

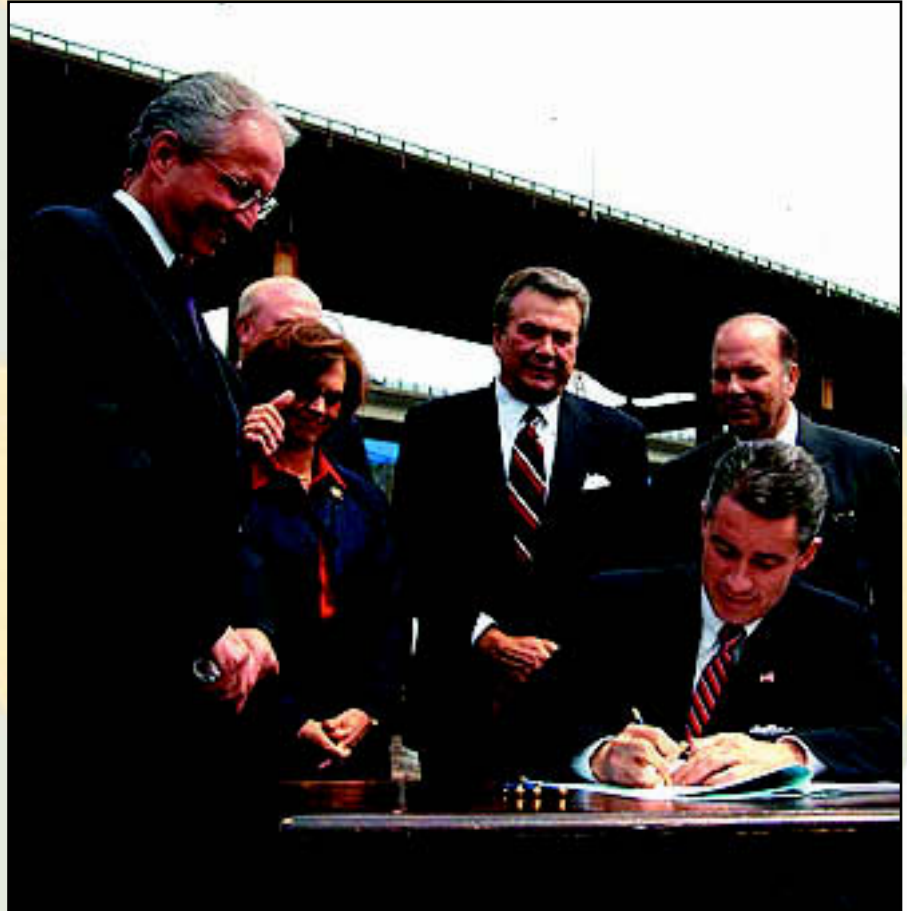
New Jersey Turnpike Authority

One Agency
that shares
resources and
works toward
a common
goal – improving
transportation
throughout
our State.

Better
coordination
will mean
better results,
and better results
will mean a better
quality of life
for New Jersey
commuters.



For more than 50 years, the Highway and Turnpike Authorities have operated separately from each other. That means for 50 years, we've had double the bureaucracy, no coordination and inefficient operations. There is so much more we can accomplish now that we have two agencies working as one. I am excited about this prospect.



Governor James E. McGreevey
Toll Road Consolidation
Tuesday, May 27, 2003



JAMES E. McGREEVEY
GOVERNOR

New Jersey Turnpike Authority

ADMINISTRATION BUILDING P.O. BOX 1121 NEW BRUNSWICK, NEW JERSEY 08903
(732) 247-0900

JOSEPH SIMUNOVICH, Chairman
JOSEPH (J.P.) MIELE, Vice Chairman
JOHN HIBBS, Treasurer
LUIS FERNANDEZ, Commissioner
HAROLD HODES, Commissioner
HARRY LARRISON Jr., Commissioner
DAVID G. EVANS, Commissioner
JOHN LETTIERE, Commissioner
MICHAEL LAPOLLA, Executive Director

Governor James E. McGreevey

PO Box 001

Trenton, NJ 08625

Dear Governor McGreevey:

It gives me great pleasure to provide you with the 2003 Annual Report of the New Jersey Turnpike Authority, which marks the first year of consolidated operations of the Turnpike and Garden State Parkway.

Without question, 2003 was a monumental year for the New Jersey Turnpike Authority as well as transportation in general in this state. The consolidation of the state's two major roadways alone would be a proud achievement but the team here has also been busy fulfilling a multitude of goals. I'm proud to report that in addition to toll road consolidation, 2003 also marked the launch of a new E-ZPass program in New Jersey, as well as its expansion to offer the convenience of Express E-ZPass.

Again, it is a privilege to serve as Chairman of this organization that is made up of dedicated individuals who are all committed to meeting the challenges presented to us by your initiatives to enhance the lives of commuters and New Jersey. We look forward to continuing to do so in the future.

Sincerely,

A handwritten signature in cursive script that reads "Joseph Simunovich".

Joseph Simunovich

Chairman



NEW JERSEY TURNPIKE AUTHORITY COMMISSIONERS 2003



Joseph P. (J.P.) Miele
Vice-Chairman



Joseph Simunovich
Chairman



John Hibbs
Treasurer



Frank X. McDermott
Commissioner



Harold Hodes
Commissioner



Harry Larrison Jr.
Commissioner



Luis Fernandez
Commissioner



John F. Lettiere
Ex Officio, NJDOT Commissioner

NEW JERSEY TURNPIKE AUTHORITY STAFF & CONSULTANTS

DIRECTORS



Michael Lapolla
Executive Director



Diane Gutierrez-Scaccetti
Deputy Executive Director,
Administration



Stephen Dilts
Deputy Executive Director,
Turnpike Division



Timothy McDonough
Deputy Executive Director, Parkway
Division & Consolidation
Coordinator

Mary Ameen
Director of Strategic Transportation Policy
& Planning

Roberta Butler
Director of Finance

George Caceres
Director of Law

James Carone
Director of Internal Audit

Mary-Elizabeth Garrity
Director of Human Resources

Brian Gorman
Director of Technology & Administrative
Services

Walter Kristlibas
Director of Electronic Toll Collection

Richard Raczynski
Chief Engineer

Andrea Ward
Director of Purchasing

Joseph Orlando
Media Relations Coordinator

TURNPIKE DIVISION

Catherine A. Coryat
Comptroller – Turnpike Division

Robert F. Dale
Director of Operations

Daniel McNamara
Director of Maintenance – Turnpike
Division

Robert Quirk
Director of Toll Collection

PARKWAY DIVISION

Stephanie Babek
Director of Development
GSAC Foundation

Ralph Bruzzichesi
Director of Maintenance – Parkway
Division

Richard Buscavage
Director of GSAC, Operations

Jude Depko
Principal Engineer (Traffic Operations)

Robert Fischer
Director of Engineering – Parkway
Division

Cliff Miller
Director of Tolls

Tracey Walters
Comptroller – Parkway Division

CONSULTANTS

Wilentz Goldman & Spitzer General Counsel	Vollmer Associates Traffic Engineering (Garden State Parkway)
DeCotiis, FitzPatrick, Cole & Wisler Co-General Counsel	Birdsall Engineering Environmental Consultant
HNTB Corporation General Consulting Engineer	PMK Group Environmental Consultant
Wilbur Smith Associates General Traffic Consultant (New Jersey Turnpike)	Deloitte & Touche LLP Auditor

2003 STATISTICS FOR THE CONSOLIDATED OPERATIONS OF THE NEW JERSEY TURNPIKE & THE GARDEN STATE PARKWAY

EFFECTIVE ON JULY 9, 2003
FOR THE YEAR ENDED DECEMBER 31, 2003

Revenue Vehicles.....	671,032,190
Mileage	12,631,896,470
<hr/>	
Toll Revenue	\$ 592,344,223
Income from Investments	\$ 3,966,375
Concession Revenue.....	\$ 26,422,538
Miscellaneous Revenue	\$ 6,699,036
Arts Center	\$ 2,038,537
ETC Project Revenue	\$ 14,275,861
Total Revenue.....	\$645,746,570

SETTING A NEW STANDARD IN TRANSPORTATION EFFICIENCY

JULY 9, 2003 MARKED A GROUNDBREAKING day in the history of transportation in New Jersey as the New Jersey Turnpike Authority assumed operations of the New Jersey Highway Authority to create one agency.

For more than 50 years both roadways operated independently, creating what many believed was an unnecessary duplication of services. Over the course of the past 20 years several administrations proposed the idea of merging the two roadway operations into one single authority; however, in each case the plan fell off the list of priorities.

In 2002, Governor James E. McGreevey recognized the savings that would be made possible by finally consolidating the New Jersey Turnpike Authority and the New Jersey Highway Authority. After reviewing an independent study of a consolidation model, Governor McGreevey urged the New Jersey Legislature to approve legislation merging both authorities.

With the legislature's ultimate approval in May

2003, Governor McGreevey signed the legislation that officially consolidated the New Jersey Turnpike Authority and the New Jersey Highway Authority – a \$2.5 billion refinancing and debt restructuring project that would create a new model of trans-

portation efficiency and savings.

In doing so the Governor stressed the need to operate New Jersey's toll roads with greater financial savings and reduced duplication of processes.

Only six months after consolidation became official, the combined

roadways posted an operational savings of \$3,858,500 – only \$150,000 short of the \$4 million estimated savings for the entire first year.

The savings were generated from a series of efforts to reduce personnel, streamline technology, and eliminate duplicative processes.

A total of 37 positions, for a savings of \$2.9 million, were eliminated from the Garden State Parkway in the second half of 2003. For its part, prior to consolidation the New Jersey Turnpike



Authority eliminated 71 positions from its staff for a savings of \$4.1 million. Combined, a total of 108 positions have been eliminated from the roadway headcount in 2003.

But operational savings were only the beginning. Through improved practices and reduction of debt



payments through refinancing, the New Jersey Turnpike Authority's ability to expedite roadway construction and improvement projects has soared to record-setting levels.

In 2003 a total of \$270 million in contracts were awarded for projects on both toll roads including major bridge reconstruction, Interchange One, the Secaucus Interchange/Seaview Drive Extension, improved truck parking at the Vince Lombardi Service Area, and southern New Jersey bridge lengthening.

Additionally, as a result of consoli-

dation and refinancing efforts, vitally needed maintenance funds for the Garden State Parkway have been allocated to allow for ongoing maintenance projects totaling more than \$250 million over the next seven years for bridge improvements, road resurfacing and other infrastructure repairs.

The Turnpike Authority has also begun an unprecedented modernization effort that will improve efficiencies, reduce costs and substantially advance incident management capabilities across the consolidated Authority.

The impact of this modernization effort will be felt across the state — not just through an improved, more efficient consolidated Authority — but also by the activation of a statewide fiber network. This initiative, which will be completed in 2004, will create one of the largest and fastest state-owned data networks in the country and takes advantage of the previously untapped dark-fiber network that was installed with the E-ZPass investment in the late 1990s. In the near future the use of fiber will allow New Jersey counties to reduce the cost of government through improved collaboration and the use of shared data and networking services.



PNC BANK

ARTS CENTER

CONTINUING IN ITS 36TH YEAR THE PNC BANK ARTS CENTER'S 2003 Season once again was New Jersey's best venue for world-class entertainment.

Hosting a varied selection of internationally and nationally acclaimed artists, the PNC Bank Arts Center sold out six of its over 40 shows. Some of the most popular shows featured artists such as Bob Dylan/Tom Petty, James Taylor, Aerosmith and cutting edge performers such as Good Charlotte and New Found Glory.

PNC Bank Arts Center celebrated the holiday season with its **Sixth Annual Holiday Light Spectacular**. Over 30,000 visitors took the two-mile drive through the grounds to enjoy the spectacular show of a million lights and over 100 holiday displays. Holiday shopping and photos with Santa were just some of the highlights enjoyed by everyone.



Garden State Arts Foundation and Cultural Fund

Through many years the **Garden State Arts Center Foundation and Cultural Fund** has demonstrated its commitment to our communities by bringing the arts and culture to those less fortunate.

Through its fundraising efforts in 2003, the Garden State Arts Foundation and Cultural Fund provided free programs for seniors, children and New Jersey residents with special needs. In an effort to raise awareness and expand its outreach the Foundation has developed "On the Road," a program designed to bring live performances into the community. This year the Foundation was able to give the gift of music and live theatre by providing free programming to over 80,000 patrons at more than 30 free performances.

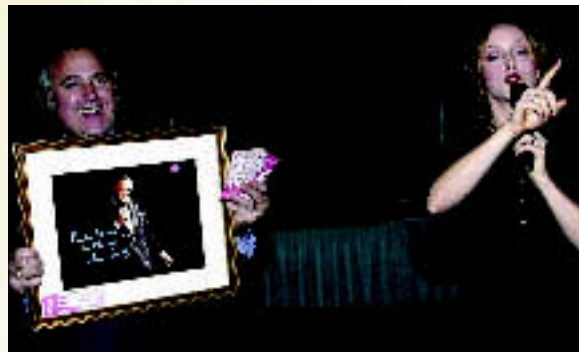


Keeping New Jersey's tradition of ethnic heritage alive, the Foundation underwrites an **International Cultural Festival** series. These daylong events featuring food, performing arts, crafts and much more celebrate and highlight New Jersey's ethnic and cultural diversity. Last season the festival series included Polish, African-American, Italian, Slovak and Scottish Festivals.

Finally, each year the Foundation endows **The Garden State Arts Scholarship** that provides more than \$25,000 in scholarships to qualified New Jersey students. The scholarship is awarded to students attending one of New Jersey's twelve colleges. The scholarship is one of the Foundation's proudest accomplishments. It demonstrates our ongoing commitment to New Jersey's future performing artists.

The Board works closely with the Foundation staff and volunteers on various fundraising efforts and events. Some of the Foundation's annual fundraising events include the GSFA Golf Tournament at the Hollywood Club in Deal, the GSFA Governor's Concert, and the GSFA Afternoon in the Park featuring in 2003 the internationally acclaimed singer Bobby Vinton. Last year the Foundation started a new tradition with its GSFA's First Annual Celebrity Auction.

The Garden State Arts Foundation was established in 1968, with the Cultural Fund created by the New Jersey Highway Authority in 1984 for sole the purpose of fundraising. New Jersey Turnpike Authority Chairman Joseph Simunovich serves as the President of the Foundation, Marie Sevell as Chairwoman and Dave Singelyn as Vice Chairman for 2003. The 2003 Foundation Board of Trustees includes Michael Catanzaro, Ron Delsener, Richard W Furlong, Mollie Giamanco, Frederick G. Goldring, Lawrence H. Krampf, Senator Joseph M. Kyrillos, Jr., Timothy McDonough, Joseph F. Whall, Ann Unterberg, Maria Cruz Verduce, Max Weinberg and David Young. Former Governors Brendan T. Byrne and Thomas H. Kean serve as Honorary Trustees.



E-ZPass:

What a difference a year makes.

PLAGUED WITH TECHNICAL GLITCHES AND POOR management only one year ago, E-ZPass in New Jersey is back up and running at full capability for the convenience of motorists.

Following the termination of the previous E-ZPass contractor, WorldCom, in 2002 the New Jersey Turnpike Authority began a complete overhaul of the electronic toll collection system in conjunction with a new vendor — ACS State and Local Solutions.

After eight months of equipment standardization, testing, and implementation of new customer service initiatives the new E-ZPass system went live on March 25, 2003, finally offering customers the convenience that the system had been lacking for years.

All account information was brought under one single customer service center roof enabling E-ZPass users to make one phone call to manage their account quickly as opposed to the previous system that required multiple calls to separate locations depending upon their needs.

Further customer service enhancements provided increased Internet account management, expanded customer service hours that now included weekends, and regional walk-in offices throughout New Jersey rather than the previous single location.

Technological and customer service improvements seem to be making the difference.

In the first seven months of operation under the new vendor, E-ZPass has attracted more than



160,000 new customers. And those customers have found a marked improvement from the system that once existed.

The success of New Jersey's E-ZPass system has increased the demand for services and then met the challenge by:

- Handling 3.2 million telephone calls, averaging over 60,000 per week.
- Processing over 430,000 pieces of correspondence, averaging almost 7,000 per week.
- Registering 4.5 million hits on its website — an average of 97,000 per week.
- Reducing the average wait for a customer service representative to 17 seconds.

Less than a year before, more than 300,000 violation notices monthly were being sent inadvertently to legitimate and law abiding customers due to technical failures with the system. In fact more than two percent of all transactions were identified as violations.

Now, if a customer generates a violation at the toll plaza, a thorough image review is conducted of



photos of license plates on vehicles thought to be violators. Each image is compared to the customer license plate database and the toll automatically deducted if they are customers. Actual violators are then sent violations notices.

Since the introduction of the improved system in March 2003 we have coordinated with the New Jersey Motor Vehicle Commission and added over 450,000 license plates to its database to match up with our customers.

With new procedures in place for screening potential violations and an improved customer database, the E-ZPass violation rate dropped from an industry joke to an industry leader of just over two percent based on nearly half a billion transactions.

With a reliable E-ZPass system in place the foundation was set in 2003 for the introduction of a major enhancement to the state's electronic toll collection system as well as a dramatic improvement for the every day travels of motorists in New Jersey.

EXPRESS E-ZPASS

EXPRESS E-ZPASS REMOVES SECTIONS OF existing toll plazas and replaces them with overhead gantries with advanced E-ZPass reading equipment. The result for drivers is the ability to travel at posted highway speeds through open lanes without the nuisance of slowing down.

Proposed by Governor James E. McGreevey in 2002, Express E-ZPass was fast-tracked following the overhaul of the E-ZPass system this year. Express E-ZPass is a major component of Governor McGreevey's efforts to combat traffic delays and congestion on New Jersey's roadways.

Express E-ZPass lanes can handle 2,200 vehicles per hour — nearly twice the amount of traffic of standard E-ZPass lanes. Once completed, drivers will enjoy faster commutes and less time on congested roadways.

In September, the first steps towards the implementation of the Express E-ZPass program were taken as toll booths at the Pascack Valley Toll Plaza on the Garden State Parkway (photo left) and Interchange 18W on the New Jersey Turnpike were removed to make way for the new high tech lanes.

The \$45 million program will eventually install Express E-ZPass lanes at Raritan South, Asbury Park and Toms River on the Garden State Parkway as well as Interchange One on the Turnpike.



From
PLANNING FOR THE FUTURE
to
MAKING HISTORY

IN 1992, THE NEW JERSEY TURNPIKE AUTHORITY set out to build a new Interchange in Secaucus to provide better access to the then-proposed and now recently opened New Jersey Transit Secaucus Rail Station. The new Interchange would also provide improved commercial truck access to the existing warehouse district, as well as planned development at Allied Junction. The \$230 million project will also greatly alleviate traffic congestion on the local roads of Secaucus and Jersey City.

While the original plan was to make better transportation policy, the Turnpike Authority ended up making history.

Plans called for a series of entrance and exit ramps off the existing Eastern Spur of the New Jersey Turnpike. The bump in the road came when the property necessary for the project's ultimate success turned out to be an abandoned Hudson County cemetery for the indigent.



In seeking approval from the courts for permission to disinter and relocate more than 4,000 bodies from the cemetery adjacent to the Turnpike, the fate of the Secaucus Interchange project crossed



paths with the 20-year search by a New Jersey man for his grandfather's final resting place.

Patrick Andriani's search for his grandfather led him to the same cemetery the Turnpike Authority was seeking to relocate. With the help of the courts, Andriani and the Turnpike Authority worked

together in a monumental task to move the remains of the thousands buried in the cemetery while trying to find the grave belonging to Andriani's grandfather, Leonardo (right).

Beginning in February 2003, more than 60 archaeologists working with hand tools excavated the three-acre site. In total the remains of 4,572 people were disinterred, catalogued, and reburied in a nearby cemetery – all during a 10-month period in 2003.

Through the use of sophisticated technology and old-fashioned archaeology, Patrick Andriani's long journey – which had gained nationwide media attention — came to an end with the identification of his grandfather.

Leonardo Andriani's remains were buried by his family in a cemetery with the respect and dignity that he had not received at the time of his death more than 50 years earlier.

The disinterment project ended up being the single largest project of its kind ever performed in the United States.



Construction of the new Interchange began in the Fall of 2003 and is expected to last about two years with a projected completion date of Fall 2005.



**53
YEARS
OF
OPERATION**

	Revenue Vehicles	Tolls Revenue	Mileage	Concessions Revenue	Other Revenue	Total Revenue
1951	787,195	\$ 587,326	38,246,174	\$ 32,861	\$ 87	\$ 620,274
1952	17,948,235	16,241,267	765,807,780	1,523,038	65,330	17,829,635
1953	22,005,078	19,192,647	868,606,100	1,853,880	464,102	21,510,629
1954	24,555,441	20,756,344	927,393,967	1,826,777	634,641	23,217,762
1955	25,888,319	21,122,503	939,672,825	1,859,952	923,169	23,905,624
1956	31,588,224	24,513,371	1,064,377,974	2,056,530	1,197,682	27,767,583
1957	39,269,643	29,022,910	1,200,254,680	2,370,516	1,447,014	32,840,440
1958	41,615,115	30,159,491	1,232,527,909	2,400,793	1,554,434	34,114,718
1959	46,199,339	33,317,927	1,343,847,970	2,602,998	1,396,407	37,317,332
1960	49,083,017	35,583,987	1,414,759,197	2,650,147	1,274,321	39,508,455
1961	51,737,682	37,192,652	1,471,802,723	2,649,106	1,156,969	40,998,727
1962	54,900,745	39,240,487	1,560,490,809	2,660,029	1,180,789	43,081,305
1963	56,677,379	40,778,566	1,610,706,177	2,749,777	1,270,264	44,798,607
1964	60,707,631	44,148,839	1,753,074,755	3,436,989	1,446,046	49,031,874
1965	64,957,715	46,122,200	1,856,395,130	3,624,311	1,549,790	51,296,301
1966	69,850,328	48,609,809	1,944,951,873	3,752,280	1,628,281	53,990,370
1967	73,528,656	51,229,549	2,030,844,201	3,976,450	1,642,227	56,848,226
1968	78,205,075	55,339,724	2,138,002,435	4,323,562	1,653,381	61,316,667
1969	80,618,191	57,636,727	2,202,999,403	4,624,406	1,979,854	64,240,987
1970	89,655,299	63,934,463	2,382,332,241	4,959,536	1,949,358	70,843,357
1971	98,533,612	70,124,311	2,574,226,834	5,322,464	1,004,360	76,451,135
1972	107,933,291	75,939,682	2,740,521,973	5,612,148	997,242	82,549,072
1973	110,422,434	78,996,947	2,753,067,671	5,226,934	1,261,793	85,485,674
1974	106,628,059	75,243,082	2,529,483,967	4,924,039	3,062,147	83,229,268
1975	105,632,830	84,385,089	2,583,789,035	5,315,803	6,553,424	96,254,316
1976	109,233,669	91,081,922	2,671,766,280	5,176,767	4,756,959	101,015,648
1977	113,664,015	95,111,786	2,759,241,650	5,232,246	5,026,621	105,370,653
1978	120,622,761	100,837,720	2,885,020,752	5,959,715	5,757,312	112,554,747
1979	121,031,648	100,884,856	2,803,773,003	5,956,116	9,452,586	116,293,558
1980	122,587,520	118,613,863	2,850,062,160	6,013,967	6,700,771	131,328,601
1981	127,211,999	126,188,012	2,930,550,698	5,929,656	13,787,205	145,904,873
1982	132,932,001	129,922,144	3,022,902,748	5,983,228	14,257,360	150,162,732
1983	143,854,884	139,894,904	3,205,540,623	6,521,074	10,047,954	156,463,932
1984	156,029,218	151,913,410	3,442,060,842	7,301,559	12,617,054	171,832,023
1985	167,179,166	162,449,170	3,685,451,718	7,579,995	11,082,401	181,111,566
1986	178,838,750	173,546,512	3,936,120,912	8,620,488	11,138,626	193,305,626
1987	183,166,154	178,969,813	4,077,924,075	10,615,629	18,006,757	207,592,199
1988	190,740,162	185,930,888	4,286,192,726	11,842,410	28,823,443	226,596,741
1989	193,498,385	187,932,292	4,393,225,349	12,498,869	31,219,244	231,650,405
1990	197,167,048	188,730,002	4,450,386,274	12,127,783	28,862,775	229,720,560
1991	185,193,140	285,638,471	4,249,632,696	11,444,972	24,280,732	321,364,175
1992	184,385,900	312,535,187	4,283,210,259	10,848,377	20,139,673	343,523,237
1993	185,067,102	316,519,746	4,325,626,076	11,851,766	12,169,972	340,541,484
1994	188,279,922	321,791,137	4,379,833,147	12,530,375	9,353,245	343,674,757
1995	190,375,343	326,302,916	4,497,441,419	12,515,694	13,213,751	352,032,361
1996	195,830,356	336,341,828	4,606,441,175	14,128,029	19,105,703	369,575,560
1997	202,852,155	350,436,688	4,774,501,073	14,479,345	16,084,301	381,000,334
1998	209,408,270	360,831,625	4,941,083,473	15,341,100	12,825,457	388,998,182
1999	213,150,447	369,497,000	5,073,970,904	15,496,800	19,387,100	404,380,900
2000	218,280,591	392,035,258	5,259,470,494	15,311,079	28,988,397	436,334,734
2001	228,773,394	433,868,929	5,843,629,559	14,580,118	37,837,061	486,286,108
2002	241,695,933	439,042,260	6,246,963,908	17,646,336	15,410,004	472,098,600
2003	671,032,190	592,344,223	12,631,896,470	26,422,538	26,979,809	645,746,570

**CONTRACTS
AWARDED
IN 2003
IN EXCESS
OF \$100,000**

TURNPIKE OPS

PURCHASING (Continued)

OPS # Professional Engineering Services Amount

1996	Remington & Vernick Engineers	\$112,789
2017	Kupper Assoc.	161,000
2022	HNTB Corp.	190,000
2032	Urban Enterprises, Inc.	235,868
2011	The Louis Berger Group, Inc.	248,834
2014	Amman & Whitney	329,230
2007	Michael Baker, Jr.	355,000
2012	Haks Engineers, PC	360,000
2024	Greenman-Pederson, Inc.	364,000
2021	Greenman-Pederson, Inc.	378,000
2029	Hatch Mott MacDonald	400,000
1969	Buchart Horn, Inc.	410,081
2006	Dewberry Goodkind, Inc.	490,000
1971	Hatch Mott MacDonald	599,000
2010	Integrated Analytical Laboratories, Inc.	600,000
2025	Parsons Brinckerhoff Construction	648,000
2026	Hatch Mott MacDonald	700,000
2004	Edwards & Kelcey	709,000
2003	Shaw Stone & Webster, Inc.	848,000
2001	Parsons Brinckerhoff Construction	900,000
2033	Shaw Stone & Webster, Inc.	901,000
2030	HNTB Corp.	1,500,000
2020	Dewberry Goodkind, Inc.	2,183,700
2023	Parsons Brinckerhoff Construction	3,304,000

5314	South Jersey Energy Company	500,000
5315	Raritan Valley Office Supplies	220,000
5320	Ascom Transport Systems	2,867,449
22358	Sears Ecological Applications Co., LLC	197,892
22358	Sears Ecological Applications Co., LLC	127,127
39228	Chas S Winner	202,580
39257	Chas S Winner	581,682
39906	Somerset Welding & Steel, Inc.	1,444,983
40300	Tuckahoe Sand & Gravel, Inc.	126,939
40490	Tarheel Enterprises	129,864
40517	Systemetrex Design Group, LLC	416,345
40539	Stavola Contracting Co.,	295,574
40542	Joseph M. Sanzari, Inc.	161,016
40547	C.Caruso Landscaping & Excavating Co., Inc.	172,593
40549	A. Pomponio Trucking & Excavating Co., Inc.	142,350
40600	Silagy Landscaping, Inc.	126,560
40883	Sears Ecological Applications Co., LLC	197,252
40883	Sears Ecological Applications Co., LLC	158,151
40883	Sears Ecological Applications Co., LLC	103,140
41846	Bristol Donald Co., Inc.	398,685
41930	Mobile-Vision, Inc.	138,840
42121	Mid-Atlantic Truck Centre, Inc.	336,535
43104	Mid-Atlantic Truck Centre, Inc.	1,951,903
43946	Mid-Atlantic Truck Centre, Inc.	1,211,526
43963	Somerset Welding & Steel, Inc.	896,886
43966	Mid-Atlantic Truck Centre, Inc.	605,763
44045	Best Roofing of New Jersey, Inc.	111,041
44051	CME Associates	250,500
44052	Maser Consulting PA	480,000
44053	Maser Consulting PA	149,620
44652	Mid-Atlantic Truck Centre, Inc.	283,950
44760	Seely Equip & Supply Co.,	155,322
46702	Joe Carrelha Jr. Trucking Co.,	119,863
46805	Tarheel Enterprises	205,075
46806	Stavola Contracting Co.,	270,908
46911	Tektron Corporation	101,837
46939	Joseph M. Sanzari, Inc.	308,443
46946	MJ Olley, Inc.	115,160

PURCHASING

P.O.#	Vendor	Amount
3949	Electronic Data Magnetics	\$355,000
4206	Systemetrex Design Group, LLC	416,345
4208	O K Electronic Supply Co.	112,538
4210	Collinson Inc.	105,000
4254	Lafarge Road Marking, Inc.	497,990
4278	Transpo Industries	476,838
4327	Motorola	132,900
4398	Traffic Safety Service Corp.	174,608
4468	Minolta Corp	191,169
4478	Trinity Industries	199,276
4574	Chas S. Winner Inc. Winner Ford	1,130,090
4607	Grassey Equipment Co.	598,800
4627	Beyer Brothers Inc.	324,545
4628	Condit Ford	115,062
4629	Traffic Safety Service Corp.	225,270
4704	Laser Technology Inc.	122,400
4705	Mark IV Industries, Inc.	139,293
4707	Mobile Vision	178,000
4758	Mark IV Industries, Inc.	11,405,265
4813	Aramark Uniform Services	175,015
4894	Verizon	955,847
4993	Beyer Brothers Inc.	167,900
5018	Total Center Maintenance	525,000
5047	LB Smith Inc.	421,220
5073	Valk Manufacturer	106,500
5094	Intl. Salt Co LLC	653,746
5102	Ca Techonology	1,500,000
5103	Gardner M. Bishop	146,915
5119	Hewlett Packard Co.	799,927
5120	Hewlett Packard Co.	1,079,884
5121	Atlantic Salt	931,355
5125	Gateway 2000 Inc	145,825
5139	Artco Equipment Sales, Inc.	104,315
5144	Traffic Systems Inc.	371,386
5145	Interstate Homes Service	130,000
5147	Warnock	959,460
5165	Hewlett Packard Co.	140,009
5167	Sil Kemp Concrete	548,500
5178	Cisco Systems, Inc.	3,211,908
5192	Condit Ford	251,064
5222	GF Office Furniture LTD	374,983
5254	Gateway 2000 Inc	301,334
5281	Magnetic Ticket and Label Corp.	396,515

TURNPIKE CONSTRUCTION

Cont. #	Contractor	Amount
R-1448	Gardner M. Bishop, Inc. & Joseph Sanzari, Inc.	\$9,127,420
R-1460	Jupiter Painting Contracting Co.,	2,066,400
R-1455	D'Annunzio & Sons, Inc.	1,969,970
R-1449	Railroad Construction Co., Inc.	9,883,850
R-1417	Crisdel Group, Inc.	5,267,722
R-1425	Ferreira Construction Co., Inc.	4,329,235
R-1263	Intercounty Paving Associates, LLC	3,535,918
R-1459	APS Contruction, Inc.	1,167,000
R-1457	D.C.A. Construction, Inc.	\$871,981
R-1470	Sigma Industries, Inc.	\$189,190
R-1408	Ex Air, Inc.	\$928,000
R-1407	Ex Air, Inc.	\$894,000
R-1406	Preferred Mechanical, Inc.	1,149,000
R-1409	Ex Air, Inc.	\$763,000
R-1464	IEW Construction Group, Inc.	2,434,640
R-1412	D'Annunzio & Sons, Inc.	26,886,000
R-1469	Tarheel Enterprises, Inc.	1,693,619
R-1447	Knight Contracting Co., Inc.	\$441,254
SDE-401	Conti Enterprises, Inc.	18,815,881
R-1471	Crisdel Group, Inc.	3,732,343
R1442	IEW Construction Group, Inc.	3,705,288
IR-1	J. Fletcher Creamer & Sons., Inc.	1,000,000
SIP-103	A. Servidone, Inc. & B. Anthony Constr. Corp	37,910,903
SIP-301	Conti Enterprises, Inc.	36,627,863
SBL-101	J. Fletcher Creamer & Sons., Inc.	16,269,440

**CONTRACTS
AWARDED
IN 2003
IN EXCESS
OF \$100,000**

TURNPIKE CONSTRUCTION (Continued)

PARKWAY ENGINEERING (Continued)

R-1453	J. Fletcher Creamer & Sons., Inc.	473,250	OCC-2003		
SIP-202	J. Fletcher Creamer & Sons., Inc.	13,868,004	URA-01	Urbitran Associates	126,530
R-1456	J. Fletcher Creamer & Sons., Inc.	1,788,765	OCC-2003		
SBL-102	J. Fletcher Creamer & Sons., Inc.	7,728,000	Mas-02	Maser Consulting	149,620
R-1461	Schiavone Construction	8,769,577			

INSURANCE

	Premium
Ace Insurance Co.,	\$611,479
Travelers Insurance Co.,	261,481
National Union Fire Insurance Co.,	823,076
National Union Fire Insurance Co.,	391,597
Royal Specialty	110,500
Zurich Insurance Co.	208,000
Ace Insurance Co.,	406,160
Lloyds	225,000
St.Paul Insurance Co.,	996,661
Ace Insurance Co.,	175,000
Arch Specialty Insurance Co	117,658
Ace Insurance Co.,	168,317
XL Insurance	225,743
AIG Insurance Co.,	923,732
Willis of New Jersey, Inc.	125,000
NIA Group Associates	250,000
National Union Fire Insurance Co.,	791,975
Arch Specialty Insurance Co	200,000
Lexington(AIG)/Allied World	1,146,432
Zurich Insurance Co.	1,146,090
National Union Fire Insurance Co.,	785,695

PARKWAY CONSTRUCTION CONTRACTS

Cont. #	Contractor	Amount
131-1238	Brocon Petroleum Co., Inc.	\$109,840
84-1253	Railroad Construction Co., Inc.	289,981
30-1254	H&G Contractors, Inc.	1,653,500
M-106	Transpo Industries, Inc.	1,169,482
30-1255	H&G Contractors, Inc.	497,900
30-1256	H&G Contractors, Inc.	5,947,013
52-1210	Statewide Hi-Way Safety, Inc.	540,000
41-1244	Stavola Contracting, Co., Inc	2,152,742
M-107	Creamer Bros. Inc.	2,941,615
131-1243	A & J Construction, Co.	694,550

PARKWAY ENGINEERING CONTRACTS

Cont. #	Contractor	Amount
58-783D	Edwards & Kelsey, Inc.	\$2,037,827
OCC-2003		
Scho-02	Schoor De Palma	150,686
OCC-2003		
Bird-1	Birdsall Engineering, Inc.	219,855
OCC-2003		
HMMD-01	Hatch Mott McDonald	178,710
OCC-2003		
CMF-02	CME Associates	281,000
OCC-2003		
CMF-03	CME Associates	250,500
OCC-2003		
Mas-1	Maser Consulting	480,000
OCC-2003		
Mas-3	Maser Consulting	199,060
OCC-2003		
RVE-02	Remington & Vernick Engineers	110,000
OCC-2003		
Scho-01	Schoor De Palma	344,700
OCC-2003		
T&M-03	T & M Associates	115,796
OCC-2003		
T&M-04	T & M Associates	169,250

New Jersey Turnpike Authority

*Financial Statements and
Supplementary Information for the
Year Ended December 31, 2003 and
Independent Auditors' Report*

NEW JERSEY TURNPIKE AUTHORITY

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INDEPENDENT AUDITORS' REPORT

To the Commissioners
New Jersey Turnpike Authority
New Brunswick, New Jersey

We have audited the accompanying statement of assets, liabilities, and fund balances and the related statement of cost of investment in facilities of the New Jersey Turnpike Authority (the "Authority"), a component unit of the State of New Jersey, as of December 31, 2003, and the related statements of revenues and expenses and changes in fund balances for the year ended December 31, 2003. 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.

The financial statements of the New Jersey Turnpike Authority for the year ended December 31, 2002 were audited by other auditors whose report, dated January 30, 2003, except for note 10 and the fourth paragraph of note 8 in such report, which are as of March 28, 2003, on those statements included an explanatory paragraph that described that the financial statements were prepared on the modified cash basis of accounting to comply with the provisions of the Authority's 1991 Turnpike Revenue Bond Resolution as amended, restated and supplemented and on the Authority's interpretation of such resolution, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America as discussed in note 2 to those financial statements.

We conducted our audit 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 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.

As described in Note 2 to the financial statements, these financial statements were prepared in accordance with the provisions of the Authority's 1991 Turnpike Revenue Bond Resolution as amended, restated and supplemented and on the Authority's interpretation of such resolution, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, the bond resolution basis financial statements do not present fairly the Authority's financial position and results of operations and cash flows in accordance with accounting principles generally accepted in the United States of America.

In our opinion, such financial statements present fairly, in all material respects, the assets, liabilities and fund balances and the cost of investment in facilities of the Authority as of December 31, 2003, and its revenues and expenses and changes in fund balances for the year then ended on the basis of accounting described in Note 2.

Member of
Deloitte Touche Tohmatsu

On July 9, 2003 the Authority acquired the net assets of the New Jersey Highway Authority (See note 12).

Our audit was conducted for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. The supplementary information included in schedules 1 through 5, is presented for purpose of additional analysis and is not a required part of the aforementioned financial statements. This additional information is the responsibility of the Authority's management. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the aforementioned financial statements taken as a whole.

Deloitte + Touche LLP

March 26, 2004

**New Jersey Turnpike Authority
Statement of Revenues and Expenses
For the Year Ended December 31, 2003**

Revenues	
Toll revenue	\$ 592,344,223
Income from investments	3,966,375
Concession revenue	26,422,538
Miscellaneous revenue	6,699,036
Arts Center	2,038,537
ETC Project Revenue	14,275,861
Total Revenues	645,746,570
Operating Expenses	
Executive office	2,820,233
E.T.C. Dept.	2,004,104
Law	1,074,511
Finance and budgets	4,642,055
Human resources	2,389,831
Technology and administrative services	8,738,315
Purchasing	1,092,593
Operations	4,293,107
Patron services	499,812
State Police	33,454,434
Toll Collection	54,309,945
Maintenance	50,466,839
Engineering	2,882,096
Internal Audit	480,163
Strategic Planning	112,558
Non-departmental	11,869,976
Employee benefits	46,657,114
Snow	13,667,886
ETC	68,665,793
Cash discounts	(1,341)
Total operating expenses	310,120,024
Total revenues in excess of operating expenses before net debt service	335,626,546
Debt Service	
Interest Expense, Turnpike Revenue Bonds	184,191,985
Transfer to Debt Service Fund	33,605,000
Transfer to Charges Fund	3,017,637
Total Debt Service	220,814,622
Less capitalized interest	(4,931,507)
Net debt service	215,883,115
Total revenues in excess of operating expenses and net debt service	119,743,431
Interfund Transfers:	
To Special Project Reserve Fund	(26,855,360)
To Maintenance Reserve Fund	(27,633,000)
To General Reserve Fund	(65,255,071)
Total revenues in excess of operating expenses, net debt service, and interfund transfers	\$ -

See notes to financial statements-modified cash basis.

New Jersey Turnpike Authority
Statement of Assets, Liabilities & Fund Balances
December 31, 2003

	Revenue Funds	Construction Fund	Maintenance Reserve Fund
Assets			
Cash	\$ 79,669,514	\$ 18,079,586	\$ 3,894,201
Investments	71,956,037	850,480,673	-
Receivables	21,079,193	141,932	-
Interfund accounts, net	(17,064,743)	1,301,407	66,738
Deposits	3,875,896	1,024,714	-
Cost of investment in facilities	-	6,122,589,612	-
Total assets	\$ 159,515,897	\$ 6,993,617,924	\$ 3,960,939
Liabilities and fund balances			
Liabilities:			
Accrued debt service payable	\$ -	\$ -	\$ -
Withholdings from employees	1,039,372	-	-
Amounts retained from contractors & engineers	234,457	13,762,082	2,249,666
Other liabilities	92,271,021	43,903,996	42,371
Bond indebtedness:	-		
Turnpike Revenue Bonds, Series 1991 C	-	137,650,000	-
Turnpike Revenue Bonds, Series 1991 D	-	371,000,000	-
Turnpike Revenue Bonds, Series 1992 B	-	37,934,784	-
Turnpike Revenue Bonds, Series 2000 A	-	1,155,650,000	-
Turnpike Revenue Bonds, Series 2000 B - G	-	400,000,000	-
Turnpike Revenue Bonds, Series 2003 A	-	788,815,000	-
Turnpike Revenue Bonds, Series 2003 B	-	740,175,000	-
Turnpike Revenue Bonds, Series 2003 C	-	500,000,000	-
Turnpike Revenue Bonds, Series 2003 D	-	400,000,000	-
Total liabilities	93,544,850	4,588,890,862	2,292,037
Fund balances	65,971,046	2,404,727,062	1,668,902
Total liabilities and fund balances	\$ 159,515,897	\$ 6,993,617,924	\$ 3,960,939

See notes to financial statements-modified cash basis.

Special Project Reserve Fund	General Reserve Fund	Charges Fund	Debt Service Fund	Total
\$ 5,258,193	\$ 86,876,029	\$ 3,165	\$ 17,619	\$ 193,798,307
16,000,000	191,843,545	270,978	156,163,511	1,286,714,744
2,241,901	-	-	-	23,463,026
(671,511)	52,837,318	(7)	(36,469,202)	-
-	-	-	-	4,900,610
-	-	-	-	6,122,589,612
\$ 22,828,583	\$ 331,556,892	\$ 274,136	\$ 119,711,928	\$ 7,631,466,299

\$ -	\$ -	\$ -	\$ 74,067,757	\$ 74,067,757
-	-	-	-	1,039,372
1,455,323	19,147	-	-	17,720,675
169,570	-	-	-	136,386,958
-	-	-	-	137,650,000
-	-	-	-	371,000,000
-	-	-	-	37,934,784
-	-	-	-	1,155,650,000
-	-	-	-	400,000,000
-	-	-	-	788,815,000
-	-	-	-	740,175,000
-	-	-	-	500,000,000
-	-	-	-	400,000,000
1,624,893	19,147	-	74,067,757	4,760,439,546
21,203,690	331,537,745	274,136	45,644,171	2,871,026,753
\$ 22,828,583	\$ 331,556,892	\$ 274,136	\$ 119,711,928	\$ 7,631,466,299

**New Jersey Turnpike Authority
Statement of Changes in Fund Balance
December 31, 2003**

	Revenue Funds	Construction Fund	Maintenance Reserve Fund
Balance as of beginning of year	\$ 39,086,700	\$ 1,098,593,894	\$ 1,212,346
Add (deduct):			
Revenues in excess of operating expenses before net debt service	335,626,546		
Transfers to fund bond interest expense	(179,260,479)		
Bond interest expense			
Payment of other charges			(27,176,444)
Acquisition of NJHA, net	9,969,851	1,290,443,671	
Revenue fund transfers	(57,505,996)		27,633,000
Other fund transfers	16,914,496	(24,327,512)	
Sinking fund payment		75,785,000	
Sinking fund transfers	(33,605,000)		
Surplus transfer	(65,255,071)		
Required payment to the State of New Jersey			
Release of NJHA Reserves			
Balance as of end of year	\$ 65,971,047	\$ 2,440,495,053	\$ 1,668,902

Special Project Reserve Fund	General Reserve Fund	Charges Fund	Debt Service Fund	Former NJHA Funds	Total
\$ 23,573,357	\$ 178,822,358	\$ 160,941	\$ 75,785,000	\$ -	\$ 1,417,234,596
					335,626,546
					(179,260,480)
					-
(7,125,552)	(25,339,607)	(2,904,442)		(1,917,166)	(64,463,211)
				8,520,052	1,308,933,574
26,855,360		3,017,637			-
(22,099,474)	59,844,196		12,039,171	(6,602,886)	-
			(75,785,000)		-
			33,605,000		-
	65,255,071				-
	(22,000,000)				(22,000,000)
	74,955,727				74,955,727
\$ 21,203,690	\$ 331,537,745	\$ 274,136	\$ 45,644,171	\$ -	\$ 2,906,794,745

**New Jersey Turnpike Authority
Statement of Cost of Investment in Facilities
December 31, 2003**

	Original Turnpike Extensions and Additional Lanes	Revenues Invested in Facilities	1966 Turnpike Improvement	1971 Turnpike Improvement	1973 Improvement and Funding Program
Engineering and architectural	\$ 28,083,278	\$ 12,125,827	\$ 32,051,535	\$ 11,566,356	\$ 18,997,183
Land, easements and rights-of-way, net of recoveries	25,771,162	6,073,263	28,704,263	4,074,507	7,013,092
Construction, including cost of training and equipping operating personnel, machinery and equipment and miscellaneous pre-operating expenses	371,398,653	69,099,391	390,553,355	103,797,024	30,811,393
Other costs, including administration	1,869,762	164,427	2,770,920	181,599	307,851
Financial	27,036,418	165,271	245,668,754	22,512,061	23,615,247
	454,159,273	87,628,179	699,748,827	142,131,547	80,744,766
Less income from interim investment of construction funds	7,763,714	3,929	82,042,352	19,485,504	46,808,678
	\$ 446,395,559	\$ 87,624,250	\$ 617,706,475	\$ 122,646,043	\$ 33,936,088

1977 Turnpike System Revenue Bond Accounts	1984 Turnpike Revenue Bonds	Refunding of 1984 Bonds	1985-1990 Widening Project	Business Plan for the 90's	Former NJHA Construction	2000/2003 Series Construction Funds	Total
\$ -	\$ -	\$ -	\$ 153,068,194	\$ 130,677,214	\$ -	\$ 77,437,099	\$ 464,006,686
			24,713,537	429,638,178		11,870,790	537,858,792
			386,016,061	525,579,032	1,781,696,930	349,076,266	4,008,028,106
			19,331,429	54,726,214		197,074,014	276,426,216
12,874,128	67,745,398	7,988,081	594,000,850	592,583,031	78,358,485	405,958,104	2,078,505,828
12,874,128	67,745,398	7,988,081	1,177,130,071	1,733,203,669	1,860,055,415	1,041,416,273	7,364,825,628
			653,015,748	293,407,659	861,270	138,847,162	1,242,236,016
\$ 12,874,128	\$ 67,745,398	\$ 7,988,081	\$ 524,114,323	\$ 1,439,796,010	\$ 1,859,194,145	\$ 902,569,111	\$ 6,122,589,612

NEW JERSEY TURNPIKE AUTHORITY

Notes to Financial Statements

December 31, 2003

(1) Organization and Function of the New Jersey Turnpike Authority

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) projects at locations established by law 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 23, 2003, the Act was amended. The amendment empowered the Turnpike Authority, effective on the Transfer Date, 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 PNC Bank Arts Center. The Transfer Date, which was the date of issuance and delivery of the Series 2003 (Turnpike Authority) Bonds, was July 9, 2003. On that date, the Chair of the Turnpike Authority and the Commissioner of the New Jersey Department of Transportation certified to the Governor of the State of New Jersey that (a) all bonds of the Highway Authority ceased to be outstanding within the meaning of the resolutions pursuant to which those bonds were issued and (b) that the Turnpike Authority had assumed all debts and statutory responsibilities and obligations of the Highway Authority. As a direct result of this action, the financial statements contained herein reflect the results of activities for the Turnpike Authority for the period January 1, 2003 through December 31, 2003 and the activities for the (acquired) Garden State Parkway and PNC Bank Arts Center for the period July 9, 2003 through December 31, 2003.

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 (the "State") Comprehensive Annual Financial Report.

(2) Summary of Significant Accounting Policies

Nature of Funds

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. Resources are allocated to and accounted for in the individual funds based upon the provisions of the Turnpike Revenue Bond Resolution, adopted August 21, 1991 as amended, restated and supplemented (the Bond Resolution). The various funds are as follows:

- Revenue Fund – the Revenue Fund is the general operating fund of the Authority. It is used to account for all of the operating revenues and expenses. As of July 9, 2003 separate accounts are maintained for the Turnpike and Parkway divisions; overall results are reported on a combined basis.
- Construction Fund – the Construction Fund is used to account for financial resources to be used for cost of investment in facilities. Included in this fund are the proceeds from the issuance of Turnpike Revenue Bonds in 2000 and 2003 (see note 5), unexpended moneys related to projects authorized by previous bond issues and amounts transferred in as a result of the acquisition of the Highway Authority.

(Continued)

NEW JERSEY TURNPIKE AUTHORITY

Notes to Financial Statements

December 31, 2003

- Maintenance Reserve Fund – amounts in this fund may be applied to the cost of major resurfacing, replacement, repairs, renewals, or reconstruction of the Turnpike System.
- Special Project Reserve Fund – amounts in this fund may be applied to the cost of one or more special projects or additional projects. On an annual basis, the Special Project Reserve Fund is replenished up to the amount of the Special Project Reserve Requirement of \$50,000,000. The required funding is determined by projecting the ending fund balance and comparing it to the Special Project Reserve Requirement. The difference is funded in 12 equal installments over the next fiscal year.
- General Reserve Fund – amounts in the General Reserve Fund are to be used to make required state payments and to make up deficiencies in the Revenue Fund, the Debt Service Fund, the Debt Reserve Fund, the Charges Fund, the Maintenance Reserve Fund, and the Special Project Reserve Fund. Subject to certain terms, amounts in this fund which are not required to remedy any such deficiency may be applied to (a) the purchase or redemption of any bonds and expenses in connection therewith; (b) payment of principal and interest due upon redemption of variable rate debt, commercial paper and subordinated indebtedness, if any; (c) payments into the Construction Fund; (d) improvements, extensions, betterments, renewals, and replacements of the Turnpike System or the provisions of reserves for these purposes; (e) payments into the Revenue Fund; and (f) any other corporate purpose, including but not limited to, additional required State payments, if any.
- Charges Fund – this fund is used to pay (a) fees and charges paid to a financial institution under a letter of credit and related reimbursement agreement, line of credit, standby bond purchase agreement, or similar agreement; (b) fees and charges paid to the remarketing agent; (c) fees and charges paid to the tender agent; and (d) fees and charges paid to the broker/dealer but only to the extent that the Authority determines the foregoing amounts shall not be paid as operating expenses.
- Debt Service Fund – this fund accumulates the amounts required for (a) payment of interest and maturing principal amounts on all outstanding Turnpike revenue bonds when due; (b) payment of the redemption price and accrued interest on the bonds to be redeemed; and (c) payment of the purchase price of bonds purchased through application of moneys accumulated in this fund by reason of the payment of any sinking fund installment.
- Debt Reserve Fund – amounts in this fund are to be applied to make up any deficiency in the Debt Service Fund. The Bond Resolution provides that as a condition to the issuance of each series of bonds there shall be deposited in the Debt Reserve Fund the amount, if any, necessary so that the amount in such fund equals the Debt Reserve Requirement calculated immediately after the issuance of such series of bonds. The Debt Reserve Requirement is equal to the greatest amount of interest accruing on the outstanding bond indebtedness in any one year, subject to certain provisions set forth in the Bond Resolution (see note 5).

Whenever the moneys and investment securities on deposit in the Debt Reserve Fund, together with the amount in the Debt Service Fund, are sufficient to pay in full all outstanding bonds in accordance with their terms, the funds on deposit in the Debt Reserve Fund are to be transferred to the Debt Service Fund.

(Continued)

NEW JERSEY TURNPIKE AUTHORITY

Notes to Financial Statements

December 31, 2003

The Authority may deposit a surety bond, insurance policy, or letter of credit payable to the Trustees of the bonds in an amount equal to the difference between the Debt Reserve Requirement and amounts deposited in the Debt Reserve Fund, subject to conditions provided for in the Bond Resolution (see note 5).

Basis of Presentation

Accounts of the Authority are maintained in accordance with the practices set forth herein, which are based on the provisions of the Bond Resolution and on the Authority's interpretation of the Bond Resolution. The significant practices, the first three of which differ in material respects from accounting principles generally accepted in the United States of America, are as follows:

- Depreciation of the Turnpike System and related facilities is not included as an operating expense or otherwise provided.
- Transfers from the Construction Fund to the Revenue Fund and from the Revenue Fund to the Special Project Reserve Fund and Maintenance Reserve Fund are presented in the statement of revenues and expenses.
- Operating expenses are recorded when paid except for reserves for general liability insurance claims for which the Authority is self-insured, unemployment insurance premiums withheld from employees, non-recurring pension liability payments due in future years and certain other reasonable and necessary operating expenses which do not recur annually.
- Cost of investment in facilities is generally recorded when paid except for amounts payable to contractors and engineers that are withheld (as retainage) which are recorded when incurred. Income on unexpended construction funds is credited to cost of investment in facilities when received.
- Cost of investment in facilities also includes expenses in connection with the offering, selling, and issuance of bonds and notes; discount on the sale of bonds and notes; costs of issuing and refunding bonds; costs of certain real estate in excess of right-of-way requirements which may be sold and the proceeds applied in reduction of construction costs; certain interest on bonds and notes (less income received on unexpended construction funds); and administrative, legal, and certain insurance expenses incurred during the construction period.
- Toll revenues are generally recorded when received except for toll revenues received under the post paid commercial E-Zpass program which are recorded on the accrual basis. Additionally, EZPASS revenue due from other participating Authorities is recorded on an accrual basis. For the Parkway Division, the sale of tokens is recorded as deferred revenue and is written off using the sum-of-the-years digits method and as redeemed by patrons. Token sales were discontinued on January 1, 2002.
- Income on investments and from concessions is recorded when received. Investments are stated at cost.
- Other income and receipts, from whatever source derived, are recorded as revenue when received.
- Interest on bond indebtedness is recorded on the accrual basis.
- Management Discussion and Analysis "MD&A" is not presented as supplementary information.

(Continued)

NEW JERSEY TURNPIKE AUTHORITY

Notes to Financial Statements

December 31, 2003

- Costs for major repairs, replacements, or maintenance items of a type not recurring annually or at shorter intervals and costs for major resurfacing, replacement, repairs, renewals, or reconstruction of the Turnpike System are recorded when paid except for amounts payable to contractors and engineers that are withheld (as retainage). Such costs are included in other charges in the accompanying statement of changes in fund balances.

“Total” columns contain the totals of the similar accounts of the various funds. Since the assets of the funds are restricted, the combination of the accounts, including the assets therein, is for comparison only and does not indicate that the combined assets are available in any manner other than that provided for in the Bond Resolution.

(3) Cash and Investments

All moneys held under the Bond Resolution 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 market value not less than the amount of such moneys. The Authority’s total book (cash) balances were \$193,798,307 at December 31, 2003. The Authority’s total bank (cash) balances were \$223,817,755 at December 31, 2003, of which \$424,090 was insured by the Federal Deposit Insurance Corporation and \$194,418,010 was collateralized with U.S. Government Securities held in the Authority’s name by the Authority’s financial institutions or its agents.

	December 31, 2003	
	Quoted Market	Book Value
United States Government, Federal Agency Securities and Repurchase Agreements	<u>\$ 1,288,761,381</u>	<u>\$ 1,286,714,744</u>

The investment policies of the Authority are established in conformity with the Bond Resolution, 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.

(Continued)

NEW JERSEY TURNPIKE AUTHORITY

Notes to Financial Statements

December 31, 2003

- (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 Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Home Loan Banks, 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 non-negotiable 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 non-negotiable 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 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) 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 Federal Deposit Insurance Corporation and which has combined capital, surplus, and undivided profits of not less than \$75,000,000, 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,

(Continued)

NEW JERSEY TURNPIKE AUTHORITY

Notes to Financial Statements

December 31, 2003

- (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%.
- (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 \$1,000,000,000 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 \$1,000,000,000; provided that the aggregate maturity value of all such banker's 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.

(4) Other Liabilities

Included in the accompanying December 31, 2003 statement of assets, liabilities and fund balance for the Revenue Fund is approximately \$2.9 million of funds to satisfy general and auto liability insurance claims for which the Authority is self-insured, approximately \$4.1 million of funds which are designated to satisfy unemployment insurance claims, \$12.4 million of funds for future non-recurring pension liability payments, approximately \$62.4 million of funds designated for ETC tag deposits and prepayments and approximately \$10.4 million for other obligations of the Authority all of which are included as "other liabilities" of the Revenue Fund.

Other liabilities in the Construction Fund include \$42.3 million for arbitrage rebate.

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NEW JERSEY TURNPIKE AUTHORITY

Notes to Financial Statements

December 31, 2003

(5) Bond Indebtedness

On July 9, 2003, the Authority issued Series 2003 A through D bonds, in the amounts of \$788,815,000, \$740,175,000, \$500,000,000 and \$400,000,000, respectively, as part of the acquisition of the Highway Authority. The proceeds derived from the sale of the Series 2003 bonds were used to (i) partially refund or defease approximately \$1,915,330,000 of outstanding Turnpike and Highway Authority bonds, (ii) provide funds for the payment of the costs of projects for the Turnpike System including the Driscoll Bridge, EZ Pass Remediation and EZ Pass Express and (iii) pay the cost of the issuance of the Series 2003 bonds.

The Authority has approximately \$9,000,000,000 of bonds outstanding which 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.

As indicated above, a portion of the proceeds of the Series 2003 Bonds were used to defease or partially refund the Authority's outstanding bonds in order to obtain future interest savings and acquire the Highway Authority and defease their bonds. In 2003, the Authority refunded outstanding bonds in the following amounts:

New Jersey Turnpike Authority	
Series 1991 A	\$ 86,080,000
Series 1991 C	714,570,000
Series 1992 A	66,975,000
Series 2000 A	311,725,000
Series 2003 Subordinated Bonds	70,000,000
New Jersey Highway Authority	
Series 1986	35,435,000
Series 1992 Serial bonds	32,445,000
Series 1992 Term bonds	73,390,000
Series 1993	47,115,000
Series 1999 Serial bonds	76,070,000
Series 1999 Term bonds	43,445,000
Series 2001	243,080,000
Series 2003 Subordinated Bonds	115,000,000
	<u>\$ 1,915,330,000</u>

(Continued)

NEW JERSEY TURNPIKE AUTHORITY

Notes to Financial Statements

December 31, 2003

As of December 31, 2003, bond indebtedness consists of the following:

Turnpike Revenue Bonds:

Series 1991 C, due 1/1/2016 with interest at 6.50%	\$ 137,650,000
Series 1991 D, due 1/1/2018 with interest at 6.19% (under an interest rate swap agreement)	371,000,000
Series 1992 B, due 1/1/2004 to 2012 with yields to maturity at 6.10% to 6.70% (see below)	37,934,784
Series 2000 A, due 1/1/2030 with interest rates at 4.80% to 6.0%	1,155,650,000
Series 2000 B-G (auction rate bonds), due 1/1/2023 with interest at variable rates not to exceed 10%	400,000,000
Series 2003 A, 4.75% to 5.0% maturing 1/1/2019 through 1/1/2030	788,815,000
Series 2003 B (Federally Taxable) 1.15% to 4.252% maturing 1/1/2004 through 1/1/2016	740,175,000
Series 2003 C, 3.4486% (under interest swap agreement) maturing 1/1/2024	500,000,000
Series 2003 D, 3.034% (under interest swap agreement) maturing 1/1/2024	400,000,000
	<u>\$ 4,531,224,784</u>

For the Series 1991 C bonds maturing in 2007, the Series 1991 D bonds maturing in 2018, the Series 1992 B bonds the Series 2000 A (other than the January 1, 2027 maturity) and the Series 2000 B-G, principal and interest payments are insured on the stated maturity and interest payment dates through municipal bond insurance.

Interest on all outstanding bond indebtedness, except for capital appreciation bonds and auction rate bonds (see below) is payable semiannually on each January 1 and July 1. Unless converted to a fixed interest rate, the Series 1991 D bonds pay interest to bondholders at a variable weekly interest rate (1.07% as of December 31, 2003) subject to a maximum rate of 12%. Regardless of whether the Series 1991 D bondholders are paid a variable rate or a fixed rate, under an interest rate swap agreement with a financial institution, the Authority will pay interest at a fixed rate of 6.19% for the entire term of the Series 1991 D bonds.

The Series 1992 B bonds, which are capital appreciation bonds, were originally issued in the amount of \$30,016,972, and are reported at their accreted value of \$37,934,784 as of December 31, 2003 and mature annually from January 1, 2000 through January 1, 2012 at accreted values aggregating \$70,200,159.

Series 1991 C Bonds in the principal amount of \$137,650,000 are subject to mandatory redemption on January 1, 2012 through January 1, 2016 at 100% of the principal amount plus accrued interest. The Series 1992 B bonds are not subject to mandatory or optional redemption prior to maturity. If converted to a fixed interest rate, the Series 1991 D bonds are subject to mandatory redemption on January 1, 2017 and January 1, 2018 at 100% of the principal amount plus accrued interest. The Series 1991 D bonds are also

(Continued)

NEW JERSEY TURNPIKE AUTHORITY

Notes to Financial Statements

December 31, 2003

subject to optional redemption prior to maturity in whole or in part of a redemption price of 100% plus accrued interest.

The Series 2000 A bonds maturing after January 1, 2014 are subject to redemption prior to maturity on or after January 1, 2010 at the option of the Authority in whole or in part at any time and from time to time. The redemption price is 100% plus accrued interest. The bonds are also subject to mandatory redemption on January 1, 2021 through January 1, 2030 at 100% of the principal amount plus accrued interest.

The Series 2000 B-G bonds were issued as auction rate with interest rates not to exceed 10% (the average rate for 2003 was .09%). The auction date for the Series 2000 B-G bonds generally occurs every seven days. Interest on the auction rate bonds will accrue for each auction interest period and will be 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 B-G Bonds will be January 1, 2030. These auction rate bonds of each Series are subject to redemption prior to maturity at the option of the Authority in whole or in part at redemption price of 100%, plus accrued interest. The bonds are also subject to mandatory redemption on January 1, 2021 through January 1, 2030 at 100% of the principal amount plus accrued interest.

The Series 2003 A Bonds are subject to redemption prior to maturity on and after July 1, 2013 at the option of the Turnpike Authority in whole or in part at any time and from time to time. The redemption price is 100% plus accrued interest. The bonds are also subject to mandatory redemption on January 1, 2026 through January 1, 2030 at 100% of the principal amount plus accrued interest.

The Series 2003 B Bonds are subject to mandatory redemption on January 1, 2012 through January 1, 2016 at 100% of the principal amount plus accrual interest. The bonds are not subject to optional redemption prior to maturity.

The Series 2003 C Bonds while bearing interest at a Weekly Interest Rate are subject to redemption prior to maturity on any Interest Payment Date at the option of the Turnpike Authority in whole or in part at any time and from time to time. The redemption price is 100% plus accrued interest. The bonds are subject to mandatory redemption on January 1, 2022 through January 1, 2023 at 100% of the principal amount plus accrued interest.

The Series 2003 D Bonds while bearing interest at an Auction Rate are subject to redemption prior to maturity on any Interest Payment Date at the option of the Turnpike Authority in whole or in part at any time and from time to time. The redemption price is 100% plus accrued interest. The bonds are subject to mandatory redemption on January 1, 2020 through January 1, 2023 at 100% of the principal amount plus accrued interest.

The 2003 Series C adjustable rate bonds in the amount of \$500,000,000 and 2003 Series D adjustable rate bonds in the amount of \$400,000,000 were issued in connection with Swap Agreements with three different counterparties. Under the Swap Agreements the counterparties will make payments equal to 63% of LIBOR plus .20%. This rate is intended to, over time, match and therefore hedge the adjustable rates of interest on the 2003 Series C and D bonds. The Authority will pay the counterparties a fixed rate of interest of 3.4486% on the 2003 Series C swaps and 3.034% on the 2003 Series D swaps. Both the bonds and the swaps have final maturity dates of January 1, 2024, unless terminated earlier in accordance with their terms. Due to certain tax law constraints, the counterparty payments to the Authority during the

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NEW JERSEY TURNPIKE AUTHORITY

Notes to Financial Statements

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period up to and including January 1, 2016 cannot exceed the actual interest rates on the Series C and D bonds; this may result in a receipt from the swap counterparty that is less than the adjustable rate of interest on the Series C and D Bonds. After January 1, 2016 this tax restriction is removed.

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. The off balance sheet risk associated with the interest rate swap agreements are termination payments. These payments, which under certain circumstances could be substantial amounts, would be required to be made by the Authority, if the Authority opted to cancel any of the agreements. These termination payments are not included in the accompanying statement of assets, liabilities and fund balances as of December 31, 2003 as the Authority does not intend to terminate any of the agreements at this time.

In accordance with the Bond Resolution, The Authority, to meet the Debt Reserve Requirement (see note 2) may maintain a surety bond or insurance policy payable to the Trustee in lieu of required deposits in the Debt Reserve Fund. As of December 31, 2003, the Authority maintained insurance policies with a face amount of \$2,458,716,972 and surety bonds with a payment limit of \$275,803,529.

The following table sets forth as of December 31, 2003 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 (in thousands). The table excludes the funds deposited in 2003 to the Debt Service Fund to provide the January 1, 2004 payments amounting to \$33,605,000.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 25,875,246	\$ 217,383,708	\$ 243,258,954
2005	32,634,496	215,975,263	248,609,759
2006	66,815,270	214,147,306	280,962,576
2007	74,948,648	210,429,578	285,378,226
2008	80,336,088	207,501,279	287,837,367
2009 – 2013	755,385,036	949,212,845	1,704,597,881
2014 – 2018	1,195,950,000	704,054,927	1,900,004,927
2019 – 2023	1,415,990,000	388,472,417	1,804,462,417
2024 – 2028	689,550,000	150,478,647	840,028,647
2029	160,135,000	8,205,891	168,340,891
	<u>\$ 4,497,619,784</u>	<u>\$ 3,265,861,861</u>	<u>\$ 7,763,481,645</u>

The Authority has covenanted that it will charge and collect such tolls and other charges as shall be required in order that in each calendar year net revenues (as defined) shall at least equal the greater of (1) the sum of the aggregate debt service on all outstanding bonds, maintenance reserve payments, and special project reserve payments and payments, if any, to the charges fund for each calendar year; or (2) 1.20 times the sum of the aggregate debt service on all outstanding bonds, for each calendar year. Net revenues with required transfers were sufficient to satisfy the most restrictive toll covenant requirements for 2003.

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NEW JERSEY TURNPIKE AUTHORITY

Notes to Financial Statements

December 31, 2003

For the year ended December 31, 2003, interest expense was comprised of the following:

Turnpike Revenue Bonds, Series 1991 A	\$	2,905,200
Turnpike Revenue Bonds, Series 1991 C		32,170,775
Turnpike Revenue Bonds, Series 1991 D		22,964,900
Turnpike Revenue Bonds, Series 1992 A		1,975,763
Turnpike Revenue Bonds, Series 2000 A		73,862,749
Turnpike Revenue Bonds, Series 2000 B-G		3,319,240
Turnpike Revenue Bonds, Series 2003 A		18,740,148
Turnpike Revenue Bonds, Series 2003 B		14,181,003
Turnpike Revenue Bonds, Series 2003 C		8,247,120
Turnpike Revenue Bonds, Series 2003 D		5,825,088
	\$	184,191,985

(6) Pension and Deferred Compensation

Permanent full-time employees of the Authority are covered by the Public Employee's Retirement System of the State of New Jersey (PERS), a cost sharing, multiple employer public retirement system. The payroll subject to pension for the Authority's employees covered by PERS was \$111,846,255 for the year ended December 31, 2003. The Authority's total payroll for the year ended December 31, 2003 was \$136,140,875.

All Authority permanent full-time employees are required as a condition of employment to be members of PERS. A member may retire on a service retirement allowance as early as age 60; no minimum service requirement must be established. The formula for benefits is an annual allowance in the amount equal to years of service, divided by 55, times the final average salary. Final average salary means the average of the salaries (excluding overtime) received by the member for the last three years of creditable membership service preceding retirement or the highest three fiscal years of membership service, whichever provides the largest benefit. Benefits fully vest on reaching 10 years of service. Employees with 25 years of service may retire at or after age 55 with full retirement benefits. The system also provides death and disability benefits. Benefits are established by State statute.

Covered Authority employees are required by PERS to contribute a percentage of their salary. The Authority is required by State statute to contribute the remaining amounts necessary to pay benefits when due. The amount of the Authority's contribution is certified each year by PERS on the recommendation of the actuary who makes an annual actuarial valuation. The valuation is a determination of the financial condition of the retirement system. It includes the computation of the present dollar value of benefits payable to former and present members and the present dollar value of future employer and employee contributions, giving effect to mortality among active and retired members and also to the rates of disability, retirement, withdrawal, former service, salary and interest.

(Continued)

NEW JERSEY TURNPIKE AUTHORITY

Notes to Financial Statements

December 31, 2003

The contribution requirement for the year ended December 31, 2003 expressed in both dollars and as a percentage of covered payroll was \$3,355,388 (3%). This consisted solely of employee contributions of \$3,355,388 for the year ended December 31, 2003.

In addition to providing pension benefits, the Authority self-insures certain health care benefits for both active and retired employees, as follows:

Turnpike employees must have 5 years of service with the Authority and be eligible for a PERS retirement in order to receive retiree benefits. Individual benefits vary based upon class of employment and the applicable collective bargaining agreement in effect at the time of retirement.

Former Highway Authority employees hired prior to July 1, 1996, must have 10 years of service to be eligible for continuing health benefits. An employee hired post July 1, 1996, must have 25 years of service to be eligible for health benefits. In some cases, employees eligible under the State service requirement of age 62 with at least 15 years of service may also qualify.

The Authority provided approximately \$29,677,740, for the estimated cost of these benefits which includes the Authority's costs for the entire year and the Highway Authority's costs since July 9, 2003. The cost of providing those benefits for 1,885 retirees for the year ended December 31, 2003, is not separable from the cost of providing benefits for the 2,531 active employees in 2003.

In 1980, the Authority established the Employees Deferred Compensation Plan. 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.

(7) Commitments and Contingent Liabilities

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 million 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 under all outstanding bonds.

In April 2002 the Authority's Commissioners approved the execution of an Interagency Agreement with the (former) Highway Authority whereby the Turnpike Authority would provide a portion of the monies required to construct a new bridge over the Raritan River. One provision of that agreement provides that for the State's fiscal years 2004-05 and 2005-06, the amounts otherwise payable to the State for those periods could be used to fund the bridge project. Accordingly, payments totaling \$11 million are required for the first half of 2004.

The Authority is committed under contracts related to the Construction Fund. The contracts are primarily construction contracts and the open commitments totaled approximately \$321,265,000 as of December 31, 2003 all of which are fully funded.

(Continued)

NEW JERSEY TURNPIKE AUTHORITY

Notes to Financial Statements

December 31, 2003

(8) Electronic Toll Collection Project

On March 10, 1998, the Authority, as the lead agency of a regional consortium consisting of the Port Authority of New York and New Jersey, the State of Delaware, the (former) Highway Authority, the South Jersey Transportation Authority and the Authority, entered into a project agreement with a contractor for the purpose of receiving the services associated with the implementation of an integrated electronic toll collection system, a fiber optic system and a customer service center for processing toll transactions and a related violations processing center. To finance certain costs of this project, the New Jersey Economic Development Authority ("EDA") issued \$300 million of its taxable economic development transportation bonds. A project fund was established to pay approved expenses relating to principal and interest on the EDA bonds, and to the extent that the amounts were not sufficient to cover these expenses, each consortium member had agreed, under a true-up agreement, to pay, subject to the requirements of each member's bond covenants, its allocated share of the amount of such deficiency. The Authority's initial allocated liability was 48%. This project agreement was terminated on July 2, 2002.

Subsequently, in January 2003 a professional services agreement was entered into by and between the Authority, the (former) Highway Authority, the South Jersey Transportation Authority and ACS State and Local Solutions, Inc. (ACS) for E-Z Pass System Remediation, Buildout, Operations and Maintenance.

In March 2003, in order to implement the above referenced contract with ACS, it was necessary for the Authority to repay its share of the existing debt and associated expenses of the Project so that it could be relieved of its obligations under the NJEDA Bond Resolution. The Authority repaid a total of approximately \$157,553,500 as follows: \$84,104,000 from the existing Construction Fund, \$70,000,000 from the issuance of taxable subordinated debt and \$3,449,500 from the existing Special Project Reserve Fund.

As part of the overall consolidation refinancing in July 2003, the \$70,000,000 Subordinated debt was repaid in full and the Construction Fund was replenished for the \$84,104,000 through the new money portion of the series 2003A Turnpike Revenue Bond issue.

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NEW JERSEY TURNPIKE AUTHORITY

Notes to Financial Statements

December 31, 2003

(9) Litigation

As of December 31, 2003, various actions have been filed against the Authority by individuals alleging discriminatory actions by New Jersey State Troopers on duty on the New Jersey Turnpike. The Authority's contract with the State of New Jersey for provision of law enforcement services contains an indemnification provision requiring the Authority to defend and indemnify Troopers, the State Police and the State under certain circumstances. The Authority is defending each case vigorously and has asserted that it has no liability. In the event the Authority is found ultimately to be liable, the Authority believes that it will be covered by insurance policies for a significant portion of such liability and that any payments in regard to such portions that are not covered by insurance would not materially adversely affect the operations of the Authority.

As of December 31, 2003, the Authority is a defendant in a lawsuit involving interest payments on a guaranteed investment contract. Discovery is not complete in this case and the outcome cannot be determined at this time. The Authority is vigorously defending this case.

In addition, the Authority is party to a number of claims, which are incidental to performing its routine operations and functions. In the opinion of management, the ultimate resolution of these matters will not have a material effect on the Authority's financial position or cash flows.

(10) Garden State Arts Center

One of the results of consolidation with the Highway Authority was the acquisition of the PNC Bank Arts Center, an outdoor amphitheater and entertainment facility located in Holmdel NJ. The Arts Center is not part of the Turnpike system and as such, revenues are not pledged revenues under the Bond Resolution; similarly, expenses are not operating expenses for the purposes of the Resolution. However, the facility generates revenue in the form of naming and marketing rights (from PNC Bank) and in the form of lease payments from the facility tenant (Clear Channel Entertainment). These amounts, and the expenses incurred in the generation of same, are included in the Turnpike's financial statements for the period July 9, 2003 through December 31, 2003.

(11) Escrow Restructuring Agreement

On September 30, 2003, the Authority entered into an escrow restructuring agreement with the Investment Management Advisory Group, Inc. (IMAGE). The Authority engaged IMAGE to assist in the structuring and implementation of a program to complete one or more escrow substitutions that would result in the recovery of negative arbitrage on escrow securities held in relation to debt defeased by the 2003 series. On December 1, 2003 a settlement of such substituted amounts occurred resulting in a gross savings of \$34,505,367. This amount was offset by costs and expenses totaling \$862,632 resulting in a net savings of \$33,642,735.

NEW JERSEY TURNPIKE AUTHORITY

Notes to Financial Statements

December 31, 2003

(12) Transfer of Highway Authority Fund Balances

On July 9, 2003 the assets and liabilities of the Highway Authority were transferred to the Authority at book value which resulted in the following fund balance transfers:

Construction Funds	\$	1,290,443,672
Revenue Fund		9,969,851
Stabilization Account		2,007,259
Debt Reserve Fund		1,512,793
Maintenance Fund		5,000,000
	\$	<u>1,308,933,575</u>

Such amounts are reflected in the Statement of Changes in Fund Balances.

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NEW JERSEY TURNPIKE AUTHORITY

Schedule of Investments

December 31, 2003

		<u>Interest rate</u>	<u>Maturity</u>	<u>Par value</u>	<u>Carrying value</u>
Revenue Fund:					
US Treasury Backed Notes	TPK Div.	0.73% - 0.96%	1/8/04 - 1/30/04	\$ 31,311,000	\$ 29,815,982
US Treasury Backed Notes	PKY Div	0.94% - 0.96%	1/8/04 - 1/30/04	22,148,000	22,140,055
Repurchase Agreements	TPK Div.	Variable	1/2/04	<u>20,000,000</u>	<u>20,000,000</u>
				73,459,000	71,956,037
Construction Fund:					
US Treasury Backed Notes		0.50% - 0.96%	1/8/04 - 3/4/04	354,904,000	354,564,324
Repurchase Agreements		Variable and 6.61%	12/1/04 - 6/1/05	<u>495,916,349</u>	<u>495,916,349</u>
				850,820,349	850,480,673
Maintenance Reserve Fund:					
Special Project Reserve Fund:					
Repurchase Agreements		0.85%	1/6/2004	<u>16,002,644</u>	<u>16,000,000</u>
				16,002,644	16,000,000
General Reserve Fund:					
US Treasury Backed Notes		0.50% - 0.96%	1/8/04 - 2/24/04	166,936,000	166,820,545
Repurchase Agreements		0.90%	1/21/2004	<u>25,037,388</u>	<u>25,023,000</u>
				191,973,388	191,843,545
Charges Fund:					
US Treasury Backed Notes		0.69% - 0.89%	1/2/04 - 1/7/04	271,000	270,978
Debt Service Fund:					
US Treasury Backed Notes		0.69% - 0.99%	1/2/04 - 1/28/04	156,235,000	156,163,511
Total investments				<u>\$ 1,288,761,381</u>	<u>\$ 1,286,714,744</u>

New Jersey Turnpike Authority
Schedule of Cash Receipts and Disbursements
For the Year Ended December 31, 2003

	Total Revenue Funds	Construction Fund	Maintenance Reserve Fund
Beginning Cash	\$ 8,417,098	\$ 918,911	\$ 2,549,677
Revenues	645,746,570	-	-
Transfers from Revenue Fund	(57,505,996)	-	27,633,000
Net change in investments	(28,976,543)	(48,561,597)	3,024,453
Net change in receivables	(23,072,140)	-	-
Net change in cost of investment in facilities	-	(2,438,669,412)	-
Net change in other assets	(3,875,896)	(651,001)	-
Transfers of funds, net	(24,839,369)	(64,345,798)	(2,089,238)
Accretion of 1992B Bonds	-	2,383,938	-
Current year retired debt	-	(1,179,350,000)	-
Current year acquired debt	-	2,428,990,000	-
Acquisition of NJHA, net	9,969,851	1,290,443,671	-
Operating disbursements	(310,120,024)	-	(27,176,444)
Sinking Fund Payment	-	75,785,000	-
Sinking Fund Transfer	(33,605,000)	(75,785,000)	-
Transfers to fund bond interest expense	(179,260,479)	-	-
Bond Interest Expense	-	-	-
Payments to State of New Jersey	-	-	-
Release of NJHA Reserves	-	-	-
Net change in current liabilities	76,791,441	26,920,874	(47,247)
	<u>71,252,416</u>	<u>17,160,675</u>	<u>1,344,524</u>
Ending Cash	<u>\$ 79,669,514</u>	<u>\$ 18,079,586</u>	<u>\$ 3,894,201</u>

Schedule 2

Special Project Reserve Fund	General Reserve Fund	Charges Fund	Debt Service Funds	Former NJHA Funds	Total
\$ 5,138,848	\$ 7,405,316	\$ 1,171	14,292	\$ -	\$ 24,445,313
-	-	-	-	-	645,746,570
26,855,359		3,017,637	-	-	-
22,999,085	(70,339,179)	(110,985)	36,101,366	-	(85,863,400)
1,396,661	12,397,781	-	-	-	(9,277,698)
-	-	-	-	-	(2,438,669,412)
-	-	-	-	-	(4,526,897)
(22,389,511)	109,901,001	(216)	10,366,017	(6,602,886)	-
					2,383,938
					(1,179,350,000)
-	-	-	-	-	2,428,990,000
-	-	-	-	8,520,052	1,308,933,574
(7,125,552)	(25,339,607)	(2,904,442)	-	(1,917,166)	(374,583,235)
-	-	-	(75,785,000)	-	-
-	-	-	33,605,000	-	(75,785,000)
-	-	-	184,191,985	-	4,931,506
-	-	-	(184,156,410)	-	(184,156,410)
-	(22,000,000)	-	-	-	(22,000,000)
	74,955,727				74,955,727
(21,616,697)	(105,010)	-	(4,319,631)	-	77,623,730
119,345	79,470,713	1,994	3,327	-	169,352,994
\$ 5,258,193	\$ 86,876,029	\$ 3,165	17,619	\$ -	\$ 193,798,307

NEW JERSEY TURNPIKE AUTHORITY

Schedule of Bond Indebtedness

December 31, 2003

	Original amount authorized and issued
	<hr/>
Turnpike revenue bonds:	
Series A, 4.75% (1966 issue), maturing January 1, 2006	\$ 179,000,000
Series A, 5.12% (1968 issue), maturing January 1, 2008	75,000,000
Series C, 5.20% (1968 issue), maturing January 1, 2008	125,000,000
Series D, 5.75% (1969 issue), maturing January 1, 2008	60,000,000
Series E, 5.87% (1969 issue), maturing January 1, 2008	40,000,000
Series F, 7.00% (1969 issue), maturing January 1, 2009	137,000,000
Series G, 5.75% (1972 issue), maturing January 1, 2009	155,100,000
	<hr/>
	771,100,000
	<hr/>
Turnpike improvement revenue bonds:	
First series, 5.70% (1973 issue), maturing May 1, 2013	210,000,000
	<hr/>
General revenue bonds:	
Turnpike revenue bonds (1950 issue), 3.25%, matured January 1, 1985	220,000,000
Turnpike revenue bonds (1951 issue), 3.20%, matured January 1, 1986	35,000,000
	<hr/>
	255,000,000
	<hr/>
Second series revenue bonds	211,200,000
	<hr/>
Turnpike notes:	
Series A, 4.62% (1971 issue), matured January 1, 1975	125,500,000
	<hr/>
Turnpike system revenue bonds:	
First series, 6.00% (refunding issue), maturing January 1, 2014	202,415,000
	<hr/>
Turnpike revenue bonds:	
1984 Series, 6.75% to 12%, maturing January 1, 2003 through 2014	501,825,000
	<hr/>
Turnpike revenue bonds:	
1985 series, bi-modal multi-term format (BMTF):	
Mode 1 (tender dates ranging from one week to July 2, 1990)	2,000,000,000
Mode A (tender dates ranging from one week to January 1, 2018)	1,000,000
	<hr/>
	2,001,000,000
	<hr/>
1985 series, Mode A, 7.20% maturing January 1, 2018	2,000,000,000
	<hr/>

Schedule 3

Refunded or acquired and canceled in prior year(s)	Mandatory redemption/ sinking fund installments	Accretion of capital appreciation bonds	Amount outstanding December 31, 2003
\$ (179,000,000)	\$	\$	\$ —
(75,000,000)			—
(125,000,000)			—
(60,000,000)			—
(40,000,000)			—
(137,000,000)			—
(155,100,000)			—
(771,100,000)			—
(210,000,000)			—
(220,000,000)			—
(35,000,000)			—
(255,000,000)			—
(211,200,000)			—
(125,500,000)			—
(202,415,000)			—
(501,825,000)			—
(2,000,000,000)			—
(1,000,000)			—
(2,001,000,000)			—
(2,000,000,000)			—

(Continued)

NEW JERSEY TURNPIKE AUTHORITY

Schedule of Bond Indebtedness

December 31, 2003

	Original amount authorized and issued	Refunded or acquired and canceled in prior year(s)
Turnpike revenue bonds:		
Series 1991 A, 5.25% to 6.90%, maturing January 1, 1994 through 2003, January 1, 2008 and January 1, 2014	\$ 423,205,000	\$ (175,260,000)
Series 1991 B, 4.45% to 5.25%, maturing January 1, 1994 and January 1, 1995	79,340,000	
Series 1991 C, 4.80% to 6.50%, maturing January 1, 1994 through 2011, January 1, 2013 and January 1, 2016	1,247,850,000	(1,091,695,000)
Series 1991 D, (interest at 6.19% under an interest rate swap agreement) maturing January 1, 2018	371,000,000	
Series 1992 A, 4.80% to 6.20%, maturing January 1, 1996 through 2006, January 2012 and January 1, 2018	741,110,000	(468,430,000)
Series 1992 B, capital appreciation bonds, maturing January 1, 2000 through 2012 with yields to maturity at 6.10% to 6.70%	30,016,972	
Series 2000 A, 4.80% to 6.00%, maturing January 1, 2001 through January 1, 2030	1,467,375,000	(311,725,000)
Series 2000 B-G, at variable rates not to exceed 10.00%, maturing January 1, 2001 through January 1, 2030	400,000,000	
Series 2003 A, Subordinated Revenue Bonds Serial Bonds at variable rates, maturing January 1, 2019 through January 1, 2025	70,000,000	(70,000,000)
Series 2003 A, 4.759% to 5.0% maturing January 1, 2019 through January 1, 2025	788,815,000	
Series 2003 B (Federally Taxable) 1.15% to 3.14% maturing January 1, 2004 through January 1, 2004 through January 1, 2008	740,175,000	
Series 2003 C, 3.4486% (under interest swap agreement) maturing January 1, 2024, with mandatory redemptions 2022 and 2023	500,000,000	
Series 2003 D, 3.034% (under interest swap agreement) maturing January 1, 2024, with mandatory redemptions 2020 through 2023	400,000,000	
Parkway revenue bonds:		
Series 1986, Term bonds 5.50% maturing January 1, 2015 through January 1, 2016	35,435,000	(35,435,000)
Series 1992, Serial bonds 5.70% to 6.15% maturing January 1, 2003 through January 1, 2007	32,445,000	(32,445,000)
Series 1992, Term bonds 5.75% to 6.25% maturing January 1, 2010 through January 1, 2019	73,390,000	(73,390,000)
Series 1993, Serial bonds 4.60% to 5.20% maturing January 1, 2003 through January 1, 2009	47,115,000	(47,115,000)
Series 1999, Serial bonds 4.30% to 5.75% maturing January 1, 2003 through January 1, 2019	76,070,000	(76,070,000)
Series 1999, Term bonds 5.625% maturing January 1, 2030	43,445,000	(43,445,000)
Series 2001, Serial bonds 5.00% to 5.50% maturing January 1, 2006 through January 1, 2019	243,080,000	(243,080,000)
Series 2003, Subordinated Revenue Bonds Serial Bonds at variable rates, maturing January 1, 2019 through January 1, 2024	115,000,000	(115,000,000)
	<u>7,924,866,972</u>	<u>(2,783,090,000)</u>
	<u>\$ 14,202,906,972</u>	<u>\$ (9,061,130,000)</u>

Schedule 3

<u>Mandatory redemption/ sinking fund installments</u>	<u>Accretion of capital appreciation bonds</u>	<u>Amount outstanding December 31, 2003</u>
\$ -	\$ -	\$ -
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NEW JERSEY TURNPIKE AUTHORITY - TURNPIKE DIVISION

Schedule of Toll Revenue

Year ended December 31, 2003

<u>Class</u>	<u>Description</u>
1	Passenger car, motorcycle, taxi or hearse, light truck
2	Vehicles having two axles other than type described under Class 1
3	Vehicle (vehicles), single or in combination, having three axles
4	Vehicle (vehicles), single or in combination, having four axles
5	Vehicle (vehicles), single or in combination, having five axles
6	Vehicle (vehicles), single or in combination, having six or more axles
7	Buses having two axles
8	Buses having three axles
	Nonrevenue vehicles
	Discounts
	Violations *
	Violation collections
	Other adjustments

* During the year ended December 31, 2000, the Authority implemented the electronic toll collection system and accordingly the amounts of violations assessed are reported on this line. As a result of violation activities, some portion of unpaid tolls will be collected in subsequent years.

Schedule 4A

2003	
<u>Toll revenue</u>	<u>Number of vehicles (unaudited)</u>
\$ 327,687,152	208,440,233
27,297,708	8,010,752
13,403,460	3,302,645
15,150,658	2,609,077
110,926,448	15,187,129
1,933,539	225,364
646,057	326,666
5,819,495	1,521,703
	1,374,662
502,864,517	240,998,231
(487,453)	
(13,599,704)	
1,790,269	
(377,368)	
\$ 490,190,261	

NEW JERSEY TURNPIKE AUTHORITY - PARKWAY DIVISION

Schedule of Toll Revenue

For the period July 9, 2003 to December 31, 2003

Class	Description
1	Passenger car, motorcycle, taxi or hearse, light truck
2	Vehicles having two axles other than type described under Class 1
3	Vehicle (vehicles), single or in combination, having three axles
4	Vehicle (vehicles), single or in combination, having four axles
5	Vehicle (vehicles), single or in combination, having five axles
6	Vehicle (vehicles), single or in combination, having six or more axles
7	Buses having two axles
8	Buses having three axles
	Nonrevenue vehicles
	Other adjustments

* Reported revenue is net of discounts and violations.

Schedule 4B

<u>Toll revenue</u>	<u>Number of vehicles (unaudited)</u>
\$ 98,452,736	426,677,181
362,007	1,117,829
99,028	194,557
618,457	1,055,744
735,940	767,802
15,020	15,669
42,939	128,350
979,693	1,451,489
	201,308
101,305,820	431,609,929
848,142	
<u>\$ 102,153,962</u>	

*

Schedule 5

New Jersey Turnpike Authority
Schedule of Combined Revenues and Expenses-By Division

	Year Ended 12/31/2003 NJTA	Period 7/9/03 to 12/31/03 Parkway	Total
Revenues			
Toll revenue	\$ 490,190,261	\$ 102,153,962	\$ 592,344,223
Income from investments	3,521,926	444,449	3,966,375
Concession revenue	18,438,916	7,983,622	26,422,538
Miscellaneous revenue	2,134,026	4,565,010	6,699,036
Arts Center	-	2,038,537	2,038,537
ETC Project Revenue	9,897,173	4,378,688	14,275,861
Total Revenues	524,182,302	121,564,268	645,746,570
Operating Expenses			
Executive office	2,140,057	680,176	2,820,233
E.T.C. Dept.	1,844,011	160,093	2,004,104
Law	929,824	144,687	1,074,511
Finance and budgets	3,277,273	1,364,782	4,642,055
Human resources	1,803,877	585,954	2,389,831
Technology and administrative services	7,351,732	1,386,583	8,738,315
Purchasing	668,874	423,719	1,092,593
Operations	3,338,481	954,626	4,293,107
Patron services	-	499,812	499,812
State police	21,904,810	11,549,624	33,454,434
Toll Collection	46,074,302	8,235,643	54,309,945
Maintenance	40,143,827	10,323,012	50,466,839
Engineering	1,931,904	950,192	2,882,096
Internal Audit	-	480,163	480,163
Strategic Planning	-	112,558	112,558
Non-departmental	9,040,867	2,829,109	11,869,976
Employee benefits	33,805,589	12,851,525	46,657,114
Snow	8,198,471	5,469,415	13,667,886
ETC	44,219,515	24,446,278	68,665,793
Cash discounts	(1,341)	-	(1,341)
Total operating expenses	226,672,073	83,447,951	310,120,024
Total revenues in excess of operating expenses before net debt service	297,510,229	38,116,317	335,626,546
Debt Service			
Interest Expense, Turnpike Revenue Bonds	184,191,985	-	184,191,985
Transfer to Debt Service Fund	33,605,000	-	33,605,000
Transfer to Charges Fund	3,017,637	-	3,017,637
Total Debt Service	220,814,622	-	220,814,622
Less capitalized interest	(4,931,507)	-	(4,931,507)
Net debt service	215,883,115	-	215,883,115
Total revenues in excess of operating expenses and net debt service	81,627,114	38,116,317	119,743,431
Interfund Transfers:			
To Special Project Reserve Fund	(26,855,360)	-	(26,855,360)
To Maintenance Reserve Fund	(27,633,000)	-	(27,633,000)
To Parkway/Turnpike Funds	35,383,596	(35,383,596)	-
To General Reserve Fund	(62,522,350)	(2,732,721)	(65,255,071)
Total revenues in excess of operating expenses, net debt service, and interfund transfers	\$ -	\$ -	\$ -

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