

**NEW JERSEY TRANSPORTATION
TRUST FUND AUTHORITY**

Financial Statements and
Supplementary Information

Year Ended June 30, 2004

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

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INDEPENDENT AUDITORS' REPORT

To the Honorable Chairperson and Members of
NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

We have audited the accompanying financial statements of the governmental activities, and each fund, of **NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY**, as of and for the year ended June 30, 2004, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each fund, of the **NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY** as of June 30, 2004, and the respective changes in financial position, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2004 on our consideration of **NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY'S** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 4 and 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of American. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mucadine, P.C.

September 2, 2004, except for Note G as to which the date is December 10, 2004.



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

To the Honorable Chairperson and Members of
NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

We have audited the financial statements of **NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY** as of and for the year ended June 30, 2004, and have issued our report thereon dated September 2, 2004 except for Note G as to which the date is December 10, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY'S** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Mercadlen P.C.
September 2, 2004, except for Note G as to which the date is December 10, 2004.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As financial management of the New Jersey Transportation Trust Fund Authority (the Authority), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2004. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

The Authority disbursed \$1,272,981,615 to the Special Transportation Fund of the State of New Jersey to fund statewide transportation system improvements during the fiscal year. This was an increase of 32.7% over the prior year. The term "net assets" refers to the difference between assets and liabilities. At the close of fiscal year 2004, the Authority had net assets deficit of \$155,626,545 as compared to net assets deficit of \$84,534,898 at June 30, 2003.

Overview of the Financial Statements

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

Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

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

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

Notes to the Financial Statements

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Other Information

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

Financial Analysis

Net assets may serve, over time, as a useful indicator of the Authority's financial position. In the case of the Authority, liabilities exceeded assets by \$155,626,545 at the close of the most recent fiscal year.

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

Significant Events

At fiscal year end, the Authority had \$5,766,625,000 in bonds outstanding versus \$5,033,355,000 in the prior fiscal year - an increase of 14%. There was new debt incurred by the Authority during fiscal year 2004 in the amount of \$924,810,000. A total of \$191,540,000 in bond principal was retired by the annual debt service payments during the fiscal year.

The Authority issued the 2004 Series A bonds which closed on September 2, 2004 totaling \$471,655,000. Principal repayments begin June 15, 2007 and end June 15, 2025. Interest payments begin December 15, 2004.

The Authority issued 2004 Series B refunding bonds on October 28, 2004 totaling \$849,800,000. Principal repayments begin December 15, 2006 and end December 15, 2017. Interest payments will begin December 15, 2004. Interest rates on the 2004 Series A bonds range from 2.50% to 5.50%.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2004

	Special Revenue Fund	Other Funds (DSF)	Total Governmental Funds	Adjustments (Note F)	Statement of Net Assets
ASSETS					
Account Receivable - State of New Jersey	\$ 32,500,000	\$ -	\$ 32,500,000	\$ 5,766,625,000	\$ 5,799,125,000
Cash and equivalents	51,886,758	239,349	52,126,107	-	52,126,107
Unamortized bond issuance costs	-	-	-	42,222,409	42,222,409
Total Assets	<u>\$ 84,386,758</u>	<u>\$ 239,349</u>	<u>\$ 84,626,107</u>	<u>\$ 5,808,847,409</u>	<u>\$ 5,893,473,516</u>
LIABILITIES					
Accrued interest payable	\$ -	\$ 12,335,705	\$ 12,335,705	\$ -	\$ 12,335,705
Accounts payable - State of New Jersey	140,239,979	-	140,239,979	-	140,239,979
Transportation system bonds payable:					
Due within one year	-	-	-	231,600,000	231,600,000
Due after one year	-	-	-	5,535,025,000	5,535,025,000
Unamortized bond premium	-	-	-	129,899,377	129,899,377
Total Liabilities	<u>140,239,979</u>	<u>12,335,705</u>	<u>152,575,684</u>	<u>5,896,524,377</u>	<u>6,049,100,061</u>
FUND BALANCES/NET ASSETS (DEFICIT)					
Restricted for:					
Debt Service	-	(12,096,356)	(12,096,356)	-	(12,096,356)
Deferred Charges	-	-	-	(87,676,968)	(87,676,968)
Payment of State transportation systems cost	(55,902,769)	-	(55,902,769)	-	(55,902,769)
Unrestricted	49,548	-	49,548	-	49,548
Total Fund Balances/Net Assets (Deficit)	<u>(55,853,221)</u>	<u>(12,096,356)</u>	<u>(67,949,577)</u>	<u>(87,676,968)</u>	<u>(155,626,545)</u>
Total Liabilities and Fund Balances/Net Assets (Deficit)	<u>\$ 84,386,758</u>	<u>\$ 239,349</u>	<u>\$ 84,626,107</u>	<u>\$ 5,808,847,409</u>	<u>\$ 5,893,473,516</u>

See notes to financial statements.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended June 30, 2004

	Special Revenue Fund	Other Funds (DSF)	Total Governmental Funds	Adjustments (Note F)	Statement of Activities
REVENUES					
State appropriations equivalent to:					
Motor fuel taxes	\$ 405,000,000	\$ -	\$ 405,000,000	\$ -	\$ 405,000,000
Commercial vehicle fees and taxes	400,000,000	-	400,000,000	-	400,000,000
Interest income	4,522,157	126,113	4,648,270	-	4,648,270
Amortization of bond premium	-	-	-	16,420,758	16,420,758
Total revenues	<u>809,522,157</u>	<u>126,113</u>	<u>809,648,270</u>	<u>16,420,758</u>	<u>826,069,028</u>
EXPENDITURES					
Operating expenses and financial costs	962,894	-	962,894	-	962,894
State transportation costs	1,272,981,615	-	1,272,981,615	-	1,272,981,615
Debt Service:					
Principal	-	191,540,000	191,540,000	(191,540,000)	-
Bond interest expense, including amortization of bond issuance costs	-	263,881,535	263,881,535	2,629,748	266,511,283
Total expenditures	<u>1,273,944,509</u>	<u>455,421,535</u>	<u>1,729,366,044</u>	<u>(188,910,252)</u>	<u>1,540,455,792</u>
Deficiency of revenues over expenses	<u>(464,422,352)</u>	<u>(455,295,422)</u>	<u>(919,717,774)</u>	<u>205,331,010</u>	<u>(714,386,764)</u>
OTHER FINANCING SOURCES (USES):					
Bonds issued	924,810,000	-	924,810,000	(924,810,000)	-
Bond premium	70,349,136	-	70,349,136	(70,349,136)	-
Transfers - internal activities	(453,392,844)	453,392,844	-	-	-
Payments to escrow agent	(89,974,883)	-	(89,974,883)	89,974,883	-
Cost of issuance	(4,988,897)	-	(4,988,897)	4,988,897	-
Total other financing sources (uses)	<u>446,802,512</u>	<u>453,392,844</u>	<u>900,195,356</u>	<u>(900,195,356)</u>	<u>-</u>
Change in fund balance/net assets	(17,619,840)	(1,902,578)	(19,522,418)	(694,864,346)	(714,386,764)
Fund balance/net assets (deficit):					
Beginning of year	(38,233,381)	(10,193,778)	(48,427,159)	(36,107,739)	(84,534,898)
Current year bond activity, net	-	-	-	643,295,117	643,295,117
End of year	<u>\$ (55,853,221)</u>	<u>\$ (12,096,356)</u>	<u>\$ (67,949,577)</u>	<u>\$ (87,676,968)</u>	<u>\$ (155,626,545)</u>

See notes to financial statements.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Authority

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY (the "Authority"), located in Ewing, New Jersey, was created by the State of New Jersey in 1984 pursuant to the New Jersey Transportation Trust Fund Authority Act to provide a stable, predictable funding mechanism for transportation system improvements undertaken by the New Jersey Department of Transportation. The Authority also finances State aid to counties and municipalities for transportation system improvements.

Basis of Accounting

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

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

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

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

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

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

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

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Fund Accounts

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

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

Income Taxes

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

Bond Issuance Costs

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

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

Bond Premium

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

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

Restricted Net Assets

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

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted Net Assets

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

Accounts Receivable

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

Due within one year	\$ 264,100,000
Due after one year	<u>5,535,025,000</u>
	<u>\$5,799,125,000</u>

B. CASH AND EQUIVALENTS

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

In May 2002, on behalf of its transportation improvement fund project, the Authority entered into Forward Delivery Agreements in connection with construction payment money on Transportation System Bonds, 2001 Series B for \$690,000,000. The Authority will continue to make construction payments: however, under terms of the agreements the trustee is required to purchase eligible securities, as defined in the bond indenture, from the supplying financial institutions at minimum fixed rates of returns of 2.6651% and 2.713% per annum. These securities mature on a monthly basis or prior to the time the required construction payments have to be made from the transportation improvement fund. In the event of a default or an early termination, the responsible party is required to make a termination payment to the other party. The agreement ended on July 15, 2003.

C. TRANSPORTATION SYSTEM BONDS PAYABLE

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

Series	Interest Rate Range	Bonds Outstanding (in millions) June 30, 2003	Additions (in millions)	Reductions (in millions)	June 30,	
					Bonds Outstanding (in millions) June 30, 2004	Amounts due within one year (in millions)
1995 Series A	5.00%-6.50%	\$ 530,920	\$ -	\$ 35,335	\$ 495,585	\$ 37,455
1995 Series B	4.50%-7.00%	425,995	-	34,315	391,680	36,030
1996 Series A	4.50%-6.00%	266,500	-	13,190	253,310	13,900
1996 Series B	4.75%-6.00%	413,095	-	27,915	385,180	29,310
1997 Series A	4.50%-6.00%	301,285	-	630	300,655	27,565
1998 Series A	4.25%-5.25%	257,865	-	25,215	232,650	26,480
1999 Series A	4.50%-5.75%	404,045	-	15,060	388,985	15,810

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

NOTES TO FINANCIAL STATEMENTS

C. TRANSPORTATION SYSTEM BONDS PAYABLE (CONTINUED)

2000 Series A	5.00%-6.13%	51,340	-	16,245	35,095	17,100
2001 Series A	4.50%-5.50%	290,165	-	23,025	267,140	24,120
2001 Series B	5.00%-6.00%	233,720	-	-	233,720	-
2001 Series C	2.50%-5.75%	1,186,090	-	610	1,185,480	630
2003 Series A	4.00%-5.50%	327,335	-	-	327,335	3,200
2003 Series B	3.675%	345,000	-	-	345,000	-
2003 Series C	2.25%-5.50%	-	924,810	-	924,810	-
Total		<u>\$ 5,033,355</u>	<u>\$ 924,810</u>	<u>\$ 191,540</u>	<u>\$ 5,766,625</u>	<u>\$ 231,600</u>

Total maturities of transportation system bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2005	\$ 231,600,000	\$ 300,500,740	\$ 532,100,740
2006	245,255,000	287,331,110	532,586,110
2007	293,755,000	271,637,498	565,392,498
2008	307,935,000	257,460,208	565,395,208
2009	325,875,000	239,535,146	565,410,146
2010-2014	1,867,305,000	921,891,659	2,789,196,659
2015-2019	1,807,215,000	400,407,151	2,207,622,151
2020-2024	<u>687,685,000</u>	<u>83,855,156</u>	<u>771,540,156</u>
Total	<u>\$ 5,766,625,000</u>	<u>\$ 2,762,618,668</u>	<u>\$ 8,529,243,668</u>

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

The bonds are secured primarily by revenues received by the Authority from the State of New Jersey. The payment of all such revenues to the Authority is subject to and dependent upon appropriations being made from time to time by the State of New Jersey Legislature. The State of New Jersey Legislature has no legal obligation to make such appropriations.

The Periodic Auction Reset Securities ("PARS") may be converted to a fixed or variable rate prior to their maturity as long as after any conversion there are no less than \$10,000,000 of the 2003 Series B bonds of a subseries outstanding bearing interest at the PARS rate unless converted by the broker-dealers.

D. FINANCIAL INSTRUMENTS

Tax-Exempt Variable Rate Bonds, 2003 Issue

In connection with its issuance of \$345,000,000 Tax-Exempt Variable Rate Bonds, 2003 issue, Series B, also known as Periodic Action Reset securities (PARS) on January 24, 2003, the Authority entered into a financial instrument contract with financial counter parties. The transaction is described below:

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

NOTES TO FINANCIAL STATEMENTS

D. FINANCIAL INSTRUMENTS (CONTINUED)

1) PARS Rate Instruments

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

In connection with the interest rate Swaps, other than the net interest expense resulting from the agreements, no amounts are recorded in the financial statements. As of June 30, 2004, the Swaps had a total fair value of \$4,977,728.

E. CONCENTRATION OF RISK AND UNCERTAINTIES

Cash and Equivalents

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

Financial Instruments

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

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

- (1) Unamortized bond issuance cost is recorded as deferred charges (other assets) in the statement of net assets and is amortized over the life of the debt. Amortization expense is recorded in the statement of activities. In governmental funds financial statements bond issuance costs are expensed when incurred. Balances as of June 30, 2004 were:

Bond issuance costs	\$ 50,680,763
Accumulated amortization	<u>8,458,354</u>
Total unamortized bond issuance cost	<u>\$ 42,222,409</u>
Amortization expense	<u>\$ 2,629,748</u>

- (2) Long-term liabilities (bond payable) applicable to the Authority's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets. Balances as of June 30, 2004 were:

Bonds payable	\$ 5,033,355,000
Less principal payments	191,540,000
Add debt issued in year end 2004	<u>924,810,000</u>
Total	<u>\$ 5,766,625,000</u>

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

NOTES TO FINANCIAL STATEMENTS

F. RECONCILIATION (CONTINUED)

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

Proceeds were received from:

2003 Series C Bonds

\$ 924,810,000

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

1995 Series A Bonds	\$ 35,335,000
1995 Series B Bonds	34,315,000
1996 Series A Bonds	13,190,000
1996 Series B Bonds	27,915,000
1997 Series A Bonds	630,000
1998 Series A Bonds	25,215,000
1999 Series A Bonds	15,060,000
2000 Series A Bonds	16,245,000
2001 Series A Bonds	23,025,000
2001 Series B Bonds	-
2003 Series A Bonds	610,000
Total	<u>\$ 191,540,000</u>

- (5) Unamortized bond premium is recorded as deferred revenue (other liabilities) in the statement of net assets and is amortized over the life of the debt. Amortization revenue is recorded in the statement of activities. In governmental funds financial statements, bond premiums are recognized as revenue when received. Balances as of June 30, 2004 were:

Bond premium	\$ 158,374,880
Accumulated amortization	28,475,503
Total unamortized bond premium	<u>\$ 129,899,377</u>
Amortization revenue	<u>\$ 16,420,758</u>

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

Bond principal payment	\$ (191,540,000)
Bond premium	(70,349,136)
Bond issuance costs	4,988,897
Net bond proceeds	<u>900,195,356</u>
	<u>\$ 643,295,117</u>

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

NOTES TO FINANCIAL STATEMENTS

G. SUBSEQUENT EVENTS

The Authority issued 2004 Series A bonds on September 2, 2004 totaling \$471,655,000. Principal repayments begin June 15, 2007 and end June 15, 2025. Interest payments will begin December 15, 2004. Interest rates on the 2004 Series A bonds range from 3.25% to 5.75%.

The Authority issued 2004 Series B refunding bonds on October 28, 2004 totaling \$849,800,000. Principal repayments begin December 15, 2006 and end December 15, 2017. Interest payments will begin December 15, 2004. Interest rates on the 2004 Series A bonds range from 2.5% to 5.5%.

The New Jersey Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004 (the "CAFR") includes certain information from the audited financial statements for all of New Jersey State Government's component units. During its review of the State's CAFR, the Office of the State Auditor noted a \$78,119,154 variance between New Jersey Transit Corporation, Inc.'s (the "Corporation") calculations of accounts receivable due from the State's Special Transportation Fund for New Jersey Transportation Trust Fund Authority (the "Authority") funded projects and the Authority's liability due to the Special Transportation Fund for the same. The Corporation's accounts receivable calculation due from the Special Transportation Fund included work in progress information that was not billed to the Authority. The Authority subsequently reviewed the Corporation's internal documentation and determined that it accurately reflected the Corporation's project work completed and was correctly billed to the Special Transportation Fund. The Authority has subsequently revised its financial statements to reflect this adjustment.

SUPPLEMENTARY INFORMATION

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 2004

	Authority Reserve	Transportation Improvement	Total	Debt Service	Total
CASH BALANCES, JUNE 30, 2003	\$ -	\$ -	\$ -	\$ 60,326	\$ 60,326
RECEIPTS:					
Motor fuel taxes	-	405,000,000	405,000,000	-	405,000,000
Commercial vehicle fees and taxes	-	392,500,000	392,500,000	-	392,500,000
Interest income	2,013	4,520,145	4,522,158	126,113	4,648,271
Bond proceeds	-	900,195,355	900,195,355	-	900,195,355
Sale of cash management fund investment (Net)	-	-	-	308,317	308,317
Operating transfers in	94,123	-	94,123	453,392,844	453,486,967
Total Receipts	96,136	1,702,215,500	1,702,311,636	453,827,274	2,156,138,910
DISBURSEMENTS:					
Operating expenses and financial costs	65,319	897,575	962,894	-	962,894
Bond interest expense	-	-	-	262,289,729	262,289,729
State transportation costs	-	1,232,000,000	1,232,000,000	-	1,232,000,000
Principal retirement of bonds payable	-	-	-	191,540,000	191,540,000
Purchase of cash management fund investments	30,817	15,830,958	15,861,775	-	15,861,775
Operating transfers out	-	453,486,967	453,486,967	-	453,486,967
Total Disbursements	96,136	1,702,215,500	1,702,311,636	453,829,729	2,156,141,365
CASH BALANCES, JUNE 30, 2004	\$ -	\$ -	\$ -	\$ 57,871	\$ 57,871