FINANCIAL STATEMENTS

New Jersey Turnpike Authority
(a component unit of the State of New Jersey)
Years Ended December 31, 2009 and 2008
With Report of Independent Auditors

New Jersey Turnpike Authority

Financial Statements

Years Ended December 31, 2009 and 2008

Contents

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Report of Independent Auditors

The Commissioners
New Jersey Turnpike Authority
Woodbridge, New Jersey

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, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Authority's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis and the Schedule of Funding Progress as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Ernst & Young LLP

June 28, 2010

Management's Discussion and Analysis

Introduction

This report from the New Jersey Turnpike Authority (the "Authority") consists of four parts: Management's Discussion and Analysis, Financial Statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), Notes to the Financial Statements and Required Supplementary Information.

Overview of the Financial Statements

This section of the Authority's financial statements, **Management's Discussion and Analysis** ("MD&A"), presents an overview of the Authority's financial performance for the years ended December 31, 2009 and 2008. It provides an assessment of how the Authority's financial position has improved or deteriorated and identifies 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, and must be read in conjunction with, the financial statements described above.

The **Balance Sheet** provides information about the nature and amount of investments in resources (assets) and the obligations to Authority creditors (liabilities).

The **Statement of Operations and Changes in Fund Net Assets**, 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 operations, 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** presents information regarding the Authority's progress in funding its obligation to provide post-employment benefits other than pensions to its employees.

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") and to issue Turnpike revenue bonds or notes of the Authority, subject to prior written approval 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 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 PNC Bank Arts Center.

Highlights – 2009

The Authority has adopted and approved an extensive 10-year capital improvement program (the "Capital Improvement Program") for the Turnpike System. The Capital Improvement Program currently provides for the expenditure by the Authority of an estimated aggregate amount of approximately $7,000,000,000 through the end of calendar year 2018 to fund the Costs of Construction of various Projects involving capital improvements to the Turnpike System, including, without limitation, the widening of certain sections of both the Turnpike and the Parkway. The estimated total cost of the Capital Improvement Program and the estimated cost of each individual Project included in the Capital Improvement Program are subject to change based upon varying economic conditions and other factors which may occur during the 10-year term of the Capital Improvement Program. In addition, the Projects included in the Capital Improvement Program are also subject to change at the discretion of the Authority.

The Projects currently included in the Capital Improvement Program are the following:

Project	Estimated Cost
Turnpike Interchange 6-9 Widening	$ 2,500,000,000
Bridge Construction, Preservation and Security	1,775,000,000
Roadway Improvements	990,000,000
Interchange Improvements	960,000,000
Toll Plaza and Building Improvements	575,000,000
Phase I Widening of Parkway Interchange 63-80	200,000,000
Total	$ 7,000,000,000

The Authority began funding this program through the issuance of its Series 2009 E and 2009 F Turnpike Revenue Bonds on April 28, 2009. The Series 2009 F Bonds in the amount of $1,375,000,000 were issued as Federally Taxable, Issuer Subsidy Build America Bonds under the American Recovery and Reinvestment Act of 2009. The 2009 F Bonds were one of the first issues of Build America Bonds, and netted the Authority debt service savings compared to traditional tax-exempt debt. The Authority will receive a rebate from the Federal Government equal to 35% of the fixed interest payable on the bonds.

Construction began in 2009 on widening the Turnpike from south of Interchange 6 (Mansfield Township, Burlington County) to Interchange 9 (East Brunswick Township, Middlesex County), a linear distance of 35 miles. The project is designed to relieve heavy and recurring congestion on this section of the highway and to provide for increased demand for capacity in the future. The construction will add 170 lane miles to the roadway by widening it from six to 12 lanes from two miles south of Interchange 6 to Interchange 8A (South Brunswick Township, Middlesex County), a distance of approximately 25 miles, and from 10 lanes to 12 lanes between Interchange 8A and Interchange 9, a distance of 10 miles. The project will create a dual/dual roadway between Interchange 6 and Interchange 8A and expand the outer roadway in each direction between Interchange 8A and Interchange 9. The work will include improvements at Interchange 7A and the construction of a new toll plaza at Interchange 8. The program cost is $2.5 billion. The projected completion date is 2014.

Construction also began in 2009 on a project to widen the Parkway to six lanes and to add full-width shoulders from Interchange 63 in Manahawkin Township to Interchange 80 in South Toms River. The project is designed to relieve heavy traffic congestion and to improve motorist safety. The first construction contract was awarded in March 2009. The work is scheduled to be completed by 2011. The total cost is expected to be $200 million.

Electronic toll collection remains popular and overall penetration rates continue to be strong. On the Turnpike, the EZ Pass penetration rate for passenger car traffic was 72.3% and for commercial traffic was 79.3%, resulting in an overall penetration rate of 73.2%. On the Parkway, the overall EZ Pass penetration rate was up to 70.6% from 67.8% in 2008. For the year, passenger car traffic had a penetration rate of 70.4%, and commercial traffic had a penetration rate of 83.2%.

Highlights – 2008

On October 10, 2008, the Authority’s Board of Commissioners authorized toll increases of 40% on the Turnpike and 43% on the Parkway effective December 1, 2008. At the same meeting the Board of Commissioners also authorized toll increases of 53% on the Turnpike and 50% on the Parkway to be effective on January 1, 2012. These toll increases will put the Authority on sound financial footing and fund critical safety and congestion relief projects through a new $7.0 billion capital plan.

Additional financial highlights in 2008 include the completion of the Traffic Management Center in partnership with the New Jersey Department of Transportation and the New Jersey State Police at the Authority's site in Woodbridge, New Jersey. Construction work on the Driscoll Bridge on the Parkway is expected to be completed in the spring of 2009. Other construction projects underway and in various stages of completion in 2008 included the expansion of Interchange 12 on the Turnpike, and improvements at the intersection of the Parkway and Interstate 78.

The following tables provide a condensed picture of the Authority's financial position and changes that occurred during the years ended December 31, 2009 and 2008. For more detailed information, please refer to the financial statements included with this annual report.

Condensed Statement of Net Assets

	December 31			Percentage of Change	
	2009	**2008**	**2007**	**2009/2008**	**2008/2007**
Current assets	**$ 2,105,121,629**	$ 1,233,477,948	$ 1,170,400,430	70.7%	5.4%
Other non-current assets	**374,412,204**	68,731,742	91,548,662	444.7	(24.9)
Capital assets, net of accumulated depreciation	**4,798,929,691**	4,354,932,760	4,138,817,032	10.2	5.2
Total assets	**7,278,463,524**	5,657,142,450	5,400,766,124	28.7	4.7
Current liabilities	**(574,372,503)**	(760,697,670)	(382,516,125)	(24.5)	98.9
Non-current liabilities	**(6,819,650,257)**	(4,968,589,023)	(5,011,258,756)	37.3	(0.9)
Total liabilities	**(7,394,022,760)**	(5,729,286,693)	(5,393,774,881)	29.1	6.2
Invested in capital assets, net of related debt	**(383,142,802)**	(196,122,158)	(252,694,391)	(95.4)	22.4
Restricted	**340,142,410**	93,773,748	88,717,535	262.7	5.7
Unrestricted	**(72,558,844)**	30,204,167	156,985,613	(340.2)	(80.8)
Total net assets	**$ (115,559,236)**	$ (72,144,243)	$ 6,991,243	60.2	(1,131.9)

2009

The Authority's 2009 current assets consist mainly of Cash and Investments of $221,443,451 and $1,797,838,081 respectively, as compared to $178,254,339 and $987,936,730 in 2008. A majority of the Authority's overall current assets are shown as Investments, which represent approximately 85.4% of the total current assets in 2009 as compared to 80.1% in 2008. Total assets increased by $1,621,321,074 or 28.7% over 2008. Capital assets increased by $443,996,931 or 10.2% compared to last year.

Total 2009 liabilities increased by $1,664,736,067 over 2008 or 29.1%. The increase in 2009 is mainly attributable to an increase in bonds payable of $1,827,491,836 offset by a decrease in notes payable of $335,796,289.

The Authority's net assets are reported at $(115,559,236) as of December 31, 2009 and $(72,144,243) in 2008, a decrease of $43,444,993 or 60.2% compared with 2008. This is the result of $262,495,561 in current year operating income offset by $305,910,554 in non-operating expense. Non-operating expense includes $125,850,587 in capital contributions to the State of New Jersey in 2009.

2008

The Authority's 2008 current assets consist mainly of Cash and Investments of $178,254,339 and $987,936,730 respectively, as compared to $140,567,407 and $962,959,125 in 2007. A majority of the Authority's overall current assets are shown as Investments, which represent approximately 80.1% of the total current assets in 2008 as compared to 82.3% in 2007. Total assets increased by $256,376,326 or 4.7% over 2007. Capital assets increased by $216,115,728 or 5.2% compared to last year.

Total 2008 liabilities increased by $335,511,812 over 2007 or 6.2%. The increase in 2008 is mainly attributable to the issuance of the Series 2008 A & Series 2008 B Subordinated Bond Anticipation Notes. The current portion of the notes payable and net premium at December 31, 2008 was $335,746,289. This represents 44.1% of current liabilities.

The Authority's net assets are reported at $(72,144,243) as of December 31, 2008 and $6,991,243 in 2007, a decrease of $79,135,486 compared with last year. This is the result of $109,918,734 in current year operating income offset by $188,754,220 in non-operating expense.

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	Year Ended December 31			Percentage of Change	
	2009	**2008**	**2007**	**2009/2008**	**2008/2007**
Operating revenues	**$ 1,061,008,305**	$ 845,308,174	$ 839,299,537	25.5%	0.7%
Operating expenses	**(582,799,889)**	(541,798,829)	(589,568,595)	7.6	(8.1)
Net operating revenue	**478,208,416**	303,509,345	249,730,942	57.6	21.5
OPEB expense	**(68,071,400)**	(61,936,800)	(61,936,800)	9.9	–
Depreciation expense	**(147,641,455)**	(131,953,811)	(133,242,139)	11.9	(1.0)
Operating income	**262,495,561**	109,618,734	54,552,003	139.5	100.9
Nonoperating revenues (expenses):					
Earnings on investments	**11,435,051**	12,025,703	26,113,108	(4.9)	(53.9)
Bond expenses	**(5,828,303)**	(5,352,554)	(5,016,271)	8.9	6.7
Payment to State of New Jersey	**(22,000,000)**	(22,000,000)	(22,000,000)	–	–
Unrealized (loss) gain on investments	**(106,011)**	80,767	1,898,336	(231.3)	(95.7)
Interest expense	**(166,487,729)**	(176,710,038)	(156,320,115)	(5.8)	13.0
Capital contributions to State of New Jersey	**(125,850,587)**	–	–	100.0	
Arts Center	**2,957,611**	3,451,386	3,271,253	(14.3)	5.5
Garden State Cultural Center Fund	**(30,586)**	(249,484)	(28,923)	(87.7)	762.6
Total nonoperating revenues (expenses) – net	**(305,910,554)**	(188,754,220)	(152,082,612)	62.1	24.1
Change in net assets	**(43,414,993)**	(79,135,486)	(97,530,609)	(45.1)	(18.9)
Net assets – beginning of year	**(72,144,243)**	6,991,243	104,521,852	(1131.9)	(93.3)
Net assets – end of year	**$ (115,559,236)**	$ (72,144,243)	$ 6,991,243	60.2	(1131.9)

2009

Operating revenues totaled $1,061,008,305 in 2009. This was $215,700,131, or 25.5%, higher than in 2008. The principal source of revenue for the Authority is tolls. During 2009, tolls totaled approximately $952,419,068 and constituted 89.8% of the Authority's operating revenues, as compared to $746,738,384, or 88.4%, in 2008. The increase in toll revenue is the result of the toll increase implemented on December 1, 2008. Traffic on the Turnpike decreased by 3.6%. Passenger cars decreased 2.6% while commercial traffic declined by 10%. Toll transactions on the Parkway decreased by 2.6%. Passenger cars decreased 2.7% while commercial vehicles increased 4.2%. Approximately 98% of all traffic on the Parkway is passenger car traffic, therefore changes in commercial traffic only have minimal impacts. Factors influencing the traffic decline were the toll increase implemented on December 1, 2008, and overall weak economic conditions.

ETC Project Fees were $39,567,868 in 2009 and decreased $14,078,809, or 26.3%, from $53,646,677 in 2008. ETC project revenue consists of monthly membership fees, transponder sales, return check fees, administrative fees, fiber lease revenue, interest on prepaid accounts and monthly statement fees. The decline is a result of lower earnings on invested prepaid balances, fewer collections of violation administrative fees, and allocation of credit card equity as an expense recovery in 2009.

Concession revenues decreased $1,168,412, or 3.2%, to $35,245,021 and constituted 3.4% of total revenues. Fuel sales were down 7.2% on the Turnpike while food sales were up 3.5% and convenience store sales were up 5.7%. On the Parkway, food sales were down 2% while fuel sales were up 1.9% and convenience store sales were up 1.2%. Fuel and food sales were impacted by the overall decline in traffic and weak economy.

Build America Bonds Rebate represents a direct payment by the U.S. Treasury to the Authority equaling 35% of the interest payable on the Series 2009F Bonds. The 2009F bonds are designated as Federally Taxable, Issuer Subsidy Build America Bonds under the American Recovery and Reinvestment Act of 2009.

Miscellaneous revenue of $9,692,432 was $1,182,752, or 13.9%, higher than in 2008. This is the result of contractual increases on cell tower sites and Parkway fiber optic leases. Miscellaneous revenue includes rentals of cell tower sites, fiber optic lines, towing commissions, park and ride receipts and easements.

During the reported period, total operating expenses for the year were $798,512,744. Expenses for general operating expenses such as maintenance of roadway, buildings and equipment, toll collection, state police and traffic control, ETC and administrative costs totaled $582,799,889. In accordance with GASB 45, the Authority recorded an expense of $68,071,400 representing the Annual Required Contribution (ARC) for post employment health benefits. Depreciation expense for 2009 was $147,641,455.

Net non-operating expenses increased by $117,156,334 from 2008. This is the result of the capital contributions to the State of New Jersey in the amount of $125,850,587. The majority of this expenditure related to the Authority's contribution to the St. Paul's Viaduct project.

2008

Operating revenues totaled $845,308,174 in 2008 compared to $839,299,537 in 2007. The principal source of revenue for the Authority is tolls. During 2008, tolls totaled approximately $746,738,384 and constituted 88.3% of the Authority's revenues, as compared to $745,919,940, or 88.9%, in 2007. Due to weak economic conditions and high fuel costs in 2008, traffic on the Turnpike and toll transactions on the Parkway declined 2.7% and 2.9%, respectively. Toll revenue increased slightly due to the toll increase implemented on December 1, 2008.

ETC Project Fees were $53,646,677 in 2008 and increased $3,307,458, or 6.6%, from $50,339,219 in 2007. The number of EZPass accounts continues to grow, resulting in the increased ETC Project Fees. As a percentage of total revenue, ETC Project Fees have increased from 3.9% in 2004 to 6.3% in 2008.

Concession revenues increased $1,278,712, or 3.6%, to $36,413,433 and constituted 4.3% of total revenues. Declines in food sales due to the decreased traffic on both roadways were offset by increased diesel fuel sales on the Turnpike.

Miscellaneous revenue of $8,509,680 is $604,023, or 7.6%, higher than in 2007. The increase was largely due to additional rental income from contractual increases in existing sites and new cell tower sites.

During the reported period, total operating expenses for the year were $735,689,440. Expenses for general operating expenses such as maintenance of roadway, buildings and equipment, toll collection, state police and traffic control, ETC and administrative costs totaled $541,798,829. In accordance with GASB 45, the Authority recorded an expense of $61,936,800 representing the Annual Required Contribution (ARC) for post employment health benefits. Depreciation expense for 2008 was $131,953,811.

Net non-operating expenses increased by $36,671,608 from 2007. This is the result of a decrease in earnings on investments of $14,087,405 and an increase of $20,389,923 in interest expense. Investment income decreased due to significantly lower interest rates in 2008 as well as lower invested reserve fund balances.

Capital Assets

	As of December 31			Percentage of Change	
	2009	**2008**	**2007**	**2009/2008**	**2008/2007**
Land	**$ 681,315,198**	$ 631,790,374	$ 614,552,595	7.8%	2.8%
Construction-in-progress	**662,412,230**	811,804,958	629,216,142	(18.4)	29.0
Road bed	**1,652,591,129**	1,558,375,818	1,585,588,324	6.0	(1.7)
Road surface	**87,497,994**	69,465,814	57,894,119	26.0	20.0
Bridges	**1,027,043,455**	688,812,118	690,756,546	49.1	(0.3)
Buildings and sound barriers	**257,127,808**	184,156,993	171,115,871	39.6	7.6
Equipment	**430,941,877**	410,526,685	389,693,435	5.0	5.3
Total capital assets, net	**$ 4,798,929,691**	$ 4,354,932,760	$ 4,138,817,032	10.2	5.2

The Authority's investment in capital assets as of December 31, 2009, was $7.0 billion of gross asset value with an accumulated depreciation of $2.2 billion, leaving a net book value of $4.8 billion. This investment represents 66% of the Authority's total assets. 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.

During 2009, the Authority recognized $741 million in completed or substantially completed construction projects. Construction-in-progress increased by approximately $591.6 million during 2009 which is consistent with the Authority's commitment to maintain and enhance the Turnpike System.

Debt Administration

	As of December 31			Percentage of Change	
	2009	**2008**	**2007**	**2009/2008**	**2008/2007**
Subordinated Bond Anticipation Notes	**$ –**	$ 335,746,289	$ –	(100%)	100%
Bonds Payable	**$ 6,714,382,096**	$ 4,886,890,260	$ 4,960,154,004	37.4	(1.5)

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, the Turnpike Revenue Bond Resolution adopted on August 20, 1991, as amended, restated and supplemented and approval of the Board of Commissioners. Since April 2009, the underlying credit rating of the Authority's bonds have been A3, A+ and A by Moody's, Standard & Poor's and Fitch Ratings, Inc., respectively.

In January 2009, the Authority issued Series 2009 Subordinated Bond Anticipation Notes to retire $175,000,000 of Series 2008 B Subordinated Bond Anticipation Notes. Proceeds were deposited in the Subordinated Note Payment Fund and used to repay the notes on their maturity date of February 1, 2009.

In February 2009, the Authority defeased in whole $43,750,000 of Series 2003 D-1 bonds, $43,750,000 of Series 2003 D-2 bonds, $43,750,000 of Series 2003 D-5 bonds, $43,750,000 of Series 2003 D-6 bonds and $43,750,000 of Series 2003 D-9 bonds. Approximately $230,000,000 of bond proceeds from the issuance of the 2009 Series A, B, C and D bonds were used to defease these bonds. State and local government securities of approximately $228,000,000 were then purchased and deposited according to the terms of an escrow agreement. All of the bonds were redeemed by April 9, 2009 and, accordingly, the escrow terminated on that date.

In April 2009, the Authority issued Series 2009 E and 2009 F bonds primarily to provide funds for the Authority's $7 billion capital program. Also, proceeds from the Series 2009 E bonds were used to retire $160,000,000 of Series 2008 A Subordinated Bond Anticipation Notes. Proceeds were deposited in the Subordinated Note Payment Fund and used to repay the notes on their maturity date of May 1, 2009.

In September 2009, the Authority partially defeased $36,010,000 of Series 2000 A bonds. Approximately $37,000,000 of bond proceeds from the issuance of the 2009 Series G bonds were used to defease these bonds. State and local government securities of approximately $37,000,000 were then purchased and deposited according to the terms of an escrow agreement. Accordingly these securities are not included in the Authority's financial statements. The bonds were redeemed on January 1, 2010 and the escrow terminated on that date. The remaining balance of $224,010,000 of the Series 2000 A bonds are due in varying installments on their original maturity dates.

In October 2009, the Authority defeased in whole $43,750,000 of Series 2003 D-3 bonds, $43,750,000 of Series 2003 D-4 bonds, $43,750,000 of Series 2003 D-7 bonds, and $43,750,000 of Series 2003 D-8 bonds. Approximately $177,000,000 of bond proceeds from the issuance of the 2009 Series H bonds were used to defease these bonds. State and local government securities of approximately $177,000,000 were then purchased and deposited according to the terms of an escrow agreement. All of the bonds were redeemed by December 15, 2009 and accordingly the escrow terminated on that date. The Series 2009 H bond proceeds were also used to retire $275,000,000 of Series 2009 Subordinated Bond Anticipation Notes. Proceeds were deposited in the Subordinated Note Payment Fund and used to repay the notes on their maturity date of December 31, 2009.

In November 2009, the Authority defeased in whole $154,000,000 of Series 2004 A bonds. Approximately $156,000,000 of bond proceeds from the issuance of the 2009 Series I bonds were used to defease these bonds. State and local government securities of approximately $156,000,000 were then purchased and deposited according to the terms of an escrow agreement. Accordingly these securities are not included in the Authority's financial statements. The bonds were redeemed on January 1, 2010 and the escrow terminated on that date.

The bond issuances in 2009 furthered the Authority's overall debt strategy to provide for increased bonding capacity to fund future capital improvements on both roadways, as well as new money for the $7 billion capital program. These activities included new debt for the widening of both the Turnpike and Parkway, among other projects, defeased existing higher coupon rate debt with lower coupon new bonds, and reduced the Authority's exposure to variable rate debt.

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 Executive Director at the New Jersey Turnpike Authority, P.O. Box 5042, Woodbridge, New Jersey 07095-5042.

New Jersey Turnpike Authority
(a component unit of the State of New Jersey)
Balance Sheets

	December 31	
	2009	2008
Assets		
Current assets:		
Cash	**$ 220,776,967**	$ 119,279,768
Restricted cash	**666,484**	58,974,571
Investments	**350,694,701**	250,145,279
Investments held by trustees	**269,946,863**	112,827,028
Restricted investments	**1,177,196,517**	624,964,423
Accrued interest on investments	**1,523,458**	1,727,089
Receivables, net of allowance	**34,419,615**	37,363,751
Restricted receivables	**82,410**	153,329
Inventory	**18,483,966**	20,820,930
Due from State of NJ	**1,936,750**	414,673
Deposits	**24,310,324**	1,585,160
Prepaid expenses	**5,083,574**	5,221,947
Total current assets	**2,105,121,629**	1,233,477,948
Noncurrent assets:		
Restricted investments	**307,457,404**	12,029,580
Restricted receivables	**-**	74,579
Capital assets, net of accumulated depreciation	**3,455,202,263**	2,911,337,428
Capital assets, non depreciable	**1,343,727,428**	1,443,595,332
Bond issuance costs, net	**66,954,800**	56,627,583
Total noncurrent assets	**5,173,341,895**	4,423,664,502
Total assets	**$ 7,278,463,524**	$ 5,657,142,450
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 164,513,339**	$ 96,669,304
Funds held in trust	**151,532,765**	136,882,168
Due to State of New Jersey	**3,647,657**	4,181,805
Deposits	**1,315,100**	1,303,697
Accrued interest payable	**137,925,548**	93,929,025
Deferred revenue	**2,495,159**	2,394,600
Compensated absences	**4,613,435**	4,245,442
Current portion of pollution remediation liability	**3,474,500**	3,760,340
Current portion of notes payable and net premium	**-**	335,746,289
Current portion of bonds payable	**104,855,000**	81,585,000
Total current liabilities	**574,372,503**	760,697,670
Noncurrent liabilities:		
Bonds payable, net	**6,609,527,096**	4,805,305,260
Non-current portion of long-term obligations	**47,422,699**	37,095,257
Pollution remediation liability	**21,182,000**	29,004,630
OPEB liability	**120,425,782**	76,729,982
Compensated absences	**21,092,680**	20,453,894
Total noncurrent liabilities	**6,819,650,257**	4,968,589,023
Total liabilities	**7,394,022,760**	5,729,286,693
Net assets :		
Invested in capital assets, net of related debt	**(383,142,802)**	(196,122,158)
Restricted for debt service	**340,067,410**	93,624,170
Restricted for donor restrictions	**75,000**	149,578
Unrestricted	**(72,558,844)**	30,204,167
Total net assets	**(115,559,236)**	(72,144,243)
Total liabilities and net assets	**$ 7,278,463,524**	$ 5,657,142,450

See accompanying notes.

New Jersey Turnpike Authority

(a component unit of the State of New Jersey)

Statements of Operations and Changes in Fund Net Assets

	Year Ended December 31 2009	2008
Operating revenues:		
Toll revenue	**$ 952,419,068**	$ 746,738,384
ETC project revenue	**39,567,868**	53,646,677
Concession revenue	**35,245,021**	36,413,433
Miscellaneous revenue	**9,692,432**	8,509,680
Total operating revenues	**1,036,924,389**	845,308,174
Operating expenses:		
Maintenance of roadway, buildings and equipment	**190,231,032**	167,547,396
Toll collection	**73,152,897**	75,474,937
State Police and Traffic Control	**73,730,657**	71,369,756
ETC expenses	**92,211,880**	93,179,102
Technology	**25,704,211**	20,885,432
Employee benefits	**65,091,851**	66,621,171
General administrative costs	**45,376,105**	37,899,034
Snow removal	**17,301,256**	8,822,001
OPEB Expense	**68,071,400**	61,936,800
Depreciation	**147,641,455**	131,953,811
Total operating expenses	**798,512,744**	735,689,440
Operating income	**238,411,645**	109,618,734
Non-operating revenues (expenses):		
Build America Bonds Rebate	**24,083,916**	-
Payment to State of NJ	**(22,000,000)**	(22,000,000)
Capital Contribution to State of NJ	**(125,850,587)**	-
Interest Expense, Turnpike Revenue Bonds	**(166,487,729)**	(176,710,038)
Other bond expense	**(5,828,303)**	(5,352,554)
Unrealized (loss) gain on investments	**(106,011)**	80,767
Earnings on investments	**11,435,051**	12,025,703
Arts Center	**2,957,611**	3,451,386
Garden State Cultural Center Fund	**(30,586)**	(249,484)
Total non-operating revenues (expenses)	**(281,826,638)**	(188,754,220)
Change in net assets	**(43,414,993)**	(79,135,486)
Net assets – beginning of year	**(72,144,243)**	6,991,243
Net assets – end of year	**$ (115,559,236)**	$ (72,144,243)

See accompanying notes.

New Jersey Turnpike Authority

(a component unit of the State of New Jersey)

Statements of Cash Flows

	Year Ended December 31	
	2009	**2008**
Cash flows from operating activities		
Receipts from customers and patrons	$ **1,038,592,505**	$ 840,495,880
Payments to suppliers	**(241,799,465)**	(273,862,020)
Payments to employees	**(190,280,700)**	(190,225,500)
Payments for self insured claims	**(65,947,359)**	(62,150,743)
Net cash provided by operating activities	**540,564,981**	314,257,617
Cash flows from noncapital financing activities		
Capital contribution to State of New Jersey	**(125,850,857)**	(13,676,455)
Payment to State of New Jersey	**(22,000,000)**	(22,000,000)
Proceeds from Arts Center	**2,957,611**	3,451,386
Operating (loss) from Garden State Cultural Center Fund	**(30,586)**	(249,484)
Net cash used in noncapital financing activities	**(144,923,832)**	(32,474,553)
Cash flows from capital and related financing activities		
Proceeds acquired from subordinated notes	-	338,182,700
Retired subordinated notes	**(335,000,000)**	-
Proceeds acquired from new capital debt	**2,498,945,000**	-
Retired capital debt	**(590,010,000)**	-
Purchases of capital assets	**(561,146,671)**	(336,457,118)
Principal paid on capital debt	**(81,585,000)**	(76,460,000)
Proceeds from Build America Bonds	**24,083,916**	-
Interest paid on capital debt	**(210,484,252)**	(182,875,265)
Payments for bond expenses	**(5,828,303)**	(5,282,564)
Net cash provided by (used in) capital and related financing activities	**738,974,690**	(262,892,247)
Cash flows from investing activities		
Purchases of investments	**(80,381,092,874)**	(17,713,822,134)
Sales and maturities of investments	**79,275,645,663**	17,706,587,886
Interest received	**14,020,484**	26,030,363
Net cash (used in) provided by investing activities	**(1,091,426,727)**	18,796,115
Net increase in cash	**43,189,112**	37,686,932
Cash – beginning of year	**178,254,339**	140,567,407
Cash – end of year	$ **221,443,451**	$ 178,254,339
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ **238,411,645**	$ 109,618,734
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	**147,641,455**	131,953,811
Changes in assets and liabilities:		
Receivables	**1,771,188**	(1,990,720)
Inventory	**2,336,964**	3,735,340
Other assets	**(22,586,791)**	(2,088,815)
Accounts payable and accrued expenses	**125,957,007**	36,098,962
Deferred revenue	**100,559**	301,817
Other liabilities	**11,345,624**	1,709,548
OPEB liability	**43,695,800**	38,346,480
Pollution remediation liability	**(8,108,470)**	(3,427,540)
Net cash provided by operating activities	$ **540,564,981**	$ 314,257,617

See accompanying notes.

1. Organization, Nature of Accounts and Accounting Practices

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

   On May 27, 2003, the Act was amended. The amendment empowered the Turnpike Authority, effective 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 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 and supplemented (the “Bond Resolution”) for security of the bondholders. At December 31, 2009, the Authority’s board of commissioners consisted of seven members, five 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. The Commissioner of the New Jersey Department of Transportation serves ex officio.

   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.

   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.

1. Organization, Nature of Accounts and Accounting Practices (continued)

b. *Reporting Entity* – The Government 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.

The transactions and activities of the Garden State Cultural Center Fund (see Note 8) are included in the financial statements presented in accordance with accounting principles generally accepted in the United States of America as a blended component unit.

c. *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 assets, revenues and expenses are accounted for in an enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

In its accounting and financial reporting, the Authority follows the pronouncements of the Government Accounting Standards Board ("GASB"). In addition, the Authority follows the pronouncements of all applicable Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

Receivables

Receivable balances primarily consist of toll revenue collected by the New Jersey E-Z Pass Customer Service Center that is due to the Authority. An allowance for doubtful accounts is established to provide for all accounts which may not be collected in the future for any reason. As of December 31, 2009 and 2008, the Authority's reserve for uncollectible accounts amounted to $7,320,868 and $4,484,642, respectively.

1. Organization, Nature of Accounts and Accounting Practices (continued)

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 $50,000 and includes equipment valued over $50,000 or any purchase related to a capital project whose project value exceeds $50,000, but may include equipment valued under $50,000.

Capital assets are valued at cost, including all ancillary charges necessary to place the asset in its intended location and condition for use. If land is purchased, the capitalized value is to include the purchase price plus costs such as legal fees, filling, and excavation costs incurred to put the land in condition for its intended use. All land acquisition costs are capitalized at the time the expenses are recorded. Building costs include both acquisition and capital improvement costs, including 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.

Depreciation Policy:

The Authority uses the straight-line method of depreciation over the estimated useful lives of the asset group as follows:

Road bed	100 years
Road surface	5-10 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

1. Organization, Nature of Accounts and Accounting Practices (continued)

Prepaid Expenses

Prepaid expenses represent amounts paid as of year end which will benefit future operations.

Bond Premiums/Discounts and Issuance Costs

Underwriters' premiums/discounts and issuance costs are deferred and amortized over the life of the debt in the financial statements using the bonds outstanding method.

Investments

Investments are recorded on the balance sheet at fair value. All investment income, including changes in the fair value of investments, is reported as revenue (either as investment income or net increase (decrease) in fair value of investments) on the statement of operations.

Net Capitalized Interest

Net interest cost 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.

Bonds Payable

Bonds payable consist of the total amount of outstanding bonds less unamortized premiums, discounts and deferred loss on refunding.

Toll Revenue

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.

A schedule of tolls may not be finally adopted by the Authority without 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.

1. Organization, Nature of Accounts and Accounting Practices (continued)

ETC Project Revenue

ETC Project Revenue consists of the Authority's share of fees and charges generated from the operation of the New Jersey EZPass Customer Service Center. This Customer Service Center is currently operated on behalf of the New Jersey Turnpike Authority, South Jersey Transportation Authority, and Delaware River Port Authority by ACS State and Local Solutions, Inc. These fees and charges consist primarily of the $1 monthly membership fee charged to New Jersey EZPass account holders, and the $25 administrative fee collected from toll evaders. In addition, other fees are charged to EZPass account holders for such items as lost and stolen transponders, bounced checks, and monthly statement delivery. Revenue is also generated from agreements with other agencies and leasing of the Authority's fiber optic network. For financial reporting purposes, fees and charges are recognized when earned for all but administrative fees which are recognized when received from the patrons.

Inventories

Inventories are valued at the lower of cost or market value, with cost calculated on the average cost basis.

Operating Revenues

Revenues are reported as earned. Revenues associated with operations of the toll road are considered operating revenues. Other revenues are considered non-operating revenues.

Operating Expenses

Expenses are reported when incurred. Operating expenses relate directly to operating and maintaining the toll roads. Other expenses are considered non-operating expenses.

1. Organization, Nature of Accounts and Accounting Practices (continued)

Accrued Liabilities

The Authority recognizes a liability for goods and services received but not paid for as of year end.

Claims Payable

The Authority recognizes a liability for general liability, auto liability and workers' compensation claims based upon an estimate for all probable losses incurred, both reported and not reported. The liability for these claims is reported in the balance sheets at a discounted amount.

Compensated Absences

The Authority accrues employees' unused sick leave which is paid at current value upon retirement. Application dates and limits vary based upon the employee's specific contract and effective dates. Vacation entitlement is calculated based on years of service, and the terms of the relevant labor agreement.

Deferred Revenue

The Authority's deferred revenue primarily consists of prepayment of rent by customers for use of the Authority's fiber optic lines and communication towers.

Due to External Parties

Included in the December 31, 2009 balance sheet is approximately $22.2 million for amounts retained from contractors and engineers and $127.5 million received for ETC Prepayments and Tag Deposits.

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.

1. Organization, Nature of Accounts and Accounting Practices (continued)

Interest Rate Swaps

The Authority enters into various interest rate swaps in order to manage risks associated with interest on its bond portfolio. As currently allowed under accounting principles generally accepted in the United States, the Authority does not record the fair value or changes in fair value of interest rate swaps on the face of its financial statements. See Note 6 for relevant disclosures.

Reclassifications

In order to conform to the current year presentation, Net Assets Restricted for Capital Projects at December 31, 2008 in the amount of $643,048,680 were reclassified to Invested in Capital Assets, net of related debt. In addition, accretion on capital bonds in the amount of $28,532,951 and unamortized bonds issuance costs in the amount of $56,627,583 as of December 31, 2008 were also reclassified from Invested in Capital Assets, net of related debt to Unrestricted Net Assets. Certain 2008 operating expenses on the statements of operations and changes in fund net assets were also reclassified to conform to the current year presentation.

Accounting Standards Issued But Not Yet Adopted

GASB Statement No. 51 (“GASB 51”), *Accounting and Financial Reporting for Intangible Assets*, was issued in June 2007. GASB 51 requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable.

This Statement also establishes guidance specific to intangible assets related to amortization. GASB 51 provides guidance on determining the useful life of intangible assets when the length of their life is limited by contractual or legal provisions. If there are no factors that limit the useful life of an intangible asset, the Statement provides that the intangible asset be considered to have an indefinite useful life. Intangible assets with indefinite useful lives should not be amortized unless their useful life is subsequently determined to no longer be indefinite due to a change in circumstances.

1. Organization, Nature of Accounts and Accounting Practices (continued)

This Statement, which is effective for the Authority's 2010 year end, is not expected to have a significant impact on the Authority's financial statements.

GASB Statement No. 53 ("GASB 53"), *Accounting and Financial Reporting for Derivative Instruments,* was issued in June 2008. GASB No. 53, which establishes accounting and reporting requirements for derivative instruments, is effective for the Authority's 2010 calendar year.

This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. Derivative instruments, however, also can expose governments to significant risks and liabilities. Common types of derivative instruments used by governments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts, and futures contracts.

The Authority is in the process of evaluating the impact of the adoption of GASB No. 53 on its financial statements.

2. Capital Assets

A summary of changes in the capital assets for the years ended December 31, 2009 and 2008 is as follows:

Classification	December 31, 2008	Additions	Retirements / Transfers	December 31, 2009
Land	$ 631,790,374	$ 49,524,824	$ –	**$ 681,315,198**
Construction-in-progress	811,804,958	591,638,385	(741,031,113)	**662,412,230**
Non-depreciable capital assets	1,443,595,332	641,163,209	(741,031,113)	**1,343,727,428**
Road bed	2,253,424,710	155,251,712	–	**2,408,676,422**
Road surface	393,396,459	27,090,130	–	**420,486,589**
Bridges	1,415,678,871	366,698,010	–	**1,782,376,881**
Buildings and sound barriers	393,837,874	84,434,838	–	**478,272,712**
Equipment	550,738,772	58,031,600	–	**608,770,372**
Depreciable capital assets	5,007,076,686	691,506,290	–	**5,698,582,976**
Total capital assets	6,450,672,018	1,332,669,499	(741,031,113)	**7,042,310,404**
Less accumulated depreciation:				
Road bed	(695,048,892)	(61,036,401)	–	**(756,085,293)**
Road surface	(323,930,645)	(9,057,950)	–	**(332,988,595)**
Bridges	(726,866,753)	(28,466,673)	–	**(755,333,426)**
Buildings and sound barriers	(209,680,881)	(11,464,023)	–	**(221,144,904)**
Equipment	(140,212,087)	(37,616,408)	–	**(177,828,495)**
	(2,095,739,258)	(147,641,455)	–	**(2,243,380,713)**
Capital assets, net	$ 4,354,932,760	$ 1,185,028,044	$ (741,031,113)	**$ 4,798,929,691**

2. Capital Assets (continued)

Classification	December 31, 2007	Additions	Retirements / Transfers	December 31, 2008
Land	$ 614,552,595	$ 17,237,779	$ –	$ 631,790,374
Construction–in–progress	629,216,142	348,007,959	(165,419,143)	811,804,958
Non–depreciable capital assets	1,243,768,737	365,245,738	(165,419,143)	1,443,595,332
Road bed	2,220,035,484	33,389,226	–	2,253,424,710
Road surface	374,883,472	18,512,987	–	393,396,459
Bridges	1,390,712,352	24,966,519	–	1,415,678,871
Buildings and sound barriers	371,178,783	22,659,091	–	393,837,874
Equipment	502,085,231	48,715,121	(61,580)	550,738,772
Depreciable capital assets	4,858,895,322	148,242,944	(61,580)	5,007,076,686
Total capital assets	6,102,664,059	513,488,682	(165,480,723)	6,450,672,018
Less accumulated depreciation:				
Road bed	(634,447,160)	(60,601,732)	–	(695,048,892)
Road surface	(316,989,353)	(6,941,292)	–	(323,930,645)
Bridges	(699,955,806)	(26,910,947)	–	(726,866,753)
Buildings and sound barriers	(200,062,912)	(9,617,969)	–	(209,680,881)
Equipment	(112,391,796)	(27,881,871)	61,580	(140,212,087)
	(1,963,847,027)	(131,953,811)	61,580	(2,095,739,258)
Capital assets, net	$ 4,138,817,032	$ 381,534,871	$ (165,419,143)	$ 4,354,932,760

For the years ended December 31, 2009 and 2008, net interest costs of $155,155,469 and $66,477,673, respectively, were capitalized as part of capital assets.

3. Deposits and Investments

The New Jersey Turnpike Authority is authorized to engage in investment activity pursuant to the Turnpike Revenue Bond Resolution adopted on August 20, 1991. Investment policies are set forth in certain sections of the Resolution and 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. The Authority did not enter into any reverse repurchase agreements during the years ended December 31, 2009 and 2008. According to management, the Authority is not in violation of any provisions of the Resolution's investment policies.

3. Deposits and Investments (continued)

During 2009 and 2008, the Authority purchased its own Auction Rate Securities (ARS) as an investment with proceeds of the 2009 and 2008 Subordinated Bond Anticipation Notes in accordance with the provisions of the 2008 Subordinated Bond Anticipation Note Resolution. The Authority was allowed to purchase its own ARS as the SEC released ARS guidance in March 2008 which allowed issuers to bid on their own ARS through December 31, 2009 without triggering SEC enforcement action for securities law violations. The SEC's release outlined the steps that issuers should take and disclosures that should be made in order to bid on their own securities. It is management's opinion that the Authority has complied with these guidelines in all material respects. As of December 31, 2009, the Authority held none of its Auction Rate Securities as an investment, as these bonds were defeased prior to December 31, 2009. (see Note 4).

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, 2009 and 2008, the Authority had the following cash and investments:

	December 31, 2009		Investment Maturities		
Investment Type	**Carrying Value**	**Cash Account**	**Less than 1 Year**	**1-5 Years**	**Over 5 Years**
Commercial Paper	$ 819,408,940	$ –	$ 819,408,940	$ –	$ –
Certificates of Deposit	244,941,838	–	41,715,664	203,226,174	–
Demand Deposit	221,443,451	221,443,451	–	–	–
Repurchase Agreements	477,690,717	–	477,690,717	–	–
NJ Cash Management Fund	230,006,564	–	230,006,564	–	–
Variable Rate Demand Bonds	91,907,269	–	–	–	91,907,269
U.S. Treasury – State and Local Government Series	12,323,961	–	–	–	12,323,961
Time Deposit	712	–	712	–	–
FFCB	30,022,269	–	30,022,269	–	–
FHLB	85,018,715	–	85,018,715	–	–
FHLMC	65,450,210	–	65,450,210	–	–
FNMA	50,047,748	–	50,047,748	–	–
Total Investments	$ 2,328,262,394	$ 221,443,451	$ 1,799,361,539	$ 203,226,174	$ 104,231,230

3. Deposits and Investments (continued)

	December 31, 2008		Investment Maturities	
Investment Type	**Carrying Value**	**Cash Account**	**Less than 1 Year**	**1-5 Years**
Commercial Paper	$ 160,556,137	$ –	$ 160,556,137	$ –
Auction Rate Securities	140,082,362	–	140,082,362	–
Certificates of Deposit	25,043,825	–	25,043,825	–
Demand Deposit	178,254,339	178,254,339	–	–
Time Deposit	207	–	207	–
Repurchase Agreements	230,134,647	–	230,134,647	–
U.S. Treasury – State and Local Government Series	12,269,461	–	239,881	12,029,580
FFCB	7,499,998	–	7,499,998	–
FHLB	396,843,454	–	396,843,454	–
FHLMC	11,128,367	–	11,128,367	–
FNMA	18,134,941	–	18,134,941	–
Total	$ 1,179,947,738	$ 178,254,339	$ 989,663,819	$ 12,029,580

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's Bond Resolution sets maximum maturity limits for investments and requires that investment maturities are matched to the Authority's liquidity needs.

Credit Risk: 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 Bond Resolution. As of December 31, 2009, the Authority held investments in debt instruments of the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Bank (FHLB), and Federal Farm Credit Bank (FFCB), all of which were rated in the highest long-term or short-term ratings category (as applicable) by Standard & Poor's and/or Moody's Investors Service. These ratings were AAA by Standard & Poor's and AAA by Moody's for long-term or short-term instruments, respectively. Certificates of Deposit are issued by banks which are rated in one of the two highest rating categories by Moody's and Standard & Poor's. Repurchase Agreements are collateralized obligations rated Prime-1 or A3 or better by Moody's and A-1 or A or better by Standard & Poor's. Investment securities in the form of commercial paper were rated in the highest long-term and short-term category by at least two major rating agencies, A-1+ by Standard and Poor's and P-1 by Moody's. The State of New Jersey Cash Management Fund is a common trust fund administered by the New Jersey Department of Treasury, Division of Investment and is an unrated investment. Variable rate demand bonds are obligations of states, their subdivisions and agencies which are rated in the highest two ratings categories by Moody's and Standard & Poor's.

3. Deposits and Investments (continued)

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. At December 31, 2009, 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 market value not less than the amount of such moneys. The Authority's total bank balances were $221,443,451 at December 31, 2009, all of which were insured by the Federal Deposit Insurance Corporation (FDIC) or collateral held in the Authority's name by the Authority's financial institutions or its agents. In 2008, the FDIC developed the Transaction Account Guarantee Program (TAGP), which is part of the FDIC's Temporary Liquidity Guarantee Program. The TAGP program provides an unlimited U.S. Government-backed guarantee on all dollars in non-interest bearing deposit transaction accounts held in U.S. offices of FDIC-insured institutions. This coverage lasted through December 31, 2009.

Concentration of Credit Risk: The Authority does not place a formal limit on the amount that it may invest in any one issuer. At December 31, 2009, 24%, or $561,396,696, and 9% or $204,734,621, of the Authority's investments were in General Electric Credit Corporation Commercial Paper Investments and U.S. Bank Certificates of Deposit, respectively.

The investment policies of the Authority are established in conformity with the Bond Resolution, which defines investment securities to mean any of the following securities legal for investment of the Authority's funds at the time of the purchase thereof:

3. Deposits and Investments (continued)

(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 Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, United States Postal Service, Farmers Home Administration, Export-Import Bank, Federal Financing Bank and Student Loan Marketing Association;

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

3. Deposits and Investments (continued)

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

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

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

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

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

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

3. Deposits and Investments (continued)

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

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

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

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

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

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

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

4. Bond Indebtedness

As of December 31, 2009 and 2008, bond indebtedness consists of the following:

	December 31 2008	Increase	Decrease	December 31 2009	Due within One year
Turnpike Revenue Bonds:					
Series 1991 C, due 1/1/2016 with interest at 6.50%	$ 102,650,000	$ –	$ –	**$ 102,650,000**	$ –
Series 1991 D, due 1/1/2018 with interest at 6.19% (under an interest rate swap agreement)	371,000,000	–	–	**371,000,000**	–
Series 1992 B, due 1/1/2004 to 2012 with yields to maturity at 6.10% to 6.70% (see below)	19,620,036	968,706	5,400,000	**15,188,742**	5,400,000
Series 2000 A, due 1/1/2030 with interest rates at 4.80% to 6.0%	310,005,000	–	85,995,000	**224,010,000**	99,455,000
Series 2000 B-G (auction rate bonds), due 1/1/2023 with interest at variable rates not to exceed 10%	400,000,000	–	–	**400,000,000**	–
Series 2003 A, 4.75% to 5.0% maturing 1/1/2019 through 1/1/2030	788,815,000	–	–	**788,815,000**	–
Series 2003 B (Federally taxable) 1.15% to 4.252% maturing 1/1/2004 through 1/1/2016	635,720,000	–	26,200,000	**609,520,000**	–
Series 2003 C, 3.4486% (under interest swap agreement) maturing 1/1/2024	500,000,000	–	–	**500,000,000**	–
Series 2003 D, 3.034% (under interest swap agreement) maturing 1/1/2024	400,000,000	–	400,000,000	**–**	–
Series 2004 A, 3.150%, maturing January 1, 2035, mandatory tender of January 1, 2010	154,000,000	–	154,000,000	**–**	–
Series 2004 B, 5.150%, Growth and Income Securities	121,179,865	6,320,814	–	**127,500,679**	–
Series 2004 C-1, 4.50%, maturing January 1, 2031	154,270,000	–	–	**154,270,000**	–
Series 2004 C-2, 5.50%, maturing January 2, 2025	132,850,000	–	–	**132,850,000**	–
Series 2005 A, 5.0%, maturing 1/1/2019 through 1/1/2030	409,180,000	–	–	**409,180,000**	–
Series 2005 B, 4.81%, maturing 1/1/2019	32,500,000	–	–	**32,500,000**	–
Series 2005 C, 5.0%, maturing 1/1/2030 and 1/1/2035	95,880,000	–	–	**95,880,000**	–
Series 2005 D, 5.25%, maturing 1/1/2026	208,735,000	–	–	**208,735,000**	–
Series 2009 A, 3.114% (under interest rate swap agreement) maturing 1/1/2024	–	92,500,000	–	**92,500,000**	–
Series 2009 B, 3.294% (under interest rate swap agreement) maturing 1/1/2025	–	50,000,000	–	**50,000,000**	–
Series 2009 C, 3.294% (under interest rate swap agreement) maturing 1/1/2026	–	43,750,000	–	**43,750,000**	–
Series 2009 D, 3.214% (under interest rate swap agreement) maturing 1/1/2027	–	43,750,000	–	**43,750,000**	–
Series 2009 E, 5.03% maturing 1/1/2028 and 5.35% maturing 1/1/2040	–	375,000,000	–	**375,000,000**	–
Series 2009 F, 7.14% Term Bond Federally Taxable, maturing 1/1/2040	–	1,375,000,000	–	**1,375,000,000**	–
Series 2009 G, 5.0%, maturing 1/1/2017 and 1/1/2018	–	34,770,000	–	**34,770,000**	–
Series 2009 H, 5.0% and 4.25%, maturing 1/1/2020 to 1/1/2024 and 1/1/2036	–	306,170,000	–	**306,170,000**	–
Series 2009 I, 5.0%, maturing 1/1/2031 and 1/1/2035	–	178,005,000	–	**178,005,000**	–
	4,836,404,901	$ 2,506,234,520	$ 671,595,000	**6,671,044,421**	$ 104,855,000
Unamortized discount, premium and deferred bond refunding costs	50,485,359			**43,337,675**	
	$ 4,886,890,260			**$ 6,714,382,096**	

4. Bond Indebtedness (continued)

As of December 31, 2008 and 2007, bond indebtedness consists of the following:

	December 31 2007	Increase	Decrease	December 31 2008	Due within one year
Turnpike Revenue Bonds:					
Series 1991 C, due 1/1/2016 with interest at 6.50%	$ 102,650,000			**$ 102,650,000**	
Series 1991 D, due 1/1/2018 with interest at 6.19% (under an interest rate swap agreement)	371,000,000			**371,000,000**	
Series 1992 B, due 1/1/2004 to 2012 with yields to maturity at 6.10% to 6.70% (see below)	23,771,124	$ 1,248,912	$ 5,400,000	**19,620,036**	**$ 5,400,000**
Series 2000 A, due 1/1/2030 with interest rates at 4.80% to 6.0%	336,815,000		26,810,000	**310,005,000**	**49,985,000**
Series 2000 B-G (auction rate bonds), due 1/1/2023 with interest at variable rates not to exceed 10%	400,000,000			**400,000,000**	
Series 2003 A, 4.75% to 5.0% maturing 1/1/2019 through 1/1/2030	788,815,000			**788,815,000**	
Series 2003 B (Federally taxable) 1.15% to 4.252% maturing 1/1/2004 through 1/1/2016	679,970,000		44,250,000	**635,720,000**	**26,200,000**
Series 2003 C, 3.4486% (under interest swap agreement) maturing 1/1/2024	500,000,000			**500,000,000**	
Series 2003 D, 3.034% (under interest swap agreement) maturing 1/1/2024	400,000,000			**400,000,000**	
Series 2004 A, 3.150%, maturing January 1, 2035, mandatory tender of January 1, 2010	154,000,000			**154,000,000**	
Series 2004 B, 5.150%, Growth and Income Securities	115,172,730	6,007,135		**121,179,865**	
Series 2004 C-1, 4.50%, maturing January 1, 2031	154,270,000			**154,270,000**	
Series 2004, C-2, 5.50%, maturing January 2, 2025	132,850,000			**132,850,000**	
Series 2005 A, 5.0%, maturing 1/1/2019 through 1/1/2030	409,180,000			**409,180,000**	
Series 2005 B, 4.81%, maturing 1/1/2019	32,500,000			**32,500,000**	
Series 2005 C, 5.0%, maturing 1/1/2030 and 1/1/2035	95,880,000			**95,880,000**	
Series 2005 D, 5.25%, maturing 1/1/2026	208,735,000			**208,735,000**	
	4,905,608,854	$ 7,256,047	$ 76,460,000	**4,836,404,901**	**$ 81,585,000**
Unamortized discount, premium and deferred bond refunding costs	54,545,150			**50,485,359**	
	$ 4,960,154,004			**$ 4,886,890,260**	

As of December 31, 2009 and 2008, the Authority has approximately $2,386,218,200 and $2,627,466,700, 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.

4. Bond Indebtedness (continued)

For the Series 1991 D Bonds maturing in 2018, the Series 1992 B Bonds, the Series 2000A (other than the January 1, 2027 maturity), the Series 2000 B-G, the Series 2003 A-D, the Series 2004 A-C and the Series 2005 A-D, principal and interest payments are insured on the stated maturity and interest payment dates through municipal bond insurance which totaled \$3,569,793,168 and \$4,215,188,168 at December 31, 2009 and December 31, 2008, respectively.

Interest on all outstanding bond indebtedness, except for capital appreciation bonds, auction rate bonds (see below),the 2003 C variable rate bonds and the 2009 A-D variable rate bonds, is payable semiannually on each January 1 and July 1. Unless converted to a fixed interest rate, the Series 1991 D Bonds pay interest semi-annually to bondholders computed at a variable weekly interest rate (0.28% as of December 31, 2009 and 4.0% as of December 31, 2008) subject to a maximum rate of 12 %. Regardless of whether the Series 1991 D bondholders are paid a variable rate or a fixed rate, under an interest rate swap agreement with a financial institution, the Authority will pay interest at a fixed rate of 6.19% for the entire term of the Series 1991 D Bonds plus any amount owed to bondholders that is greater than the amount received from the swap counterparty (see Note 9). The Authority has also entered into an Interest Rate Exchange Agreement on the Series 1991 D Bonds, in which the Authority pays a floating rate equal to the U.S.D-BMP Municipal 5-year Swap Index, reset weekly, which is intended to approximate the interest payable on the Series 1991 D Bonds, and receives a floating interest rate equal to 86.815% of the U.S.D-BMA Swap Rate (see Note 6).

Series 1991 C Bonds in the principal amount of \$102,650,000 at December 31, 2009 and December 31, 2008, are subject to mandatory redemption on January 1, 2012 through January 1, 2016 at 100% of the principal amount plus accrued interest. The Series 1992 B Bonds are not subject to mandatory or optional redemption prior to maturity. If converted to a fixed interest rate, the Series 1991 D Bonds are subject to mandatory redemption on January 1, 2017 and January 1, 2018 at 100% of the principal amount plus accrued interest. The Series 1991 D Bonds are also subject to optional redemption prior to maturity in whole or in part of a redemption price of 100% plus accrued interest.

The Series 1991 D Bonds include a Liquidity Facility in the form of a Letter of Credit provided by Societe Generale. The Letter of Credit is in the face amount of \$393,442,959, which represents the available balance at December 31, 2009, expiring on January 1, 2018. The Authority has entered into a Reimbursement Agreement with Societe Generale which provides that in the event of a draw on the Letter of Credit facility, the Authority will reimburse Societe Generale for the amount of the draw plus interest.

4. Bond Indebtedness (continued)

The Series 1992 B Bonds, which are capital appreciation bonds, were originally issued in the amount of $30,016,972, and are reported, net of repayments, at their accreted value of $15,188,742 as of December 31, 2009 and $19,620,036 as of December 31, 2008 and mature annually from January 1, 2000 through January 1, 2012 at accreted values aggregating $70,200,159.

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

The Series 2000 B-G bonds were issued as auction rate bonds with interest rates not to exceed 10%. The auction date for the Series 2000 B-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 B-G Bonds is January 1, 2030. These auction rate bonds of each Series are subject to redemption prior to maturity at the option of the Authority in whole or in part at redemption price of 100%, plus accrued interest. The bonds are also subject to mandatory redemption on January 1, 2021 through January 1, 2030 at 100% of the principal amount plus accrued interest. The Authority pays a fixed rate of 4.3120% under an interest rate swap agreement, and receives 64.459% of 5-year LIBOR (see Note 6).

The Series 2003 A Bonds are subject to redemption prior to maturity on and after July 1, 2013 at the option of the Authority in whole or in part at any time and from time to time. The redemption price is 100% plus accrued interest.

The Series 2003 B Bonds are not subject to optional redemption prior to maturity.

The Series 2003 C Bonds, while bearing interest at a Weekly Interest Rate, are subject to redemption prior to maturity on any Interest Payment Date at the option of the Authority in whole or in part at any time and from time to time. The redemption price is 100% plus accrued interest. The Series 2003 C-1 Bonds are covered by a Liquidity Facility of $225,000,000

4. Bond Indebtedness (continued)

provided by West LB AG which expires December 15, 2015. The Series 2003 C-2 and C-3 Bonds are covered by a Liquidity Facility of $275,000,000 provided by Dexia Credit which expires July 9, 2013. The Authority has entered into Reimbursement Agreements with each liquidity provider, agreeing to repay any draws on the Liquidity Facility, plus interest.

The Series 2003 C Adjustable Rate Bonds, in the amount of $500,000,000 at December 31, 2009 and December 31, 2008, were issued in connection with swap agreements. Under those agreements the Authority has agreed to pay each counterparty, up to and including January 1, 2016, a fixed rate of interest equal to 3.4486%. In exchange, the counterparty pays the lesser of (a) 63% of LIBOR plus 0.20% and (b) the actual rate of interest on the Hedged Series 2003 bonds. After January 1, 2016, the floating rate payable by each counterparty is 63% of LIBOR plus 0.20%. The swap agreements terminate on January 1, 2024, unless terminated sooner in accordance with their respective terms (see Note 6).

The Series 2004 A Bonds are subject to redemption prior to maturity on and after July 1, 2013 at the option of the Authority in whole or in part at any time and from time to time. The redemption price is 100% plus accrued interest. The bonds are also subject to mandatory redemption on January 1, 2026 through January 1, 2030 at 100% of the principal amount plus accrued interest.

The Series 2004 B Bonds, which are capital appreciation bonds, were originally issued in the amount of $101,279,755, and are reported at their accreted value of $127,500,680 at December 31, 2009 and $121,179,865 at December 31, 2008. The Series 2004 B Bonds are subject to mandatory redemption on January 1, 2012 through January 1, 2016 at 100% of the principal amount plus accrued interest. The bonds are not subject to optional redemption prior to maturity.

The Series 2004 C-1 Bonds are subject to mandatory redemption prior to maturity at the option of the Authority on January 1, 2010 or any date thereafter, at a price of par plus accrued interest to the date of redemption.

The Series 2004 C-2 Bonds are not subject to redemption prior to maturity.

4. Bond Indebtedness (continued)

The Series 2005 A Bonds maturing on January 1 in the years 2026 through 2030 are not subject to optional redemption prior to maturity. The bonds maturing in 2019 through 2025 are subject to redemption prior to maturity on or after January 1, 2015, at the option of the Authority, at the redemption price of 100% plus accrued interest.

The Series 2005 B Bonds are not subject to optional redemption prior to maturity.

The Series 2005 C Bonds are subject to redemption prior to maturity on and after January 1, 2015, at the option of the Authority, at a redemption price of 100%, plus accrued interest. The Series 2005 C Bonds maturing on January 1, 2030 and 2035, respectively, are subject to mandatory redemption prior to maturity, at a redemption price of 100% plus accrued interest.

The Series 2005 D Bonds are not subject to optional redemption prior to maturity.

The Series 2009 A Bonds, while bearing interest at a Weekly Interest Rate, are subject to redemption prior to maturity on any Interest Payment Date at the option of the Authority in whole or in part at any time and from time to time. The redemption price is 100% plus accrued interest. The bonds are subject to mandatory redemption between January 1, 2020 and January 1, 2024. The Series 2009 A bonds are covered by an irrevocable direct pay Letter of Credit and Reimbursement Agreement with JPMorgan Chase Bank, N.A. which expires February 10, 2012. The Letter of Credit is for a maximum amount of $93,533,973 which is equal to the aggregate outstanding principal amount of the Series 2009 A bonds, plus 34 days interest at the rate of 12% per annum.

The Series 2009 B Bonds, while bearing interest at a Weekly Interest Rate, are subject to redemption prior to maturity on any Interest Payment Date at the option of the Authority in whole or in part at any time and from time to time. The redemption price is 100% plus accrued interest. The bonds are subject to mandatory redemption between January 1, 2020 and January 1, 2024. The Series 2009 B bonds are covered by an irrevocable direct pay Letter of Credit and Reimbursement Agreement with PNC Bank National Association which expires February 10, 2012. The Letter of Credit is for a maximum amount of $50,821,918 which is equal to the aggregate outstanding principal amount of the Series 2009 B bonds, plus 50 days interest at the rate of 12% per annum.

4. Bond Indebtedness (continued)

The Series 2009 C and 2009 D Bonds, while bearing interest at a Weekly Interest Rate, are subject to redemption prior to maturity on any Interest Payment Date at the option of the Authority in whole or in part at any time and from time to time. The redemption price is 100% plus accrued interest. The bonds are subject to mandatory redemption between January 1, 2020 and January 1, 2024. The Series 2009 C and 2009 D bonds are covered by an irrevocable direct pay Letter of Credit and Reimbursement Agreement with The Bank of Nova Scotia which expires February 11, 2011. The Letter of Credit is for a maximum amount of $88,880,822 which is equal to the aggregate outstanding principal amount of the Series 2009 C and D bonds, plus 48 days interest at the rate of 12% per annum.

The 2009 A-D Bonds were issued in conjunction with an $87,500,000 swap agreement with Morgan Stanley Capital Services (MSCS) and a $137,500,000 swap agreement with Barclays Bank PLC. Under those agreements the Authority has agreed to pay MSCS a fixed rate of interest equal to 3.114% and pays Barclays Bank PLC a fixed interest rate equal to 3.284%. In exchange, each counterparty pays a floating rate equal to the lesser of (a) 63% of LIBOR plus 0.20% and (b) the actual rate of interest on the Hedged Series 2003 bonds. After January 1, 2016, the floating rate payable by each counterparty will change to 63% of LIBOR plus 0.20%. The swap agreements terminate on January 1, 2024, unless terminated sooner in accordance with their respective terms (see Note 6).

The Series 2009 E Bonds maturing January 1, 2028 are subject to redemption prior to maturity on or after January 1, 2014 at the option of the Authority in whole or in part at any time and from time to time, while the bonds maturing January 1, 2040 are subject to redemption prior to maturity on or after January 1, 2019 at the option of the Authority. In both cases, the redemption price is 100% plus accrued interest. The bonds are also subject to mandatory redemption on January 1, 2037 through January 1, 2040 at 100% of the principal amount plus accrued interest.

The Series 2009 F 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 equal to 35% of the interest payable on the bonds. These cash payments constitute Pledged Revenues under the Authority's bond resolution. The Series 2009 F 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

4. Bond Indebtedness (continued)

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 2009 F 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 2009 G Bonds are not subject to redemption prior to maturity.

The Series 2009 H Bonds are subject to redemption prior to maturity on and after January 1, 2019, at the option of the Authority, in whole or in part at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest.

The Series 2009 I Bonds are subject to redemption prior to maturity on and after January 1, 2020, at the option of the Authority, in whole or in part at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest. The bonds are subject to mandatory redemption between January 1, 2032 and January 1, 2035.

All bonds outstanding under the Bond Resolution, together with amounts owed under the interest rate swap agreements, are secured on a parity by a pledge of net revenues of the Authority senior in priority to any other Authority obligations secured by such net revenues. The off-balance sheet risk associated with the interest rate swap agreements are termination payments. These payments, which under certain circumstances could be substantial amounts, would be required to be made by the Authority, if the Authority opted to cancel any of the agreements. These termination payments are not included in the accompanying balance sheets as of December 31, 2009 or December 31, 2008 as the Authority does not intend to terminate any of the agreements at this time, except as noted in Note 6.

4. Bond Indebtedness (continued)

In accordance with the Bond Resolution, the Authority, to meet the Debt Reserve Requirement may maintain a surety bond or insurance policy payable to the Trustee in lieu of required deposits in the Debt Reserve Fund. As of December 31, 2009 and 2008 the Authority maintained debt reserve insurance policies to meet this requirement with a payment limit of $348,903,213. The Authority also maintains investments with a fair market value of $222,273,373 as of December 31, 2009 and $0 as of December 31, 2008 to meet the Debt Reserve Requirement.

The following table sets forth as of December 31, 2009, 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. The table excludes the funds deposited in 2009 and 2008 to the Debt Service Fund to provide the January 1, 2010 and 2009 sinking fund payments amounting to $104,855,000 and $81,585,000, respectively.

As of December 31, 2009:

	Principal	Interest	Total
2010	$ 108,170,012	$ 345,523,264	$ 453,693,276
2011	119,635,012	338,627,032	458,262,044
2012	132,975,000	333,249,107	466,224,107
2013	148,565,000	327,434,032	475,999,032
2014	164,205,000	321,178,010	485,383,010
2015-2019	1,077,905,000	1,502,829,357	2,580,734,357
2020-2024	1,474,380,000	1,209,367,291	2,683,747,291
2025-2029	1,026,065,000	894,151,358	1,920,216,358
2030-2034	481,589,755	774,292,627	1,255,882,382
2035-2039	1,806,170,000	428,591,417	2,234,761,417
	$ 6,539,659,779	$ 6,475,243,495	$13,014,903,274

4. Bond Indebtedness (continued)

Interest expense was comprised of the following:

	Year Ended December 31	
	2009	**2008**
Turnpike Revenue Bonds, Series 1991 C	**$ 6,672,250**	$ 6,672,250
Turnpike Revenue Bonds, Series 1991 D	**28,731,652**	29,674,516
Turnpike Revenue Bonds, Series 1992 B	**968,707**	1,248,912
Turnpike Revenue Bonds, Series 2000 A	**14,167,040**	17,889,422
Turnpike Revenue Bonds, Series 2000 B – G	**13,747,289**	22,671,041
Turnpike Revenue Bonds, Series 2003 A	**39,223,563**	39,223,563
Turnpike Revenue Bonds, Series 2003 B	**25,916,790**	26,739,470
Turnpike Revenue Bonds, Series 2003 C	**21,245,863**	20,821,878
Turnpike Revenue Bonds, Series 2003 D	**3,630,036**	19,611,298
Turnpike Revenue Bonds, Series 2004 A	**2,425,500**	4,851,000
Turnpike Revenue Bonds, Series 1992 B	**6,320,816**	6,007,135
Turnpike Revenue Bonds, Series 2004 C	**14,880,100**	14,880,100
Turnpike Revenue Bonds, Series 2005 A	**20,893,125**	20,893,125
Turnpike Revenue Bonds, Series 2005 B	**1,563,250**	1,563,250
Turnpike Revenue Bonds, Series 2005 C	**4,794,000**	4,794,000
Turnpike Revenue Bonds, Series 2005 D	**10,261,040**	10,177,602
Turnpike Revenue Bonds, Series 2009 A	**2,223,381**	–
Turnpike Revenue Bonds, Series 2009 B	**1,475,736**	–
Turnpike Revenue Bonds, Series 2009 C	**1,396,698**	–
Turnpike Revenue Bonds, Series 2009 D	**1,411,089**	–
Turnpike Revenue Bonds, Series 2009 E	**13,162,500**	–
Turnpike Revenue Bonds, Series 2009 F	**68,811,188**	–
Turnpike Revenue Bonds, Series 2009 G	**997,848**	–
Turnpike Revenue Bonds, Series 2009 H	**2,152,395**	–
Turnpike Revenue Bonds, Series 2009 I	**3,167,187**	–
Subordinated Turnpike Bond Anticipation Notes, Series 2008	**2,052,082**	6,350,418
Subordinated Turnpike Bond Anticipation Notes, Series 2009	**11,733,875**	–
	324,025,000	254,068,980
Less: Interest Expense Capitalized to Projects	**(157,537,271)**	(77,358,942)
Net Interest Expense	**$ 166,487,729**	$ 176,710,038

During 2009, the Authority paid interest expense on the 1991 D and 2003 C bonds which exceeded the fixed rate on the corresponding swaps. As municipal bond insurers were downgraded in 2008, the insured ratings on these bonds also were downgraded. This perceived increase in risk caused the variable bond rates on these issues to increase, while LIBOR and

4. Bond Indebtedness (continued)

other market rates did not. Because the counterparties pay the Authority based upon the lesser of adjusted LIBOR or the variable bond rate (see Note 9), the payments made by the counterparties to the Authority were at adjusted LIBOR, which was lower than the bond rate and so the payments to the Authority were not sufficient to pay bondholder interest. Therefore, the Authority had to pay the difference between the swap counterparty payment and the interest owed to bondholders, causing total interest expense for the Authority to be above the fixed swap rates. The interest paid on the 2000 B-G and 2009 A-D bonds was at or below the rate paid to bondholders in 2009.

5. Subordinated Bond Anticipation Notes

As of December 31, 2009 and 2008, the Authority had the following Bond Anticipation Notes (BANs) payable:

	December 31	
	2009	**2008**
Subordinated Turnpike Bond Anticipation Notes:		
Series 2008 A, due May 1, 2009 with interest at 3.0%	$ –	$ 160,000,000
Series 2008 B, due February 1, 2009 with interest at 3.0%	–	175,000,000
	–	335,000,000
Unamortized discounts or premiums	–	746,289
	$ –	$ 335,746,289

All Subordinated BANs were issued under the Subordinated Turnpike Revenue Bond Anticipation Note Resolution adopted by the Turnpike Authority on April 8, 2008 as amended and supplemented and constitute Subordinated Indebtedness under the Turnpike General Bond Resolution.

The Series 2009 Subordinated BANs in the amount of $275,000,000 were used to refund the Series 2008 B BANs due February 1, 2009, fund capitalized interest, purchase any portion of the Authority's outstanding bonds, including the Series 1991 D, Series 2000 B-G, Series 2003 C and Series 2003 D bonds, temporarily fund the costs of construction of various projects and pay the costs of issuance of the BANs. The Series 2009 Subordinated BANs had an interest rate of 2.25%, were non-callable and were repaid on December 31, 2009. The Series 2009 Subordinated BANs were subordinate to the lien and pledges created by the General Bond Resolution, and

5. Subordinated Bond Anticipation Notes (continued)

were secured by all amounts on deposit in the Construction Fund, the Series 2009 Note Payment Fund and the Acquisition Fund created and established under the Subordinated Note Resolution as well as amounts on deposit in the General Reserve Fund. The Series 2009 BANs were repaid on their maturity date from proceeds of the Authority's Series 2009 H bonds (see Note 6 for details). The Series 2008 A Subordinated BANs were non-callable, and were issued to interim finance the costs of various projects relating to the Turnpike System, fund capitalized interest, and pay the cost of issuance of the notes.

The Series 2008 A and 2008 B Subordinated BANs were repaid on their maturity dates of May 1, 2009 and February 1, 2009, respectively. The Series 2008 A BANs were repaid with proceeds from the Authority's Series 2009 E bonds (see Note 4 for details) while the Series 2008 B BANs were repaid with proceeds from the Series 2009 BANs.

6. Interest Rate Exchange Contracts (SWAPS)

The Authority records interest rate exchange contracts pursuant to the settlement method of accounting whereby cash paid or received under the terms of the swap is charged or credited to the related interest expense account for the purpose of managing interest rate exposure. Each swap transaction involves the exchange of fixed and variable rate interest payment obligations with respect to an agreed upon nominal principal amount called a notional amount.

The Authority entered into ten pay-fixed, receive-variable interest rate swaps on a forward basis and one floating rate interest rate exchange agreement in order to protect against the potential of rising interest rates between the execution date and the effective date and to preserve the net present value savings of the bond refunding associated with each swap transaction. The notional amount of the swaps matches the principal amount of the associated debt. The Authority's swap agreements contain scheduled reductions to outstanding notional amounts to approximately follow scheduled reductions of the associated debt. The terms, including the fair values and credit ratings of the outstanding swaps as of December 31, 2009 are as follows:

6. Interest Rate Exchange Contracts (SWAPS) (continued)

Swap Agreement	Associated Debt	Notional Amount	Execution/ Trade Date	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value as of December 31, 2009	Swap Termination Date	Counterparty	Counterparty Credit Ratings (a)
1991 D	$ 371,000,000	$ 371,000,000	11/22/1991	12/18/1991	6.1900%	(b)	$ (102,830,620)	1/1/2018	AIG Financial Products Corp.	A3/BBB/A-
2003 C-1	$ 225,000,000	$ 225,000,000	5/9/2003	7/9/2003	3.4486%	(c)	$ (14,945,437)	1/1/2024	UBS AG	Aa3/A+/A+
2003 C-2	$ 225,000,000	$ 225,000,000	5/9/2003	7/9/2003	3.4486%	(c)	$ (16,038,611)	1/1/2024	Morgan Stanley Capital Services	A2/A/A
2003 C-3	$ 50,000,000	$ 50,000,000	5/9/2003	7/9/2003	3.4486%	(c)	$ (3,187,368)	1/1/2024	Citibank, N.A.	A1/A+/A+
2000 B-G	$ 240,000,000	$ 240,000,000	7/21/2004	1/1/2007	4.3120%	(d)	$ (25,975,634)	1/1/2030	Morgan Stanley Capital Services	A2/A/A
2000 B-G	$ 160,000,000	$ 160,000,000	7/21/2004	1/1/2007	4.3120%	(d)	$ (17,082,642)	1/1/2030	UBS AG	Aa3/A+/A+
2009 A	$ 92,500,000	$ 92,500,000	2/10/2009	2/12/2009	3.1140%	(c)	$ (3,813,287)	1/1/2024	Morgan Stanley Capital Services	A2/A/A
2009 B	$ 50,000,000	$ 50,000,000	2/11/2009	2/11/2009	3.2940%	(c)	$ (2,691,322)	1/1/2024	Barclays Bank PLC	Aa3/AA-/AA-
2009 C	$ 43,750,000	$ 43,750,000	2/11/2009	2/11/2009	3.2940%	(c)	$ (2,351,614)	1/1/2024	Barclays Bank PLC	Aa3/AA-/AA-
2000 D	$ 43,750,000	$ 43,750,000	2/11/2009	2/11/2009	3.2940%	(c)	$ (2,354,865)	1/1/2024	Barclays Bank PLC	Aa3/AA-/AA-
1991D	$ 371,000,000	$ 371,000,000	8/24/2006	1/1/2007	(e)	(f)	$ 14,538,966	1/1/2018	Morgan Stanley Capital Services	A2/A/A

(a) Ratings supplied by /Moody's /Fitch Ratings// Standard & Poor's.
(b) Bond Rate as determined by remarketing agent thru 2/19/08. From 2/20/08 forward, Alternative Floating Rate (65% of 30 day LIBOR) due to downgrade of bond insurer.
(c) From Effective Date to 1/1/2016, lesser of weighted average 63% U.S.D-LIBOR-BBA plus 20 bps. or weighted average Bond Rate; after 1/1/2016, weighted average 63% U.S.D-LIBOR-BBA plus 20 bps.
(d) Weighted average 70% U.S.D-LIBOR-BBA.
(e) NJTA pays floating rate equal to U.S.D-BMA Municipal Swap Index, not fixed rate.
(f) From Effective Date to 1/1/09 the greater of 86.815% of U.S.D-BMA-Swap Rate and U.S.D BMA Municipal Swap Index in either case with a 5 year maturity; after 1/1/09 86.815% of U.S.D-BMA-Swap Rate with a 5 year maturity.
Note: AIG Fair Value based on AIG's choice of 65% U.S.D-LIBOR-BBA or 92% BMA Index.

Fair Value

Because interest rates have declined since the execution date of certain swap agreements, ten swaps had a negative fair value as of December 31, 2009, while one had a positive fair value. As of December 31, 2008, fifteen had a negative fair value and one had a positive fair value. The negative fair values may be countered by reductions in total interest payments under the variable rate obligations, creating lower synthetic interest rates. Because interest rates on the swaps are reset on a weekly basis, thereby reflecting market interest rates, the obligations do not have corresponding fair value increases. The fair values of the 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 anticipates 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.

6. Interest Rate Exchange Contracts (SWAPS) (continued)

Credit Risk

As of December 31, 2009, the Authority was exposed to credit risk on those swaps with positive fair values totaling $14,538,966. It is not exposed to credit risk on those outstanding swaps which had a negative fair value. However, should interest rates change and the fair values of the swaps become positive, the Authority would be exposed to credit risk in the amount of the swap's fair value.

All of the swap agreements provide each party the right to set-off, counterclaim, or withhold payment upon and during the continuation of an event of default by the other party until the event of default is remedied, and, in addition, an early termination date may be designated if an event of default occurs. The Authority's eleven swap transactions currently outstanding are with five different counterparties. These counterparties were rated A3/BBB/A to Aa3/A+/A+ at December 31, 2009. During 2009, all counterparties had their ratings lowered by at least one of the major rating agencies. Barclays cannot be compared as they are new for 2009.

Basis Risk

The Authority's interest payments on the associated debt are equivalent to the weekly variable market rates set by the remarketing agent or the auction agent. The Authority receives a variable rate payment based on an index other than the weekly market or auction rates on each swap and would be exposed to basis risk should the relationship between the actual rate and the swap rate index differ. To the degree these rates differ, expected cost savings may not be realized. As of December 31, 2009, the variable market rates were and corresponding swap indexes are shown as follows:

6. Interest Rate Exchange Contracts (SWAPS) (continued)

Basis Risk			Swap	Adjusted	Basis Risk
Swap Agreement	Reset	Bond Rate as of 12/31/09	Rate Index as of 12/31/09	Swap Rate Index as of 12/31/09	Variable Rate Received
1991 D	7-Day	0.2800%	0.6551%	0.1543%	0.1543%
2003 C-1	7-Day	0.6000%	0.2309%	0.3455%	0.3455%
2003 C-2	7-Day	0.3800%	0.2309%	0.3455%	0.3455%
2003 C-3	7-Day	0.3800%	0.2309%	0.3455%	0.3455%
2000 B	7-Day	0.5600%	2.9360%	1.8925%	0.5600%
2000 C	7-Day	0.5600%	2.9360%	1.8925%	0.5600%
2000 D	7-Day	0.4380%	2.9360%	1.8925%	0.4380%
2000 E	7-Day	0.7880%	2.9360%	1.8925%	0.7880%
2000 F	7-Day	0.7530%	2.9360%	1.8925%	0.7530%
2000 G	7-Day	0.7530%	2.9360%	1.8925%	0.7530%
2009 A	7-Day	0.3000%	0.2309%	0.3455%	0.3000%
2009 B	7-Day	0.1800%	0.2309%	0.3455%	0.1800%
2009 C	7-Day	0.3000%	0.2309%	0.3455%	0.3000%
2009 D	7-Day	0.1800%	0.2309%	0.3455%	0.1800%

As shown on the previous schedule, at December 31, 2009 the variable rate received equals the bond rate on all but four swap agreements. The variable rate received on these four swap agreements were less than the bond rate paid. Details on the additional interest expense incurred by the Authority above the fixed swap rate in 2009 can be found in Note 4.

Termination Risk

The Authority or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the agreement. If any of the swaps are terminated, the associated variable rate debt will no longer carry synthetic fixed interest rates. Also, if at the time of termination the counterparty suffers a loss, the Authority would be liable to the counterparty for a payment calculated pursuant to the agreement with respect to such loss.

7. 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 2009 and 2008, as follows:

	2009	2008
(i)		
Net revenue available for Debt Service	**$ 593,986,479**	$ 414,069,342
Less net revenue requirements computed under test: (the sum of aggregate debt service, maintenance reserve, special project reserve and charges fund payments)	**(437,228,757)**	(414,069,342)
Excess net revenue	**$ 156,757,722**	$ –
(ii)		
Net revenue available for Debt Service	**$ 593,986,479**	$ 414,069,342
Less net revenue requirements computed under test: (120% x aggregate debt service requirements of $342,390,757 and $322,047,515 for 2009 and 2008, respectively)	**(410,868,908)**	(386,457,018)
Excess net revenue	**$ 183,117,571**	$ 27,612,324

The debt service coverage ratio (Net Revenue divided by Debt Service) was 1.73 in 2009 and 1.29 in 2008.

8. PNC Bank Arts Center

A formal agreement exists with PNC Bank, National Association for the “naming rights” of the Arts Center. Under the terms of the agreement, PNC Bank will pay the Authority and Garden State Art Center (“GSAC”) Partners (who share in sponsorship) $8,500,000 over a 10-year period for the naming and marketing rights associated with the Arts Center. An additional $750,000 will be paid for the support of the Cultural Center Fund. In return for the above, the name of the facility will be “PNC Bank Arts Center.”

For the years ended December 31, 2009 and 2008, the annual rental received from GSAC Partners was $2,509,694 and $3,003,469, respectively. Naming rights income totaling $447,917 and $447,917 from PNC Bank was recognized by the Authority during the 2009 and 2008, respectively.

These amounts, and the expenses incurred in the generation of same, are included in the Turnpike’s financial statements for the years ended December 31, 2009 and 2008.

9. Blended Component Unit – Garden State Cultural Center Fund

The Garden State Cultural Center Fund (the “Fund”) was created in 1968. The Fund provides free daytime entertainment for New Jersey’s senior citizens, school children and other deserving individuals. In 2003, pursuant to an act of the State Legislature, the powers, rights, obligations, assets and duties of the New Jersey Highway Authority were transferred to the Turnpike Authority. Accordingly, the responsibilities and functions of the Fund were also transferred. The contributions are held by the Authority free and clear of any liens or pledges created by the Turnpike Revenue Bond Resolution. Revenues of the Fund include contributions received by the Garden State Arts Center Foundation, Inc., a component unit of the Fund, from the public for the support of educational and charitable activities of the Fund. The Garden State Arts Center Foundation, Inc. was established in 1984 to receive contributions and to pay over such contributions together with earnings thereon to the Fund. The Foundation is qualified as a tax-exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code. The contributions for the year ended December 31, 2009 received by the Fund from the Foundation represent more than 50% of the total revenues received by the Fund for those years. If the Foundation discontinues its fund-raising activities on behalf of the Fund, the Fund is authorized to pursue its own fund-raising activities.

As part of the agreements, the Foundation, apart from the PNC Bank Arts Center, received $331,982 in 2009 from GSAC Partners and $75,000 in 2009 from PNC Bank.

9. Blended Component Unit – Garden State Cultural Center Fund (continued)

The condensed balance sheet and statement of revenues and expenses of the Garden State Cultural Center Fund for the years ended December 31, 2009 and 2008 is as follows:

Garden State Cultural Center Fund Balance Sheet

	December 31, 2009	December 31, 2008
Assets		
Current assets:		
Cash	**$ 133,769**	$ 780,884
Investments	**751,000**	–
Accounts receivable	**82,410**	153,329
Accrual interest receivable	**477**	–
Total current assets	**997,656**	934,213
Non-current assets – restricted contributions receivable	**–**	74,579
Total assets	**$ 997,656**	$ 1,008,792
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 11,000**	$ 24,427
Total liabilities	**11,000**	24,427
Net assets:		
Restricted by donor agreements	**75,000**	149,578
Unrestricted	**881,656**	834,787
Total net assets	**956,656**	984,365
Total liabilities and net assets	**$ 997,656**	$ 1,008,792

9. Blended Component Unit – Garden State Cultural Center Fund (continued)

Garden State Cultural Center Fund Statement of Revenues and Expenses

	December 31, 2009	December 31, 2008
Revenues:		
Contributions	**$ 460,479**	$ 535,835
Fund raising events (net of direct benefits costs of $51,653 and $141,051 in 2009 and 2008, respectively)	**48,561**	241,090
Proceeds from performances	**–**	–
Mall activities	**–**	2,490
Total operating revenues	**509,040**	779,415
Expenses:		
Cost of talent	**240,000**	516,385
Stagehands	**139,846**	199,008
Postage and promotional	**–**	38,653
Seasonal support	**126,279**	230,776
Thomas H. Kean Scholarship Fund	**25,000**	25,000
Other operating expenses	**8,501**	19,077
Total operating expenses	**539,626**	1,028,899
Operating income/(loss)	**(30,586)**	(249,484)
Non-operating revenues (expenses):		
Earnings on investments	**2,877**	22,691
Change in net assets	**(27,709)**	(226,793)
Net assets, beginning of year	**984,365**	1,211,158
Net assets, end of year	**$ 956,656**	$ 984,365

10. Commitments and Contingent Liabilities

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

10. Commitments and Contingent Liabilities (continued)

The Authority is committed under Construction Fund contracts to complete over the next several years projects totaling approximately $661,943,300 as of December 31, 2009. An additional $421,056,700 in contracts have been awarded contingent upon funding in future bond issues.

On October 10, 2008, the Authority's Board of Commissioners authorized the execution of an agreement with New Jersey Transit Corporation ("NJ Transit") pursuant to which the Authority will contribute up to $1.25 billion towards the costs of a project which is being undertaken by NJ Transit in cooperation with the Port Authority of New York & New Jersey and is known as "Access to the Region's Core" (the "ARC Project"). The ARC Project is intended to expand commuter rail capacity between the State and midtown Manhattan and consists primarily of the construction of an additional commuter railroad tunnel under the Hudson River between the State and New York City. On November 24, 2009 the agreement with NJ Transit was executed. Under the terms of the agreement, the Authority will pay its share of the costs of the ARC Project in annual installments commencing in calendar year 2012 and ending in calendar year 2018. The obligation of the Authority to make any such payments will be limited to the amounts on deposit in the General Reserve Fund which are legally available to be used by the Authority for such purposes and shall be subject and subordinate in all respects to the pledge created under the Authority's Bond Resolution.

11. Pension and Deferred Compensation

Permanent full-time employees of the Authority are covered by the Public Employee's Retirement System of the State of New Jersey (PERS), a cost sharing, multiple employer public retirement system. The payroll subject to pension for the Authority's employees covered by PERS was $164,881,200, $161,925,200 and $161,818,300 for the years ended December 31, 2009, 2008 and 2007. The Authority's total payroll for the years ended December 31, 2009, 2008 and 2007 was $190,280,700, $190,225,500 and $193,468,500 respectively.

All Authority permanent full-time employees are required as a condition of employment to be members of PERS. A member may retire on a service retirement allowance as early as age 60; no minimum service requirement must be established. The formula for benefits is an annual allowance in the amount equal to years of service, divided by 55, times the final average salary. Final average salary means the average of the salaries (excluding overtime) received by the member for the last three years of creditable membership service preceding retirement or the

11. Pension and Deferred Compensation (continued)

highest three fiscal years of membership service, whichever provides the largest benefit. Benefits fully vest on reaching 10 years of service. Employees with 25 years of service may retire at or after age 55 with full retirement benefits. The system also provides death and disability benefits. Benefits are established by State statute.

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

The combined contribution requirement for the year ended December 31, 2009, was $22,059,100. This consisted of employees' contributions of $9,068,500 and employer's contribution of $12,990,600. The combined contribution requirement for the year ended December 31, 2008 was $18,598,800 consisting of employees' contributions of $8,905,900 and employer's contributions of $9,692,900. The percentage of employee's contribution rate as a percentage of covered payroll was 5.5% for 2009 and 2008.

The Division of Pensions and Benefits issues a publicly available report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P. O. Box 295
Trenton, NJ 08625-0295

Individual retiree benefits vary based upon class of employment, age, years of service, and the applicable collective bargaining agreement in effect at the time of retirement.

11. Pension and Deferred Compensation (continued)

In 1980, the Authority established the Employees Deferred Compensation Plan. All permanent employees are eligible to participate in the plan, which permits participants to defer annually a portion of their salary. The Authority does not make any contributions to the plan.

12. Postemployment Benefits

The New Jersey Turnpike 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. The Authority maintains a single-employer, self-funded health plan 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 for the cost to provide postemployment benefits on a pay-as-you-go basis. For the fiscal year ending December 31, 2009, approximately 174 retirees contributed to their healthcare cost into the Authority's Indemnity program, in accordance with the provisions of agreements in effect at the time of their retirement.

The Authority establishes and has the power to amend benefits and contribution obligations, subject to collective bargaining agreements.

As required by the accounting standards of GASB Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*," the Authority must report cost 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 statement 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 amortization costs for the initial unfunded actuarial accrued liability is a level percentage of payroll, for a period of 30 years, with an assumption that payroll increases by 3% per year.

12. Postemployment Benefits (continued)

The following table shows the components of the Authority's annual OPEB cost assuming no prefunding of obligations at December 31, 2009:

	Year Ended December 31 2009	2008
	(In Thousands)	
Annual required contribution (ARC)	**$ 68,071**	$ 61,937
Adjustment to annual required contribution	**–**	–
Total annual OPEB cost (AOC)	**68,071**	61,937
Contributions made	**24,376**	23,591
Increase in net OPEB obligation	**43,695**	38,386
Net OPEB obligation, beginning of year	**76,730**	38,384
Net OPEB obligation, end of year	**$ 120,425**	$ 76,730

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation (NOO) for fiscal year ending December 31, 2009, were as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed*	Net OPEB Obligation
	(In Thousands)		*(In Thousands)*
December 31, 2009	**$ 68,071**	**35.8%**	**$ 120,425**
December 31, 2008	$ 61,937	38.1%	$ 76,730
December 31, 2007	$ 61,937	38.0%	$ 38,384

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

12. Postemployment Benefits (continued)

At the beginning of the year as of January 1, 2009, the actuarial accrued liability (AAL) for postemployment benefits earned through the valuation date was approximately $983 million, 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 $983 million. A little more than half of this obligation is for active employees. The AAL represents approximately 76% of the present value of all projected benefits.

The covered payroll (annual payroll of active employees covered by the plan) was $134.6 million, and the ratio of the UAAL to covered payroll was 730%.

The actuarial valuation date is January 1, 2009. 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 December 31, 2009 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4% discount rate and an annual healthcare cost trend rate of 13% medical and grading down to an ultimate rate of 5% effective 2020 and thereafter.

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information as of December 31, 2009 and whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

13. Litigation

In addition to commitments in the normal course of business (which includes investigation and remediation of existing and projected action level environmental conditions), the Authority is contingently liable under pending lawsuits and claims, relating principally to construction programs, in which the Authority is named a defendant. The Authority believes the aggregate liability of the Authority in 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.

In a number of actions against the State, officials of the State, individual rank and file troopers and the Authority, plaintiffs allege that the defendants either engaged in or condoned a pattern and practice of racial profiling by New Jersey state troopers on the Turnpike and, therefore, have violated provisions of the United States Constitution, the New Jersey State Constitution, the Civil Rights Act and the New Jersey Law Against Discrimination. The parties also claim that the Authority is liable for the alleged unlawful acts of New Jersey state troopers under the doctrine of respondeat superior. Further, the plaintiffs allege, among other things, liability of the Authority based upon claims of negligent hiring, screening and retention of state troopers who are alleged to have engaged in racial profiling activities. Based upon these claims, the parties seek monetary damages in addition to injunctive relief. In certain of the actions, the plaintiffs have sought certification of such actions as a class action. The Authority does not directly employ the New Jersey state troopers; however, under the Authority's contract with the State for provision of police services on the Turnpike and Parkway, there is an indemnification provision requiring the Authority to defend and indemnify state troopers, 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 that are beyond the scope of employment. The Authority is defending each case vigorously and has asserted that it has no liability. In the event the Authority is found ultimately to be liable, the Authority believes that it will be covered by insurance policies for a significant portion of such liability and that any amounts payable in regard to such portions that are not covered by insurance would not materially adversely affect the operations or finances of the Authority.

The Authority is a defendant in several lawsuits arising from its operations. Such liabilities, if any, not covered by insurance, would not materially affect the financial condition of the Authority.

14. Net Assets

Invested in Capital Assets, Net of Related Debt – Amounts consist of net capital assets less related debt.

Unrestricted – Funds available to cover the costs of reasonable and necessary operating expenses.

Restricted for Debt Service – Represents funds required to be held to meet debt service as required by bond indenture.

Restricted for Donor Restrictions – Represents funds of the Garden State Cultural Center Fund.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first and unrestricted resources as needed.

15. Self-Insurance

The New Jersey Turnpike Authority maintains a comprehensive insurance program, which affords various coverages including but not limited to, Umbrella Liability, Excess Workers Compensation, and Major Bridge/Property Insurance. Each coverage is subject to self-insured retentions or deductibles ranging from $25,000 to $2,000,000 per occurrence or claim as applicable. Employee medical benefits are self-funded with claims administration by Horizon Blue Cross/Blue Shield of New Jersey and CIGNA Healthcare. The Authority retains Stop Loss coverage for all self-funded medical plans, administered by Horizon BCBSNJ and CIGNA Healthcare. The coverage is "specific stop loss coverage", which means that the coverage applies to each claim individually. The attachment point for each claim is $300,000 per benefit year. The Authority self-funds it's workers' compensation program and contracts with a TPA (third party administrator), currently Inservco Insurance Services, for claims administration. The Authority also maintains Excess Workers' Compensation coverage, with the current carrier, Arch Insurance Company, which insures and provides for reimbursement to the Authority of all statutory expenses incurred in excess of the SIR (self-insured retention level) of $750,000 per occurrence.

15. Self-Insurance (continued)

The Umbrella Liability Insurance includes a self-insured retention of $2,000,000 per occurrence for automobile liability and police professional liability and $3,000,000 General Aggregate annually for general liability occurrences. The New Jersey Turnpike's Major Bridge/Property Insurance coverages provide insurance for its operations and are subject to a deductible of $2,000,000 per occurrence for bridge property with lower sub-deductibles on Other Property and Time Element coverages. The Garden State Parkway Bridge Program includes a $2,000,000 deductible per occurrence on its bridges and lower sub-deductibles on All Other property and coverages. Each of these programs affords 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 and Employers Liability and direct damage claims.

Other coverages such as Public Officials Liability and Employment Practices Liability, Crime Insurance, and Owner Controlled Insurance Programs for constructions projects all contain proportional ranges of self-insured retentions and/or deductibles.

The Authority also has awarded two (2) Owner Controlled Insurance Programs ("OCIPs"). One OCIP provides various coverages for the Authority and outside contractors, subcontractors, consultants and subconsultants in connection with the Authority's Turnpike Interchange 6-9 Widening Program. The other OCIP provides various coverages for the Authority and outside contractors, subcontractors, consultants and subconsultants in connection with other construction projects on the Turnpike and Garden State Parkway. The deductible or self insured retention for the general liability and workers compensation coverages for each program is $500,000. The OCIPs also provide other insurance coverage for the benefit of the Authority and its contractors, subcontractors, consultants and subconsultants. 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.

16. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009, 2008 and 2007, was as follows:

	December 31, 2008	Change in Estimate	Payments	December 31, 2009
General liability	$ 5,986,000	$ 898,852	$ (4,852)	**$ 6,880,000**
Auto liability	881,000	569,905	(97,905)	**1,353,000**
Workers' compensation	23,473,000	11,717,772	(4,820,772)	**30,370,000**
Total	$ 30,340,000	$ 13,186,529	$ (4,923,529)	**$ 38,603,000**
Compensated absences	$ 24,699,336	$ 25,472,494	$ (24,465,715)	**$ 25,706,115**

	December 31, 2007	Change in Estimate	Payments	December 31, 2008
General liability	$ 3,869,557	$ 2,835,219	$ (718,776)	$ 5,986,000
Auto liability	1,373,106	3,021,797	(3,513,903)	881,000
Workers' compensation	24,988,500	2,597,086	(4,112,586)	23,473,000
Total	$ 30,231,163	$ 8,454,102	$ (8,345,265)	$ 30,340,000
Compensated absences	$ 22,857,780	$ 24,927,180	$ (23,085,624)	$ 24,699,336

16. Changes in Long-Term Liabilities (continued)

	December 31, 2006	Change in Estimate	Payments	December 31, 2007
General liability	$ 3,726,870	$ 331,303	$ (188,616)	$ 3,869,557
Auto liability	1,243,030	145,673	(15,597)	1,373,106
Workers' compensation	23,701,641	6,991,370	(5,704,511)	24,988,500
Total	$ 28,671,541	$ 7,468,346	$ (5,908,724)	$ 30,231,163
Compensated absences	$ 23,214,798	$ 23,101,449	$ (23,458,467)	$ 22,857,780

17. Pollution Remediation Obligations

The Authority accounts for its pollution remediation obligations (PRO) in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 49, "*Accounting and Financial Reporting for Pollution Remediation Obligations.*" As a result, the Authority has recorded in the balance sheet a PRO liability in the amount of $24,656,500 at December 31, 2009. The Authority's PRO liability is measured based on the current cost of future activities.

The Authority owns numerous properties with environmental issues that meet the criteria for "obligating events" and disclosure under GASB Statement 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, 2009	PRO at December 31, 2008	PRO at December 31, 2007
Maintenance districts	**$ 458,000**	$ 356,000	$ 580,500
Toll facilities	**165,000**	142,500	213,200
Service areas	**23,858,500**	32,101,670	35,205,610
Other facilities	**175,000**	164,800	193,200
Liability for pollution remediation obligations	**$ 24,656,500**	$ 32,764,970	$ 36,192,510

17. Pollution Remediation Obligations (continued)

The following table summarizes the changes in the Authority's PRO liability during the years ended December 31, 2009 and 2008.

PRO at December 31, 2007	$ 36,192,510
2008 Payments	(3,427,540)
PRO at December 31, 2008	32,764,970
2009 Payments	**(3,457,123)**
Change in estimate	**(4,651,347)**
PRO at December 31, 2009	**$ 24,656,500**

The Authority has classified the total pollution remediation obligation as current and long term as of December 2009, 2008 and 2007 as follows:

	December 31		
	2009	**2008**	**2007**
Current portion	**$ 3,474,500**	$ 3,760,340	$ 3,427,540
Long-term portion	**21,182,000**	29,004,630	32,764,970
Total PRO	**$ 24,646,500**	$ 32,764,970	$ 36,192,510

Required Supplementary Information

New Jersey Turnpike Authority
(a component unit of the State of New Jersey)

Other Postemployment Benefits Plan

Schedule of Funding Progress

Valuation Date	**Actuarial Value of Assets ($ thousands) (a)**	**Actuarial Accrued Liability – Projected Unit Credit ($ thousands) (b)**	**Unfunded Actuarial Accrued Liability ($ thousands) (b) – (a)**	**Funded Ratio (a) / (b)**	**Covered Payroll ($ thousands) (c)**	**Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (b) – (a) / (c)**
01/01/2007	$0	$866,029	$866,029	0%	$134,993	642%
01/01/2009	**$0**	**$982,555**	**$982,555**	**0%**	**$134,589**	**730%**