each Series. The interest on the Series 2014B Floating Rate Bonds is paid monthly. The 2014B Floating Rate Bonds mature on January 1, 2024. The Authority issued the 2014B Floating Rate Bonds and used the proceeds to fully refund the Series 2011A and Series 2011B Bonds, prior to their mandatory tender date of December 22, 2014.

On October 7, 2014 the Authority issued \$201,860 of Series 2014C Turnpike Revenue Bonds. The bonds bear interest at fixed a rate of 5.0% and mature from January 1, 2019 to January 1, 2025. The interest on the Series 2014C Bonds is paid semi-annually. The Authority issued the Series 2014C Turnpike Revenue Bonds and used the proceeds for the refunding and defeasance of a portion of the Series 2005A Bonds.

The total savings on the Series 2014C bonds was approximately \$38,473 when compared to the future interest costs on the refunded bonds. The refunding resulted in a loss on defeasance of \$4,935 in 2014, which is being amortized over the life of the new bonds.

(a) Bond Insurance

For the Series 2000B-G, Series 2003B-C, Series 2004B-C and Series 2005A-D Bonds, principal and interest payments are insured on the stated maturity and interest payment dates through municipal bond insurance which totaled \$1,150,375 and \$1,746,050 as of December 31, 2014 and 2013, respectively.

In order to meet the Debt Reserve Requirement under the Bond Resolution, the Authority must deposit cash and investments in the Debt Reserve Fund. In lieu of cash and investments, the Authority may maintain a surety bond or insurance policy payable to the Trustee. The Debt Reserve Requirement of \$561,104 as of December 31, 2014, was met through investments in the Debt Reserve Fund with a fair market value of \$565,212. The Debt Reserve Requirement of \$520,545 as of December 31, 2013, was met through investments in the Debt Reserve Fund with a fair market value of \$512,330, and insurance policies payable to the Trustee with a payment limit of \$348,903. Although the insurance policies are still in effect at December 31, 2014, according to the terms of the insurance policies, cash and investments in the Debt Reserve Fund must be drawn upon first to satisfy any payments required from the Debt Reserve Fund. As of December 31, 2014 and December 31, 2013 the fair market value of the cash and investments in the Debt Reserve Fund meets the Debt Reserve Requirement in its entirety.

(b) Interest Payments – Fixed Rate Debt

Interest payments on all fixed rate debt are payable semi-annually on July 1 and January 1 except for Capital Appreciation Bonds.

(c) Interest Payments – Capital Appreciation Bonds

Interest on Capital Appreciation Bonds is not paid as current interest, but rather added to the face value of the bond and paid at maturity

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

The Series 2004B bonds, which are capital appreciation bonds, were originally issued in the amount of \$101,280 and are reported at their accreted value of \$164,411 and \$156,260 as of December 31, 2014 and 2013, respectively. The Series 2004B bonds are subject to mandatory redemption on January 1, 2031 through January 1, 2035 at 100% of the principal amount plus accrued interest.

(d) Interest Payments – Variable Rate Debt

Interest rates on variable rate debt, except for the Auction Rate Securities (see below) are reset weekly. Interest is paid monthly.

(e) Auction Rate Bond Interest

The Series 2000B-G bonds were issued as auction rate bonds with interest rates not to exceed 10%. The auction date for the Series 2000B-G bonds generally occurs every seven or thirty-five days. Interest on the auction rate bonds accrues for each auction interest period and is payable in arrears on each succeeding interest payment date. An interest auction period begins on, and includes, an interest payment date and ends on (but excludes) the next succeeding interest payment date. The final interest payment date on the Series 2000B-G bonds is January 1, 2030.

(f) Build America Bonds

The Series 2009F bonds are designated as Federally Taxable, Issuer Subsidy Build America Bonds for purposes of the American Recovery and Reinvestment Act of 2009. The Authority receives a cash subsidy from the United States Treasury originally equal to 35% of the interest payable on the bonds. The Budget Control Act of 2011 reduced the amount of the subsidy paid by the Federal Government through automatic federal spending cuts commonly known as sequestration. The payment to the Authority received for the July 1, 2014 interest payment was reduced by 7.2%, and the payment received in December 2014 (for January 1, 2015 interest payment) was reduced by 7.3%. The Internal Revenue Service has reported that the Authority's payment due on July 1, 2015 will also have a 7.3% reduction. There can be no certainty the Federal Government will not make further cuts to the program. These cash payments constitute pledged revenues under the Authority's bond resolution. The Series 2009F bonds are subject to redemption prior to maturity at the make-whole redemption price which is equal to the greater of (i) 100% of the principal amount of the bonds to be redeemed plus accrued and unpaid interest and (ii) the sum of the present value of the remaining scheduled payments of principal and interest, discounted to the date on which the bonds are to be redeemed on a semi-annual basis, assuming a 360 day year consisting of twelve 30 day months, at the adjusted Treasury Rate plus 50 basis points, plus accrued and unpaid interest. The bonds are also subject to redemption prior to their maturity at the option of the Authority upon a material adverse change to Section 54AA or 6431 of the Internal Revenue Code of 1986 pursuant to which the Authority's 35% cash subsidy payment is reduced or eliminated. In this case the redemption price is equal to the greater of (i) 100% of principal amount of the bonds to be redeemed plus accrued and unpaid interest and (ii) the sum of the present value of the remaining scheduled payments of principal and interest, discounted to the date on which the bonds are to be redeemed on a semi-annual basis, assuming a 360 day year consisting of twelve 30 day months, at the adjusted Treasury Rate plus 100 basis points,

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

plus accrued and unpaid interest. The Series 2009F bonds are subject to mandatory redemption on January 1, 2037 through January 1, 2040 at 100% of the principal amount plus accrued interest.

The Series 2010A bonds are designated as Federally Taxable, Issuer Subsidy Build America Bonds for purposes of the American Recovery and Reinvestment Act of 2009. The Authority receives a cash subsidy from the United States Treasury originally equal to 35% of the interest payable on the bonds. The Budget Control Act of 2011 reduced the amount of the subsidy paid by the Federal Government through automatic federal spending cuts commonly known as sequestration. The payment to the Authority received for the July 1, 2014 interest payment was reduced by 7.2%, and the payment received in December 2014 (for January 1, 2015 interest payment) was reduced by 7.3%. The Internal Revenue Service has reported that the Authority's payment due on July 1, 2015 will also have a 7.3% reduction. There can be no certainty the Federal Government will not make further cuts to the program. These cash payments constitute Pledged Revenues under the Authority's bond resolution. The Series 2010A bonds are subject to redemption prior to maturity at the make-whole redemption price which is equal to the greater of (i) 100% of the principal amount of the bonds to be redeemed plus accrued and unpaid interest and (ii) the sum of the present value of the remaining scheduled payments of principal and interest, discounted to the date on which the bonds are to be redeemed on a semi-annual basis, assuming a 360 day year consisting of twelve 30 day months, at the adjusted Treasury Rate plus 40 basis points, plus accrued and unpaid interest. The bonds are also subject to redemption prior to their maturity at the option of the Authority upon a material adverse change to Section 54AA or 6431 of the Internal Revenue Code of 1986 pursuant to which the Authority's 35% cash subsidy payment is reduced or eliminated. In this case the redemption price is equal to the greater of (i) 100% of principal amount of the bonds to be redeemed plus accrued and unpaid interest and (ii) the sum of the present value of the remaining scheduled payments of principal and interest, discounted to the date on which the bonds are to be redeemed on a semi-annual basis, assuming a 360 day year consisting of twelve 30 day months, at the adjusted Treasury Rate plus 100 basis points, plus accrued and unpaid interest. The Series 2010A bonds are subject to mandatory redemption on January 1, 2035 through January 1, 2041 at 100% of the principal amount plus accrued interest.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

(g) ***Floating Rate Bonds and SIFMA Index Bonds***

The following table summarizes the terms of the Authority's direct placement of Floating Rate Bonds, SIFMA Index Bonds, and publically offered Floating Rate Bonds as of December 31, 2014:

Series of bonds	Tax exempt or federally taxable	Final maturity date	Par amount	Floating rate	Interest rate reset	Mandatory tender date
2012G	Tax-Exempt	1/1/2024	43,750	75% of 1-month LIBOR + 59 bp	Weekly	9/21/2015
2013B	Tax-Exempt	1/1/2018	100,000	75% of 1-month LIBOR + 59.25 bp	Weekly	1/1/2018 (1)
2013C1	Tax-Exempt	1/1/2017	121,000	SIFMA + 48 bp	Weekly	1/1/2017 (1)
2013C2	Tax-Exempt	1/1/2018	150,000	SIFMA + 55 bp	Weekly	1/1/2018 (1)
2013D1	Tax-Exempt	1/1/2022	72,350	SIFMA + 53 bp	Weekly	1/1/2016
2013D2	Tax-Exempt	1/1/2023	75,025	SIFMA + 62 bp	Weekly	1/1/2017
2013D3	Tax-Exempt	1/1/2024	77,625	SIFMA + 68 bp	Weekly	1/1/2018
2013E1	Tax-Exempt	1/1/2022	48,235	SIFMA + 53 bp	Weekly	1/1/2016
2013E2	Tax-Exempt	1/1/2023	50,015	SIFMA + 62 bp	Weekly	1/1/2017
2013E3	Tax-Exempt	1/1/2024	51,750	SIFMA + 68 bp	Weekly	1/1/2018
2013G	Tax-Exempt	1/1/2024	43,750	75% of 1-month LIBOR + 59 bp	Weekly	9/21/2015
2014B1	Tax-Exempt	1/1/2024	25,000	67% LIBOR + 27 bp	Weekly	1/1/2016
2014B2	Tax-Exempt	1/1/2024	50,000	67% LIBOR + 42 bp	Weekly	1/1/2017
2014B3	Tax-Exempt	1/1/2024	50,000	67% LIBOR + 57 bp	Weekly	1/1/2018

(1) Mandatory tender date is the final maturity date of the bonds.

The Series 2012G, Series 2013B and Series 2013G Bonds are direct placements of Floating Rate Bonds. The Series 2013C1-C2, Series 2013 D1-D3 and Series 2013E1-E3 are publically offered SIFMA Index Bonds and Series 2014B1-B3 are publically offered Floating Rate Bonds. Pursuant to the terms of the Series 2012G, Series 2013B and Series 2013G Bonds, in addition to being subject to mandatory tender for purchase on the Mandatory Tender Date set forth in the chart above, upon the occurrence of certain enumerated extraordinary mandatory purchase events, the respective Series of Bonds may also be subject to mandatory tender for purchase at the option of the applicable bank that is the holder of such Series of Bonds prior to the occurrence of such Mandatory Tender Date. In the event that the Authority cannot pay the purchase price for all or a portion of such Series of Bonds on the Mandatory Tender Date or any such extraordinary mandatory purchase date, (i) 50% of the principal amount of any unpurchased Bonds will be subject to mandatory redemption on the date that is one year after such Mandatory Tender Date or extraordinary mandatory purchase date, at a Redemption Price equal to 100% of the principal amount of such Bonds to be redeemed plus accrued interest to the redemption date, and (ii) the entire remaining aggregate principal amount of such unpurchased Bonds will be subject to mandatory redemption on the date that is two years after such Mandatory Tender Date or extraordinary mandatory purchase date, at a Redemption Price equal to 100% of the principal amount of such Bonds to be redeemed plus accrued interest to the redemption date.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

(h) Security

All bonds outstanding under the Bond Resolution, together with amounts owed under the interest rate swap agreements, are secured on a parity by a pledge of net revenues of the Authority senior in priority to any other Authority obligations secured by such net revenues.

(i) Future Payments of Debt Service

The following table sets forth as of December 31, 2014, payments of principal (through sinking fund installments) and interest to be made to the Debt Service Fund from the Revenue Fund on all outstanding bonds of the Authority for the next five years and thereafter. Interest on variable-rate debt and interest rate swaps in the following table is based upon the variable-rates as of December 31, 2014.

	Principal	Interest	Interest rate swaps, net	Total
December 31:				
2015	\$ 164,205	381,372	68,782	614,359
2016	142,115	448,969	68,487	659,571
2017	197,740	471,220	68,487	737,447
2018	218,475	489,331	57,640	765,446
2019	199,685	488,108	45,689	733,482
2020–2024	1,478,915	2,321,496	178,573	3,978,984
2025–2029	1,730,645	2,080,314	39,626	3,850,585
2030–2034	1,433,420	1,720,666	2,170	3,156,256
2035–2038	2,947,095	1,174,289	—	4,121,384
2040–2043	1,684,596	187,098	—	1,871,694
	<u>\$ 10,196,891</u>	<u>9,762,863</u>	<u>529,454</u>	<u>20,489,208</u>

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

(j) *Interest Expense*

Interest expense was comprised of the following:

	Year ended December 31	
	2014	2013
Turnpike Revenue Bonds, Series 1991C	\$ 4,365	4,365
Turnpike Revenue Bonds, Series 2000B – G	13,340	14,741
Turnpike Revenue Bonds, Series 2003B	9,959	16,276
Turnpike Revenue Bonds, Series 2003C	—	3,060
Turnpike Revenue Bonds, Series 2004B	8,151	7,748
Turnpike Revenue Bonds, Series 2004C	7,307	7,307
Turnpike Revenue Bonds, Series 2005A	18,930	20,893
Turnpike Revenue Bonds, Series 2005B	1,563	1,563
Turnpike Revenue Bonds, Series 2005C	—	1,878
Turnpike Revenue Bonds, Series 2005D	10,959	10,898
Turnpike Revenue Bonds, Series 2009A	2,722	2,728
Turnpike Revenue Bonds, Series 2009B	1,645	1,646
Turnpike Revenue Bonds, Series 2009E	15,750	15,750
Turnpike Revenue Bonds, Series 2009F	101,943	101,943
Turnpike Revenue Bonds, Series 2009G	1,739	1,739
Turnpike Revenue Bonds, Series 2009H	15,193	15,193
Turnpike Revenue Bonds, Series 2009I	8,900	8,900
Turnpike Revenue Bonds, Series 2010A	131,387	131,387
Turnpike Revenue Bonds, Series 2011A	1,679	5,187
Turnpike Revenue Bonds, Series 2011B	1,157	1,984
Turnpike Revenue Bonds, Series 2012A(2)	6,894	6,894
Turnpike Revenue Bonds, Series 2012B(2)	39,772	39,772
Turnpike Revenue Bonds, Series 2012C	—	1,802
Turnpike Revenue Bonds, Series 2012D	—	3,897
Turnpike Revenue Bonds, Series 2012E	—	3,773
Turnpike Revenue Bonds, Series 2012F	—	736
Turnpike Revenue Bonds, Series 2012G	1,745	1,749
Turnpike Revenue Bonds, Series 2013A(1)	67,969	50,410
Turnpike Revenue Bonds, Series 2013B – G(2)	43,638	26,831
Turnpike Revenue Bonds, Series 2014A(1)	29,741	—
Turnpike Revenue Bonds, Series 2014B	1,951	—
Turnpike Revenue Bonds, Series 2014C	2,355	—
	<hr/>	<hr/>
	550,754	511,050
Less amortization of bond premium and discount	(16,330)	(9,353)
Less GASB Statement No. 53 interest expense adjustment (3)	(20,023)	(29,988)

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

	Year ended December 31	
	2014	2013
Less interest expense capitalized to projects	\$ (309,206)	(276,327)
Net interest expense	\$ 205,195	195,382

- (1) Capitalized interest expense paid from bond proceeds
- (2) Includes a portion of capitalized interest expense
- (3) For the Series 2000B-G, 2009A-B, 2011A-B, 2012C-G and 2013E-G Bonds

(k) Defeased Bonds

As of December 31, 2014 and 2013, the Authority has approximately \$692,000 and \$1,100,000, respectively, of bonds outstanding which have been previously defeased in substance and are secured by investments held by various escrow agents. The escrow accounts are invested in obligations of U.S. government agencies and are not controlled by the Authority. The bonds are considered extinguished and accordingly, the assets and obligations are not reflected on the financial statements of the Authority.

(7) Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding as of December 31, 2014 and 2013, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the accompanying financial statements are as follows:

	Changes in fair value for year ended December 31, 2014		Fair value as of December 31, 2014		Notional
	Classification	Amount	Classification	Amount	
Cash flow hedges:					
Pay-fixed, receive-variable interest rate swaps ⁽¹⁾	Deferred outflow	\$ (27,944)	Interest rate swap liabilities	\$ (45,366)	\$ 1,096,000
Investment derivatives:					
Pay-fixed, receive-variable interest rate swaps	Investment loss	\$ 32,178	Restricted investments	\$ (96,895)	\$ 400,000

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

	Changes in fair value for year ended December 31, 2013		Fair value as of December 31, 2013		Notional
	Classification	Amount	Classification	Amount	
Cash flow hedges:					
Pay-fixed, receive-variable interest rate swaps ⁽¹⁾	Deferred outflow	\$ 99,426	Interest rate swap liabilities	\$ (17,423)	\$ 1,096,000
Investment derivatives:					
Pay-fixed, receive-variable interest rate swaps	Investment gain	\$ (51,848)	Restricted investments	\$ (64,717)	\$ 400,000

⁽¹⁾ Includes fair value of at-the-market interest rate swaps from hybrid instruments

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Objective and Terms of Derivative Instruments

The following tables display the objective and terms of the Authority's derivative instruments outstanding as of December 31, 2014 and 2013, along with the credit rating of the associated counterparty (amounts in thousands):

December 31, 2014						
Type	Objective	Notional amount	Effective date	Maturity date	Terms	Counterparty credit rating
Hedging derivative instruments:						
Pay-fixed, receive-variable interest rate swap	Hedge of interest rate risk on the Series 2009A bonds	\$ 87,500	Feb. 12, 2009	Jan. 1, 2024	Pay 3.114%, receive until 1/1/16, lesser of 63% of LIBOR plus 20bp or bond rate; after 1/1/16 63% of LIBOR plus 20bp	Baa2/A-/A
Pay-fixed, receive-variable interest rate swap	Hedge of interest rate risk on the Series 2009B bonds	50,000	Feb. 11, 2009	Jan. 1, 2024	Pay 3.294%, receive until 1/1/16, lesser of 63% of LIBOR plus 20bp or bond rate; after 1/1/16 63% of LIBOR plus 20bp	A2/A/A
Pay-fixed, receive-variable interest rate swap	Hedge of interest rate risk on the Series 2012G bonds	43,750	Feb. 11, 2009	Jan. 1, 2024	Pay 3.3999%, receive from 9/20/2012 to but excluding termination date 75% of 1 month of USD-LIBOR	A2/A/A

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

December 31, 2014						
Type	Objective	Notional amount	Effective date	Maturity date	Terms	Counterparty credit rating
Pay-fixed, receive-variable interest rate swap	Hedge of interest rate risk on the Series 2013B bonds	\$ 100,000	Mar. 14, 2011	Jan. 1, 2018	Pay 5.5728%, receive 75% of 1 month of USD-LIBOR-BBA	A2/A/A
Pay-fixed, receive-variable interest rate swap	Hedge of interest rate risk on the Series 2013C1 bonds	121,000	Mar. 14, 2011	Jan. 1, 2018	Pay 5.6346%, receive USD-SIFMA Municipal Swap Index	A2/A/A
Pay-fixed, receive-variable interest rate swap	Hedge of interest rate risk on the Series 2013C2 bonds	150,000	Mar. 14, 2011	Jan. 1, 2018	Pay 5.6089%, receive USD-SIFMA Municipal Swap Index	A2/A/A
Pay-fixed, receive-variable interest rate swap	Hedge of interest rate risk on the Series 2013D bonds	225,000	May. 21, 2013	Jan. 1, 2024	Pay 3.4486%, receive 73.2% of 1 month of USD-LIBOR-BBA	Aa3/AA-/AA-
Pay-fixed, receive-variable interest rate swap	Hedge of interest rate risk on the Series 2013E bonds	150,000	Aug. 4, 2014	Jan. 1, 2024	Pay 3.4486%, receive until 1/1/15, lesser of 63% of LIBOR plus 20bp or bond rate; after 1/1/15 63% of LIBOR plus 20bp	Baa2/A-/A
Pay-fixed, receive-variable interest rate swap	Hedge of interest rate risk on the Series 2013G bonds	43,750	Feb. 11, 2009	Jan. 1, 2024	Pay 3.4035%, receive 75% of 1 month USD-LIBOR-BBA	A2/A/A
Pay-fixed, receive-variable interest rate swap	Hedge of interest rate risk on the Series 2014B1-2 bonds	75,000	Aug. 4, 2014	Jan. 1, 2024	Pay 3.35%, receive 67% of 1 month USD-LIBOR-BBA	Baa2/A-/A
Pay-fixed, receive-variable interest rate swap	Hedge of interest rate risk on the Series 2014B3 bonds	50,000	Aug. 4, 2014	Jan. 1, 2024	Pay 3.35%, receive 67% of 1 month USD-LIBOR-BBA	A2/A/A
Investment derivative instruments:						
Pay-fixed, receive-variable interest rate swap	Hedge of interest rate risk on the Series 2000 B-G bonds	240,000	Jan. 1, 2007	Jan. 1, 2030	Pay 4.312%, receive 64.459% of 5-year LIBOR	Baa2/A-/A
Pay-fixed, receive-variable interest rate swap	Hedge of interest rate risk on the Series 2000 B-G bonds	160,000	May. 21, 2013	Jan. 1, 2030	Pay 4.312%, receive 64.459% of 5-year LIBOR	Aa3/AA-/AA-

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

December 31, 2013						
Type	Objective	Notional amount	Effective date	Maturity date	Terms	Counterparty credit rating
Hedging derivative instruments:						
Pay-fixed, receive-variable interest rate swap	Hedge of interest rate risk on the Series 2009A bonds	\$ 87,500	Feb. 12, 2009	Jan. 1, 2024	Pay 3.114%, receive until 1/1/16, lesser of 63% of LIBOR plus 20bp or bond rate; after 1/1/16 63% of LIBOR plus 20bp	Baa2/A-/A
Pay-fixed, receive-variable interest rate swap	Hedge of interest rate risk on the Series 2009B bonds	50,000	Feb. 11, 2009	Jan. 1, 2024	Pay 3.294%, receive until 1/1/16, lesser of 63% of LIBOR plus 20bp or bond rate; after 1/1/16 63% of LIBOR plus 20bp	A2/A/A
Pay-fixed, receive-variable interest rate swap	Hedge of interest rate risk on the Series 2011A & Series 2013E bonds	225,000	May. 21, 2013	Jan. 1, 2024	Pay 3.4486%, receive until 1/1/15, lesser of 63% of LIBOR plus 20bp or bond rate; after 1/1/15 63% of LIBOR plus 20bp	Baa2/A-/A
Pay-fixed, receive-variable interest rate swap	Hedge of interest rate risk on the Series 2011B bonds	50,000	Jul. 9 2003	Jan. 1, 2024	Pay 3.4486%, receive until 1/1/15, lesser of 63% of LIBOR plus 20bp or bond rate; after 1/1/15 63% of LIBOR plus 20bp	A2/A/A
Pay-fixed, receive-variable interest rate swap	Hedge of interest rate risk on the Series 2012G bonds	43,750	Feb. 11, 2009	Jan. 1, 2024	Pay 3.3999%, receive from 9/20/2012 to but excluding termination date 75% of 1 month of USD-LIBOR	A2/A/A
Pay-fixed, receive-variable interest rate swap	Hedge of interest rate risk on the Series 2013B bonds	100,000	Mar. 14, 2011	Jan. 1, 2018	Pay 5.5728%, receive 75% of 1 month of USD-LIBOR-BBA	A2/A/A
Pay-fixed, receive-variable interest rate swap	Hedge of interest rate risk on the Series 2013C1 bonds	121,000	Mar. 14, 2011	Jan. 1, 2018	Pay 5.6346%, receive USD-SIFMA Municipal Swap Index	A2/A/A
Pay-fixed, receive-variable interest rate swap	Hedge of interest rate risk on the Series 2013C2 bonds	150,000	Mar. 14, 2011	Jan. 1, 2018	Pay 5.6089%, receive USD-SIFMA Municipal Swap Index	A2/A/A
Pay-fixed, receive-variable interest rate swap	Hedge of interest rate risk on the Series 2013D bonds	225,000	May. 21, 2013	Jan. 1, 2024	Pay 3.4486%, receive 73.2% of 1 month of USD-LIBOR-BBA	Aa3/AA-/AA-

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

December 31, 2013						
Type	Objective	Notional amount	Effective date	Maturity date	Terms	Counterparty credit rating
Pay-fixed, receive-variable interest rate swap	Hedge of interest rate risk on the Series 2013G bonds	\$ 43,750	Feb. 11, 2009	Jan. 1, 2024	Pay 3.4035%, receive 75% of 1 month USD-LIBOR-BBA	A2/A/A
Investment derivative instruments:						
Pay-fixed, receive-variable interest rate swap	Hedge of interest rate risk on the Series 2000 B-G bonds	240,000	Jan. 1, 2007	Jan. 1, 2030	Pay 4.312%, receive 64.459% of 5-year LIBOR	Baa2/A-/A
Pay-fixed, receive-variable interest rate swap	Hedge of interest rate risk on the Series 2000 B-G bonds	160,000	May. 21, 2013	Jan. 1, 2030	Pay 4.312%, receive 64.459% of 5-year LIBOR	Aa3/AA-/AA-

On August 4, 2014, the Authority issued Series 2014B1-3 Bonds in accordance with its refunding plan. At the same time, the Authority also entered into amendments on its existing Interest Rate Swap agreements that were associated with these bonds. The Swap agreement relating to the Series 2011A Bonds with Morgan Stanley was amended and re-identified to the Series 2014B1-2 Bonds. The fixed swap rate was changed to 3.35% and the floating rate to 67% of one-month USD-LIBOR –BBA. The Swap agreement relating to the Series 2011B Bonds with Citibank was amended and re-identified to the Series 2014B3 Bonds. The fixed swap rate was changed to 3.35% and the floating rate to 67% of one-month USD-LIBOR –BBA.

(a) Risks

Credit risk: The Authority is exposed to credit risk on derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the Authority's policy to require counterparty collateral posting provisions in its derivative instruments. These terms require full collateralization of the fair value of derivative instruments in asset positions (net of the effect of applicable netting arrangements) should the counterparty's credit rating fall below BBB-as issued by Standard & Poor's or Baa3 as issued by Moody's Investors Service. Collateral posted is to be in the form of U.S. Treasury securities held by a third-party custodian. All of the Authority's derivative investments provide for the netting of the value of asset and liability positions with the same counterparty upon termination. There were no derivative instruments in asset positions as of December 31, 2014 and 2013, respectively.

Basis risk: The Authority is exposed to basis risk on its pay-fixed, receive-variable interest rate swaps that hedge its Series 2000B-G, 2009A-B, 2013D and 2013E bonds because the variable-rate payments received by the Authority on these hedging derivative instruments generally are based on a rate or index other than interest rates the Authority pays on its hedged variable-rate debt, which is remarketed every 7 days, or in the case of its Auction Rate Securities, every 7 or 35 days. As of December 31, 2014 and 2013, the weighted average interest rate on the Authority's hedged variable-rate debt is

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

0.34% and 0.44%, respectively, while 63% of LIBOR plus 20 basis points is 0.30% and 0.31%, respectively, 64.459% of USD LIBOR is 1.18% and 1.11%, respectively, and 73.2% of one-month LIBOR is 0.12% and 0.12%, respectively.

Termination risk: The Authority or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. If at the time of termination, a hedging derivative instrument is in a liability position, the Authority would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

(b) Contingencies

All of the Authority's derivative instruments, except for the \$150,000, \$75,000 and \$50,000 notional value swaps that hedge the Series 2013E, Series 2014B1-2 and 2014B3 bonds, respectively, include provisions that require the Authority to post collateral in the event its credit rating falls below BBB as issued by Standard & Poor's or Baa2 as issued by Moody's Investors Service. For the Series 2013E, 2014B1-2, and 2014B-3 Swap Agreements only, the rating on the respective Series 2013E, 2014B1-2, and 2014B3 Bonds would have to drop below A2 from Moody's, below A from S&P and below A from Fitch for any collateral posting requirements to be imposed upon the Authority under such agreements. The collateral posted is to be in the form of U.S. Treasury securities in the amount of the fair value of derivative instruments in liability positions. If the Authority does not post collateral, the derivative instrument may be terminated by the counterparty. As of December 31, 2014 and 2013, the aggregate fair value of all derivative instruments with these collateral posting provisions, based on their stated fixed rates, is approximately \$246,322 and \$210,170, respectively. If the collateral posting requirements were triggered as of December 31, 2014 and 2013, the Authority would be required to post \$246,322 and \$210,170, respectively, in collateral to its counterparties. The Authority's credit rating is A3 Moody's, A+ S&P and A Fitch; therefore, no collateral has been posted as of December 31, 2014 or 2013, respectively.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

(c) **Hybrid Instrument Borrowings**

The interest rate swaps hedging the series noted below include fixed rates that were off-market at the execution of the interest rate swaps. For financial reporting purposes these interest rate swaps are considered hybrid instruments and are bifurcated between borrowings with an aggregate original amount of \$151,214 as of December 31, 2014 and 2013, reflecting the difference between the fair value of the instrument at its execution and an interest rate swap with a fixed rate that was considered at-the-market at execution. Activity for the hybrid instrument borrowings for the years ended December 31, 2014 and 2013 was as follows:

	<u>December 31, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2014</u>	<u>Current portion</u>
Hybrid instrument borrowings:					
Series 2009 A	\$ 6,103	—	682	5,421	699
Series 2009 B	4,111	—	457	3,654	469
Series 2012 G	7,492	—	881	6,611	891
Series 2013 B	21,335	—	3,246	18,089	4,488
Series 2013 C1	26,345	—	4,270	22,075	5,481
Series 2013 C2	32,298	—	4,913	27,385	6,797
Series 2013 D	42,387	—	2,274	40,113	3,754
Series 2013 G	6,738	487	392	6,833	647
	<u>\$ 146,809</u>	<u>487</u>	<u>17,115</u>	<u>130,181</u>	<u>23,226</u>
	<u>December 31, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2013</u>	<u>Current portion</u>
Hybrid instrument borrowings:					
Series 2009A	\$ 6,768	—	665	6,103	682
Series 2009B	4,556	—	445	4,111	457
Series 2012C	16,706	—	16,706	—	—
Series 2012D	35,610	—	35,610	—	—
Series 2012E	35,610	—	35,610	—	—
Series 2012F	7,732	—	7,732	—	—
Series 2012G	7,741	—	249	7,492	881
Series 2013B	—	21,335	—	21,335	2,801
Series 2013C1	—	26,345	—	26,345	3,463
Series 2013C2	—	32,298	—	32,298	4,243
Series 2013D	—	42,387	—	42,387	2,274
Series 2013G	—	6,738	—	6,738	365
	<u>\$ 114,723</u>	<u>129,103</u>	<u>97,017</u>	<u>146,809</u>	<u>15,166</u>

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

The following table sets forth as of December 31, 2014, payments of principal and interest on the hybrid instrument borrowings for the next five years and thereafter. The total payments generally reflect the difference between the stated fixed rate of the hybrid instrument and the at-the-market fixed rate at the execution of the instrument.

	Principal	Interest	Total
December 31:			
2015	\$ 23,226	1,308	24,534
2016	23,411	1,124	24,535
2017	23,597	908	24,505
2018	23,785	750	24,535
2019	6,887	559	7,446
2020–2024	29,275	1,245	30,520
	\$ 130,181	5,894	136,075

(8) Debt Compliance

The Revenue Requirement under Section 713(b) of the Turnpike Revenue Bond Resolution states that in each calendar year, Net Revenues shall at least equal the Net Revenue Requirement for such year. Under Section 101 of said Resolution, Net Revenues are defined as “for any calendar year or other period of time, the Pledged Revenues during such year or period less the amounts of the Operating Expenses for such year or period.” The Net Revenue Requirement means with respect to any period of time, “an amount equal to the greater of (i) the sum of Aggregate Debt Service, Maintenance Reserve Payments, Special Project Reserve Payments and payments, if any, to the Charges Fund for such period or (ii) 1.20 times the Aggregate Debt Service for such period (excluding, for the purposes of clause (ii) only, any payment due and payable by the Authority under a Qualified Swap upon an early termination thereof).”

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

The net revenue requirement was met under test (i) and (ii) above for 2014 and 2013 as follows:

	2014	2013
(i):		
Net revenue available for Debt Service	\$ 1,166,909	1,128,375
Less net revenue requirements computed under test (the sum of aggregate debt service, maintenance reserve, special project reserve and charges fund payments)	(713,660)	(686,836)
Excess net revenue	\$ 453,249	441,539
(ii):		
Net revenue available for Debt Service	\$ 1,166,909	1,128,375
Less net revenue requirements computed under test (120% x aggregate debt service requirements of \$608,896 and \$584,772 in 2014 and 2013, respectively)	(730,675)	(701,727)
Excess net revenue	\$ 436,234	426,648

The debt service coverage ratio (Net Revenue divided by Debt Service) was 1.92 and 1.93 in 2014 and 2013, respectively.

(9) Changes in Long-Term Liabilities

Long-term liability activity for the years ended December 31, 2014 and 2013 was as follows:

	December 31, 2013	Additions	Reductions	December 31, 2014	Current portion
Bonds payable, net	\$ 9,686,007	1,481,551	(542,587)	10,624,971	164,205
Pollution remediation liability	31,489	2,520	(3,752)	30,257	3,670
Self insurance	28,748	11,304	(10,105)	29,947	—
Arbitrage liability	3,613	3	—	3,616	—
Reserve for E-Zpass tag swap	11,675	5,330	(6)	16,999	—
Other liabilities	2,834	242	(237)	2,839	—
Reserves	2,000	5,623	—	7,623	—
Compensated absences	18,765	18,869	(18,500)	19,134	4,184
Total	\$ 9,785,131	1,525,442	(575,187)	10,735,386	172,059

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

	December 31, 2012	Additions	Reductions	December 31, 2013	Current portion
Bonds payable, net	\$ 8,296,582	2,433,619	(1,044,194)	9,686,007	148,565
Pollution remediation liability	33,797	387	(2,695)	31,489	4,156
Self insurance	28,026	9,617	(8,895)	28,748	—
Arbitrage liability	3,602	11	—	3,613	—
Reserve for E-Zpass tag swap	21,770	3,000	(13,095)	11,675	—
Other liabilities	2,888	—	(54)	2,834	—
Reserve for national interoperability toll costs	10,500	—	(10,500)	—	—
Reserve for claim settlements	—	2,000	—	2,000	—
Compensated absences	19,187	18,834	(19,256)	18,765	4,025
Total	<u>\$ 8,416,352</u>	<u>2,467,468</u>	<u>(1,098,689)</u>	<u>9,785,131</u>	<u>156,746</u>

(10) Pollution Remediation Obligations

The Authority accounts for its pollution remediation obligations (PRO) in accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. As a result, the Authority has recorded in the statements of net position a PRO liability in the amount of \$30,257 and \$31,489 as of December 31, 2014 and 2013, respectively. The Authority's PRO liability is measured based on the expected costs of future activities, estimating a reasonable range of potential outlays and multiplying those outlays by their probability of occurring. The estimate of the liability does not include cost components that are not yet reasonably measurable.

The Authority owns numerous properties with environmental issues that meet the criteria for "obligating events" and disclosure under GASB Statement No. 49. The matters relate to soil and groundwater contamination at various facilities along the New Jersey Turnpike and Garden State Parkway including maintenance districts, toll facilities, service areas and other Authority owned facilities. The following table summarizes the Authority's expected outlays and payments:

	PRO at December 31	
	2014	2013
Right of Way	\$ 13,850	15,800
Service areas	15,030	14,435
Maintenance districts	932	729
Toll facilities	395	485
Other facilities	50	40
Liability for pollution obligations remediation	<u>\$ 30,257</u>	<u>31,489</u>

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

(11) Pension and Deferred Compensation

Permanent full-time employees of the Authority are covered by the Public Employees' Retirement System of New Jersey (PERS), a plan that has been characterized for financial accounting purposes as a cost sharing multiemployer pension plan. PERS is a contributory defined-benefit plan established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage to substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not a member of another State administered retired system. Membership is mandatory and vesting occurs after eight to ten years of service for pension benefits.

The risks of participating in a multiemployer plan are different from those of participating in a single-employer plan in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating entity stops contributing to the multiemployer plan, the unfunded obligations of the plan may be borne by the remaining participating entities.
- If an entity petitions to stop participating in the multiemployer plan, the entity may be required to pay the plan a withdrawal liability based on the funded status of the plan.

These aspects of multiemployer plan participation are consistent with the manner of administration of the PERS. These aspects are not required by law but are part of the PERS administrative practices. Neither the financial accounting treatment of the PERS, nor their administrative practices, nor this note shall be deemed a representation that the PERS are subject to any laws that require the multiemployer plan attributes that are set forth above.

A summary of the PERS eligibility requirements is as follows:

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

	TIER 1 (Enrolled before July 1, 2007)	TIER 2 (Eligible for enrollment on or after July 1, 2007 and before November 2, 2008)	TIER 3 (Eligible for enrollment on or after November 2, 2008 and on or before May 21, 2010)	TIER 4 (Eligible for enrollment after May 21, 2010 and before June 28, 2011)	TIER 5 (Eligible for enrollment on or after June 28, 2011)
ELIGIBILITY	Minimum base salary of \$1,500 required for PERS Tier 1 enrollment. IRS Annual Compensation Limit on maximum salary generally apply (\$265 for 2014, \$255 for 2013, \$250 for 2012, \$245 for 2011, 2010, and 2009; \$230 for 2008).	Minimum base salary of \$2 required for PERS Tier 2 enrollment. PERS salary limited to Social Security maximum wage (\$117 for 2014, \$114 for 2013; \$110 for 2012; \$107 for 2011, 2010, and 2009; \$102 for 2008). PERS members are eligible for participation in the Defined Contribution Retirement Program (DCRP) for salary over the maximum wage limit.	Minimum base salary required for PERS Tier 3 enrollment. (\$8 for 2014, \$8 for 2013; \$8 for 2012; \$8 for 2011 and 2010; \$8 for 2009 and 2008; subject to adjustment in future years.) Employees with base salary between \$5,000 and current minimum PERS Tier 3 salary are eligible for participation in the Defined Contribution Retirement Program (DCRP). PERS salary limited to Social Security maximum wage (\$117 for 2014, \$114 for 2013; \$110 for 2012; \$107 for 2011, 2010, and 2009; \$102 for 2008). PERS members are eligible for participation in the DCRP for salary over the maximum wage limit.	PERS Tier 4 enrollment requires a minimum of 35 hours per week for State Employees, or 32 hours per week for Local Government or Local Education Employees. No minimum salary requirement. Employees who do not work the minimum required hours but who earn base salary of at least \$5 are eligible for participation in the Defined Contribution Retirement Program (DCRP). PERS salary limited to Social Security maximum wage (\$117 for 2014, \$114 for 2013; \$110 for 2012, \$107 for 2011, 2010, and 2009; \$102 for 2008). PERS members are eligible for participation in the DCRP for salary over the maximum wage limit.	PERS Tier 5 enrollment requires a minimum of 35 hours per week for State Employees, or 32 hours per week for Local Government or Local Education Employees. No minimum salary requirement. Employees who do not work the minimum required hours but who earn base salary of at least \$5 are eligible for participation in the Defined Contribution Retirement Program (DCRP). PERS salary limited to Social Security maximum wage (\$117 for 2014, \$114 for 2013; \$110 for 2012, \$107 for 2011, 2010, and 2009; \$102 for 2008). PERS members are eligible for participation in the DCRP for salary over the maximum wage limit.
SERVICE RETIREMENT	Minimum age of 60, no minimum service required. Annual Benefit = Years of Service ÷ 55 X Final Average (3 yrs.) Salary.	Minimum age of 60, no minimum service required. Annual Benefit = Years of Service ÷ 55 X Final Average (3 yrs.) Salary.	Minimum age of 62, no minimum service required. Annual Benefit = Years of Service ÷ 55 X Final Average (3 yrs.) Salary.	Minimum age of 62, no minimum service required. Annual Benefit = Years of Service ÷ 60 X Final Average (5 yrs.) Salary.	Minimum age of 65, no minimum service required. Annual Benefit = Years of Service ÷ 60 X Final Average (5 yrs.) Salary.
DEFERRED RETIREMENT	Collectible at age 60, at least 10 years of service required. Annual Benefit = Years of Service ÷ 55 X Final Average (3 yrs.) Salary	Collectible at age 60, at least 10 years of service required. Annual Benefit = Years of Service ÷ 55 X Final Average (3 yrs.) Salary.	Collectible at age 62, at least 10 years of service required. Annual Benefit = Years of Service ÷ 55 X Final Average (3 yrs.) Salary.	Collectible at age 62, at least 10 years of service required. Annual Benefit = Years of Service ÷ 60 X Final Average (5 yrs.) Salary.	Collectible at age 65, at least 10 years of service required. Annual Benefit = Years of Service ÷ 60 X Final Average (5 yrs.) Salary.
EARLY RETIREMENT	At least 25 years of service required. Annual Benefit = Years of Service ÷ 55 X Final Average (3 yrs.) Salary. No minimum age; however, if under age of 55, the benefit is reduced 3 percent per year (1/4 of 1 percent per month) for each year under age 55.	At least 25 years of service required. Annual Benefit = Years of Service ÷ 55 X Final Average (3 yrs.) Salary. No minimum age; however, if under age of 60, the benefit is reduced 1 percent per year (1/12 of 1 percent per month) for each year under age 60 but over age 55; and 3 percent per year (1/4 of 1 percent per month) for each year under age 55	At least 25 years of service required. Annual Benefit = Years of Service ÷ 55 X Final Average (3 yrs.) Salary. No minimum age; however, if under age of 62, the benefit is reduced 1 percent per year (1/12 of 1 percent per month) for each year under age 62 but over age 55; and 3 percent per year (1/4 of 1 percent per month) for each year under age 55	At least 25 years of service required. Annual Benefit = Years of Service ÷ 60 X Final Average (5 yrs.) Salary. No minimum age; however, if under age of 62, the benefit is reduced 1 percent per year (1/12 of 1 percent per month) for each year under age 62 but over age 55; and 3 percent per year (1/4 of 1 percent per month) for each year under age 55.	At least 30 years of service required. Annual Benefit = Years of Service ÷ 60 X Final Average (5 yrs.) Salary. No minimum age; however, if under age of 65, the benefit is reduced 3 percent per year (1/4 of 1 percent per month) for each year under age 65.
VETERAN RETIREMENT	At least 25 years of service at age 55 or older; or at least 20 years of service at age 60 or older. Annual Benefit = 54.5 percent X last year or highest 12 months of salary; or At least 35 years of service at age 55 or older. Annual Benefit = Years of Service ÷ 55 X Highest 12 Months of Salary.	At least 25 years of service at age 55 or older; or at least 20 years of service at age 60 or older. Annual Benefit = 54.5 percent X last year or highest 12 months of salary; or At least 35 years of service at age 55 or older. Annual Benefit = Years of Service ÷ 55 X Highest 12 Months of Salary.	At least 25 years of service at age 55 or older; or at least 20 years of service at age 60 or older. Annual Benefit = 54.5 percent X last year or highest 12 months of salary; or At least 35 years of service at age 55 or older. Annual Benefit = Years of Service ÷ 55 X Highest 12 Months of Salary.	At least 25 years of service at age 55 or older; or at least 20 years of service at age 60 or older. Annual Benefit = 54.5 percent X last year or highest 12 months of salary; or At least 35 years of service at age 55 or older. Annual Benefit = Years of Service ÷ 55 X Highest 12 Months of Salary.	At least 25 years of service at age 55 or older; or at least 20 years of service at age 60 or older. Annual Benefit = 54.5 percent X last year or highest 12 months of salary; or At least 35 years of service at age 55 or older. Annual Benefit = Years of Service ÷ 55 X Highest 12 Months of Salary.
ORDINARY DISABILITY RETIREMENT	If approved: Annual benefit = 43.6 percent X Final Average (3 yrs.) Salary.	If approved: Annual benefit = 43.6 percent X Final Average (3 yrs.) Salary.	If approved: Annual benefit = 43.6 percent X Final Average (3 yrs.) Salary.	PERS Tier 4 members may be eligible for Disability Insurance Coverage.	PERS Tier 5 members may be eligible for Disability Insurance Coverage.
ACCIDENTAL DISABILITY RETIREMENT	If approved: Annual Benefit = 72.7 percent X Annual Salary at time of accident.	If approved: Annual Benefit = 72.7 percent X Annual Salary at time of accident.	If approved: Annual Benefit = 72.7 percent X Annual Salary at time of accident.	Not Applicable	Not Applicable

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

Covered Authority employees are required to contribute a percentage of their salary toward their pension benefits. P.L. 2011, c78, effective June 28, 2011, increased the active member contribution rate from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years. The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law. Employee contributions were \$9,083, \$9,032 and \$8,887 for the years ended December 31, 2014, 2013, and 2012, respectively. The percentage of employee's contribution rate as a percentage of covered payroll for 2014, 2013 and 2012 was 6.9%, 6.7% and 6.6%, respectively. The payroll subject to pension for the Authority's employees covered by PERS was \$132,600 and \$134,600 for the years ended December 31, 2014 and 2013, respectively. The Authority's total payroll for the years ended December 31, 2014 and 2013 was approximately \$163,900 and \$162,500, respectively.

The Authority is required by statute to contribute to the employee's pension benefits based on an annual actuarial calculation. The valuation is a determination of the financial condition of the retirement system. The PERS employer pension contribution rates were 10.92%, 11.21% and 11.14% for the years ended December 31, 2014, 2013 and 2012, respectively. The Authority's required annual contributions to the PERS were \$14,954, \$15,842 and \$18,395 for the years ended December 31, 2014, 2013, and 2012, respectively, and are included in the accompanying financial statements. The Authority's required annual contributions represent less than 2% of total contributions by municipalities and local groups to the PERS.

The funded status of the municipalities and local groups (local employer) portion of the PERS, based upon the latest actuarial report dated July 1, 2013 is as follows:

Schedule of Funding Progress - LOCAL PERS

<u>Actuarial valuation date</u>	<u>GASB Actuarial value of assets</u>	<u>Actuarial accrued liability</u>	<u>Unfunded actuarial accrued liability</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>Unfunded actuarial accrued liability as a percentage of covered payroll</u>
June 30, 2011	18,996,299	24,679,095	5,682,796	77.0	7,000,116	81.2
June 30, 2012	19,374,461	26,009,038	6,634,577	74.5	6,862,133	96.7
June 30, 2013	19,975,228	27,005,783	7,030,555	74.0	6,891,812	102.0

The Authority's covered payroll is less than 2% of the total covered payroll for the local PERS. The Authority assumes that its share of the total unfunded actuarial accrued liability is also less than 2%. The accumulated benefit obligation and plan assets of the PERS are not reflected in the accompanying financial statements of the Authority.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information for the PERS. That report may be accessed via the State of New Jersey's website at <https://www.nj.gov/treasury/pensions/financial-rpts-home.html>.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

The Authority adopted the New Jersey Turnpike Authority Employees' Deferred Compensation Plan (Deferred Compensation Plan) effective as of January 1, 1999, in accordance with the provisions of Section 27:23-1, et seq., of the New Jersey Revised Statutes and as provided in Section 457 of the Internal Revenue Code of 1986, as amended (Code). The Deferred Compensation Plan was amended and restated effective as of January 1, 2011. All permanent employees are eligible to participate in the plan, which permits participants to defer annually a portion of their salary. The Authority does not make any contributions to the plan. Employees of the South Jersey Transportation Authority and the Burlington County Bridge Commission are also eligible to participate in the plan. All amounts of compensation deferred under the plan, all property and rights purchased with these amounts, and all income attributable to these amounts, property, or rights are solely the property of the employees.

(12) Other Postemployment Benefits

The Authority provides medical, prescription drug, vision, dental and Medicare Part B reimbursement to retirees and their covered dependents, in accordance with the terms of the applicable collective bargaining agreements or Authority personnel policies for nonbargaining unit members. The Authority maintains single-employer, self-funded health plans administered by third party claims administrators. All active employees who retire from the New Jersey Turnpike Authority and meet the eligibility criteria will receive these benefits. The plan does not issue a stand-alone report.

The Authority currently funds the cost to provide postemployment benefits on a pay-as-you-go basis. For the years ending December 31, 2014 and 2013, approximately 162 and 199 retirees, respectively, contributed to their healthcare cost, in accordance with the provisions of agreements in effect at the time of their retirement and P.L. 2011, c.78, effective June 28, 2011.

The Authority establishes and has the power to amend benefits and contribution obligations, subject to collective negotiations agreements to the extent they do not conflict with P.L. 2011, c. 78 mandated by the State of New Jersey.

As required by the accounting standards of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension* (the Standard), the Authority must report costs associated with "other postemployment benefits" (OPEB). OPEB costs are actuarially calculated based on benefits that current and retired employees have accrued as a result of years of service. The Standard sets the method for determining the Authority's postemployment benefits accrual, the Annual Required Contribution (ARC), to include both the value of benefits earned during the year (Normal Cost) and an amortizing of the unfunded actuarial accrued liability over a period not to exceed thirty years. The unfunded actuarial accrued liability is amortized using a level percentage of payroll for a period of 30 years with assumed payroll increases of 3% per year.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

The following table shows the components of the Authority's annual OPEB cost as of December 31, 2014 and 2013:

	December 31	
	2014	2013
Annual required contribution (ARC)	\$ 75,545	75,545
Interest on net OPEB obligation	9,836	9,808
Adjustment to annual required contribution	(9,745)	(9,745)
Total annual OPEB cost (AOC)	75,636	75,608
Contributions made	38,577	37,977
Increase in net OPEB obligation	37,059	37,631
Net OPEB obligation, beginning of year	282,847	245,216
Net OPEB obligation, end of year	\$ 319,906	282,847

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation (NOO) the for years ending December 31, 2014, 2013 and 2012, respectively, were as follows:

Year ending	Annual OPEB cost	Percentage of annual OPEB cost contributed*	Net OPEB obligation
December 31, 2014	\$ 75,636	51.0%	\$ 319,906
December 31, 2013	75,608	50.2	282,847
December 31, 2012	72,689	49.2	245,216

* Based on expected benefit payments plus Retiree Drug Subsidy for the applicable year end.

The covered payroll (annual payroll of active employees covered by the plan) was \$110,800, and the ratio of the UAAL to covered payroll was 983%.

At January 1, 2013, the actuarial accrued liability (AAL) for postemployment benefits earned was approximately \$1,100,000, based on certain actuarial methods and assumptions. Since this liability has not been pre-funded as of the valuation date, the unfunded actuarial accrued liability (UAAL) was \$1,100,000. The AAL represents approximately 77% of the present value of all projected benefits.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

At the January 28, 2014 Board of Commissioners Meeting, the Authority approved a plan to establish an Internal Revenue Code (IRC) Section 115 Trust to hold employer contributions for other post-retirement benefits (OPEB) obligations. The plan approved by the Board of Commissioners includes (1) the establishment of an OPEB Committee comprised of Authority personnel, (2) the issuance of Request For Proposals for an institutional trustee and an investment manager/advisor for the plan assets, (3) the development of an OPEB Trust agreement with outside counsel, (4) obtaining a private letter ruling from the Internal Revenue Service, and (5) obtaining all necessary legal opinions from outside general counsel and bond counsel. As of December 31, 2014 the trust has not been established

The actuarial valuation date is January 1, 2013. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the employer and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

For the most recent actuarial valuation dated January 1, 2013, the projected unit credit cost method was used as the actuarial cost method. The actuarial assumptions included an investment rate of return of 4%, and an annual healthcare cost trend rate of 9% medical and grading down to an ultimate rate of 5% after 8 years. For prescription drug benefits, the initial trend rate is 9.0%, decreasing to a 5.0% long-term trend rate after 8 years. For Medicare Part B reimbursement, the trend rate is 5.0% and for dental benefits the trend is 5.0%. The amortization method used was the level percentage of payroll, for a period of 30 years, with an assumption that payroll increases by 3% per year.

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information as of January 1, 2013 and whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(13) Risk Management and Self-Insurance

The New Jersey Turnpike Authority maintains a comprehensive insurance program, which affords various coverage including but not limited to, excess liability (general, automobile, and police) professional, excess workers compensation, bridge and property insurance, employee medical benefits, public officials liability, employment practices, commercial crime, cyber insurance, and owner controlled insurance programs

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

(OCIP). The following table provides the amount of deductible and/or self-insurance retention amounts and frequency in 2014 and 2013 for select coverages:

<u>Type of insurance coverage</u>	<u>Deductible/retention</u>
Excess Liability (general liability)	\$ 3,000 per occurrence (\$3,000 aggregate)
Excess Liability (automobile liability)	5,000 per occurrence (2014)
Bridge and Property	2,000 per occurrence
Employee Medical Benefits	350 per claimant
Workers Compensation	Not applicable – self funded
Excess Workers Compensation	1,250 per occurrence
OCIP (Interchange 6-9 Widening Project – general and workers compensation)	500 per occurrence
OCIP (other construction projects – general and workers compensation)	500 per occurrence

The various insurance programs named and listed above afford limits of liability and amounts of insurance in excess of such self-insured retentions and/or deductibles to protect the Authority against losses resulting from third-party liability, workers compensation, employer's liability, direct damage claims and loss of revenue.

Coverage for public officials and employment practices liability, crime and cyber insurance all contain proportional ranges of self-insured retentions and/or deductibles. The OCIPs also provide other insurance coverage for the benefit of the Authority and its contractors, subcontractors, consultants and sub-consultants at proportional ranges of self-insured retentions and/or deductibles. Both OCIPs afford limits of liability and amounts of insurance in excess of such self-insured retentions and/or deductibles to protect the Authority against losses resulting from claims related to the various construction contracts.

Claim liabilities are recorded when it is probable that a loss occurred and the amount of that loss can be reasonably estimated. The liabilities include a provision for case reserves as well as incurred but not reported and future development of known cases. The following tables present the changes in claims liabilities for the years ended December 31, 2014 and 2013:

	<u>December 31, 2013</u>	<u>Change in estimate</u>	<u>Payments</u>	<u>December 31, 2014</u>
General liability	\$ 2,410	1,284	(338)	3,356
Auto liability	759	590	(572)	777
Workers' compensation	25,579	9,430	(9,195)	25,814
Total	<u>\$ 28,748</u>	<u>11,304</u>	<u>(10,105)</u>	<u>29,947</u>

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

	<u>December 31, 2012</u>	<u>Change in estimate</u>	<u>Payments</u>	<u>December 31, 2013</u>
General liability	\$ 2,163	1,772	(1,525)	2,410
Auto liability	803	752	(796)	759
Workers' compensation	<u>25,059</u>	<u>7,093</u>	<u>(6,573)</u>	<u>25,579</u>
Total	<u>\$ 28,025</u>	<u>9,617</u>	<u>(8,894)</u>	<u>28,748</u>

(14) Blended Component Unit – Garden State Arts Foundation, Inc.

The Garden State Arts Foundation, Inc. (formerly known as the Garden State Arts Center Foundation) was established in 1984 pursuant to the provisions of Title 15A, Corporations-Non-Profit, of the New Jersey State Statutes. The purpose of the Foundation is to receive contributions from the public or other entities, engage in such fundraising activities as the members deem appropriate, fund and administer an annual scholarship program to provide scholarships to students pursuing an undergraduate degree with a performing arts concentration at four-year New Jersey colleges and universities, support the study of performing arts in New Jersey and support educational and charitable activities. The Foundation provides free entertainment at the PNC Bank Arts Center and various outreach locations throughout the State of New Jersey for New Jersey's senior citizens, school children, and other deserving residents. The Foundation's members include the Commissioners of the New Jersey Turnpike Authority. The Foundation is qualified as a tax-exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

The condensed statements of net position and statements of revenues, expenses, and changes in net position of the Foundation as of and for the years ended December 31, 2014 and 2013 are as follows:

Summary of Net Position

Assets	2014	2013
Current assets	\$ 975	1,040
Noncurrent assets	—	74
Total assets	\$ 975	1,114
Liabilities		
Liabilities	\$ —	—
Total liabilities	\$ —	—
Net Position		
Net position:		
Expendable – restricted by donor agreements	\$ 75	149
Unrestricted	900	965
Total net position	\$ 975	1,114

Summary of Revenues, Expenses, and Changes in Net Position

	2014	2013
Operating revenues	\$ 524	500
Operating expenses	665	547
Operating loss	(141)	(47)
Nonoperating revenues	2	2
Decrease in net position	(139)	(45)
Net position as of beginning of year	1,114	1,159
Net position as of end of year	\$ 975	1,114

(15) Litigation

The Authority is a party to various legal actions and regulatory reviews arising in the ordinary course of its operations which includes investigation, remediation of existing and projected action level environmental conditions. The Authority is contingently liable under pending lawsuits and claims, relating principally to construction programs and personal injury claims, in which the Authority is named a defendant. The Authority believes the aggregate liability of the Authority under such actions, if adversely determined, would

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

not materially adversely affect the financial position of the Authority and sufficient funds are expected to be available to satisfy any payments required in connection therewith.

The Authority is defending several lawsuits arising from its operations and its contract with the New Jersey State Police for provision of police services on the Turnpike and the Parkway. The contract includes an indemnification provision requiring the Authority to defend and indemnify the State troopers individually, the State Police and the State under certain circumstances. The Authority, under the indemnification provisions of the contract, may be responsible for a State trooper's liability for negligent acts, but not for intentional wrongful acts beyond the scope of employment. The Authority believes the aggregate liability of the Authority under such actions, if adversely determined, would not materially adversely affect the financial position of the Authority and sufficient funds are expected to be available to satisfy any payments required in connection therewith.

Soil and/or groundwater contamination found on off-site properties and waterway contamination that resulted from or is inferred to be the result of operations conducted at roadway facilities has led to litigation by others against the Authority and may lead to additional litigation in the future. Claims for reimbursement of remediation costs filed by the parties undertaking remediation activities at these properties may be forthcoming. In some cases the Authority may be required to undertake, fund or reimburse others for remediation activities at properties where the contamination has been discovered. The ultimate cost, if any, of these potential liabilities is unknown at this time.

(16) Commitments and Contingent Liabilities

The Authority has open commitments related to construction contracts totaling approximately \$1,411,224 and \$1,186,594 as of December 31, 2014 and 2013, respectively. This work relates to the Authority's \$7 billion Capital Improvement Program and will be completed over the next several years.

Under the terms of an agreement dated April 27, 1984 and amendments dated August 1, 1995 and March 27, 2000, the Authority agreed to make annual payments to the State of New Jersey to assist in transportation purposes. These payments are \$22,000 annually and are due until all obligations of the New Jersey Transportation Trust Fund Authority, as set forth in the 2000 Amendment, are paid for or such payment has been provided for. The payments are made from the General Reserve Fund and are subordinate to debt service payments on all outstanding bonds and all other obligations under the Authority's General Bond Resolution.

Under the terms of a State Transportation Projects Funding Agreement dated September 30, 2011, the Authority agreed to make annual payments to the State of New Jersey for the development of state transportation purposes. These payments total \$331,000 in calendar 2012, \$324,000 in calendar 2013, \$324,000 in calendar 2014, \$324,000 in calendar 2015 and \$162,000 in calendar 2016. The agreement terminates on June 30, 2016. The payments are made from the General Reserve Fund and are subordinate to debt service payments on all outstanding bonds and all other obligations under the Authority's General Bond Resolution.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

The Authority also made annual payments to the state of \$8,001 in 2014 and 2013 for feeder road maintenance provided by the New Jersey Department of Transportation. The current agreement expires on June 30, 2015 and is expected to be renewed annually.

(17) Liquidity Facilities

The following Series of the Authority's Outstanding Bonds bear interest at a variable rate and currently have a credit and/or liquidity facility associated with them:

<u>Series of Bonds</u>	<u>Final maturity date</u>	<u>Facility amount</u>	<u>Provider of credit/liquidity facility</u>	<u>Facility expiration date</u>
Series 2009 A	1/1/2024	\$ 93,534	JPMorgan Chase Bank, N.A.	02/10/2015
Series 2009 B	1/1/2024	<u>50,822</u>	PNC Bank, National Association	02/10/2015
Total		<u>\$ 144,356</u>		

On or prior to the expiration date of the credit and/or liquidity facility relating to each Series of Bonds described above, the Authority will be required to (i) renew the existing credit and/or liquidity facility relating to such Series of Bonds, (ii) procure a replacement credit and/or liquidity facility for such Series of Bonds, or (iii) issue Refunding Bonds to refund and refinance such Series of Bonds. The failure of the Authority to renew existing credit and/or liquidity facilities or obtain replacement credit and/or liquidity facilities for one or more Series of such Bonds could require the Authority to issue Refunding Bonds at substantially higher rates of interest than the Authority currently pays on such Bonds. Additionally, the failure of the Authority to renew or procure new credit facilities for one or more Series of such Bonds could result in an acceleration of the maturity of such Bonds. The Series 2009A and 2009B Bonds were refunded on January 29, 2015 (see note 18).

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2014 and 2013

(In thousands)

(18) Subsequent Events

On January 29, 2015, the Authority issued \$92,500 of Series 2015A Bonds to refund the Series 2009A Bonds. In addition to refunding the bonds, the associated letter of credit was terminated and the existing interest rate swap agreements were amended and re-identified to the Series 2015A Bonds. The \$92,500 Series 2015A bonds were issued as a direct purchase of floating rate notes by JPMorgan. The bonds bear interest at a floating rate of 67% of 1 month LIBOR plus 78 basis points. The bonds have a mandatory tender date of 1/1/24, which coincides with the final maturity date of the bonds. The interest rate swap agreement was also amended. Under the amended \$87,500 Series 2015A interest rate swap agreement, the Authority will pay a fixed rate of 2.98% and receive a floating rate equal to 67% of 1-month LIBOR. The refunding not only provided for the replacement of the expiring letter of credit, but also eliminated roll-over risk on this bond series and eliminated basis risk between the interest rate on the bonds and the variable payment received on the interest rate swap agreement. The fixed margin payable on the Series 2015A bonds of 78 basis points is lower than the expiring letter of credit and remarketing agent fees on the Series 2009A bonds.

Also on January 29, 2015, the Authority issued \$50,000 of Series 2015B Bonds to refund the Series 2009B Bonds. In addition to refunding the bonds, the associated letter of credit was terminated and the existing interest rate swap agreement was amended and re-identified to the Series 2015B Bonds. The \$50,000 Series 2015B bonds were issued as a direct purchase of floating rate notes by Citibank. The bonds bear interest at a floating rate of 75% of 1 month LIBOR plus 45 basis points. The bonds have a mandatory tender date of 1/1/20, and a final maturity date of 1/1/24. The interest rate swap agreement was also amended. Under the amended \$50,000 Series 2015B interest rate swap agreement, the Authority will pay a fixed rate of 3.331% and receive a floating rate equal to 75% of 1 month LIBOR. The refunding not only provided for the replacement of the expiring letter of credit, but also eliminated basis risk between the interest rate on the bonds and the variable payment received on the interest rate swap agreement. The fixed margin payable on the Series 2015B bonds of 45 basis points is lower than the expiring letter of credit and remarketing agent fees on the Series 2009B bonds.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Required Supplementary Information (Unaudited)

Schedule of Funding Progress – Other Postemployment Benefits Plan

December 31, 2014

(In thousands)

Valuation date	Actuarial value of assets (a)	Actuarial accrued liability – projected unit credit (b)	Unfunded actuarial accrued liability (b)–(a)	Funded ratio (a)/(b)	Covered payroll (c)	Unfunded actuarial accrued liability as a percentage of covered payroll ((b) – (a))/(c)
01/01/2009	\$ —	982,555	982,555	—	134,589	730%
01/01/2011	—	1,218,806	1,218,806	—	157,396	774
01/01/2013	—	1,091,162	1,091,162	—	110,791	985

See accompanying independent auditors' report.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)
Schedule of Net Position – Reconciliation of Bond Resolution to GAAP
December 31, 2014
(With comparative financial information as of December 31, 2013)
(In thousands)

Assets	Revenue	Construction	Maintenance reserve	Special project reserve	General reserve	Charges	Debt service	Debt reserve	Total bond resolution	Garden State Arts Foundation	GAAP Adjustments	Total 2014 GAAP Financials	Total 2013 GAAP Financials
Current assets:													
Cash	\$ 185,671	—	2,785	2,490	10,610	—	—	—	201,556	900	—	202,456	198,147
Restricted cash	—	85,723	—	—	—	104	1,448	1	87,276	—	—	87,276	80,891
Investments (1)	176,062	—	27,999	32,498	266,110	—	—	—	502,669	—	—	502,669	451,644
Restricted investments	—	—	—	—	—	25	418,937	150,987	569,949	—	—	569,949	381,320
Receivables, net of allowance	55,963	—	—	108	109	—	—	—	56,180	—	—	56,180	58,826
Restricted receivables	—	—	—	—	—	—	—	—	—	75	—	75	75
Inventory	20,474	—	—	—	—	—	—	—	20,474	—	—	20,474	18,693
Due from State of New Jersey	—	—	—	—	—	—	508	—	508	—	—	508	19,707
Restricted deposits	2,452	3,529	—	—	19,355	—	—	—	25,336	—	—	25,336	24,253
Prepaid expenses	3,943	—	—	—	—	—	—	—	3,943	—	—	3,943	4,534
Interfund	(105,282)	(2,533)	(187)	929	111,187	—	(208)	(3,906)	—	—	—	—	—
Total current assets	339,283	86,719	30,597	36,025	407,879	129	420,177	147,082	1,467,891	975	—	1,468,866	1,238,090
Noncurrent assets:													
Restricted investments	—	846,817	—	—	—	—	—	414,225	1,261,042	—	(96,895)	1,164,147	1,075,201
Restricted receivables	—	—	—	—	—	—	—	—	—	—	—	—	75
Capital assets, net of accumulated depreciation	—	9,550,307	280,999	68,065	133,982	—	—	—	10,033,353	—	—	10,033,353	9,069,134
Total noncurrent assets	—	10,397,124	280,999	68,065	133,982	—	—	414,225	11,294,395	—	(96,895)	11,197,500	10,144,410
Total assets	\$ 339,283	10,483,843	311,596	104,090	541,861	129	420,177	561,307	12,762,286	975	(96,895)	12,666,366	11,382,500
Deferred Outflows													
Deferred outflows:													
Accumulated decrease in fair value of hedging derivatives	\$ —	—	—	—	—	—	—	—	—	—	6,067	6,067	—
Deferred amount on refunding	—	48,549	—	—	—	—	—	—	48,549	—	113,762	162,311	204,256
Total deferred outflows	\$ —	48,549	—	—	—	—	—	—	48,549	—	119,829	168,378	204,256
Liabilities													
Current liabilities:													
Accounts payable and accrued expenses	\$ 47,407	80,026	8,927	5,840	975	—	—	—	143,175	—	—	143,175	144,157
Funds held in trust	176,793	37,751	1,490	628	111	—	—	—	216,773	—	—	216,773	221,694
Due to State of New Jersey	2,594	—	—	—	—	—	—	—	2,594	—	—	2,594	2,648
Accrued interest payable	—	—	—	—	—	—	255,972	—	255,972	—	—	255,972	233,400
Unearned revenue	4,957	—	—	—	45,510	—	—	—	50,467	—	—	50,467	51,871
Current portion of bonds payable	—	164,205	—	—	—	—	—	—	164,205	—	—	164,205	148,565
Current portion of hybrid instrument borrowing	—	—	—	—	—	—	—	—	—	—	23,226	23,226	15,166
Current portion of other long-term liabilities	—	—	—	—	600	—	—	—	600	—	7,254	7,854	8,181
Total current liabilities	231,751	281,982	10,417	6,468	47,196	—	255,972	—	833,786	—	30,480	864,266	825,682
Noncurrent liabilities:													
Bonds payable, net	—	10,460,766	—	—	—	—	—	—	10,460,766	—	—	10,460,766	9,537,442
Hybrid instrument borrowing	—	—	—	—	—	—	—	—	—	—	106,955	106,955	131,643
Other long-term obligations	22,874	—	—	—	22,739	—	—	—	45,613	—	56,948	102,561	90,943
Other postemployment benefit liability	—	—	—	—	33,325	—	—	—	33,325	—	286,581	319,906	282,847
Interest rate swaps liabilities	—	—	—	—	—	—	—	—	—	—	45,366	45,366	17,423
Total noncurrent liabilities	22,874	10,460,766	—	—	56,064	—	—	—	10,539,704	—	495,850	11,035,554	10,060,298
Total liabilities	\$ 254,625	10,742,748	10,417	6,468	103,260	—	255,972	—	11,373,490	—	526,330	11,899,820	10,885,980
Deferred Inflows													
Deferred inflows:													
Accumulated increase in fair value of interest rate swaps	—	—	—	—	—	—	—	—	—	—	—	—	30,989
Total deferred inflows	\$ —	—	—	—	—	—	—	—	—	—	—	—	30,989
Net Position													
Net position:													
Net investment in capital assets	\$ —	(203,200)	280,999	68,067	133,981	—	—	561,307	841,154	—	(130,182)	710,972	407,125
Restricted under trust agreements	—	—	—	—	19,355	129	164,205	—	183,689	75	—	183,764	162,432
Unrestricted	84,658	(7,156)	20,180	29,555	285,266	—	—	—	412,503	900	(373,215)	40,188	100,230
Total net position	\$ 84,658	(210,356)	301,179	97,622	438,602	129	164,205	561,307	1,437,346	975	(503,397)	934,924	669,787

(1) Included in investments above at December 31, 2013 is \$42,320 the Authority has designated as reserved for national toll interoperability requirements under Federal Law P.L. 112-131, the Moving Ahead for Progress in the 21st Century Act (Map-21) (\$10,500), reconstruction of the Grover Cleveland Service Area (\$4,320), widening of New Jersey Turnpike Interchanges 6-9 (\$20,000) and emergency maintenance work (\$7,500). In addition, in 2014 an additional investment of \$4,439 was designated as reserved for the reconstruction of the Grover Cleveland Service Area.

See accompanying independent auditors' report.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Schedule of Revenues, Expenses, and Changes in Net Position – Reconciliation of Bond Resolution to GAAP

Year ended December 31, 2014

(With comparative financial information for the year ended December 31, 2013)

(In thousands)

	Revenue	Construction	Maintenance reserve	Special protect reserve	General reserve	Charges	Debt service	Debt reserve	Total bond resolution	Garden State Arts Foundation	GAAP Adjustments	Total 2014 GAAP Financials	Total 2013 GAAP Financials
Operating revenues:													
Toll revenue	\$ 1,445,748	—	—	—	—	—	—	—	1,445,748	—	—	1,445,748	1,413,763
E-ZPass fees	52,773	—	—	—	—	—	—	—	52,773	—	—	52,773	51,372
Concession revenue	36,842	—	—	—	—	—	—	—	36,842	—	—	36,842	34,962
Miscellaneous revenue	13,853	—	—	—	—	—	—	—	13,853	524	—	14,377	13,367
Total operating revenues	1,549,216	—	—	—	—	—	—	—	1,549,216	524	—	1,549,740	1,513,464
Operating expenses:													
Maintenance of roadway, buildings and equipment	177,735	—	6,189	7,389	38,130	—	—	—	229,443	—	14,290	243,733	217,808
Toll collection	157,869	—	—	17	2,765	—	—	—	160,651	—	7,429	168,080	170,196
State police and traffic control	74,448	—	—	281	545	—	—	—	75,274	—	1,075	76,349	69,116
Technology	26,078	—	—	1,584	916	—	—	—	28,578	—	2,114	30,692	30,312
General administrative costs	36,642	—	—	401	3,149	—	—	—	40,192	665	2,157	43,014	45,570
Depreciation	—	167,288	18,097	5,761	9,855	—	—	—	201,001	—	—	201,001	173,901
Total operating expenses	472,772	167,288	24,286	15,433	55,360	—	—	—	735,139	665	27,065	762,869	706,903
Operating income (loss)	1,076,444	(167,288)	(24,286)	(15,433)	(55,360)	—	—	—	814,077	(141)	(27,065)	786,871	806,561
Nonoperating revenues (expenses):													
Build America Bonds subsidy	75,745	—	—	—	—	—	—	—	75,745	—	—	75,745	75,173
Payments to the State of New Jersey	—	—	—	—	(354,001)	—	—	—	(354,001)	—	—	(354,001)	(354,001)
Interest expense, Turnpike Revenue Bonds	—	(77,342)	—	—	—	—	—	—	(522,033)	—	316,838	(205,195)	(195,382)
Other bond expenses	—	(2,908)	—	—	(691)	(1,139)	—	—	(4,738)	—	—	(4,738)	(7,378)
Sale of capital assets	—	(4,763)	—	—	—	—	—	—	(4,763)	—	—	(4,763)	—
Investment income (loss)	1,103	2,893	20	31	701	—	170	10,200	15,118	2	(47,432)	(32,312)	48,137
Arts Center	3,530	—	—	—	—	—	—	—	3,530	—	—	3,530	3,178
Total nonoperating revenues (expenses), net	80,378	(82,120)	20	31	(353,991)	(1,139)	(444,521)	10,200	(791,142)	2	269,406	(521,734)	(430,273)
Income before interfund transfers	1,156,822	(249,408)	(24,266)	(15,402)	(409,351)	(1,139)	(444,521)	10,200	22,935	(139)	242,341	265,137	376,288
Interfund transfers	(1,156,822)	413,303	74,794	28,769	452,196	1,150	460,161	33,077	306,628	—	(306,628)	—	—
Net change in fund balance/change in net position	—	163,895	50,528	13,367	42,845	11	15,640	43,277	329,563	(139)	(64,287)	265,137	376,288
Net position (deficit) – beginning of year	84,658	(374,251)	250,651	84,255	395,757	118	148,565	518,030	1,107,783	1,114	(439,110)	669,787	293,499
Net position (deficit) – end of year	\$ 84,658	(210,356)	301,179	97,622	438,602	129	164,205	561,307	1,437,346	975	(503,397)	934,924	669,787

See accompanying independent auditors' report.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)
Schedule of Cash Flows – Reconciliation of Bond Resolution to GAAP
Year ended December 31, 2014
(With comparative financial information for the year ended December 31, 2013)
(In thousands)

	Revenue	Construction	Maintenance reserve	Special project reserve	General reserve	Charges	Debt service	Debt reserve	Total bond resolution	Garden State Arts Foundation	GAAP Adjustments	Total 2014 GAAP Financials	Total 2013 GAAP Financials
Cash flows from operating activities:													
Receipts from customers and patrons	\$ 1,550,660	—	—	—	—	—	—	—	1,550,660	599	—	1,551,259	1,519,091
Payments to suppliers	(212,248)	—	(6,189)	(9,994)	(17,731)	—	—	—	(246,162)	(666)	—	(246,828)	(269,822)
Payments to employees	(163,938)	—	—	—	—	—	—	—	(163,938)	—	—	(163,938)	(162,529)
Payments for self insured health benefits claims	(85,191)	—	—	—	—	—	—	—	(85,191)	—	—	(85,191)	(80,591)
Net cash provided by (used in) operating activities	1,089,283	—	(6,189)	(9,994)	(17,731)	—	—	—	1,055,369	(67)	—	1,055,302	1,006,149
Cash flows from noncapital financing activities:													
Payments to State of New Jersey	—	—	—	—	(354,001)	—	—	—	(354,001)	—	—	(354,001)	(354,001)
Proceeds from Arts Center	3,530	—	—	—	—	—	—	—	3,530	—	—	3,530	3,178
Net cash provided by (used in) noncapital financing activities	3,530	—	—	—	(354,001)	—	—	—	(350,471)	—	—	(350,471)	(350,823)
Cash flows from capital and related financing activities:													
Proceeds acquired from new capital debt	—	1,479,788	—	—	—	—	—	—	1,479,788	—	—	1,479,788	2,427,493
Purchases and sales of capital assets, net	—	(1,082,252)	(67,566)	(10,195)	(16,765)	—	—	—	(1,176,778)	—	—	(1,176,778)	(1,418,743)
Principal paid on capital debt	—	(148,565)	—	—	—	—	—	—	(148,565)	—	—	(148,565)	(132,975)
Principal paid on defeased capital debt	—	(360,530)	—	—	—	—	—	—	(360,530)	—	—	(360,530)	(885,630)
Proceeds from Build America Bonds subsidy	75,745	—	—	—	—	—	—	—	75,745	—	—	75,745	75,173
Interest paid on capital debt	—	(97,913)	—	—	—	—	(422,118)	—	(520,031)	—	284,137	(235,894)	(194,830)
Payments for bond expenses	—	(2,908)	—	—	(691)	(1,139)	—	—	(4,738)	—	—	(4,738)	(7,378)
Interfund Transfers related to capital and related financing activities	(1,107,914)	437,001	73,742	11,184	392,141	1,150	460,255	41,647	309,206	—	(309,206)	—	—
Net cash provided by (used in) capital and related financing activities	(1,032,169)	224,621	6,176	989	374,685	11	38,137	41,647	(345,903)	—	(25,069)	(370,972)	(136,890)
Cash flows from investing activities:													
Purchases of investments	(1,859,706)	(1,777,007)	(317,682)	(241,971)	(1,786,981)	(8,539)	(976,173)	(680,167)	(7,648,226)	—	—	(7,648,226)	(7,667,119)
Sales and maturities of investments	1,805,702	1,559,434	316,185	250,965	1,782,416	8,574	938,466	627,927	7,289,669	—	—	7,289,669	7,135,403
Interest received	62	(1,340)	19	33	753	—	200	10,594	10,321	2	25,069	35,392	39,583
Net cash provided by (used in) investing activities	(53,942)	(218,913)	(1,478)	9,027	(3,812)	35	(37,507)	(41,646)	(348,236)	2	25,069	(323,165)	(492,133)
Net increase (decrease) in cash	6,702	5,708	(1,491)	22	(859)	46	630	1	10,759	(65)	—	10,694	26,303
Cash – beginning of year	178,969	80,015	4,276	2,468	11,469	58	818	—	278,073	965	—	279,038	252,735
Cash – end of year	\$ 185,671	85,723	2,785	2,490	10,610	104	1,448	1	288,832	900	—	289,732	279,038
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:													
Operating income	\$ 1,076,444	(167,288)	(24,286)	(15,433)	(55,360)	—	—	—	814,077	(141)	(27,065)	786,871	806,561
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:													
Depreciation expense	—	167,288	18,097	5,761	9,855	—	—	—	201,001	—	—	201,001	173,901
Changes in assets and liabilities:													
Receivables	2,848	—	—	(107)	19,105	—	—	—	21,846	74	—	21,920	(15,230)
Inventory	(1,781)	—	—	—	—	—	—	—	(1,781)	—	—	(1,781)	3,439
Other assets	316	—	—	—	—	—	—	—	316	—	—	316	(1,648)
Accounts payable and accrued expenses	2,898	—	—	(251)	(261)	—	—	—	2,386	—	—	2,386	(327)
Unearned revenue	(1,404)	—	—	—	—	—	—	—	(1,404)	—	—	(1,404)	10,529
Other liabilities	9,962	—	—	36	555	—	—	—	10,553	—	(387)	10,166	(6,399)
Other postemployment benefit liability	—	—	—	—	10,325	—	—	—	10,325	—	26,734	37,059	37,631
Pollution remediation liability	—	—	—	—	(1,950)	—	—	—	(1,950)	—	718	(1,232)	(2,308)
Net cash provided by (used in) operating activities	\$ 1,089,283	—	(6,189)	(9,994)	(17,731)	—	—	—	1,055,369	(67)	—	1,055,302	1,006,149

See accompanying independent auditors' report.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Schedule of Net Revenue Requirement

Years ended December 31, 2014 and 2013

(In thousands)

	<u>2014</u>	<u>2013</u>
Test 1:		
Total operating revenues	\$ 1,549,216	1,512,964
Build America Bonds subsidy	75,745	75,173
Total investment income	15,119	13,247
Less earnings on construction investments	(2,578)	(3,123)
Less fair market value adjustments	(1,351)	(29)
Arts center	3,530	3,178
	<u>1,639,681</u>	<u>1,601,410</u>
Total pledged revenues		
Less revenue operating expenses	<u>(472,772)</u>	<u>(473,035)</u>
Net revenue available for debt service	1,166,909	1,128,375
Less net revenue requirements:		
Interest expense – debt service	(444,691)	(452,891)
Principal payment – debt service	(164,205)	(131,881)
Revenue transfer to charges	(1,150)	(1,646)
Revenue transfer to maintenance reserve	(74,814)	(72,635)
Revenue transfer to special project reserve	(28,800)	(27,783)
	<u>453,249</u>	<u>441,539</u>
Excess net revenues		
Test 2:		
Total operating revenues	\$ 1,549,216	1,512,964
Build America Bonds subsidy	75,745	75,173
Total investment income	15,119	13,247
Less earnings on construction investments	(2,578)	(3,123)
Less fair market value adjustments	(1,351)	(29)
Arts Center	3,530	3,178
	<u>1,639,681</u>	<u>1,601,410</u>
Total pledged revenues		
Less revenue operating expenses	<u>(472,772)</u>	<u>(473,035)</u>
Net revenue available for debt service	1,166,909	1,128,375
Less 1.2 times aggregate debt service	<u>(730,675)</u>	<u>(701,727)</u>
Excess net revenues	<u>\$ 436,234</u>	<u>426,648</u>
Debt service coverage ratio	1.92	1.93

See accompanying independent auditors' report.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Schedule of Investments

December 31, 2014

(In thousands)

	<u>Interest rate</u>	<u>Maturity</u>	<u>Par value</u>	<u>Carrying value</u>
Revenue:				
Commercial Paper	0.05% – 0.20%	1/7/15 – 3/23/15	\$ 168,320	168,312
Federal Agency Notes	0.13% – 0.13%	6/26/15 – 6/26/15	750	750
Repurchase Agreement	0.01% – 0.01%	1/2/15 – 1/2/15	7,000	7,000
			<u>176,070</u>	<u>176,062</u>
Construction:				
Certificate of Deposit	0.20% – 0.80%	1/5/15 – 8/12/15	275,217	275,904
Commercial Paper	0.15% – 0.70%	1/5/15 – 8/26/15	304,379	303,779
Federal Agency Notes	0.02% – 0.13%	1/2/15 – 6/1/15	196,674	196,624
Municipal	5.00% – 5.00%	3/1/15 – 8/1/15	68,035	70,417
U.S. Treasury Bill	0.00% – 0.01%	1/2/15 – 1/2/15	93	93
			<u>844,398</u>	<u>846,817</u>
Maintenance Reserve:				
Commercial Paper	0.08% – 0.13%	1/2/15 – 1/30/15	26,000	25,999
Federal Agency Notes	0.01% – 0.01%	1/16/15 – 1/16/15	2,000	2,000
			<u>28,000</u>	<u>27,999</u>
Special Project Reserve:				
Commercial paper	0.05% – 0.12%	1/2/15 – 2/17/15	30,500	30,498
Federal Agency Notes	0.06% – 0.06%	2/10/15 – 2/10/15	2,000	2,000
			<u>32,500</u>	<u>32,498</u>
General Reserve:				
Commercial paper	0.11% – 0.65%	1/16/15 – 5/29/15	262,631	262,496
U.S. Treasury Bill	0.09% – 0.09%	4/30/15 – 4/30/15	3,615	3,614
			<u>266,246</u>	<u>266,110</u>
Charges:				
Federal Agency Notes	0.02% – 0.02%	1/2/15 – 1/2/15	13	13
U.S. Treasury Bill	0.01% – 0.01%	1/2/15 – 1/2/15	12	12
			<u>25</u>	<u>25</u>
Debt Service:				
Commercial Paper	0.13% – 0.20%	1/2/15 – 1/2/15	64,133	64,133
Federal Agency Notes	0.01% – 0.05%	1/2/15 – 1/2/15	281,316	281,316
U.S. Treasury Bill	0.01% – 0.01%	1/2/15 – 1/2/15	73,488	73,488
			<u>418,937</u>	<u>418,937</u>
Debt Reserve:				
Certificate of Deposit	1.11% – 2.70%	1/13/15 – 7/17/19	307,911	310,626
Commercial Paper	1.38% – 1.38%	1/2/15 – 1/2/15	75,000	74,997
Federal Agency Notes	1.05% – 1.05%	4/25/18 – 4/25/18	180,909	179,589
			<u>563,820</u>	<u>565,212</u>
Total			\$ <u>2,329,996</u>	<u>2,333,660</u>

Above is the detail of investments listed on the Schedule of Net Position – Reconciliation of Bond Resolution to GAAP (Schedule 2) for Total Bond Resolution.

See accompanying independent auditors' report.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Schedule of Investments

December 31, 2013

(In thousands)

	<u>Interest rate</u>	<u>Maturity</u>	<u>Par value</u>	<u>Carrying value</u>
Revenue:				
Commercial Paper	0.04% – 0.10%	1/3/14 – 3/31/14	\$ 71,150	71,148
Federal Agency Notes	0.00% – 0.09%	1/3/14 – 7/21/14	39,155	39,151
Repurchase Agreement	0.02% – 0.09%	1/6/14 – 6/23/14	11,750	11,750
			<u>122,055</u>	<u>122,049</u>
Construction:				
Certificate of Deposit	0.41% – 0.69%	1/8/14 – 6/5/14	325,000	326,233
Commercial Paper	0.45% – 0.65%	1/29/14 – 4/21/14	179,450	179,313
Federal Agency Notes	0.14% – 0.17%	4/25/14 – 6/30/14	122,000	122,042
			<u>626,450</u>	<u>627,588</u>
Maintenance Reserve:				
Commercial Paper	0.03% – 0.10%	1/7/14 – 2/7/14	18,002	18,001
Federal Agency Notes	0.01% – 0.02%	1/3/14 – 2/4/14	8,500	8,500
			<u>26,502</u>	<u>26,501</u>
Special Project Reserve:				
Commercial paper	0.06% – 0.12%	1/3/14 – 2/20/14	41,500	41,496
			<u>41,500</u>	<u>41,496</u>
General Reserve:				
Commercial paper	0.07% – 0.50%	1/13/14 – 6/16/14	261,735	261,597
			<u>261,735</u>	<u>261,597</u>
Charges:				
Federal Agency Notes	0.01% – 0.03%	1/2/14 – 1/2/14	47	47
U.S. Treasury Bill	0.01% – 0.01%	1/2/14 – 1/2/14	13	13
			<u>60</u>	<u>60</u>
Debt Service:				
Commercial Paper	0.17% – 0.17%	1/2/14 – 1/2/14	21,136	21,136
Federal Agency Notes	0.01% – 0.14%	1/2/14 – 1/2/14	350,772	350,772
U.S. Treasury Bill	0.01% – 0.03%	1/2/14 – 1/2/14	9,353	9,353
			<u>381,261</u>	<u>381,261</u>
Debt Reserve:				
Certificate of Deposit	2.26% – 3.23%	4/29/14 – 12/15/15	406,168	409,766
Federal Agency Notes	1.05% – 1.05%	4/25/18 – 4/25/18	104,919	102,564
			<u>511,087</u>	<u>512,330</u>
Total			\$ <u>1,970,650</u>	<u>1,972,882</u>

Above is the detail of investments listed on the Schedule of Net Position – Reconciliation of Bond Resolution to GAAP (Schedule 2) for Total Bond Resolution.

See accompanying independent auditors' report.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Schedule of Depositories

December 31, 2014 and 2013

(In thousands)

	2014			2013		
	Book balance	Bank balance	Market value of securities pledged to secure deposits	Book balance	Bank balance	Market value of securities pledged to secure deposits
JP Morgan Chase:						
Revenue	\$ 168,310	156,798		159,562	144,237	
Construction	85,544	88,639		79,127	79,844	
Maintenance reserve	2,785	2,785		4,276	4,276	
	<u>256,639</u>	<u>248,222</u>	<u>350,538</u>	<u>242,965</u>	<u>228,357</u>	<u>278,347</u>
Bank of America:						
Revenue	8,365	11,055		9,080	11,631	
	<u>8,365</u>	<u>11,055</u>	<u>30,279</u>	<u>9,080</u>	<u>11,631</u>	<u>44,325</u>
Wells Fargo:						
Revenue	7,491	5,776		8,327	6,683	
Special project reserve	2,491	2,551		2,468	2,905	
General reserve	10,606	10,614		11,380	11,380	
	<u>20,588</u>	<u>18,941</u>	<u>30,187</u>	<u>22,175</u>	<u>20,968</u>	<u>16,171</u> (1)
Bank of New York Mellon:						
Revenue	916	192		1,413	164	
	<u>916</u>	<u>192</u>	<u>830</u> (2)	<u>1,413</u>	<u>164</u>	<u>129</u> (2)
TD Bank, NA:						
Revenue	251	295		250	439	
	<u>251</u>	<u>295</u>	<u>1,501</u>	<u>250</u>	<u>439</u>	<u>1,505</u>
Total Subject to Pledged Securities	<u>286,759</u>	<u>278,705</u>	<u>\$ 413,335</u>	<u>275,883</u>	<u>261,559</u>	<u>\$ 340,477</u>
Bank of New York Mellon – Trust:						
Construction:	179	179		888	888	
General reserve	4	4		90	90	
Charges	104	104		58	57	
Debt service	1,448	2,172		818	2,063	
	<u>1,735</u>	<u>2,459</u> (3)		<u>1,854</u>	<u>3,098</u> (3)	
U.S. Bank:						
Debt Reserve	1	1		—	—	
	<u>1</u>	<u>1</u>		<u>—</u>	<u>—</u>	
Toll Collection and Other Imprest Funds:						
Revenue	338	—		336	—	
	<u>338</u> (4)	<u>—</u>		<u>336</u> (4)	<u>—</u>	
Total Subject to Bond Resolution	<u>288,833</u>	<u>281,165</u>		<u>278,073</u>	<u>264,657</u>	
TD Bank, NA:						
Garden State Arts Center Foundation	632	660		699	707	
	<u>632</u>	<u>660</u>		<u>699</u>	<u>707</u>	
Northfield Bank:						
Garden State Arts Center Foundation	267	267		266	266	
	<u>267</u>	<u>267</u>		<u>266</u>	<u>266</u>	
	<u>\$ 289,732</u>	<u>282,092</u>		<u>\$ 279,038</u>	<u>265,630</u>	

(1) Revenue deposits; invested next business day.

(2) Also covered by FDIC insurance of \$250.

(3) Funds held by Trustee are not subject to collateral requirements, under the Bond Resolution.

(4) Cash on hand, not at bank.

See accompanying independent auditors' report.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Schedule of Cost of Investment in Facilities

December 31, 2014

(With comparative financial information for the year ended December 31, 2013)

(In thousands)

	Completed construction funds	2008/2009 Bond anticipation note	Ten year capital program	Maintenance reserve	Special project reserve	General reserve	2014 Total	2013 Total
Land	\$ 658,437	2,411	128,219	—	118	8,128	797,313	775,569
Buildings and sound barriers	440,295	20,373	100,443	—	17,290	28,509	606,910	526,898
Road surface	455,186	66,666	681,544	126,745	1,786	12,356	1,344,283	791,784
Road bed	2,509,073	68,636	515,410	—	57	1,949	3,095,125	2,661,166
Bridges	1,867,971	32,866	2,120,233	197,765	64	32,178	4,251,077	2,255,389
Equipment	526,687	51,142	468,773	—	69,351	87,680	1,203,633	865,336
Construction-in-progress	10,020	—	1,546,519	—	15,685	10,573	1,582,797	3,839,776
Cost of investment in facilities	6,467,669	242,094	5,561,141	324,510	104,351	181,373	12,881,138	11,715,918
Accumulated depreciation	(2,574,229)	(40,245)	(106,125)	(43,512)	(36,285)	(47,389)	(2,847,785)	(2,646,784)
Capital assets, net of accumulated depreciation	\$ 3,893,440	201,849	5,455,016	280,998	68,066	133,984	10,033,353	9,069,134
Completed construction funds:								
Original turnpike extensions and additional lanes	\$ 62,623							
Revenues invested in facilities	41,621							
1966 Turnpike Improvement	168,985							
1971 Turnpike Improvement	20,801							
1973 Improvement and Funding Program	28,370							
1985-1990 Widening Project	333,724							
Business Plan for the 90's	782,311							
Former NJHA Construction	548,013							
2000 Construction Fund	1,372,977							
2003 Construction Fund	16,515							
2004 Construction Fund	433,668							
2005 Construction Fund	83,832							
	\$ 3,893,440							

See accompanying independent auditors' report.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Schedule of Bond Indebtedness

December 31, 2014

(In thousands)

	Amount outstanding December 31, 2013	Refunded or acquired and canceled in current year	Mandatory redemption/ sinking fund installments	Debt issuance	Accretion of capital appreciation bonds	Amortization of premiums and discounts	Amount outstanding December 31, 2014
Turnpike revenue bonds:							
Series 1991C	\$ 67,160	—	—	—	—	—	67,160
Series 2000B-G	400,000	—	—	—	—	—	400,000
Series 2003B	382,775	—	(148,565)	—	—	—	234,210
Series 2004B	156,260	—	—	—	8,151	—	164,411
Series 2004C-2	132,850	—	—	—	—	—	132,850
Series 2005A	409,180	(235,530)	—	—	—	—	173,650
Series 2005B	32,500	—	—	—	—	—	32,500
Series 2005D1-D4	208,735	—	—	—	—	—	208,735
Series 2009A	92,500	—	—	—	—	—	92,500
Series 2009B	50,000	—	—	—	—	—	50,000
Series 2009E	300,000	—	—	—	—	—	300,000
Series 2009F	1,375,000	—	—	—	—	—	1,375,000
Series 2009G	34,770	—	—	—	—	—	34,770
Series 2009H	306,170	—	—	—	—	—	306,170
Series 2009I	178,005	—	—	—	—	—	178,005
Series 2010A	1,850,000	—	—	—	—	—	1,850,000
Series 2011A	75,000	(75,000)	—	—	—	—	—
Series 2011B	50,000	(50,000)	—	—	—	—	—
Series 2012A	141,255	—	—	—	—	—	141,255
Series 2012B	804,435	—	—	—	—	—	804,435
Series 2012G	43,750	—	—	—	—	—	43,750
Series 2013A	1,400,000	—	—	—	—	—	1,400,000
Series 2013B	100,000	—	—	—	—	—	100,000
Series 2013C	271,000	—	—	—	—	—	271,000
Series 2013D	225,000	—	—	—	—	—	225,000
Series 2013E	150,000	—	—	—	—	—	150,000
Series 2013F	90,880	—	—	—	—	—	90,880
Series 2013G	43,750	—	—	—	—	—	43,750
Series 2014 A	—	—	—	1,000,000	—	—	1,000,000
Series 2014 B-1	—	—	—	25,000	—	—	25,000
Series 2014 B-2	—	—	—	50,000	—	—	50,000
Series 2014 B-3	—	—	—	50,000	—	—	50,000
Series 2014 C	—	—	—	201,860	—	—	201,860
	<u>9,370,975</u>	<u>(360,530)</u>	<u>(148,565)</u>	<u>1,326,860</u>	<u>8,151</u>	<u>—</u>	<u>10,196,891</u>
Premiums and discounts, net	315,032	—	—	146,540	—	(33,492)	428,080
	<u>\$ 9,686,007</u>	<u>(360,530)</u>	<u>(148,565)</u>	<u>1,473,400</u>	<u>8,151</u>	<u>(33,492)</u>	<u>10,624,971</u>

See accompanying independent auditors' report.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

Schedule of Refunded Bond and Note Indebtedness

December 31, 2014

(With comparative financial information as of December 31, 2013)

(In thousands)

Note:

As of December 31, 2014 and 2013, refunded bond and note indebtedness which is still outstanding in fully collateralized escrow accounts is as follows:

Refunded series	Refunded amount	Matured/ redeemed	2014 outstanding	2013 outstanding
Turnpike system revenue bonds:				
First series, 6.00% (1977 refunding issue), Redemption January 1, 2014	\$ 202,415	(202,415)	—	202,415
Parkway revenue bonds:				
Series 2001, Serial bonds 5.00% to 5.50%, Redemption January 1, 2013 through January 1, 2016	243,080	(192,900)	50,180	86,810
Series 2001, Serial bonds 5.00% to 5.50%, Redemption January 1, 2013 through January 1, 2016	35,080	—	35,080	—
Turnpike Revenue Bonds:				
Series 1991C, 4.80% to 6.50%, Escrowed until January 1, 2016	1,162,185	(918,950)	243,235	566,765
Series 2000A, 4.80% to 6.00%, Redemption January 1, 2012 and January 1, 2014	1,051,520	(1,051,520)	—	59,775
Series 2003B (Federally Taxable) 1.15% to 3.14%, Redemption January 1, 2015	32,000	—	32,000	32,000
Series 2009E Turnpike Revenue Bonds, Redemption January 1, 2014	75,000	(75,000)	—	75,000
Series 2005C Turnpike Revenue Bonds, Redemption January 1, 2015	95,880	—	95,880	95,880
Series 2005A Turnpike Revenue Bonds, Redemption January 1, 2015	235,530	—	235,530	—
Total	\$ 3,132,690	(2,440,785)	691,905	1,118,645

See accompanying independent auditors' report.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

NEW JERSEY TURNPIKE

Schedule of Toll Revenue

Years ended December 31, 2014 and 2013

(Unaudited)

(In thousands)

Class	Description	2014		2013	
		Toll revenue	Number of vehicles	Toll revenue	Number of vehicles
1	Passenger car, motorcycle, taxi or hearse, light truck	\$ 704,436	202,347	\$ 680,137	195,208
2	Vehicles having two axles other than type described under Class 1	58,764	7,946	56,690	7,712
3	Vehicle (vehicles), single or in combination, having three axles	25,474	3,162	25,255	3,182
4	Vehicle (vehicles), single or in combination, having four axles	30,384	2,492	29,466	2,445
5	Vehicle (vehicles), single or in combination, having five axles	215,957	14,274	209,935	13,980
6	Vehicle (vehicles), single or in combination, having six or more axles	5,864	316	5,323	300
7	Buses having two axles	2,069	405	2,019	389
8	Buses having three axles	13,723	1,300	13,095	1,269
	Nonrevenue vehicles	—	1,517	—	1,504
		1,056,671	233,759	1,021,920	225,989
	Nonrevenue vehicles	—	(1,517)	—	(1,504)
	Toll adjustments and discounts	(4,001)	—	(2,914)	—
	Net violations*	(14,926)	—	(12,285)	—
		<u>\$ 1,037,744</u>	<u>232,242</u>	<u>\$ 1,006,721</u>	<u>224,485</u>

See accompanying independent auditors' report.

NEW JERSEY TURNPIKE AUTHORITY
(A Component Unit of the State of New Jersey)

GARDEN STATE PARKWAY

Schedule of Toll Revenue

Years ended December 31, 2014 and 2013

(Unaudited)

(In thousands)

Class	Description	2014		2013	
		Toll revenue	Number of vehicles	Toll revenue	Number of vehicles
1	Passenger car, motorcycle, taxi or hearse, light truck	\$ 398,210	365,337	\$ 397,246	363,863
2	Vehicles having two axles other than type described under Class 1	2,472	1,081	2,241	1,085
3	Vehicle (vehicles), single or in combination, having three axles	3,199	1,046	2,851	1,083
4	Vehicle (vehicles), single or in combination, having four axles	3,266	772	2,716	736
5	Vehicle (vehicles), single or in combination, having five axles	2,496	520	2,261	537
6	Vehicle (vehicles), single or in combination, having six or more axles	140	25	221	26
7	Buses having two axles	1,521	570	2,570	611
8	Buses having three axles	2,748	998	2,473	976
	Nonrevenue vehicles	—	1,497	—	1,543
		414,052	371,846	412,579	370,460
	Nonrevenue vehicles	—	(1,497)	—	(1,543)
	Toll adjustments and discounts	(393)	—	(320)	—
	Net violations*	(5,655)	—	(5,217)	—
		\$ 408,004	370,349	\$ 407,042	368,917

See accompanying independent auditors' report.