# 2015 Annual Report

*New Jersey Turnpike Authority*



**New Jersey Turnpike Authority**

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*A Note about Text in this Report*

*The term "NJTA" in all instances in this report refers to the New Jersey Turnpike Authority. The term "Turnpike" refers to the New Jersey Turnpike, and the term "Parkway" refers to the Garden State Parkway.*

## Vision

*To provide a safe, reliable, modern toll road system that offers a top-quality travel experience for customers and to be regarded as a premier public agency in the operation and management of that system.*

## Core Values

- *Safety*
- *Customer Service*
- *Integrity*
- *Innovation*
- *Sustainability*

## Mission

*The New Jersey Turnpike Authority is dedicated to the safe and efficient movement of people and goods over two of the busiest toll roads in the United States — the New Jersey Turnpike and the Garden State Parkway.*

# Toll Roads

The New Jersey Turnpike Authority operates two of North America's busiest toll roads, the New Jersey Turnpike and the Garden State Parkway.

**2015 Toll Transactions**

246,597,000

**2015 Toll Revenue**

$1,106,268,000

The New Jersey Turnpike is a limited-access toll road that serves as part of the I-95 Corridor linking the major economic centers of the East Coast. Its connections to major seaports in Newark and Elizabeth and a major airport in Newark make it an important route for commercial and passenger vehicles. Including the Eastern and Western Spurs and the Pearl Harbor Memorial and Newark Bay-Hudson County Extensions, the Turnpike is as many as 14 lanes wide and 148 miles long. There are 28 interchanges with 142 entry lanes and 222 exit lanes. The 122-mile mainline connects the Delaware Memorial Bridge in the south to the George Washington Bridge in the north. The 8.3-mile Newark Bay-Hudson County Extension connects the mainline to the Holland Tunnel plaza in Jersey City. The 6.6-mile Pearl Harbor Memorial Extension connects the mainline to the Pennsylvania Turnpike.

**2015 Toll Transactions**

379,284,000

**2015 Toll Revenue**

$416,865,000

The Garden State Parkway is a 173-mile limited-access toll road running from Cape May in the south to the New York State Thruway in the north. The Parkway is heavily used by commuters and serves as the main route to points along the Jersey Shore. There are 365 exits and entrances. Tolls are collected at 49 locations, including 11 plazas on the main roadway and 38 on entrance or exit ramps. The Parkway is four lanes (two in each direction) between the southern terminus and milepost 48 in Port Republic; six lanes (three in each direction) to milepost 91 in Brick Township; eight lanes to milepost 102 in Tinton Falls; 10 lanes to milepost 117 in Holmdel; 12 lanes to milepost 127 in Woodbridge; 10 lanes to milepost 140 in Union; eight lanes to milepost 145 in Newark; six lanes to milepost 168 in Hillsdale; and four lanes to the northern terminus at the New York border.

# Arts Center

## Located on the Garden State Parkway in Holmdel, the PNC Bank Arts Center is one of New Jersey's leading concert venues.

***Frankie Avalon performs at a Garden State Arts Foundation show at the PNC Arts Center in September***

The PNC Bank Arts Center, which is accessible only from the Garden State Parkway, features a circular, eight-column, open-sided amphitheater with under-cover seating for 7,000 people. The structure is surrounded by a grassy hill that provides lawn seating for an additional 10,500.

The facility was designed by architect Edward Durell Stone, who also designed Radio City Music Hall, the Museum of Modern Art, and the John F. Kennedy Center for Performing Arts. Construction of the Arts Center began in 1966. The venue opened in 1968 with a performance by the Philadelphia Orchestra and piano soloist Van Cliburn.

The Arts Center is owned by the New Jersey Turnpike Authority and leased to a private operator, Live Nation Worldwide Inc. Live Nation stages performances by major touring acts during the concert season.

The lease agreement between the NJTA and Live Nation expires on Dec. 31, 2017. A separate naming and marketing rights agreement between the NJTA and PNC Bank, N.A., expires on Dec. 31, 2017.

Live Nation sold more than 407,000 tickets to 37 events at the Arts Center in 2015. The gross revenue earned by the NJTA was $3,632,000.

The Arts Center also plays host every year to a series of free concerts for school children, senior citizens and families underwritten by the Garden State Arts Foundation. The Foundation is legally separate from the New Jersey Turnpike Authority, but the Foundation's board is comprised of NJTA Commissioners.  The Foundation hosted six concerts and two ethnic festivals at the Arts Center in 2015.

**The New Jersey Turnpike Authority owns 12 Service Areas on the New Jersey Turnpike and 9 on the Garden State Parkway. The facilities, operated by contractors, provide food, fuel and other essential services to travelers.**

The 12 Turnpike service areas are named for famous New Jerseyans — colonist John Fenwick, American Red Cross founder Clara Barton, poet Walt Whitman, writer James Fenimore Cooper, President Woodrow Wilson, Declaration of Independence signer Richard Stockton, Revolutionary War heroine Molly Pitcher, poet Joyce Kilmer, President Grover Cleveland, inventor Thomas Edison, Founding Father Alexander Hamilton, and football coach Vince Lombardi.

The nine Parkway service areas are named for the towns or counties in which they are located — Oceanview, Atlantic, Forked River, Monmouth, Cheesequake, Vauxhall, Brookdale (North and South), and Montvale.

All of the Turnpike service areas sell both food and fuel. The food concession is operated by HMS Host, Inc., the fuel concession by Sunoco.

Seven of the Parkway service areas sell food and fuel. The food concession is operated by HMS Host, Inc., at five Parkway service areas and by McDonald's Corp. at two others. Host discontinued food service at the Oceanview Service Area in Cape May County in 2009 because of low demand. Food sales at Oceanview resumed in mid-2014 when Sunoco opened an A-Plus convenience market at that location.

Sunoco has a contract to operate the fuel concession at all nine NJTA service areas on the Parkway. Under the contracts with Host, McDonald's and Sunoco, the NJTA is paid a portion of the sales of food, fuel and other goods and services.

**2015 Service Area Gross Revenues**

**$38,993,000**


*Badly damaged in Super Storm Sandy, the original Grover Cleveland Service Area on the Turnpike was razed. The new facility pictured here opened for business in November 2015*

# More lanes of the widened Parkway open to traffic

The widening of the Garden State Parkway reached a milestone in May when the new lanes opened over the final four miles of phase 2 of the widening project limits, between mileposts 48 in Port Republic, Atlantic County, and milepost 52 in Bass River Township, Burlington County.

The Parkway Widening will add a third travel lane and full-width shoulders in each direction between Egg Harbor Township and South Toms River. Ninety lane miles are being added to accommodate current and projected future volume in a corridor used heavily by commuters, residents, and visitors destined for towns along the Jersey Shore.

When the Turnpike Authority's 10-year, $7 billion capital investment program was adopted in 2008, it included only enough money to complete the northern 17 miles of the Parkway Widening, from milepost 63 in in Stafford Township to milepost 80 in South Toms River. That portion was completed and opened to traffic in May 2011.

Because other projects in the capital program came in under budget, the Authority was able to expand the scope of its capital program without increasing the overall cost. The expanded scope included second and third phases of the Parkway Widening, which continued the added lanes and widened shoulders to just south of where the Parkway connects to the Atlantic City Expressway, to milepost 35 in Egg Harbor Township.

The second phase of the Parkway Widening (milepost 48 to 63) was mostly complete and open to traffic by July 2013. The four miles at the southern end of the phase 2 project limits, between mileposts 48 and 52, could not open to traffic until the rehabilitation of the Bass River Bridge was completed in the spring of 2015.

Construction on Phase 3 of the Parkway Widening began in 2014. It includes improvements at interchanges 36, 37, and 38. It is scheduled to be completed in 2018.


**Garden State Parkway Widening**

- *Phase 1*

*South Toms River (milepost 80) to Stafford Township (milepost 63). New lanes opened to traffic in 2011.*

- *Phase 2*

*Stafford Township (milepost 63) to Bass River Township (milepost 48). New lanes opened to traffic in 2015.*

- *Phase 3*

*Bass River Township (milepost 48) to Egg Harbor Township (milepost 35). Construction began in 2014. Scheduled completion of the remaining lanes and related interchange improvements is 2018.*

# Upgraded State Police facilities open at two Parkway locations

Ceremonies were held this year to mark the opening of two new New Jersey State Police stations on the Garden State Parkway.

The new 27,500-square-foot buildings in Galloway Township and Bloomfield on the Parkway include control centers for trooper operations, report and briefing rooms, holding cells, and sally ports, fueling island, and other features. The Bloomfield Station also includes a helipad. Both facilities are used by Troop D of the NJSP, which patrols the Parkway and the Turnpike.


The Bloomfield Station replaced a facility on an adjacent property. The Galloway Station replaced the Bass River Station, which was located 11 to the north.

Two Troop D stations on the Turnpike are also being replaced. A new Moorestown Station is scheduled to open in 2016, and a new Newark Station in 2017.

***(Top) The dedication ceremony at the Bloomfield Station; (above) the new NJSP station in Galloway Township***

## End of the road comes for the lights at the end of the road

With the opening of the northbound overpasses at three formerly at-grade intersections near the southern end of the Garden State Parkway in Cape May County, the only traffic lights on the 173-mile length of the road were decommissioned.

Construction on the overpasses and related improvements at Interchanges 9, 10, and 11 began in 2013. The southbound overpasses opened to traffic in the fall of 2014. The northbound overpasses opened in the fall of 2015. The full project is scheduled to be completed in 2016.

## Safety improvements made on part of Parkway with history of crashes

MP 83 to 100 Shoulder Restoration and Improvements

Full-width shoulders were restored, travel lanes were widened to standard widths, and roadside clear zones were reestablished between mileposts 83 and 100 of the Garden State Parkway in Ocean and Monmouth counties — a section of the highway where the speed limit had been reduced because of safety concerns. The speed-limit reduction, from 65 mph to 55 mph, was in response to a 2007 safety assessment that found the 83-to-100 corridor had been the site of more than 9,000 accidents, including 63 fatal accidents, between 2000 and 2007. This project rebuilt the corridor to modern design and safety standards. Construction, which was done under four separate contracts, began in the fall of 2012. The work included the replacement of 20 bridges, the redecking of nine bridges, and the construction of two new bridges, 26 storm water basins and 24 sign structures. The 65 mph speed limit was restored after construction of the improvements was complete.

## Improving access between the Parkway & local roads in Atlantic County

For many years, the only access between the Garden State Parkway and Jimmie Leeds Road in Galloway Township, Atlantic County, was through the parking lot of the Atlantic Service Area.

That changed in March when a new Interchange 41 opened just north of the service area to provide full access between the Parkway and Jimmie Leeds Road, an important local thoroughfare.

Construction of the interchange took just under two years. There is no longer access to Jimmie Leeds Road through the service area.

Under the same contract, a partial interchange three miles to the north became a full interchange. Before, Interchange 44 in Galloway Township, Atlantic County, only provided access to the north from Pomona Road or from the north on the Parkway.

The project completed the missing movements. Traffic now has access to and from Pomona Road and the Parkway in both directions. The new ramps opened in August.


***(Top) The new 15,262-square-foot Grover Cleveland Service Area building opened in November; the building it replaced was damaged during Super Storm Sandy; (Above) NJTA Executive Director Joseph Mrozek makes remarks during the grand opening of the Atlantic Plaza in July.***

## 2 new service plazas open for business

The Grover Cleveland Service Area on the New Jersey Turnpike was a casualty of Super Storm Sandy. The Atlantic Service Area on the Garden State Parkway was a casualty of six decades of wear and tear. Both buildings were replaced in 2015 with bright, modern facilities.

The Atlantic Service Area facility, at milepost 41.4 in Galloway Township, Atlantic County, opened in 1955 as one of the original Parkway service plazas.

The new 11,500-square-foot facility offers a space for travelers to relax and recharge. It has an open atrium interior filled with natural light. There are indoor seats for 140 patrons and patio seating for 20 more.

The building was constructed at no cost to the Turnpike Authority. HMS Host Corp., which has contracts to operate food service concessions on the Parkway and the New Jersey Turnpike, paid the design and construction costs in exchange for a two-year extension to its Parkway contract.

The original Atlantic service area building was demolished in December 2014. The ribbon was cut on the new facility six months later, just in time for the peak summer travel season.

Grover Cleveland, which is situated between interchanges 11 and 12 on the northbound Turnpike, sustained heavy flooding damage during Super Storm Sandy and had remained closed since then.

The Turnpike Authority's Board of Commissioners approved an agreement with HMS Host in December 2013 under which Host designed, permitted, and built the new facility at the NJTA's expense.

The 15,262-square-foot building features ground-to-roof windows and exposed steel. There is seating for 150 patrons inside and 50 on the patio outside. Green features in the building include waterless and high-efficiency restroom fixtures, and high performance heating, cooling and lighting systems.

The food service offerings at Grover Cleveland are headlined by Refresh & Co., a fresh marketplace concept that offers a meat carvery station, gourmet pizzas, sandwiches, and salads. HMS Host introduced the Refresh & Co. concept at Grover Cleveland.

Demolition of the Sandy-damaged building began in April. The new facility opened for business seven months later.

# E-ZPass usage rates climb for 16th straight year

As it has every year since it was introduced on New Jersey's toll roads in 1999, E-ZPass usage continued to grow in 2015 as more and more travelers opted to save time and money with the electronic tolling program.

Some 81.7 percent of all New Jersey Turnpike toll transactions and 78.7 percent of all Garden Stat Parkway toll transactions were paid with E-ZPass in 2015. Those numbers were up from 81.4 percent on the Turnpike and 78.1 percent on the Parkway in 2013.

E-ZPass was introduced at the Pascack Valley toll plaza at the northern end of the Parkway in December 1999. By the end of the following year, it was in use at every Parkway and Turnpike toll plaza.

***Representatives from the NJTA and Xerox, which operates the New Jersey E-ZPass program, were on hand at a PNC Arts Center event in September to sign up patrons for the electronic tolling program.***


***Elected leaders join NJTA officials in breaking ground for improvements at Interchange 14A in Bayonne and Jersey City.***

# Construction begins on improvements at Turnpike Interchange 14A

Construction began in March on a project that will reconfigure and widen Interchange 14A on the New Jersey Turnpike in Bayonne and Jersey City to accommodate both existing traffic volume and the growth in traffic volume expected to result from the expansion of a nearby port facility. The improvements will widen the plaza from its 11 lanes to 13 lanes. The existing two-lane connector bridge from the toll plaza to Routes 440 and 185 and to Port Jersey Boulevard will be replaced with a structure providing four travel lanes and outside shoulders. A flyover ramp will be built from the interchange and Port Jersey Boulevard to Route 440 south. The existing traffic signal at the East 53rd Street-Avenue E intersection will be removed and a roundabout will be constructed to maintain permanent access to the interchange from 53rd Street. Construction is scheduled to be completed in 2018.

# Board of Commissioners

The New Jersey Turnpike Authority is governed by an eight-member Board of Commissioners. The Commissioner of the New Jersey Department of Transportation serves *ex officio*. Five members are appointed by the Governor. One is appointed on the recommendation of the Senate President and one on the recommendation of the Speaker of the General Assembly.

**Richard T. Hammer**
Chairman

**Ronald Gravino**
Vice Chairman

**Michael R. DuPont**
Treasurer

**Raymond M. Pocino**
Commissioner

**Ulises E. Diaz**
Commissioner

**Daniel F. Becht**
Commissioner

**John D. Minella**
Commissioner

**Joseph W. Mrozek**
Executive Director

**John F. O'Hern**
Chief Operating Officer &
Deputy Executive Director

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**Bruce A. Harris**
General Counsel

**Donna Manuelli**
Chief Financial Officer

**Barry Pelletteri**
Chief Information Officer

**Robert J. Fischer**
Chief Engineer

**James Carrone**
Director, Internal Audit

**Henry Eibel**
Director, Operations

**Mary Elizabeth Garrity**
Director, Human Resources

**Kenneth McGoldrick**
Acting Director, Maintenance

**Robert Quirk**
Director, Tolls

**Andrea Ward**
Director, Procurement
& Materials Management

# 2015 Contracts Awarded In Excess of $100,000

| Board Approval | Vendor | Amount |
|---|---|---|
| 1/29/2015 | Savills Studley | $100,000 |
| 1/29/2015 | Citibank, NA | $1,483,750 |
| 1/29/2015 | Evans Consoles, Inc. | $785,639 |
| 1/29/2015 | Innovative Municipal Products, Inc | $276,120 |
| 1/29/2015 | HAKS Engineers, Architects and Land Surveyors, PC | $1,530,000 |
| 1/29/2015 | Gannett Fleming, Inc. | $1,677,486 |
| 1/29/2015 | Joseph M. Sanzari, Inc. | $8,424,455 |
| 1/29/2015 | A. P. Construction, Inc. | $31,918,223 |
| 1/29/2015 | Shorelands Construction Inc. | $881,281 |
| 1/29/2015 | A. P. Construction, Inc. | $12,369,947 |
| 1/29/2015 | Joseph M. Sanzari, Inc. | $8,132,437 |
| 1/29/2015 | Timothy P. Bryan Electric Co. Inc. | $869,387 |
| 1/29/2015 | Ransome International | $1,611,310 |
| 1/29/2015 | Route 23 Auto Mall LLC | $326,685 |
| 1/29/2015 | Ransome International | $380,733 |
| 1/29/2015 | Hertrich Fleet Services Inc. | $107,994 |
| 1/29/2015 | Hertrich Fleet Services Inc. | $156,510 |
| 1/29/2015 | Atlas Flasher and Supply Co., Inc. | $135,033 |
| 1/29/2015 | Greelco, Inc. | $800,000 |
| 1/29/2015 | SHI International Corp. | $190,000 |
| 1/29/2015 | ePlus Technology Inc. | $108,790 |
| 1/29/2015 | Motorola Solutions  Inc. | $9,800,000 |
| 2/24/2015 | BRM Turnpike Plaza, LLC | $401,000 |
| 2/24/2015 | Allstate Power Vac Inc. | $269,775 |
| 2/24/2015 | Allied Painting, Inc. | $463,440 |
| 2/24/2015 | Ransome International, LLC | $203,898 |
| 2/24/2015 | Ransome International, LLC | $467,564 |
| 2/24/2015 | Mid-Atlantic Truck Center | $288,195 |
| 2/24/2015 | Construction Crane &Tractor, Inc. | $178,500 |
| 2/24/2015 | Brown’s Hunterdon International, LLC. | $105,890 |
| 2/24/2015 | Route 23 Auto Mall, LLC | $109,254 |
| 2/24/2015 | Johnson, Mirmiran & Thompson, Inc. | $1,850,000 |
| 2/24/2015 | Crisdel Group, Inc. | $7,676,000 |
| 2/24/2015 | A.P.S. Contracting Inc. | $14,923,020 |
| 2/24/2015 | MTB LLC | $368,000 |
| 2/24/2015 | MTB LLC | $398,000 |
| 2/24/2015 | WHL Enterprises, Inc. T/A Bill Leary A/C & Heating | $1,522,900 |
| 2/24/2015 | USA General Contractors Corp | $400,000 |
| 2/24/2015 | USA General Contractors Corp | $400,000 |
| 2/24/2015 | Gannett Fleming, Inc. | $2,000,000 |

# 2015 Contracts Awarded In Excess of $100,000

| Board Approval | Vendor | Amount |
|---|---|---|
| 2/24/2015 | Brown's Hunterdon International, LLC. | $346,122 |
| 3/31/2015 | Atlas Flasher and Supply Company, Inc. | $396,880 |
| 3/31/2015 | ePlus Technology, Inc | $122,085 |
| 3/31/2015 | ePlus Technology, Inc | $124,780 |
| 3/31/2015 | ePlus Technology, Inc | $182,691 |
| 3/31/2015 | Multiple Vendors | $431,313 |
| 3/31/2015 | SHI International Corp. | $118,315 |
| 3/31/2015 | CDW Government, Inc. | $155,805 |
| 3/31/2015 | Rutgers University | $1,900,000 |
| 3/31/2015 | Dell Marketing, LP | $115,058 |
| 3/31/2015 | Dell Marketing, LP | $136,121 |
| 3/31/2015 | The Office Concepts Group | $100,000 |
| 3/31/2015 | Kraftsman, Inc | $216,675 |
| 3/31/2015 | Garden State Bobcat, Inc. | $163,920 |
| 3/31/2015 | Edwards Tire Co., Inc. | $500,000 |
| 3/31/2015 | Mall Chevrolet, Inc. | $494,304 |
| 3/31/2015 | Winner Ford | $498,289 |
| 3/31/2015 | Mall Chevrolet, Inc. | $108,150 |
| 3/31/2015 | Tishman Construction Corporation of New Jersey | $5,600,000 |
| 3/31/2015 | Dewberry Engineers, Inc. | $4,000,000 |
| 3/31/2015 | Gannett Fleming, Inc. | $4,000,000 |
| 3/31/2015 | Crisdel Group, Inc. | $6,455,000 |
| 3/31/2015 | Joseph A. Natoli Construction Corp. | $7,237,000 |
| 3/31/2015 | Pravco, Inc. | $529,900 |
| 3/31/2015 | Gaudelli Bros. Inc. | $1,274,200 |
| 4/28/2015 | Garden State Highway Products, Inc. | $108,755 |
| 4/28/2015 | Miller Ford Lincoln Sales | $318,864 |
| 4/28/2015 | Miller Ford Lincoln Sales | $446,908 |
| 4/28/2015 | Mall Chevrolet, Inc. | $179,995 |
| 4/28/2015 | TestAmerica, Inc. | $107,051 |
| 4/28/2015 | En Pointe Technologies, Inc. | $302,492 |
| 4/28/2015 | Hertrich Fleet Services | $812,209 |
| 4/28/2015 | Hertrich Fleet Services | $538,703 |
| 4/28/2015 | Hertrich Fleet Services | $122,951 |
| 4/28/2015 | Hertrich Fleet Services | $135,431 |
| 4/28/2015 | Hertrich Fleet Services | $109,178 |
| 4/28/2015 | Crafco, Inc. | $205,110 |
| 4/28/2015 | Jacobs Engineering Group Inc. | $4,798,000 |
| 4/28/2015 | Churchill Consulting Engineers | $1,150,000 |
| 4/28/2015 | CapitalSoft, Inc. | $1,000,000 |
| 4/28/2015 | PKF-Mark III Inc. | $26,978,816 |
| 4/28/2015 | George Harms Construction Co., Inc. | $33,715,547 |
| 4/28/2015 | Crisdel Group, Inc. | $9,475,000 |

# 2015 Contracts Awarded In Excess of $100,000

| Board Approval | Vendor | Amount |
|---|---|---|
| 4/28/2015 | Jesco, Inc. | $1,519,712 |
| 5/27/2015 | Alliance Corp. | $302,294 |
| 5/27/2015 | Patock Construction Company | $14,270,104 |
| 5/27/2015 | Hall Building Corp. | $3,000,000 |
| 5/27/2015 | WW Grainger, Inc | $750,000 |
| 5/27/2015 | New Jersey Business Systems, Inc. | $153,164 |
| 5/27/2015 | CDW Government, Inc | $131,800 |
| 5/27/2015 | Municipal Equipment Enterprises, LLC | $169,341 |
| 5/27/2015 | Sansi North America, LLC | $117,250 |
| 5/27/2015 | Agilence, Inc | $107,690 |
| 5/27/2015 | 3M Company | $100,000 |
| 6/30/2015 | Alliance Corporation | $104,364 |
| 6/30/2015 | Deister Electronics USA, Inc. | $365,375 |
| 6/30/2015 | Neteon Technologies, Inc. | $101,680 |
| 6/30/2015 | Multiple Vendors | $6,120,000 |
| 6/30/2015 | G4S Technology, LLC | $1,640,000 |
| 6/30/2015 | Joseph M. Sanzari, Inc. | $3,000,000 |
| 6/30/2015 | IBM Corporation | $384,516 |
| 6/30/2015 | Hewlett Packard Company | $620,900 |
| 6/30/2015 | Oracle America, Inc. | $803,806 |
| 6/30/2015 | Link Communications, Ltd. | $177,478 |
| 7/28/2015 | Morton Salt, Inc. and Oceanport, LLC | $13,119,124 |
| 7/28/2015 | H.A. DeHart and Sons, Inc. | $698,602 |
| 7/28/2015 | Valk Manufacturing Co. | $208,850 |
| 7/28/2015 | Mobile Vision, Inc. | $423,354 |
| 7/28/2015 | Multiple Vendors | $1,953,300 |
| 7/28/2015 | Dobco Inc. | $52,000,000 |
| 7/28/2015 | Joseph A. Natoli | $41,087,000 |
| 7/28/2015 | Advanced Electronics Design, Inc. | $290,550 |
| 7/28/2015 | Traffic Systems Incorporated | $136,150 |
| 8/25/2015 | SHI International Corp. | $355,136 |
| 8/25/2015 | Fortress Protection, LLC | $158,000 |
| 8/25/2015 | Garden State Highway Products, Inc. | $111,537 |
| 8/25/2015 | Garden State Bobcat, Inc. | $138,931 |
| 8/25/2015 | Modern Power Group, Ltd. & Warshauer Generator, LLC | $195,192 |
| 8/25/2015 | Jewel Electrical Supply Co. | $134,190 |
| 8/25/2015 | Innovative Municipal Products (US) Inc. | $293,820 |
| 8/25/2015 | Morton Salt, Inc. | $786,131 |
| 8/25/2015 | Jacobs Engineering Group Inc. | $1,290,000 |
| 8/25/2015 | South State, Inc. | $7,439,843 |
| 8/25/2015 | Earle Asphalt Company | $20,103,413 |
| 8/25/2015 | Joseph DeFino Trucking Co. /dba DeFino Contracting Co. | $923,000 |
| 9/29/2015 | Xerox State & Local Solutions, Inc. | $325,600,000 |
| 9/29/2015 | The Segal Company | $298,500 |
| 9/29/2015 | Reilly Sweeping, Inc. | $102,525 |

# 2015 Contracts Awarded In Excess of $100,000

| Board Approval | Vendor | Amount |
| --- | --- | --- |
| 9/29/2015 | PSX, Inc. | $256,281 |
| 9/29/2015 | Daidone Electric | $3,390,000 |
| 9/29/2015 | Benjamin R. Harvey Co., Inc. | $20,944,000 |
| 9/29/2015 | InfraMap Corp | $2,000,000 |
| 9/29/2015 | Multiple Vendors | $1,120,800 |
| 9/29/2015 | Hunter Truck Sales and Service, Inc. | $4,381,641 |
| 9/29/2015 | EMC Corporation | $103,435 |
| 9/29/2015 | IBM Corporation | $361,768 |
| 10/27/2015 | SHI International Corp | $362,642 |
| 10/27/2015 | SHI International Corp | $193,885 |
| 10/27/2015 | Motorola Solutions, Inc | $184,920 |
| 10/27/2015 | Dover Industries, Inc., dba Rotary Lift | $800,213 |
| 10/27/2015 | E 4-Health, Inc. | $110,250 |
| 10/27/2015 | Jersey Shore Lawn & Sprinkler Construction Co., Inc. | $248,154 |
| 10/27/2015 | Multiple Vendors | $140,000 |
| 10/27/2015 | Jewel Electric Supply, Inc. | $183,864 |
| 10/27/2015 | Envirosight LLC. | $93,412 |
| 10/27/2015 | Electronic Data Magnetics, Inc. | $223,300 |
| 10/27/2015 | Southland Printing Co., Inc. | $226,100 |
| 10/27/2015 | Cherry, Weber & Associates, PC | $721,000 |
| 10/27/2015 | Arora and Associates, PC | $718,907 |
| 11/24/2015 | Commonwealth Equipment Corp. | $187,000 |
| 11/24/2015 | Michael Baker International, Inc. | $1,130,000 |
| 11/24/2015 | Greenman-Pedersen, Inc. | $1,435,000 |
| 11/24/2015 | HNTB Corporation. | $43,500,000 |
| 11/24/2015 | A.P. Construction, Inc. | $40,838,672 |
| 11/24/2015 | Jen Electric, Inc. | $330,664 |
| 11/24/2015 | Longford Landscapes and Excavation, Inc. | $156,000 |
| 11/24/2015 | Cherry Valley Tractor Sales | $175,260 |
| 11/24/2015 | Beyer Bros. Corp. | $103,932 |
| 11/24/2015 | Garden State Bobcat, Inc | $343,732 |
| 11/24/2015 | Mid-Atlantic Truck Center | $290,975 |
| 11/24/2015 | Route 23 Auto Mall, LLC | $282,508 |
| 11/24/2015 | Beyer Ford, LLC | $189,900 |
| 11/24/2015 | IBM Corporation | $615,099 |
| 11/24/2015 | Central Jersey Supply Co. | $250,000 |
| 11/24/2015 | Madison Plumbing Heating and Industrial Supplies | $250,000 |
| 11/24/2015 | Lincoln Supply, LLC | $100,000 |
| 11/24/2015 | Harry's Supply, LLC | $100,000 |
| 11/24/2015 | Atlantic Plumbing Supply Corp | $200,000 |

# 2015 Contracts Awarded In Excess of $100,000

| Board Approval | Vendor | Amount |
|---|---|---|
| 11/24/2015 | Eaton Corporation | $794,295 |
| 11/24/2015 | Agilence, Inc. | $446,550 |
| 12/15/2015 | Beyer Ford, LLC. | $385,902 |
| 12/15/2015 | Jesco, Inc. | $1,075,970 |
| 12/15/2015 | Winner Ford. | $284,901 |
| 12/15/2015 | Bristol Donald Co., Inc. | $146,249 |
| 12/15/2015 | Cherry, Weber & Associates, P.C. | $1,030,000 |
| 12/15/2015 | Stantec Consulting Services, Inc. | $924,054 |
| 12/15/2015 | HAKS Engineers, Architects and Land Surveyors, P.C. | $1,269,387 |
| 12/15/2015 | KS Engineers, PC | $1,217,665 |
| 12/15/2015 | CB&I Environmental & Infrastructure, Inc. | $1,900,000 |
| 12/15/2015 | Gannett Fleming, Inc. | $1,529,537 |
| 12/15/2015 | Joseph M. Sanzari, Inc. | $8,674,515 |
| 12/15/2015 | Joseph M. Sanzari, Inc. | $5,139,445 |
| 12/15/2015 | Dobco, Inc. | $56,893,382 |
| 12/15/2015 | Alna Construction Corp. | $3,999,000 |
| 12/15/2015 | Johnson, Mirmiran & Thompson, Inc. | $2,000,000 |
| 12/15/2015 | Morton Salt, Inc. and Oceanport, LLC | $7,320,540 |
| 12/15/2015 | Acro Service Corporation | $125,000 |
| 12/15/2015 | SHI International Corp. | $210,361 |
| 12/15/2015 | ePlus Technology, Inc. | $2,700,000 |

*The contracts in this section are listed by the date of the Board of Commissioners meeting at which they were approved. Additional information about all of these contracts can be found in the minutes of the board meetings, which can be accessed online at www.state.nj.us/turnpike/commission-meetings.html*

# New Jersey Turnpike Authority

*(A Component Unit of the State of New Jersey)*

*Financial Statements*

*December 31, 2015 and 2014*

*(With Independent Auditors' Report Thereon)*

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

**Table of Contents**

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

# Independent Auditors' Report

The Commissioners
New Jersey Turnpike Authority:

## Report on the Financial Statements

We have audited the accompanying basic financial statements of the New Jersey Turnpike Authority (the Authority), a component unit of the State of New Jersey, as of and for the years ended December 31, 2015 and 2014, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2015 and 2014, and the respective statements of revenues, expenses, and changes in net position, and cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Emphasis of Matter*

As discussed in Note 2(t), during 2015, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* as of January 1, 2014. Concurrently with the implementation of GASB No. 68, the Authority implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* (GASB No. 71). As a result of adopting this pronouncement, the Authority has restated the beginning net position at January 1, 2014 and the statement of revenues, expenses and change in net position for the year ended December 31, 2014 has also be restated. Our opinion is not modified with respect to this matter.

### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 38, the schedule of funding progress – other postemployment benefits plan (schedule 1) on page 90 and Schedule of Proportionate Share, Employer Contributions and Notes (schedule 2) on page 91 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Supplemental Information*

Our audits for the year ended December 31, 2015 and 2014 were conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Authority's basic financial statements. The supplemental information included on Schedules 3 through 11B as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information, except for those schedules and portions of schedules marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the basic financial statements for the years ended December 31, 2015 and 2014 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information included in Schedules 3 through 11B is fairly stated in all material respects, in relation to the basic financial statements as a whole.

KPMG LLP

June 28, 2016

The management of the New Jersey Turnpike Authority (the Authority) offers this narrative overview and analysis of the Authority's financial activities for the years ended December 31, 2015 and 2014, which should be read in conjunction with the Authority's financial statements.

## Overview of the Financial Statements

This discussion and analysis is intended to present an overview of the Authority's financial performance for the years ended December 31, 2015 and 2014. The Authority's financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). This section is intended to provide an assessment of how the Authority's financial position has improved or deteriorated and identify the factors that, in management's view, significantly affected the Authority's overall financial position. It may contain opinions, assumptions, or conclusions by the Authority's management that should not be considered a replacement for the financial statements included in this report.

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

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

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

The notes to the Financial Statements provide:

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

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

The Required Supplementary Information included in Schedule 2 presents information regarding the Authority's proportionate share, employer contributions and notes related to the State of New Jersey Public Employees' Retirement System (PERS).

The Other Supplementary Information included in Schedules 3 through 11B presents information regarding the Authority's accounting and compliance with its 1991 Turnpike Revenue Bond Resolution, as amended, restated and supplemented (the Resolution), and the Authority's interpretation of such Resolution.

## The Authority's Business

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

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

## Highlights

- The Authority was a first time recipient of the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for the submission of its first ever 2015 Annual Budget. The GFOA established the Distinguished Budget Presentation Awards Program in 1984 to encourage and assist state and local governments to prepare budget documents of the very highest quality.

- The Authority received the IBTTA (The International Bridge, Tunnel and Turnpike Association) Toll Excellence Award in 2015 in the category of Toll Operations, Maintenance and Engineering. The Authority's winning initiative, "Traffic Permitting and Lane Closure Application," was implemented to efficiently manage the more than 850 weekly lane closure requests the Authority receives.


- The Authority won the 2015 CIO 100 award for demonstrating the innovative use of technology to deliver business value. This prestigious award was granted to the business partnership between the Operations and Integrated Technology Services (ITS) departments that led to the creation of the Advanced Traffic Management Program (ATMP). Receipt of this award places the Authority among the top 100 organizations in the nation who are using technology to deliver true business value.

- The Authority was a first time recipient of the GFAO's Certificate of Achievement for Excellence in Financial Reporting for the submission of its first ever Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2014. The program was established by the GFOA in 1945 to assist state and local governments in preparing financial reports that evidence the spirit of transparency and full disclosure.

- The Grover Cleveland Service Area, which had been closed since hurricane Sandy in October 2012, was reopened in November 2015. The new and improved service area is being touted as a potential model for future service area renovations.

- The Authority hired a licensing agent to put together merchandise deals for both roadways in May 2015. New Jersey Turnpike and Garden State Parkway licensed products will be available for sale. The merchandise will be carried at retail stores, service areas and at the future official Authority online store.

- The Authority's $7 Billion Capital Improvement Program (CIP) continued, and as of December 31, 2015, nearly 89% of the overall budget has been spent or committed on projects. The Authority spent over $742,000 on CIP projects in 2015.

- The Authority issued $750,000 of Series 2015E Turnpike Revenue Bonds to continue to fund the $7 billion CIP. The Authority's credit ratings were re-affirmed by all three rating agencies as part of the bond sale.
- Toll revenue in 2015 was $1,523,133, which was $8,300, or 0.5% above projections. In 2015, traffic on the Turnpike increased by 6.2% compared to 2014, while toll transactions on the Parkway increased by 2.4%. Traffic and revenue increased due to declining gas prices, improving economic conditions, favorable weather conditions from April through December 2015, and the widening of both roadways. This was the fourth consecutive year that the Authority met its toll revenue projections.
- The Authority's net position increased by $120,675, or 22.4%, from $537,615 in 2014 to $658,290 in 2015. Net position increased as the Authority's operating income exceeded its net non-operating expenses. Prior to GASB 68 adoption, net position increased by $131,092 or 14.0% from $934,924 to $1,066,016 in 2015.

## Implementation of GASB 68

During 2015, the Authority adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions* (GASB 68). This statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Concurrently with the adoption of GASB 68, the Authority implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* (GASB 71). This statement addresses an issue in GASB 68 concerning transition provisions related to certain pension contributions made to defined benefit plans prior to the implementation of GASB 68 by employers and nonemployer contributing entities.

The Authority participates in the State of New Jersey Public Employees' Retirement System (PERS), a defined benefit cost-sharing multiple-employer pension plan. GASB 68 requires that the proportionate share of the net pension liability be recognized by each participating employer in the plan. The net pension liability is the portion of the actuarial present value of projected benefit payments attributed to past periods of employee service net of the pension plan's fiduciary net position. A cost-sharing employer is also required to recognize its proportionate share of pension expense and report deferred outflows and deferred inflows of resources for its proportionate share. The changes in net pension liability adjusted for the deferred inflows and deferred outflows of resources result in pension expense. Prior to the adoption of GASB 68, the Authority only recognized pension expense for these plans up to the amount contributed to the plan as indicated within the fringe benefit rate provided by the State of New Jersey. As of December 31, 2015 and 2014, the Authority recognized a net pension liability of $435,015 and $366,300, respectively, for its proportionate share of PERS net pension liability. The Authority was required to decrease the beginning net position at January 1, 2014 by $394,252 to reflect the cumulative effect of the adoption of GASB 68, as well as restate the 2014 financial statements. (See note 2(t)).

(Dollars shown in thousands)

## Condensed Summary of Net Position

| | | 2015 | 2014 | 2013* |
|---|---|---|---|---|
| Assets: | | | | |
| Current assets | $ | 1,552,246 | 1,468,866 | 1,238,090 |
| Other noncurrent assets | | 1,190,230 | 1,164,147 | 1,075,276 |
| Capital assets, net of accumulated depreciation | | 10,801,091 | 10,033,353 | 9,069,134 |
| Total assets | $ | 13,543,567 | 12,666,366 | 11,382,500 |
| Deferred outflows: | | | | |
| Accumulated decrease in fair value of hedging derivatives | $ | 4,807 | 6,067 | — |
| Deferred amount on refunding | | 149,697 | 162,311 | 204,256 |
| Deferred amount relating to pension | | 65,426 | 19,849 | — |
| Total deferred outflows | $ | 219,930 | 188,227 | 204,256 |
| Liabilities: | | | | |
| Current liabilities | $ | 903,179 | 888,748 | 825,682 |
| Noncurrent liabilities | | 12,188,373 | 11,401,854 | 10,060,298 |
| Total liabilities | | 13,091,552 | 12,290,602 | 10,885,980 |
| Deferred inflows: | | | | |
| Accumulated increase in fair value of hedging derivatives | | — | — | 30,989 |
| Deferred amount relating to pension | | 13,655 | 26,376 | — |
| Total deferred inflows | $ | 13,655 | 26,376 | 30,989 |
| Net position: | | | | |
| Net investment in capital assets | $ | 858,384 | 710,972 | 407,125 |
| Restricted under trust agreements | | 164,511 | 183,764 | 162,432 |
| Unrestricted | | (354,188) | 40,188 | 100,230 |
| Unrestricted - GASB 68 adoption | | (10,417) | (397,309) | — |
| Total net position | $ | 658,290 | 537,615 | 669,787 |

* The 2013 financial information has not been restated to reflect the adoption of GASB 68.

**Discussion of Condensed Summary of Net Position 2015, 2014, 2013**

***2015 – 2014***

The Authority's total net position is reported at $658,290 and $537,615 as of December 31, 2015 and 2014, respectively, representing an increase of $120,675 or 22.4%, compared to 2014. The major factor causing this increase was additional toll revenue, as traffic on both the Turnpike and the Parkway was higher in 2015 than in 2014. Capital assets increased by $767,738 or 7.7% and other noncurrent assets increased by $26,083 or 2.2%. Capital assets increased as a result of spending on the ongoing $7 Billion CIP while the other noncurrent assets increased due to an increase in restricted investments representing the unspent proceeds of the Series 2015E Turnpike Revenue Bonds. Noncurrent liabilities increased by $786,519 or 6.9% primarily due to the issuance of the $750,000 new capital debt Series 2015E Turnpike Revenue Bonds in October 2015 and increase in the net pension liability.

(Dollars shown in thousands)

***2014 – 2013***

The Authority's total net position is reported at $537,615 and $669,787 as of December 31, 2014 and 2013, respectively, representing a decrease of $132,172 or 19.7%, compared to 2013. The major factor causing this decrease was due to the adoption of GASB 68 in 2015. This resulted in a restatement of the beginning net position as of January 1, 2014. Prior to the adoption of GASB 68, net position increased by $265,137 or 39.6% from $669,787 to $934,924. Capital assets increased by $964,219 or 10.6% and other noncurrent assets increased by $88,871 or 8.3%. Capital assets increased as a result of spending on the ongoing $7 Billion CIP, while the other noncurrent assets increased due to an increase in restricted investments representing the unspent proceeds of the $1,000,000 Series 2014A Turnpike Revenue Bonds. Noncurrent liabilities increased by $1,341,556 or 13.3% primarily due to the issuance of the $1,000,000 Series 2014A Turnpike Revenue Bonds in May 2014 and GASB 68 net pension liability.

**Adjusted net position**

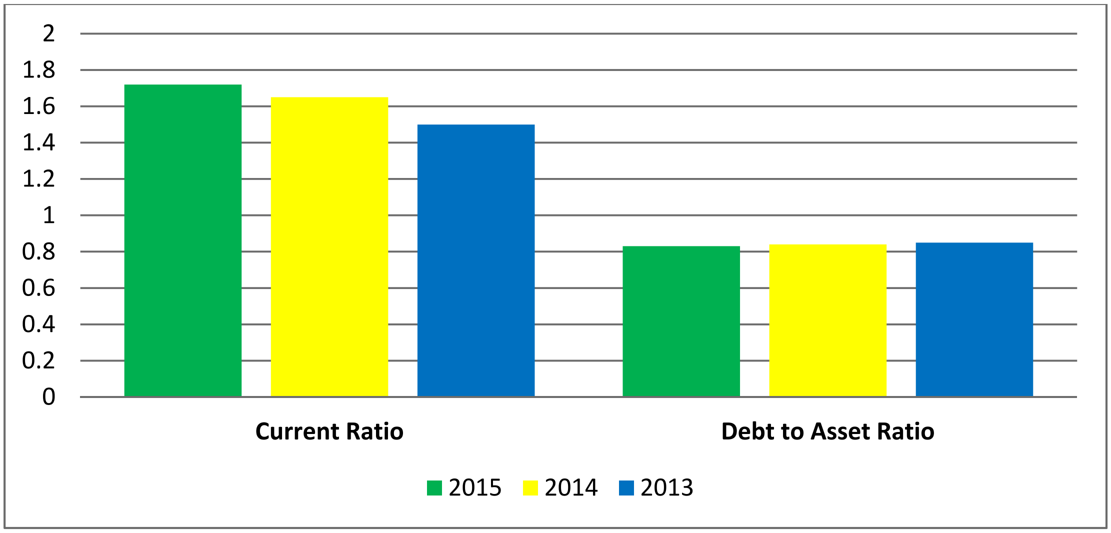
| | | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| **Net position as per GAAP Financials** | $ | 658,290 | 537,615 | 669,787 |
| Unfunded non cash adjustment: | | | | |
| Other postemployment benefit liability | | 315,039 | 286,581 | 259,847 |
| Interest rate swaps liabilities | | 40,199 | 45,366 | 17,424 |
| Net pension liability | | 435,015 | 366,300 | — |
| Accounts payable and accrued expenses | | 24,482 | 24,482 | — |
| Other long-term obligations | | 92,009 | 64,202 | 63,874 |
| Hybrid instrument borrowing | | 111,526 | 130,181 | 146,808 |
| Accumulated increase in fair value of hedging derivatives | | — | — | 30,989 |
| Deferred amount relating to pensions | | 13,655 | 26,376 | — |
| Accumulated decrease in fair value of hedging derivatives | | (4,807) | (6,067) | — |
| Deferred amount on refunding | | (105,726) | (113,762) | (144,549) |
| Deferred amount relating to pensions | | (65,426) | (19,849) | — |
| Restricted investments | | 93,175 | 96,895 | 64,717 |
| Capital assets, net of accumulated depreciation | | (29,398) | — | — |
| Total non cash adjustments | $ | 919,743 | 900,705 | 439,110 |
| Garden State Arts Foundation | $ | (737) | (975) | (1,114) |
| **Net Position as per Bond Resolution** | $ | 1,577,296 | 1,437,345 | 1,107,783 |

Shown above is the Authority's adjusted net position calculated as per the Authority's Bond Resolution. Net position as per the Bond Resolution has been calculated after adjusting for GASB 45 - Other Post-employment Benefits Liability, GASB 53 - Derivative Instruments and GASB 68 - Net Pension Liability. Net position as per the Bond Resolution also does not include other long-term liabilities such as pollution remediation liability, sick and accrued vacation liability, OCIP claims liabilities and GAAP reserves which are all non-cash liabilities. Over the past several years, the implementation of new GASB pronouncements has resulted in significant non-cash accounting reductions in the Authority's net position. Management believes that the net position as per the Bond Resolution provides an alternate view of the strength of the Authority's operations and its financial position.

(Dollars shown in thousands)

## Net Position Ratio Analysis - GAAP Basis

| Ratio | 2015 | 2014 | 2013 | Explanation |
|---|---|---|---|---|
| ***Current Ratio*** | 1.72 | 1.65 | 1.50 | The current ratio is calculated as the Authority's current assets divided by current liabilities. A strong current ratio is over 1.0, and indicates an organization's ability to meet their short-term obligations. The Authority's ratio has remained relatively consistent through each year, with the average over the three year period being 1.62. The Authority has nearly two times the amount of current assets as compared with current liabilities. Further, year over year the Authority's current ratio has increased. |
| ***Debt to Asset Ratio*** | 0.83 | 0.84 | 0.85 | The debt to assets ratio is calculated by dividing total debt by total assets. The debt to asset ratio remained substantially unchanged over the three year period, as the Authority uses debt solely to finance the acquisition of capital assets. |

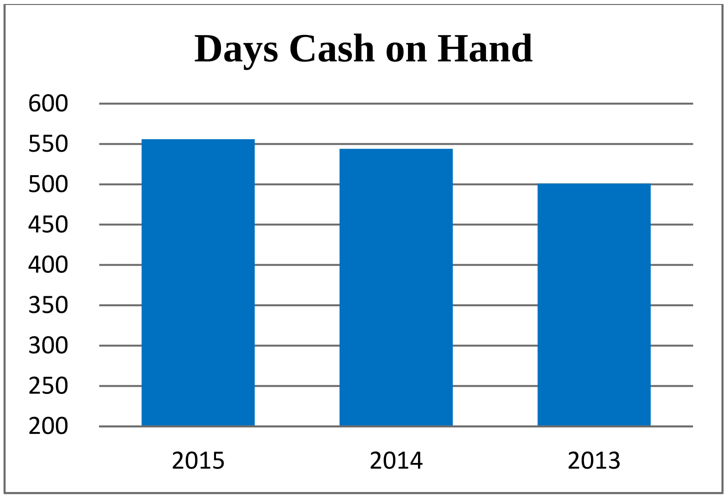


(Dollars shown in thousands)

## Key Performance Metric - Net Position

**Days Cash on Hand** – Days cash on hand is calculated by combining unrestricted cash and unrestricted investments and dividing by daily operating expenses (from the Revenue Fund). This calculation shows how long (in days), the Authority would be able to pay its operating expenses without the generation of revenue. As a result, a larger number of days cash on hand is desirable. As shown in the graph, the days cash on hand has consistently increased each year. Based on this calculation, in 2015, the Authority could go 556 days without generating any revenue and still pay its operating expenses.

| | | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| Unrestricted Cash & Investments | $ | 767,022 | 705,125 | 649,791 |
| Daily Operating Expenses (Revenue Fund) | $ | 1,379 | 1,295 | 1,296 |
| Days cash on hand | | 556 | 544 | 501 |



## Capital Improvement Program (CIP)

- The Authority is in the midst of a $7 Billion CIP that includes large scale projects such as widening stretches of both the Turnpike and Parkway and smaller projects that improve interchanges, rehabilitate bridges, and deploy new technologies. The $7 Billion CIP continues to be on time and on budget or even ahead of schedule and under budget on some projects. Nearly seven years into the program, the Authority has spent or committed 89%, or $6,205,000, of its original $7,000,000 budget with minimal impact to traffic.

- Bond proceeds are deposited in the Construction Fund to support the $7 Billion CIP. Total expenditures in the Construction Fund for the twelve months ended December 31, 2015 were approximately $741,700. Expenses included approximately $90,400 for the Parkway 35–63 Widening Project, approximately $90,600 for the Turnpike Interchange 14A Reconstruction Project, approximately $87,800 for the Authority Phase I Facilities Improvements Program, approximately $80,400 for the Authority Phase II Facilities Improvements Program and approximately $78,100 for the Turnpike Interchange 6 to 9 Widening Project. In addition to these expenditures, there are open contracts and commitments totaling approximately $1,175,700. On March 11, 2015, the Authority broke ground on the $400,000 Turnpike Interchange 14A Reconstruction project.


- As a part of the $7 Billion CIP the Authority has taken great measures to increase the mobility and commuting speeds on both the Parkway and Turnpike. One of the main projects that were successfully completed in 2014 was the widening between Interchanges 6 and 9 on the Turnpike. This project provided three additional travel lanes in each direction from interchange 6 to 8A and also added one additional lane in both directions from 8A to 9. As a result of the widening, there has been a reduction in congestion between these exits. The Authority has also undertaken additional projects beyond the Turnpike Interchange 6 to 9 widening to improve the mobility of traffic on both the Parkway and Turnpike. For example, the Authority has also undertaken a project to improve traffic conditions at Turnpike Interchanges 15W and 16W. At Interchange 15W, the improvements will include ramp realignments, median barrier extension and signing, and at Interchange 16W the improvements include widening of a south west toll ramp over Berry's Creek Canal from one lane to two lanes to accommodate existing and projected traffic volumes.

(Dollars shown in thousands)

The Projects currently included in the $7 Billion CIP are the following:

| Project | | Current Budget | Amount Spent or Committed to Date | Percent Spent & Committed to Date |
|---|---|---|---|---|
| Turnpike Widening (Interchange 6-9) | $ | 2,278,059 | 2,185,976 | 96% |
| Bridge improvements | | 1,699,447 | 1,262,912 | 74% |
| Roadway improvements | | 804,933 | 783,086 | 97% |
| Interchange improvements | | 1,027,936 | 842,188 | 82% |
| Facilities improvements | | 599,625 | 579,080 | 97% |
| Parkway Widening (Milepost 35-80) | | 590,000 | 552,592 | 94% |
| | $ | **7,000,000** | **6,205,834** | **89%** |

*Turnpike Widening:* The Turnpike Interchanges 6 to 9 Widening Program, which was completed on schedule and under budget, was opened to traffic in November 2014. The Turnpike widening provides three additional travel lanes in each direction between Interchanges 6 and 8A, and one additional lane in each direction between Interchanges 8A and 9. The program also added a new toll plaza at Interchange 8. During 2015, work related to roadway construction, sign structure and fabrication was done.

*Bridge Improvements*: The $7 Billion CIP also includes the Turnpike Newark Bay-Hudson County Extension Bridge Deck Reconstruction which is in progress and will be completed by 2018. Four of the six major Parkway Bridges - Bass River Bridge, Mullica River Bridge, Patcong Creek Bridge and Great Egg Harbor Bridge - have been or will be rehabilitated as part of the CIP. Three of the four bridges – Bass River Bridge, Mullica River Bridge are completed in 2015.

*Interchange Improvements*: The $7 Billion CIP also includes approximately $1 Billion for Interchange Improvements on both roadways. Of note, the reconstruction of Interchange 14A on the Turnpike began in early 2015 and is continuing as per the schedule. Improvements to Interchanges 9, 10 and 11 on the Parkway are almost 80% complete.

*Roadway Improvements*: Roadway improvements totaling approximately $804,900 are also included in the $7 Billion CIP the most significant being Parkway mainline shoulder improvements between mileposts 83 to 100, is completed over 90% during 2015. This project will restore full-width shoulders on the right and left sides of the highway improve sight distances and remove obstructions in this section of the roadway. The improvements being made include the replacement of 20 bridges, the re-decking of nine bridges, and the construction of two new bridges, 26 storm water basins and 24 sign structures.

*Facility Improvements*: The $7 Billion CIP includes approximately $600,000 for facilities improvements. In total, the Authority will build 42 new structures and rehabilitate 18 others. Projects include the replacement of State Police Troop D buildings, the rehabilitation of 22 maintenance district facilities and improvements at all Turnpike toll plaza buildings.

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

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

Phase II – Milepost 48 to 63 –The widening between Milepost 52-63 was opened in the spring of 2014, with the remaining widening of this section to Milepost 48 opened in May 2015 upon the completion of the rehabilitation of the Bass River Bridge.

Phase III – Milepost 35 to 48 – The first construction contract for this section was awarded in June 2014 and construction began in July 2014. The widening between Milepost 48 to 41 is expected to be completed in late 2016 and the remainder in the spring of 2018.

Total budgeted costs for the Parkway 35-80 Widening Program are approximately $600,000; however, $100,000 of those costs were financed from the proceeds of bond anticipation notes prior to the issuance of the first Series of Bonds for the Capital Improvement Program.

(Dollars shown in thousands)

## Capital Assets

| | | December 31 | | |
|---|---|---|---|---|
| | | 2015 | 2014 | 2013 |
| Land | $ | 824,797 | 797,313 | 775,569 |
| Construction-in-progress | | 2,521,406 | 1,582,797 | 3,839,776 |
| Road bed | | 2,371,993 | 2,402,834 | 1,995,674 |
| Road surface | | 778,708 | 852,963 | 351,538 |
| Bridges | | 3,237,642 | 3,279,488 | 1,335,963 |
| Buildings and sound barriers | | 310,610 | 318,763 | 252,600 |
| Equipment | | 755,935 | 799,195 | 518,014 |
| Total capital assets, net of accumulated depreciation | $ | 10,801,091 | 10,033,353 | 9,069,134 |

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

***2015 – 2014***

The Authority's capital assets as of December 31, 2015 were $13,965,253 of gross asset value with an accumulated depreciation of $3,164,162 leaving a net book value of $10,801,091. This represents 79.8% of the Authority's total assets.

Capital assets, net of accumulated depreciation, increased by $767,738 in year-ended 2015 due to the continued spending on the Authority's $7 Billion CIP. Major projects include the widening of the Parkway between Mileposts 35 and 63 Turnpike and Parkway Interchange improvement projects. Land increased by $27,484 in year-ended 2015 due to the continued acquisition of parcels needed for the Turnpike Interchange 14A Improvement Project, the Parkway Milepost 35 to 63 Widening Project, and Parkway Interchange 105 Improvement project as well as other various improvement projects along the Authority's right-of-way. Construction in progress increased by $938,609 in 2015 due to the continued spending on the Authority's $7 Billion CIP. This increase is mainly the result of continued spending for the Facilities Improvements Phase I & II, Turnpike Interchange 14A Reconstruction, and Parkway Milepost 35 to 63 Widening Project. Road bed decreased by a net of $30,841 in year-ended 2015 due to depreciation of the assets. Road surface decreased by $74,255 in year-ended 2015 due to depreciation. Bridges decreased by $41,846 in 2015 due to depreciation. Buildings and sound barriers decreased by $8,153 in 2015 due to depreciation. Equipment decreased by $43,260 in 2015 due to depreciation.

The Authority had open commitments related to construction contracts totaling $1,175,668 as of December 31, 2015. This work relates to the Authority's $7 Billion CIP and will be completed over the next few years.

***2014 – 2013***

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

Capital assets, net of accumulated depreciation, increased by $964,219 due to the continued spending on the Authority's $7 Billion CIP. Major projects include the widening of the Parkway between Mileposts 35 and 80 which is still under construction and the Turnpike Interchange 6 to 9 widening which was opened in November 2014. Land increased by $21,744 in 2014 due to the continued acquisition of parcels needed for the Turnpike Interchange 14A Improvement Project, the Parkway Milepost 35 to 63 Widening Project, and the Parkway Interchange 105 Improvement project as well as other various improvement projects along the Authority's right-of-way. Construction in progress decreased by $2,256,979 in 2014, the decrease is a result of the additional lanes constructed for the Turnpike 6 to 9 Widening Project being put into service. This decrease was partially offset by continued spending on the Parkway Mainline Shoulder Improvement Project, the Authority Phase I & II Facilities Projects, the Parkway Great Egg Harbor/Drag Channel Bridge Improvement and the Parkway Milepost 35 to 63 Widening Project. Road Bed increased by a net of $407,160 in 2014. This was largely due to the completion of contracts related to the Turnpike 6 to 9 Widening Project, the Authority Drainage Improvement Project, and the Parkway Milepost 35 to 63 Widening Project. Road Surface increased by a net of $501,425 in 2014 due to the Turnpike 6 to 9 Widening Project and the Parkway Interchange 35 to 63 Widening Project as well as general maintenance resurfacing on both the Turnpike and Parkway. Bridges increased by a net of $1,943,525 in 2014 largely due to on Turnpike Interchange 6 to 9 Widening Project, the Newark Bay Hudson County Extension Project and the Hackensack Easterly River Bridge Re-decking Bridge. Buildings and sound barriers increased by a net of $66,163 in 2014 largely due to sound barrier construction for the Turnpike Interchange 6 to 9 Widening Project. Equipment increased by a net of $281,181 in 2014 primarily due to the installation of signs and technology equipment for the Turnpike Interchange 6 to 9 Widening Project and the Parkway Milepost 35 to 63 Widening Project.

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

(Dollars shown in thousands)

## Condensed Summary of Revenue, Expenses and Changes in Net Position

| | 2015 | 2014 | 2013* |
|---|---|---|---|
| Operating revenues: | $ 1,632,023 | 1,549,740 | 1,513,464 |
| Operating expenses, excluding depreciation (1) | (609,550) | (564,925) | (533,002) |
| Net operating revenue | 1,022,473 | 984,815 | 980,462 |
| Depreciation expense | (316,377) | (201,001) | (173,901) |
| Operating income | 706,096 | 783,814 | 806,561 |
| Nonoperating revenues (expenses): | | | |
| Build America Bonds subsidy | 75,908 | 75,745 | 75,173 |
| Payments to the State of New Jersey | (354,001) | (354,001) | (354,001) |
| Interest expense, Turnpike Revenue Bonds | (310,363) | (205,195) | (195,382) |
| Other bond expenses | (2,752) | (4,738) | (7,378) |
| Sale of capital assets | (248) | (4,763) | — |
| Investment (loss) income | 2,403 | (32,312) | 48,137 |
| Arts Center | 3,632 | 3,530 | 3,178 |
| Total nonoperating revenues (expenses), net | (585,421) | (521,734) | (430,273) |
| Change in net position | 120,675 | 262,080 | 376,288 |
| Net position – Beginning of period | 537,615 | 669,787 | 293,499 |
| GASB 68 adoption as of 1/1/2014 | — | (394,252) | — |
| Net position – End of period | $ 658,290 | 537,615 | 669,787 |

* The 2013 financial amounts have not been restated to reflect the adoption of GASB 68.

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

### Discussion of Condensed Summary of Revenue, Expenses and Changes in Net Position

***2015 – 2014***

Operating revenues totaled $1,632,023 for the year ended December 31, 2015, representing an increase of $82,283 or 5.3% from the year ended December 31, 2014. The principal source of revenue for the Authority is tolls. During 2015, toll revenue totaled $1,523,133 and constituted 93.3% of the Authority's operating revenues, as compared to $1,445,748, or 93.3%, in 2014. On the Turnpike, passenger car traffic increased 6.4% while commercial vehicle traffic increased by 4.5% resulting in an overall increase of 6.2%. On the Parkway, passenger car toll transactions increased 2.4% while commercial vehicle toll transactions increased 3.6%. The increases on both roadways as compared to 2014 reflect declining gas prices in 2015, an improving economy, and favorable weather conditions from April through December 2015. In addition, toll revenue increased due to the positive impacts on traffic from the widening of both roadways.

Electronic toll collection remains popular and overall usage rates continue to be strong. On the Turnpike, the E-Z Pass usage rate for passenger cars was 80.5% and for commercial vehicles was 89.9%, resulting in an overall usage rate of 81.7%. On the Parkway, the overall E-Z Pass usage rate increased to 78.7% from 78.1% in 2014. During 2015, passenger cars had a usage rate of 78.7% and commercial vehicles had a usage rate of 88.8%.

E-Z Pass fees totaled $56,262 and $52,773 for the years ended December 31, 2015 and 2014, respectively, representing an increase of $3,489 or 6.6%. E-Z Pass fees consist of monthly membership fees, transponder sales, returned check fees, administrative fees, fiber lease revenue, interest on prepaid accounts and monthly statement fees. The increase resulted from gains in membership fees and administrative fees. There are approximately 126,000 more NJ E-Z Pass accounts at the end of 2015 as compared to 2014. Administrative fee collections increased due to enhanced enforcement and collection efforts, including New Jersey Motor Vehicle Commission registration holds for repeat violators.

Concession revenues were $38,993, constituting 2.4% of total operating revenues. This represents an increase of $2,151 or 5.8% from $36,842 in 2014. The increase is due to the higher than expected commissions received on diesel fuel sales on the Turnpike. Overall, revenue from fuel sales on the Turnpike increased 16.3% and decreased 6.3% on the Parkway. Revenue from food sales on the Turnpike increased 4.6% and decreased 2.7% on the Parkway. The increase in food and fuel sales was partly due to the reopening of the Grover Cleveland Service Area on November 23, 2015 after three years of closure due to the effects of Superstorm Sandy.

Miscellaneous revenue totaled $13,635 for the year ended December 31, 2015, representing a decrease of $742, or 5.2%, compared to the year ended December 31, 2014. Miscellaneous revenue includes rentals of cell tower sites, fiber optic lines, towing commissions, park and ride receipts and easements. Miscellaneous revenue decreased primarily due to lower amounts received in 2015 from the Federal Emergency Management Agency (FEMA) for previously declared weather events.

General operating expenses, excluding depreciation, totaled $609,550 for the year ended December 31, 2015, representing an increase of $44,625 or 7.9% from $564,925 for the year ended December 31, 2014. The higher costs are primarily the result of an increase of approximately $25,000 in the non-cash portion of the OPEB expense and an increase of $10,417 in the non-cash portion of the pension expense. In accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB)* (GASB 45), the Authority recorded an expense of $100,182 representing the annual OPEB cost. The increase is due to increase in normal cost as compared to prior valuation period, increase in amortization of the unfunded actuarial accrued liability (UAAL) and additional adjustments for timing differences between cash and accrual accounting, and to prevent double counting of OPEB plan costs. The annual OPEB cost, including the non-cash portion, is included in Operating Expenses and is allocated to each functional expense category based upon the number of active full time employees in each category. Maintenance expenses increased by $22,732 primarily due to the non-cash increase in the annual OPEB cost allocated to maintenance of $8,600, additional maintenance work for roadway and related repairs of $7,600 and an increase in snow and severe weather costs of $2,800. In 2015, the Authority spent a record amount on snow and severe weather totaling $46,731. State police and traffic control costs increased by $5,538 due primarily to a planned increase in the number of State Troopers patrolling the roadways, as well as higher fringe benefit costs. General and Administrative expenses increased by $7,161. Toll collection costs increased by $3,726. The increase in General and Administrative and Toll Collection expenses is primarily due to an increase in the OPEB expense and pension expense allocated to these areas. Depreciation expense during 2015 totaled $316,377, which was an increase of $115,376 from 2014 due to the increase in capital assets generated from the $7 Billion CIP.

Net non-operating expenses increased by $63,687 from 2014 primarily due to increase in interest expense on the Turnpike Revenue Bonds. The increase in interest expense was partially offset by the increase in investment income in 2015 as compared to an investment loss in 2014.

The Build America Bonds subsidy represents a direct payment by the United States Treasury to the Authority originally equal to 35% of the interest payable on the Series 2009F bonds and the Series 2010A bonds. The Build America Bonds subsidy in 2015 was $75,908, an increase of $163 from 2014 due to increase in 2015 interest expenses and a change in the automatic Federal deficit reduction spending cuts. The subsidy payment received in June 2015 was reduced by 7.3%, and the payment received in December 2015 was reduced by 6.8%, while in 2014 the comparable payments were reduced by 7.2% and 7.3%.

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

Investment earnings were a gain of $2,403 in 2015 as compared to loss of $32,312 in 2014. Interest income earned by the Authority on investments was $11,683 in 2015, slightly decreasing from $12,541 in 2014. The adoption of GASB Statement No. 53 in 2010 requires the recognition of certain of the Authority's interest rate swaps as investments. Accordingly, the fixed payments made on these interest rate swaps, the variable payments received and the changes in fair market value are required to be reported as investment income (loss). In 2015 and 2014, the Authority was required to report the mark-to-market value of the interest rate swaps that hedge the Series 2000B-G bonds as investments. In 2015, the Authority recorded an investment loss of $13,005 representing the fixed interest payments on the Series 2000B-G swaps, net of the variable payments received, compared to an investment loss of $12,678 in 2014. In 2015, the Authority recognized an investment gain of $3,720, representing the change in fair market value of the Series 2000B-G swaps as compared to an investment loss of $32,178 in 2014. In addition, in 2015 and 2014, the Authority recorded capitalized interest income of $2,290 and $2,577, respectively.

Interest expense increased by $105,168 in 2015 as compared to 2014, due to less interest capitalization in 2015 as work in progress for which interest can be capitalized during the construction period, decreased in 2015. Work in progress decreased due to the completion of the Turnpike Interchange 6 to 9 widening project in November 2014

***2014 – 2013***

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

Electronic toll collection remains popular and overall usage rates continue to be strong. On the New Jersey Turnpike, the E-Z Pass usage rate for passenger cars was 80.0% and for commercial vehicles was 89.3%, resulting in an overall usage rate of 81.2%. On the Garden State Parkway, the overall

E-Z Pass usage rate was up to 78.1% from 77.6% in 2013. During 2014, passenger cars had a usage rate of 77.9% and commercial vehicles had a usage rate of 88.4%.

E-Z Pass fees totaled $52,773 and $51,372 for the years ended December 31, 2015 and 2014, respectively, representing an increase of $1,401, or 2.7%. E-Z Pass fees consist of monthly membership fees, transponder sales, returned check fees, administrative fees, fiber lease revenue, interest on prepaid accounts and monthly statement fees. The increase resulted from gains in membership fees and administrative fees. There are approximately 175,000 more NJ E-Z Pass accounts at the end of 2014 as compared to 2013. Administrative fee collections increased due to enhanced enforcement and collection efforts, including New Jersey Motor Vehicle Commission registration holds for repeat violators.

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

General operating expenses, excluding depreciation, totaled $564,925 for the year ended December 31, 2014, representing an increase of $31,923, or 5.9% from $533,002 for the year ended December 31, 2013. The higher costs are a result of increased Maintenance expenses of $27,461 primarily due to increased snow and severe weather costs. In 2014, the Authority spent a total of $43,931 on snow and severe weather costs. The amount spent in 2014 was a record level and was an increase of $19,185 over 2013 costs. Also, in 2014 less personnel and fringe benefit costs were charged to capital projects based upon time spent on capital projects. Maintenance expenses also increased due to higher utility costs from the severe winter weather in the first quarter of 2014 as well as higher property insurance costs as insured values increased from the completed projects in the $7 Billion CIP. State police and traffic control costs increased by $7,353 due primarily to a planned increase in the number of State Troopers patrolling the roadways, as well as higher fringe benefit costs. General and Administrative expenses decreased by $2,217 due primarily to savings in insurance (other than property insurance) as well as continued headcount reductions and control of discretionary expenses. Toll collection costs decreased by $1,298 due to the savings from the renegotiated toll collector contracts and the extended electronic toll collection contract with Xerox. In accordance with GASB 45, the Authority recorded an expense of $75,636 representing the annual OPEB cost. The Authority recorded an expense of $3,057 representing the GASB 68 pension expense for 2014. The annual OPEB cost, and the Pension cost including the non-cash portions are included in Operating Expenses and are allocated to each functional expense category based upon the number of active full time employees in each category. Depreciation expense during

2014 totaled $201,001, which was an increase of $27,100 from 2013 due to the increase in capital assets generated from the $7 Billion CIP.

Net non-operating expenses increased by $91,461 from 2013 primarily due to the recording of an investment loss in 2014 as compared to investment income in 2013. The investment loss was the result of an increase in the negative mark-to-market value of the Series 2000B-G interest rate swap, which is classified as an investment in accordance with GASB Statement No. 53.

The Build America Bonds subsidy represents a direct payment by the United States Treasury to the Authority originally equal to 35% of the interest payable on the Series 2009F bonds and the Series 2010A bonds. The Build America Bonds subsidy in 2014 was $75,745, an increase of $572 from 2013 due to a change in the automatic Federal deficit reduction spending cuts. The subsidy payment received in June 2014 was reduced by 7.2%, and the payment received in December 2014 was reduced by 7.3%, while in 2013 the comparable payments were reduced by 8.7% and 7.2%.

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

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

(Dollars shown in thousands)

2014 and 2013, the Authority recorded capitalized interest income of $2,577 and $3,123, respectively. In 2013, the Authority recorded an investment loss of $13,837 representing the fixed interest payments on the Series 2000B-G swaps, net of the variable payments received. In addition, in 2013, the Authority recognized investment income of $51,848 representing the change in fair market value of the Series 2000B-G swaps.

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

## Adjusted Revenue, Expenses and Change in Net Position

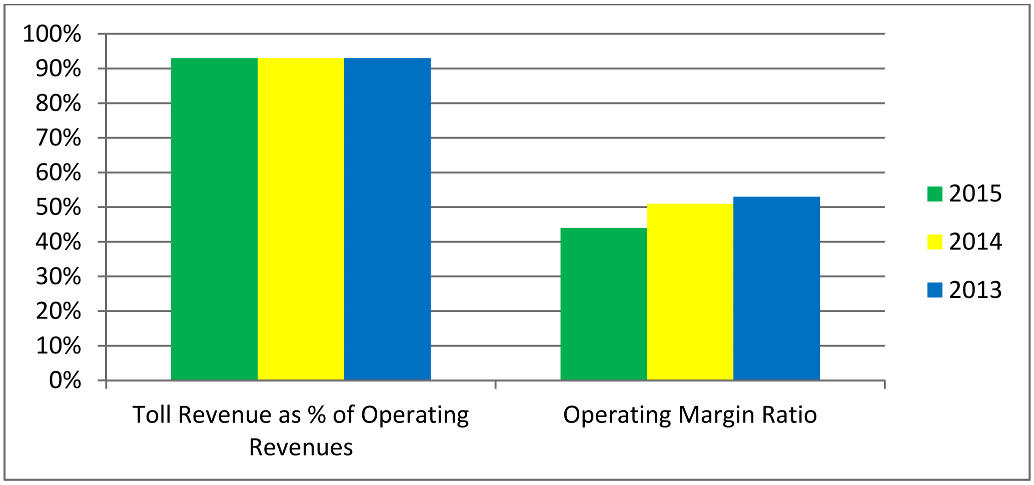
| | | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| **Change in Net Position as per GAAP Financials** | $ | 120,675 | 262,080 | 376,288 |
| Unfunded non cash adjustments: | | | | |
| Total operating expenses - GAAP adjustments | | 37,285 | 30,120 | 21,291 |
| Interest expense, Turnpike Revenue Bonds | | (226,702) | (316,837) | (294,982) |
| Investment income (loss) | | 11,574 | 47,432 | (34,888) |
| Interfund transfers | | 196,880 | 306,629 | 273,204 |
| Total Non Cash Adjustment | $ | 19,037 | 67,344 | (35,375) |
| Garden State Arts Foundation | | 238 | 139 | 45 |
| **Change in net position as per Bond Resolution** | $ | 139,950 | 329,563 | 340,958 |
| Add other Non cash expenses | | | | |
| Depreciation | | 316,377 | 201,001 | 173,901 |
| Amortization | | (35,382) | (28,722) | (20,686) |
| **Change in Net Position - Non-GAAP** | $ | 420,945 | 501,842 | 494,173 |

Shown above is the change in Net Position as per the Bond Resolution and has been calculated by adjusting the change in Net Position as per GAAP for non-cash expenses such as the non-cash portion of the Annual OPEB expense, GASB 68 Pension Expenses, and interest expense and investment income or loss due to the effects of GASB 53. The Change in Net Position – Non-GAAP is calculated by adding back the non-cash expenses such as depreciation and amortization of discounts and premium to the Adjusted Change in Net Position – Bond Resolution. Management believes that the Adjusted Change in Net Position above, which eliminates the more significant GAAP basis non-cash line items, presents an alternate view of the strength of the Authority's financial results.

(Dollars shown in thousands)

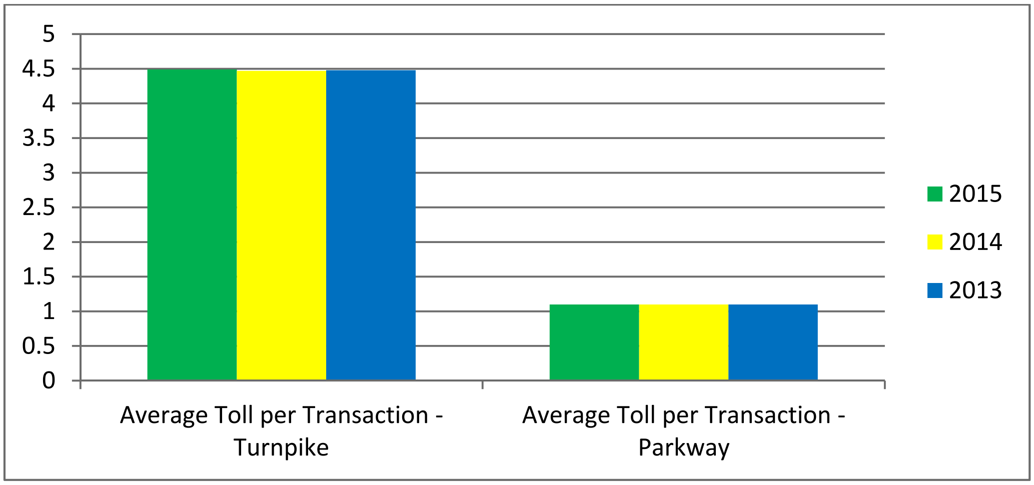
## Revenue and Expense Ratio Analysis - GAAP Basis

| Ratio | 2015 | 2014 | 2013 | Explanation |
|---|---|---|---|---|
| ***Toll Revenue as % of Operating Revenue*** | 93% | 93% | 93% | Toll revenue as percentage of operating revenue is calculated by dividing toll revenue by operating revenue. This percentage has remained consistent over the three years at 93%, indicating that almost all of the Authority's revenue is earned from toll collection. It also indicates that as a whole, all revenue sources have increased at approximately the same percentage over the past three years. |
| ***Operating Margin Ratio Percentage*** | 43% | 51% | 53% | The operating margin ratio percentage is calculated by taking operating income before interest and dividing by total operating revenue. From 2014 to 2015, the decrease in the operating margin ratio can be attributed to the increase in depreciation expense as well as the annual OPEB and pension expense. Both of these increases are in non-cash items. From 2013 to 2014, the operating margin ratio remained relatively the same with only a decrease of 2%. |



(Dollars shown in thousands)

| Ratio | 2015 | 2014 | 2013 | Explanation |
|---|---|---|---|---|
| ***Average Toll per Transaction - Turnpike*** | 4.49 | 4.47 | 4.48 | Average toll per transaction is calculated by dividing toll revenue by the number of toll transactions. The average toll per transaction increased slightly from 2014 to 2015 and from 2013 to 2014. This indicates that there were slightly higher vehicle miles travelled each year and longer average trip lengths on the roadway. |
| ***Average Toll per Transaction - Parkway*** | 1.10 | 1.10 | 1.10 | The average toll per transaction on the Parkway remained unchanged over the three year period. Accordingly, on average, the composition of toll transactions by barrier and class remained constant over the three year period. |

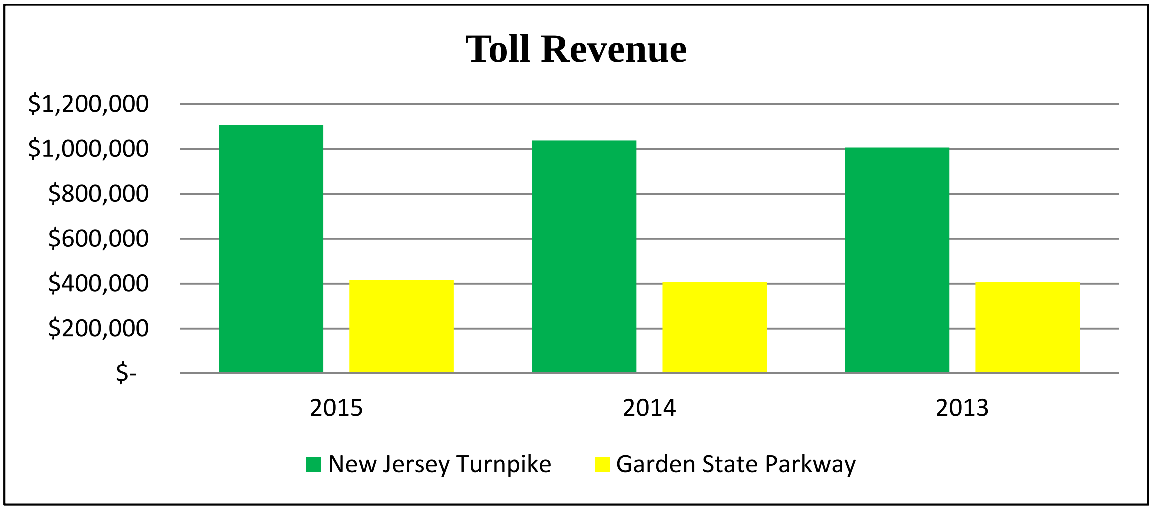


(Dollars shown in thousands)

## Key Performance Metrics - Revenue and Expenses

**Toll Revenue** – Toll revenue has increased from 2013 to 2015. When comparing 2014 to 2015, there is a substantial increase in toll revenue of 5.4% overall for both the Turnpike and Parkway. The greatest increase in toll revenue can be seen from 2014 to 2015 on the Turnpike, with an increase of 6.6%, due to favorable gas prices and a more mild winter in 2015. Further, the increase can be attributed to the widening of between Interchanges 6 and 9 on the Turnpike which was opened to traffic in late 2014. Toll revenue from 2013 to 2014 also increased, for both the Turnpike and Parkway, for an overall increase of 2.3%, due primarily to normal growth from an improving economy, as well as the opening of the Turnpike widening between Interchanges 6 and 9 in late 2014.

| | | New Jersey Turnpike | Garden State Parkway | Total |
|---|---|---|---|---|
| 2015 | $ | 1,106,268 | 416,865 | 1,523,133 |
| 2014 | $ | 1,037,744 | 408,004 | 1,445,748 |
| 2013 | $ | 1,006,721 | 407,044 | 1,413,765 |
| % change from 2014 to 2015 | | 6.6% | 2.2% | 5.4% |
| % change from 2013 to 2014 | | 3.1% | 0.2% | 2.3% |



# Toll Revenue Schedules

**New Jersey Turnpike**
Schedule of Toll Revenue
For the Twelve Months Ended December 31, 2015, 2014 and 2013
(all amounts in thousands)

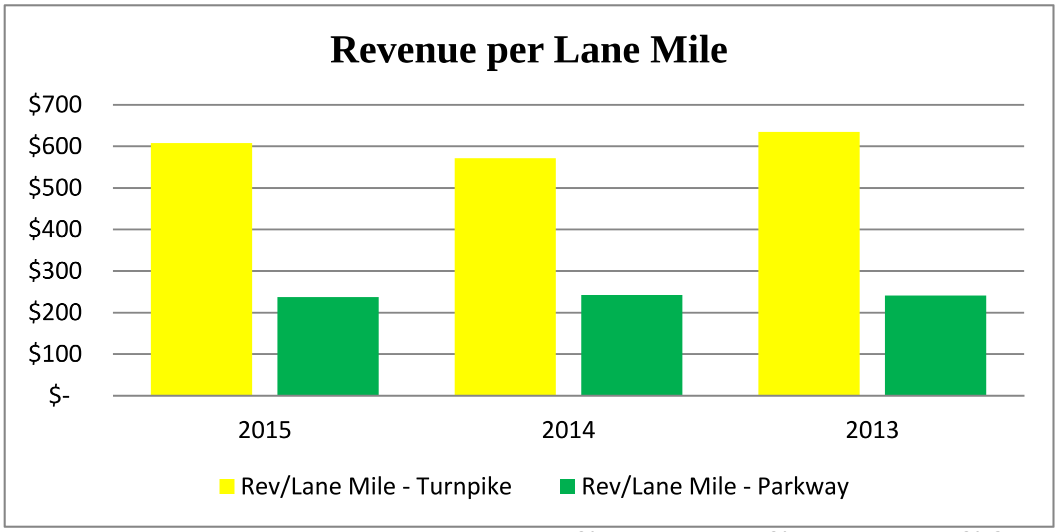
| Class | Description | 2015 Toll revenue | 2015 Number of vehicles (unaudited) | 2014 Toll revenue | 2014 Number of vehicles (unaudited) | 2013 Toll revenue | 2013 Number of vehicles (unaudited) |
|---|---|---|---|---|---|---|---|
| 1 | Passenger car, motorcycle, taxi or hearse, light truck | $ 756,561 | 215,358 | 704,436 | 202,347 | 680,137 | 195,208 |
| 2 | Vehicles having two axles other than type described under Class 1 | 61,429 | 8,233 | 58,764 | 7,946 | 56,690 | 7,712 |
| 3 | Vehicle (vehicles), single or in combination, having three axles | 27,479 | 3,374 | 25,474 | 3,162 | 25,255 | 3,182 |
| 4 | Vehicle (vehicles), single or in combination, having four axles | 33,465 | 2,679 | 30,384 | 2,492 | 29,466 | 2,445 |
| 5 | Vehicle (vehicles), single or in combination, having five axles | 227,615 | 14,909 | 215,957 | 14,274 | 209,935 | 13,980 |
| 6 | Vehicle (vehicles), single or in combination, having six or more axles | 6,392 | 335 | 5,864 | 316 | 5,323 | 300 |
| 7 | Buses having two axles | 2,156 | 413 | 2,069 | 405 | 2,019 | 389 |
| 8 | Buses having three axles | 13,849 | 1,296 | 13,723 | 1,300 | 13,095 | 1,269 |
| | Nonrevenue vehicles | — | 1,558 | — | 1,517 | — | 1,504 |
| | | 1,128,946 | 248,155 | 1,056,671 | 233,759 | 1,021,920 | 225,989 |
| | Nonrevenue vehicles | — | (1,558) | — | (1,517) | — | (1,504) |
| | Toll Adjustments and Discounts | (5,106) | — | (4,001) | — | (2,914) | — |
| | Net Violations | (17,572) | — | (14,926) | — | (12,285) | — |
| | | $ 1,106,268 | 246,597 | 1,037,744 | 232,242 | 1,006,721 | 224,485 |

**Garden State Parkway**
Schedule of Toll Revenue
For the Twelve Months Ended December 31, 2015, 2014 and 2013
(all amounts in thousands)

| Class | Description | 2015 Toll revenue | 2015 Number of vehicles (unaudited) | 2014 Toll revenue | 2014 Number of vehicles (unaudited) | 2013 Toll revenue | 2013 Number of vehicles (unaudited) |
|---|---|---|---|---|---|---|---|
| 1 | Passenger car, motorcycle, taxi or hearse, light truck | $ 407,254 | 374,092 | 398,210 | 365,337 | 397,246 | 363,863 |
| 2 | Vehicles having two axles other than type described under Class 1 | 2,674 | 1,124 | 2,472 | 1,081 | 2,241 | 1,085 |
| 3 | Vehicle (vehicles), single or in combination, having three axles | 3,476 | 1,142 | 3,199 | 1,046 | 2,851 | 1,083 |
| 4 | Vehicle (vehicles), single or in combination, having four axles | 3,511 | 815 | 3,266 | 772 | 2,716 | 736 |
| 5 | Vehicle (vehicles), single or in combination, having five axles | 2,584 | 532 | 2,496 | 520 | 2,261 | 537 |
| 6 | Vehicle (vehicles), single or in combination, having six or more axles | 138 | 25 | 140 | 25 | 221 | 26 |
| 7 | Buses having two axles | 1,589 | 605 | 1,521 | 570 | 2,570 | 611 |
| 8 | Buses having three axles | 2,589 | 949 | 2,748 | 998 | 2,473 | 976 |
| | Nonrevenue vehicles | — | 1,476 | — | 1,497 | — | 1,543 |
| | | 423,815 | 380,760 | 414,052 | 371,846 | 412,579 | 370,460 |
| | Nonrevenue vehicles | — | (1,476) | — | (1,497) | — | (1,543) |
| | Toll Adjustments and Discounts | (474) | — | (393) | — | (320) | — |
| | Net Violations | (6,476) | — | (5,655) | — | (5,215) | — |
| | | $ 416,865 | 379,284 | 408,004 | 370,349 | 407,044 | 368,917 |

(Dollars shown in thousands)

**Revenue per Lane Mile** – Revenue has increased each year (from 2013 to 2014 and from 2014 to 2015) on both the Turnpike and Parkway. From 2014 to 2015, lane miles on the Turnpike remained unchanged; therefore the increase in revenue per lane mile was attributable to the increase in Turnpike toll revenue partially due to the additional traffic from the Interchange 6 to 9 widening. The revenue per lane mile on the Parkway decreased slightly in 2015 from 2014, as additional lane miles were added mid-year and consequently did not have a full year revenue impact, negatively impacting the calculation. From 2013 to 2014, despite an increase in toll revenue, the revenue per lane mile decreased on the Turnpike. The additional lane miles were added in November 2014 and the timing negatively impacted the 2014 calculation. The revenue per lane mile on the Parkway remained unchanged.

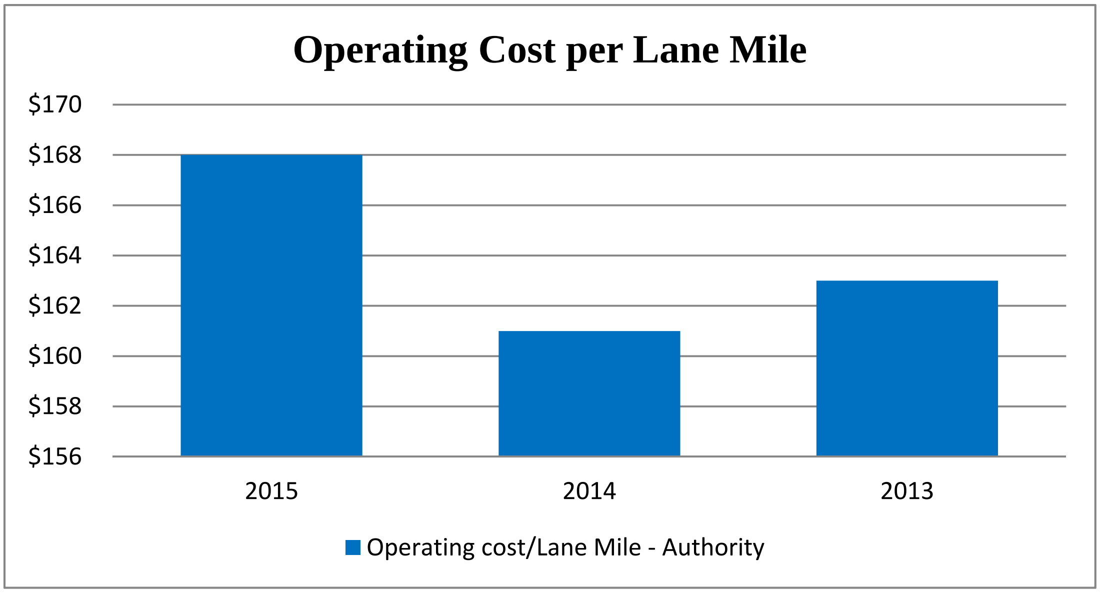



| | | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| Toll Revenue - Turnpike | $ | 1,106,268 | 1,037,744 | 1,006,721 |
| Toll Revenue - Parkway | | 416,865 | 408,004 | 407,044 |
| Total Toll Revenue | $ | 1,523,133 | 1,445,748 | 1,413,765 |
| Lane Miles (actual) - Turnpike | | 1,819 | 1,819 | 1,586 |
| Lane Miles (actual) - Parkway | | 1,757 | 1,687 | 1,687 |
| Total Lane Miles (actual) | | 3,576 | 3,506 | 3,273 |
| Revenue per Lane Mile - Turnpike | $ | 608 | 571 | 635 |
| Revenue per Lane Mile - Parkway | $ | 237 | 242 | 241 |
| Revenue per Lane Mile - Authority | $ | 426 | 412 | 432 |

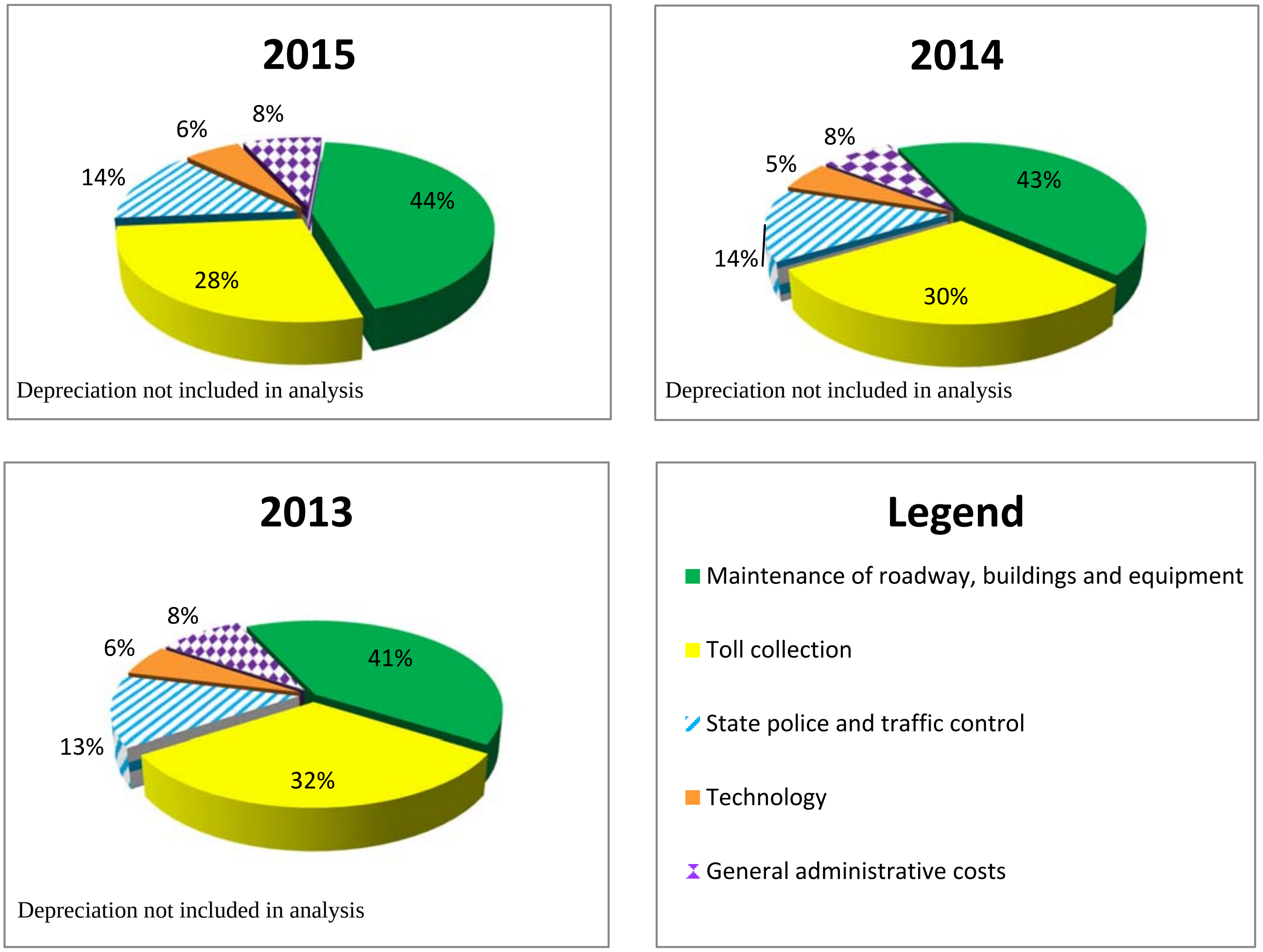
(Dollars shown in thousands)

**Operating Cost per Lane Mile** – Operating expenses shown below include maintenance, toll collection, state police and traffic control, technology and general and administrative expenses but excludes depreciation. From 2014 to 2015, there was a slight increase in the operating cost per lane mile which can be attributed to an increase in maintenance expenses (see below for further breakout of operating costs). From 2013 to 2014, operating cost per lane mile decreased due to the increase in the lane miles on the Turnpike. The increase in lane miles occurred late in the year, and the timing distorts the calculation in a positive way in 2014. Overall, despite an increase in lane miles of nearly 10%, the operating expenses per lane mile have decreased from 2015 as compared to 2013.

| | | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| Total operating expenses | $ | 609,550 | 564,925 | 533,002 |
| Lane Miles (actual) - Turnpike | | 1,819 | 1,819 | 1,586 |
| Lane Miles (actual) - Parkway | | 1,757 | 1,687 | 1,687 |
| Total Lane Miles | | 3,576 | 3,506 | 3,273 |
| Operating cost Excluding Depreciation/Lane Mile - Authority | $ | 170 | 161 | 163 |



### Operating Expense Breakdown (not including depreciation)




- As shown above, the Authority continues its commitment to provide well maintained, safe roadways by increasing the percentage of operating expenses spent on maintenance, state police and traffic control. The Authority has also endeavored to control its toll collection and general and administrative expenses, which continue to represent a smaller portion of total operating expense spending.

(Dollars shown in thousands)

**Cost Recovery –** The cost recovery ratio is calculated by dividing operating revenues by operating expenses. Therefore, a ratio 1.0 or above is a positive sign as it indicates operating expenses are being fully recouped by operating revenues. The cost recovery ratio was over 2.0 in each of the years 2013 – 2015, which is a strong indicator of the Authority's ability to meet its operating expenses with its operating revenues. From 2014 to 2015, the cost recovery ratio remained relatively unchanged despite an increase in operating expenses primarily due to an increase in the non-cash portion of the annual OPEB and pension cost. From 2013 to 2014, the ratio declined slightly as operating expenses increased due to a significant increase in snow and severe weather costs in 2014.

| | | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| Operating Revenue | $ | 1,632,023 | 1,549,740 | 1,513,464 |
| Operating Expenses (excluding depreciation) | $ | 609,550 | 564,925 | 533,002 |
| Cost Recovery | | 2.68 | 2.74 | 2.84 |

## Financial Management Principles and Guidelines

In December 2012, the Authority adopted its "Financial Management Principles and Guidelines" (the Guidelines). Among the policies established, the Authority will manage its toll rates, expense budget and debt issuance program to achieve minimum senior debt service coverage of 1.4x and total requirement coverage of 1.2x. The Authority will also manage its cash flow and total expenditure levels such that it maintains average unrestricted cash balance in the General Reserve Fund equal to at least $75,000. In November 2015, the Authority amended its Guidelines, which now target an average unrestricted cash balance in the General Reserve Fund equal to at least $100,000. The Guidelines are implemented at the discretion of the Authority and are not a legal covenant with Bondholders. Such Guidelines can be changed or eliminated at any time at the discretion of the Authority. As specified in the Guidelines, the Authority also adopted an Investment Rate Swap Management Plan in April 2013, an Investment Policy in September 2013, and a Debt Management Policy in January 2014. The Interest Rate Swap Management Plan was amended in November 2015 to clarify the procurement provisions of the plan based upon current market practices. These documents may be found on the Authority's website at http://www.state.nj.us/turnpike/investor-relations.html.

## Debt Administration

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

(Dollars shown in thousands)

| Series | | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| 1991 Series (C) | $ | 67,160 | 67,160 | 67,160 |
| 2000 Series (B-G) | | 400,000 | 400,000 | 400,000 |
| 2003 Series (B) | | 70,005 | 234,210 | 382,775 |
| 2004 Series (B, C2) | | 301,496 | 297,261 | 289,110 |
| 2005 Series (A-B, D1-D4) | | 414,885 | 414,885 | 650,415 |
| 2009 Series (A-B, E-I) | | 2,193,945 | 2,336,445 | 2,336,445 |
| 2010 Series (A) | | 1,850,000 | 1,850,000 | 1,850,000 |
| 2011 Series (A-B) | | — | — | 125,000 |
| 2012 Series (A-B, G) | | 945,690 | 989,440 | 989,440 |
| 2013 Series (A-G) | | 2,116,295 | 2,280,630 | 2,280,630 |
| 2014 Series (A, B1-3, C) | | 1,301,860 | 1,326,860 | — |
| 2015 Series (A-H) | | 1,125,585 | — | — |
| Premium and discount, net | | 464,242 | 428,080 | 315,032 |
| **Total outstanding bonds** | $ | 11,251,163 | 10,624,971 | 9,686,007 |

***2015 – 2014***

In accordance with its refunding plan, on January 29, 2015, the Authority issued $142,500 of Series 2015A and 2015B Turnpike Revenue Bonds with a floating rate. The Series 2015A Turnpike Revenue Bonds bear interest at 67% of LIBOR plus 78 basis points (bp), and the Series 2015B Turnpike Revenue Bonds bear interest at 75% of LIBOR plus 45 bp. The interest on the Series 2015A and B Turnpike Revenue Bonds is paid monthly. The Series 2015A and 2015B Turnpike Revenue Bonds are direct purchase transactions and mature on January 1, 2024. The Authority issued the Series 2015A and 2015B Turnpike Revenue Bonds to fully refund the Series 2009A and 2009B Bonds Turnpike Revenue Bonds, respectively, in order to eliminate the need for letters of credit, which were expiring in February 2015. The existing interest rate swaps on the Series 2009A and 2009B Turnpike Revenue Bonds were re-identified to the Series 2015A and Series 2015B Turnpike Revenue Bonds.

On September 18, 2015, the Authority issued $87,500 of Series 2015C and 2015D Turnpike Revenue Bonds with a floating rate. The Series 2015C Turnpike Revenue Bonds bear interest at 67% if LIBOR plus 70 bp, and the Series 2015D Floating Rate Bonds bear interest at 67% of LIBOR plus 70 bp. The interest on the Series 2015C and 2015D Turnpike Revenue Bonds is paid monthly. The Series 2015C and 2015D Turnpike Revenue Bonds are direct purchase transactions and mature on January 1, 2024. The Authority issued the Series 2015C and 2015D Turnpike Revenue Bonds to fully refund and avoid the mandatory tender date on the Series 2012G and 2013G Turnpike Revenue Bonds, respectively. The existing interest rate swaps on the Series 2012G and Series 2013G Turnpike Revenue Bonds were re-identified to the Series 2015C and Series 2015D Turnpike Revenue Bonds.

On October 22, 2015, the Authority issued $750,000 of Series 2015E Turnpike Revenue Bonds. The bonds bear interest at fixed rates from 3.375% to 5.0%, and mature from January 1, 2031 to January 1, 2045. The interest on the Series 2015E bonds is paid semi-annually. The purpose of the Series 2015E Turnpike Revenue Bonds was to (i) continue to fund projects under the $7 Billion

CIP, (ii) make a deposit to the Debt Reserve Fund, and (iii) pay the costs of issuance of the Series 2015E Turnpike Revenue Bonds.

On December 23, 2015, the Authority issued $145,585 of Series 2015F, 2015G and 2015H Turnpike Revenue Bonds with a floating rate. The Series 2015F Turnpike Revenue Bonds bear interest at 75% of LIBOR plus 59.5 bp. The Series 2015G Turnpike Revenue Bonds bear interest at 69.75% of LIBOR plus 60 bp. The Series 2015H Turnpike Revenue Bonds bear interest at 67% of LIBOR plus 74 bp. The interest on the Series 2015F, 2015G and 2015H Floating Rate Bonds is paid monthly. The Series 2015F, 2015G and 2015H Turnpike Revenue Bonds are direct purchase transactions. The Series 2015F and 2015H Turnpike Revenue Bonds mature on January 1, 2022 and the Series 2015G Turnpike Revenue Bonds mature January 1, 2024. The Authority issued the Series 2015F, 2015G and 2015H Turnpike Revenue Bonds to fully refund and avoid the mandatory tender date on the Series 2013D-1, Series 2014B-1 and Series 2013E-1 Turnpike Revenue Bonds, respectively. The existing interest rate swaps on the Series 2013D-1, Series 2014B-1 and Series 2013E-1 Turnpike Revenue Bonds were re-identified to the Series 2015F, Series 2015G and Series 2015H Turnpike Revenue Bonds.

The Authority did not refund any fixed rate bonds in 2015. The Series 2015A and Series 2015B Turnpike Revenue Bonds were issued to reduce bank credit risk by eliminating the need for a letter of credit. The Series 2015C, Series 2015D, Series 2015F, Series 2015G and Series 2015H Turnpike Revenue Bonds were issued to meet the mandatory tender dates on the bonds being refunded and avoid interest rate escalation costs.

The rating agencies assigned the following ratings to the Series 2015 Turnpike Revenue Bonds: Moody's A3, S&P A+ and Fitch A.

***2014 – 2013***

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

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

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

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

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

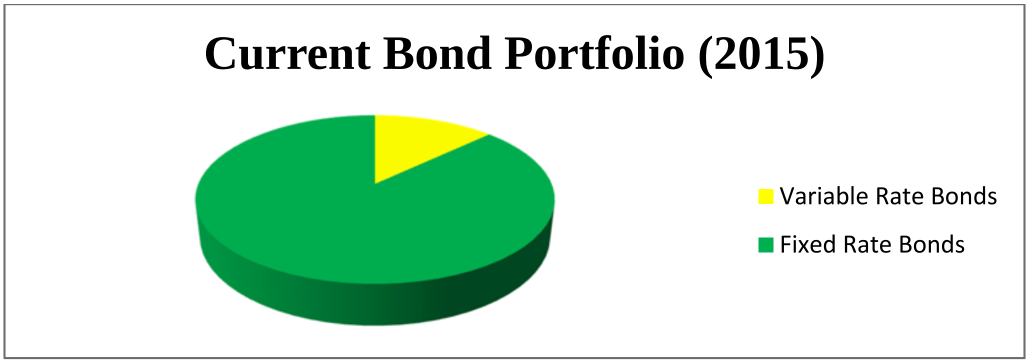
**Build America Bond Subsidy Payments**

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

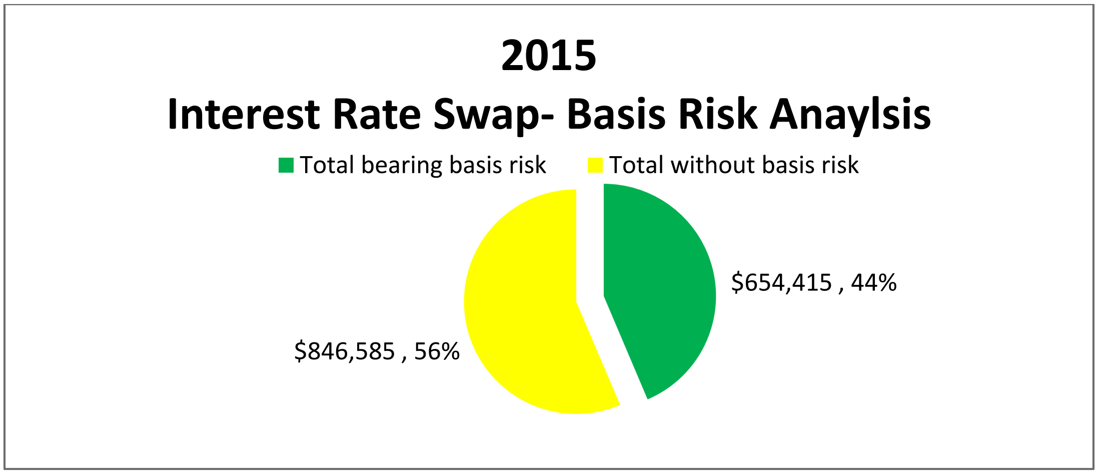
The Budget Control Act of 2011 reduced the amount of the subsidy paid by the Federal Government through automatic federal spending cuts commonly known as sequestration. The payment to the Authority received in June 2013 (for July 1, 2013 interest payment) was reduced by 8.7%, or $3,552 and the payments received in December 2013 (for January 1, 2014 interest payment) and June 2014 (for July 1, 2014 interest payment) were reduced by 7.2%, or $2,940. The payment received in June 2015 (for July 1, 2015) was reduced by $2,980 or 7.3% and the payment received in December 2015 (for January 1, 2016) was reduced by $2,777 or 6.8%. The Internal Revenue Service has reported that the Authority's payment due on July 1, 2016 will also have a 6.8% reduction. There can be no certainty the Federal Government will not make further cuts to the program.

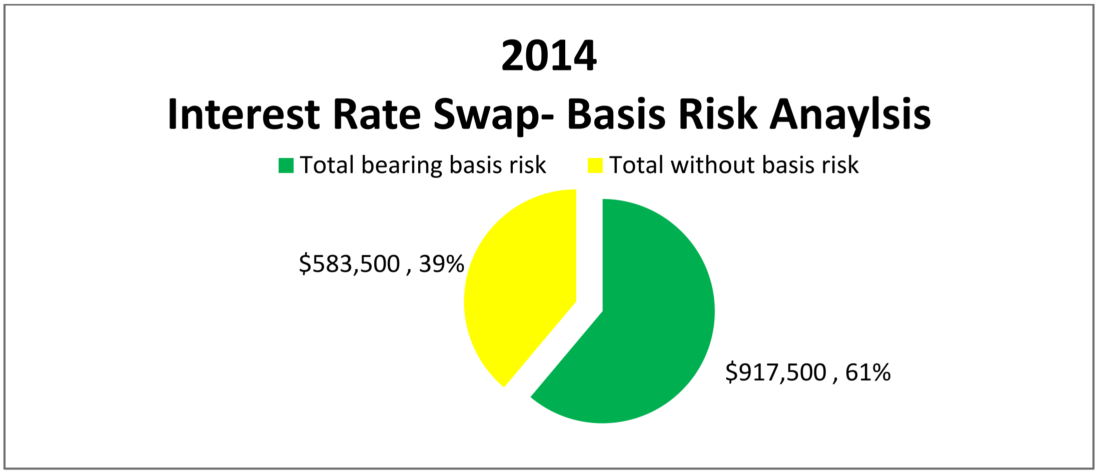
**Debt Portfolio**

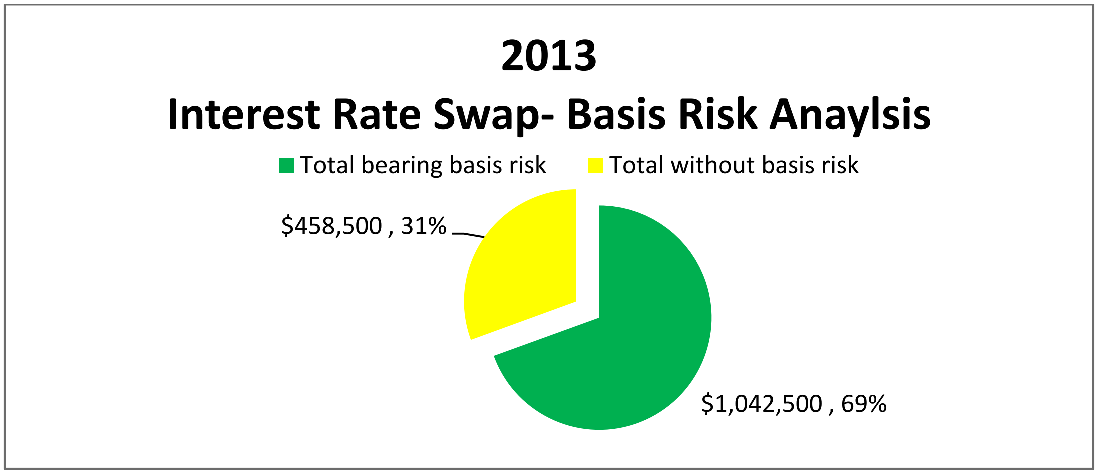
The Authority's bond portfolio at December 31, 2015 comprises 86% fixed rate bonds and only 14% of variable rate bonds. These percentages are within the Authority's Guidelines, which limit variable rate bonds to 20% of total bonds outstanding.



The Authority is actively reducing the basis risk on its interest rate swap portfolio when possible. From 2014 to 2015, the variable rate bonds bearing basis risk was reduced from 61% to 44%. From 2013 to 2014, the variable rate bonds bearing basis risk was reduced from 69% to 61%.



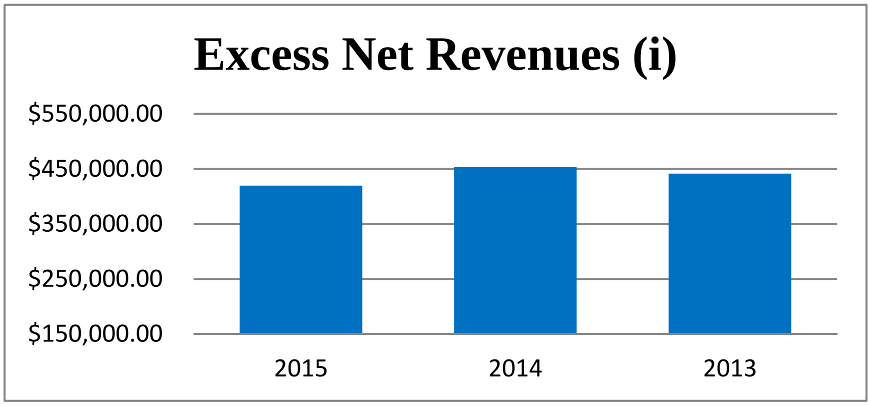
(Dollars shown in thousands)

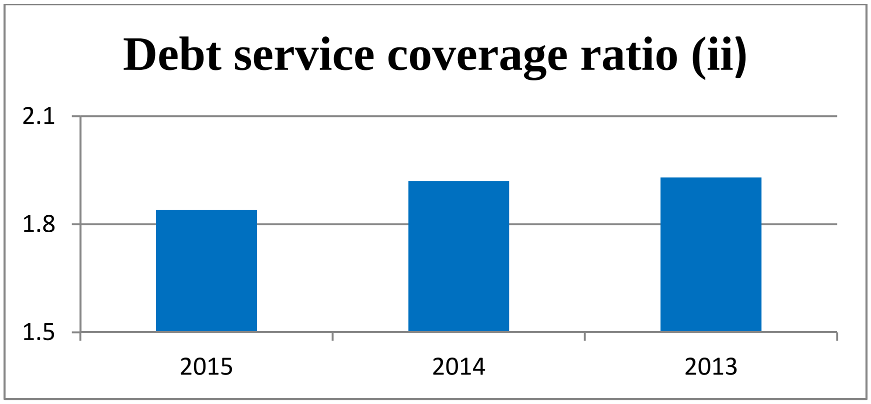
## Debt Service Coverage

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

| | | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| (i) | | | | |
| Net revenue available for debt service | $ | 1,218,845 | 1,166,909 | 1,128,375 |
| Less net revenue requirements (the sum of aggregate debt service, maintenance reserve, special project reserve and charges funds payments) | | (799,320) | (713,660) | (686,836) |
| Excess net revenues | $ | 419,525 | 453,249 | 441,539 |
| (ii) | | | | |
| Net revenue available for debt service | $ | 1,218,845 | 1,166,909 | 1,128,375 |
| Less net revenue requirements computed under test (120% of aggregate debt service requirements) | | (793,711) | (730,675) | (701,727) |
| Excess net revenues | $ | 425,134 | 436,234 | 426,648 |

| | | | | |
|---|---|---|---|---|
| Net revenue available for debt service | $ | 1,218,845 | 1,166,909 | 1,128,375 |
| Debt service requirements | $ | 661,426 | 608,896 | 584,772 |
| Debt service coverage ratio | | 1.84 | 1.92 | 1.93 |



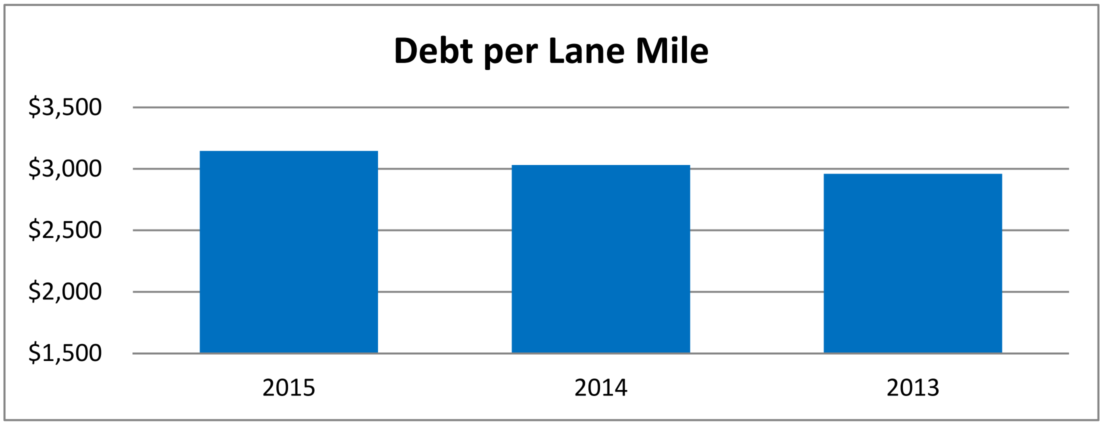




The debt service coverage ratio has gone down slightly in 2015 as compared to 2014, due to an increase in the debt service requirements as a result of the interest costs from the continued financing of the Authority's $7 Billion CIP. The slight decrease had been projected, and the coverage ratio in each of the three years 2013 – 2015 remains well above the 1.20 requirement of the Bond Resolution and the 1.40 target of the Guidelines.

(Dollars shown in thousands)

**Debt per Lane Mile** – From 2014 to 2015 debt per lane mile increased slightly by $115,787 primarily due to the issuance of the $750,000 Series 2015E Turnpike Revenue Bonds in November 2015. The debt per lane mile changed from 2013 ($2,959,367) to 2014 ($3,030,511) was due to the substantial increase in lane miles due to the widening between Interchanges 6 and 9 on the Turnpike as the debt was issued in advance of the lane miles coming into service.

| | | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| Bond indebtedness, net | $ | 11,251,163 | 10,624,971 | 9,686,007 |
| Lane Miles (actual) – Turnpike | | 1,819 | 1,819 | 1,586 |
| Lane Miles (actual) – Parkway | | 1,757 | 1,687 | 1,687 |
| Total Lane Miles (actual) | | 3,576 | 3,506 | 3,273 |
| Debt per Lane Mile – Authority | $ | 3,146 | 3,031 | 2,959 |




## Contacting Authority's Financial Management

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

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

Statements of Net Position

December 31, 2015 and 2014

(In thousands)

| **Assets** | | **2015** | **2014** |
|---|---|---|---|
| Current assets: | | | |
| Cash | $ | 175,889 | 202,456 |
| Restricted cash | | 161,231 | 87,276 |
| Investments | | 591,133 | 502,669 |
| Restricted investments | | 489,802 | 569,949 |
| Receivables, net of allowance | | 82,289 | 56,180 |
| Restricted receivables | | — | 75 |
| Inventory | | 20,105 | 20,474 |
| Due from State of New Jersey | | 560 | 508 |
| Restricted deposits | | 27,160 | 25,336 |
| Prepaid expenses | | 4,077 | 3,943 |
| Total current assets | | 1,552,246 | 1,468,866 |
| Noncurrent assets: | | | |
| Restricted investments | | 1,190,230 | 1,164,147 |
| Capital assets, net of accumulated depreciation | | 10,801,091 | 10,033,353 |
| Total noncurrent assets | | 11,991,321 | 11,197,500 |
| Total assets | $ | 13,543,567 | 12,666,366 |
| **Deferred Outflows** | | | |
| Deferred outflows: | | | |
| Accumulated decrease in fair value of hedging derivatives | $ | 4,807 | 6,067 |
| Deferred amount on refunding | | 149,697 | 162,311 |
| Deferred amount relating to pensions | | 65,426 | 19,849 |
| Total deferred outflows | $ | 219,930 | 188,227 |
| **Liabilities** | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | $ | 187,261 | 167,657 |
| Funds held in trust | | 240,202 | 216,773 |
| Due to State of New Jersey | | 2,683 | 2,594 |
| Accrued interest payable | | 260,102 | 255,972 |
| Unearned revenue | | 42,347 | 50,467 |
| Current portion of bonds payable | | 142,115 | 164,205 |
| Current portion of hybrid instrument borrowing | | 19,012 | 23,226 |
| Current portion of other long-term liabilities | | 9,457 | 7,854 |
| Total current liabilities | | 903,179 | 888,748 |
| Noncurrent liabilities: | | | |
| Bonds payable, net | | 11,109,048 | 10,460,766 |
| Hybrid instrument borrowing | | 92,514 | 106,955 |
| Other long-term liabilities | | 135,733 | 102,561 |
| Other postemployment benefits liability | | 375,864 | 319,906 |
| Interest rate swap liabilities | | 40,199 | 45,366 |
| Net pension liability | | 435,015 | 366,300 |
| Total noncurrent liabilities | | 12,188,373 | 11,401,854 |
| Total liabilities | $ | 13,091,552 | 12,290,602 |
| **Deferred Inflows** | | | |
| Deferred inflows: | | | |
| Deferred amount relating to pensions | $ | 13,655 | 26,376 |
| Total deferred inflows | $ | 13,655 | 26,376 |
| **Net Position** | | | |
| Net position: | | | |
| Net investment in capital assets | $ | 858,384 | 710,972 |
| Restricted under trust agreements | | 164,511 | 183,764 |
| Unrestricted | | (364,605) | (357,121) |
| Total net position | $ | 658,290 | 537,615 |

See accompanying notes to basic financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Position

Years ended December 31, 2015 and 2014

(In thousands)

| | | 2015 | 2014 |
|---|---|---|---|
| Operating revenues: | | | |
| Toll revenue | $ | 1,523,133 | 1,445,748 |
| E-ZPass fees | | 56,262 | 52,773 |
| Concession revenue | | 38,993 | 36,842 |
| Miscellaneous revenue | | 13,635 | 14,377 |
| Total operating revenues | | 1,632,023 | 1,549,740 |
| Operating expenses: | | | |
| Maintenance of roadway, buildings, and equipment | | 268,001 | 245,269 |
| Toll collection | | 172,624 | 168,898 |
| State police and traffic control | | 82,007 | 76,469 |
| Technology | | 36,404 | 30,936 |
| General administrative costs | | 50,514 | 43,353 |
| Depreciation | | 316,377 | 201,001 |
| Total operating expenses | | 925,927 | 765,926 |
| Operating income | | 706,096 | 783,814 |
| Nonoperating revenues (expenses): | | | |
| Build America Bonds subsidy | | 75,908 | 75,745 |
| Payments to the State of New Jersey | | (354,001) | (354,001) |
| Interest expense, Turnpike Revenue Bonds | | (310,363) | (205,195) |
| Other bond expenses | | (2,752) | (4,738) |
| Sale of capital assets | | (248) | (4,763) |
| Investment income (loss) | | 2,403 | (32,312) |
| Arts Center | | 3,632 | 3,530 |
| Total nonoperating revenues (expenses), net | | (585,421) | (521,734) |
| Change in net position | | 120,675 | 262,080 |
| Net position – beginning of year | | 537,615 | 669,787 |
| Cumulative effect of adoption of GASB 68 (note 2(t)) | | — | (394,252) |
| Net position – end of year | $ | 658,290 | 537,615 |

See accompanying notes to basic financial statements.

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

Statements of Cash Flows

Years ended December 31, 2015 and 2014

(In thousands)

| | | 2015 | 2014 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Receipts from customers and patrons | $ | 1,618,021 | 1,551,259 |
| Payments to suppliers | | (274,264) | (246,828) |
| Payments to employees | | (162,012) | (163,938) |
| Payments for self-insured health benefit claims | | (88,620) | (85,191) |
| Net cash provided by operating activities | | 1,093,125 | 1,055,302 |
| Cash flows from noncapital financing activities: | | | |
| Payments to State of New Jersey | | (354,001) | (354,001) |
| Proceeds from Arts Center | | 3,632 | 3,530 |
| Net cash used in noncapital financing activities | | (350,369) | (350,471) |
| Cash flows from capital and related financing activities: | | | |
| Proceeds acquired from new capital debt | | 1,201,708 | 1,479,788 |
| Purchases and sales of capital assets, net | | (1,046,537) | (1,176,778) |
| Principal paid on capital debt | | (164,205) | (148,565) |
| Refunded capital debt | | (375,585) | (360,530) |
| Proceeds from Build America Bonds subsidy | | 75,908 | 75,745 |
| Interest paid on capital debt | | (391,552) | (235,894) |
| Payments for bond expenses | | (2,752) | (4,738) |
| Net cash used in capital and related financing activities | | (703,015) | (370,972) |
| Cash flows from investing activities: | | | |
| Purchases of investments | | (8,367,022) | (7,648,226) |
| Sales and maturities of investments | | 8,332,854 | 7,289,669 |
| Interest received | | 41,815 | 35,392 |
| Net cash provided by (used in) investing activities | | 7,647 | (323,165) |
| Net increase in cash | | 47,388 | 10,694 |
| Cash – beginning of year | | 289,732 | 279,038 |
| Cash – end of year | $ | 337,120 | 289,732 |
| Reconciliation of operating income to net cash provided by operating activities: | | | |
| Operating income | $ | 706,096 | 783,814 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation expense | | 316,377 | 201,001 |
| Changes in assets and liabilities: | | | |
| Receivables | | (26,085) | 21,920 |
| Inventory | | 370 | (1,783) |
| Other assets | | (135) | 316 |
| Accounts payable and accrued expenses | | 2,945 | 3,840 |
| Unearned revenue | | (8,120) | (1,404) |
| Other liabilities | | 36,863 | 10,166 |
| Other postemployment benefit liability | | 55,958 | 37,059 |
| Net pension liability | | 68,714 | (12,998) |
| Deferred outflows of resources related to pension | | (45,575) | (11,773) |
| Deferred inflows of resources related to pension | | (12,722) | 26,376 |
| Pollution remediation liability | | (1,561) | (1,232) |
| Net cash provided by operating activities | $ | 1,093,125 | 1,055,302 |

See accompanying notes to basic financial statements.

## (1) Organization

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

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

The Authority has no stockholders or equity holders and all bond proceeds, revenues or other cash received must be applied for specific purposes in accordance with the provisions of the above Act and the Turnpike Revenue Bond Resolution of 1991 as amended, restated and supplemented (the Bond Resolution) for security of the bondholders. The Authority’s board of commissioners is comprised of eight members as follows: the Commissioner of the New Jersey Department of Transportation, ex officio, or his designee; five members appointed by the Governor with the advice and consent of the Senate, and two members appointed by the Governor, one upon the recommendation of the President of the Senate and one upon the recommendation of the Speaker of the General Assembly. As of December 31, 2015, one seat was vacant, with all seats filled as of December 31, 2014.

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

## (2) Summary of Significant Accounting Policies

### *(a) Reporting Entity*

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

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

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

***(b) Basis of Accounting***

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

The Authority follows the pronouncements of the GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which requires the Authority to follow the pronouncements of the GASB in its accounting and financial reporting.

***(c) Capital Assets***

**Capitalization Policy**

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

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

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

(Dollars shown in thousands)

**Depreciation Policy**

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

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

***(d) Investments***

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

**Authorized Investments – Investment Policy**

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

(i) Federal securities, which are (a) any direct and general obligations of, or any obligations guaranteed by, the United States of America, including but not limited to interest obligations of the Resolution Funding Corporation or any successor thereto, (b) any obligations of any state or political subdivision of a state (collectively Municipal Bonds) which Municipal Bonds are fully secured as to principal and interest by an irrevocable pledge of moneys or direct and general obligations of, or obligations guaranteed by, the United States of America, which moneys or obligations are segregated in trust and pledged for the benefit of the holders of the Municipal Bonds, and (c) certificates of ownership of the principal or interest of direct and general obligations of, or obligations guaranteed by, the United States of America, which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System;

(ii) Bonds, debentures, notes or other evidences of indebtedness issued by any agency or instrumentality of the United States to the extent such obligations are guaranteed by the United States or by another such agency the obligations (including guarantees) of which are guaranteed by the United States;

(iii) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Government National Mortgage Association, Federal Land Banks, Federal Agency Notes, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, United States Postal Service, Farmers Home Administration, Export-Import Bank, Federal Financing Bank and Student Loan Marketing Association;

(iv) Negotiable or nonnegotiable certificates of deposit issued by any bank, trust company or national banking association, which certificates of deposit shall be continuously secured or collateralized by obligations described in subparagraphs (i) or (ii) of this definition, which shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit;

(v) Uncollateralized negotiable or nonnegotiable certificates of deposit issued by any bank, trust company or national banking association, the unsecured obligations of which are rated in one of the two highest rating categories, without regard to rating sub-categories, by Moody’s and Standard & Poor’s (S&P);

(vi) Repurchase agreements collateralized by obligations described in subparagraphs (i), (ii) or (iii) of this definition with any registered broker/dealer subject to the Securities Investors’ Protection Corporation jurisdiction, which has an uninsured, unsecured and unguaranteed obligation rated Prime-1 or A3 or better by Moody’s and A-1 or A or better by S&P, or any commercial bank with the above ratings, provided:

(a) master repurchase agreement or specific written repurchase agreement governs the transaction, which characterizes the transaction as a purchase and sale of securities,

(b) the securities are held free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (i) a Federal Reserve Bank, (ii) a bank which is a member of the FDIC and which has combined capital, surplus, and undivided profits of not less than $75,000, or (iii) a bank approved in writing for such purpose by each Credit Issuer, if any, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee,

(c) a perfected first security interest under the Uniform Commerce Code, or book entry procedures prescribed at 31 CFR 306.1 et seq. or 31 CFR 350.0 et seq. or a successor provision in such securities is created for the benefit of the Trustee,

(d) the repurchase agreement has a term of six months or less, or the Authority will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation,

(e) the repurchase agreement matures on or before a debt service payment date (or other appropriate liquidation period), and

(f) the fair market value of the securities in relation to the amount of the repurchase obligation is equal to at least 100%.

(vii) Banker's acceptances, Eurodollar deposits and certificates of deposit (in addition to the certificates of deposit provided for by subparagraphs (iv) and (v) above) of the domestic branches of foreign banks having a capital and surplus of $1,000,000 or more, or any bank or trust company organized under the laws of the United States of America or Canada, or any state or province thereof, having capital and surplus, in the amount of $1,000,000; provided that the aggregate maturity value of all such bankers acceptances and certificates of deposit held at any time as investments of funds under this Resolution with respect to any particular bank, trust company, or national association shall not exceed 5% of its capital and surplus; and provided further that any such bank, trust company, or national association shall be rated in one of the two highest rating categories, without regard to rating sub-categories, by both Moody's and S&P;

(viii) Other obligations of the United States of America or any agency thereof which may then be purchased with funds belonging to the State of New Jersey or which are legal investments for savings banks in the State of New Jersey;

(ix) Deposits in the New Jersey Cash Management Fund;

(x) Obligations of any state, commonwealth or possession of the United States or a political subdivision thereof or any agency or instrumentality of such a state, commonwealth, possession or political subdivision, provided that at the time of their purchase such obligations are rated in either of the two highest rating categories by both Moody's and S&P; and

(xi) Commercial paper with a maturity date not in excess of 270 days rated A-1+ by S&P and P-1 by Moody's at the time of such investment, issued by an entity incorporated under the laws of the United States or any state thereof.

***(e) Accounts Receivable***

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

***(f) Inventories***

Inventories are reported at average cost basis. Inventories consist of stock (includes materials to maintain the roadway and vehicles), E-ZPass transponders, fuel (gas and diesel), and rock salt/calcium chloride.

***(g) Deposits***

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

***(h) Net Capitalized Interest***

Net Interest Costs on funds borrowed to finance the construction or acquisition of certain capital assets, during the period of construction or acquisition, are capitalized and depreciated over the life of the related assets placed in service. The Authority capitalized net interest expense of $196,880 and $306,629 during the years ended December 31, 2015 and 2014, respectively.

***(i) Bonds Payable***

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

***(j) Compensated Absences***

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

***(k) Funds Held in Trust***

Included in the December 31, 2015 and 2014 statements of net position is approximately $31,466 and $36,250, respectively, for amounts retained from contractors and engineers and approximately $205,200 and $176,400, respectively, received primarily from New Jersey E-ZPass Customer Service Center customers for E-ZPass tag deposits and account prepayments.

### *(l) Unearned Revenue*

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

### *(m) Deferred Outflows and Deferred Inflows of Resources*

Deferred outflows include change in fair value of hedging derivatives, deferred amount on refunding and deferred amount relating to pensions. Deferred outflows of resources are a consumption of net position that is applicable to a future reporting period.

Deferred inflows include deferred amount relating to pensions. Deferred inflows of resources are an increase in net position that is applicable to a future reporting period.

Accumulated decrease in fair value of hedging derivatives is resulting from the change due to deferred gain or loss and amortization of deferred gain or loss on interest rate swaps. Deferred amount on refunding is resulting from a loss in refinancing of debts due to difference between the reacquisition price and the net carrying amount of the old debt and is amortized over the life of the related debt. Deferred outflows and deferred inflows of resources are reported for differences between expected or projected results compared to actual results related to the Authority's proportionate share in the cost sharing pension plan as well as changes in the Authority's proportion of the plan from the prior period.

### *(n) Net Position*

Net position is displayed in three components as follows:

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

Restricted under trust agreements – This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, and then unrestricted resources when they are needed.

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

### *(o) Toll Revenue*

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

**E-ZPass Fees**

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

***(p) Classification of Revenues over Expenses***

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

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

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

***(q) Income Taxes***

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

***(r) Pension and Other Postemployment Benefits***

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), establishes standards for the measurement and reporting of the proportionate share of the net pension liability and pension expense. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension expense, information about the fiduciary net position of the State of New Jersey Public Employees' Retirement System (PERS) and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. (See note 11).

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45), establishes standards for the measurement, recognition, and display of OPEB and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (e.g., life insurance) when provided separately from a pension plan. (See note 12).

***(s) Use of Estimates***

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

***(t) Adoption of Accounting Pronouncement***

The Authority adopted GASB 68 in 2015. GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense related to pensions. Note disclosure and required supplementary information requirements about pensions also are addressed. For defined benefit pensions, this statement also identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In accordance with the provisions of GASB 68, the Authority has reported its proportionate share of State of New Jersey Public Employees' Retirement System (PERS) net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense.

The Authority also adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* (GASB 71). GASB 71 requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

The provisions of GASB 68 and 71 have been applied to the 2014 beginning net position, and the 2014 financial statements have been restated. As a result of the implementation of GASB 68 and 71, beginning unrestricted net position as of January 1, 2014, was decreased by $394,252. The following is a reconciliation of the 2014 amounts as previously reported to the total restated amounts:

(Dollars shown in thousands)

## Summary of Net Position

| | | 2014 amounts as previously reported | Adjustments | 2014 amounts as restated |
|---|---|---|---|---|
| Deferred outflows: | | | | |
| Accumulated decrease in fair value of hedging derivatives | $ | 6,067 | — | 6,067 |
| Deferred amount on refunding | | 162,311 | — | 162,311 |
| Deferred amount relating to pension | | — | 19,849 | 19,849 |
| Total deferred outflows | $ | 168,378 | 19,849 | 188,227 |
| Liabilities: | | | | |
| Current liabilities | $ | 864,266 | 24,482 | 888,748 |
| Noncurrent liabilities | | 11,035,554 | 366,300 | 11,401,854 |
| Total liabilities | $ | 11,899,820 | 390,782 | 12,290,602 |
| Deferred inflows: | | | | |
| Deferred amount relating to pension | $ | — | 26,376 | 26,376 |
| Total deferred inflows | $ | — | 26,376 | 26,376 |
| Net position: | | | | |
| Net investment in capital assets | $ | 710,972 | — | 710,972 |
| Restricted under trust agreements | | 183,764 | — | 183,764 |
| Unrestricted | | 40,188 | (397,309) | (357,121) |
| Total net position | $ | 934,924 | (397,309) | 537,615 |

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

| | | 2014 amounts as previously reported | Adjustments | 2014 amounts as restated |
|---|---|---|---|---|
| Operating revenues | $ | 1,549,740 | — | 1,549,740 |
| Operating expenses | | (762,869) | (3,057) | (765,926) |
| Operating income | | 786,871 | (3,057) | 783,814 |
| Nonoperating revenues (expenses) | | (521,734) | — | (521,734) |
| Change in net position | | 265,137 | (3,057) | 262,080 |
| Net position – Beginning of period | | 669,787 | (394,252) | 275,535 |
| Net position – End of period | $ | 934,924 | (397,309) | 537,615 |

## (3) Cash and Investments

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

### *(a) Cash*

The total cash carrying amount as of December 31, 2015 and 2014 is $337,120 and $289,732, respectively. The actual amount of cash on deposit in all bank accounts as of December 31, 2015 and 2014 was $328,050 and $282,092, respectively. Authority accounts had a book balance as of December 31, 2015 and 2014 of $336,381 and $288,833, respectively, actual cash on deposit of $327,300 and $281,165, respectively, and are collateralized by pledged securities totaling $346,219 and $413,335, respectively, held in the Authority's name by the Authority's financial institutions or its agents. The Foundation's cash balance as of December 31, 2015 and 2014 includes a book balance of $739 and $899, respectively. The actual amount of cash on deposit in the Foundation's bank accounts as of December 31, 2015 and 2014 was $750 and $927, respectively, of which $549 and $500, respectively, was insured by the Federal Deposit Insurance Corporation (FDIC) and $201 and $427, respectively, which was not insured or collateralized.

(Dollars shown in thousands)

### *(b) Investments*

All securities, other than securities held by the respective trustees for the benefit of the bondholders, are held by the Authority. All investment transactions are recorded on a transaction date basis. As of December 31, 2015 and 2014, the Authority had the following investments:

| | December 31, 2015 | | | |
|---|---|---|---|---|
| | | Investment maturities | | |
| **Investment type** | **Fair value** | **Less than 1 year** | **1–5 years** | **Over 5 years** |
| Investments: | | | | |
| Commercial paper | $ 262,464 | 262,464 | — | — |
| Certificates of deposit | 50,194 | 50,194 | — | — |
| Federal agency notes | 276,475 | 276,475 | — | — |
| U.S. Treasury bills | 2,000 | 2,000 | — | — |
| Total investments | 591,133 | 591,133 | — | — |
| Restricted investments held by trustee: | | | | |
| Certificates of deposit | 335,361 | — | 29,283 | 306,078 |
| Commercial paper | 224,795 | 224,795 | — | — |
| Federal agency notes | 369,366 | 265,007 | — | 104,359 |
| Total restricted investments held by trustee | 929,522 | 489,802 | 29,283 | 410,437 |
| Restricted investments held by Authority: | | | | |
| Certificates of deposit | 200,149 | 200,149 | — | — |
| Commercial paper | 199,610 | 199,610 | — | — |
| U.S. Treasury bills | 24,952 | 24,952 | — | — |
| Federal agency notes | 418,974 | 418,974 | — | — |
| Total restricted investments held by Authority | 843,685 | 843,685 | — | — |
| Restricted investments: | | | | |
| Derivative instruments | (93,175) | — | — | (93,175) |
| Total investments | $ 2,271,165 | 1,924,620 | 29,283 | 317,262 |

Note: Table includes $2,811 of accrued interest, and $124 of unamortized premium and discount on investments for the year ended December 31, 2015. Federal agency notes include $761 in unrealized loss for the year ended December 31, 2015.

(1) Included in investments above at December 31, 2015 is $37,363 the Authority has designated as reserved for national toll interoperability requirements under Federal Law P.L. 112-131, the Moving Ahead for Progress in the 21st Century Act (Map-21) ($10,500), reconstruction of the Grover Cleveland Service Area ($5,075), widening of New Jersey Turnpike Interchanges 6-9 ($20,000) and emergency maintenance work ($1,788). In 2015, there were reductions in investments for Emergency Maintenance by $5,712 and Grover Cleveland Service Area by $3,684, for a total of $ 9,396.

(Dollars shown in thousands)

| | December 31, 2014 | | | |
|---|---|---|---|---|
| | | Investment maturities | | |
| **Investment type** | **Fair value** | **Less than 1 year** | **1–5 years** | **Over 5 years** |
| Investments: | | | | |
| Commercial paper | $ 487,305 | 487,305 | — | — |
| Repurchase agreements | 7,000 | 7,000 | — | — |
| U.S. Treasury bills | 4,750 | 4,750 | — | — |
| Federal agency notes | 3,614 | 3,614 | — | — |
| Total investments | 502,669 | 502,669 | — | — |
| Restricted investments held by trustee: | | | | |
| Certificates of deposit | 310,626 | — | 310,626 | — |
| Commercial paper | 139,130 | 139,130 | — | — |
| U.S. Treasury bills | 73,500 | 73,500 | — | — |
| Federal agency notes | 460,918 | 357,319 | — | 103,599 |
| Total restricted investments held by trustee | 984,174 | 569,949 | 310,626 | 103,599 |
| Restricted investments held by Authority: | | | | |
| Certificates of deposit | 275,904 | 250,842 | 25,062 | — |
| Commercial paper | 303,779 | 303,779 | — | — |
| U.S. Treasury bills | 93 | 93 | — | — |
| Municipal bonds | 70,417 | 55,771 | 14,646 | — |
| Federal agency notes | 196,624 | 146,651 | 49,973 | — |
| Total restricted investments held by Authority | 846,817 | 757,136 | 89,681 | — |
| Restricted investments: | | | | |
| Derivative instruments | (96,895) | — | — | (96,895) |
| Total investments | $ 2,236,765 | 1,829,754 | 400,307 | 6,704 |

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

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

(Dollars shown in thousands)

*Credit risk*: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment guidelines and policies are designed to protect principal by limiting credit risk. This is accomplished through ratings, and collateral requirements that vary according to the type of investment as defined in the Authority's Investment Policy. As of December 31, 2015 and 2014, the Authority's investment quality ratings as rated by Standard & Poor's and Moody's were as follows:

| | | December 31, 2015 | | | |
|---|---|---|---|---|---|
| | | Standard and Poor's/Moody's ratings | | | |
| | | **A1/P-1** | **A-1+/P-1** | **AA+/Aaa** | **Totals** |
| Commercial paper | $ | 364,311 | 322,558 | — | 686,869 |
| Federal agency notes | | — | 960,331 | 105,121 | 1,065,452 |
| U.S. Treasury bills | | — | 26,952 | — | 26,952 |
| | $ | 364,311 | 1,309,841 | 105,121 | 1,779,273 |

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

** Rated by Egan-Jones Rating company

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

The Authority manages custodial credit risk by limiting its investments to highly rated institutions, having its investments registered in its name, and requiring high quality collateral be held by the counterparty in the name of the Authority for certain investment securities. As of December 31, 2015 and 2014, the Authority was not exposed to custodial credit risk on its investment securities.

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

(Dollars shown in thousands)

*Concentration of credit risk*: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer that exceeds 5% or more of its total investments. Concentrations limits are established in the Authority's Investment Policy as follows: (1) there are no limitations on investments carrying the full faith and credit of the United States Government, including repurchase agreements collateralized by such investments; (2) investments in any single Federal Agency not carrying the full faith and credit of the United States Government are limited to 40% of the portfolio; (3) investments in Certificates of Deposit are limited to 30% of the portfolio; (4) investments made in Commercial Paper are limited to 30% of the total portfolio; and (5) investments in Municipal Securities are limited to 30% of the total portfolio. Investments in any one single issuer (excluding U.S. Treasury and Federal Agency securities) are limited to 5% of the portfolio. The Investment Policy authorizes management to deviate from the policy if in the general best interests of the Authority. At December 31, 2015, the Authority exceeded its concentration limits for a single issuer with U.S. Bank and Toyota Motor Credit Corp. due to a scarcity of highly rated investments available in current market conditions. At December 31, 2014, the Authority exceeded its concentration limits for a single issuer with U.S. Bank and Bank of Tokyo Credit Corp. due to a scarcity of highly rated investments available in current market conditions. More than 5% of the Authority's investments are concentrated in the following issuers as of December 31, 2015 and 2014, respectively:

| | December 31 | |
|---|---|---|
| **Issuer** | **2015** | **2014** |
| U.S. Bank | 9.0% | 9.3% |
| Federal National Mortgage Association | 9.8 | 8.1 |
| Federal Home Loan Mortgage Corp | 6.2 | 5.6 |
| Federal Home Loan Bank | 30.9 | 13.8 |
| Toyota Motor Credit Corp. | 7.6 | N/A |
| Bank of Tokyo Credit Corp. | N/A | 5.9 |

(Dollars shown in thousands)

## (4) Capital Assets

A summary of changes in the capital assets as of December 31, 2015 and 2014 is as follows:

| Classification | December 31, 2014 | Additions | Retirements/ transfers | December 31, 2015 |
|---|---|---|---|---|
| Nondepreciable capital assets: | | | | |
| Land | $ 797,313 | 29,266 | (1,782) | 824,797 |
| Construction-in-progress | 1,582,797 | 1,056,631 | (118,022) | 2,521,406 |
| Total nondepreciable capital assets | 2,380,110 | 1,085,897 | (119,804) | 3,346,203 |
| Depreciable capital assets: | | | | |
| Road bed | 3,095,125 | — | — | 3,095,125 |
| Road surface | 1,344,283 | 28,393 | — | 1,372,676 |
| Bridges | 4,251,077 | 46,689 | — | 4,297,766 |
| Buildings and sound barriers | 606,910 | 7,917 | — | 614,827 |
| Equipment | 1,203,633 | 35,023 | — | 1,238,656 |
| Total depreciable capital assets | 10,501,028 | 118,022 | — | 10,619,050 |
| Total capital assets | 12,881,138 | 1,203,919 | (119,804) | 13,965,253 |
| Less accumulated depreciation: | | | | |
| Road bed | (692,291) | (30,841) | — | (723,132) |
| Road surface | (491,320) | (102,648) | — | (593,968) |
| Bridges | (971,589) | (88,535) | — | (1,060,124) |
| Buildings and sound barriers | (288,147) | (16,070) | — | (304,217) |
| Equipment | (404,438) | (78,283) | — | (482,721) |
| Total accumulated depreciation | (2,847,785) | (316,377) | — | (3,164,162) |
| Capital assets, net | $ 10,033,353 | 887,542 | (119,804) | 10,801,091 |

(Dollars shown in thousands)

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

## (5) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following as of December 31, 2015 and 2014:

| | December 31 | |
|---|---|---|
| | 2015 | 2014 |
| Vendors | $ 39,765 | 31,623 |
| Vendors – capital related | 114,208 | 95,768 |
| Accrued salaries and benefits | 7,282 | 13,921 |
| Other accrued expenses | 1,524 | 1,863 |
| Accounts payable – pension related | 24,482 | 24,482 |
| Total | $ 187,261 | 167,657 |

(Dollars shown in thousands)

## (6) Bond Indebtedness

As of December 31, 2015 and 2014, bond indebtedness consisted of the following:

| | Interest rate | Maturity | December 31 2015 | December 31 2014 |
|---|---|---|---|---|
| Turnpike revenue bonds: | | | | |
| Series 1991C, subject to mandatory redemption Jan. 1, 2016 | 6.50% | Jan. 1, 2016 | $ 67,160 | 67,160 |
| Series 2000B-G, subject to mandatory redemption Jan. 1, 2021 and Jan. 1, 2030 and optional redemption prior to maturity in whole or part at redemption price of 100% plus accrued interest | Variable rate not to exceed 10.00% (0.42% to 0.45% at Dec. 31, 2015); (0.10% to 0.18% at Dec. 31, 2014); | Jan. 1, 2030 | 400,000 | 400,000 |
| Series 2003B (Federally Taxable), not subject to redemption | 1.15% to 3.14% | Jan. 1, 2004 through Jan. 1, 2016 | 70,005 | 234,210 |
| Series 2004B, Capital appreciation bonds, growth and income securities term bond with sinking fund redemption Jan. 1, 2031 through Jan. 1, 2035, subject to optional redemption on/after Jan. 1, 2017 equal to 100% of accreted value plus accrued interest | 5.15% | Jan. 1, 2035 | 168,646 | 164,411 |
| Series 2004C-2, not subject to optional redemption prior to maturity | 5.50% | Jan. 1, 2025 | 132,850 | 132,850 |
| Series 2005A, not subject to optional redemption prior to maturity | 5.25% | Jan. 1, 2026 through Jan. 1, 2030 | 173,650 | 173,650 |
| Series 2005B (Federally Taxable), not subject to optional redemption prior to maturity | 4.81% | Jan. 1, 2019 | 32,500 | 32,500 |
| Series 2005D1-D4, (Federally Taxable Converting to Tax-Exempt) convertible to tax-exempt on Jan. 1, 2009 through Jan. 1, 2013, not subject to optional redemption | 5.25% | Jan. 1, 2026 | 208,735 | 208,735 |

(Dollars shown in thousands)

| | Interest rate | Maturity | December 31 2015 | December 31 2014 |
|---|---|---|---|---|
| Series 2009A | Variable 0.04% at Dec. 31, 2014 | Jan. 1, 2024 | $ — | 92,500 |
| Series 2009B | Variable 0.04% at Dec. 31, 2014 | Jan. 1, 2024 | — | 50,000 |
| Series 2009E, subject to optional redemption prior to maturity on/after Jan. 1, 2019 in whole or in part | 5.25% | Jan. 1, 2040 | 300,000 | 300,000 |
| Series 2009F, Term Bond, Federally Taxable – Issuer Subsidy – Build America Bonds, subject to redemption prior to maturity at make-whole redemption price, subject to mandatory redemption on Jan. 1, 2037 through Jan. 1, 2040 | 7.41% | Jan. 1, 2040 | 1,375,000 | 1,375,000 |
| Series 2009G, not subject to redemption prior to maturity | 5.00% | Jan. 1, 2017 and Jan. 1, 2018 | 34,770 | 34,770 |
| Series 2009H, subject to optional redemption prior to maturity on/after Jan. 1, 2019 in whole or part at redemption price plus 100% accrued interest | 5.00% and 4.25% | Jan. 1, 2020 through Jan. 1, 2024 and Jan. 1, 2036 | 306,170 | 306,170 |
| Series 2009I, subject to optional redemption prior to maturity on/after Jan. 1, 2020 in whole or part at redemption price plus 100% accrued interest | 5.00% | Jan. 1, 2031 | 32,215 | 32,215 |
| Subject to optional redemption prior to maturity on/after Jan. 1, 2020 in whole or part at redemption price plus 100% accrued interest, subject to mandatory redemption on Jan. 1, 2032 through Jan. 1, 2035 | 5.00% | Jan. 1, 2035 | 145,790 | 145,790 |

(Dollars shown in thousands)

| | Interest rate | Maturity | December 31 2015 | December 31 2014 |
|---|---|---|---|---|
| Series 2010A, Federally Taxable – Issuer Subsidy Build America Bonds, subject to optional redemption prior to maturity at make-whole redemption price. Subject to mandatory redemption on Jan. 1, 2035 through Jan. 1, 2041 | 7.10% | Jan. 1, 2041 | $ 1,850,000 | 1,850,000 |
| Series 2012A, subject to optional redemption prior to maturity on/after Jan. 1, 2022 in whole or in part | 3.63% to 5.00% | Jan. 1, 2031 through Jan. 1, 2033 | 80,740 | 80,740 |
| Subject to mandatory redemption on Jan. 1, 2034 and 2035 | 5.00% | Jan. 1, 2035 | 60,515 | 60,515 |
| Series 2012B, not subject to optional redemption prior to Jan. 1, 2023 | 5.00% | Jan. 1, 2019 through Jan. 1, 2023 | 329,250 | 329,250 |
| Subject to optional redemption in whole or in part on any date on/after Jan. 1, 2023 | 3.50% to 5.00% | Jan. 1, 2024 through Jan. 1, 2030 | 475,185 | 475,185 |
| Series 2012G, subject to mandatory tender Sept. 21, 2015, subject to redemption Jan. 1, 2020 to Jan. 1, 2024 | Variable 0.72% at Dec 31, 2014 | Jan. 1, 2024 | — | 43,750 |
| Series 2013A, not subject to optional redemption prior to Jan. 1,2023 | 3.00% to 5.00% | Jan. 1, 2016 through Jan. 1, 2023 | 78,315 | 78,315 |
| Maturing on/after Jan. 1, 2024 subject to optional redemption on/after Jul. 1, 2022 | 3.00% to 5.00% | Jan. 1, 2024 through Jan. 1, 2043 | 1,321,685 | 1,321,685 |
| Series 2013B, not subject to optional redemption prior to maturity | Variable 0.74% at Dec 31, 2015 0.74% at Dec 31, 2014 | Jan. 1, 2018 | 100,000 | 100,000 |
| Series 2013C, not subject to optional redemption prior to maturity | Variable 0.49% at Dec 31, 2015 0.52% at Dec 31, 2014 | Jan. 1, 2017 | 129,500 | 129,500 |
| | 0.56% at Dec 31, 2015 0.59% at Dec 31, 2014 | Jan. 1, 2018 | 141,500 | 141,500 |
| Series 2013D1, subject to optional redemption Jul. 1, 2015 and Mandatory tender Jan. 1, 2016 | Variable 0.57% at Dec 31, 2014 | Jan. 1, 2022 | — | 72,350 |
| Series 2013D2, subject to optional redemption Jul. 1, 2016 and mandatory tender Jan. 1, 2017 | Variable 0.63% at Dec 31, 2015 0.66% at Dec 31, 2014 | Jan. 1, 2023 | 75,025 | 75,025 |
| Series 2013D3, subject to optional redemption Jul. 1, 2017 and mandatory tender Jan. 1, 2018 | Variable 0.69% at Dec 31, 2015 0.72% at Dec 31, 2014 | Jan. 1, 2024 | 77,625 | 77,625 |

(Dollars shown in thousands)

| | Interest rate | Maturity | December 31 2015 | December 31 2014 |
|---|---|---|---|---|
| Series 2013E1, subject to optional redemption Jul. 1, 2015 and Mandatory tender Jan. 1, 2016 | Variable 0.57% at Dec 31, 2014 | Jan. 1, 2022 | $ — | 48,235 |
| Series 2013E2, subject to optional redemption Jul. 1, 2016 and mandatory tender Jan. 1, 2017 | Variable 0.63% at Dec 31, 2015 0.66% at Dec 31, 2014 | Jan. 1, 2023 | 50,015 | 50,015 |
| Series 2013E3, subject to optional redemption Jul. 1, 2017 and mandatory tender Jan. 1, 2018 | Variable 0.69% at Dec 31, 2015 0.72% at Dec 31, 2014 | Jan. 1, 2024 | 51,750 | 51,750 |
| Series 2013F, subject to optional redemption prior to maturity on/after Jan. 1, 2023 in whole or part | 3.00% to 5.00% | Jan. 1, 2026 through Jan. 1, 2035 | 90,880 | 90,880 |
| Series 2013G, not subject to optional redemption prior to maturity | Variable 0.72% at Dec 31, 2014 | Jan. 1, 2024 | — | 43,750 |
| Series 2014A, subject to optional redemption prior to maturity on/after July. 1, 2024 in whole or part | 4.00% to 5.00% | Jan. 1, 2027 through Jan. 1, 2035 | 1,000,000 | 1,000,000 |
| Series 2014B-1, subject to optional redemption Jul. 1, 2015 and mandatory tender Jan. 1, 2016 mandatory redemption 2022, 2023, and 2024 | Variable 0.37% at Dec 31, 2014 | Jan. 1, 2024 | — | 25,000 |
| Series 2014B-2, subject to optional redemption Jul. 1, 2016 and mandatory tender Jan. 1, 2017 mandatory redemption 2022, 2023, and 2024 | Variable 0.58% at Dec 31, 2015 0.52% at Dec 31, 2014 | Jan. 1, 2024 | 50,000 | 50,000 |
| Series 2014B-3, subject to optional redemption Jul. 1, 2017 and mandatory tender Jan. 1, 2018 mandatory redemption 2022, 2023, and 2024 | Variable 0.73% at Dec 31, 2015 0.67% at Dec 31, 2014 | Jan. 1, 2024 | 50,000 | 50,000 |
| Series 2014C, not subject to optional redemption prior to maturity | 5.00% | Jan. 1, 2019 through Jan. 1, 2025 | 201,860 | 201,860 |
| Series 2015A, subject to optional redemption in whole or part, on/after Jan. 1, 2016, | Variable 0.94% at Dec. 31, 2015 | Jan. 1, 2024 | 92,500 | — |
| Series 2015B, subject to optional redemption in whole or part, on/after Feb. 1, 2017, mandatory tender Jan. 1, 2020 | Variable 0.63% at Dec. 31, 2015 | Jan. 1, 2024 | 50,000 | — |
| Series 2015C, subject to optional redemption in whole or part, on/after Jan. 1, 2017 | Variable 0.86% at Dec 31, 2015 | Jan. 1, 2024 | 43,750 | — |

(Dollars shown in thousands)

| | Interest rate | Maturity | December 31 2015 | 2014 |
|---|---|---|---|---|
| Series 2015D, subject to optional redemption in whole or part, on/after Jan. 1, 2017 | Variable 0.86% at Dec 31, 2015 | Jan. 1, 2024 | $ 43,750 | — |
| Series 2015E, subject to optional redemption prior to maturity on/after Jan. 1, 2025 in whole or part | 3.375% to 5.00% | Jan. 1, 2031 through Jan. 1, 2045 | 750,000 | — |
| Series 2015F, subject to optional redemption in whole or part, on/after Jan. 1, 2017 | Variable 0.91% at Dec 31, 2015 | Jan. 1, 2022 | 72,350 | — |
| Series 2015G, subject to optional redemption in whole or part, on/after Jan. 1, 2017 | Variable 0.89% at Dec 31, 2015 | Jan. 1, 2024 | 25,000 | — |
| Series 2015H, subject to optional redemption in whole or part, on/after Jan. 1, 2017 | Variable 1.02% at Dec 31, 2015 | Jan. 1, 2022 | 48,235 | — |
| | | | 10,786,921 | 10,196,891 |
| Bond premium-Net | | | 474,721 | 438,676 |
| Bond discount-Net | | | (10,479) | (10,596) |
| | | | 464,242 | 428,080 |
| | | | $ 11,251,163 | 10,624,971 |

In accordance with its refunding plan, on January 29, 2015, the Authority issued Floating Rate Bonds in the amount of $142,500 comprised of Series 2015A and 2015B Turnpike Revenue Bonds. The Series 2015A and 2015B Floating Rate Bonds bear interest at 67% and 75% of one month LIBOR Rate respectively, plus a certain spread for each Series. The interest on the Series 2015A and B Floating Rate Bonds is paid monthly. The 2015A and 2015B Floating Rate Bonds are direct purchase transactions and mature on January 1, 2024. The Authority issued the 2015A and 2015B Floating Rate Bonds and used the proceeds to fully refund the Series 2009A and 2009B Bonds, respectively.

On September 18, 2015, the Authority issued $87,500 of Series 2015C and 2015D Floating Rate Bonds. The Series 2015C and 2015D Floating Rate Bonds bear interest at 67% one month LIBOR Rate, plus a certain spread for each Series. The interest on the Series 2015C and 2015D is paid monthly. The 2015C and 2015D Floating Rate Bonds are direct purchase transactions and mature on January 1, 2024. The Authority issued the 2015C and 2015D Floating Rate Bonds and used the proceeds to fully refund the Series 2012G and 2013G Bonds respectively.

On October 22, 2015, the Authority issued $750,000 of Series 2015E Turnpike Revenue Bonds. The bonds bear interest at fixed rates from 3.375% to 5.0%, and mature from January 1, 2031 to January 1, 2045. The interest on the Series 2015E bonds is paid semi-annually. The purpose of the Series 2015E Turnpike Revenue Bonds was to pay the costs of construction of various projects which are part of the Authority’s $7 billion capital improvement program for the Turnpike system.

On December 23, 2015, the Authority issued $145,585 of Series 2015F, 2015G and 2015H Floating Rate Bonds. The Series 2015F, 2015G and 2015H Floating Rate Bonds bear interest at 75%, 69.75% and 67% of one month LIBOR, respectively, plus a certain spread for each Series. The interest on the Series 2015F, 2015G and 2015H Floating Rate Bonds is paid monthly. The 2015F, 2015G and 2015H Floating Rate Bonds are direct purchase transactions. The Series 2015F and 2015H Bonds mature on January 1, 2022 and the Series 2015G Bonds mature January 1, 2024. The Authority issued the 2015F, 2015G and 2015H Floating Rate Bonds and used the proceeds to fully refund the Series 2013D-1, Series 2014B-1 and Series 2013E-1 Bonds, respectively.

***(a) Bond Insurance***

For the Series 2000B-G, Series 2003B-C, Series 2004B-C and Series 2005A-D Bonds, principal and interest payments are insured on the stated maturity and interest payment dates through municipal bond, insurance, which totaled $1,119,020 and $1,150,375 as of December 31, 2015 and 2014, respectively.

In order to meet the Debt Reserve Requirement under the Bond Resolution, the Authority must deposit cash and investments in the Debt Reserve Fund. In lieu of cash and investments, the Authority may maintain a surety bond or insurance policy payable to the Trustee. The Debt Reserve Requirement of $589,672 as of December 31, 2015, was met through investments in the Debt Reserve Fund with a fair market value of $590,782, and insurance policies payable to the Trustee with a payment limit of $322,019. The Debt Reserve Requirement of $561,104 as of December 31, 2014, was met through investments in the Debt Reserve Fund with a fair market value of $565,212. Although the insurance policies are still in effect at December 31, 2015, according to the terms of the insurance policies, cash and investments in the Debt Reserve Fund must be drawn upon first to satisfy any payments required from the Debt Reserve Fund. As of December 31, 2015 and December 31, 2014, the fair market value of the cash and investments in the Debt Reserve Fund meets the Debt Reserve Requirement in its entirety.

***(b) Interest Payments – Fixed Rate Debt***

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

***(c) Interest Payments – Capital Appreciation Bonds***

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

The Series 2004B bonds, which are capital appreciation bonds, were originally issued in the amount of $101,280 and are reported at their accreted value of $168,646 and $164,411 as of December 31, 2015 and 2014, respectively. The Series 2004B bonds are subject to mandatory redemption on January 1, 2031 through January 1, 2035 at 100% of the principal amount plus accrued interest.

***(d) Interest Payments – Variable Rate Debt***

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

### *(e) Auction Rate Bond Interest*

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

### *(f) Build America Bonds*

The Series 2009F bonds are designated as Federally Taxable, Issuer Subsidy Build America Bonds for purposes of the American Recovery and Reinvestment Act of 2009. The Authority receives a cash subsidy from the United States Treasury originally equal to 35% of the interest payable on the bonds. The Budget Control Act of 2011 reduced the amount of the subsidy paid by the Federal Government through automatic federal spending cuts commonly known as sequestration. The payment to the Authority received for the July 1, 2015 interest payment was reduced by 7.3%, and the payment received in December 2015 (for January 1, 2016 interest payment) was reduced by 6.8%. The Internal Revenue Service has reported that the Authority’s payment due on July 1, 2016 will also have a 6.8% reduction. There can be no certainty the Federal Government will not make further cuts to the program. These cash payments constitute pledged revenues under the Authority’s bond resolution. The Series 2009F bonds are subject to redemption prior to maturity at the make-whole redemption price which is equal to the greater of (i) 100% of the principal amount of the bonds to be redeemed plus accrued and unpaid interest and (ii) the sum of the present value of the remaining scheduled payments of principal and interest, discounted to the date on which the bonds are to be redeemed on a semi-annual basis, assuming a 360 day year consisting of twelve 30 day months, at the adjusted Treasury Rate plus 50 basis points, plus accrued and unpaid interest. The bonds are also subject to redemption prior to their maturity at the option of the Authority upon a material adverse change to Section 54AA or 6431 of the Internal Revenue Code of 1986 pursuant to which the Authority’s 35% cash subsidy payment is reduced or eliminated. In this case the redemption price is equal to the greater of (i) 100% of principal amount of the bonds to be redeemed plus accrued and unpaid interest and (ii) the sum of the present value of the remaining scheduled payments of principal and interest, discounted to the date on which the bonds are to be redeemed on a semi-annual basis, assuming a 360 day year consisting of twelve 30 day months, at the adjusted Treasury Rate plus 100 basis points, plus accrued and unpaid interest. The Series 2009F bonds are subject to mandatory redemption on January 1, 2037 through January 1, 2040 at 100% of the principal amount plus accrued interest.

The Series 2010A bonds are designated as Federally Taxable, Issuer Subsidy Build America Bonds for purposes of the American Recovery and Reinvestment Act of 2009. The Authority receives a cash subsidy from the United States Treasury originally equal to 35% of the interest payable on the bonds. The Budget Control Act of 2011 reduced the amount of the subsidy paid by the Federal Government through automatic federal spending cuts commonly known as sequestration. The payment to the Authority received for the July 1, 2015 interest payment was reduced by 7.3%, and the payment received in December 2015 (for January 1, 2016 interest payment) was reduced by 6.8%. The Internal Revenue Service has reported that the Authority’s payment due on July 1, 2016 will also have a 6.8% reduction. There can be no certainty the Federal

(Dollars shown in thousands)

Government will not make further cuts to the program. These cash payments constitute Pledged Revenues under the Authority's bond resolution. The Series 2010A bonds are subject to redemption prior to maturity at the make-whole redemption price which is equal to the greater of (i) 100% of the principal amount of the bonds to be redeemed plus accrued and unpaid interest and (ii) the sum of the present value of the remaining scheduled payments of principal and interest, discounted to the date on which the bonds are to be redeemed on a semi-annual basis, assuming a 360 day year consisting of twelve 30 day months, at the adjusted Treasury Rate plus 40 basis points, plus accrued and unpaid interest. The bonds are also subject to redemption prior to their maturity at the option of the Authority upon a material adverse change to Section 54AA or 6431 of the Internal Revenue Code of 1986 pursuant to which the Authority's 35% cash subsidy payment is reduced or eliminated. In this case the redemption price is equal to the greater of (i) 100% of principal amount of the bonds to be redeemed plus accrued and unpaid interest and (ii) the sum of the present value of the remaining scheduled payments of principal and interest, discounted to the date on which the bonds are to be redeemed on a semi-annual basis, assuming a 360 day year consisting of twelve 30 day months, at the adjusted Treasury Rate plus 100 basis points, plus accrued and unpaid interest. The Series 2010A bonds are subject to mandatory redemption on January 1, 2035 through January 1, 2041 at 100% of the principal amount plus accrued interest.

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

The following table summarizes the terms of the Authority's direct placement of Floating Rate Bonds, SIFMA Index Bonds, and publically offered Floating Rate Bonds as of December 31, 2015:

| Series of bonds | Tax exempt or federally taxable | Final maturity date | Par amount | Floating rate | Interest rate reset | Mandatory tender date |
|---|---|---|---|---|---|---|
| 2013B | Tax-Exempt | 1/1/2018 | $ 100,000 | 75% of the sum of 1-month LIBOR + 79bp | Weekly | |
| 2013C1 | Tax-Exempt | 1/1/2017 | 121,000 | SIFMA + 48 bp | Weekly | |
| 2013C2 | Tax-Exempt | 1/1/2018 | 150,000 | SIFMA + 55 bp | Weekly | |
| 2013D2 | Tax-Exempt | 1/1/2023 | 75,025 | SIFMA + 62 bp | Weekly | 1/1/2017 |
| 2013D3 | Tax-Exempt | 1/1/2024 | 77,625 | SIFMA + 68 bp | Weekly | 1/1/2018 |
| 2013E2 | Tax-Exempt | 1/1/2023 | 50,015 | SIFMA + 62 bp | Weekly | 1/1/2017 |
| 2013E3 | Tax-Exempt | 1/1/2024 | 51,750 | SIFMA + 68 bp | Weekly | 1/1/2018 |
| 2014B2 | Tax-Exempt | 1/1/2024 | 50,000 | 67% LIBOR + 42 bp | Weekly | 1/1/2017 |
| 2014B3 | Tax-Exempt | 1/1/2024 | 50,000 | 67% LIBOR + 57 bp | Weekly | 1/1/2018 |
| 2015A | Tax-Exempt | 1/1/2024 | 92,500 | 67% 1 month LIBOR + 78 bp | Weekly | |
| 2015B | Tax-Exempt | 1/1/2024 | 50,000 | 75% 1 month LIBOR + 45 bp | Weekly | 1/1/2020 |
| 2015C | Tax-Exempt | 1/1/2024 | 43,750 | 67% 1 month LIBOR + 70 bp | Weekly | |
| 2015D | Tax-Exempt | 1/1/2024 | 43,750 | 67% 1 month LIBOR + 70 bp | Weekly | |
| 2015F | Tax-Exempt | 1/1/2022 | 72,350 | 75% 1 month LIBOR + 59.5 bp | Weekly | |
| 2015G | Tax-Exempt | 1/1/2024 | 25,000 | 69.75% 1 month LIBOR + 60 bp | Weekly | |
| 2015H | Tax-Exempt | 1/1/2022 | 48,235 | 67% 1 month LIBOR + 74 bp | Weekly | |

The Series 2013B, Series 2015A, Series 2015B, Series 2015C, Series 2015D, Series 2015F, Series 2015G and Series 2015H Bonds are direct placements of Floating Rate Bonds. The Series 2013C1-C2, Series 2013 D2-D3 and Series 2013E2-E3 are publically offered SIFMA Index Bonds and Series 2014B2-B3 are publically offered Floating Rate Bonds. Pursuant to the terms of the Series 2013B, Series 2015A, Series 2015B, Series 2015C, Series 2015D, Series 2015F, Series 2015G and Series 2015H Bonds, in addition to being subject to mandatory tender for purchase on the Mandatory Tender Date or maturity date set forth in the chart above, upon the occurrence of certain enumerated extraordinary mandatory purchase events, the respective Series of Bonds may also be subject to mandatory tender for purchase at the option of the applicable bank that is the holder of such Series of Bonds prior to the occurrence of such Mandatory Tender Date. In the event that the Authority cannot pay the purchase price for all or a portion of such Series of Bonds on the Mandatory Tender Date or any such extraordinary mandatory purchase date, (i) 50% of the principal amount of any unpurchased Bonds will be subject to mandatory redemption on the date that is one year after such Mandatory Tender Date or extraordinary mandatory purchase date, at a Redemption Price equal to 100% of the principal amount of such Bonds to be redeemed plus accrued interest to the redemption date, and (ii) the entire remaining aggregate principal amount of such unpurchased Bonds will be subject to mandatory redemption on the date that is two years after such Mandatory Tender Date or extraordinary mandatory purchase date, at a Redemption Price equal to 100% of the principal amount of such Bonds to be redeemed plus accrued interest to the redemption date.

(Dollars shown in thousands)

### *(h) Security*

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

### *(i) Future Payments of Debt Service*

The following table sets forth as of December 31, 2015, payments of principal (through sinking fund installments) and interest to be made to the Debt Service Fund from the Revenue Fund on all outstanding bonds of the Authority for the next five years and thereafter. Interest on variable-rate debt and interest rate swaps in the following table is based upon the variable-rates as of December 31, 2015.

| | | Principal | Interest | Interest rate swaps, net | Total |
|---|---|---|---|---|---|
| December 31: | | | | | |
| 2016 | $ | 142,115 | 454,734 | 69,132 | 665,981 |
| 2017 | | 197,740 | 507,632 | 69,591 | 774,963 |
| 2018 | | 218,475 | 525,744 | 58,614 | 802,833 |
| 2019 | | 199,685 | 524,520 | 46,662 | 770,867 |
| 2020 | | 247,420 | 514,624 | 46,662 | 808,706 |
| 2021–2025 | | 1,584,645 | 2,473,065 | 145,788 | 4,203,498 |
| 2026–2030 | | 1,708,650 | 2,185,827 | 30,364 | 3,924,841 |
| 2031–2035 | | 1,963,603 | 1,792,182 | — | 3,755,785 |
| 2036–2040 | | 3,182,864 | 1,074,983 | — | 4,257,847 |
| 2041–2045 | | 1,341,724 | 141,824 | — | 1,483,548 |
| | $ | 10,786,921 | 10,195,135 | 466,813 | 21,448,869 |

(Dollars shown in thousands)

### *(j) Interest Expense*

Interest expense was comprised of the following:

| | | Year ended December 31 | |
|---|---|---|---|
| | | **2015** | **2014** |
| Turnpike Revenue Bonds, Series 1991C | $ | 4,365 | 4,365 |
| Turnpike Revenue Bonds, Series 2000B – G | | 13,774 | 13,340 |
| Turnpike Revenue Bonds, Series 2003B | | 2,977 | 9,959 |
| Turnpike Revenue Bonds, Series 2004B | | 12,920 | 8,151 |
| Turnpike Revenue Bonds, Series 2004C | | 7,307 | 7,307 |
| Turnpike Revenue Bonds, Series 2005A | | 9,117 | 18,930 |
| Turnpike Revenue Bonds, Series 2005B | | 1,563 | 1,563 |
| Turnpike Revenue Bonds, Series 2005D | | 10,959 | 10,959 |
| Turnpike Revenue Bonds, Series 2009A | | 203 | 2,722 |
| Turnpike Revenue Bonds, Series 2009B | | 121 | 1,645 |
| Turnpike Revenue Bonds, Series 2009E | | 15,750 | 15,750 |
| Turnpike Revenue Bonds, Series 2009F | | 101,943 | 101,943 |
| Turnpike Revenue Bonds, Series 2009G | | 1,739 | 1,739 |
| Turnpike Revenue Bonds, Series 2009H | | 15,193 | 15,193 |
| Turnpike Revenue Bonds, Series 2009I | | 8,900 | 8,900 |
| Turnpike Revenue Bonds, Series 2010A | | 131,387 | 131,387 |
| Turnpike Revenue Bonds, Series 2011A | | — | 1,679 |
| Turnpike Revenue Bonds, Series 2011B | | — | 1,157 |
| Turnpike Revenue Bonds, Series 2012A(2) | | 6,894 | 6,894 |
| Turnpike Revenue Bonds, Series 2012B(2) | | 39,772 | 39,772 |
| Turnpike Revenue Bonds, Series 2012G | | 1,252 | 1,745 |
| Turnpike Revenue Bonds, Series 2013A(1) | | 67,969 | 67,969 |
| Turnpike Revenue Bonds, Series 2013B – G(2) | | 42,950 | 43,638 |
| Turnpike Revenue Bonds, Series 2014A(1) | | 48,890 | 29,741 |
| Turnpike Revenue Bonds, Series 2014B | | 4,759 | 1,951 |
| Turnpike Revenue Bonds, Series 2014C | | 10,090 | 2,355 |
| Turnpike Revenue Bonds, Series 2015A | | 3,077 | — |
| Turnpike Revenue Bonds, Series 2015B | | 1,746 | — |
| Turnpike Revenue Bonds, Series 2015C | | 494 | — |
| Turnpike Revenue Bonds, Series 2015D | | 495 | — |
| Turnpike Revenue Bonds, Series 2015E | | 5,765 | — |
| Turnpike Revenue Bonds, Series 2015F | | 15 | — |
| Turnpike Revenue Bonds, Series 2015G | | 5 | — |
| Turnpike Revenue Bonds, Series 2015H | | 55 | — |
| | | 572,446 | 550,754 |

| | | Year ended December 31 | |
|---|---|---|---|
| | | **2015** | **2014** |
| Less amortization of bond premium and discount | $ | (21,747) | (16,330) |
| Less GASB Statement No. 53 interest expense adjustment (2) | | (41,166) | (20,023) |
| Less interest expense capitalized to projects | | (199,170) | (309,206) |
| Net interest expense | $ | 310,363 | 205,195 |

(1) Capitalized interest expense paid from bond proceeds

(2) For the Series 2000B-G, 2009A-B, 2011A-B, 2012G 2013B-D and 2013G Bonds

(Dollars shown in thousands)

### *(k) Defeased Bonds*

As of December 31, 2015 and 2014, the Authority has approximately $144 and $692, respectively, of bonds outstanding which have been previously defeased in substance and are secured by investments held by various escrow agents. The escrow accounts are invested in obligations of U.S. government agencies and are not controlled by the Authority. The bonds are considered extinguished and accordingly, the assets and obligations are not reflected on the financial statements of the Authority.

## (7) Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding as of December 31, 2015 and 2014, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the accompanying financial statements are as follows:

| | Changes in fair value for year ended December 31, 2015 | | Fair value as of December 31, 2015 | | |
|---|---|---|---|---|---|
| | **Classification** | **Amount** | **Classification** | **Amount** | **Notional** |
| Cash flow hedges: | | | | | |
| Pay-fixed, receive-variable interest rate swaps [(1)] | Deferred outflow | $ (3,680) | Interest rate swap liabilities | $ (40,199) | 1,096,000 |
| Investment derivatives: | | | | | |
| Pay-fixed, receive-variable interest rate swaps | Investment gain | 3,720 | Restricted investments | (93,175) | 400,000 |

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

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

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

### *Objective and Terms of Derivative Instruments*

The following tables display the objective and terms of the Authority's derivative instruments outstanding as of December 31, 2015 and 2014, along with the credit rating of the associated counterparty (amounts in thousands):

| | December 31, 2015 | | | | | |
|---|---|---|---|---|---|---|
| Type | Objective | Notional amount | Effective date | Maturity date | Terms | Counterparty credit rating |
| Hedging derivative instruments: | | | | | | |
| Pay-fixed, receive-variable interest rate swap | Hedge of interest rate risk on the Series 2013B bonds | $ 100,000 | Mar. 14, 2011 | Jan. 1, 2018 | Pay 5.5728%, receive 75% of 1 month of USD-LIBOR-BBA | A2/A-/A |
| Pay-fixed, receive-variable interest rate swap | Hedge of interest rate risk on the Series 2013C1 bonds | 121,000 | Mar. 14, 2011 | Jan. 1, 2018 | Pay 5.6346%, receive USD-SIFMA Municipal Swap Index | A2/A-/A |
| Pay-fixed, receive-variable interest rate swap | Hedge of interest rate risk on the Series 2013C2 bonds | 150,000 | Mar. 14, 2011 | Jan. 1, 2018 | Pay 5.6089%, receive USD-SIFMA Municipal Swap Index | A2/A-/A |
| Pay-fixed, receive-variable interest rate swap | Hedge of interest rate risk on the Series 2013D bonds | 152,650 | May. 21, 2013 | Jan. 1, 2024 | Pay 3.4486%, receive 73.2% of 1 month of USD-LIBOR-BBA | Aa2/AA-/AA |
| Pay-fixed, receive-variable interest rate swap | Hedge of interest rate risk on the Series 2013E bonds | 101,765 | Sep. 1, 2015 | Jan. 1, 2024 | Pay 3.4486%, receive 63% of 1 month plus 20bp USD-LIBOR-BBA | Aa2/AA-/AA |
| Pay-fixed, receive-variable interest rate swap | Hedge of interest rate risk on the Series 2014B2 bonds | 50,000 | Sep. 1, 2015 | Jan. 1, 2024 | Pay 3.35%, receive 67% of 1 month USD-LIBOR-BBA | Aa2/AA-/AA |
| Pay-fixed, receive-variable interest rate swap | Hedge of interest rate risk on the Series 2014B3 bonds | 50,000 | Aug. 4, 2014 | Jan. 1, 2024 | Pay 3.35%, receive 67% of 1 month USD-LIBOR-BBA | A1/A/A+ |
| Pay-fixed, receive-variable interest rate swap | Hedge of interest rate risk on the Series 2015A bonds | 87,500 | Jan. 29, 2015 | Jan. 1, 2024 | Pay 2.98%, receive 67% of 1 month USD-LIBOR-BBA | A3/BBB+/A |
| Pay-fixed, receive-variable interest rate swap | Hedge of interest rate risk on the Series 2015B bonds | 50,000 | Feb. 11, 2009 | Jan. 1, 2024 | Pay 3.331%, receive 75% of 1 month USD-LIBOR-BBA | A2/A-/A |
| Pay-fixed, receive-variable interest rate swap | Hedge of interest rate risk on the Series 2015C bonds | 43,750 | Feb. 11, 2009 | Jan. 1, 2024 | Pay 3.2488%, receive 67% of 1 month USD-LIBOR-BBA | A2/A-/A |
| Pay-fixed, receive-variable interest rate swap | Hedge of interest rate risk on the Series 2015D bonds | 43,750 | Feb. 11, 2009 | Jan. 1, 2024 | Pay 3.2525%, receive 67% of 1 month USD-LIBOR-BBA | A2/A-/A |
| Pay-fixed, receive-variable interest rate swap | Hedge of interest rate risk on the Series 2015F bonds | 72,350 | May. 21, 2013 | Jan. 1, 2022 | Pay 3.4486%, receive until 73.2% of 1 month USD-LIBOR-BBA | Aa2/AA-/AA |

(Dollars shown in thousands)

December 31, 2015

| Type | Objective | Notional amount | Effective date | Maturity date | Terms | Counterparty credit rating |
|---|---|---|---|---|---|---|
| Pay-fixed, receive-variable interest rate swap | Hedge of interest rate risk on the Series 2015G bonds | $ 25,000 | Sep. 1, 2015 | Jan. 1, 2024 | Pay 3.35%, receive 67% of 1 month USD-LIBOR-BBA | Aa2/AA-/AA |
| Pay-fixed, receive-variable interest rate swap | Hedge of interest rate risk on the Series 2015H bonds | 48,235 | Sep. 1, 2015 | Jan. 1, 2022 | Pay 3.305%, receive 67% of 1 month USD-LIBOR-BBA | Aa2/AA-/AA |
| Investment derivative instruments: | | | | | | |
| Pay-fixed, receive-variable interest rate swap | Hedge of interest rate risk on the Series 2000 B-G bonds | $ 240,000 | Sep. 1, 2015 | Jan. 1, 2030 | Pay 4.312%, receive 64.459% of 5-year LIBOR | Aa2/AA-/AA |
| Pay-fixed, receive-variable interest rate swap | Hedge of interest rate risk on the Series 2000 B-G bonds | 160,000 | May. 21, 2013 | Jan. 1, 2030 | Pay 4.312%, receive 64.459% of 5-year LIBOR | Aa2/AA-/AA |

December 31, 2014

| Type | Objective | Notional amount | Effective date | Maturity date | Terms | Counterparty credit rating |
|---|---|---|---|---|---|---|
| Hedging derivative instruments: | | | | | | |
| Pay-fixed, receive-variable interest rate swap | Hedge of interest rate risk on the Series 2009A bonds | $ 87,500 | Feb. 12, 2009 | Jan. 1, 2024 | Pay 3.114%, receive until 1/1/16, lesser of 63% of LIBOR plus 20bp or bond rate; after 1/1/16 63% of LIBOR plus 20bp | Baa2/A-/A |
| Pay-fixed, receive-variable interest rate swap | Hedge of interest rate risk on the Series 2009B bonds | 50,000 | Feb. 11, 2009 | Jan. 1, 2024 | Pay 3.294%, receive until 1/1/16, lesser of 63% of LIBOR plus 20bp or bond rate; after 1/1/16 63% of LIBOR plus 20bp | A2/A/A |
| Pay-fixed, receive-variable interest rate swap | Hedge of interest rate risk on the Series 2012G bonds | 43,750 | Feb. 11, 2009 | Jan. 1, 2024 | Pay 3.3999%, receive from 9/20/2012 to but excluding termination date 75% of 1 month of USD-LIBOR | A2/A/A |
| Pay-fixed, receive-variable interest rate swap | Hedge of interest rate risk on the Series 2013B bonds | 100,000 | Mar. 14, 2011 | Jan. 1, 2018 | Pay 5.5728%, receive 75% of 1 month of USD-LIBOR-BBA | A2/A/A |
| Pay-fixed, receive-variable interest rate swap | Hedge of interest rate risk on the Series 2013C1 bonds | 121,000 | Mar. 14, 2011 | Jan. 1, 2018 | Pay 5.6346%, receive USD-SIFMA Municipal Swap Index | A2/A/A |
| Pay-fixed, receive-variable interest rate swap | Hedge of interest rate risk on the Series 2013C2 bonds | 150,000 | Mar. 14, 2011 | Jan. 1, 2018 | Pay 5.6089%, receive USD-SIFMA Municipal Swap Index | A2/A/A |
| Pay-fixed, receive-variable interest rate swap | Hedge of interest rate risk on the Series 2013D bonds | 225,000 | May. 21, 2013 | Jan. 1, 2024 | Pay 3.4486%, receive 73.2% of 1 month of USD-LIBOR-BBA | Aa3/AA-/AA- |
| Pay-fixed, receive-variable interest rate swap | Hedge of interest rate risk on the Series 2013E bonds | 150,000 | Aug. 4, 2014 | Jan. 1, 2024 | Pay 3.4486%, receive until 1/1/15, lesser of 63% of LIBOR plus 20bp or bond rate; after 1/1/15 63% of LIBOR plus 20bp | Baa2/A-/A |
| Pay-fixed, receive-variable interest rate swap | Hedge of interest rate risk on the Series 2013G bonds | 43,750 | Feb. 11, 2009 | Jan. 1, 2024 | Pay 3.4035%, receive 75% of 1 month USD-LIBOR-BBA | A2/A/A |

(Dollars shown in thousands)

December 31, 2014

| Type | Objective | Notional amount | Effective date | Maturity date | Terms | Counterparty credit rating |
|---|---|---|---|---|---|---|
| Pay-fixed, receive-variable interest rate swap | Hedge of interest rate risk on the Series 2014B1-2 bonds | $ 75,000 | Aug. 4, 2014 | Jan. 1, 2024 | Pay 3.35%, receive 67% of 1 month USD-LIBOR-BBA | Baa2/A-/A |
| Pay-fixed, receive-variable interest rate swap | Hedge of interest rate risk on the Series 2014B3 bonds | 50,000 | Aug. 4, 2014 | Jan. 1, 2024 | Pay 3.50%, receive 67% of 1 month USD-LIBOR-BBA | A2/A/A |
| Investment derivative instruments: | | | | | | |
| Pay-fixed, receive-variable interest rate swap | Hedge of interest rate risk on the Series 2000 B-G bonds | 240,000 | Jan. 1, 2007 | Jan. 1, 2030 | Pay 4.312%, receive 64.459% of 5-year LIBOR | Baa2/A-/A |
| Pay-fixed, receive-variable interest rate swap | Hedge of interest rate risk on the Series 2000 B-G bonds | 160,000 | May. 21, 2013 | Jan. 1, 2030 | Pay 4.312%, receive 64.459% of 5-year LIBOR | Aa3/AA-/AA- |

On January 29, 2015, the Authority issued Series 2015A and Series 2015B Bonds in accordance with its refunding plan. At the same time, the Authority also entered into amendments on its existing Interest Rate Swap agreements that were associated with these bonds. The Swap agreement relating to the Series 2009A Bonds with Morgan Stanley was amended and re-identified to the Series 2015A Bonds. The fixed swap rate was changed to 2.98% and the floating rate to 67% of one-month USD-LIBOR-BBA. The Swap agreement relating to the Series 2009B Bonds with Barclay's was amended and re-identified to the Series 2015B Bonds. The fixed swap rate was changed to 3.331% and the floating rate to 75% of one-month USD-LIBOR-BBA.

As of September 11, 2015, the Authority novated three interest rate swap transactions with Morgan Stanley Capital Services, LLC in respect to its Series 2000B-G, Series 2013E and Series 2014B1-2 Bonds, to Wells Fargo Bank, N.A.

On September 18, 2015, the Authority issued Series 2015C and Series 2015D Bonds in accordance with its refunding plan. At the same time, the Authority also entered into amendments on its existing Interest Rate Swap agreements that were associated with these bonds. The Swap agreement relating to the Series 2012G Bonds with Barclay's was amended and re-identified to the Series 2015C Bonds. The fixed swap rate was changed to 3.2488% and the floating rate to 67% of one-month USD-LIBOR-BBA. The Swap agreement relating to the Series 2013G Bonds with Barclays's was amended and re-identified to the Series 2015D Bonds. The fixed swap rate was changed to 3.2525% and the floating rate to 67% of one-month USD-LIBOR-BBA.

On December 21, 2015, the Authority amended an interest rate swap transaction relating to the Series 2013E-1 Bonds with Wells Fargo Bank, N.A. The fixed swap rate was changed to 3.305% and the floating rate to 67% of one-month USD-LIBOR-BBA. On December 23, 2015, the Authority issued Series 2015H Bonds in accordance with its refunding plan. The Swap agreement relating to the Series 2013E-1 Bonds with Wells Fargo Bank, N.A. was re-identified to the Series 2015H Bonds. Also on December 23, 2015, the Authority issued Series 2015F Bonds and Series 2015G Bonds, in accordance with its refunding plan. The Swap agreement relating to the Series 2013D-1 Bonds with Wells Fargo Bank, N.A. was re-identified to the Series 2015F Bonds and the Swap agreement relating to the Series 2014B-1 Bonds with Wells Fargo Bank, N.A. was re-identified to the Series 2015G Bonds.

***(a) Risks***

Credit risk: The Authority is exposed to credit risk on derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the Authority’s policy to require counterparty collateral posting provisions in its derivative instruments. These terms require full collateralization of the fair value of derivative instruments in asset positions (net of the effect of applicable netting arrangements) should the counterparty’s credit rating fall below BBB-as issued by Standard & Poor’s or Baa3 as issued by Moody’s Investors Service. Collateral posted is to be in the form of U.S. Treasury securities held by a third-party custodian. All of the Authority’s derivative investments provide for the netting of the value of asset and liability positions with the same counterparty upon termination. There were no derivative instruments in asset positions as of December 31, 2015 and 2014, respectively.

Basis risk: The Authority is exposed to basis risk on its pay-fixed, receive-variable interest rate swaps that hedge its Series 2000B-G, 2013D and 2013E bonds because the variable-rate payments received by the Authority on these hedging derivative instruments generally are based on a rate or index other than interest rates the Authority pays on its hedged variable-rate debt, which is remarketed every 7 days. As of December 31, 2015 and 2014, the weighted average interest rate on the Authority’s hedged variable-rate debt is 0.53% and 0.34%, respectively, while 64.459% of USD LIBOR is 1.05% and 1.18%, respectively, 73.2% of one-month LIBOR is 0.25% and 0.12%, respectively, 63% of LIBOR plus 20 basis points is 0.46% and 0.30%, respectively.

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

***(b) Contingencies***

All of the Authority’s derivative instruments, except for the $101,765, $100,000, $25,000 and $48,235 notional value swaps that hedge the Series 2013E, Series 2014B, 2015G, and 2015H bonds, respectively, include provisions that require the Authority to post collateral in the event its credit rating falls below BBB as issued by Standard & Poor’s or Baa2 as issued by Moody’s Investors Service. For the Series 2013E, 2014B, 2015G and 2015H Swap Agreements only, the rating on the respective Series 2013E, Series 2014B, 2015G, and 2015H Bonds would have to drop below A2 from Moody’s, below A from S&P and below A from Fitch for any collateral posting requirements to be imposed upon the Authority under such agreements. The collateral posted is to be in the form of U.S. Treasury securities in the amount of the fair value of derivative instruments in liability positions. If the Authority does not post collateral, the derivative instrument may be terminated by the counterparty. As of December 31, 2015 and 2014, the aggregate fair value of all derivative instruments with these collateral posting provisions, based on their stated fixed rates, is approximately $220,118 and $246,322, respectively. If the collateral posting requirements were triggered as of December 31, 2015 and 2014, the Authority would be required to post $220,118 and $246,322, respectively, in collateral to its counterparties. The Authority's credit rating is A3 Moody's, A+ S&P and A Fitch; therefore, no collateral has been posted as of December 31, 2015 or 2014, respectively.

(Dollars shown in thousands)

### *(c) Hybrid Instrument Borrowings*

The interest rate swaps hedging the series noted below include fixed rates that were off-market at the execution of the interest rate swaps. For financial reporting purposes these interest rate swaps are considered hybrid instruments and are bifurcated between borrowings with an aggregate original amount of $138,508 and $151,214 as of December 31, 2015 and 2014, respectively, reflecting the difference between the fair value of the instrument at its execution and an interest rate swap with a fixed rate that was considered at-the-market at execution. Activity for the hybrid instrument borrowings for the years ended December 31, 2015 and 2014 was as follows:

| | December 31, 2014 | Additions | Reductions | December 31, 2015 | Current portion |
|---|---|---|---|---|---|
| Hybrid instrument borrowings: | | | | | |
| Series 2009 A | $ 5,421 | — | 5,421 | — | — |
| Series 2009 B | 3,654 | — | 3,654 | — | — |
| Series 2012 G | 6,611 | — | 6,611 | — | — |
| Series 2013 B | 18,089 | — | 4,488 | 13,601 | 4,511 |
| Series 2013 C1 | 22,075 | — | 5,481 | 16,594 | 5,506 |
| Series 2013 C2 | 27,385 | — | 6,797 | 20,588 | 6,830 |
| Series 2013 D | 40,113 | — | 17,921 | 22,192 | 58 |
| Series 2013 G | 6,833 | — | 6,833 | — | — |
| Series 2015A | — | 10,654 | — | 10,654 | 1,060 |
| Series 2015B | — | 6,621 | — | 6,621 | 655 |
| Series 2015C | — | 5,306 | — | 5,306 | 177 |
| Series 2015D | — | 5,314 | — | 5,314 | 177 |
| Series 2015F | — | 10,656 | — | 10,656 | 38 |
| | $ 130,181 | 38,551 | 57,206 | 111,526 | 19,012 |

| | December 31, 2013 | Additions | Reductions | December 31, 2014 | Current portion |
|---|---|---|---|---|---|
| Hybrid instrument borrowings: | | | | | |
| Series 2009 A | $ 6,103 | — | 682 | 5,421 | 699 |
| Series 2009 B | 4,111 | — | 457 | 3,654 | 469 |
| Series 2012 G | 7,492 | — | 881 | 6,611 | 891 |
| Series 2013 B | 21,335 | — | 3,246 | 18,089 | 4,488 |
| Series 2013 C1 | 26,345 | — | 4,270 | 22,075 | 5,481 |
| Series 2013 C2 | 32,298 | — | 4,913 | 27,385 | 6,797 |
| Series 2013 D | 42,387 | — | 2,274 | 40,113 | 3,754 |
| Series 2013 G | 6,738 | 487 | 392 | 6,833 | 647 |
| | $ 146,809 | 487 | 17,115 | 130,181 | 23,226 |

(Dollars shown in thousands)

The following table sets forth as of December 31, 2015, payments of principal and interest on the hybrid instrument borrowings for the next five years and thereafter. The total payments generally reflect the difference between the stated fixed rate of the hybrid instrument and the at-the-market fixed rate at the execution of the instrument.

| | | Principal | Interest | Total |
|---|---|---|---|---|
| December 31: | | | | |
| 2016 | $ | 19,012 | 444 | 19,456 |
| 2017 | | 24,389 | 874 | 25,263 |
| 2018 | | 24,560 | 702 | 25,262 |
| 2019 | | 7,644 | 529 | 8,173 |
| 2020 | | 7,737 | 436 | 8,173 |
| 2021–2024 | | 28,184 | 817 | 29,001 |
| | $ | 111,526 | 3,802 | 115,328 |

## (8) Debt Compliance

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

The net revenue requirement was met under test (i) and (ii) above for 2015 and 2014 as follows:

| | | 2015 | 2014 |
|---|---|---|---|
| (i): | | | |
| Net revenue available for Debt Service | $ | 1,218,845 | 1,166,909 |
| Less net revenue requirements computed under test (the sum of aggregate debt service, maintenance reserve, special project reserve and charges fund payments) | | (799,320) | (713,660) |
| Excess net revenue | $ | 419,525 | 453,249 |
| (ii): | | | |
| Net revenue available for Debt Service | $ | 1,218,845 | 1,166,909 |
| Less net revenue requirements computed under test (120% x aggregate debt service requirements of $661,426 and $608,896 in 2015 and 2014, respectively) | | (793,711) | (730,675) |
| Excess net revenue | $ | 425,134 | 436,234 |

The debt service coverage ratio (Net Revenue divided by Debt Service) was 1.84 and 1.92 in 2015 and 2014, respectively.

(Dollars shown in thousands)

## (9) Changes in Long-Term Liabilities

Long-term liability activity for the years ended December 31, 2015 and 2014 was as follows:

| | December 31, 2014 | Additions | Reductions | December 31, 2015 | Current portion |
|---|---|---|---|---|---|
| Bonds payable, net | $ 10,624,971 | 1,205,931 | (579,739) | 11,251,163 | 142,115 |
| Hybrid instrument borrowing | 130,181 | 38,551 | (57,206) | 111,526 | 19,012 |
| Other long-term obligations: | | | | | |
| Pollution remediation liability | 30,257 | 809 | (2,370) | 28,696 | 5,512 |
| Self-insurance | 29,947 | 63,869 | (34,471) | 59,345 | — |
| Arbitrage liability | 3,616 | — | (3,616) | — | — |
| Reserve for E-ZPass tag swap | 16,999 | 4,100 | — | 21,099 | — |
| Other liabilities | 2,839 | — | (53) | 2,786 | — |
| Reserves | 7,623 | 9,143 | (2,190) | 14,576 | — |
| Compensated absences | 19,134 | 18,165 | (18,611) | 18,688 | 3,945 |
| Other postemployment benefits | 319,906 | 55,958 | — | 375,864 | — |
| Interest rate swaps liabilities | 45,366 | 19,486 | (24,653) | 40,199 | — |
| Net pension liability | 366,300 | 68,715 | — | 435,015 | — |
| Total | $ 11,597,139 | 1,484,727 | (722,909) | 12,358,957 | 170,584 |

| | December 31, 2013 | Additions | Reductions | December 31, 2014 | Current portion |
|---|---|---|---|---|---|
| Bonds payable, net | $ 9,686,007 | 1,481,551 | (542,587) | 10,624,971 | 164,205 |
| Hybrid instrument borrowing | 146,809 | 487 | (17,115) | 130,181 | 23,226 |
| Other long-term obligations: | | | | | |
| Pollution remediation liability | 31,489 | 2,520 | (3,752) | 30,257 | 3,670 |
| Self-insurance | 28,748 | 11,304 | (10,105) | 29,947 | — |
| Arbitrage liability | 3,613 | 3 | — | 3,616 | — |
| Reserve for E-ZPass tag swap | 11,675 | 5,330 | (6) | 16,999 | — |
| Other liabilities | 2,834 | 242 | (237) | 2,839 | — |
| Reserves | 2,000 | 5,623 | — | 7,623 | — |
| Compensated absences | 18,765 | 18,869 | (18,500) | 19,134 | 4,184 |
| Other postemployment benefits | 282,847 | 37,059 | — | 319,906 | — |
| Interest rate swaps liabilities | 17,423 | 42,895 | (14,952) | 45,366 | — |
| Net pension liability | — | 366,300 | — | 366,300 | — |
| Total | $ 10,232,210 | 1,972,183 | (607,254) | 11,597,139 | 195,285 |

## (10) Pollution Remediation Obligations

The Authority accounts for its pollution remediation obligations (PRO) in accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. As a result, the Authority has recorded in the statements of net position a PRO liability in the amount of $28,696 and $30,257 as of December 31, 2015 and 2014, respectively. The Authority's PRO liability is measured based on the expected costs of future activities, estimating a reasonable range of potential outlays and multiplying those outlays by their probability of occurring. The estimate of the liability does not include cost components that are not yet reasonably measurable.

(Dollars shown in thousands)

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

| | | PRO at December 31 | |
|---|---|---|---|
| | | **2015** | **2014** |
| Right of Way | $ | 13,400 | 13,850 |
| Service areas | | 13,796 | 15,030 |
| Maintenance districts | | 974 | 932 |
| Toll facilities | | 430 | 395 |
| Other facilities | | 96 | 50 |
| Liability for pollution obligations remediation | $ | 28,696 | 30,257 |

## (11) Pension and Deferred Compensation

1) Plan description

Permanent full-time employees of the Authority are covered by the State of New Jersey Public Employees' Retirement System (PERS), a plan that has been characterized for financial accounting purposes as a cost-sharing multiple-employer defined benefit pension plan. PERS is a contributory defined-benefit plan established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage to substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not a member of another State administered retired system. Membership is mandatory and vesting occurs after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

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

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

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

(Dollars shown in thousands)

2) Benefits provided

A summary of the PERS eligibility requirements is as follows:

| | TIER 1<br>(Enrolled before<br>July 1, 2007) | TIER 2<br>(Eligible for enrollment on or after<br>July 1, 2007 and before November 2, 2008) | TIER 3<br>(Eligible for enrollment on or after<br>November 2, 2008 and on or before May 22, 2010) | TIER 4<br>(Eligible for enrollment after<br>May 22, 2010 and before June 28, 2011) | TIER 5<br>(Eligible for enrollment on or after<br>June 28, 2011) |
|---|---|---|---|---|---|
| ELIGIBILITY | Minimum base salary of $1,500 required for PERS Tier 1 enrollment. IRS Annual Compensation Limit on maximum salary generally apply ($265 for 2014, $255 for 2013, $250 for 2012; $245 for 2011, 2010, and 2009; $230 for 2008). | Minimum base salary of $2 required for PERS Tier 2 enrollment. PERS salary limited to Social Security maximum wage ($117 for 2014, $114 for 2013; $110 for 2012; $107 for 2011, 2010, and 2009; $102 for 2008). PERS members are eligible for participation in the Defined Contribution Retirement Program (DCRP) for salary over the maximum wage limit. | Minimum base salary required for PERS Tier 3 enrollment. ($8 for 2014, $8 for 2013; $8 for 2012; $8 for 2011 and 2010; $8 for 2009 and 2008; subject to adjustment in future years.) Employees with base salary between $5,000 and current minimum PERS Tier 3 salary are eligible for participation in the Defined Contribution Retirement Program (DCRP). PERS salary limited to Social Security maximum wage ($117 for 2014, $114 for 2013; $110 for 2012; $107 for 2011, 2010, and 2009; $102 for 2008). PERS members are eligible for participation in the DCRP for salary over the maximum wage limit. | PERS Tier 4 enrollment requires a minimum of 35 hours per week for State Employees, or 32 hours per week for Local Government or Local Education Employees. No minimum salary requirement. Employees who do not work the minimum required hours but who earn base salary of at least $5 are eligible for participation in the Defined Contribution Retirement Program (DCRP). PERS salary limited to Social Security maximum wage ($117 for 2014, $114 for 2013; $110 for 2012, $107 for 2011, 2010, and 2009; $102 for 2008). PERS members are eligible for participation in the DCRP for salary over the maximum wage limit. | PERS Tier 5 enrollment requires a minimum of 35 hours per week for State Employees, or 32 hours per week for Local Government or Local Education Employees. No minimum salary requirement. Employees who do not work the minimum required hours but who earn base salary of at least $5 are eligible for participation in the Defined Contribution Retirement Program (DCRP). PERS salary limited to Social Security maximum wage ($117 for 2014, $114 for 2013; $110 for 2012, $107 for 2011, 2010, and 2009; $102 for 2008). PERS members are eligible for participation in the DCRP for salary over the maximum wage limit. |
| SERVICE RETIREMENT | Minimum age of 60, no minimum service required. Annual Benefit = Years of Service ÷ 55 X Final Average (3 yrs.) Salary. | Minimum age of 60, no minimum service required. Annual Benefit = Years of Service ÷ 55 X Final Average (3 yrs.) Salary. | Minimum age of 62, no minimum service required. Annual Benefit = Years of Service ÷ 55 X Final Average (3 yrs.) Salary. | Minimum age of 62, no minimum service required. Annual Benefit = Years of Service ÷ 60 X Final Average (5 yrs.) Salary. | Minimum age of 65, no minimum service required. Annual Benefit = Years of Service ÷ 60 X Final Average (5 yrs.) Salary. |
| DEFERRED RETIREMENT | Collectible at age 60, at least 10 years of service required. Annual Benefit = Years of Service ÷ 55 X Final Average (3 yrs.) Salary | Collectible at age 60, at least 10 years of service required. Annual Benefit = Years of Service ÷ 55 X Final Average (3 yrs.) Salary. | Collectible at age 62, at least 10 years of service required. Annual Benefit = Years of Service ÷ 55 X Final Average (3 yrs.) Salary. | Collectible at age 62, at least 10 years of service required. Annual Benefit = Years of Service ÷ 60 X Final Average (5 yrs.) Salary. | Collectible at age 65, at least 10 years of service required. Annual Benefit = Years of Service ÷ 60 X Final Average (5 yrs.) Salary. |
| EARLY RETIREMENT | At least 25 years of service required. Annual Benefit = Years of Service ÷ 55 X Final Average (3 yrs.) Salary. No minimum age; however, if under age of 55, the benefit is reduced 3 percent per year (1/4 of 1 percent per month) for each year under age 55. | At least 25 years of service required. Annual Benefit = Years of Service ÷ 55 X Final Average (3 yrs.) Salary. No minimum age; however, if under age of 60, the benefit is reduced 1 percent per year (1/12 of 1 percent per month) for each year under age 60 but over age 55; and 3 percent per year (1/4 of 1 percent per month) for each year under age 55 | At least 25 years of service required. Annual Benefit = Years of Service ÷ 55 X Final Average (3 yrs.) Salary. No minimum age; however, if under age of 62, the benefit is reduced 1 percent per year (1/12 of 1 percent per month) for each year under age 62 but over age 55; and 3 percent per year (1/4 of 1 percent per month) for each year under age 55 | At least 25 years of service required. Annual Benefit = Years of Service ÷ 60 X Final Average (5 yrs.) Salary. No minimum age; however, if under age of 62, the benefit is reduced 1 percent per year (1/12 of 1 percent per month) for each year under age 62 but over age 55; and 3 percent per year (1/4 of 1 percent per month) for each year under age 55. | At least 30 years of service required. Annual Benefit = Years of Service ÷ 60 X Final Average (5 yrs.) Salary. No minimum age; however, if under age of 65, the benefit is reduced 3 percent per year (1/4 of 1 percent per month) for each year under age 65. |
| VETERAN RETIREMENT | At least 25 years of service at age 55 or older; or at least 20 years of service at age 60 or older. Annual Benefit = 54.5 percent X last year or highest 12 months of salary; or At least 35 years of service at age 55 or older. Annual Benefit = Years of Service ÷ 55 X Highest 12 Months of Salary. | At least 25 years of service at age 55 or older; or at least 20 years of service at age 60 or older. Annual Benefit = 54.5 percent X last year or highest 12 months of salary; or At least 35 years of service at age 55 or older. Annual Benefit = Years of Service ÷ 55 X Highest 12 Months of Salary. | At least 25 years of service at age 55 or older; or at least 20 years of service at age 60 or older. Annual Benefit = 54.5 percent X last year or highest 12 months of salary; or At least 35 years of service at age 55 or older. Annual Benefit = Years of Service ÷ 55 X Highest 12 Months of Salary. | At least 25 years of service at age 55 or older; or at least 20 years of service at age 60 or older. Annual Benefit = 54.5 percent X last year or highest 12 months of salary; or At least 35 years of service at age 55 or older. Annual Benefit = Years of Service ÷ 55 X Highest 12 Months of Salary. | At least 25 years of service at age 55 or older; or at least 20 years of service at age 60 or older. Annual Benefit = 54.5 percent X last year or highest 12 months of salary; or At least 35 years of service at age 55 or older. Annual Benefit = Years of Service ÷ 55 X Highest 12 Months of Salary. |
| ORDINARY DISABILITY RETIREMENT | If approved: Annual benefit = 43.6 percent X Final Average (3 yrs.) Salary. | If approved: Annual benefit = 43.6 percent X Final Average (3 yrs.) Salary. | If approved: Annual benefit = 43.6 percent X Final Average (3 yrs.) Salary. | PERS Tier 4 members may be eligible for Disability Insurance Coverage. | PERS Tier 5 members may be eligible for Disability Insurance Coverage. |
| ACCIDENTAL DISABILITY RETIREMENT | If approved: Annual Benefit = 72.7 percent X Annual Salary at time of accident. | If approved: Annual Benefit = 72.7 percent X Annual Salary at time of accident. | If approved: Annual Benefit = 72.7 percent X Annual Salary at time of accident. | Not Applicable | Not Applicable |

3) Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For Fiscal year 2015 and 2014, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Covered Authority employees are required to contribute a percentage of their salary toward their pension benefits. P.L. 2011, c78, effective June 28, 2011, increased the active member contribution rate from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years. The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law. Employee contributions were $9,089 and $9,083 for the years ended December 31, 2015 and 2014, respectively. The percentage of employee's contribution rate as a percentage of covered payroll for 2015 and 2014 was 7.0%, and 6.9%, respectively. The payroll subject to pension for the Authority's employees covered by PERS was $130,000 and $132,600 for the years ended December 31, 2015 and 2014, respectively. The Authority's total payroll for the years ended December 31, 2015 and 2014 was approximately $162,000 and $163,900, respectively.

The Authority is required by statute to contribute to the employee's pension benefits based on an annual actuarial calculation. The valuation is a determination of the financial condition of the retirement system. The PERS employer pension contribution rates were 11.92% and 10.92% for the years ended December 31, 2015 and 2014, respectively. The Authority's required annual contributions to the PERS were $16,660 and $16,129 for the years ended December 31, 2015 and 2014, respectively, and are included in the accompanying financial statements. The percentage of employer's contribution rate as a percentage of covered payroll for 2015 and 2014 was 10.28% and 9.84%, respectively. The Authority's required annual contributions represent less than 2% of total contributions by municipalities and local groups to the PERS.

Pension expense recognized in accordance with the requirements of GASB 68 was $27,077 and $18,011 at December 31, 2015 and 2014, respectively.

(Dollars shown in thousands)

4) Net Pension Liability and Deferred Outflows/Inflows of Resources Related to Pensions

At December 31, 2015 and 2014, the Authority reported a liability of $435,015 and $366,300, respectively, for its proportionate share of the collective PERS net pension liability. The net pension liability was measured as of June 30, 2015 and June 30, 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 and July 1, 2013, respectively with amounts rolled forward to the measurement date using update procedures. At June 30, 2015, the Authority's proportion was 1.94%, which was a decrease of 0.02% from 1.96% which was the Authority's proportion measured as of June 30, 2014. The employer allocation percentages are based on the ratio of the contributions of an individual employer to the total contributions to PERS during the measurement period. At December 31, 2015 and 2014, respectively, the Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | **Deferred outflows of resources** | **Deferred inflows of resources** | **Deferred outflows of resources** | **Deferred inflows of resources** |
| Differences between expected and actual experience | $ 10,378 | — | — | — |
| Net difference between projected and actual earnings on pension plan investments | — | 6,994 | — | 21,830 |
| Changes in employer proportion | — | 6,661 | — | 4,546 |
| Changes in assumptions | 46,717 | — | 11,518 | — |
| Employer contribution made subsequent to the measurement date | 8,331 | — | 8,331 | — |
| Total | $ 65,426 | 13,655 | 19,849 | 26,376 |

Included in deferred outflows of resources related to pensions at December 31, 2015 and 2014 is $8,331 from contributions made by the Authority subsequent to the respective measurement date that will be recognized as a reduction of the net pension liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | 2015 | 2014 |
|---|---|---|
| Year ended June 30: | | |
| 2015 | $ — | (3,340) |
| 2016 | 9,121 | (3,340) |
| 2017 | 9,121 | (3,340) |
| 2018 | 9,121 | (3,340) |
| 2019 | 14,526 | 2,117 |
| 2020 | 8,212 | 931 |
| Total | $ 50,101 | (10,312) |

(Dollars shown in thousands)

5) Significant Assumptions and Other Inputs Used to Measure Total Pension Liability

The total pension liability for the June 30, 2015 and 2014 measurement date was determined by an actuarial valuation as of July 1, 2014 and 2013, respectively, which was rolled forward to June 30, 2015 and 2014, respectively, using update procedures. The respective actuarial valuations used the following actuarial assumptions.

| | 2015 | 2014 |
|---|---|---|
| Inflation rate | 3.04% | 3.01% |
| Salary increases: | | |
| 2012–2021 | 2.15–4.40% based on age | 2.15–4.40% based on age |
| Thereafter | 3.15–5.40% based on age | 3.15–5.40% based on age |
| Investment rate of return | 7.90% | 7.90% |

For the July 1, 2014 valuation, mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees. For the July 1, 2013 valuation, mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2014 and 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger is the impact on future financial statements.

*(a) Long-Term Expected Rate of Return*

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015 and 2014) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 and 2014 are summarized in the following table:

(Dollars shown in thousands)

| | 2015 | | 2014 | |
|---|---|---|---|---|
| **Asset class** | **Target allocation** | **Long-term expected real rate of return** | **Target allocation** | **Long-term expected real rate of return** |
| Cash | 5.00% | 1.04% | 6.00% | 0.80% |
| U.S. Treasuries | 1.75 | 1.64 | — | — |
| Investment Grade Credit | 10.00 | 1.79 | — | — |
| Mortgages | 2.10 | 1.62 | 2.50 | 2.17 |
| High Yield Bonds | 2.00 | 4.03 | 5.50 | 4.82 |
| Inflation-Indexed Bonds | 1.50 | 3.25 | 2.50 | 3.51 |
| Broad U.S. Equities | 27.25 | 8.52 | 25.90 | 8.22 |
| Developed Foreign Equities | 12.00 | 6.88 | 12.70 | 8.12 |
| Emerging Market Equities | 6.40 | 10.00 | 6.50 | 9.91 |
| Private Equity | 9.25 | 12.41 | 8.25 | 13.02 |
| Hedge Funds/Absolute Return | 12.00 | 4.72 | 12.25 | 4.92 |
| Real Estate (Property) | 2.00 | 6.83 | 3.20 | 5.80 |
| Commodities | 1.00 | 5.32 | 2.50 | 5.35 |
| Global Debt ex US | 3.50 | (0.40) | — | — |
| REIT | 4.25 | 5.12 | — | — |
| Core Bonds | — | — | 1.00 | 2.49 |
| Intermediate-Term Bonds | — | — | 11.20 | 2.26 |

*(b) Discount Rate*

The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer 20-Bond GO Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

(Dollars shown in thousands)

*(c) Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the Authority's proportionate share of the net pension liability of the participating employers as of June 30, 2015 and 2014, respectively, calculated using the discount rate as disclosed above as well as what the proportionate net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

| | 1% Decrease | Current discount rate | 1% Increase |
|---|---|---|---|
| 2015 (3.90%, 4.90%, and 5.90%) | 540,670 | 435,015 | 346,434 |
| 2014 (4.39%, 5.39%, and 6.39%) | 460,817 | 366,300 | 286,929 |

PERS issues a stand-alone financial report that is available to the public. The report may be accessed via the State of New Jersey's website at: http://www.state.nj.us/treasury/pensions/pdf/financial/gasb68-pers16.pdf

**Deferred Compensation Plan**

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

**(12) Other Postemployment Benefits**

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

The Authority currently funds the cost to provide postemployment benefits on a pay-as-you-go basis. For the years ended December 31, 2015 and 2014, approximately 202 and 162 retirees, respectively, contributed to their healthcare cost, in accordance with the provisions of agreements in effect at the time of their retirement and P.L. 2011, c.78, effective June 28, 2011.

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

(Dollars shown in thousands)

As required by the accounting standards of GASB 45, the Authority must report costs associated with "other postemployment benefits" (OPEB). OPEB costs are actuarially calculated based on benefits that current and retired employees have accrued as a result of years of service. The Standard sets the method for determining the Authority's postemployment benefits accrual, the Annual Required Contribution (ARC), to include both the value of benefits earned during the year (Normal Cost) and an amortizing of the unfunded actuarial accrued liability over a period not to exceed thirty years. The unfunded actuarial accrued liability is amortized using a level percentage of payroll for a period of 30 years with assumed payroll increases of 3% per year.

The following table shows the components of the Authority's annual OPEB cost as of December 31, 2015 and 2014:

| | | December 31 | |
|---|---|---|---|
| | | **2015** | **2014** |
| Annual required contribution (ARC) | $ | 100,099 | 75,545 |
| Interest on net OPEB obligation | | 12,796 | 9,836 |
| Adjustment to annual required contribution | | (12,713) | (9,745) |
| Total annual OPEB cost (AOC) | | 100,182 | 75,636 |
| Contributions made | | 44,224 | 38,577 |
| Increase in net OPEB obligation | | 55,958 | 37,059 |
| Net OPEB obligation, beginning of year | | 319,906 | 282,847 |
| Net OPEB obligation, end of year | $ | 375,864 | 319,906 |

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation (NOO) the for years ending December 31, 2015, 2014 and 2013, respectively, were as follows:

| **Year ending** | | **Annual OPEB cost** | **Percentage of annual OPEB cost contributed*** | | **Net OPEB obligation** |
|---|---|---|---|---|---|
| December 31, 2015 | $ | 100,182 | 44.1% | $ | 375,864 |
| December 31, 2014 | | 75,636 | 51.0 | | 319,906 |
| December 31, 2013 | | 75,608 | 50.2 | | 282,847 |

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

The covered payroll (annual payroll of active employees covered by the plan) was $128,816, and the ratio of the UAAL to covered payroll was 1106%.

At January 1, 2015, the actuarial accrued liability (AAL) for postemployment benefits earned was approximately $1,425,000, based on certain actuarial methods and assumptions. Since this liability has not been pre-funded as of the valuation date, the unfunded actuarial accrued liability (UAAL) was $1,425,000. The AAL represents approximately 75% of the present value of all projected benefits.

At the January 28, 2014 Board of Commissioners Meeting, the Authority approved a plan to establish an Internal Revenue Code (IRC) Section 115 Trust to hold employer contributions for other post-retirement benefits (OPEB) obligations. The plan approved by the Board of

Commissioners includes (1) the establishment of an OPEB Committee comprised of Authority personnel, (2) the issuance of Request For Proposals for an institutional trustee and an investment manager/advisor for the plan assets, (3) the development of an OPEB Trust agreement with outside counsel, (4) obtaining a private letter ruling from the Internal Revenue Service, and (5) obtaining all necessary legal opinions from outside general counsel and bond counsel. As of December 31, 2015, the trust has not been established

The actuarial valuation date is January 1, 2015. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

***Actuarial Methods and Assumptions***

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

For the most recent actuarial valuation dated January 1, 2015, the projected unit credit cost method was used as the actuarial cost method. The actuarial assumptions included an investment rate of return of 4%, and an annual healthcare cost trend rate of 9.5% medical and grading down to an ultimate rate of 5% after 9 years. For prescription drug benefits, the initial trend rate is 10.5%, decreasing to a 5.0% long-term trend rate after 11 years. For Medicare Part B reimbursement, the trend rate is 5.0% and for dental benefits the trend is 3.0%. The amortization method used was the level percentage of payroll, for a period of 30 years, with an assumption that payroll increases by 3% per year.

The unfunded actuarial accrued liability (UAAL) as of January 1, 2015 is approximately $1,425,271, an increase of $334,109 from the prior valuation UAAL of $1,091,162. This increase is due to the demographic changes since last valuation, changes in premium rates on which the retiree contributions are based, changes in demographic assumptions, and changes in per capita claims and trends reflecting more recent claims experience and future expectations.

The annual OPEB cost increased to $100,182 for the year ended December 31, 2015 from $75,636 for the year ended December 31, 2014. The increase is due to increase in normal cost as compared to prior valuation period, increase in amortization of UAAL and additional adjustments for timing differences between cash and accrual accounting, to prevent double counting of OPEB plan costs.

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information as of January 1, 2015 and whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(Dollars shown in thousands)

## (13) Risk Management and Self-Insurance

The New Jersey Turnpike Authority maintains a comprehensive insurance program, which affords various coverage including but not limited to, excess liability (general, automobile, and police professional), excess workers compensation, bridge and property insurance, employee medical benefits, public officials liability, employment practices, commercial crime, cyber liability, and owner controlled insurance programs (OCIP). The following table provides the amount of deductible and/or self-insurance retention amounts and frequency in 2015 and 2014 for select coverages:

| Type of insurance coverage | | Deductible/retention |
|---|---|---|
| Excess Liability (general liability) | $ | 2,000 per occurrence ($3,000 aggregate) |
| Excess Liability (automobile liability) | | 5,000 per occurrence (2014 and 2015) |
| Excess Liability (State police) | | 2,000 per occurrence |
| Bridge and Property | | 2,000 per occurrence |
| Commercial Crime | | 50 per occurrence |
| Cyber Insurance | | 250 per occurrence |
| Employee Medical Benefits | | 350 per claimant |
| Public Official and Employment Practices Liability | | 500 per occurrence |
| Professional Liability Insurance Architects & Engineers | | 100 for Project value up to 50,000 and 250 |
| Excess Workers Compensation | | 1,250 per occurrence |
| OCIP (Interchange 6–9 Widening Project – general and workers compensation) | | 500 per occurrence |
| OCIP (other construction projects – general and workers compensation) | | 500 per occurrence |

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

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

(Dollars shown in thousands)

Claim liabilities are recorded when it is probable that a loss occurred and the amount of that loss can be reasonably estimated. The liabilities include a provision for case reserves as well as incurred but not reported and future development of known cases. The following tables present the changes in claims liabilities for the years ended December 31, 2015 and 2014:

| | December 31, 2014 | Change in estimate | Payments | December 31, 2015 |
|---|---|---|---|---|
| General liability | $ 3,356 | 523 | (523) | 3,356 |
| Auto liability | 777 | 57 | (57) | 777 |
| Workers' compensation | 25,814 | 5,722 | (5,722) | 25,814 |
| Owner controlled insurance program (OCIP) | — | 57,568 | (28,170) | 29,398 |
| Total | $ 29,947 | 63,870 | (34,472) | 59,345 |

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

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

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

(Dollars shown in thousands)

The condensed statements of net position and statements of revenues, expenses, and changes in net position of the Foundation as of and for the years ended December 31, 2015 and 2014 are as follows:

**Summary of Net Position**

| **Assets** | | **2015** | **2014** |
|---|---|---|---|
| Current assets | $ | 739 | 975 |
| Total assets | $ | 739 | 975 |
| **Liabilities** | | | |
| Liabilities | $ | 2 | — |
| Total liabilities | $ | 2 | — |
| **Net Position** | | | |
| Net position: | | | |
| Expendable – restricted by donor agreements | $ | — | 75 |
| Unrestricted | | 737 | 900 |
| Total net position | $ | 737 | 975 |

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

| | | **2015** | **2014** |
|---|---|---|---|
| Operating revenues | $ | 531 | 524 |
| Operating expenses | | 774 | 665 |
| Operating loss | | (243) | (141) |
| Nonoperating revenues | | 5 | 2 |
| Decrease in net position | | (238) | (139) |
| Net position as of beginning of year | | 975 | 1,114 |
| Net position as of end of year | $ | 737 | 975 |

## (15) Litigation

The Authority is a party to various legal actions and regulatory reviews arising in the ordinary course of its operations which includes investigation, remediation of existing and projected action level environmental conditions. The Authority is contingently liable under pending lawsuits and claims, relating principally to construction programs and personal injury claims, in which the Authority is named a defendant. The Authority believes the aggregate liability of the Authority under such actions, if adversely determined, would not materially adversely affect the financial position of the Authority and sufficient funds are expected to be available to satisfy any payments required in connection therewith.

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

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

## (16) Commitments and Contingent Liabilities

The Authority has open commitments related to construction contracts totaling approximately $1,175,668 and $1,411,224 as of December 31, 2015 and 2014, respectively. This work relates to the Authority's $7 billion Capital Improvement Program and will be completed over the next several years.

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

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

The Authority also made annual payments to the state of $8,001 in 2015 and 2014 for feeder road maintenance provided by the New Jersey Department of Transportation. The current agreement expires on June 30, 2016 and is expected to be renewed annually.

On September 23, 2015, the Authority has entered into a lease agreement (with an option for purchase) for a new office building located at 1 Hess Plaza. By entering into this lease agreement, this allows the Authority to house its entire administrative staff in one location. The Authority will begin renting the property for 2 years beginning on February 1, 2017 and then the Authority can purchase the property.

## (17) Subsequent Events

On February 2, 2016, the Authority issued $149,995 of Series 2016A Bonds to refund the Series 2004B Bonds. The bonds bear interest at fixed rates from 3.125% to 5.0%, and mature from January 1, 2031 to January 1, 2035. The interest on the Series 2016A Bonds is paid semi-annually. The refunding resulted in approximately $29,000 in net present value savings from cash flow.

On June 28, 2016, the Authority's Board of Commissioners authorized the Authority to enter into a State Transportation Projects Funding Agreement ("Funding Agreement") with the Treasurer of the State of New Jersey. Under the Funding Agreement, the Authority will make annual payments to the State of New Jersey to be used for statewide transportation purposes for a five year period beginning on July 1, 2016 and ending on June 30, 2021. The Authority will make annual payments, payable quarterly, of $204,000 per year in state fiscal years 2017 and 2018, and $129,000 per year in state fiscal years 2019, 2020, and 2021. The total payments over the five-year period will be $795,000, nearly half of the total payments required under the expiring agreement. Payments are to be made only from legally available revenues in the General Reserve Fund, and are subordinate to the payments required to be made to the Authority's bondholders and all other payments required to be made under the Authority's General Bond Resolution. The Board of Commissioners also authorized the Authority to enter into a Feeder Road Maintenance and Cost Sharing Agreement with the State for the period July 1, 2016 through June 30, 2023, a term of seven years. Under the terms of the new Feeder Road Agreement, the State will continue to reconstruct, maintain and repair 280 miles of feeder roads leading to 20 interchanges on the New Jersey Turnpike and 36 interchanges on the Garden State Parkway. The Authority will reimburse the State on an annual basis, payable quarterly, $8,000 in state fiscal year 2017, $5,000 in state fiscal year 2018, $4,000 in state fiscal year 2019, $2,750 in state fiscal year 2020, and $2,500 per year in state fiscal years 2021, 2022 and 2023, for a total of $27,250 over the seven year term. If the payments had remained at the current contractual amount of $8,000 per year, the Authority would have paid $56,000 over the seven year term of the new Feeder Road Agreement. Thus, the new Feeder Road Agreement represents a reduction of $28,750 from the current Feeder Road Agreement.

On June 28, 2016, the Authority's Board of Commissioners rescinded its prior approval from August 2009, under Agenda Item No. 195-09, to enter into a multi-party Memorandum of Agreement (MOA) with the Port Authority of New York and New Jersey, New Jersey Department of Transportation (NJDOT), City of Elizabeth, and County of Union to address the funding of roadway improvements along North Avenue in the vicinity of New Jersey Turnpike Interchange 13A. The MOA was to include a financial contribution by the Authority in the amount of $45,000, payable annually at $4,500 per year for a ten-year period with payments to be made from the Authority's General Reserve Fund. The MOA was never executed by the parties because the project has not advanced. Authority staff has been informed that the project has been removed from the NJDOT's current capital plan. If the project becomes active in the future, the State has agreed to relieve the Authority of any financial obligation. The Authority had included a $4,500 payment in its 2016 General Reserve Fund spending budget in the event the MOA was executed this year, and has included the $4,500 annual payment from its General Reserve Fund in each of the subsequent years as part of its Financial Plan projections. By rescinding this authorization, the Authority will save $45,000 over a 10 year period beginning in calendar 2016.

**Schedule 1**

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

Required Supplementary Information (Unaudited)

Schedule of Funding Progress – Other Postemployment Benefits Plan

December 31, 2015

(In thousands)

| Valuation date | | Actuarial value of assets (a) | Actuarial accrued liability – projected unit credit (b) | Unfunded actuarial accrued liability (b)–(a) | Funded ratio (a)/(b) | Covered payroll (c) | Unfunded actuarial accrued liability as a percentage of covered payroll ((b) – (a))/(c) |
|---|---|---|---|---|---|---|---|
| 01/01/2011 | $ | — | 1,218,806 | 1,218,806 | — | 157,396 | 774% |
| 01/01/2013 | | — | 1,091,162 | 1,091,162 | — | 110,791 | 985 |
| 01/01/2015 | | — | 1,425,271 | 1,425,271 | — | 128,816 | 1,106 |

See accompanying independent auditors' report.

**Schedule 2**

**NEW JERSEY TURNPIKE AUTHORITY**

(A Component Unit of the State of New Jersey)

Required Supplementary Information (Unaudited)

Schedules of Proportionate Share, Employer Contributions and Notes

State of New Jersey Public Employees' Retirement System

December 31, 2015

(In thousands)

### Schedule of Proportionate Share of Net Pension Liability at June 30 (measurement date)

| | | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| Proportion of net pension liability – Local Group | | 1.9379% | 1.9564% | 1.9846% |
| Proportion of net pension liability – Total Plan | | 1.5352 | 1.6194 | 1.4164 |
| Proportionate share of net pension liability | $ | 435,015 | 366,300 | 379,299 |
| Covered-employee payroll (approximate) | | 162,000 | 163,900 | 162,500 |
| Proportionate share of net pension liability as a percentage of covered-employee payroll | | 268.53% | 223.49% | 233.41% |
| Plan fiduciary net position as a percentage of total pension liability | | 38.21% | 42.74% | 40.71% |

### Schedule of Employer Contributions

| | | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| Contractually required contributions | $ | 16,660 | 16,129 | 14,954 |
| Contributions in relation to the contractually required contributions | | 16,660 | 16,129 | 14,954 |
| Contribution deficiency (excess) | $ | — | — | — |
| Covered-employee payroll (approximate) | | 162,000 | 163,900 | 162,500 |
| Contributions as a percentage of covered-employee payroll | | 10.28% | 9.84% | 9.20% |

### Notes

Changes in benefit terms – There were no significant changes in benefits for the July 1, 2014 and 2013 actuarial valuation used to determine required contributions.

Changes in assumptions – There were no significant changes in assumptions except for the annual change in the discount rate to 4.90% from 5.39% for the July 1, 2014 and 2013 actuarial valuation used to determine required contribution.

See accompanying independent auditors' report.

Schedule 3

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

Schedule of Net Position – Reconciliation of Bond Resolution to GAAP

December 31, 2015
(With summarized comparative financial information as of December 31, 2014)

(In thousands)

| Assets | Revenue | Construction | Maintenance reserve | Special project reserve | General reserve | Charges | Debt service | Debt reserve | Total bond resolution | Garden State Arts Foundation | GAAP Adjustments | Total 2015 GAAP Financials | Total 2014 GAAP Financials |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Current assets: | | | | | | | | | | | | | |
| Cash | $ 163,780 | — | 5,543 | 2,682 | 3,145 | — | — | — | 175,150 | 739 | — | 175,889 | 202,456 |
| Restricted cash | — | 97,265 | — | — | — | 83 | 63,883 | — | 161,231 | — | — | 161,231 | 87,276 |
| Investments (1) | 258,274 | — | 24,284 | 54,389 | 254,186 | — | — | — | 591,133 | — | — | 591,133 | 502,669 |
| Restricted investments | — | — | — | — | — | — | 338,739 | 151,063 | 489,802 | — | — | 489,802 | 569,949 |
| Receivables, net of allowance | 69,884 | — | — | — | 12,405 | — | — | — | 82,289 | — | — | 82,289 | 56,180 |
| Restricted receivables | — | — | — | — | — | — | — | — | — | — | — | — | 75 |
| Inventory | 20,105 | — | — | — | — | — | — | — | 20,105 | — | — | 20,105 | 20,474 |
| Due from State of New Jersey | — | — | — | — | 560 | — | — | — | 560 | — | — | 560 | 508 |
| Restricted deposits | 2,420 | 2,428 | — | — | 22,312 | — | — | — | 27,160 | — | — | 27,160 | 25,336 |
| Prepaid expenses | 4,077 | — | — | — | — | — | — | — | 4,077 | — | — | 4,077 | 3,943 |
| Interfund | (140,570) | 10,235 | 72 | 33 | 132,507 | — | (405) | (1,872) | — | — | — | — | — |
| Total current assets | 377,970 | 109,928 | 29,899 | 57,104 | 425,115 | 83 | 402,217 | 149,191 | 1,551,507 | 739 | — | 1,552,246 | 1,468,866 |
| Noncurrent assets: | | | | | | | | | | | | | |
| Restricted investments | — | 843,685 | — | — | — | — | — | 439,720 | 1,283,405 | — | (93,175) | 1,190,230 | 1,164,147 |
| Capital assets, net of accumulated depreciation | — | 10,213,622 | 339,231 | 74,715 | 144,125 | — | — | — | 10,771,693 | — | 29,398 | 10,801,091 | 10,033,353 |
| Total noncurrent assets | — | 11,057,307 | 339,231 | 74,715 | 144,125 | — | — | 439,720 | 12,055,098 | — | (63,777) | 11,991,321 | 11,197,500 |
| Total assets | $ 377,970 | 11,167,235 | 369,130 | 131,819 | 569,240 | 83 | 402,217 | 588,911 | 13,606,605 | 739 | (63,777) | 13,543,567 | 12,666,366 |
| **Deferred Outflows** | | | | | | | | | | | | | |
| Deferred outflows: | | | | | | | | | | | | | |
| Accumulated decrease in fair value of hedging derivatives | $ — | — | — | — | — | — | — | — | — | — | 4,807 | 4,807 | 6,067 |
| Deferred amount on refunding | — | 43,971 | — | — | — | — | — | — | 43,971 | — | 105,726 | 149,697 | 162,311 |
| Deferred amount relating to pensions | — | — | — | — | — | — | — | — | — | — | 65,426 | 65,426 | 19,849 |
| Total deferred outflows | $ — | 43,971 | — | — | — | — | — | — | 43,971 | — | 175,959 | 219,930 | 188,227 |
| **Liabilities** | | | | | | | | | | | | | |
| Current liabilities: | | | | | | | | | | | | | |
| Accounts payable and accrued expenses | $ 48,570 | 97,336 | 8,275 | 5,327 | 3,269 | — | — | — | 162,777 | 2 | 24,482 | 187,261 | 167,657 |
| Funds held in trust | 205,831 | 31,350 | 1,518 | 868 | 635 | — | — | — | 240,202 | — | — | 240,202 | 216,773 |
| Due to State of New Jersey | 2,683 | — | — | — | — | — | — | — | 2,683 | — | — | 2,683 | 2,594 |
| Accrued interest payable | — | — | — | — | — | — | 260,102 | — | 260,102 | — | — | 260,102 | 255,972 |
| Unearned revenue | 4,801 | — | — | — | 37,546 | — | — | — | 42,347 | — | — | 42,347 | 50,467 |
| Current portion of bonds payable | — | 142,115 | — | — | — | — | — | — | 142,115 | — | — | 142,115 | 164,205 |
| Current portion of hybrid instrument borrowing | — | — | — | — | — | — | — | — | — | — | 19,012 | 19,012 | 23,226 |
| Current portion of other long-term liabilities | — | — | — | — | 150 | — | — | — | 150 | — | 9,307 | 9,457 | 7,854 |
| Total current liabilities | 261,885 | 270,801 | 9,793 | 6,195 | 41,600 | — | 260,102 | — | 850,376 | 2 | 52,801 | 903,179 | 888,748 |
| Noncurrent liabilities: | | | | | | | | | | | | | |
| Bonds payable, net | — | 11,109,048 | — | — | — | — | — | — | 11,109,048 | — | — | 11,109,048 | 10,460,766 |
| Hybrid instrument borrowing | — | — | — | — | — | — | — | — | — | — | 92,514 | 92,514 | 106,955 |
| Other long-term obligations | 31,427 | — | — | — | 21,604 | — | — | — | 53,031 | — | 82,702 | 135,733 | 102,561 |
| Other postemployment benefit liability | — | — | — | — | 60,825 | — | — | — | 60,825 | — | 315,039 | 375,864 | 319,906 |
| Interest rate swaps liabilities | — | — | — | — | — | — | — | — | — | — | 40,199 | 40,199 | 45,366 |
| Net pension liability | — | — | — | — | — | — | — | — | — | — | 435,015 | 435,015 | 366,300 |
| Total noncurrent liabilities | 31,427 | 11,109,048 | — | — | 82,429 | — | — | — | 11,222,904 | — | 965,469 | 12,188,373 | 11,401,854 |
| Total liabilities | $ 293,312 | 11,379,849 | 9,793 | 6,195 | 124,029 | — | 260,102 | — | 12,073,280 | 2 | 1,018,270 | 13,091,552 | 12,290,602 |
| **Deferred Inflows** | | | | | | | | | | | | | |
| Deferred inflows: | | | | | | | | | | | | | |
| Deferred amount relating to pensions | $ — | — | — | — | — | — | — | — | — | — | 13,655 | 13,655 | 26,376 |
| Total deferred inflows | $ — | — | — | — | — | — | — | — | — | — | 13,655 | 13,655 | 26,376 |
| **Net Position** | | | | | | | | | | | | | |
| Net position: | | | | | | | | | | | | | |
| Net investment in capital assets | $ — | (177,072) | 339,231 | 74,715 | 144,125 | — | — | 588,911 | 969,910 | — | (111,526) | 858,384 | 710,972 |
| Restricted under trust agreements | — | — | — | — | 22,313 | 83 | 142,115 | — | 164,511 | — | — | 164,511 | 183,764 |
| Unrestricted | 84,658 | 8,429 | 20,106 | 50,909 | 278,773 | — | — | — | 442,875 | 737 | (808,217) | (364,605) | 40,188 |
| GASB 68 adoption | — | — | — | — | — | — | — | — | — | — | — | — | (397,309) |
| Total net position | $ 84,658 | (168,643) | 359,337 | 125,624 | 445,211 | 83 | 142,115 | 588,911 | 1,577,296 | 737 | (919,743) | 658,290 | 537,615 |

(1) Included in investments above at December 31, 2015 is \$37,363 the Authority has designated as reserved for national toll interoperability requirements under Federal Law P.L. 112-131, the Moving Ahead for Progress in the 21st Century Act (Map-21) (\$10,500), reconstruction of the Grover Cleveland Service Area (\$5,075), widening of New Jersey Turnpike Interchanges 6-9 (\$20,000) and emergency maintenance work (\$1,788). In 2015 there were reductions in investments for Emergency Maintenance by \$5,712 and Grover Cleveland Service Area by \$3,684, for a total of \$ 9,396.

See accompanying independent auditors' report.

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

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

Year ended December 31, 2015
(With summarized comparative financial information for the year ended December 31, 2014)

(In thousands)

| | Revenue | Construction | Maintenance reserve | Special project reserve | General reserve | Charges | Debt service | Debt reserve | Total bond resolution | Garden State Arts Foundation | GAAP Adjustments | Total 2015 GAAP Financials | Total 2014 GAAP Financials |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Operating revenues: | | | | | | | | | | | | | |
| Toll revenue | $ 1,523,133 | — | — | — | — | — | — | — | 1,523,133 | — | — | 1,523,133 | 1,445,748 |
| E-ZPass fees | 56,262 | — | — | — | — | — | — | — | 56,262 | — | — | 56,262 | 52,773 |
| Concession revenue | 38,993 | — | — | — | — | — | — | — | 38,993 | — | — | 38,993 | 36,842 |
| Miscellaneous revenue | 13,104 | — | — | — | — | — | — | — | 13,104 | 531 | — | 13,635 | 14,377 |
| Total operating revenues | 1,631,492 | — | — | — | — | — | — | — | 1,631,492 | 531 | — | 1,632,023 | 1,549,740 |
| Operating expenses: | | | | | | | | | | | | | |
| Maintenance of roadway, buildings and equipment | 201,129 | — | 6,337 | 11,644 | 29,291 | — | — | — | 248,401 | — | 19,600 | 268,001 | 245,269 |
| Toll collection | 157,558 | — | — | 82 | 7,085 | — | — | — | 164,725 | — | 7,899 | 172,624 | 168,898 |
| State police and traffic control | 78,290 | — | — | 569 | 1,374 | — | — | — | 80,233 | — | 1,774 | 82,007 | 76,469 |
| Technology | 28,629 | — | — | 1,808 | 2,579 | — | — | — | 33,016 | — | 3,388 | 36,404 | 30,936 |
| General administrative costs | 37,847 | — | — | 206 | 7,063 | — | — | — | 45,116 | 774 | 4,624 | 50,514 | 43,353 |
| Depreciation | — | 274,991 | 22,563 | 7,988 | 10,835 | — | — | — | 316,377 | — | — | 316,377 | 201,001 |
| Total operating expenses | 503,453 | 274,991 | 28,900 | 22,297 | 58,227 | — | — | — | 887,868 | 774 | 37,285 | 925,927 | 765,926 |
| Operating income (loss) | 1,128,039 | (274,991) | (28,900) | (22,297) | (58,227) | — | — | — | 743,624 | (243) | (37,285) | 706,096 | 783,814 |
| Nonoperating revenues (expenses): | | | | | | | | | | | | | |
| Build America Bonds subsidy | 75,908 | — | — | — | — | — | — | — | 75,908 | — | — | 75,908 | 75,745 |
| Payments to the State of New Jersey | — | — | — | — | (354,001) | — | — | — | (354,001) | — | — | (354,001) | (354,001) |
| Interest expense, Turnpike Revenue Bonds | — | (17,754) | — | — | — | — | (519,311) | — | (537,065) | — | 226,702 | (310,363) | (205,195) |
| Other bond expenses | — | (1,482) | — | — | (689) | (581) | — | — | (2,752) | — | — | (2,752) | (4,738) |
| Sale of capital assets | — | (248) | — | — | — | — | — | — | (248) | — | — | (248) | (4,763) |
| Investment income (loss) | 1,125 | 1,946 | 45 | 47 | 880 | — | 256 | 9,673 | 13,972 | 5 | (11,574) | 2,403 | (32,312) |
| Arts Center | 3,632 | — | — | — | — | — | — | — | 3,632 | — | — | 3,632 | 3,530 |
| Total nonoperating revenues (expenses), net | 80,665 | (17,538) | 45 | 47 | (353,810) | (581) | (519,055) | 9,673 | (800,554) | 5 | 215,128 | (585,421) | (521,734) |
| Income before interfund transfers | 1,208,704 | (292,529) | (28,855) | (22,250) | (412,037) | (581) | (519,055) | 9,673 | (56,930) | (238) | 177,843 | 120,675 | 262,080 |
| Interfund transfers | (1,208,704) | 334,242 | 87,013 | 50,252 | 418,646 | 535 | 496,965 | 17,931 | 196,880 | — | (196,880) | — | — |
| Net change in fund balance/change in net position | — | 41,713 | 58,158 | 28,002 | 6,609 | (46) | (22,090) | 27,604 | 139,950 | (238) | (19,037) | 120,675 | 262,080 |
| Net position (deficit) – beginning of year | 84,658 | (210,356) | 301,179 | 97,622 | 438,602 | 129 | 164,205 | 561,307 | 1,437,346 | 975 | (900,706) | 537,615 | 669,787 |
| GASB 68 adoption | — | — | — | — | — | — | — | — | — | — | — | — | (394,252) |
| Net position (deficit) – end of year | $ 84,658 | (168,643) | 359,337 | 125,624 | 445,211 | 83 | 142,115 | 588,911 | 1,577,296 | 737 | (919,743) | 658,290 | 537,615 |

See accompanying independent auditors' report.

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

Schedule of Cash Flows – Reconciliation of Bond Resolution to GAAP

Year ended December 31, 2015
(With summarized comparative financial information for the year ended December 31, 2014)

(In thousands)

| | Revenue | Construction | Maintenance reserve | Special project reserve | General reserve | Charges | Debt service | Debt reserve | Total bond resolution | Garden State Arts Foundation | GAAP Adjustments | Total 2015 GAAP Financials | Total 2014 GAAP Financials |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Cash flows from operating activities: | | | | | | | | | | | | | |
| Receipts from customers and patrons | $ 1,617,415 | — | — | — | — | — | — | — | 1,617,415 | 606 | — | 1,618,021 | 1,551,259 |
| Payments to suppliers | (213,711) | — | (6,337) | (14,476) | (38,969) | — | — | — | (273,493) | (771) | — | (274,264) | (246,828) |
| Payments to employees | (162,012) | — | — | — | — | — | — | — | (162,012) | — | — | (162,012) | (163,938) |
| Payments for self insured health benefits claims | (88,620) | — | — | — | — | — | — | — | (88,620) | — | — | (88,620) | (85,191) |
| Net cash provided by (used in) operating activities | 1,153,072 | — | (6,337) | (14,476) | (38,969) | — | — | — | 1,093,290 | (165) | — | 1,093,125 | 1,055,302 |
| Cash flows from noncapital financing activities: | | | | | | | | | | | | | |
| Payments to State of New Jersey | — | — | — | — | (354,001) | — | — | — | (354,001) | — | — | (354,001) | (354,001) |
| Proceeds from Arts Center | 3,632 | — | — | — | — | — | — | — | 3,632 | — | — | 3,632 | 3,530 |
| Net cash provided by (used in) noncapital financing activities | 3,632 | — | — | — | (354,001) | — | — | — | (350,369) | — | — | (350,369) | (350,471) |
| Cash flows from capital and related financing activities: | | | | | | | | | | | | | |
| Proceeds acquired from new capital debt | — | 1,201,708 | — | — | — | — | — | — | 1,201,708 | — | — | 1,201,708 | 1,479,788 |
| Purchases and sales of capital assets, net | — | (926,546) | (81,419) | (14,637) | (23,935) | — | — | — | (1,046,537) | — | — | (1,046,537) | (1,176,778) |
| Principal paid on capital debt | — | (164,205) | — | — | — | — | — | — | (164,205) | — | — | (164,205) | (148,565) |
| Principal paid on defeased capital debt | — | (375,585) | — | — | — | — | — | — | (375,585) | — | — | (375,585) | (360,530) |
| Proceeds from Build America Bonds subsidy | 75,908 | — | — | — | — | — | — | — | 75,908 | — | — | 75,908 | 75,745 |
| Interest paid on capital debt | — | (48,901) | — | — | — | — | (515,182) | — | (564,083) | — | 172,531 | (391,552) | (235,894) |
| Payments for bond expenses | — | (1,482) | — | — | (689) | (581) | — | — | (2,752) | — | — | (2,752) | (4,738) |
| Interfund Transfers related to capital and related financing activities | (1,172,655) | 323,764 | 86,755 | 51,147 | 397,324 | 535 | 497,163 | 15,137 | 199,170 | — | (199,170) | — | — |
| Net cash (used in) provided by capital and related financing activities | (1,096,747) | 8,753 | 5,336 | 36,510 | 372,700 | (46) | (18,019) | 15,137 | (676,376) | — | (26,639) | (703,015) | (370,972) |
| Cash flows from investing activities: | | | | | | | | | | | | | |
| Purchases of investments | (2,495,985) | (1,559,342) | (287,324) | (272,842) | (2,402,888) | (4,162) | (814,023) | (530,456) | (8,367,022) | — | — | (8,367,022) | (7,648,226) |
| Sales and maturities of investments | 2,414,125 | 1,559,358 | 291,040 | 250,959 | 2,414,749 | 4,187 | 894,324 | 504,112 | 8,332,854 | — | — | 8,332,854 | 7,289,669 |
| Interest received | 12 | 2,773 | 43 | 41 | 944 | — | 153 | 11,206 | 15,172 | 4 | 26,639 | 41,815 | 35,392 |
| Net cash provided by (used in) investing activities | (81,848) | 2,789 | 3,759 | (21,842) | 12,805 | 25 | 80,454 | (15,138) | (18,996) | 4 | 26,639 | 7,647 | (323,165) |
| Net increase (decrease) in cash | (21,891) | 11,542 | 2,758 | 192 | (7,465) | (21) | 62,435 | (1) | 47,549 | (161) | — | 47,388 | 10,694 |
| Cash – beginning of year | 185,671 | 85,723 | 2,785 | 2,490 | 10,610 | 104 | 1,448 | 1 | 288,832 | 900 | — | 289,732 | 279,038 |
| Cash – end of year | $ 163,780 | 97,265 | 5,543 | 2,682 | 3,145 | 83 | 63,883 | — | 336,381 | 739 | — | 337,120 | 289,732 |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | | | | | | | | | | |
| Operating income | $ 1,128,039 | (274,991) | (28,900) | (22,297) | (58,227) | — | — | — | 743,624 | (243) | (37,285) | 706,096 | 783,814 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | | | | | | | | | |
| Depreciation expense | — | 274,991 | 22,563 | 7,988 | 10,835 | — | — | — | 316,377 | — | — | 316,377 | 201,001 |
| Changes in assets and liabilities: | — | — | — | — | — | — | — | — | | — | — | | |
| Receivables | (13,921) | — | — | 108 | (12,347) | — | — | — | (26,160) | 75 | — | (26,085) | 21,920 |
| Inventory | 370 | — | — | — | — | — | — | — | 370 | — | — | 370 | (1,783) |
| Other assets | (135) | — | — | — | — | — | — | — | (135) | — | — | (135) | 316 |
| Accounts payable and accrued expenses | 1,163 | — | — | (515) | 2,294 | — | — | — | 2,942 | 3 | — | 2,945 | 3,840 |
| Unearned revenue | (156) | — | — | — | (7,964) | — | — | — | (8,120) | — | — | (8,120) | (1,404) |
| Other liabilities | 37,712 | — | — | 240 | (610) | — | — | — | 37,342 | — | (479) | 36,863 | 10,166 |
| Other postemployment benefit liability | — | — | — | — | 27,500 | — | — | — | 27,500 | — | 28,458 | 55,958 | 37,059 |
| Net pension liability | — | — | — | — | — | — | — | — | — | — | 68,714 | 68,714 | (12,998) |
| Deferred outflows of resources related to pension | — | — | — | — | — | — | — | — | — | — | (45,575) | (45,575) | (11,773) |
| Deferred inflows of resources related to pension | — | — | — | — | — | — | — | — | — | — | (12,722) | (12,722) | 26,376 |
| Pollution remediation liability | — | — | — | — | (450) | — | — | — | (450) | — | (1,111) | (1,561) | (1,232) |
| Net cash provided by (used in) operating activities | $ 1,153,072 | — | (6,337) | (14,476) | (38,969) | — | — | — | 1,093,290 | (165) | — | 1,093,125 | 1,055,302 |

See accompanying independent auditors' report.

**Schedule 6**

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

Schedule of Net Revenue Requirement

Years ended December 31, 2015 and 2014

(In thousands)

| | | 2015 | 2014 |
|---|---|---|---|
| Test 1: | | | |
| Total operating revenues | $ | 1,631,492 | 1,549,216 |
| Build America Bonds subsidy | | 75,908 | 75,745 |
| Total investment income | | 13,972 | 15,119 |
| Less earnings on construction investments | | (2,290) | (2,578) |
| Less fair market value adjustments | | (416) | (1,351) |
| Arts center | | 3,632 | 3,530 |
| Total pledged revenues | | 1,722,298 | 1,639,681 |
| Less revenue operating expenses | | (503,453) | (472,772) |
| Net revenue available for debt service | | 1,218,845 | 1,166,909 |
| Less net revenue requirements: | | | |
| Interest expense – debt service | | (519,311) | (444,691) |
| Principal payment – debt service | | (142,115) | (164,205) |
| Revenue transfer to charges | | (535) | (1,150) |
| Revenue transfer to maintenance reserve | | (87,058) | (74,814) |
| Revenue transfer to special project reserve | | (50,301) | (28,800) |
| Excess net revenues | $ | 419,525 | 453,249 |
| Test 2: | | | |
| Total operating revenues | $ | 1,631,492 | 1,549,216 |
| Build America Bonds subsidy | | 75,908 | 75,745 |
| Total investment income | | 13,972 | 15,119 |
| Less earnings on construction investments | | (2,290) | (2,578) |
| Less fair market value adjustments | | (416) | (1,351) |
| Arts Center | | 3,632 | 3,530 |
| Total pledged revenues | | 1,722,298 | 1,639,681 |
| Less revenue operating expenses | | (503,453) | (472,772) |
| Net revenue available for debt service | | 1,218,845 | 1,166,909 |
| Less 1.2 times aggregate debt service | | (793,711) | (730,675) |
| Excess net revenues | $ | 425,134 | 436,234 |
| Debt service coverage ratio | | 1.84 | 1.92 |

See accompanying independent auditors' report.

Schedule 7A

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

Schedule of Investments

December 31, 2015

(In thousands)

| | Interest rate | Maturity | | Par value | Carrying value |
|---|---|---|---|---|---|
| Revenue: | | | | | |
| Certificate of deposit | 0.73%–0.73% | 6/22/16–6/22/16 | $ | 50,000 | 50,194 |
| Commercial paper | 0.18–0.58 | 1/5/16–2/19/16 | | 159,837 | 159,822 |
| Federal agency notes | 0.04–2.13 | 1/5/16–6/10/16 | | 48,115 | 48,258 |
| | | | | 257,952 | 258,274 |
| Construction: | | | | | |
| Certificate of deposit | 0.32%–0.69% | 2/16/16–8/3/16 | | 200,000 | 200,149 |
| Commercial paper | 0.43–0.52 | 4/4/16–7/12/16 | | 200,000 | 199,610 |
| Federal agency notes | 0.08–0.34 | 1/6/16–9/12/16 | | 419,300 | 418,974 |
| U.S. Treasury bill | 0.30–0.30 | 8/18/16–8/18/16 | | 25,000 | 24,952 |
| | | | | 844,300 | 843,685 |
| Maintenance reserve: | | | | | |
| Commercial paper | 0.08%–0.42% | 1/5/16–2/9/16 | | 8,288 | 8,286 |
| Federal agency notes | 0.10–0.31 | 1/12/16–2/5/16 | | 14,000 | 13,998 |
| U.S. Treasury bill | 0.10–0.10 | 2/11/16–2/11/16 | | 2,000 | 2,000 |
| | | | | 24,288 | 24,284 |
| Special project reserve: | | | | | |
| Commercial paper | 0.25%–0.70% | 1/5/16–2/12/16 | | 48,400 | 48,389 |
| Federal agency notes | 0.10–0.21 | 1/8/16–1/22/16 | | 6,000 | 6,000 |
| | | | | 54,400 | 54,389 |
| General reserve: | | | | | |
| Commercial paper | 0.33%–0.45% | 1/5/16–3/30/16 | | 46,000 | 45,967 |
| Federal agency notes | 0.11–0.32 | 1/20/16–3/30/16 | | 208,288 | 208,219 |
| | | | | 254,288 | 254,186 |
| Debt service: | | | | | |
| Commercial paper | 0.27%–0.28% | 1/4/16–1/4/16 | | 73,734 | 73,732 |
| Federal agency notes | 0.03–0.21 | 1/4/16–1/4/16 | | 265,009 | 265,007 |
| | | | | 338,743 | 338,739 |
| Debt reserve: | | | | | |
| Certificate of deposit | 1.11%–2.00% | 11/10/17 – 12/15/20 | | 334,754 | 335,361 |
| Commercial paper | 1.44–1.44 | 1/4/16 – 1/4/16 | | 151,080 | 151,063 |
| Federal agency notes | 1.05–1.05 | 4/25/18 – 4/25/18 | | 104,919 | 104,359 |
| | | | | 590,753 | 590,783 |
| Total | | | $ | 2,364,724 | 2,364,340 |

Above is the detail of investments listed on the Schedule of Net Position – Reconciliation of Bond Resolution to GAAP (Schedule 3) for Total Bond Resolution.

See accompanying independent auditors’ report.

Schedule 7B

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

Schedule of Investments

December 31, 2014

(In thousands)

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

Above is the detail of investments listed on the Schedule of Net Position – Reconciliation of Bond Resolution to GAAP (Schedule 3) for Total Bond Resolution.

See accompanying independent auditors' report.

**Schedule 8**

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

Schedule of Depositories

December 31, 2015 and 2014

(In thousands)

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **Book balance** | **Bank balance** | **Market value of securities pledged to secure deposits** | **Book balance** | **Bank balance** | **Market value of securities pledged to secure deposits** |
| JP Morgan Chase: | | | | | | |
| Revenue | $ 118,659 | 109,237 | — | 168,310 | 156,798 | — |
| Construction | 91,784 | 92,741 | — | 85,544 | 88,639 | — |
| Maintenance reserve | 5,543 | 5,645 | — | 2,785 | 2,785 | — |
| | 215,986 | 207,623 | 250,160 | 256,639 | 248,222 | 350,538 |
| Bank of America: | | | | | | |
| Revenue | 33,714 | 34,484 | — | 8,365 | 11,055 | — |
| | 33,714 | 34,484 | 77,277 | 8,365 | 11,055 | 30,279 |
| Wells Fargo: | | | | | | |
| Revenue | 10,078 | 8,033 | — | 7,491 | 5,776 | — |
| Special project reserve | 2,682 | 3,355 | — | 2,491 | 2,551 | — |
| General reserve | 2,901 | 2,901 | — | 10,606 | 10,614 | — |
| | 15,661 | 14,289 | 17,142 | 20,588 | 18,941 | 30,187 |
| Bank of New York Mellon: | | | | | | |
| Revenue | 728 | 242 | — | 916 | 192 | — |
| | 728 | 242 | 641 (1) | 916 | 192 | 830 (1) |
| TD Bank, NA: | | | | | | |
| Revenue | 250 | 485 | — | 251 | 295 | — |
| | 250 | 485 | 999 | 251 | 295 | 1,501 |
| Total Subject to Pledged Securities | 266,339 | 257,123 | $ 346,219 | 286,759 | 278,705 | 413,335 |
| Bank of New York Mellon – Trust: | | | | | | |
| Construction: | 5,481 | 5,481 | | 179 | 179 | |
| General reserve | 244 | 244 | | 4 | 4 | |
| Charges | 83 | 83 | | 104 | 104 | |
| Debt service | 63,883 | 64,369 | | 1,448 | 2,172 | |
| | 69,691 | 70,177 (2) | | 1,735 | 2,459 (2) | |
| U.S. Bank: | | | | | | |
| Debt reserve | — | — | | 1 | 1 | |
| | — | — | | 1 | 1 | |
| Toll collection and other imprest funds: | | | | | | |
| Revenue | 351 | — | | 338 | — | |
| | 351 | — (3) | | 338 (3) | — | |
| Total subject to bond resolution | 336,381 | 327,300 | | 288,833 | 281,165 | |
| TD Bank, NA: | | | | | | |
| Garden State Arts Center Foundation | 76 | 87 | | 632 | 660 | |
| | 76 | 87 | | 632 | 660 | |
| Investors Bank: | | | | | | |
| Garden State Arts Center Foundation | 451 | 451 | | — | — | |
| | 451 | 451 | | — | — | |
| Northfield Bank: | | | | | | |
| Garden State Arts Center Foundation | 212 | 212 | | 267 | 267 | |
| | 212 | 212 | | 267 | 267 | |
| | $ 337,120 | 328,050 | | 289,732 | 282,092 | |

(1) Also covered by FDIC insurance of $250.
(2) Funds held by Trustee are not subject to collateral requirements, under the Bond Resolution.
(3) Cash on hand, not at bank.

See accompanying independent auditors' report.

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

Schedule of Cost of Investment in Facilities

December 31, 2015
(With summarized comparative financial information for the year ended December 31, 2014)

(In thousands)

| | Completed construction funds | 2008/2009 Bond anticipation note | Ten year capital program | Maintenance reserve | Special project reserve | General reserve | GAAP Adjustments | 2015 Total | 2014 Total |
|---|---|---|---|---|---|---|---|---|---|
| Land | $ 658,189 | 2,411 | 155,951 | — | 118 | 8,128 | — | 824,797 | 797,313 |
| Buildings and sound barriers | 440,295 | 20,373 | 101,843 | — | 19,729 | 32,587 | — | 614,827 | 606,910 |
| Road surface | 455,186 | 66,666 | 681,544 | 155,139 | 1,786 | 12,355 | — | 1,372,676 | 1,344,283 |
| Road bed | 2,509,073 | 68,636 | 515,413 | — | 57 | 1,946 | — | 3,095,125 | 3,095,125 |
| Bridges | 1,877,991 | 32,866 | 2,110,213 | 244,454 | 64 | 32,178 | — | 4,297,766 | 4,251,077 |
| Equipment | 526,687 | 51,142 | 468,773 | — | 94,616 | 97,438 | — | 1,238,656 | 1,203,633 |
| Construction-in-progress | — | — | 2,465,961 | 5,712 | 2,619 | 17,716 | 29,398 | 2,521,406 | 1,582,797 |
| Cost of investment in facilities | 6,467,421 | 242,094 | 6,499,698 | 405,305 | 118,989 | 202,348 | 29,398 | 13,965,253 | 12,881,138 |
| Accumulated depreciation | (2,680,005) | (53,822) | (261,764) | (66,074) | (44,274) | (58,223) | — | (3,164,162) | (2,847,785) |
| Capital assets, net of accumulated depreciation | $ 3,787,416 | 188,272 | 6,237,934 | 339,231 | 74,715 | 144,125 | 29,398 | 10,801,091 | 10,033,353 |

| | |
|---|---|
| Completed construction funds: | |
| Original turnpike extensions and additional lanes | $ 61,635 |
| Revenues invested in facilities | 40,536 |
| 1966 Turnpike Improvement | 163,651 |
| 1971 Turnpike Improvement | 18,494 |
| 1973 Improvement and Funding Program | 27,590 |
| 1985-1990 Widening Project | 325,756 |
| Business Plan for the 90’s | 770,472 |
| Former NJHA Construction | 533,559 |
| 2000 Construction Fund | 1,325,356 |
| 2003 Construction Fund | 16,296 |
| 2004 Construction Fund | 423,064 |
| 2005 Construction Fund | 81,007 |
| | $ 3,787,416 |

See accompanying independent auditors’ report.

Schedule 10A

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

Schedule of Bond Indebtedness

December 31, 2015

(In thousands)

| | Amount outstanding December 31, 2014 | Refunded or acquired and canceled in current year | Mandatory redemption/ sinking fund installments | Debt issuance | Accretion of capital appreciation bonds | Amortization of premiums and discounts | Amount outstanding December 31, 2015 |
|---|---|---|---|---|---|---|---|
| Turnpike revenue bonds: | | | | | | | |
| Series 1991C | $ 67,160 | — | — | — | — | — | 67,160 |
| Series 2000B-G | 400,000 | — | — | — | — | — | 400,000 |
| Series 2003B | 234,210 | — | (164,205) | — | — | — | 70,005 |
| Series 2004B | 164,411 | — | — | — | 4,235 | — | 168,646 |
| Series 2004C-2 | 132,850 | — | — | — | — | — | 132,850 |
| Series 2005A | 173,650 | — | — | — | — | — | 173,650 |
| Series 2005B | 32,500 | — | — | — | — | — | 32,500 |
| Series 2005D1-D4 | 208,735 | — | — | — | — | — | 208,735 |
| Series 2009A | 92,500 | (92,500) | — | — | — | — | — |
| Series 2009B | 50,000 | (50,000) | — | — | — | — | — |
| Series 2009E | 300,000 | — | — | — | — | — | 300,000 |
| Series 2009F | 1,375,000 | — | — | — | — | — | 1,375,000 |
| Series 2009G | 34,770 | — | — | — | — | — | 34,770 |
| Series 2009H | 306,170 | — | — | — | — | — | 306,170 |
| Series 2009I | 178,005 | — | — | — | — | — | 178,005 |
| Series 2010A | 1,850,000 | — | — | — | — | — | 1,850,000 |
| Series 2012A | 141,255 | — | — | — | — | — | 141,255 |
| Series 2012B | 804,435 | — | — | — | — | — | 804,435 |
| Series 2012G | 43,750 | (43,750) | — | — | — | — | — |
| Series 2013A | 1,400,000 | — | — | — | — | — | 1,400,000 |
| Series 2013B | 100,000 | — | — | — | — | — | 100,000 |
| Series 2013C | 271,000 | — | — | — | — | — | 271,000 |
| Series 2013D | 225,000 | (72,350) | — | — | — | — | 152,650 |
| Series 2013E | 150,000 | (48,235) | — | — | — | — | 101,765 |
| Series 2013F | 90,880 | — | — | — | — | — | 90,880 |
| Series 2013G | 43,750 | (43,750) | — | — | — | — | — |
| Series 2014 A | 1,000,000 | — | — | — | — | — | 1,000,000 |
| Series 2014 B-1 | 25,000 | (25,000) | — | — | — | — | — |
| Series 2014 B-2 | 50,000 | — | — | — | — | — | 50,000 |
| Series 2014 B-3 | 50,000 | — | — | — | — | — | 50,000 |
| Series 2014 C | 201,860 | — | — | — | — | — | 201,860 |
| Series 2015 A | — | — | — | 92,500 | — | — | 92,500 |
| Series 2015 B | — | — | — | 50,000 | — | — | 50,000 |
| Series 2015 C | — | — | — | 43,750 | — | — | 43,750 |
| Series 2015 D | — | — | — | 43,750 | — | — | 43,750 |
| Series 2015 E | — | — | — | 750,000 | — | — | 750,000 |
| Series 2015F | — | — | — | 72,350 | — | — | 72,350 |
| Series 2015G | — | — | — | 25,000 | — | — | 25,000 |
| Series 2015H | — | — | — | 48,235 | — | — | 48,235 |
| | 10,196,891 | (375,585) | (164,205) | 1,125,585 | 4,235 | — | 10,786,921 |
| Premiums and discounts, net | 428,080 | — | — | 76,111 | — | (39,949) | 464,242 |
| | $ 10,624,971 | (375,585) | (164,205) | 1,201,696 | 4,235 | (39,949) | 11,251,163 |

See accompanying independent auditors' report.

**Schedule 10B**

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

Schedule of Refunded Bond and Note Indebtedness

December 31, 2015
(With summarized comparative financial information as of December 31, 2014)

(In thousands)

Note:
As of December 31, 2015 and 2014, refunded bond and note indebtedness which is still outstanding in fully collateralized escrow accounts is as follows:

| Refunded series | | Refunded amount | Matured/ redeemed | 2015 outstanding | 2014 outstanding |
|---|---|---|---|---|---|
| Parkway revenue bonds: | | | | | |
| Series 1989, Serial bonds 5.75% Redemption January 1, 2018 through January 1, 2019 | $ | 35,080 | — | 35,080 | 50,180 |
| Series 2001, Serial bonds 5.00% to 5.50%, Redemption January 1, 2013 through January 1, 2016 | | 243,080 | (228,710) | 14,370 | 35,080 |
| Turnpike Revenue Bonds: | | | | | |
| Series 1991C, 4.80% to 6.50%, Escrowed until January 1, 2016 | | 1,162,185 | (1,067,245) | 94,940 | 243,235 |
| Series 2003B (Federally Taxable) 1.15% to 3.14%, Redemption January 1, 2015 | | 32,000 | (32,000) | — | 32,000 |
| Series 2005C Turnpike Revenue Bonds, Redemption January 1, 2015 | | 95,880 | (95,880) | — | 95,880 |
| Series 2005A Turnpike Revenue Bonds, Redemption January 1, 2015 | | 235,530 | (235,530) | — | 235,530 |
| Total | $ | 1,803,755 | (1,659,365) | 144,390 | 691,905 |

See accompanying independent auditors’ report.

Schedule 11A

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

**NEW JERSEY TURNPIKE**

Schedule of Toll Revenue

Years ended December 31, 2015 and 2014

(Unaudited)

(In thousands)

| | | 2015 | | 2014 | |
|---|---|---|---|---|---|
| **Class** | **Description** | **Toll revenue** | **Number of vehicles** | **Toll revenue** | **Number of vehicles** |
| 1 | Passenger car, motorcycle, taxi or hearse, light truck | $ 756,561 | 215,358 | 704,436 | 202,347 |
| 2 | Vehicles having two axles other than type described under Class 1 | 61,429 | 8,233 | 58,764 | 7,946 |
| 3 | Vehicle (vehicles), single or in combination, having three axles | 27,479 | 3,374 | 25,474 | 3,162 |
| 4 | Vehicle (vehicles), single or in combination, having four axles | 33,465 | 2,679 | 30,384 | 2,492 |
| 5 | Vehicle (vehicles), single or in combination, having five axles | 227,615 | 14,909 | 215,957 | 14,274 |
| 6 | Vehicle (vehicles), single or in combination, having six or more axles | 6,392 | 335 | 5,864 | 316 |
| 7 | Buses having two axles | 2,156 | 413 | 2,069 | 405 |
| 8 | Buses having three axles | 13,849 | 1,296 | 13,723 | 1,300 |
| | Nonrevenue vehicles | — | 1,558 | — | 1,517 |
| | | 1,128,946 | 248,155 | 1,056,671 | 233,759 |
| | Nonrevenue vehicles | — | (1,558) | — | (1,517) |
| | Toll adjustments and discounts | (5,106) | — | (4,001) | — |
| | Net violations | (17,572) | — | (14,926) | — |
| | | $ 1,106,268 | 246,597 | 1,037,744 | 232,242 |

See accompanying independent auditors' report.

Schedule 11B

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

**GARDEN STATE PARKWAY**

Schedule of Toll Revenue

Years ended December 31, 2015 and 2014

(Unaudited)

(In thousands)

| Class | Description | | 2015 Toll revenue | 2015 Number of vehicles | 2014 Toll revenue | 2014 Number of vehicles |
|---|---|---|---|---|---|---|
| 1 | Passenger car, motorcycle, taxi or hearse, light truck | $ | 407,254 | 374,092 | 398,210 | 365,337 |
| 2 | Vehicles having two axles other than type described under Class 1 | | 2,674 | 1,124 | 2,472 | 1,081 |
| 3 | Vehicle (vehicles), single or in combination, having three axles | | 3,476 | 1,142 | 3,199 | 1,046 |
| 4 | Vehicle (vehicles), single or in combination, having four axles | | 3,511 | 815 | 3,266 | 772 |
| 5 | Vehicle (vehicles), single or in combination, having five axles | | 2,584 | 532 | 2,496 | 520 |
| 6 | Vehicle (vehicles), single or in combination, having six or more axles | | 138 | 25 | 140 | 25 |
| 7 | Buses having two axles | | 1,589 | 605 | 1,521 | 570 |
| 8 | Buses having three axles | | 2,589 | 949 | 2,748 | 998 |
| | Nonrevenue vehicles | | — | 1,476 | — | 1,497 |
| | | | 423,815 | 380,760 | 414,052 | 371,846 |
| | Nonrevenue vehicles | | — | (1,476) | — | (1,497) |
| | Toll adjustments and discounts | | (474) | — | (393) | — |
| | Net violations | | (6,476) | — | (5,655) | — |
| | | $ | 416,865 | 379,284 | 408,004 | 370,349 |

See accompanying independent auditors' report.