

**NEW JERSEY TRANSPORTATION
TRUST FUND AUTHORITY**

Financial Statements and
Supplementary Information

Year Ended June 30, 2006

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

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INDEPENDENT AUDITORS' REPORT

To the Honorable Chairperson and Members of
NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

We have audited the accompanying financial statements of the governmental activities and each fund of **NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY** (the "Authority") as of and for the year ended June 30, 2006, which collectively comprise the Authority's basic financial statements 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 of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each fund, of the **NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY** as of June 30, 2006, and the respective changes in its financial position, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2006, on our consideration of **NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY'S** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

The management's discussion and analysis on pages 5 and 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise **NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY'S** basic financial statements. The schedule of cash receipts and disbursements is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of cash receipts and disbursements has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Mercaderes, P.C.
Certified Public Accountant

September 25, 2006

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

To the Honorable Chairperson and Members of
NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

We have audited the **NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY's** (the "Authority") financial statements as of and for the year ended June 30, 2006, and have issued our report thereon dated September 25, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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Internal Control Over Financial Reporting

In planning and performing our audit, we considered **NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY'S** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition under which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY'S** financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

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

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the finance committee, management, others within the Authority, and the State of New Jersey and is not intended to be and should not be used by anyone other than those specified parties.

Mercaderin, P.C.
Certified Public Accountants

September 25, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As financial management of the New Jersey Transportation Trust Fund Authority (the "Authority"), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2006. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

The Authority disbursed \$1,369,418,185 to the Special Transportation Fund of the State of New Jersey to fund statewide transportation system improvements during the fiscal year. This was an increase of 1.03% from the prior year. The term "net assets" refers to the difference between assets and liabilities. At the close of fiscal year 2006, the Authority had net assets of \$753,320,352, as compared to a net asset deficit of \$(403,760,051) at June 30, 2005. This increase in net assets was caused by the increased funding of statewide transportation system improvements.

Overview of the Financial Statements

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

Basic Financial Statements

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

The balance sheet presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as useful indicators of whether the financial position of the Authority is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets without corresponding increases to liabilities result in increased net assets, which indicate an improved financial position.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Notes to the Financial Statements

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

Other Information

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

Financial Analysis

Net assets may serve, over time, as a useful indicator of the Authority's financial position. In the case of the Authority, assets exceeded liabilities by \$753,320,352 at the close of the most recent fiscal year.

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

Significant Events

At fiscal year end, the Authority had \$8,336,724,364 in bonds outstanding, as compared to \$6,422,465,000 in the prior fiscal year - an increase of 29.74%. There was new debt incurred by the Authority during fiscal year 2006 in the amount of \$3,889,986,792. A total of \$188,745,000 in bond principal was retired by the annual debt service payments during the fiscal year. A total of \$1,791,455,000 in bond principal was refunded.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2006

	Special Revenue Fund	Other Funds (DSF)	Total Governmental Funds	Adjustments (Note G)	Statement of Net Assets
ASSETS					
Account receivable - State of New Jersey	\$ 32,500,000	\$ -	\$ 32,500,000	\$ 8,336,724,364	\$ 8,369,224,364
Cash and equivalents	1,273,452,590	207,660	1,273,660,250	-	1,273,660,250
Investments	40,963,488	276,724	41,240,212	-	41,240,212
Deferred loss on refunding of bonds	-	-	-	4,738,419	4,738,419
Unamortized bond issuance costs	-	-	-	103,302,005	103,302,005
Total Assets	<u><u>\$ 1,346,916,078</u></u>	<u><u>\$ 484,384</u></u>	<u><u>\$ 1,347,400,462</u></u>	<u><u>\$ 8,444,764,788</u></u>	<u><u>\$ 9,792,165,250</u></u>
LIABILITIES					
Accrued interest payable	\$ -	\$ -	\$ -	\$ 15,705,978	\$ 15,705,978
Accounts payable - State of New Jersey	215,382,817	-	215,382,817	-	215,382,817
Accounts payable - bond issuances	462,081	-	462,081	-	462,081
Transportation system bonds payable:					
Due within one year	-	-	-	225,925,000	225,925,000
Due after one year	-	-	-	8,110,799,364	8,110,799,364
Unamortized bond premium	-	-	-	470,569,658	470,569,658
Total Liabilities	<u><u>215,844,898</u></u>	<u><u>-</u></u>	<u><u>215,844,898</u></u>	<u><u>8,823,000,000</u></u>	<u><u>9,038,844,898</u></u>
FUND BALANCES/NET ASSETS (DEFICIT)					
Restricted for:					
Debt Service	42,068,765	484,384	42,553,149	-	42,553,149
Deferred Charges	-	-	-	(378,235,212)	(378,235,212)
Payment of state transportation systems cost	1,089,002,415	-	1,089,002,415	-	1,089,002,415
Total Fund Balances/Net Assets (Deficit)	<u><u>1,131,071,180</u></u>	<u><u>484,384</u></u>	<u><u>1,131,555,564</u></u>	<u><u>(378,235,212)</u></u>	<u><u>753,320,352</u></u>
Total Liabilities and Fund Balances/Net Assets (Deficit)	<u><u>\$ 1,346,916,078</u></u>	<u><u>\$ 484,384</u></u>	<u><u>\$ 1,347,400,462</u></u>	<u><u>\$ 8,444,764,788</u></u>	<u><u>\$ 9,792,165,250</u></u>

See notes to financial statements.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended June 30, 2006

	Special Revenue Fund	Other Funds (DSF)	Total Governmental Funds	Adjustments (Note G)	Statement of Activities
REVENUES					
State appropriations equivalent to:					
Motor fuel taxes	\$ 405,000,000	\$ -	\$ 405,000,000	\$ -	\$ 405,000,000
Commercial vehicle fees and taxes	400,000,000	-	400,000,000	-	400,000,000
Interest income and investment return	23,728,280	962,497	24,690,777	-	24,690,777
Amortization of bond premium	-	-	-	40,200,513	40,200,513
Total revenues	<u>828,728,280</u>	<u>962,497</u>	<u>829,690,777</u>	<u>40,200,513</u>	<u>869,891,290</u>
EXPENDITURES					
Operating expenses and financial costs	437,516	895,179	1,332,695	-	1,332,695
State transportation costs	1,369,418,185	-	1,369,418,185	-	1,369,418,185
Debt Service:					
Principal	-	188,745,000	188,745,000	(188,745,000)	-
Bond interest expense, including amortization of bond issuance costs and deferred loss on refunding	-	351,252,886	351,252,886	2,133,913	353,386,799
Bond interest expense, capital appreciation bonds	-	-	-	4,472,572	4,472,572
Total expenditures	<u>1,369,855,701</u>	<u>540,893,065</u>	<u>1,910,748,766</u>	<u>(182,138,515)</u>	<u>1,728,610,251</u>
Deficiency of revenues over expenses	<u>(541,127,421)</u>	<u>(539,930,568)</u>	<u>(1,081,057,989)</u>	<u>222,339,028</u>	<u>(858,718,961)</u>
OTHER FINANCING SOURCES (USES):					
Bonds issued	3,889,986,792	-	3,889,986,792	(3,889,986,792)	-
Bond premium	205,455,392	-	205,455,392	(205,455,392)	-
Transfers - internal activities	(540,093,296)	540,093,296	-	-	-
Payments to escrow agent	(1,856,892,560)	-	(1,856,892,560)	1,856,892,560	-
Cost of issuance	(47,789,055)	-	(47,789,055)	47,789,055	-
Total other financing sources (uses)	<u>1,650,667,273</u>	<u>540,093,296</u>	<u>2,190,760,569</u>	<u>(2,190,760,569)</u>	<u>-</u>
Change in fund balance/net assets	<u>1,109,539,852</u>	<u>162,728</u>	<u>1,109,702,580</u>	<u>(1,968,421,541)</u>	<u>(858,718,961)</u>
Fund balance/net deficit:					
Beginning of year	21,531,328	321,656	21,852,984	(425,613,035)	(403,760,051)
Current year bond activity, net	-	-	-	2,015,799,364	2,015,799,364
End of year	<u>\$ 1,131,071,180</u>	<u>\$ 484,384</u>	<u>\$ 1,131,555,564</u>	<u>\$ (378,235,212)</u>	<u>\$ 753,320,352</u>

See notes to financial statements.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Authority

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

Basis of Accounting

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

In June 1999, Governmental Accounting Standards Board ("GASB") issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by Statement No. 37, *Basic Financial Statements - State and Local Government: Omnibus* - an amendment of GASB Statements No. 21 and 34 and Statement No. 38, *Certain Financial Statement Note Disclosures*. These statements establish new accounting and financial reporting requirements for state and local governments. The Authority implemented this new financial reporting model in fiscal year 2002.

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

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

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

The government-wide financial statements are prepared under the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenditures are recognized when incurred. The primary sources of revenues are appropriations received from the State of New Jersey from motor fuel taxes, good drivers' surcharges, and commercial vehicle fees and taxes.

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

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Fund Accounts

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

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

Income Taxes

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

Bond Issuance Costs

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

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

Bond Premium

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

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

Restricted Net Assets

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

Unrestricted Net Assets

The unrestricted net assets represent resources available for current operating expenses in compliance with appropriate legal requirements.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

The following is a summary of receivables due from the State of New Jersey:

Due within one year	\$ 258,425,000
Due after one year	<u>8,110,799,364</u>
	<u><u>\$8,369,224,364</u></u>

B. CASH AND EQUIVALENTS

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

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

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

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

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of failure of the counterparty, the Authority will not be able to recover the value of its cash and investments that are in the possession of an outside party. Cash and equivalents and investments are substantially restricted under the terms of the Authority's bond resolutions for the payment of bond principal and interest expense and the extension of project loans. The bond resolutions limit investments to obligations of the U.S. government or its agencies, investments in certain certificates of deposit of commercial banks that are members of the Federal Reserve System, investments in cash management pools that restrict investments to U.S. government securities, money market funds that invest in high-grade AAA-rated securities, and direct and general obligations of any state that meets the minimum requirements of the resolution.

The bank balances and amounts deposited in these accounts at June 30, 2006, were as follows:

New Jersey Cash Management Fund	\$ 1,272,554,973
Commerce Bank	<u>1,105,277</u>
Total	<u><u>\$ 1,273,660,250</u></u>

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

NOTES TO FINANCIAL STATEMENTS

B. CASH AND EQUIVALENTS (CONTINUED)

Custodial Credit Risk

As of June 30, 2006, the Authority had the following investments and maturities:

	Fair Value		Investment Maturity (In Years)		
		Less than 1	1-5	6-10	More than 10
Master Repurchase Agreement	\$ 38,493,534	\$ 38,493,534	\$ -	\$ -	\$ -
US Treasury Notes	2,746,678	2,746,678	-	-	-
Total investments	<u>\$ 41,240,212</u>	<u>\$ 41,240,212</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Since the Authority's cash and equivalents and investments are all government securities, are in an external investment pool, or are protected under the Governmental Unit Deposit Protection Act, they are not subject to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Because the Authority maintains investments in US Treasury Notes, it is subject to interest rate risk if interest rates fluctuate.

C. TRANSPORTATION SYSTEM BONDS PAYABLE

Bond resolutions have been adopted by the Authority for the purpose of making improvements to the transportation system in the State of New Jersey. The following is a summary of revenue bonds outstanding:

Series	Interest Rate Range	Bonds Outstanding (in Millions)		Additions (in Millions)	Reductions (in Millions)	Bonds Outstanding (in Millions)		Amounts Due within One Year (in Millions)
		June 30, 2005	\$		June 30, 2006	\$		
1995 Series A	5.00%-6.50%	17,840	\$	-	17,840	\$	-	-
1995 Series B	4.50%-7.00%	93,960		-	-	93,960		-
1996 Series A	4.50%-6.00%	30,435		-	30,435		-	-
1996 Series B	4.75%-6.00%	31,070		-	31,070		-	-
1997 Series A	4.50%-6.00%	29,080		-	29,080		-	-
1998 Series A	4.25%-5.25%	129,430		-	26,600	102,830		-
1999 Series A	4.50%-5.75%	373,175		-	90,030	283,145		15,515
2000 Series A	5.00%-6.13%	17,995		-	17,995	-		-
2001 Series A	4.50%-5.50%	157,335		-	147,710	9,625		-
2001 Series C	2.50%-5.75%	1,184,850		-	102,370	1,082,480		115,115
2003 Series A	4.00%-5.50%	324,135		-	3,835	320,300		3,990
2003 Series B	3.675%	345,000		-	-	345,000		-
2003 Series C	2.25%-5.50%	279,865		-	264,155	15,710		-
2004 Series A	3.25%-5.75%	253,820		-	146,325	107,495		-
2004 Series B	2.50%-5.25%	849,800		-	-	849,800		24,265
2005 Series A	2.33%-3.76%	566,785		-	-	566,785		58,920
2005 Series B	3.60%-5.50%	1,213,140		-	-	1,213,140		-
2005 Series C	3.11%-4.38%	524,750		-	476,270	48,480		-
2005 Series D	4.13%-5.00%	-		953,020	487,110	465,910		-
2006 Series A	4.38%-5.50%	-		1,580,540	-	1,580,540		-
2006 Series B	5.028%	-		109,375	109,375	-		-
2006 Series C	4.93%-5.05%	-		3,708,585	-	3,708,585		-
2006 A Garvee	5.00%	-		131,555	-	131,555		8,120
Less		6,422,465		6,483,075	1,980,200	10,925,340		225,925
unamortized bond accretion		-	(2,588,616)	-	-	(2,588,616)		-
Total		<u>\$ 6,422,465</u>	<u>\$ 3,894,459</u>	<u>\$ 1,980,200</u>	<u>\$ 8,336,724</u>	<u>\$ 225,925</u>		<u>-</u>

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

NOTES TO FINANCIAL STATEMENTS

C. TRANSPORTATION SYSTEM BONDS PAYABLE (CONTINUED)

Total maturities of transportation system bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 225,925,000	\$ 375,456,828	\$ 601,381,828
2008	238,725,000	361,010,283	599,735,283
2009	251,730,000	348,242,225	599,972,225
2010	265,575,000	334,953,599	600,528,599
2011	299,045,000	320,451,932	619,496,932
2012-2016	1,808,160,000	1,327,392,457	3,135,552,457
2017-2021	2,499,545,000	796,951,451	3,296,496,451
2022-2026	2,164,735,000	121,528,694	2,286,263,694
2027-2031	1,441,770,000	-	1,441,770,000
2032-2036	1,441,775,000	-	1,441,775,000
2037	<u>288,355,000</u>	-	<u>288,355,000</u>
Total	10,925,340,000	<u>\$ 3,985,987,469</u>	<u>\$14,911,327,469</u>
Accreted Interest - 2006 Series C	4,472,572		
Less unamortized bond accretion	<u>(2,593,088.208)</u>		
Total Bonds Payable	<u>\$ 8,336,724,364</u>		

All bonds are subject to mandatory redemption in annual installments through their final maturities.

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

The Periodic Auction Reset Securities ("PARS") may be converted to a fixed or variable rate prior to their maturity as long as after any conversion there are no less than \$10,000,000 of the 2003 Series B bonds of a subseries outstanding bearing interest at the PARS rate unless converted by the broker-dealers.

2006 Series A and B Refunding Bonds

In June 2006, the Authority issued \$1,580,540,000 of 2006 Series A Bonds and \$109,375,000 of 2006 Series B Bonds. The proceeds were used to refund \$1,791,455,000 of previously issued bonds and for the costs of issuance of the 2006 Series A Bonds.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

NOTES TO FINANCIAL STATEMENTS

C. TRANSPORTATION SYSTEM BONDS PAYABLE (CONTINUED)

2006 Series A and B Refunding Bonds (Continued)

As a result of the advance refundings during the year ended June 30, 2006, the Authority recorded a loss on defeasance totaling \$36,560,994 representing the difference between the new debt issued and the carrying amount of the debt refunded. The loss on defeasance is being deferred and amortized over the life of the new debt. For financial statement purposes, the Authority follows Governmental Accounting Standards Board Statement No. 23, "Accounting and Financial Reporting for Refunding of Debt reported by Proprietary Activities." The unamortized deferred loss on refundings of bonds amounted to \$4,738,419 at June 30, 2006. Amortization of \$4,933,001 is included in amortization of cost of issuance and deferred loss on refunding. The present value of the debt service savings resulted in an economic gain from the advanced refundings in 2006 in the amount of \$31,743,405.

D. ADVANCE REFUNDINGS

When conditions warranted during the year ended June 30, 2006 and 2005, the Authority sold various issues of bonds to provide for the refunding of previously issued obligations in order to achieve interest cost savings.

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

These transactions defeased the outstanding bond issues with a resultant reduction in annual debt service during the term of the issues. The savings, together with any accounting gain or loss to be reported in the year of the refunding, accrue to the respective participants.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
NOTES TO FINANCIAL STATEMENTS

D. ADVANCE REFUNDINGS (CONTINUED)

Refunded bonds outstanding at June 30, 2006, are comprised of the following:

<u>Issue</u>	Principal Amount Outstanding June 30, 2006
1995 Series B	\$ 56,465,000
1996 Series A	224,650,000
1996 Series B	484,370,000
1997 Series A	497,350,000
1998 Series A	416,280,000
1999 Series A	73,390,000
2000 Series A	349,305,000
2001 Series A	208,070,000
2001 Series B	690,000,000
2001 Series C	100,500,000
2003 Series C	909,100,000
2004 Series A	364,160,000
2005 Series C	476,270,000
2005 Series D	487,110,000
	<u>\$ 5,337,020,000</u>

E. FINANCIAL INSTRUMENTS

Tax-Exempt Variable Rate Bonds, 2003 Issue

In connection with its issuance of \$345,000,000 Tax-Exempt Variable Rate Bonds, 2003 issue, Series B, also known as Periodic Action Reset Securities ("PARS") on January 24, 2003, the Authority entered into a financial instrument contract with financial counterparties. The transaction is described below:

PARS Rate Instruments

Under the terms of this transaction, the Authority pays Goldman Sachs & Co., Lehman Brothers and UBS PaineWebber, Inc. at fixed rates of interest on \$345,000,000. In return, the Authority receives the PARS Index rate as calculated at a daily auction conducted by Deutsche Bank.

In connection with the interest rate swaps, no amounts are recorded in the financial statements other than the net interest expense resulting from the agreements. As of June 30, 2006, the swaps had a total fair value of \$13,859,041.

F. CONCENTRATION OF RISK AND UNCERTAINTIES

Cash and Equivalents

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

Financial Instruments

As disclosed in Note E, the Authority's 2003 Series B bond issue utilized financial instruments. These agreements are structured to enable variable rate bond proceeds to meet specific needs by reducing the risk associated with changes in interest rates.

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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

(1) Unamortized bond issuance cost is recorded as deferred charges (other assets) in the statement of net assets and is amortized over the life of the debt. Amortization expense is recorded in the statement of activities. In governmental funds financial statements, bond issuance costs are expensed when incurred. Balances as of June 30, 2006, were:

Bond issuance costs	\$ 121,992,422
Accumulated amortization	<u>(18,690,417)</u>
Total unamortized bond issuance cost	\$ <u>103,302,005</u>
Amortization expense	<u>\$ 7,662,818</u>

(2) Long-term liabilities (bonds payable) applicable to the Authority's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets. Balances as of June 30, 2006, were:

Bonds payable	\$ 6,422,465,000
Less principal payments and refunded debt	<u>(1,980,200,000)</u>
Add bonds issued and accretion	<u>3,894,459,364</u>
Total	<u>\$ 8,336,724,364</u>

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

Proceeds were received from:

2005 Series D Bond	\$ 953,020,000
2006 Series A Bond	1,580,540,000
2006 Series B Bond	109,375,000
2006 Series C Bond	1,115,496,792
2006 A Garvee Bond	<u>131,555,000</u>
Total Proceeds	<u>\$ 3,889,986,792</u>

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

Scheduled principal payments	\$ 188,745,000
Payments to escrow agent relating to refunding issues	<u>1,856,892,560</u>
	<u>\$ 2,045,637,560</u>

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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

(5) Unamortized bond premium is recorded as deferred revenue (other liabilities) in the statement of net assets and is amortized over the life of the debt. Amortization revenue is recorded in the statement of activities. In governmental funds financial statements, bond premiums are recognized as revenue when received. Balances as of June 30, 2006, were:

Bond premium	\$ (558,539,304)
Accumulated amortization	<u>(87,969,646)</u>
Total unamortized bond premium	<u>\$ (470,569,658)</u>
Amortization revenue	<u><u>\$ 40,200,513</u></u>

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

Bond principal payment	\$ (188,745,000)
Bond premium	(205,455,392)
Bond issuance costs	47,789,055
Net bond proceeds	2,190,760,569
Escrow agent transfers	166,977,560
Capital appreciation	<u>4,472,572</u>
Current year bond activity, net	<u><u>\$ 2,015,799,364</u></u>

SUPPLEMENTARY INFORMATION

NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 2006

	Authority Reserve	Transportation Improvement	Total	Debt Service	Total
CASH BALANCES, JUNE 30, 2005	\$ 79	\$ 100,045	\$ 100,124	\$ 72,251	\$ 172,375
RECEIPTS:					
Motor fuel taxes	-	405,000,000	405,000,000	-	405,000,000
Commercial vehicle fees and taxes	-	400,000,000	400,000,000	-	400,000,000
Interest income	3,141	23,725,139	23,728,280	962,497	24,690,777
Bond proceeds	-	2,190,760,569	2,190,760,569	-	2,190,760,569
Sale of cash management fund investment (Net)	68,130	-	68,130	-	68,130
Operating transfers in	-	-	-	540,093,296	540,093,296
Total Receipts	71,271	3,019,485,708	3,019,556,979	541,055,793	3,560,612,772
DISBURSEMENTS:					
Operating expenses and financial costs	71,350	366,166	437,516	845,179	1,282,695
Bond interest expense	-	-	-	351,252,886	351,252,886
State transportation costs	-	1,358,000,000	1,358,000,000	-	1,358,000,000
Principal retirement of bonds payable	-	-	-	188,745,000	188,745,000
Purchase of cash management fund investments	-	1,121,126,291	1,121,126,291	8,256	1,121,134,547
Purchase of investments	-	-	-	276,723	276,723
Operating transfers out	-	540,093,296	540,093,296	-	540,093,296
Total Disbursements	71,350	3,019,585,753	3,019,657,103	541,128,044	3,560,785,147
CASH BALANCES, JUNE 30, 2006	\$ -	\$ -	\$ -	\$ -	\$ -

Note: Cash balances consist of checking account activity only.