

FINANCIAL STATEMENTS (TURNPIKE REVENUE BOND  
RESOLUTION BASIS) AND SUPPLEMENTARY INFORMATION

New Jersey Turnpike Authority  
Year Ended December 31, 2006  
With Report of Independent Auditors



# New Jersey Turnpike Authority

## Financial Statements

Year Ended December 31, 2006

### Contents

Report of Independent Auditors.....	1
Financial Statements Prepared in Conformity with the Turnpike Revenue	
Bond Resolution for the year ended December 31, 2006:	
Statement of Net Revenue .....	3
Statement of Operations.....	4
Statement of Assets, Liabilities and Fund Balances .....	5
Statement of Changes in Fund Balances.....	6
Statement of Cost of Investment in Facilities .....	7
Notes to Financial Statements.....	8
Supplemental Information:	
Schedule of Investments .....	32
Schedule of Cash Receipts and Disbursements .....	33
Schedule of Bond Indebtedness .....	34
Schedule of Toll Revenue.....	37

## Report of Independent Auditors

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

We have audited the accompanying bond resolution financial statements of the New Jersey Turnpike Authority (the Authority), a component unit of the State of New Jersey, as of and for the year ended December 31, 2006, 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 audit.

We conducted our audit 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 audit 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 audit provides a reasonable basis for our opinion.

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

In our opinion, such financial statements present fairly, in all material respects, the assets, liabilities and fund balances and the cost of investment in facilities of the Authority as of December 31, 2006, and its revenues and expenses and changes in fund balances and its net revenues for the year then ended on the basis of accounting described in Note 2.

Our audit was conducted for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. The supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the aforementioned financial statements. This additional information is the responsibility of the Authority's management. Such information, except for the portion marked unaudited on which we express no opinion, has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the aforementioned financial statements taken as a whole.

*Ernst + Young LLP*

March 16, 2007

New Jersey Turnpike Authority  
Statement of Net Revenue  
For the Twelve Months Ended December 31, 2006

	<u>2006</u>
Revenues:	
Toll revenue	\$ 737,278,985
ETC Project Fees	47,640,213
Concession revenue	31,840,295
Earnings on investments (including interest transfers)	23,237,822
Miscellaneous revenue	6,518,590
Arts Center	3,600,133
Total revenues and interfund transfers	<u>850,116,038</u>
Operating Expenses:	
Executive office	1,979,127
ETC Dept.	3,229,308
Law	1,402,467
Finance and budgets	6,026,004
Human resources	3,199,748
Technology and administrative services	13,723,047
Purchasing	1,064,007
Operations	5,488,318
Patron services	1,412,014
State police	55,550,724
Toll Collection	79,032,675
Maintenance	87,646,370
Engineering	3,617,297
Internal Audit	1,179,224
Strategic Planning	194,151
Art Center	429,014
Inventory	3,055,714
Non-departmental	15,995,307
Employee benefits	71,097,638
Snow	6,021,335
ETC	95,197,658
Total operating expenses	<u>456,541,148</u>
Total revenues and interfund transfers in excess of operating expenses before debt service	<u>393,574,890</u>
Debt Service:	
Interest expense	219,154,035
Transfer to Debt Service Fund	68,570,000
Total debt service	<u>287,724,035</u>
Total Revenues and interfund transfers in excess of operating expenses and debt service	105,850,855
Interfund Transfers:	
To Charges Fund	(4,992,133)
To Maintenance Reserve Fund	(59,058,000)
To Special Project Reserve Fund	(26,600,000)
To General Reserve Fund	(15,200,722)
Total revenues in excess of operating expenses, debt service and interfund transfers	<u>\$ -</u>

New Jersey Turnpike Authority  
Statement of Operations  
For the Twelve Months Ended December 31, 2006

	Revenue Fund	Construction Fund	Maintenance Reserve Fund	Special Project Reserve Fund	General Reserve Fund	Charges Fund	Debt Service Fund	Total 2006
Operating Revenues								
Toll revenue	\$ 737,278,985	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 737,278,985
ETC Project Fees	47,640,213	-	-	-	-	-	-	47,640,213
Concession revenue	31,840,295	-	-	-	-	-	-	31,840,295
Miscellaneous revenue	6,518,590	-	-	-	-	-	-	6,518,590
Arts Center	3,600,133	-	-	-	-	-	-	3,600,133
Total Revenues	826,878,216	-	-	-	-	-	-	826,878,216
Operating Expenses								
Maintenance of roadway, buildings and equipment	97,285,002	-	-	-	-	-	-	97,285,002
Toll Collection	79,032,675	-	-	-	-	-	-	79,032,675
State Police and Traffic Control	61,039,041	-	-	-	-	-	-	61,039,041
Administration and finance	123,986,769	-	-	-	-	-	-	123,986,769
ETC expenses	95,197,661	-	-	-	-	-	-	95,197,661
Cash Operating expenses	456,541,148	-	-	-	-	-	-	456,541,148
Net Operating Revenue	370,337,068	-	-	-	-	-	-	370,337,068
Earnings on Investments Available to Meet Debt Service	3,343,160	-	1,069,190	1,478,079	11,331,913	47,951	5,967,529	23,237,822
Interfund Transfers of Earnings on Investments	19,894,662	-	(1,069,190)	(1,478,079)	(11,331,913)	(47,951)	(5,967,529)	-
Earnings on Investments (including interest transfers)	23,237,822	-	-	-	-	-	-	23,237,822
Net Revenue Available for Debt Service	393,574,890	-	-	-	-	-	-	393,574,890
Debt Service								
Transfers Interest expense	(219,154,035)	-	-	-	-	-	219,154,035	-
Transfer for next Sinking Payment	(68,570,000)	-	-	-	-	-	68,570,000	-
Bond Interest Expense	-	-	-	-	-	-	(219,154,035)	(219,154,035)
Total Debt Service	(287,724,035)	-	-	-	-	-	68,570,000	(219,154,035)
Net Revenue after Operating Expenses and Debt Service	105,850,855	-	-	-	-	-	68,570,000	174,420,855
Application of Net Revenue								
Interfund Transfers:								
To Charges Fund	(4,992,133)	-	-	-	-	4,992,133	-	-
To Maintenance Reserve Fund	(59,058,000)	-	59,058,000	-	-	-	-	-
To Special Project Reserve Fund	(26,600,000)	-	-	26,600,000	-	-	-	-
To General Reserve Fund	(15,200,722)	-	-	-	15,200,722	-	-	-
Other Changes in Fund Balance	-	-	59,058,000	26,600,000	15,200,722	4,992,133	68,570,000	174,420,855
Interest Income - Construction Fund	-	33,886,753	-	-	-	-	-	33,886,753
Arbitrage Expense	-	1,855,849	-	-	-	-	-	1,855,849
Payment of Other Charges	-	-	(45,431,600)	(23,336,104)	(32,382,952)	(4,942,558)	-	(106,093,214)
Required payment to the State of New Jersey	-	-	-	-	(11,000,000)	-	-	(11,000,000)
Sinking Fund Payments	-	34,615,000	-	-	-	-	(34,615,000)	-
Net change in Fund Balance	-	70,357,602	13,626,400	3,263,896	(28,182,230)	49,575	33,955,000	93,070,243

**New Jersey Turnpike Authority**  
**Statement of Assets, Liabilities and Fund Balances**  
**For the Twelve Months Ended December 31, 2006**

	Revenue Fund	Construction Fund	Maintenance Reserve Fund	Special Project Reserve Fund	General Reserve Fund	Charges Fund	Debt Service Fund	Total
<b>Assets</b>								
Cash	\$ 57,548,352	\$ 19,493,446	\$ 1,034,052	\$ 3,627,570	\$ 4,708,223	\$ 1,700	\$ 118,053	\$ 86,531,396
Investments	127,117,161	684,153,564	26,030,154	30,526,214	228,086,869	777,898	196,912,006	1,293,603,866
Receivables	27,676,296	2,380,667	-	23,815	28,220	-	-	30,108,998
Interfund accounts, net	2,295,732	(4,123,138)	(1,115,580)	(2,347,980)	35,438,422	(458)	(30,146,998)	-
Inventory	19,187,635	-	-	-	-	-	-	19,187,635
Deposits	1,723,463	1,685,000	-	-	-	-	-	3,408,463
Prepaid Insurance	2,786,828	-	-	-	-	-	-	2,786,828
Cost of investment in facilities	-	-	-	-	-	-	-	-
Total assets	\$ 238,335,467	\$ 8,282,872,657	\$ 25,948,626	\$ 31,829,619	\$ 268,261,734	\$ 779,140	\$ 166,883,061	\$ 9,014,910,304

**Liabilities and fund balances**

<b>Liabilities:</b>								
Accounts payable	\$ 45,582,448	\$ 14,081,802	\$ 6,199,289	\$ 7,349,664	\$ 3,792,476	\$ -	\$ -	\$ 77,005,679
Withholdings from employees	5,001,611	-	-	-	-	-	-	5,001,611
Accrued debt service payable	-	-	-	-	-	-	86,273,891	86,273,891
Amounts retained from contractors & engineers	97,976	13,262,104	3,257,690	308,159	735,818	-	-	17,661,747
Other liabilities	102,995,587	4,856,546	38,408	252,892	3,100,000	-	-	111,243,433
<b>Bond indebtedness:</b>								
Turnpike Revenue Bonds, Series 1991 C	-	102,650,000	-	-	-	-	-	102,650,000
Turnpike Revenue Bonds, Series 1991 D	-	371,000,000	-	-	-	-	-	371,000,000
Turnpike Revenue Bonds, Series 1992 B	-	27,659,772	-	-	-	-	-	27,659,772
Turnpike Revenue Bonds, Series 2000 A	-	399,985,000	-	-	-	-	-	399,985,000
Turnpike Revenue Bonds, Series 2000 B - G	-	400,000,000	-	-	-	-	-	400,000,000
Turnpike Revenue Bonds, Series 2003 A	-	788,815,000	-	-	-	-	-	788,815,000
Turnpike Revenue Bonds, Series 2003 B	-	679,970,000	-	-	-	-	-	679,970,000
Turnpike Revenue Bonds, Series 2003 C	-	500,000,000	-	-	-	-	-	500,000,000
Turnpike Revenue Bonds, Series 2003 D	-	400,000,000	-	-	-	-	-	400,000,000
Turnpike Revenue Bonds, Series 2004 A	-	154,000,000	-	-	-	-	-	154,000,000
Turnpike Revenue Bonds, Series 2004 B	-	109,462,410	-	-	-	-	-	109,462,410
Turnpike Revenue Bonds, Series 2004 C	-	287,120,000	-	-	-	-	-	287,120,000
Turnpike Revenue Bonds, Series 2005 A	-	409,180,000	-	-	-	-	-	409,180,000
Turnpike Revenue Bonds, Series 2005 B	-	32,500,000	-	-	-	-	-	32,500,000
Turnpike Revenue Bonds, Series 2005 C	-	95,880,000	-	-	-	-	-	95,880,000
Turnpike Revenue Bonds, Series 2005 D	-	208,735,000	-	-	-	-	-	208,735,000
Total liabilities	153,677,622	4,999,157,634	9,495,387	7,910,715	7,628,294	-	86,273,891	5,264,143,543
<b>Fund balances</b>								
	84,657,845	3,283,715,023	16,453,239	23,918,904	260,633,440	779,140	80,609,170	3,750,766,761
Total liabilities and fund balances	\$ 238,335,467	\$ 8,282,872,657	\$ 25,948,626	\$ 31,829,619	\$ 268,261,734	\$ 779,140	\$ 166,883,061	\$ 9,014,910,304

New Jersey Turnpike Authority  
Statement of Changes in Fund Balance  
For the Twelve Months Ended December 31, 2006

	Revenue Fund	Construction Fund	Maintenance Reserve Fund	Special Project Reserve Fund	General Reserve Fund	Charges Fund	Debt Service Fund	Total
<b>Balance as of December 31, 2005</b>	\$ 84,657,845	\$ 3,213,357,421	\$ 2,826,839	\$ 20,655,008	\$ 288,815,670	\$ 729,565	\$ 46,654,170	\$ 3,657,696,518
<b>Add (deduct):</b>								
Total revenues and interfund transfers in excess of operating expenses before debt service	373,680,229	-	1,069,190	1,478,079	11,331,913	47,951	5,967,529	393,574,890
Transfers to fund bond interest expense	(219,154,035)	-	-	-	-	-	219,154,035	-
Bond interest expense	-	-	-	-	-	-	(219,154,035)	(219,154,035)
Construction investment interest	-	33,886,753	-	-	-	-	-	33,886,753
Payment of other charges	-	1,855,849	(45,431,600)	(23,336,104)	(32,382,952)	(4,942,558)	-	(104,237,365)
Revenue fund transfers	(80,650,133)	-	59,058,000	26,600,000	-	4,992,133	-	-
Interfund transfer of earnings on investments	19,894,662	-	(1,069,190)	(1,478,079)	(11,331,913)	(47,951)	(5,967,529)	-
Other fund transfers	-	-	-	-	-	-	-	-
Sinking fund payment	-	34,615,000	-	-	-	-	(34,615,000)	-
Sinking fund transfers	(68,570,000)	-	-	-	-	-	68,570,000	-
Surplus transfer	(15,200,722)	-	-	-	15,200,722	-	-	-
Required payment to the State of New Jersey	-	-	-	-	(11,000,000)	-	-	(11,000,000)
<b>Balance as of December 31, 2006</b>	\$ 84,657,845	\$ 3,283,715,023	\$ 16,453,239	\$ 23,918,904	\$ 260,633,440	\$ 779,140	\$ 80,609,170	\$ 3,750,766,761

Balance as of December 31, 2005

Add (deduct):

Total revenues and interfund transfers in excess of operating expenses before debt service

Transfers to fund bond interest expense

Bond interest expense

Construction investment interest

Payment of other charges

Revenue fund transfers

Interfund transfer of earnings on investments

Other fund transfers

Sinking fund payment

Sinking fund transfers

Surplus transfer

Required payment to the State of New Jersey

Balance as of December 31, 2006



New Jersey Turnpike Authority  
Statement of Cost of Investment in Facilities  
December 31, 2006

	Original Turnpike Extensions and Additional Lanes	Revenues Invested in Facilities	1966 Turnpike Improvement	1971 Turnpike Improvement	1973 Improvement and Funding Program	1977 Turnpike System Revenue Bond Accounts	1984 Turnpike Revenue Bonds	Refunding of 1984 Bonds	1985-1990 Widening Project	Business Plan for the 90's	Former NJHA Construction	2000 Construction Fund	2003 Construction Fund	2004 Construction Fund	2005 Construction Fund	Total
Land	\$ 25,771,162	\$ 5,073,263	\$ 28,704,263	\$ 4,074,507	\$ 7,013,092	\$ -	\$ -	\$ -	\$ 24,713,537	\$ 429,638,178	\$ 73,012,428	\$ 13,438,156	\$ -	\$ 244,325	\$ -	\$ 612,682,911
Buildings and Sound Barriers	21,511,320	11,114,629	25,867,686	3,041,943	10,476,787	-	-	-	22,173,191	118,028,510	59,460,867	42,526,242	-	-	-	314,201,177
Road Surface	63,572,995	7,553,490	27,342,887	7,277,862	3,806,320	-	-	-	45,160,447	57,759,499	95,412,885	45,172,893	-	-	-	353,059,258
Road Bed	103,010,596	49,460,276	204,074,805	20,684,820	24,881,066	-	-	-	285,612,468	373,715,130	627,322,231	380,075,214	-	18,591,925	-	2,097,432,331
Bridges	191,117,115	13,261,252	168,050,449	84,540,355	7,582,182	-	-	-	205,469,578	161,479,321	230,626,117	209,267,579	-	-	-	1,271,443,948
Equipment	22,139,668	-	-	-	3,360,072	-	-	-	-	-	106,372,470	269,594,081	-	252,189	-	401,718,490
Construction-in-Progress	27,036,418	165,271	245,668,754	22,512,061	23,615,247	-	-	-	594,000,850	592,583,031	78,358,485	274,109,764	-	123,160,397	8,369,498	405,639,659
Financial	\$ 454,159,274	\$ 87,628,181	\$ 695,748,828	\$ 142,131,548	\$ 80,744,766	\$ 12,874,128	\$ 67,745,398	\$ 7,988,081	\$ 1,177,130,071	\$ 1,733,203,669	\$ 1,270,555,483	\$ 1,741,519,046	\$ (1,416,195)	\$ 135,817,241	\$ (38,926,897)	\$ 2,123,105,144
																\$ 7,579,283,118

# New Jersey Turnpike Authority

## Notes to Financial Statements

Year ended December 31, 2006

### **1. Organization and Function of the New Jersey Turnpike Authority**

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

On May 27, 2003, the Act was amended. The amendment empowered the Turnpike Authority, effective on the Transfer Date, to assume all powers, rights, obligations and duties of the New Jersey Highway Authority (the Highway Authority), which owned and operated the Garden State Parkway and PNC Bank Arts Center. The Transfer Date, which was the date of issuance and delivery of the Series 2003 (Turnpike Authority) Bonds, was July 9, 2003. On that date, the Chair of the Turnpike Authority and the Commissioner of the New Jersey Department of Transportation certified to the Governor of the State of New Jersey that (a) all bonds of the Highway Authority ceased to be outstanding within the meaning of the resolutions pursuant to which those bonds were issued and (b) that the Turnpike Authority had assumed all debts and statutory responsibilities and obligations of the Highway Authority.

The Authority is a component unit of the State of New Jersey and its financial statements presented in accordance with accounting principles generally accepted in the United States (GAAP), are included in the State of New Jersey's (the State) Comprehensive Annual Financial Report (CAFR).

### **2. Summary of Significant Accounting Policies**

#### ***Nature of Funds***

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

# New Jersey Turnpike Authority

## Notes to Financial Statements (continued)

### 2. Summary of Significant Accounting Policies (continued)

- Revenue Fund – the Revenue Fund is the general operating fund of the Authority. It is used to account for all of the operating pledged revenues and expenses.
- Construction Fund – the Construction Fund is used to account for financial resources to be used for cost of investment in facilities. Included in this fund are the proceeds from the issuance of Turnpike Revenue Bonds in 2000, 2003, 2004 and 2005 (see Note 6), unexpended moneys related to projects authorized by previous bond issues and amounts transferred in as a result of the acquisition of the Highway Authority.
- Maintenance Reserve Fund – amounts in this fund may be applied to the cost of major resurfacing, replacement, repairs, renewals, or reconstruction of the Turnpike System.
- Special Project Reserve Fund – amounts in this fund may be applied to the cost of one or more special projects or additional projects. On an annual basis, the Special Project Reserve Fund is replenished up to the amount of the Special Project Reserve Requirement of \$50,000,000. The required funding is determined by projecting the ending fund balance and comparing it to the Special Project Reserve Requirement. The difference is funded in 12 equal installments over the next fiscal year.
- General Reserve Fund – amounts in the General Reserve Fund are to be used to make required state payments and to make up deficiencies in the Revenue Fund, the Debt Service Fund, the Debt Reserve Fund, the Charges Fund, the Maintenance Reserve Fund, and the Special Project Reserve Fund. Subject to certain terms, amounts in this fund which are not required to remedy any such deficiency may be applied to (a) the purchase or redemption of any bonds and expenses in connection therewith; (b) payment of principal and interest due upon redemption of variable rate debt, commercial paper and subordinated indebtedness, if any; (c) payments into the Construction Fund; (d) improvements, extensions, betterments, renewals, and replacements of the Turnpike System or the provisions of reserves for these purposes; (e) payments into the Revenue Fund; and (f) any other corporate purpose, including but not limited to, additional required State payments, if any.
- Charges Fund – this fund is used to pay (a) fees and charges paid to a financial institution under a letter of credit and related reimbursement agreement, line of credit, standby bond purchase agreement, or similar agreement; (b) fees and charges paid to the remarketing agent; (c) fees and charges paid to the tender agent; and (d) fees and charges paid to the broker/dealer but only to the extent that the Authority determines the foregoing amounts shall not be paid as operating expenses.

# New Jersey Turnpike Authority

## Notes to Financial Statements (continued)

### 2. Summary of Significant Accounting Policies (continued)

- Debt Service Fund – this fund accumulates the amounts required for (a) payment of interest and maturing principal amounts on all outstanding Turnpike revenue bonds when due; (b) payment of the redemption price and accrued interest on the bonds to be redeemed; and (c) payment of the purchase price of bonds purchased through application of moneys accumulated in this fund by reason of the payment of any sinking fund installment.
- Debt Reserve Fund – amounts in this fund are to be applied to make up any deficiency in the Debt Service Fund. The Bond Resolution provides that as a condition to the issuance of each series of bonds there shall be deposited in the Debt Reserve Fund the amount, if any, necessary so that the amount in such fund equals the Debt Reserve Requirement calculated immediately after the issuance of such series of bonds. The Debt Reserve Requirement is equal to the greatest amount of interest accruing on the outstanding bond indebtedness in any one year, subject to certain provisions set forth in the Bond Resolution (see Note 6).
- Whenever the moneys and investment securities on deposit in the Debt Reserve Fund, together with the amount in the Debt Service Fund, are sufficient to pay in full all outstanding bonds in accordance with their terms, the funds on deposit in the Debt Reserve Fund are to be transferred to the Debt Service Fund.
- The Authority may deposit a surety bond, insurance policy, or letter of credit payable to the Trustees of the bonds in an amount equal to the difference between the Debt Reserve Requirement and amounts deposited in the Debt Reserve Fund, subject to conditions provided for in the Bond Resolution (see Note 6).

### *Basis of Presentation*

Accounts of the Authority are maintained in accordance with the practices set forth herein, which are based on the provisions of the Bond Resolution and on the Authority's interpretation of the Bond Resolution. The significant practices, some of which differ in material respects from GAAP, are as follows:

- Depreciation of the Turnpike System and related facilities is not included as an operating expense or otherwise provided, as required by GAAP.

# New Jersey Turnpike Authority

## Notes to Financial Statements (continued)

### 2. Summary of Significant Accounting Policies (continued)

- Operating expenses are recorded as incurred. This includes reserves for general liability insurance claims for which the Authority is self-insured, unemployment insurance premiums withheld from employees, and certain other reasonable and necessary operating expenses which do not recur annually.
- Costs related to investment in facilities are capitalized as incurred. Capitalized items consist principally of the following:
  - expenditures to acquire rights-of-way;
  - expenditures to construct, place in operation and improve the Turnpike System;
  - costs of certain real estate in excess of right-of-way requirements which may be sold and the proceeds applied as a reduction of construction costs;
  - certain interest on bonds and notes (less income received on unexpended construction funds);
  - administrative, legal, and certain insurance expenses incurred during the construction period.
- Capital assets retired or disposed of are not recorded as a reduction in the cost of investment in facilities. GAAP requires that all assets retired or disposed of be written off.
- Costs of issuing and refunding bonds are capitalized and included as part of the cost of investment in facilities and are not recorded as unamortized bond issuance costs as required by GAAP
- Amortization of expenses associated with the offering, selling and issuance of bonds and notes; discounts or premiums on the sale of notes; and cost of issuing and refunding bonds is not included as an operating expense, or otherwise provided, as required by GAAP.
- Income on unexpended construction funds is recorded in the Construction Fund when earned.
- Inventory is recorded at cost and valued on a weighted-average basis (see Note 3).

# New Jersey Turnpike Authority

## Notes to Financial Statements (continued)

### 2. Summary of Significant Accounting Policies (continued)

- Toll revenues are generally recorded when earned, including toll revenues received under the post paid commercial EZPass program and EZPass revenue due from other participating Authorities.
- Bonds are recorded at par value as bond indebtedness in the Statement of Assets, Liabilities and Fund Balances. Bond discounts, premiums and accretion are recorded as part of the cost of investment in facilities in the Statement of Assets, Liabilities and Fund Balances and not offset against bond indebtedness as required by GAAP.
- Income on investments and from concessions is recorded when earned. Investments are stated at amortized cost, plus accrued interest. GAAP requires such investments to be recorded at fair value.
- Other income and receipts, from whatever source derived, are recorded as revenue when earned.
- Interest on bond indebtedness is recorded as incurred.
- Costs for repairs, replacements, or maintenance items of a type not recurring annually or at shorter intervals and costs for resurfacing, repairs, renewals, or reconstruction of the Turnpike System are recorded when incurred. Such costs are included in other charges in the accompanying statement of changes in fund balances.
- Total columns contain the totals of the similar accounts of the various funds. Since the assets of the funds are restricted, the combination of the accounts, including the assets therein, is for comparison only and does not indicate that the combined assets are available in any manner other than that provided for in the Bond Resolution.

### 3. Reclassifications

The December 31, 2005 fund balances for the Revenue Fund and the General Reserve Fund have been adjusted to reflect reclassifications that were made to conform with the current year's presentation. These reclassifications had no effect on the overall amount reported for Fund Balances.

# New Jersey Turnpike Authority

## Notes to Financial Statements (continued)

### 4. Cash and Investments

All moneys held under the Bond Resolution shall be continuously and fully secured by pledging, as collateral security, direct obligations of or obligations guaranteed by the United States of America having a market value not less than the amount of such moneys. The Authority's total book (cash) balances were \$86,531,396 at December 31, 2006. The Authority's total bank (cash) balances were \$87,315,255 at December 31, 2006, of which \$600,000 was insured by the Federal Deposit Insurance Corporation and \$144,336,193 was collateralized with U.S. Government Securities held in the Authority's name by the Authority's financial institutions or its agents.

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 year ended December 31, 2006. According to management, the Authority is not in violation of any provisions of the Resolution's investment policies.

All securities, other than securities held by the respective trustees for the benefit of the bondholders, are held by the Authority in the Authority's name. Bond proceed investments are held by the Authority in its depository banks in the Authority's name. All investment transactions are recorded on a transaction date basis. As of December 31, 2006, the Authority had the following cash and investments:

Included in the demand accounts identified above, as of December 31, 2006 the Authority held \$119,753 uninvested as cash in various trust and escrow accounts.

Investment Type	Carrying Value	Investment Maturities	
	December 31, 2006	Less than 1 Year	1-5 Years
Commercial Paper	\$ 19,063,764	\$ 19,063,764	
Certificates of Deposit	20,380,998	20,380,998	
Time Deposits	16,402,093	16,402,093	
Repurchase Agreements	22,884,513	22,884,513	
Treasury Bills	2,932,635	2,932,635	
State & Local Gov't Series	12,276,385		\$ 12,276,385
FFCB	89,908,863	81,950,940	7,957,923
FHLB	546,067,955	512,654,500	33,413,455
FHMLC	206,284,847	202,842,959	3,441,888
FNMA	357,401,814	299,070,344	58,331,470
Total	\$ 1,293,603,867	\$ 1,178,182,746	\$ 115,421,121

# New Jersey Turnpike Authority

## Notes to Financial Statements (continued)

### 4. Cash and Investments (continued)

*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, 2006, investments in Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Bank (FHLB), and Federal Farm Credit Bank (FFCB), 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 and A-1+ by Standard & Poor's and AAA and P-1 by Moody's for long-term or short-term instruments, respectively. Certificates of Deposits 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 P-1 or A3 or better by Moody's and A-1 or A or better by Standard & Poor's. Investments in 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.

*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/and or requiring high quality collateral be held by the counterparty in the name of the Authority. At December 31, 2006, the Authority had demand deposits of \$86,531,396 held at various banks which are all Federal Deposit Insurance Corporation (FDIC) insured in an amount up to \$100,000 per each component unit. In addition, the bank deposits were collateralized with pledged securities of \$144,336,193.

*Concentration Credit Risk:* The Authority does not place a formal limit on the amount that it may invest in any one issuer. At December 31, 2006, 27.6%, 42.2%, 16.0% and 7.0% of the Authority's investments were in FNMA, FHLB, FHLMC and FFCB discount and coupon notes.



# New Jersey Turnpike Authority

## Notes to Financial Statements (continued)

### 4. Cash and Investments (continued)

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

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

# New Jersey Turnpike Authority

## Notes to Financial Statements (continued)

### 4. Cash 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,
  - (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%,

# New Jersey Turnpike Authority

## Notes to Financial Statements (continued)

### 4. Cash and Investments (continued)

- (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.

### 5. Other Liabilities

Included as other liabilities in the accompanying December 31, 2006 statement of assets, liabilities and fund balance is: approximately \$3.4 million of funds to satisfy general and auto liability insurance claims for which the Authority is self-insured; approximately \$4.8 million of funds which are designated to satisfy unemployment insurance claims; approximately \$2.4 million of funds for accrued salaries, non-recurring bonus and separation payments;

New Jersey Turnpike Authority

Notes to Financial Statements (continued)

**5. Other Liabilities (continued)**

approximately \$90 million of funds designated for ETC tag deposits and prepayments; and approximately \$5.5 million for other obligations of the Authority, all of which are included as "other liabilities" on the Financial Statements.

Other liabilities in the Construction Fund consist of \$4.9 million for arbitrage rebate.

**6. Bond Indebtedness**

As of December 31, 2006, bond indebtedness consists of the following:

Turnpike Revenue Bonds:

Series 1991 C, due 1/1/2016 with interest at 6.50%	\$ 102,650,000
Series 1991 D, due 1/1/2018 with interest at 6.19%	371,000,000
(under an interest rate swap agreement)	
Series 1992 B, due 1/1/2004 to 2012 with yields	27,659,772
to maturity at 6.10% to 6.70% (see below)	
Series 2000 A, due 1/1/2030 with interest	399,985,000
rates at 4.80% to 6.0%	
Series 2000 B-G (auction rate bonds), due 1/1/2023 with interest at	400,000,000
variable rates not to exceed 10%	
Series 2003 A, 4.75% to 5.0% maturing 1/1/2019	788,815,000
through 1/1/2030	
Series 2003 B (Federally Taxable) 1.15% to 4.252% maturing	679,970,000
1/1/2004 through 1/1/2016	
Series 2003 C, 3.4486% (under interest swap agreement) maturing	500,000,000
1/1/2024	
Series 2003 D, 3.034% (under interest swap agreement) maturing	400,000,000
1/1/2024	
Series 2004 A, 3.150%, maturing January 1, 2035, mandatory	154,000,000
tender of January 1, 2010	
Series 2004 B, 5.150%, Growth and Income Securities	109,462,410
Series 2004 C-1, 4.50%, maturing January 1, 2031	154,270,000
Series 2004, C-2, 5.50%, maturing January 2, 2025	132,850,000
Series 2005 A, 5.0%, maturing 1/1/2019 through 1/1/2030	409,180,000
Series 2005 B, 4.81%, maturing 1/1/2019	32,500,000
Series 2005 C, 5.0%, maturing maturing 1/1/2030 and 1/1/2035	95,880,000
Series 2005 D, 5.25%, maturing 1/1/2026	208,735,000
	<u>\$ 4,966,957,182</u>

# New Jersey Turnpike Authority

## Notes to Financial Statements (continued)

### 6. Bond Indebtedness (continued)

The Authority has approximately \$9,831,915,000 of bonds outstanding which are secured by investments held by various escrow agents. The escrow accounts are invested in obligations of U.S. Government agencies and are not controlled by the Authority. The bonds are considered extinguished and accordingly, the assets and obligations are not reflected on the financial statements of the Authority.

For the Series 1991 C Bonds maturing in 2007, 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.

Interest on all outstanding bond indebtedness, except for capital appreciation bonds and auction rate bonds (see below) is payable semiannually on each January 1 and July 1. Unless converted to a fixed interest rate, the Series 1991 D Bonds pay interest to bondholders at a variable weekly interest rate (3.84 % as of December 31, 2006) subject to a maximum rate of 12 %. Regardless of whether the Series 1991 D bondholders are paid a variable rate or a fixed rate, under an interest rate swap agreement with a financial institution, the Authority will pay interest at a fixed rate of 6.19% for the entire term of the Series 1991 D Bonds.

The Series 1992 B Bonds, which are capital appreciation bonds, were originally issued in the amount of \$30,016,972, and are reported at their accreted value of \$27,659,772 as of December 31, 2006 and mature annually from January 1, 2000 through January 1, 2012 at accreted values aggregating \$70,200,159.

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

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

# New Jersey Turnpike Authority

## Notes to Financial Statements (continued)

### 6. Bond Indebtedness (continued)

The Series 2000 B-G bonds were issued as auction rate bonds with interest rates not to exceed 10% (the average rate for 2006 was 3.1324%). The auction date for the Series 2000 B-G Bonds generally occurs every seven days. Interest on the auction rate bonds will accrue for each auction interest period and will be payable in arrears on each succeeding interest payment date. An interest auction period begins on, and includes, an interest payment date and ends on (but excludes) the next succeeding interest payment date. The final interest payment date on the Series B-G Bonds will be January 1, 2030. These auction rate bonds of each Series are subject to redemption prior to maturity at the option of the Authority in whole or in part at redemption price of 100%, plus accrued interest. The bonds are also subject to mandatory redemption on January 1, 2021 through January 1, 2030 at 100% of the principal amount plus accrued interest.

The Series 2003 A Bonds are subject to redemption prior to maturity on and after July 1, 2013 at the option of the 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 D Bonds, while bearing interest at an Auction Rate, are subject to redemption prior to maturity on any Interest Payment Date of 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 2003 Series C and D Adjustable Rate Bonds, in the amount of \$500,000,000 and \$400,000,000, respectively, 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 the lesser of (a) 63% of LIBOR plus 0.20% and (b) the actual rate of interest on the Hedged Series 2003 D bonds, which is 3.4486% for Series C and 3.034% for Series D. 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.

# New Jersey Turnpike Authority

## Notes to Financial Statements (continued)

### 6. Bond Indebtedness (continued)

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 \$109,462,410. 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.

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.

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

# New Jersey Turnpike Authority

## Notes to Financial Statements (continued)

### 6. Bond Indebtedness (continued)

be made by the Authority, if the Authority opted to cancel any of the agreements. These termination payments are not included in the accompanying statement of assets, liabilities and fund balances as of December 31, 2006 as the Authority does not intend to terminate any of the agreements at this time.

In accordance with the Bond Resolution, the Authority, to meet the Debt Reserve Requirement (see Note 2), may maintain a surety bond or insurance policy payable to the Trustee in lieu of required deposits in the Debt Reserve Fund. As of December 31, 2005, the Authority maintained insurance policies with a face amount of \$3,960,529,304 and surety bonds with a payment limit of \$319,617,360.

The following table sets forth as of December 31, 2006, payments of principal (through sinking fund installments) and interest to be made to the Debt Service Fund from the Revenue Fund on all outstanding bonds of the Authority for the next five years and thereafter (in thousands). The table excludes the funds deposited in 2006 to the Debt Service Fund to provide the January 1, 2006 sinking fund payments amounting to \$68,570,000.

	Principal	Interest	Total
2007	\$74,948,648	\$ 221,457,525	\$ 296,406,173
2008	80,336,088	218,528,587	298,864,675
2009	104,195,012	214,505,342	318,700,354
2010	108,170,012	211,905,523	320,075,535
2011 - 2015	740,790,671	978,997,152	1,719,787,823
2016 - 2020	1,179,160,000	780,599,341	1,959,759,341
2021 - 2025	1,528,625,000	498,588,621	2,027,213,621
2026 - 2030	703,074,737	220,911,107	923,985,844
2031 - 2034	373,660,018	110,530,046	484,190,064
	<u>\$ 4,892,960,186</u>	<u>\$ 3,456,023,244</u>	<u>\$ 8,348,983,430</u>

The Authority has covenanted that it will charge and collect such tolls and other charges as shall be required in order that in each calendar year Net Revenue (as defined) shall at least equal the greater of (1) the sum of the aggregate debt service on all outstanding bonds, maintenance reserve payments, and special project reserve payments and payments, if any, to the charges fund for each calendar year; or (2) 1.20 times the sum of the aggregate debt service on all outstanding bonds, for each calendar year. Net revenue was sufficient to satisfy the most restrictive toll covenant requirements for 2006.



# New Jersey Turnpike Authority

## Notes to Financial Statements (continued)

### 6. Bond Indebtedness (continued)

For the year ended December 31, 2006, interest expense was comprised of the following:

Turnpike Revenue Bonds, Series 1991 C	\$ 6,672,250
Turnpike Revenue Bonds, Series 1991 D	22,964,900
Turnpike Revenue Bonds, Series 2000 A	22,777,563
Turnpike Revenue Bonds, Series 2000 B - G	12,691,171
Turnpike Revenue Bonds, Series 2003 A	39,223,563
Turnpike Revenue Bonds, Series 2003 B	27,996,170
Turnpike Revenue Bonds, Series 2003 C	17,189,932
Turnpike Revenue Bonds, Series 2003 D	13,110,522
Turnpike Revenue Bonds, Series 2004 A	4,851,000
Turnpike Revenue Bonds, Series 2004 C	14,248,987
Turnpike Revenue Bonds, Series 2005 A	20,893,125
Turnpike Revenue Bonds, Series 2005 B	1,563,250
Turnpike Revenue Bonds, Series 2005 C	4,794,000
Turnpike Revenue Bonds, Series 2005 D	10,177,602
	<u>\$ 219,154,035</u>

### 7. 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 payments obligations with respect to an agreed upon nominal principal amount called a notional amount.

The Authority entered into fifteen pay-fixed, receive-variable interest rate swaps on a forward basis and one floating rate interest rate swap 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, 2006, are as follows:

# New Jersey Turnpike Authority

## Notes to Financial Statements (continued)

### 7. Interest Rate Exchange Contracts (SWAPS)

Swap Agreement	Associated Debt	Notional Amount	Execution/Trade Date	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value	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)	(\$98,510,239)	1/1/2018	AIG Financial Products Corp.	AA/Aa2/NA
2003 C-1	\$225,000,000	\$225,000,000	5/9/2003	7/9/2003	3.4486%	(c)	\$1,215,383	1/1/2024	UBS AG	AA+/Aa2/AA+
2003 C-2	\$225,000,000	\$225,000,000	5/9/2003	7/9/2003	3.4486%	(c)	\$1,214,753	1/1/2024	Morgan Stanley Capital Services	A+/Aa3/AA-
2003 C-3	\$50,000,000	\$50,000,000	5/9/2003	7/9/2003	3.4486%	(c)	\$744,141	1/1/2024	Citibank, N.A.	AA/AAA/AA+
2003 D-1	\$43,750,000	\$43,750,000	6/13/2003	7/9/2003	3.0340%	(c)	\$1,992,154	1/1/2024	Morgan Stanley Capital Services	A+/Aa3/AA-
2003 D-2	\$43,750,000	\$43,750,000	6/13/2003	7/9/2003	3.0340%	(c)	\$1,992,308	1/1/2024	Morgan Stanley Capital Services	A+/Aa3/AA-
2003 D-3	\$43,750,000	\$43,750,000	6/13/2003	7/9/2003	3.0340%	(c)	\$1,992,441	1/1/2024	Morgan Stanley Capital Services	A+/Aa3/AA-
2003 D-4	\$43,750,000	\$43,750,000	6/13/2003	7/9/2003	3.0340%	(c)	\$1,992,234	1/1/2024	Morgan Stanley Capital Services	A+/Aa3/AA-
2003 D-5	\$43,750,000	\$43,750,000	6/13/2003	7/9/2003	3.0340%	(c)	\$2,011,822	1/1/2024	UBS AG	AA+/Aa2/AA+
2003 D-6	\$43,750,000	\$43,750,000	6/13/2003	7/9/2003	3.0340%	(c)	\$2,008,193	1/1/2024	UBS AG	AA+/Aa2/AA+
2003 D-7	\$43,750,000	\$43,750,000	6/13/2003	7/9/2003	3.0340%	(c)	\$2,010,350	1/1/2024	UBS AG	AA+/Aa2/AA+
2003 D-8	\$43,750,000	\$43,750,000	6/13/2003	7/9/2003	3.0340%	(c)	\$2,009,815	1/1/2024	UBS AG	AA+/Aa2/AA+
2003 D-9	\$50,000,000	\$50,000,000	6/13/2003	7/9/2003	3.0340%	(c)	\$2,693,196	1/1/2024	Citibank, N.A.	AA/AAA/AA+
2000 B-G	\$280,000,000	\$280,000,000	7/21/2004	1/1/2007	4.3120%	(d)	(\$21,147,199)	1/1/2030	Morgan Stanley Capital Services	A+/Aa3/AA-
2000 B-G	\$120,000,000	\$120,000,000	7/21/2004	1/1/2007	4.3120%	(d)	(\$14,117,531)	1/1/2030	UBS AG	AA+/Aa2/AA+
1991D	\$371,000,000	\$371,000,000	8/24/2006	1/1/2007	(e)	(f)	(\$3,501,199)	1/1/2018	Morgan Stanley Capital Services	A+/Aa3/AA-

(a) Ratings supplied by Standard & Poor's/Moody's/Fitch Ratings.

(b) Bond Rate as determined by remarketing agent.

(c) From Effective Date to 1/1/2016, lesser of weighted average 63% USD-LIBOR-BBA plus 20 bps. or weighted average Bond Rate; after 1/1/2016, weighted average 63% USD-LIBOR-BBA plus 20 bps.

(d) 64.459% of 5-year LIBOR.

(e) NJTA pays floating rate equal to USD-BMA Municipal Swap Index, not fixed rate.

(f) From Effective Date to 1/1/09 the greater of 86.815% of USD-BMA-Swap Rate and USD BMA Municipal Swap Index in either case with a 5 year maturity; after 1/1/09 86.815% of USD-BMA-Swap Rate with a 5 year maturity.

Note: AIG Fair Value based on AIG's choice of 65% USD-LIBOR-BBA or 92% BMA Index.

#### Fair Value

Because interest rates have declined since the execution date of certain swap agreements, four swaps had a negative fair value as of December 31, 2006, while twelve has 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 either on a weekly or 35 day 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.

# New Jersey Turnpike Authority

## Notes to Financial Statements (continued)

### 7. Interest Rate Exchange Contracts (SWAPS) (continued)

#### *Credit Risk*

As of December 31, 2006, the Authority was exposed to credit risk on those swaps with positive fair values totaling \$21,876,970. 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 swaps' 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 sixteen swap transactions currently outstanding are with four different counterparties. These counterparties are rated A+/Aa3/AA- to AA+/Aa2/AA+.

# New Jersey Turnpike Authority

## Notes to Financial Statements (continued)

### 7. Interest Rate Exchange Contracts (SWAPS) (continued)

#### *Basis Risk*

The Authority's interest payments on the associated debt are equivalent to the weekly or 35 day 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 or 35 day 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, 2006, the variable market rates were and corresponding swap indexes are shown below:

Interest Rate Exchange Contracts (Swaps)			LIBOR Swap Rate Index	Swap Rate Index Adjusted LIBOR	Basis Risk Variable Rate Received
Swap Agreement	Reset	Bond Rate			
1991 D	7-Day	3.460%	N/A	N/A	(a)
2003 C-1	7-Day	3.550%	4.390%	2.966%	(b)
2003 C-2	7-Day	3.550%	4.390%	2.966%	(b)
2003 C-3	7-Day	3.550%	4.390%	2.966%	(b)
2003 D-1	7-Day	3.200%	4.390%	2.966%	(b)
2003 D-2	35-Day	3.200%	4.390%	2.966%	(b)
2003 D-3	7-Day	3.150%	4.390%	2.966%	(b)
2003 D-4	35-Day	2.800%	4.390%	2.966%	(b)
2003 D-5	7-Day	3.000%	4.390%	2.966%	(b)
2003 D-6	35-Day	3.000%	4.390%	2.966%	(b)
2003 D-7	7-Day	3.200%	4.390%	2.966%	(b)
2003 D-8	35-Day	3.050%	4.390%	2.966%	(b)
2003 D-9	35-Day	2.950%	4.390%	2.966%	(b)
2000 B-G	7-Day	N/A	4.390%	3.073%	(c)
2000 B-G	7-Day	N/A	4.390%	3.073%	(c)

Note: All rates as of December 31, 2006

(a) Bond Rate as determined by remarketing agent.

(b) From Effective Date to 1/1/2016, lesser of weighted average 63% USD-LIBOR-BBA plus 20 bps. or weighted-average Bond Rate; after 1/1/2016, weighted average 63% USD-LIBOR-BBA plus 20 bps.

(c) Weighted average 70% USD-LIBOR-BBA.

N/A Not applicable.

# New Jersey Turnpike Authority

## Notes to Financial Statements (continued)

### 7. Interest Rate Exchange Contracts (SWAPS)

#### *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.

### 8. 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 \$157,442,178 for the year ended December 31, 2006. The Authority's total payroll for the year ended December 31, 2006 was \$191,050,886.

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

Covered Authority employees are required by PERS to contribute a percentage of their salary. The Authority is required by State statute to contribute the remaining amounts necessary to pay benefits when due. The amount of the Authority's contribution is certified each year by PERS on the recommendation of the actuary who makes an annual actuarial valuation. The valuation is a determination of the financial condition of the retirement system. It includes the computation of the present dollar value of benefits payable to former and present members and the present dollar value of future employer and employee contributions, giving effect to mortality among active and retired members and also to the rates of disability, retirement, withdrawal, former service, salary and interest. The contribution requirement for the year ended December 31, 2006 expressed in both dollars and as a percentage of covered payroll was \$7,872,109 (5%). This consisted solely of employee contributions of \$7,872,109 for the year ended December 31, 2006.

# New Jersey Turnpike Authority

## Notes to Financial Statements (continued)

### 8. Pension and Deferred Compensation (continued)

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

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

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

The Authority provided approximately \$49,371,488 for the estimated cost of these benefits which includes the Authority's costs for the entire year. The cost of providing those benefits for 1,736 retirees for the year ended December 31, 2006, is not separable from the cost of providing benefits for the 2,408 active employees in 2006.

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.

### 9. 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.

# New Jersey Turnpike Authority

## Notes to Financial Statements (continued)

### 9. Commitments and Contingent Liabilities (continued)

In April 2002 the Authority's Commissioners approved the execution of an Interagency Agreement with the (former) Highway Authority whereby the Turnpike Authority would provide a portion of the monies required to construct a new bridge over the Raritan River. One provision of that agreement provides that for the State's fiscal years 2004-05 and 2005-06, the amounts otherwise payable to the State for those periods could be used to fund the construction of this bridge. The Authority resumed payments to the State in the 3<sup>rd</sup> and 4<sup>th</sup> quarters of 2006, with total payments to the State during 2006 of \$11 million.

The Authority is committed under Construction Fund contracts to complete over the next several years projects totaling approximately \$370,287,107 as of December 31, 2006.

### 10. Litigation

The Authority continues to defend a few remaining lawsuits filed by individuals alleging, among other charges, discriminatory actions, assault and/or negligence by New Jersey State Troopers on duty on the New Jersey Turnpike and Garden State Parkway (the "Roadways"). The Authority is defending each case vigorously and has asserted that it has no liability. The Authority's agreements with the State of New Jersey for provision of law enforcement services on the Roadways require the Authority to defend and indemnify such State Troopers, the State Police and the State under certain circumstances. In the event the Authority is found ultimately to be liable, the Authority believes that its substantial insurance coverage over and above its self-insurance of \$2,000,000 will cover such liability and, further, that any payments in regard to any portions that are not covered by insurance would not materially adversely affect the operations of the Authority. The Authority also reserves the right to withdraw its indemnification obligations should facts ultimately demonstrate that the subject State Trooper(s) is not entitled to indemnification by the Authority (for example, in a case where the State Trooper acted outside the scope of his employment in using excessive force).

The Authority is challenging a lower court decision that held that the Township of Holmdel has the right to assess and impose real property taxes upon the Garden State Arts Center Complex (the "Complex"). This matter is presently on appeal to the New Jersey Supreme Court. The Authority contends that the property at the Complex is exempt and is not subject to taxation. The operator of the Arts Center is by contract liable for any taxes imposed during the period of the contract.

# New Jersey Turnpike Authority

## Notes to Financial Statements (continued)

### 11. Garden State Arts Center

One of the results of consolidation with the Highway Authority was the acquisition of the PNC Bank Arts Center, an outdoor amphitheater and entertainment facility located in Holmdel, New Jersey. Prior to December 21, 2004, the Arts Center was not part of the Turnpike system, and as such, revenues were not pledged revenues under the Bond Resolution; similarly, expenses were not operating expenses for the purposes of the Resolution. Effective December 21, 2004, the Arts Center became a part of the Turnpike System for purposes of the Resolution, the revenues thereafter received by the Turnpike Authority from the Arts Center (other than revenues received pursuant to the Naming Agreement) will be Pledged Revenues under the Resolution, and the expense, if any, incurred by the Turnpike Authority in connection with the operations of the Art Center will be operating expenses of the Turnpike System for purposes of the Resolution. The facility generates revenue in the form of naming and marketing rights (from PNC Bank) and in the form of lease payments from the facility tenant (Clear Channel Entertainment). These amounts, and the expenses incurred in the generation of same, are included in the Turnpike's financial statements.

### 12. 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 each occurrence or claim as applicable. Employee medical benefits are self-insured with claims administration by Horizon Blue Cross/Blue Shield. The Authority has 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 Umbrella Liability Insurance includes a self-insured retention of \$2,000,000 each occurrence whereas the Excess Workers Compensation Insurance is subject to a \$750,000 self-insured retention per occurrence and \$750,000 applicable for each person by disease. The Major Bridge/Property Insurance coverages property insurance for Turnpike operations are subject to a deductible of \$2,000,000 each occurrence with lower sub-deductibles on other property and time element coverages. The Garden State Parkway Bridge and Property Program includes a \$250,000 deductible per occurrence on all bridges subject to a \$500,000 on the Raritan River Bridge and similar sub-deductibles on 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.



New Jersey Turnpike Authority

Notes to Financial Statements (continued)

**12. Self-Insurance (continued)**

Other coverages such as Public Officials Liability, Employment Practice Liability, Crime Insurance, and Owner Controlled Insurance Programs for constructions projects all contain similar self-insured retention and/or deductibles.

## Supplemental Information

## NEW JERSEY TURNPIKE AUTHORITY

## Schedule of Investments

December 31, 2006

	Interest rate	Maturity	Par value	Carrying value
Revenue Fund:				
Federal Agency Discount Notes	4.75 - 5.10%	1/2/07 - 1/25/07	\$ 64,436,000	64,392,448
Repurchase Agreements	4.99%	1/4/2007	6,875,000	6,877,859
Commercial Paper	5.09 - 5.27%	1/8/07 - 3/22/07	19,200,000	19,063,764
Certificates of Deposit	5.11-5.37%	1/18/07 - 5/31/07	20,000,000	20,380,998
Cash Balance in investment account			16,402,093	16,402,093
			126,913,093	127,117,161
Construction Fund:				
Federal Agency Discount Notes	4.85 - 5.10%	1/2/07 - 7/13/07	512,597,000	509,667,416
Federal Agency Notes (Coupons)	2.63-5.75%	4/4/07 - 4/15/09	169,912,000	171,553,513
Treasury Bills			2,998,000	2,932,635
			685,507,000	684,153,564
Maintenance Reserve Fund:				
Federal Agency Discount Notes	5.00 - 5.06%	1/4/07 - 2/2/07	26,096,000	26,030,154
			26,096,000	26,030,154
Special Project Reserve Fund:				
Federal Agency Discount Notes	4.95 - 5.12%	1/5/07 - 2/28/07	30,678,000	30,526,214
			30,678,000	30,526,214
General Reserve Fund:				
Federal Agency Discount Notes	4.70 - 5.17%	1/17/07 - 4/16/07	213,930,000	212,080,216
Repurchase Agreements	4.99%	1/4/2007	16,000,000	16,006,653
			229,930,000	228,086,869
Charges Fund:				
Federal Agency Discount Notes	4.70%	1/2/2007	778,000	777,898
			778,000	777,898
Debt Service Fund:				
Federal Agency Discount Notes	4.70 - 5.24%	1/2/07 - 1/5/07	184,668,000	184,635,621
Investment Coupon	3.99%	1/3/2011	12,039,170	12,276,385
			196,707,170	196,912,006
Total investments			\$ 1,296,609,263	1,293,603,866

## Schedule 2

New Jersey Turnpike Authority  
Schedule of Cash Receipts and Disbursements  
For the Twelve Months Ended December 31, 2006

	Revenue Fund	Construction Fund	Maintenance Reserve Fund	Special Project Reserve Fund	General Reserve Fund	Charges Fund	Debt Service Fund	Total
<b>Beginning Cash - December 31, 2005</b>	\$ 66,905,248	\$ 24,850,404	\$ 4,673,868	\$ 5,400,981	\$ 18,860,507	\$ 979	\$ 7,595	\$ 120,699,582
Revenues	830,221,376	-	1,069,190	1,478,079	11,331,913	47,951	5,967,529	850,116,038
Construction investment interest	-	33,886,753	-	-	-	-	-	33,886,753
Transfers from Revenue Fund	(105,850,855)	-	59,058,000	26,600,000	15,200,722	4,992,133	-	-
Net change in investments	(3,004,775)	186,050,595	(15,525,023)	(9,240,134)	21,950,623	(49,092)	-	149,374,534
Net change in receivables	(10,193,170)	(2,237,612)	-	187	(31,126,361)	-	-	(43,556,956)
Net change in Cost of investment in facilities	-	(220,604,321)	-	-	-	-	-	(220,604,321)
Net change in inventory	(2,979,648)	-	-	-	-	-	-	(2,979,648)
Net change in other assets	735,880	728,315	-	-	-	-	-	1,464,195
Transfers of funds, net	68,607	2,760,437	1,103,722	705,073	28,314,260	238	(1,805,984)	31,146,353
Interfund transfer of earnings on investments	19,694,662	-	(1,069,190)	(1,478,079)	(11,331,913)	(47,951)	(5,967,529)	-
Accretion of Bonds	-	7,181,726	-	-	-	-	-	7,181,726
Current year retired debt	-	(34,615,000)	-	-	-	-	-	(34,615,000)
Operating disbursements	(456,541,148)	1,855,849	(45,431,600)	(23,336,104)	(32,382,952)	(4,942,558)	-	(560,778,513)
Sinking Fund Payment	-	34,615,000	-	-	-	-	-	-
Sinking Fund Transfer	(68,570,000)	-	-	-	-	-	-	-
Transfers to fund bond interest expense	(219,154,035)	-	-	-	-	-	-	-
Bond Interest Expense	-	-	-	-	-	-	-	-
Required payment to the State of New Jersey	-	-	-	-	(11,000,000)	-	-	(219,154,035)
Net change in current liabilities	6,016,210	(14,978,700)	(2,844,915)	3,497,567	(5,108,576)	-	-	(11,000,000)
	(9,356,896)	(5,356,958)	(3,639,816)	(1,773,411)	(14,152,284)	721	(1,230,898)	(14,649,311)
<b>Ending Cash - December 31, 2006</b>	\$ 57,548,352	\$ 19,493,446	\$ 1,034,052	\$ 3,627,570	\$ 4,708,223	\$ 1,700	\$ 118,053	\$ 86,531,396

	Cash Balance	Market Value of Securities Pledged to Secure Deposits
<b>Cash Balances:</b>	\$ 332,516	\$ -
Toll Collection and Other Imprest Funds	19,709,575	36,791,246
Bank of America	17,259,798	58,028,656
Wachovia	12,522,523	48,020,102
Bank of New York, N.A.	36,112,984	7,190
Chase	200,000	1,488,999
Commerce	394,000	-
Citibank	\$ 86,531,396	\$ 144,336,193

## NEW JERSEY TURNPIKE AUTHORITY

Schedule 3

## Schedule of Bond Indebtedness

December 31, 2006

	Original amount authorized and issued	Refunded or acquired and canceled in prior year(s)	Mandatory redemption/ sinking fund installments	Accretion of capital appreciation bonds	Amount outstanding December 31, 2006
<b>Turnpike revenue bonds:</b>					
Series A, 4.75% (1966 issue), maturing January 1, 2006	\$ 179,000,000	\$ (179,000,000)	\$	\$	\$ —
Series A, 5.12% (1968 issue), maturing January 1, 2008	75,000,000	(75,000,000)			—
Series C, 5.20% (1968 issue), maturing January 1, 2008	125,000,000	(125,000,000)			—
Series D, 5.75% (1969 issue), maturing January 1, 2008	60,000,000	(60,000,000)			—
Series E, 5.87% (1969 issue), maturing January 1, 2008	40,000,000	(40,000,000)			—
Series F, 7.00% (1969 issue), maturing January 1, 2009	137,000,000	(137,000,000)			—
Series G, 5.75% (1972 issue), maturing January 1, 2009	155,100,000	(155,100,000)			—
	<u>771,100,000</u>	<u>(771,100,000)</u>			<u>—</u>
<b>Turnpike improvement revenue bonds:</b>					
First series, 5.70% (1973 issue), maturing May 1, 2013	210,000,000	(210,000,000)			—
<b>General revenue bonds:</b>					
Turnpike revenue bonds (1950 issue), 3.25%, matured January 1, 1985	220,000,000	(220,000,000)			—
Turnpike revenue bonds (1951 issue), 3.20%, matured January 1, 1986	35,000,000	(35,000,000)			—
	<u>255,000,000</u>	<u>(255,000,000)</u>			<u>—</u>
<b>Second series revenue bonds</b>	<u>211,200,000</u>	<u>(211,200,000)</u>			<u>—</u>
<b>Turnpike notes:</b>					
Series A, 4.62% (1971 issue), matured January 1, 1975	125,500,000	(125,500,000)			—
<b>Turnpike system revenue bonds:</b>					
First series, 6.00% (refunding issue), maturing January 1, 2014	202,415,000	(202,415,000)			—
<b>Turnpike revenue bonds:</b>					
1984 Series, 6.75% to 12%, maturing January 1, 2003 through 2014	501,825,000	(501,825,000)			—
<b>Turnpike revenue bonds:</b>					
1985 series, bi-modal multi-term format (BMTF):					
Mode 1 (tender dates ranging from one week to July 2, 1990)	2,000,000,000	(2,000,000,000)			—
Mode A (tender dates ranging from one week to January 1, 2018)	1,000,000	(1,000,000)			—
	<u>2,001,000,000</u>	<u>(2,001,000,000)</u>			<u>—</u>
1985 series, Mode A, 7.20% maturing January 1, 2018	2,000,000,000	(2,000,000,000)			—
<b>Parkway revenue bonds:</b>					
Series 1986, Term bonds 5.50% maturing January 1, 2015 through January 1, 2016	35,435,000	(35,435,000)			—
Series 1992, Serial bonds 5.70% to 6.15% maturing January 1, 2003 through January 1, 2007	32,445,000	(32,445,000)			—
Series 1992, Term bonds 5.75% to 6.25% maturing January 1, 2010 through January 1, 2019	73,390,000	(73,390,000)			—
Series 1993, Serial bonds 4.60% to 5.20% maturing January 1, 2003 through January 1, 2009	47,115,000	(47,115,000)			—
Series 1999, Serial bonds 4.30% to 5.75% maturing January 1, 2003 through January 1, 2019	76,070,000	(76,070,000)			—
Series 1999, Term bonds 5.625% maturing January 1, 2030	43,445,000	(43,445,000)			—
Series 2001, Serial bonds 5.00% to 5.50% maturing January 1, 2006 through January 1, 2019	243,080,000	(243,080,000)			—
Series 2003, Subordinated Revenue Bonds Serial Bonds at variable rates, maturing January 1, 2019 through January 1, 2024	115,000,000	(115,000,000)			—
	<u>6,944,020,000</u>	<u>(6,944,020,000)</u>			<u>—</u>

## NEW JERSEY TURNPIKE AUTHORITY

Schedule 3

## Schedule of Bond Indebtedness

December 31, 2006

	Original amount authorized and issued	Refunded or acquired and canceled in prior year(s)	Mandatory redemption/ sinking fund installments	Accretion of capital appreciation bonds	Amount outstanding December 31, 2006
Turnpike revenue bonds:					
Series 1991 A, 5.25% to 6.90%, maturing January 1, 1994 through 2003, January 1, 2008 and January 1, 2014	\$ 423,205,000	\$ (175,260,000)	\$ (247,945,000)	\$	---
Series 1991 B, 4.45% to 5.25%, maturing January 1, 1994 and January 1, 1995	79,340,000		(79,340,000)		---
Series 1991 C, 4.80% to 6.50%, maturing January 1, 1994 through 2011, January 1, 2013 and January 1, 2016	1,247,850,000	(1,126,695,000)	(18,505,000)		102,650,000
Series 1991 D, (interest at 6.19% under an interest rate swap agreement) maturing January 1, 2018	371,000,000				371,000,000
Series 1992 A, 4.80% to 6.20%, maturing January 1, 1996 through 2006, January 2012 and January 1, 2018	741,110,000	(468,430,000)	(272,680,000)		---
Series 1992 B, capital appreciation bonds, maturing January 1, 2000 through 2012 with yields to maturity at 6.10% to 6.70%	30,016,972		(37,800,159)	35,442,959	27,659,772
Series 2000 A, 4.80% to 6.00%, maturing January 1, 2001 through January 1, 2020	1,467,375,000	(1,015,510,000)	(51,880,000)		399,985,000
Series 2000 B-G, at variable rates not to exceed 10.00%, maturing January 1, 2001 through January 1, 2030	400,000,000				400,000,000
Series 2003 A, Subordinated Revenue Bonds Serial Bonds at variable rates, maturing January 1, 2019 through January 1, 2025	70,000,000	(70,000,000)			---
Series 2003 A, 4.759% to 5.0% maturing January 1, 2019 through January 1, 2025	788,815,000				788,815,000
Series 2003 B (Federally Taxable) 1.15% to 3.14% maturing January 1, 2004 through January 1, 2008	740,175,000	(32,000,000)	(28,205,000)		679,970,000
Series 2003 C, 3.4486% (under interest swap agreement) maturing January 1, 2024, with mandatory redemptions 2022 and 2023	500,000,000				500,000,000
Series 2003 D, 3.034% (under interest swap agreement) maturing January 1, 2024, with mandatory redemptions 2020 through 2023	400,000,000				400,000,000
Series 2004 A, 3.150%, maturing January 1, 2035, with mandatory tender date of January 1, 2010	154,000,000				154,000,000
Series 2004 B, 5.150%, Growth and Income Securities term bond with sinking fund redemption	101,279,755			8,182,655	109,462,410
Series 2004 C-1, 4.50%, maturing January 1, 2031, subject to redemption prior to maturity after January 1, 2010	154,270,000				154,270,000
Series 2004 C-2, 5.50%, maturing January 1, 2025 not subject to redemption prior to maturity	132,850,000				132,850,000
Series 2005A, 5.00% maturing January 1, 2019 through January 1, 2025, callable on January 1, 2015 and 5.25% non-callable, maturing January 1, 2026 through January 1, 2030	409,180,000				409,180,000
Series 2005B (Federally Taxable) 4.81%, maturing January 1 2019	32,500,000				32,500,000
Series 2005C, 5.00%, maturing January 1, 2030 and January 1, 2035, with mandatory sinking fund redemption from January 1, 2026 through January 1, 2030 and January 1, 2031 through January 1, 2035	95,880,000				95,880,000
Series 2005D1-D4, (Federally Taxable Converting to Tax-Exempt) 5.25%, due January 1, 2026, convertible on January 1, 2009 through January 1, 2013	208,735,000				208,735,000
	<u>8,547,581,727</u>	<u>(2,887,895,000)</u>	<u>(736,355,159)</u>	<u>43,625,614</u>	<u>4,966,957,182</u>
	\$ 15,491,601,727	\$ (9,831,915,000)	\$ (736,355,159)	\$ 43,625,614	\$ 4,966,957,182

## NEW JERSEY TURNPIKE AUTHORITY

## Schedule of Bond Indebtedness

December 31, 2006

	Original amount authorized and issued	Refunded or acquired in canceled in prior year(s)	Mandatory redemption/ sinking fund installments	Accretion of capital appreciation bonds	Amount outstanding December 31, 2006
\$ 557,840,082	\$ -	\$ -	\$ -	\$ -	\$ -
20,037,918					
137,000,000					
125,500,000					
210,000,000					
724,837,000					
2,000,000,000					
1,000,000					
2,085,460,000					
416,365,000					
867,760,000					
1,915,330,000					
138,370,000					
415,345,000					
32,000,000					
185,070,000					
\$ 9,831,915,000	\$ -	\$ -	\$ -	\$ -	\$ -

## Note:

As of December 31, 2006, bond and note indebtedness totaling \$9,831,915,000 had been defeased or retired from the following sources:

Revenues  
Excess construction funds, bond proceeds and miscellaneous receipts allocated to revenues  
Issuance of Series G (refunding issue) Turnpike Revenue Bonds to refund Series F bonds for redemption on January 1, 1979  
Portion of proceeds of the 1973 Turnpike Improvement Revenue Bonds used to retire Turnpike notes, Series A  
Issuance of Turnpike System Revenue Bonds, first series (refunding) to refund the 5.70% Turnpike Improvement Revenue Bonds, first series, for retirement in accordance with sinking fund installment established at the time of their issuance  
Issuance of Turnpike Revenue Bonds, 1984 Series to refund the Turnpike Revenue Bonds Series A through E and Series G and the Turnpike System Revenue Bonds, First Series (refunding), for retirement in accordance with sinking fund installments established at the time of their issuance  
Issuance of Turnpike Revenue Bonds, 1985 Series, Mode A used to retire 1985 Series bi-modal, multi-term format Mode I Bonds  
Retirement of Turnpike Revenue Bonds, 1985 Series, Mode A  
Issuance of Turnpike Revenue Bonds, Series 1991 A through D to refund Turnpike Revenue Bonds, 1984 Series and a portion of Revenue Bonds, 1985 Series  
Redemption and retirement of Turnpike Revenue Bonds, 1985 Series from moneys in the Construction Fund  
Issuance of Turnpike Revenue Bonds, Series 2000 A to refund a portion of Turnpike Revenue Bonds, Series 1991 A, Series 1991 C and Series 1992 A  
Issuance of Turnpike Revenue Bonds, Series 2003 A through D to refund all Parkway Revenue and all Parkway Service and Subordinated Revenue Bonds, Turnpike Revenue Bonds Series 1991 A, Series 1992 A, Turnpike 2003 A Subordinated Revenue Bonds, and a portion of Turnpike Revenue Bonds, Series 1991 C and of Series A  
Issuance of Turnpike Revenue Bonds, Series 2004 C, to refund a portion of the Turnpike Revenue Bonds, Series 2000 A  
Issuance of Turnpike Revenue Bonds, Series 2005A, to refund a portion of the Turnpike Revenue Bonds, Series 1991C and Series 2000A  
Issuance of Turnpike Revenue Bonds, Series 2005B, to refund a portion of the Turnpike Revenue Bonds, Series 2003B  
Issuance of Turnpike Revenue Bonds, Series 2005D1-D4, to refund a portion of the Turnpike Revenue Bonds, Series 2000A

## Schedule 4A

**NEW JERSEY TURNPIKE AUTHORITY**  
New Jersey Turnpike

## Schedule of Toll Revenue

For the Period Ended December 31, 2006

Class	Description	Toll revenue	Vehicles
1	Passenger car, motorcycle, taxi or hearse, light truck	\$ 352,020,397	\$ 217,305,680
2	Vehicles having two axles other than type described under Class 1	29,805,413	8,511,795
3	Vehicle (vehicles), single or in combination, having three axles	13,396,305	3,481,277
4	Vehicle (vehicles), single or in combination, having four axles	15,419,081	2,668,288
5	Vehicle (vehicles), single or in combination, having five axles	122,446,575	16,276,371
6	Vehicle (vehicles), single or in combination, having six or more axles	2,664,707	297,539
7	Buses having two axles	865,490	355,910
8	Buses having three axles	5,251,785	1,408,828
	Nonrevenue vehicles	—	1,948,859
		<u>541,869,753</u>	<u>\$ 252,254,547</u>
	Toll Adjustments and Discounts	(281,897)	
	Net Violations*	<u>(8,188,842)</u>	
		<u>\$ 533,399,014</u>	

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



## Schedule 4B

## NEW JERSEY TURNPIKE AUTHORITY

## Garden State Parkway

## Schedule of Toll Revenue

For the Period Ended December 31, 2006

Class	Description	Toll revenue	Vehicles
1	Passenger car, motorcycle, taxi or hearse, light truck	\$ 200,020,147	\$ 422,557,157
2	Vehicles having two axles other than type described under Class 1	594,900	1,260,852
3	Vehicle (vehicles), single or in combination, having three axles	53,391	113,159
4	Vehicle (vehicles), single or in combination, having four axles	475,389	1,007,556
5	Vehicle (vehicles), single or in combination, having five axles	595,030	1,261,129
6	Vehicle (vehicles), single or in combination, having six or more axles	12,143	25,737
7	Buses having two axles	73,664	156,126
8	Buses having three axles	384,543	815,015
	Nonrevenue vehicles	—	1,758,717
		202,391,207*	\$ 428,955,448
	Other Adjustments	1,488,764	
		<u>\$ 203,879,971</u>	

\* Reported revenue is net of discounts and violations