

New Jersey Transportation Trust Fund Authority
(A Component Unit of the State of New Jersey)

Financial Statements and
Supplementary Information

June 30, 2013

New Jersey Transportation Trust Fund Authority
(A Component Unit of the State of New Jersey)
June 30, 2013

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Hutchins, Meyer & DiLieto, PA

Certified Public Accountants • Business & Financial Advisors

Robert H. Hutchins, CPA, CVA
Eugene M. Farrell, CPA, RMA (1952-2012)
Alan E. Meyer, CPA/ABV, CFF
Joann DiLieto, CPA

Glenn G. VanPell, CPA
Karen D. Davis, CPA, CVA, CFFA, CIA
Crystal L. Fitzpatrick, CPA
Hélène T. Morizzo, CPA

512 Main Street • PO Box 1778
Toms River, NJ 08754
(732) 240-5600
Fax: (732) 505-8358

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of New Jersey Transportation Trust Fund Authority (the "Authority"), a component unit of the State of New Jersey, which comprise the statement of net position and governmental funds balance sheet as of June 30, 2013, and the related statement of activities and governmental funds revenues, expenses and changes in fund balance/net position for the year then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Honorable Chairperson and Members of the
New Jersey Transportation Trust Fund Authority
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each fund of the New Jersey Transportation Trust Fund Authority as of June 30, 2013, and the changes in 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 5 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information which comprises the schedule of cash receipts and disbursements is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of cash receipts and disbursements 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.

Hutchins, Meyer & DiLieto, PA
Toms River, New Jersey
October 11, 2013

Hutchins, Meyer & DiLieto, PA

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Hélène T. Morizzo, CPA

512 Main Street • PO Box 1778
Toms River, NJ 08754
(732) 240-5600
Fax: (732) 505-8358

INDEPENDENT AUDITOR'S 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 the
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 financial statements of New Jersey Transportation Trust Fund Authority, which comprise the statement of net position and governmental funds balance sheet as of June 30, 2013, and the related statement of activities and governmental funds revenues, expenses and changes in fund balance/net position for the year then ended and the related notes to the financial statements, which collectively comprise New Jersey Transportation Trust Fund Authority's basic financial statements, and have issued our report thereon dated October 11, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Jersey Transportation Trust Fund Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Jersey Transportation Trust Fund Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of New Jersey Transportation Trust Fund 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and 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.

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Our consideration of internal control 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Jersey Transportation Trust Fund Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hutchins, Meyer & DiLieto, PA
Toms River, New Jersey
October 11, 2013

New Jersey Transportation Trust Fund Authority
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis
June 30, 2013

Management's Discussion and Analysis

With regard to the financial management of the New Jersey Transportation Trust Fund Authority (the "Authority"), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Authority as of and for the year ended June 30, 2013. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

The Authority disbursed \$1,393,245,940 to the Special Transportation Fund of the State of New Jersey to fund statewide transportation system improvements during the fiscal year. As compared to the amount of \$1,169,498,617 that was disbursed in the prior year, this represents an increase of approximately 19%.

The term "net position" refers to the difference between assets and liabilities. At the close of fiscal year 2013, the Authority had a net position of \$116,295,859, as compared to a net position of \$152,653,628 at June 30, 2012. This decrease in net position was mainly due to an increase in statewide transportation system improvement expenditures offset by additional transportation bond proceeds for the 2012 Series A and AA debt issuance, Super Storm Sandy repairs that were not covered by the FEMA and a decrease in revenue. The revenue reduction was due to the Authority not receiving a pay as you go appropriation during the fiscal year, which in fiscal year 2012 amounted to \$66,000,000.

Overview of the Financial Statements

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

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 of whether the financial position of the Authority is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without corresponding increases to liabilities results in increased net position, which indicate an improved financial position. The Authority's net position decreased by \$36,357,769 in the year ended June 30, 2013.

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

New Jersey Transportation Trust Fund Authority
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Management's Discussion and Analysis
June 30, 2013

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.

Other Information

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

Financial Analysis

Net position may serve, over time, as a useful indicator of the Authority's financial position. In the case of the Authority, assets exceeded liabilities by \$116,295,859 at the close of the most recent fiscal year.

The largest portion of the Authority's net position reflects its investments 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 for payment of state transportation costs and bond issues outstanding.

	Years Ended			Percentage Change <u>2013-2012</u>
	June 30, 2013	June 30, 2012	June 30, 2011	
Accounts receivable	\$ 15,247,304,728	\$ 14,114,275,200	\$ 12,924,816,045	8
Cash and equivalents	609,322,103	428,932,759	244,859,631	42
Investments	-	-	42,728	-
Unrealized loss on refunding of bonds	-	9,467,602	8,756,115	(100)
Unamortized bond discount	19,154,585	19,708,191	20,443,307	(3)
Unamortized bond issuance cost	<u>103,797,214</u>	<u>105,737,744</u>	<u>107,393,042</u>	(2)
Total Assets	<u>15,979,578,630</u>	<u>14,678,121,496</u>	<u>13,306,310,868</u>	9
Accrued interest payable	26,838,665	25,147,922	23,819,811	7
Accounts payable – State of New Jersey	197,273,096	106,984,448	213,485,882	84
Accounts payable – other	1,021,654	147,000	109,193	595
Unrealized gain on refunding of bonds	8,169,613	-	-	100
Bonds payable:				
Due within one year	408,045,000	360,030,000	310,110,000	13
Due after one year	14,683,234,264	13,653,175,615	12,571,168,986	8
Unamortized bond premium	<u>538,700,479</u>	<u>379,982,883</u>	<u>360,970,744</u>	42
Total Liabilities	<u>15,863,282,771</u>	<u>14,525,467,868</u>	<u>13,479,664,616</u>	9
Net Position Restricted for:				
Debt service	126,741	232,106	274,729	(45)
Deferred charges	(450,756,958)	(270,217,268)	(248,198,091)	(67)
Payment of state transportation system cost	<u>566,926,076</u>	<u>422,638,790</u>	<u>74,569,614</u>	34
Net Position	<u>\$ 116,295,859</u>	<u>\$ 152,653,628</u>	<u>\$ (173,353,748)</u>	(24)

New Jersey Transportation Trust Fund Authority
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis
June 30, 2013

	Years Ended			Percentage Change 2013-2012
	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>	
Revenues:				
State appropriations				
Motor fuel taxes	\$ 520,000,000	\$ 522,167,000	\$ 483,000,000	(1)
Commercial vehicle fees and taxes	438,856,920	422,500,000	400,000,000	4
Toll Road Authority	12,000,000	78,000,000	12,000,000	(85)
Interest income and investment return	542,751	454,024	1,055,820	20
Amortization of bond premium and discount	<u>28,973,856</u>	<u>43,852,659</u>	<u>40,054,655</u>	(34)
Total Revenues	<u>1,000,373,527</u>	<u>1,066,973,683</u>	<u>936,110,475</u>	(6)
Expenses:				
Operating expenses and financial costs				
State transportation costs	2,627,950	1,359,831	4,825,663	93
Debt service	1,393,245,940	1,169,498,617	1,531,052,425	16
Bond interest expense, including amortization of bond issuance costs	626,581,697	622,035,531	526,724,927	1
Bond interest expense, capital appreciation bonds	<u>134,203,649</u>	<u>127,036,629</u>	<u>120,251,087</u>	6
Total Operating Expenses	<u>2,156,659,236</u>	<u>1,919,930,608</u>	<u>2,182,854,102</u>	12
Deficiency of Revenues over Expenses	<u>(1,156,285,709)</u>	<u>(852,956,925)</u>	<u>(1,246,743,627)</u>	(36)
Other financing sources				
Garvee bond debt service reimbursement	3,771,250	3,192,409	4,802,000	18
Build American Bond Credits	<u>37,038,041</u>	<u>38,722,469</u>	<u>31,491,600</u>	4
Total Other Financing Sources	<u>40,809,291</u>	<u>41,914,878</u>	<u>36,293,600</u>	(3)
Change in Net Position	(1,115,476,418)	(811,042,047)	(1,210,450,027)	(38)
Net Position, Beginning of Year	152,653,628	(173,353,748)	(367,144,411)	188
Current year bond activity, net	<u>1,079,118,649</u>	<u>1,137,049,423</u>	<u>1,404,240,690</u>	(5)
Net Position, End of Year	<u>\$ 116,295,859</u>	<u>\$ 152,653,628</u>	<u>\$ (173,353,748)</u>	(24)

Significant and Subsequent Events

As of June 30, 2013, the Authority had \$15,091,279,264 in bonds outstanding, net of unamortized bond accretions, as compared to \$14,013,205,615 in the prior fiscal year, an increase of 7.7%. New debt was incurred by the Authority in the amount of \$1,247,000,000 during fiscal year 2013, consisting of \$326,255,000 in Transportation System Bonds (2012 Series A) and \$920,745,000 in Transportation Program Bonds (2012 Series AA). A total of \$313,175,000 in bond principal was retired through annual debt service payments during the fiscal year.

New Jersey Transportation Trust Fund Authority
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis
June 30, 2013

Significant and Subsequent Events (continued)

To take advantage of favorable market conditions, the Authority executed a bond refunding during fiscal year 2013 totaling \$877,065,000 consisting of \$538,845,000 in tax-exempt Transportation System Bonds (2013 Series A) and \$338,220,000 in federally taxable Transportation System Bonds (2013 Series B). The refunding resulted in interest expense savings to the Authority in excess of \$68 million. There were no new Swap Agreements entered into during the fiscal year.

To capitalize on favorable market conditions, and as a hedge toward an anticipated rise in interest costs associated with the Federal Reserve's expected move to begin phasing out its Quantitative Easing policy, the Authority issued \$849,200,000 in new money Transportation Program Bonds (2013 Series AA) in August 2013, subsequent to the close of fiscal year 2013 on June 30, 2013.

The following information summarizes the changes in debt between fiscal year 2013, 2012 and 2011:

	<u>Years Ended</u>			<u>Change</u>
	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>2013-2012</u>
Bonds Payable	\$15,091,279,264	\$14,013,205,615	\$12,881,278,986	7.7%

More detailed information about the Authority's bonds payable is presented in Note 4 of the financial statements.

The prior re-authorization of the Authority expired on June 30, 2011. Assembly Bill A-3205 granted legislative approval to support the State's Capital Transportation Program for Fiscal Years 2013 through 2016, authorizing the Authority to bond a total of \$3,458.3 million for fiscal years 2013 to 2016. For fiscal year 2013, the Authority utilized \$326.6 million of bond authorizations that remained from the previous act (2012 Series A).

Significant other Events

In December 2012, the Authority's existing contract for trustee services expired. The Authority approved the selection of a new trustee, U.S. Bank, who has served as the Authority trustee from January 1, 2013 and will provide such services until such time the Authority deems a change is necessary or the trustee provides required notification of its intent to terminate the agreement.

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.

New Jersey Transportation Trust Fund Authority
(A Component Unit of the State of New Jersey)
Statement of Net Position and Governmental Funds Balance Sheet
For the Year Ended June 30, 2013

	<u>Special Revenue Fund</u>	<u>Other Funds (DSF)</u>	<u>Total Government Funds</u>	<u>Adjustments (Note 7)</u>	<u>Statement of Net Position</u>
ASSETS					
Accounts receivable -- State of New Jersey	\$ 78,049,839	\$ -	\$ 78,049,839	\$ 15,091,279,264	\$ 15,169,329,103
Accounts receivable -- Other	77,975,625	-	77,975,625	-	77,975,625
Cash and cash equivalents	609,195,362	126,741	609,322,103	-	609,322,103
Unamortized bond discount	-	-	-	19,154,585	19,154,585
Unamortized bond issuance costs	-	-	-	103,797,214	103,797,214
Total Assets	\$ 765,220,826	\$ 126,741	\$ 765,347,567	\$ 15,214,231,063	\$ 15,979,578,630
LIABILITIES					
Accrued interest payable	\$ -	\$ -	\$ -	\$ 26,838,665	\$ 26,838,665
Accounts payable -- State of New Jersey	197,273,096	-	197,273,096	-	197,273,096
Accounts payable - other	1,021,654	-	1,021,654	-	1,021,654
Unrealized gain on refunding of bonds	-	-	-	8,169,613	8,169,613
Transportation bonds payable:					
Due within one year	-	-	-	408,045,000	408,045,000
Due after one year	-	-	-	14,683,234,264	14,683,234,264
Unamortized bond premium	-	-	-	538,700,479	538,700,479
Total Liabilities	198,294,750	-	198,294,750	15,664,988,021	15,863,282,771
NET POSITION					
Restricted for:					
Debt Service	-	126,741	126,741	-	126,741
Future charges	-	-	-	(450,756,958)	(450,756,958)
Payment of state transportation system cost	566,926,076	-	566,926,076	-	566,926,076
Total Fund Balance/Net Position	566,926,076	126,741	567,052,817	(450,756,958)	116,295,859
Total Liabilities and Fund Balance/Net Position	\$ 765,220,826	\$ 126,741	\$ 765,347,567	\$ 15,214,231,063	\$ 15,979,578,630

New Jersey Transportation Trust Fund Authority
(A Component Unit of the State of New Jersey)
Statement of Activities and Governmental Funds Revenues,
Expenses and Changes in Fund Balance/Net Position
For the Year Ended June 30, 2013

	Special Revenue Fund	Other Funds (DSF)	Total Government Funds	Adjustments (Note 7)	Statement of Activities
REVENUES:					
State appropriations equivalent to:					
Motor fuel taxes	\$ 520,000,000	-	\$ 520,000,000	-	\$ 520,000,000
Commercial vehicle fees and taxes	438,856,920	-	438,856,920	-	438,856,920
Toll Road Authority	12,000,000	-	12,000,000	-	12,000,000
Interest income and investment return	364,284	178,467	542,751	-	542,751
Amortization of bond premium and discount	-	-	-	28,973,856	28,973,856
Total Revenues	<u>971,221,204</u>	<u>178,467</u>	<u>971,399,671</u>	<u>28,973,856</u>	<u>1,000,373,527</u>
EXPENDITURES:					
Operating expenses and financial costs	602,261	2,025,689	2,627,950	-	2,627,950
State transportation costs	1,393,245,940	-	1,393,245,940	-	1,393,245,940
Debt Service:					
Principal	-	313,175,000	313,175,000	(313,175,000)	-
Bond interest expense, including amortization of bond issuance costs	-	613,644,285	613,644,285	12,937,412	626,581,697
Bond interest expense, capital appreciation bonds	-	-	-	134,203,649	134,203,649
Total Expenditures	<u>1,393,848,201</u>	<u>928,844,974</u>	<u>2,322,693,175</u>	<u>(166,033,939)</u>	<u>2,156,659,236</u>
Deficiency of revenues over expenses	<u>(422,626,997)</u>	<u>(928,666,507)</u>	<u>(1,351,293,504)</u>	<u>195,007,795</u>	<u>(1,156,285,709)</u>
OTHER FINANCING SOURCES (USES):					
Bonds issued	2,124,065,000	-	2,124,065,000	(2,124,065,000)	-
Bond premiums	301,955,906	-	301,955,906	(301,955,906)	-
Garvee bond debt service reimbursement	8,051,202	6,810,048	14,861,250	(11,090,000)	3,771,250
Transfers – internal activities	(884,713,053)	884,713,053	-	-	-
Build American Bond Credits	-	37,038,041	37,038,041	-	37,038,041
Escrow Fund deposit	(973,717,469)	-	(973,717,469)	973,717,469	-
Cost of issuance	(8,727,303)	-	(8,727,303)	8,727,303	-
Total Other Financing Sources (Uses)	<u>566,914,283</u>	<u>928,561,142</u>	<u>1,495,475,425</u>	<u>(1,454,666,134)</u>	<u>40,809,291</u>
Change in fund balance/net position	144,287,286	(105,365)	144,181,921	(1,259,658,339)	(1,115,476,418)
Fund Balance/Net Position					
Beginning of year	422,638,790	232,106	422,870,896	(270,217,268)	152,653,628
Current year bond activity, net	-	-	-	1,079,118,649	1,079,118,649
Fund Balance/Net Position, End of year	<u>\$ 566,926,076</u>	<u>\$ 126,741</u>	<u>\$ 567,052,817</u>	<u>\$ (450,756,958)</u>	<u>\$ 116,295,859</u>

New Jersey Transportation Trust Fund Authority
(A Component Unit of the State of New Jersey)

Notes to Financial Statements
June 30, 2013

Note 1: Summary of Significant Accounting Policies

Nature of Authority

New Jersey Transportation Trust Fund Authority (the "Authority"), located in Ewing, New Jersey, was created by the State of New Jersey (the "State") in 1984 pursuant to the New Jersey Transportation Trust Fund Authority Act in order to provide a stable, predictable funding mechanism for transportation system improvements undertaken by the New Jersey Department of Transportation. The Authority also finances 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 according to a hierarchy of sources of accounting principles. Per GASB Statement 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, priority is established as to which source of accounting principles to utilize in determining proper accounting treatment. The hierarchy is as follows: GASB Statements and Interpretations; GASB Technical Bulletins; American Institute of Certified Public Accountants ("AICPA") Industry Audit and Accounting Guides and AICPA Statements of Position, if applicable, and cleared by GASB; AICPA Practice Bulletins, if applicable, and cleared by GASB; Implementation Guides published by the GASB; AICPA pronouncements that are not specifically applicable to state and governmental entities; Financial Accounting Standards Board ("FASB") Statements and Interpretations; and Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure (issued on or before November 30, 1989). The Authority follows the hierarchy in determining accounting treatment.

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

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

The government-wide financial statements are prepared under the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when

New Jersey Transportation Trust Fund Authority
(A Component Unit of the State of New Jersey)

Notes to Financial Statements
June 30, 2013

Note 1: Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

earned, and expenditures are recognized when incurred. The primary sources of revenues are appropriations received from the State from motor fuel taxes, good drivers' surcharges and commercial vehicle fees and taxes.

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

Use of Estimates

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

Fund Accounts

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

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

The Authority reserve, which accounts for the Authority's operating expenses, is included in the special revenue fund.

New Jersey Transportation Trust Fund Authority
(A Component Unit of the State of New Jersey)

Notes to Financial Statements
June 30, 2013

Note 1: Summary of Significant Accounting Policies (continued)

Income Taxes

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

Bond Issuance Costs

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

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

Bond Premium

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

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

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 expense when received.

Restricted Net Position

In accordance with the terms of the various bond resolutions, cash and cash 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	\$ 486,094,839
Due after one year	<u>14,683,234,264</u>
	<u>\$ 15,169,329,103</u>

New Jersey Transportation Trust Fund Authority
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Notes to Financial Statements
June 30, 2013

Note 2: Cash and Cash Equivalents

Cash and cash equivalents consist primarily of State of New Jersey cash management fund deposits. New Jersey statutes permit the deposit of public funds in the State of New Jersey Cash Management Fund ("NJCMF") or in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation or by any other agencies of the United States that insure deposits.

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. Cash and cash equivalents and investments 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 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.

Cash and cash equivalents at June 30, 2013, were as follows:

NJCMF	\$ 609,107,744
Other	<u>214,359</u>
	<u>\$ 609,322,103</u>

Since the Authority's cash and cash equivalents are all government securities or an external investment pool, they are not subject to custodial credit risk.

New Jersey Transportation Trust Fund Authority
(A Component Unit of the State of New Jersey)

Notes to Financial Statements
June 30, 2013

Note 2: Cash and Equivalents (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the fair value of an investment. Because the Authority maintains investments in government securities or an external investment pool, it is not subject to interest rate risk if interest rates fluctuate.

Note 3: Accounts Payable - State of New Jersey

The balance due of \$197,273,096 consists of amounts due the State of New Jersey Special Transportation Fund for reimbursement of State, local and New Jersey Transit transportation costs.

Note 4: Transportation System and Transportation Program Bonds Payable

Bond resolutions have been adopted by the Authority for the purpose of making improvements to the transportation system in the State of New Jersey.

Transportation System Bonds refers 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 refers to bonds issued pursuant to the most recent authorization enacted in June, 2012 (P.L. 2012, c. 13) and any bonds subsequently issued to refund those particular bonds.

In fiscal 2013, the Authority issued \$1,247,000,000 of new money bonds consisting of \$326,255,000 of Transportation System Bonds using all remaining new money bond authorization available for Transportation System Bonds (i.e. the prior bonds) under the 1995 Act, and \$920,745,000 of Transportation Program Bonds representing the first issuance of Transportation Program Bonds authorized under the June 2012 Act. The proceeds of each issuance will be used to support transportation projects within the State of New Jersey.

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

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

New Jersey Transportation Trust Fund Authority
(A Component Unit of the State of New Jersey)

Notes to Financial Statements
June 30, 2013

Note 4: Transportation System and Transportation Program Bonds Payable (continued)

The following is a summary of revenue bonds outstanding:

Series	Interest Rate Range	Bonds Outstanding (in Thousands) June 30, 2012	Additions (in Thousands)	Reductions (in Thousands)	Bonds Outstanding (in Thousands) June 30, 2013	Amounts Due within One Year (in Thousands)
1999 Series A	4.50%-5.75%	\$ 177,935	\$ -	\$ 19,140	\$ 158,795	\$ -
2001 Series A	4.00%-5.50%	1,080	-	1,080	-	-
2001 Series C	2.50%-6.00%	339,545	-	105,410	234,135	70,080
2003 Series A	4.00%-5.50%	293,560	-	5,260	288,300	55,280
2003 Series B	3.50%-5.25%	345,000	-	-	345,000	-
2003 Series C	2.25%-5.50%	15,710	-	15,710	-	-
2004 Series A	3.25%-5.75%	107,495	-	-	107,495	-
2004 Series B	2.50%-5.50%	615,230	-	106,805	508,425	80,310
2005 Series A	5.00%-5.25%	258,685	-	81,745	176,940	86,150
2005 Series B	3.70%-5.50%	1,178,025	-	293,200	884,825	46,700
2005 Series C	3.25%-5.25%	48,480	-	48,480	-	-
2005 Series D	4.00%-5.00%	462,655	-	462,655	-	-
2006 Series A	4.25%-5.50%	1,576,785	-	-	1,576,785	-
2006 Series C	4.93%-5.05%	3,708,585	-	-	3,708,585	-
2006 A Garvee	5.00%	75,425	-	11,090	64,335	11,645
2007 Series A	3.60%-5.00%	871,175	-	120	871,055	-
2008 Series A	5.25%-6.00%	2,173,735	-	-	2,173,735	-
2009 Series A	6.23%-6.40%	869,075	-	-	869,075	-
2009 Series B	6.875%	273,500	-	-	273,500	-
2009 Series C	Variable	150,000	-	-	150,000	-
2009 Series D	Variable	147,500	-	-	147,500	-
2010 Series A	3.00%-5.00%	1,273,180	-	-	1,273,180	-
2010 Series B	6.561%	500,000	-	-	500,000	-
2010 Series C	5.75%-6.10%	1,000,000	-	-	1,000,000	-
2010 Series D	3.00%-5.25%	485,875	-	-	485,875	-
2010 Series E	3.60%	14,100	-	-	14,100	-
2011 Series A	6.561%	600,000	-	9,725	590,275	10,110
2011 Series B	5.00%-5.50%	1,315,000	-	19,775	1,295,225	20,565
2012 Series A	5.00%	-	326,255	-	326,255	-
2012 Series	2.00%-5.00%	-	920,745	-	920,745	21,245
2013 Series A	1.00%-5.00%	-	538,845	-	538,845	5,960
2013 Series B	1.087%-1.758%	-	338,220	-	338,220	-
		<u>18,877,335</u>	<u>2,124,065</u>	<u>1,180,195</u>	<u>19,821,205</u>	<u>408,045</u>
Less bond accretion		<u>(4,864,130)</u>	<u>-</u>	<u>134,204</u>	<u>(4,729,926)</u>	<u>-</u>
Total		<u>\$ 14,013,205</u>	<u>\$ 2,124,065</u>	<u>\$ 1,314,399</u>	<u>\$ 15,091,279</u>	<u>\$ 408,045</u>

New Jersey Transportation Trust Fund Authority
(A Component Unit of the State of New Jersey)

Notes to Financial Statements
June 30, 2013

Note 4: Transportation System and Transportation Program Bonds Payable (continued)

Total maturities of transportation system and transportation program bonds are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 408,045,000	\$ 638,945,014	\$ 1,046,990,014
2015	451,450,000	612,595,494	1,064,045,494
2016	474,500,000	589,436,590	1,063,936,590
2017	503,150,000	565,648,454	1,068,798,454
2018	522,915,000	543,456,561	1,066,371,561
2019-2023	3,286,400,000	2,279,528,252	5,565,928,252
2024-2028	4,032,010,000	1,461,497,962	5,493,507,962
2029-2033	3,569,670,000	1,020,731,887	4,590,401,887
2034-2038	3,793,315,000	658,231,762	4,451,546,762
2039-2042	<u>2,779,750,000</u>	<u>200,877,106</u>	<u>2,980,627,106</u>
Total	19,821,205,000	<u>\$ 8,570,949,082</u>	<u>\$ 28,392,154,082</u>
Less unamortized bond accretion	<u>4,729,925,736</u>		
Total Bonds Payable	<u>\$ 15,091,279,264</u>		

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.

2003 Series B

The Authority remarketed the 2003 Series B (Periodic Auction Reset Securities) as fixed rate bonds in September 2008. The Remarketed Bonds were converted pursuant to the terms of the Resolution to bear interest in the Fixed Rate mode. Principal repayments were to begin December 15, 2016, and end December 15, 2019. Interest payments began December 15, 2008. Existing Swap Agreements could be amended, terminated or offset with additional interest rate swaps when market conditions permitted. The Authority applied a portion of the Existing Swap Agreements as hedges related to the 2009 Series C Bonds and the 2009 Series D Bonds. Amid favorable market conditions, those swap agreements were terminated in December 2011, in accordance with the bond agreement.

2006 A Garvee Bond

The debt service and interest expense payments on the 2006 A Garvee bond are reimbursed by the Federal Highway Administration, through the New Jersey Department of Transportation. These amounts are included in the principal and bond interest expense. The annual principal and interest payments made during the year ended June 30, 2013 of \$11,090,000 and \$3,771,250, respectively are reimbursed by the State.

New Jersey Transportation Trust Fund Authority
(A Component Unit of the State of New Jersey)

Notes to Financial Statements
June 30, 2013

Note 4: Transportation System and Transportation Program Bonds Payable (continued)

2009 Series C and D Bonds—Letter of Credit Facilities

In connection with the issuance of and to provide additional security to the 2009 Series C and Series D bondholders, the Authority entered into irrevocable, direct-pay letter of credit facilities (the "Credit Facility" or "Credit Facilities") with two separate financial institutions (the "Credit Facility Providers"). The Credit Facilities for the 2009 Series C Bonds and 2009 Series D Bonds in the original stated amount of \$152,367,124 and \$149,827,672, respectively, representing the sum of: a) the aggregate principal amount of the 2009 Series C and D Bonds, and, b) 48 days' interest on the 2009 Series C and D Bonds (computed at a rate of 12% per annum) were originally scheduled to expire on December 15, 2011, unless extended in accordance with its terms. These two Credit Facilities were renewed with two new financial institutions on December 9, 2011, and are now set to expire on December 9, 2014. Each Credit Facility will terminate upon conversion of the 2009 Series C or Series D Bonds from a variable rate to a fixed rate interest mode. The bond trustee for each of the 2009 Series C and Series D Bonds is directed to draw on the Credit Facilities to pay when due the principal of and interest on the bonds. The Authority pays a letter of credit fee to the Credit Facility Providers and has entered into agreements to reimburse the Credit Facility Providers for any amounts drawn upon the Credit Facilities by the bond trustee. For the year ended June 30, 2013, the Authority paid \$1,986,686 in fees related to the Credit Facilities compared to \$2,856,246 paid in the prior fiscal year.

Note 5: Advance 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. As a result of an advance refunding of \$877,065,000 executed during fiscal year 2013, the Authority recorded a net loss on defeasance totaling \$7,810,165. The net loss on defeasance is deferred and is being amortized over the life of the new debt. For financial statement purposes, the Authority follows GASB Statement No. 23, "Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities." The unamortized deferred loss on refunding of bonds amounted to \$7,553,376 at June 30, 2013. Amortization of \$256,789 is included in amortization of cost of issuance and deferred loss on refunding at June 30, 2013. The present value of the debt service savings resulted in an economic gain from the advance refunding executed during fiscal year 2013 in the amount of \$68,873,934.

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
June 30, 2013

Note 5: Advance Refundings (continued)

Principal amounts outstanding on bonds refunded during fiscal year ended June 30, 2013 are:

Issue	Principal Amount Outstanding June 30, 2013
1999 Series A	\$ 158,795,000
2005 Series B	884,825,000
2007 Series A	871,055,000
2011 Series A	590,275,000
2011 Series B	1,295,225,000
	\$ 3,800,175,000

Defeasance on the bonds refunded during the fiscal year was \$820,165,000 at June 30, 2013.

Note 6: Concentration of Risk and Uncertainties

Cash and Cash 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.

Note 7: Adjustments – Reconciliation of Differences between the Governmental Funds and Government-Wide Financial Statements

- a) Unamortized bond issuance cost is recorded as deferred charges (other assets) in the statement of net assets and is amortized over the life of the debt. Amortization expense is recorded in the statement of activities. In governmental funds financial statements, bond issuance costs are expensed when incurred. Balances as of June 30, 2013, were:

Bond issuance costs	\$ 156,966,741
Accumulated amortization	(53,169,527)
Total unamortized bond issuance cost	\$ 103,797,214
Amortization expense	\$ 7,518,483

- b) Long-term liabilities (bonds 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.

New Jersey Transportation Trust Fund Authority
(A Component Unit of the State of New Jersey)

Notes to Financial Statements
June 30, 2013

Note 7: Adjustments – Reconciliation of Differences between the Governmental Funds and Government-Wide Financial Statements (continued)

All liabilities, both current and long-term, are reported in the statement of net position. Balances as of June 30, 2013, were:

Bonds payable	\$ 14,013,205,615
Add issuance of bonds	2,124,065,000
Less principal payments	(1,180,195,000)
Add accretion	<u>134,203,649</u>
Total	<u>\$ 15,091,279,264</u>

Accrued interest payable	<u>\$ 26,838,665</u>
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- c) Bond proceeds contribute to the change in fund balance in governmental funds. In the government-wide statements, issuing debt increases long-term liabilities in the statement of net position and does not affect the statements of activities.

Proceeds were received from:

2012 Series A	\$ 326,255,000
2012 Series AA	<u>920,745,000</u>
	<u>\$ 1,247,000,000</u>

- d) Repayment of bond principal is reported as an expenditure in governmental funds and thus reduces the fund balance. For the government wide financial statements, 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	<u>\$ 313,175,000</u>
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- e) 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 30,2013, were:

Bond premium	\$ 868,627,657
Accumulated amortization	<u>(329,972,178)</u>
Total unamortized bond premium	<u>\$ 538,700,479</u>
Amortization revenue	<u>\$ 43,583,492</u>

New Jersey Transportation Trust Fund Authority
(A Component Unit of the State of New Jersey)

Notes to Financial Statements
June 30, 2013

Note 7: Adjustments – Reconciliation of Differences between the Governmental Funds and Government-Wide Financial Statements (continued)

- f) Unamortized bond discount is recorded as deferred charge (other assets) 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 recognized as expense when received. Balances as of June 30, 2013, were:

Bond discount	\$ 22,099,436
Accumulated amortization	<u>(2,944,851)</u>
Total unamortized bond discount	<u>\$ 19,154,585</u>
Amortization expense	<u>\$ 553,605</u>

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

Bond principal payment	\$ (313,175,000)
Garvee bond principal reimbursement	11,090,000
Bond premium	(301,955,906)
Bond issuance costs	8,727,303
Net bond proceeds	2,513,946,072
Escrow fund deposit	(973,717,469)
Capital appreciation bonds interest expense	<u>134,203,649</u>
Current year bond activity, net	<u>\$ 1,079,118,649</u>

Note 8: Subsequent Events

Management has evaluated subsequent events that occurred after the balance sheet date and before October 11, 2013, the date the financial statements were available to be issued. To capitalize on favorable market conditions, and as a hedge toward an anticipated rise in interest costs associated with the Federal Reserve's expected move to begin phasing out its Quantitative Easing policy, the Authority issued \$849,200,000 in new money Transportation Program Bonds (2013 Series AA) in August 2013, subsequent to the close of fiscal year 2013 on June 30, 2013.

SUPPLEMENTARY INFORMATION

New Jersey Transportation and Trust Fund Authority
(A Component Unit of the State of New Jersey)
Schedule of Cash Receipts and Disbursements
For the Year Ended June 30, 2013

	Authority Reserve	Transportation Improvement	Transportation Improvement Disbursements	Total	Debt Service	Total
Cash Balances, June 30, 2012	\$ 100	\$ 97,153	\$ -	\$ 97,253	\$ -	\$ 97,253
Receipts:						
Motor fuel taxes	-	410,875,026	-	410,875,026	129,124,974	540,000,000
Commercial vehicle fees and taxes	-	114,000,000	-	114,000,000	114,000,000	228,000,000
Sales taxes	-	79,000,000	-	79,000,000	64,703,799	143,703,799
Build America Bond Credits	-	19,361,234	-	19,361,234	9,431,119	28,792,353
Interest income	-	-	-	-	1,066	1,066
Bond proceeds	-	-	8,245,688	8,245,688	-	8,245,688
Sale of cash management fund investment and other investments (net)	-	4,000	77,376	81,376	100,000	181,376
Garvee bond debt service reimbursement	-	8,051,202	-	8,051,202	-	8,051,202
Operating transfers in	2,000	1,345,000	10,181,119	11,528,119	200,000	11,728,119
Total Receipts	2,000	632,636,462	18,504,183	651,142,645	317,560,958	968,703,603
Disbursements:						
Operating expenses and financial costs	1,787	2,193,468	1,065,071	3,260,326	-	3,260,326
Bond interest expense	-	226,915	-	226,915	120,923,097	121,150,012
State transportation costs	-	-	-	-	-	-
Principal retirement of bonds payable	-	-	-	-	187,080,000	187,080,000
Operating transfers out	313	630,287,919	17,376,807	647,665,039	9,431,119	657,096,158
Total Disbursements	2,100	632,708,302	18,441,878	651,152,280	317,434,216	968,586,496
Cash Balances, June 30, 2013	\$ -	\$ 25,313	\$ 62,305	\$ 87,618	\$ 126,742	\$ 214,360

Note: Cash balances consist of checking account activity only.