

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

Financial Statements and
Supplementary Information

June 30, 2020

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

TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	4
Basic Financial Statements	
Statement of Net Position and Governmental Funds Balance Sheet.....	10
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Net Position/Fund Balances.....	11
Notes to Financial Statements.....	12
Supplementary Information	
Schedule of Cash Receipts and Disbursements.....	24
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each fund of the New Jersey Transportation Trust Fund Authority (the "Authority"), a component unit of the State of New Jersey, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibility

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of the Authority as of June 30, 2020, and the respective changes in the financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Merodien, P.C.

Certified Public Accountants

January 21, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Management's Discussion and Analysis

The New Jersey Transportation Trust Fund Authority (the "Authority"), provides a discussion and analysis to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position in the financial statements for the year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

On a cash basis, the Authority reimbursed the State's Special Transportation Fund \$1,759,000,000 in fiscal year 2020, for statewide transportation system improvements. After adjusting for accrued expenses, the Authority's total obligations to the State of New Jersey Special Transportation Fund amounted to \$1,757,789,527 to fund statewide transportation system improvements during the fiscal year. This compares to reimbursements totaling \$1,823,500,000 and total obligations of \$1,701,802,850 in the prior fiscal year.

The term "net position" refers to the difference between assets and liabilities. At the close of fiscal year 2020, the Authority had a net position of \$242,523,993, as compared to a net position of \$288,865,919 at June 30, 2019. The Authority's net position decreased in fiscal year 2020, primarily due to the fact that capital spending levels exceeded the issuance of new money bonds and cash and other available resources used to fund capital projects.

In fiscal year 2020, the Authority received a total of \$872,598,381 in Pay As You Go ("PayGo") capital funding from the Transportation Trust Fund Subaccount for Capital Reserves ("Subaccount"), comprised of \$537,821,027 in PayGo capital funding and \$334,777,354 for PayGo federal project costs. In fiscal year 2019, the Authority received a total of \$772,975,015 of PayGo funding, including \$435,031,562 in PayGo capital funding and \$337,943,453 for PayGo federal project costs. The 2016 Transportation Trust Fund Re-Authorization Act ("Re-Authorization") provides for funding the Subaccount with the excess of constitutionally-dedicated Petroleum Products Gross Receipts Tax revenues not needed to satisfy current year debt service costs.

Overview of the Financial Statements

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

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

(A Component Unit of the State of New Jersey)

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

Basic Financial Statements

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

The Statement of Net Position and Governmental Funds Balance Sheet presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as useful indicators as to whether the financial position of the Authority is improving or deteriorating. Net position decreases when expenditures exceed revenues and other funding sources and/or liabilities increase without a corresponding increase to assets, which may indicate a worsened financial position. The Authority's net position decreased by \$46,341,926 for the year ended June 30, 2020.

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

Notes to the Financial Statements

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

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

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

(A Component Unit of the State of New Jersey)

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

Financial Analysis

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

	June 30, 2020	June 30, 2019	Percentage Change 2020-2019
Accounts receivable	\$ 19,429,887,774	\$ 19,139,794,842	1.5
Cash and equivalents	889,807,349	904,478,344	(1.6)
Accrued Build America Bond Credits	10,956,267	-	100.0
Unamortized bond discount	9,479,911	8,850,569	7.1
Total assets	<u>20,340,131,301</u>	<u>20,053,123,755</u>	1.4
Accrued interest payable	31,565,493	32,921,477	(4.1)
Accounts payable - State of New Jersey	69,241,040	70,451,514	(1.7)
Accounts payable - other	385,355	321,433	19.9
Bonds payable:			
Due within one year	886,045,000	881,315,000	0.5
Due after one year	18,543,842,774	18,258,479,842	1.6
Unamortized bond premium	519,406,462	457,901,345	13.4
Total liabilities	<u>20,050,486,124</u>	<u>19,701,390,611</u>	1.8
Deferred inflows of resources	<u>47,121,184</u>	<u>62,867,225</u>	(25.0)
Net Position restricted for:			
Debt service	13,889,631	5,068,605	174.0
Deferred charges	(588,613,228)	(544,839,478)	(8.0)
Payment of state transportation system costs	<u>817,247,590</u>	<u>828,636,792</u>	(1.4)
Net position	<u>\$ 242,523,993</u>	<u>\$ 288,865,919</u>	(16.0)

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

(A Component Unit of the State of New Jersey)

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

Financial Analysis (Continued)

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	Percentage Change <u>2020-2019</u>
Revenues			
State appropriations			
Motor fuel taxes	\$ 440,368,195	\$ 503,000,000	(12.5)
Petroleum Products Gross Receipts & Sales			
Tax	959,830,303	790,582,229	21.4
Toll road authority	12,000,000	12,000,000	-
Funding, Subaccount Capital Reserve	872,598,381	772,975,015	12.9
Interest income and investment return	14,207,384	12,424,693	14.3
Amortization of bond premium and discount	<u>49,613,792</u>	<u>181,218,738</u>	(72.6)
Total revenues	<u>2,348,618,055</u>	<u>2,272,200,675</u>	3.4
Expenses			
Operating expenses and financial costs	82,706	128,039	(35.4)
State transportation costs	1,757,789,527	1,701,802,850	3.3
Debt Service			
Bond interest expense, including amortization			
of deferred gain on advanced refunding	775,047,977	766,814,279	1.1
Bond interest expense, capital appreciation			
bonds	<u>197,597,932</u>	<u>187,386,082</u>	5.4
Total operating expenses	<u>2,730,518,142</u>	<u>2,656,131,250</u>	2.8
Deficiencies of revenues over expenses	(381,900,087)	(383,930,575)	(0.5)
Other financing sources (uses)			
Build America bond credits	29,365,807	36,321,676	(19.2)
Bond issuance costs	<u>(10,090,577)</u>	<u>(17,062,233)</u>	(40.9)
Total other financing sources	<u>19,275,230</u>	<u>19,259,443</u>	(0.1)
Changes in net position	(362,624,857)	(364,671,132)	(0.6)
Net position			
Beginning of year	288,865,919	546,286,824	(47.1)
Current year bond activity, net	<u>316,282,931</u>	<u>107,250,227</u>	194.9
Net position, end of year	<u>\$ 242,523,993</u>	<u>\$ 288,865,919</u>	(16.0)

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

(A Component Unit of the State of New Jersey)

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

Other Information

As of June 30, 2020, the Authority had \$19,429,887,774 in bonds and notes outstanding, net of unamortized bond accretions, as compared to \$19,139,794,842 in the prior fiscal year, an increase of 1.5%. During fiscal year 2020, the Authority advance refunded \$1,592,300,000 of existing Transportation System Bonds (par value), including \$698,500,000 in Build America Bonds. These advance refunding issues did not count against the Authority's eight-year, \$12 billion bonding cap provided by the 2016 Capital Program Re-Authorization. The Authority also remarketed \$150,000,000 in variable rate SIFMA Index Multimodal Transportation Program Notes (the "2014 Series BB-1 Notes") as fixed rate obligations.

In the current fiscal year the Authority issued Transportation Program Bonds totaling \$1,000,000,000 which, with the related bond premium, will count against the Authority's eight-year, \$12 billion bonding cap related to the Re-Authorization.

During the fiscal year, the Authority retired a total of \$2,623,615,000 in bond principal through annual debt service payments, bond refunding and bond remarketing activity, including \$202,670,000 of Garvee bond principal paid.

The Authority did not enter into any credit agreements subsequent to the close of fiscal year June 30, 2020. The Authority did not enter into any new Swap Agreements during the fiscal year.

The following information summarizes the changes in debt between fiscal year 2020 and 2019:

	<u>June 30, 2020</u>	<u>July 1, 2019</u>	<u>Percentage Change 2020-2019</u>
Bonds Payable	<u>\$19,429,887,774</u>	<u>\$19,139,794,842</u>	<u>1.5</u>

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

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

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

(A Component Unit of the State of New Jersey)

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

Significant and Subsequent Events

The 2016 Re-Authorization Act included a \$0.226 per gallon increase in the fuel tax to support an eight-year, \$16 billion capital projects program. In October 2018, the per gallon fuel tax increased an additional \$0.043 cents per gallon. To meet the State's fiscal year highway fuel cap revenue target, the Petroleum Products Gross Receipts Tax was increased by \$.093 cents on October 1, 2020, to offset the decline in Motor Fuel and Petroleum Products Gross Receipts Tax revenues due to COVID-19. These respective increases are also provided by the Re-Authorization that allows the State to adjust the rate contingent upon meeting budgeted fiscal year fuel tax revenue targets.

The Re-Authorization also established the Subaccount, which is funded from the excess of constitutionally-dedicated Petroleum Products Gross Receipts Tax revenues not needed to satisfy current year debt service. As noted above, in fiscal year 2020, the Authority received \$537,821,027 in PayGo capital funding from the Subaccount. Future anticipated funds from the Subaccount will provide an estimated \$286 million in PayGo capital funding in fiscal year 2021 and approximately \$753 million through fiscal year 2024 in support of statewide transportation capital projects.

In December 2020, the Authority issued \$1,500,000,000 of new money Transportation Program Bonds with a final maturity of June 15, 2050 with coupon rates ranging from 3.00% to 5.00%, in order to fund transportation project costs and take advantage of the favorable interest rate environment.

Contacting the Authority's Financial Management

This financial report is designed to provide the New Jersey citizens, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability to the State of New Jersey and bondholders. If you have questions about this report or need additional financial information, you can contact the New Jersey Transportation Trust Fund Authority at 1035 Parkway Avenue, P.O. Box 600, Trenton, NJ 08625-0600 or visit its website at www.state.nj.us/ttfa.

BASIC FINANCIAL STATEMENTS

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

(A Component Unit of the State of New Jersey)

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2020

	Special Revenue Fund	Other Funds (DSF)	Total Govern- mental Funds	Adjustments (Note G)	Statement of Net Position
ASSETS					
Cash and equivalents	\$ 886,873,985	\$ 2,933,364	\$ 889,807,349	\$ -	\$ 889,807,349
Accounts receivable - State of New Jersey	-	-	-	19,429,887,774	19,429,887,774
Accrued Build America Bond Credits	-	10,956,267	10,956,267	-	10,956,267
Unamortized bond discount	-	-	-	9,479,911	9,479,911
Total assets	<u>\$ 886,873,985</u>	<u>\$ 13,889,631</u>	<u>\$ 900,763,616</u>	<u>\$19,439,367,685</u>	<u>\$20,340,131,301</u>
LIABILITIES					
Accrued interest payable	\$ -	\$ -	\$ -	\$ 31,565,493	\$ 31,565,493
Accounts payable - State of New Jersey	69,241,040	-	69,241,040	-	69,241,040
Accounts payable - other	385,355	-	385,355	-	385,355
Bonds and notes payable					
Due within one year	-	-	-	886,045,000	886,045,000
Due after one year	-	-	-	18,543,842,774	18,543,842,774
Unamortized bond premium	-	-	-	519,406,462	519,406,462
Total liabilities	<u>69,626,395</u>	<u>-</u>	<u>69,626,395</u>	<u>19,980,859,729</u>	<u>20,050,486,124</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred gains on advanced refundings	-	-	-	47,121,184	47,121,184
FUND BALANCES/NET POSITION					
Restricted for					
Debt service	-	13,889,631	13,889,631	-	13,889,631
Deferred charges	-	-	-	(588,613,228)	(588,613,228)
Payment of state transportation system costs	817,247,590	-	817,247,590	-	817,247,590
Total fund balances/net position	<u>817,247,590</u>	<u>13,889,631</u>	<u>831,137,221</u>	<u>(588,613,228)</u>	<u>242,523,993</u>
Total liabilities, deferred inflows of resources, and fund balances/net position	<u>\$ 886,873,985</u>	<u>\$ 13,889,631</u>	<u>\$ 900,763,616</u>	<u>\$19,439,367,685</u>	<u>\$20,340,131,301</u>

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

(A Component Unit of the State of New Jersey)

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

Year Ended June 30, 2020

	Special Revenue Fund	Other Funds (DSF)	Total Govern- mental Funds	Adjustments (Note G)	Statement of Activities
REVENUES					
State appropriations equivalent to:					
Motor fuel taxes	\$ 440,368,195	\$ -	\$ 440,368,195	\$ -	\$ 440,368,195
Petroleum Products Gross Receipts and Sales Tax	959,830,303	-	959,830,303	-	959,830,303
Toll Road Authority	12,000,000	-	12,000,000	-	12,000,000
Funding Subaccount Capital Reserve	872,598,381	-	872,598,381	-	872,598,381
Interest income and investment return	14,207,384	-	14,207,384	-	14,207,384
Amortization of bond premium and discount	-	-	-	49,613,792	49,613,792
Total revenues	<u>2,299,004,263</u>	<u>-</u>	<u>2,299,004,263</u>	<u>49,613,792</u>	<u>2,348,618,055</u>
EXPENDITURES					
Operating expenses and financial costs	26,976	55,730	82,706	-	82,706
State transportation costs	1,757,789,527	-	1,757,789,527	-	1,757,789,527
Debt Service					
Principal	-	881,315,000	881,315,000	(881,315,000)	-
Bond interest expense, including amortization of deferred gain on advanced refunding	-	801,959,124	801,959,124	(26,911,147)	775,047,977
Bond interest expense, capital appreciation bonds	-	-	-	197,597,932	197,597,932
Total expenditures	<u>1,757,816,503</u>	<u>1,683,329,854</u>	<u>3,441,146,357</u>	<u>(710,628,215)</u>	<u>2,730,518,142</u>
Excess/deficiency of revenues over expenditures	<u>541,187,760</u>	<u>(1,683,329,854)</u>	<u>(1,142,142,094)</u>	<u>760,242,007</u>	<u>(381,900,087)</u>
OTHER FINANCING SOURCES (USES)					
Bonds and notes issued	2,566,110,000	-	2,566,110,000	(2,566,110,000)	-
Net bond premium	216,314,577	-	216,314,577	(216,314,577)	-
Transfers - internal activities	(1,662,785,073)	1,662,785,073	-	-	-
Build America Bond Credits	-	29,365,807	29,365,807	-	29,365,807
Escrow fund deposit	(1,662,125,889)	-	(1,662,125,889)	1,662,125,889	-
Bond issuance costs	(10,090,577)	-	(10,090,577)	-	(10,090,577)
Total other financing sources (uses)	<u>(552,576,962)</u>	<u>1,692,150,880</u>	<u>1,139,573,918</u>	<u>(1,120,298,688)</u>	<u>19,275,230</u>
Changes in fund balances/net position	(11,389,202)	8,821,026	(2,568,176)	(360,056,681)	(362,624,857)
Fund balances/net position, beginning of year	828,636,792	5,068,605	833,705,397	(544,839,478)	288,865,919
Current year bond activity, net	-	-	-	316,282,931	316,282,931
Fund balances/net position, end of year	<u>\$ 817,247,590</u>	<u>\$ 13,889,631</u>	<u>\$ 831,137,221</u>	<u>\$ (588,613,228)</u>	<u>\$ 242,523,993</u>

See notes to financial statements.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Authority

New Jersey Transportation Trust Fund Authority (the "Authority"), located in Ewing, New Jersey, was created by the State of New Jersey (the "State") in 1984 pursuant to the New Jersey Transportation Trust Fund Authority Act in order to provide a stable, predictable funding mechanism for transportation system improvements undertaken by the New Jersey Department of Transportation and New Jersey Transit Corporation. The Authority also provides State aid to counties and municipalities for transportation system improvements.

Basis of Accounting

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

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

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

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

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

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

The government-wide financial statements are prepared under the current economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenditures are recognized when incurred. The primary sources of revenues are appropriations received from the State from Motor Fuel, Petroleum Products Gross Receipts ("PPGR") and sales taxes, the toll road authorities and Pay As You Go ("PayGo") capital funding. As provided for in the 2016 Transportation Trust Fund Re-Authorization Act, PayGo represents the excess of constitutionally-dedicated PPGR tax revenue not needed to satisfy current year debt service costs that is deposited into the Transportation Trust Fund Subaccount for Capital Reserves ("Subaccount").

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

Use of Estimates

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

Fund Accounts

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

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

Income Taxes

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

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

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bond Premium

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

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

Bond Discount

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

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

Deferred Inflows of Resources

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

Restricted Net Position

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

Accounts Receivable

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

Due within one year	\$ 886,045,000
Due after one year	<u>18,543,842,774</u>
	<u>\$19,429,887,774</u>

B. CASH AND EQUIVALENTS

Cash and equivalents consist primarily of State cash management fund deposits. New Jersey statutes permit the deposit of public funds in the State of New Jersey Cash Management Fund ("NJCMF") or in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation or by any other agencies of the United States that insure deposits. NJCMF is considered to be an investment trust fund as defined in GASB Statement No. 31.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

B. CASH AND EQUIVALENTS (CONTINUED)

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

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

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

Custodial Credit Risk

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

Credit Risk

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

Cash and equivalents at June 30, 2020, were as follows:

NJCMF	\$ 886,251,662
US Bank	<u>3,555,687</u>
Total	<u>\$ 889,807,349</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investments maintained by the Authority are not subject to interest rate risk.

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

NOTES TO FINANCIAL STATEMENTS

C. ACCOUNTS PAYABLE - STATE OF NEW JERSEY

The balance due of \$69,241,040 consists of amounts due the State of New Jersey Special Transportation Fund for reimbursement of State, local and New Jersey Transit transportation costs.

D. BONDS AND NOTES PAYABLE

Bonds and notes payable consist of Transportation System Bonds Payable, Transportation Program Bonds Payable, and Federal Highway Revenue Reimbursement Notes (Indirect Garvees) Payable. Bond resolutions have been adopted by the Authority which authorize the issuance of bonds and notes to fund transportation system improvements in the State of New Jersey.

Transportation System Bonds refer to bonds issued pursuant to authorizations previously provided in P.L. 1995, c. 108 and P.L. 2006, c.3, as well as any bonds issued to refund those prior bonds. Transportation Program Bonds refer to bonds issued pursuant to P.L. 2012, c.13 and the most recent authorization enacted in October 2016, (P.L. 2016, c. 56) and any bonds subsequently issued to refund those particular bonds.

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

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

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

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

D. BONDS AND NOTES PAYABLE (CONTINUED)

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

Series	Interest Rate Range	Bonds Outstanding (in Thousands) June 30, 2019	Additions (in Thousands)	Reductions (in Thousands)	Bonds Outstanding (in Thousands) June 30, 2020	Amounts Due Within One Year (in Thousands)
1999 Series A	N/A	\$ 35,590	\$ -	\$ 35,590	\$ -	\$ -
2003 Series B	N/A	93,350	-	93,350	-	-
2004 Series A	5.75%	107,495	-	-	107,495	-
2005 Series B	5.25%-5.50%	683,540	-	99,470	584,070	207,930
2006 Series A	4.25%-5.50%	1,576,785	-	62,045	1,514,740	387,695
2006 Series C	4.93%-5.05%	3,708,585	-	-	3,708,585	-
2008 Series A	6.10%-6.75%	1,422,955	-	-	1,422,955	-
2009 Series A	6.23%-6.40%	869,075	-	-	869,075	-
2009 Series B	N/A	273,500	-	273,500	-	-
2009 Series C Note	5.250%	150,000	-	-	150,000	-
2009 Series D Note	5.000%	147,500	-	-	147,500	-
2010 Series A	5.85%-6.25%	1,273,180	-	-	1,273,180	-
2010 Series B	6.51%	500,000	-	-	500,000	-
2010 Series C	5.75%	1,000,000	-	425,000	575,000	-
2010 Series D	3.00%-5.25%	381,310	-	475	380,835	-
2011 Series A	3.25%-6.00%	522,585	-	371,300	151,285	13,845
2011 Series B	2.50%-5.50%	1,156,075	-	562,860	593,215	28,505
2012 Series A	5.00%	326,255	-	-	326,255	-
2012 Series AA	2.50%-5.00%	779,515	-	27,365	752,150	28,735
2013 Series A	3.00%-5.00%	284,515	-	270,070	14,445	-
2013 Series AA	3.00%-5.50%	778,000	-	16,180	761,820	16,955
2014 Series AA	4.25%-5.00%	702,260	-	22,745	679,515	23,860
2014 Series BB-1	5.00%	150,000	150,000	150,000	150,000	-
2014 Series BB-2	Variable	147,500	-	-	147,500	-
2015 Series AA	5.25%	596,490	-	10,995	585,495	11,470
2016 A Garvee	5.00%	1,254,910	-	195,840	1,059,070	55,635
2016 B Garvee	3.01%-3.23%	500,000	-	-	500,000	-
2018 A Garvee	3.00%-5.00%	1,182,890	-	6,830	1,176,060	110,475
2018 Series A	4.00%-5.00%	1,531,595	-	-	1,531,595	-
2019 Series AA	3.75%-5.25%	750,000	-	-	750,000	-
2019 Series BB	3.25%-5.00%	-	1,000,000	-	1,000,000	-
2019 Series A	4.00%-5.00%	-	619,775	-	619,775	940
2019 Series B	2.38%-4.13%	-	946,335	-	946,335	-
		22,885,455	2,716,110	2,623,615	22,977,950	886,045
Less bond accretion		(3,745,660)	-	197,598	(3,548,062)	-
Total		<u>\$ 19,139,795</u>	<u>\$ 2,716,110</u>	<u>\$ 2,426,017</u>	<u>\$ 19,429,888</u>	<u>\$ 886,045</u>

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

D. BONDS AND NOTES PAYABLE (CONTINUED)

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

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 886,045,000	\$ 752,418,759	\$ 1,638,463,759
2022	932,890,000	705,541,166	1,638,431,166
2023	980,375,000	658,039,502	1,638,414,502
2024	1,023,735,000	609,740,622	1,633,475,622
2025	1,069,500,000	565,070,669	1,634,570,669
2026-2030	5,763,615,000	2,329,932,001	8,093,547,001
2031-2035	4,563,170,000	1,541,150,130	6,104,320,130
2036-2040	4,957,430,000	993,013,301	5,950,443,301
2041-2045	2,244,720,000	328,568,611	2,573,288,611
2046-2050	556,470,000	69,440,575	625,910,575
Total	<u>22,977,950,000</u>	<u>\$ 8,552,915,336</u>	<u>\$31,530,865,336</u>
Less unamortized bond accretion	<u>3,548,062,226</u>		
Total Bonds Payable	<u>\$19,429,887,774</u>		

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

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

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

The Series 2006C, 2008A, 2009A and 2010A bonds were issued as capital appreciation bonds. The bonds were originally issued at principal values of \$1,115,496,792, \$1,122,744,638, \$416,230,924 and \$859,253,361, respectively. Portions of the total issuances that were capital appreciation bonds were \$1,115,496,792, \$249,999,638, \$142,730,924 and \$359,253,361, respectively. Interest on each series is not payable on a current basis. Interest is calculated on the basis of a 360-day year and is part of the accreted value from the date of issuance through the date of maturity or prior redemption, compounded as of each semi-annually each June and December 15th. The accreted values of the bonds reflect the initial principal of the bonds as noted above plus the interest accrued from the date of issuance. The bonds are reported at their net accreted values of \$1,470,294,744, \$891,148,616, \$583,438,617 and \$603,180,250, respectively, as of June 30, 2020. The bonds are payable upon the respective maturity dates at the accreted values or prior to maturity at the greater of the accreted values and the present value of the accreted value discounted at

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

NOTES TO FINANCIAL STATEMENTS

D. BONDS AND NOTES PAYABLE (CONTINUED)

2006 Series C and 2008, 2009, and 2010 Series A - Capital Appreciation Bonds (Continued)

the applicable tax-exempt municipal bond rate plus 30 basis points. Total accreted values at maturity are expected to be \$3,708,585,000, \$1,422,955,000, \$869,075,000 and \$1,273,180,000, respectively.

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

The Series 2009B, 2010B and 2010C bonds were issued as Build America Bonds. These federally taxable bonds were issued in connection with the American Recovery and Reinvestment Act of 2009, constituting Section 54AA of the Internal Revenue Code of 1986, as amended, for which the Authority, through the State, is entitled to receive a cash subsidy from the United States Treasury equal to 35% of the interest payable on each bond series on each interest payment date. The Budget Control Act of 2011 reduced the amount of the subsidy paid by the United States Treasury.

In fiscal year 2020 the Authority advance refunded the full \$273,500,000 in 2009 Series B bonds and \$425,000,000 in 2010 Series B bonds, reducing the amount of qualifying federally taxable bond tax credits for fiscal year 2020 by approximately 40%. The Authority received payments totaling \$18,409,540 and accrued another \$10,956,267 due from the federal government at June 30, 2020. This represents 33% of the total interest due on June and December 15th for these series and a 2% decrease on the original subsidy.

There can be no certainty the United States Treasury will not make further cuts to the program. The bonds are subject to redemption prior to their maturity at the option of the Authority upon a material reduction or elimination of the subsidy payments.

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

The Series 2014 BB Notes are publicly offered SIFMA Index Multimodal Bonds. The Series 2014 BB-1 Notes beared interest at the SIFMA Index Rate plus an interest rate spread of 1.0% until their remarketing in October 2019. The interest rate spread for the 2014 Series BB-2 Notes is 1.20%. During the SIFMA Index Rate period, interest on the notes is payable on the first business day of each month. The Series BB-2 Notes are subject to redemption prior to maturity at the option of the Authority at any time after June 15, 2021, at a value equal to 100% of the principal amount of the notes being redeemed plus accrued interest. The Series BB-2 Notes are subject to mandatory tender on December 15, 2021. In October 2019, the Authority remarketed the full \$150,000,000 in 2014 Series BB-1 Transportation Program Notes into fixed rate notes at 5%. For the year ended June 30, 2020, a total of \$10,131,817 in interest was paid on the notes, including \$5,250,000 paid as fixed rate interest after the remarketing of the 2014 BB-1 Notes.

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

NOTES TO FINANCIAL STATEMENTS

D. BONDS AND NOTES PAYABLE (CONTINUED)

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

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

For the year ended June 30, 2020, a total of \$273,301,505 in debt service was paid on these obligations.

The 2016 Series A and Series B Capitalized Interest Funds established at the time of bond issuance, which provided the funds necessary to pay debt service obligations for fiscal years 2017 and 2018, were fully exhausted at the end of fiscal year 2018.

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

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

For the year ended June 30, 2020, a total of \$64,995,113 in debt service was paid on these obligations.

New Bonds Issued in FY 2020

In fiscal year 2020 the Authority issued the \$1,000,000,000 2019 Series BB of new money Transportation Program Bonds, authorized under the October 2016 Act. The proceeds of any new Transportation Program Bond issuance are used to support transportation projects within the State of New Jersey.

E. REFUNDINGS

When conditions warrant, the Authority sells various issues of bonds to provide for the refunding of previously issued obligations in order to achieve interest cost savings. Bond refundings are typically categorized as either current, in which outstanding bonds are called and paid off within 90 days, or advanced refundings, in which the new bond proceeds are placed into escrow.

The proceeds received from the sales of the bond issues are used to currently refund the outstanding bond issues or to deposit in an irrevocable escrow fund held by an escrow agent an amount that, when combined with interest earnings thereon, will be at least equal to the sum of the first optional redemption date thereof and the premium required to redeem the bonds outstanding on such date. Accordingly, the Authority's assets and the liabilities for defeased bonds are not included in the Authority's financial statements. These transactions defeased the outstanding bond issues with a resultant reduction in annual debt service during the term of the issues.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

E. REFUNDINGS (CONTINUED)

During fiscal year ended June 30, 2020, there were two advance refundings. As discussed above, the Authority advance refunded a total of \$698,500,000 of principal due on the 2009 Series B and 2010 Series C, Federally Taxable Build America Bonds with the 2019 Series A Transportation System Refunding Bonds. The Authority also advance refunded \$893,800,000 in Transportation System Bonds with the 2019 Series B Transportation System Refunding Bonds. This issuance advance refunded \$358,085,000 and \$535,715,000, respectively, of principal due on the 2011 Series A and 2011 Series B Transportation System Bonds. The two advance refundings generated a total of \$157 million in net present value debt service savings.

As of June 30, 2020, the Authority has approximately \$7,989,165,000 bonds outstanding which have been previously defeased and are secured by investments held in escrow by the bond trustee. The escrow accounts are not controlled by the Authority. The bonds are considered extinguished and accordingly, the assets and related debt obligations are not reflected on the financial statements of the Authority.

F. CONCENTRATION OF RISK AND UNCERTAINTIES

Cash and Equivalents

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

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

(1) Long-term liabilities (bonds payable, notes payable and accrued interest payable) applicable to the Authority's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities. All liabilities, both current and long term, are reported in the statement of net position. Balances as of June 30, 2020, were:

Bonds payable (June 30, 2019)	\$19,139,794,842
Add issuance of bonds and notes	1,000,000,000
Less scheduled principal payments and Indirect Garvee Bonds	(881,315,000)
Less net principal reduction from refunded debt	(26,190,000)
Add accretion of capital appreciation bonds	197,597,932
Total	<u>\$19,429,887,774</u>
Accrued interest payable	<u>\$ 31,565,493</u>

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

Proceeds consisting of bonds and notes issued and net bond premium were received from:

2019 Series BB Transportation Program Bonds	\$ 1,086,161,303
2019 Series A Transportation System Bonds	721,497,557
2019 Series B Transportation System Bonds	946,335,000
2014 BB-1 SIFMA Index Bonds Remarketing	28,430,717
Total Proceeds	<u>\$ 2,782,424,577</u>

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

NOTES TO FINANCIAL STATEMENTS

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

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

Scheduled principal payments	\$ 678,645,000
Scheduled principal payments of Garvee Bonds	<u>202,670,000</u>
	<u>\$ 881,315,000</u>

(4) Unamortized bond premium is recorded as deferred revenue (other liabilities) in the statement of net position and is amortized over the life of the debt. Amortization revenue is recorded in the statement of activities. In governmental funds financial statements, bond premiums are recognized as revenue when received. Balances as of June 30, 2020, were:

Bond premium	\$ 1,036,144,629
Accumulated amortization	<u>(516,738,167)</u>
Total unamortized bond premium	<u>\$ 519,406,462</u>
Amortization revenue	<u>\$ 52,744,907</u>

(5) Unamortized bond discount is recorded as an asset (deferred charge) in the statement of net position and is amortized over the life of the debt. Amortization expense is recorded in the statement of activities. In governmental funds financial statements, bond discounts are expensed when incurred. Balances as of June 30, 2020, were:

Bond discount	\$ 9,853,321
Accumulated amortization	<u>(373,410)</u>
Total unamortized bond discount	<u>\$ 9,479,911</u>
Amortization expense	<u>\$ 3,131,116</u>

(6) Deferred gain on advanced refundings is recorded as deferred inflows of resources in the statement of net position and is amortized over the remaining life of the old debt or the life of new debt, whichever is shorter. Amortization revenue is recorded in the statement of activities. In governmental funds financial statements, deferred gain on advanced refunding is not applicable. Balances as of June 30, 2020, were:

Net gain/(loss) on advanced refunding	\$ 93,932,849
Net loss on advanced refunding	<u>(46,811,665)</u>
Net deferred gain on advanced refundings	<u>\$ 47,121,184</u>
Amortization revenue as a component of interest expense	<u>\$ (5,202,365)</u>

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

Bond principal payments	\$ (881,315,000)
Net bond premium	(216,314,577)
Bond issuance costs	10,090,577
Net bond proceeds	2,868,349,889
Escrow Fund Deposit	(1,662,125,889)
Capital appreciation bonds	<u>197,597,931</u>
Current year bond activity, net	<u>\$ 316,282,931</u>

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

NOTES TO FINANCIAL STATEMENTS

H. COVID-19 IMPACTS

Governor Murphy's Executive Order No. 107 dated March 21, 2020, mandating statewide stay-at-home practices and closure of all non-essential retail businesses, resulted in a decline in fiscal year 2020 Motor Fuel and Petroleum Products Gross Receipts Tax revenues and is anticipated to reduce the State's fiscal year 2021 PayGo deposit. However, it is anticipated that the Authority will have other available resources to cover this shortfall which should preclude any negative impact to the fiscal 2021 program. It is unknown how long these conditions will last and what the complete financial affect will be to the Authority.

I. SUBSEQUENT EVENTS

Management has evaluated subsequent events that occurred after June 30, 2020, and through January 21, 2021, the date the financial statements were available to be issued. Based on this evaluation, the Authority has determined the following disclosures to be reported in the financial statements.

On October 1, 2020, to meet the fiscal year highway fuel cap revenue targets the State increased the Petroleum Products Gross Receipts Tax by 9.3 cents to offset the decline in Motor Fuel and Petroleum Products Gross Receipts Tax revenues due to COVID-19.

In December 2020, the Authority issued \$1,500,000,000 of new money Transportation Program Bonds with a final maturity of June 15, 2050 with coupon rates ranging from 3.00% to 5.00%, in order to fund transportation project costs and take advantage of the favorable interest rate environment.

SUPPLEMENTARY INFORMATION

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

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 2020

	Transportation Improvement	Debt Service	Total
Cash Balances, June 30, 2019	\$ 301,918	\$ 1,562,338	\$ 1,864,256
RECEIPTS			
Motor fuel taxes	-	482,886,514	482,886,514
Petroleum Products Gross Receipts and Sales Tax	-	825,544,167	825,544,167
Toll Road Authority	-	12,000,000	12,000,000
Build America Bond Credits	18,409,540	-	18,409,540
Operating transfers in	1,697,937	23,909,540	25,607,477
Total Receipts	<u>20,107,477</u>	<u>1,344,340,221</u>	<u>1,364,447,698</u>
DISBURSEMENTS			
Operating expenses and financial costs	1,472,190	-	1,472,190
Bond interest expense	-	463,907,038	463,907,038
Principal retirement of bonds payable	-	881,315,000	881,315,000
Operating transfers out	18,409,539	-	18,409,539
Total Disbursements	<u>19,881,729</u>	<u>1,345,222,038</u>	<u>1,365,103,767</u>
Cash Balances, June 30, 2020	<u>\$ 527,666</u>	<u>\$ 680,521</u>	<u>\$ 1,208,187</u>

Note: Cash balances consist of checking account activity only.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities and each fund of the New Jersey Transportation Trust Fund Authority (the "Authority"), a component unit of the State of New Jersey, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 21, 2021.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Mercedien, P.C.
Certified Public Accountants

January 21, 2021