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New Jersey Building Authority

2012
Annual Report

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State of New Jersey

New Jersey Building Authority
PO Box 292
Trenton, NJ 08625-0292

Chris Christie
Governor

Kim Guadagno
Lt. Governor

John H. Fisher III
Chairman

The Honorable Chris Christie
Governor of the State of New Jersey

The Honorable Kim Guadagno
Lt. Governor of the State of New Jersey

The Honorable Stephen M. Sweeney
President, New Jersey Senate

The Honorable Sheila Y. Oliver
Speaker, New Jersey General Assembly

The Honorable Andrew P. Sidamon-Eristoff
State Treasurer

Consistent with N.J.S.A 52:18A-78.26, I am pleased to report on the activities of the New Jersey Building Authority for calendar year 2012.

Respectfully,

John H. Fisher III
Chairman

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Chairman

Executive Director

Report from the Chairman and Executive Director Of the New Jersey Building Authority

We are pleased to submit the 2012 Annual Report of the New Jersey Building Authority (NJBA). This report provides the history of the NJBA, the status of our projects, financial activity, and audited financial statements. As evident in this report, with each new project, our work scope has grown in complexity. We are certainly proud of our achievements. Our portfolio continues to expand resulting in successful projects that include a wide range of new work including the renovation and repairs of State office buildings; the restoration of historical structures; and the construction of correctional facilities, and state-of-the-art technology campuses.

The NJBA has undertaken two (2) new major projects in 2012. These projects are identified as the Executive State House Exterior Envelope Repairs and the State House Annex Garage Mechanical Equipment Room Relocation. Both projects are critical to the sustainability of the State House Complex. The State of New Jersey Capitol Office Building is one of the oldest State capitols in the country and preserving this historical structure also preserves the history of the City of Trenton, New Jersey. The NJBA has received the support of the State's Legislators and the NJBA Board to seek bond financial approvals. Both projects are in the design phase with an opportunity to perform prudent exercises to provide and deliver the best final product to the State. In addition to the major projects, the NJBA is progressing in

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the varying phases at eight (8) other projects improving the technology and making needed repairs at the Justice Complex Building, Taxation Building, State Auditorium, Annex and Annex Garage structures.

Whether we are preserving New Jersey's history through restorations; renovating museums for New Jersey families to enjoy; or constructing high-tech laboratories to ensure the protection and well-being of the citizens of New Jersey, we never lose sight of our core values:

·A clear understanding of the client's needs, objectives and expectations;

·A strong professional commitment to achieve the client's objectives;

·An on-going, productive working relationship with the client characterized by an open line of communication throughout the process, and;

·A continuous focus on the philosophy that the client is the purpose of our work.

Our gratitude goes out to the NJBA board members and staff. The New Jersey Building Authority's success is built on their knowledge, professionalism, and dedication.

This year we would like to thank our Lawmakers, and the Department of the Treasury's: Office of Public Finance, Division of Property Management and Construction, and the Division of Administration. We rely on their expertise from the early planning stages of our projects, and well after the close-out phases.

We are proud to be part of a winning team that will continue to strive for excellence as we build New Jersey's future.

John H. Fisher III
Chairman

Raymond A. Arcario
Executive Director

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Ex-Officio Board Directors

Andrew P. Sidamon-Eristoff
State Treasurer
David Moore served in the Treasurer's absence.

Charlene Holzbaur
Comptroller of the Treasury
Nancy Style served in the Comptroller's absence.

Carol Molnar, Esquire
Chair, Commission on Capital Budgeting and Planning
.

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A Brief History of the New Jersey Building Authority

The New Jersey Building Authority (the "Authority"), a body corporate and politic and an instrumentality of the State of New Jersey, was created in 1981 by the State Legislature for the purpose of financing, acquiring, constructing, reconstructing, rehabilitating, or improving office buildings and related facilities to meet the needs of State agencies.

In 1992, the State Legislature amended the Authority's statute to expand the types of projects the Authority can undertake. In addition to office buildings and related facilities, the Authority can now construct or renovate State correctional facilities and restore historic public buildings. The amendment also removed the $250 million bond principal limitation.

The Authority, under a master lease with amendments for individual properties, has leased to the State the buildings constructed or renovated with the funds provided from various bond offerings made by the Authority. The State is required to pay rent to the Authority at times and in amounts sufficient to pay: (1) debt service on the bonds outstanding (to the extent such debt service is not funded from bond proceeds); and (2) administrative expenses of the Authority. The lease transactions with the State are accounted for as direct financing leases.

The State is responsible for the award and monitoring of all contracts for the design, acquisition and construction of projects as well as supervision of construction work and acceptance of the completed projects. Project costs incurred by the State are paid by the Authority's bond trustee out of the construction fund after approval by an authorized Authority representative. Pursuant to the terms of the master lease, the State is responsible for the adequacy, sufficiency and suitability of the plans and specifications of any contracts or agreements with respect to the acquisition or construction of these projects. During the master lease term, the State is responsible for all costs relating to the operation, maintenance and repair of the projects. In addition, the state pays for all utilities, taxes and governmental charges during the lease term.

At any time prior to the expiration of the master term, the State has the option to purchase the projects for a price of $1 plus an amount sufficient to provide the full payment of the bonds and accrued interest in conformity with the bond resolution. If such option has not been exercised prior to the end of the lease term, the title to the projects will be transferred by the Authority to the State at that time.

The obligation of the State to make rental payments is subject to and depends upon yearly appropriations being made by the State Legislature for such purposes. In the event the State fails to make the necessary lease payments, the Authority may take possession of the projects and either lease or sell them to another party. In either case, the State is obligated to reimburse the Authority for any deficiency between the lease payments called for by the master lease and amounts paid by other parties. Through December 31, 2012, the Authority has undertaken projects totaling in excess of $1.4 billion.

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Current Construction and Renovation Projects

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Executive State House Exterior Envelope Restoration

The objective of this project is to eliminate the water infiltration issues that plague the Executive State House. The Executive Statehouse is a historic structure that was developed over 5 distinct building campaigns [1792, 1845, 1891 and 1906] representing different periods of construction, structural systems and building materials that were connected to form the State House Complex as is known today. Understanding the historic development requires the systematic analysis of these areas to delineate limits of construction, connections and transitions, use of materials and assemblies used to better define the necessary restoration of the building envelope.

The scope of this project will include and is not limited to the replacement of roofs and improvements to roof drainage systems; repair of fire escapes; replacing and/or elimination of skylights; repairing and restoring windows; cleaning, repairing and re-pointing limestone and brownstone facades; repairing and/or replacing stucco facades elimination of window AC units and replacement with an alternate HVAC system; replacement of rooftop HVAC units; and electrical upgrades as required to support improvements.

Technical and fee proposals were received from randomly selected Architectural firms that submitted proposals for design of this project. The submitted technical proposals were evaluated and rated by the project team; fee proposals were then opened and reviewed. The highest rated firm was interviewed to discuss its project approach, budget constraints and design team experience in similar projects. A design development contract will be awarded by mid January 2013.

Project Budget: $37,900,000

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New Jersey State House Mechanical Equipment Room Relocation

The objective of this project is to relocate the existing State House Parking Garage (Garage) mechanical room, electrical substation located on Level 1 and the elevator mechanical room to the existing Power House adjacent to the Garage. The State House Garage was constructed in 1994. Since 2004, severe or moderate flooding, or the threat thereof, has occurred sixteen times requiring the temporary relocation of mechanical and electrical equipment to an area less prone to flooding. Significant costs are incurred in temporarily relocating the equipment and restoring it to operational status after each flood event. Additionally, the garage is closed for days at a time while equipment is moved and not operational.

The project scope will include and is not limited to the installation of new HVAC equipment, motor controls centers and associated electrical equipment in the Power House and removing and disposing of the existing equipment located in the Garage mechanical and electrical substation rooms. Additionally, the existing hydraulic elevator mechanical equipment for elevators 1, 2, and 3 located in the Garage on Level 1 shall be relocated to the Power House. The existing hydraulic elevator mechanical equipment for elevator 4 location in the Garage on Level 1 shall be relocated to Level 3 of the Garage.

A scope of work was developed and made available to randomly selected Architectural firms for submission of proposals for design of this project. Technical proposals will be received during the beginning of January 2013.

Project Budget: $6,300,000

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Richard J. Hughes Justice Complex Elevator Repairs

The objective of this project is to perform necessary repairs and modernization to 14 elevators at the Richard J. Hughes Justice Complex which were originally installed in 1979. The elevators were upgraded in 1994 with the exception of elevator 13 which is a hydraulic lift. An elevator consulting firm assessed the current condition of the elevators at the Justice Complex to be in fair condition, but noted that none of the elevators comply with current American with Disabilities Act (ADA) requirements or Firefighter's Service codes.

The project scope will include a partial modernization and upgrades to the elevators at the Justice Complex in accordance with current safety code standards. The upgrades will include installation of new controllers, repairs to hoist machines with VVVF, car controls, platforms, buffers, new entrances, fire control operations, car and floor operating and signal fixtures, hoist way and machine room wiring, complete new door controls in order to make ADA compliant. Since it is probable that the elevator project will disrupt normal Justice Complex building operations, the elevator modernization project will occur in accordance with a phased restoration plan.

Technical and fee proposals were received from randomly selected Architectural firms that had submitted proposals for design of this project and were evaluated and rated by the project team. A contract was awarded in July 2011 for design services. A scope of work was developed and put out to bid in December of 2012. Bid results are due during second week of January 2013.

Project Budget: $2,000,000

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NJ Public Health, Environmental and Agriculture Laboratory Facility

The objective of this project is to construct a new 200,000 square foot Public Health, Environmental and Agriculture Laboratory (NJPHEAL) in the NJ State Police Headquarters Complex in West Trenton. The laboratory will consolidate operations in a highly secure state-of-the-art facility, eliminate duplicative processes, and allow State departments to share resources.

Approximately 165,000 square feet will be dedicated to specialized laboratories and 35,000 square feet will be utilized for administrative and support services. Included in the design are a biological lab to safely handle dangerous pathogens and toxic chemicals; a necropsy lab for the detection of animal-borne diseases; a greenhouse for the evaluation and prevention of threats to the state's agricultural resources; and training facilities for personnel.

By August 2005, contracts for design and for construction management services were awarded. Early analysis determined that the original building size was more than the budget could accommodate so the design was reconfigured to reduce the overall exterior square footage without compromising the integrity of the structure or jeopardizing necessary program functions. To curb costs further, the project was separated into general construction and structural steel packages, and some elements such as site irrigation, greenhouse construction, kitchen equipment and the paging system were bid as add alternatives.

To safeguard the laboratory facility, the campus security scope includes hardened security checkpoints, a closed circuit TV system, perimeter fencing, and a command center. The perimeter fence technology and additional check points will be incorporated as add alternatives.

The early bid package for structural steel was awarded by the end of 2007.

The site, civil engineering and foundation contract, and the general construction contract were both awarded early in 2008.

By February 2008, upgrades to the permanent perimeter security fencing were completed. These enhancements will serve to secure the site during construction, and be incorporated into the overall campus security plan. Site excavation began in April along with the installation of storm-water piping. During the summer, parking lot curbing was positioned. Early that fall, elevator jack holes were drilled, and the first structural steel columns were set. By the end of the year, the site excavation phase was completed, and underground utilities were positioned within the building footprint. Metal decks were installed, and concrete deck slabs were poured.

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NJ Public Health, continued

During 2009, with the structure complete, the pace of construction ramped up significantly. Spray on fire-proofing was applied to the structural steel and exterior wall framing commenced. Simultaneously, HVAC piping and ductwork installations began on the second through fifth floors while underground plumbing was completed on the first floor. As the year progressed, above ceiling MEP installations were underway and by late summer the main switchgear had been installed, tested and activated so that the building was now on permanent power. Interior drywall partition installation activity was significant by mid-year and finishes started to be installed by late 2009. Laboratory overhead service carriers were being installed and laboratory casework deliveries had commenced. The exterior wall systems were completed by year end with the exception of the Administrative Wing area. Also during 2009, construction of the Pre-Screening Building and the Greenhouse commenced.

By the end of 2010, the construction of the Administration Wing, Pre-Screening Building and the Greenhouse was completed and the Department of Community Affairs issued a Temporary Certificate of Occupancy. Both the Department of Health and Senior Services and the Department of Agriculture were finalizing their relocation planning. During 2011, the departments began relocation of its employees into the new Facility. By the end of 2012, the Facility had become fully operational.

Project Budget: $154,884,000

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NJ State Police Security Command Center and Security Upgrades

As part of the NJ Public Health, Environmental and Agriculture Laboratory Facility there is a need to make improvements to the security systems in place at the State Police Division Headquarters Campus in West Trenton.

The scope of this project will address Security upgrades for Trooper Drive entrance and renovation to the recently acquired Wilburtha Station which will become the Security Command Center. The roadway entrance reconstruction will consist of new guard booth, road upgrades, security gate arms, anti-ram barriers, card readers and closed circuit TV cameras. The renovations to the existing Wilburtha Station include and are not limited to new roof, soffits, ADA compliant visitor bathroom, lighting, ceilings, wall finishes, new security systems, card readers, closed circuit TV cameras, and new fiber optic data lines. The remodeled building will house site Security Guards and will serve as the main badging building for visitors to the Campus.

Currently this project is in design development and expected to be put out to bid by mid year 2013.

Project Budget: $4,566,000

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NJ Department of Treasury Taxation Building

The exterior joint sealants throughout the façade of the Taxation Building are in poor condition and allow water to enter the building envelope. Exterior joint sealants are the primary seal for window and spandrel panel frames and between granite and concrete panels. The fourth floor bridge from the Taxation Building to 33 West State Street is no longer utilized and is leaking and is recommended that it be removed and the wall and fenestration be reconstructed at both buildings. The project scope is to include replacement of joint sealants and glazing sealants throughout the exterior; cutting of glazing gaskets, removal of repair sealants and the installation of new structural glazing sealants at the third through tenth floors; investigate the feasibility for the removal of the bridge to 33 West State Street and reconstruction of the exterior walls; re-pointing of the brick veneer and the replacement of cracked brick at the south end of the east façades.

Technical and fee proposals were received April 14, 2011 from randomly selected Architectural firms that submitted proposals for design of this project. The submitted technical proposals were evaluated and rated by the project team along with respective fee proposals a contract was awarded for design services A scope of work was developed and put out to bid in January 2012 and bids received in April 2012. A contract was awarded to the successful low bidder in May 2012.

This project was substantially completed by December 2012 and is currently in punch list and closeout phase.

Project Budget: $1,100,000

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NJ State House Annex

The moisture and mold mitigation plan for the State House Annex East Wing basement will address exterior and interior conditions that cause elevated humidity and mold growth in the Annex Library. Exterior waterproofing will occur around the electrical and mechanical rooms, the Legislative library and Legislative computer rooms in order to prevent water damage which could severely compromise day–to-day legislative operations. The interior spaces and use of the State House Annex East Wing basement are sensitive to moisture and humidity levels, and has resulted in the closing of the library and relocation of most library staff as well as responding to health complaints from staff that remain in some sections of the Annex East Wing basement. The Library cannot be reopened and library staff cannot return to this area until the water infiltration is corrected. The project scope includes braced excavation, repair of damaged concrete and re-pointing of stone wall joints. Work will also include the installation of a rubberized waterproof membrane with mechanical termination, drainage boards and a plastic impermeable sheet under the landscape stone. Trench drains will also be installed at the stone to brass interface.

The Investigation Phase of the project started as scheduled in January 2012. During the investigation phase it became clear to the using agency that the project scope would be very disruptive to the Annex operations and may not fully address the issues. A reduced scope was suggested and in May 2012 the consultant made a recommendation to the New Jersey Building Authority and the Office of Legislative Services to install two underground monitoring wells in the Annex Courtyard to check existing water table levels to determine if ground water is the cause of the water infiltration. In July 2012 the State approved two Consultant Amendments, one for the wells and a second to perform a Phase I Archaeological Study. In December 2012 the State Historic Preservation Office approved the study. The monitoring wells were installed in August 2012 and the subsurface water levels will be monitored until August 2013.

Project Budget: $450,000

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Richard J. Hughes Justice Complex Skylight Replacement

The objective of this project is to mitigate water infiltration from the skylight system glazing and framework. The skylight system was integrated in the original design of the Justice Complex when it was constructed nearly 30 years ago. The normal life expectancy of the skylight system is approximately 15 years. The skylight system has been reported to be leaking for the past several years and water infiltration is evident in many areas of the building.

The project scope will include replacement of 256 insulated glass units along with removal of the entire extruded aluminum crossbar framework of the skylight system. Other work includes removal of all caulking within the extruded aluminum compression bars and mullions and replaced with new structural sealants. Repairs and replacement of the flashings at the ridge and eave of the skylight system are also needed and included in this project.

Technical and fee proposals were received from randomly selected Architectural firms that submitted proposals for design of this project and were evaluated and rated by the project team. A contract was awarded for design services in July 2011 and a scope of work was developed and put out to bid. Bids were received in July 2012 and a construction contract was awarded to the successful low bidder in August 2012.

This skylight system is currently being replaced and expected be substantially completed by February 2013.

Project Budget: $782,460

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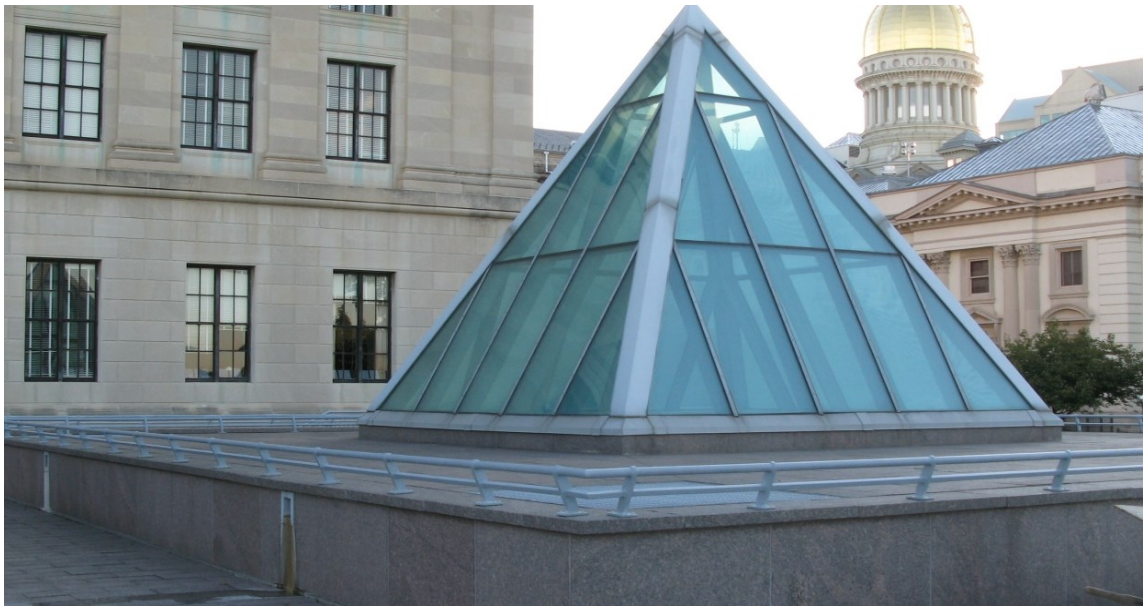
NJ Statehouse Welcome Center Atrium



This project will address water infiltration in the State House Welcome Center Atrium Lobby located below the State House Plaza Park. This raised Plaza Park area is directly above the State House Atrium Welcome Center lobby. It consists of granite paved surfaces above drainage and waterproofing systems. Some areas of the waterproofing membrane have been leaking since 2002, causing water infiltration into the State House Atrium. Water is frequently found on the floor of level 3 of the State House Atrium creating hazardous conditions at one of the main entrances to the Capitol Complex. The project scope will consist of the removal of the overburden at this raised Plaza Park area above the Welcome Center Atrium to include railings and granite pavers in order to allow access for the replacement of the drainage and waterproofing systems and the reinstallation of salvaged pavers and exterior caulking.

Construction started May 2012, achieved substantial completion in October 2012. Closeout of the project in progress.

Project Budget: $400,000

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NJ State House Annex

This project scope will consist of evaluating air handling unit (AHU) #4 for repair or replacement; installation of hard ducted connections from the return air transfer, installation of a new return fan, mixed air damper and exhaust damper. Testing, balancing and system certification are also to be done. The corrective work to AHU #4 will remedy health, safety and environmental deficiencies and address complaints of odors and respiratory discomfort.

On January 18, 2012 the consultant presented their investigation report to the New Jersey Building Authority and the Office of Legislative Services. After several months of communication between the design team members and the using agency the scope of the project may be revised to include an area of the Annex 1st floor to be used as the new library space. Negotiations between the State and the consultants regarding their design fee for the additional scope are ongoing.

Project Budget: $415,000

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New Jersey State Auditorium
HVAC Upgrades– New Digital Controls for HVAC System

The objective of this project at the NJ State Auditorium will include the replacement of the existing automatic temperature control system with a new digital control system and HVAC improvements. The New Jersey State Museum Auditorium was built in 1964; the Auditorium still has much of the original HVAC systems in place and has only received minor ductwork modifications during its operational history. The HVAC systems within the Auditorium facility were originally equipped with a pneumatic automatic temperature control system and are in various states of failure and disrepair.

Construction started August 2012 , substantial completion is expected during January 2013 with closeout to follow.

Project Budget: $500,000

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NJ Statehouse Visitors Complex and Parking Garage

The State House Parking Garage, which is part of the Capitol Complex, was adversely affected by three 50-year flood events which resulted in millions of dollars of restoration costs to equipment and materials. A 2007 structural investigation of the State House Parking Garage prompted by, the flood events identified structural damage to State House Parking Garage that needs to be repaired in order to avoid future, more serious level of repairs to the State House Parking Garage. The project scope will include the repair of open column base and wall cracks, overhead concrete cracking, CMU spalling, unsealed concrete floors, open slab and retaining wall cracking, concrete spalling and corroded reinforcing steel at column bases, missing or deteriorated joint sealants at expansion joints and repairs to localized patching failures.

Technical proposals were received from interested structural engineering consultants on October 18, 2011. The Miller-Remick Corporation was awarded the consultant contract on January 17, 2012. The Investigation Phase through Final Design Phase were submitted to and approved by the Department on Property Management and Construction Plan Review during 2012. Contractor advertisement and award are scheduled for Spring 2013.

Project Budget $2,000,000

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Past Construction and Renovation Projects

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New Jersey State Museum

The objective of this project is to address the aging infrastructure of the New Jersey State Museum located in Trenton; to protect the health and safety of the State Museum's constituency; and to secure its collections. The project includes enhancements to the HVAC and electrical systems; upgrades to the security structure; installation of a fire suppression system; asbestos remediation; and renovation of vestibules, windows, walls, ceilings and roof. These improvements will bring the State Museum up to code so that collections may be borrowed from other museums providing greater cultural opportunities for the citizens of New Jersey.

The scope of work for design was completed in May 2003 and the contract was awarded by the end of October. The project team evaluated options for relocating and storing the existing museum collection during renovations. It was decided that most of the collection could be stored securely within the museum. The items that were too large to move safely were protected by metal stud frames and fire rated plywood.

In early fall 2004, the museum collection was relocated; a comprehensive fire safety plan was established and implemented; and a temporary security system was installed. The system permitted the monitoring of the museum collection while in storage and during renovations. Components of the temporary system were utilized in the permanent installation. Due to its complexity, the remaining project was put out to bid in four separate packages: general construction, HVAC, electrical and plumbing. Bids were awarded in the summer of 2005.

Asbestos abatement, installation of new ductwork for the HVAC system and electrical upgrades in the mezzanine and storage area were completed by November 2006. By January 2007, first floor demolition was completed enabling the start of framing and ductwork. In March, the general contractor abandoned the project, and that contract was terminated by the State. Work continued with the surety. Eventually, however, the surety was also terminated for default of its contractual obligations. Once a new contractor was secured, work steadily progressed toward completion.

Construction of the walls and ceilings, electrical installation, and renovation of the bathrooms quickly proceeded. By mid December 2007, most interior construction was completed, and a partial Certificate of Acceptance was approved. Staff moved into the 2nd and 3rd floors offices.

In 2008, installation of the plumbing, electrical, lighting, and security systems were completed, and all systems were tested. New vestibules were constructed, and the museum exterior was painted. Final inspections were conducted in May 2008 and the Museum was turned over to the Department of State for reopening.

Project Cost: $16,000,000

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NJ State Police Emergency Operations Center

The final component of the 2002 Series A Additional Project consisted of the construction of a facility to accommodate the State Police Emergency Management Section and Emergency Operations Center in Ewing, New Jersey. The Emergency Operations Center includes (i) a 47,500 square foot building with office space and crisis management centers for State Police and Governor's Office personnel, as well as bunk and shower facilities, pre-packaged meal cafeteria, and back-up water, power and communications provisions and (ii) a 120-space parking area. Construction on this component of the 2002 Series A Additional Project began in May, 2004 with a majority of construction being completed by summer 2006. A second story shell addition, and its interior fit-out were funded directly by the Department of Law and Public Safety and completed in October 2009. A Certificate of Occupancy was received November 2009 and became fully operational in 2010.

Project Cost: $ 31,043,963

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New Jersey State Richard J. Hughes Justice Complex

The objective of this project is to ensure that the integrity of the safety, HVAC, electrical, structural and operational components of the facility is maintained. The original project included replacement of the atrium glass, installation of a new roofing system and repairs to the first and second levels of the parking garage. The majority of those projects were completed by 2004.

As the initial renovations progressed, additional projects were added to the scope of work and were addressed as funding permitted. Considerable renovations to the lobby area were completed during the course of 2004. These included installation of safety film, the construction of entrance and exit vestibules, and the replacement spline ceilings. Throughout the building, walls were repaired and painted, and carpeting was replaced as needed.

Extensive upgrades were made to the existing security structure and include a central monitoring system, card readers, package scanners and magnetometers at all entrances, additional lighting throughout the parking garages, and closed circuit surveillance equipment to monitor activity in and around the building. Guard booths were relocated and anti-ram barriers, roll-up doors, gate arms and stop lights were installed. External renovations included refurbishing the loading dock area, replacing the snow melting system and resurfacing the parking areas. Emergency egress walks, plaza waterproofing, and roofing on the north and west wings were replaced. The day care center playground was resurfaced, and new equipment was installed.

In December 2005, a construction contract to remodel thirty-four bathrooms was awarded. Demolition began in early 2006 and all public restrooms were completed by June. After major renovations were completed, new furniture was placed in public areas and was completed by end of 2006.

Project Cost: $21,000,000

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Select Past NJBA Project Highlights

Project Description	Project Period	Project Cost
Dept. of Corrections, Southwoods State Prison.	**1993—2000**	**$234,455,586**

The Bridgeton Prison Project was comprised of the construction of a 1,355,000 square foot medium security prison including a poultry processing plant and a central kitchen which services prison facilities throughout the State. The project added approximately 3,000 beds to the State prison system. This facility is fully operational and has been occupied since 1997.

Dept. of State, Cultural Campus Renovation (Phase 1)	**1997—2001**	**$ 16,058,298**

This project involved the total demolition and renovation of the buildings mechanical systems and equipment.

Taxation Building Renovations	**1997– 1998**	**$ 6,513,297**

This project included upgrades to the air handler units, energy management and fire safety systems and to make the building ADA compliant.

Dept. of Transportation Engineering & Operations Building Improvements	**2000—2004**	**$ 8,400,340**

Upgrades to communications and data cabling. Bringing HVAC systems up to current building codes and ensure fire safety compliance.

Dept. of Law & Public Safety State Police Troop C Headquarters Firing Range & Technology Complex	**2001—2003**	**$ 83,049,000**

The new headquarters includes barracks and a firearms range, fueling station, emergency generator, transformer, heliport, communications tower, surface parking and other amenities. These projects have been completed and were within budget.

Dept. of Transportation	**2004—2009**	**$ 3,655,749**

Upgrade fire alarm systems in all DOT main campus buildings. Repair damaged flooring and complete modernization of elevators in three DOT campus buildings.

Labor Building Renovation	**2002—2007**	**$ 18,357,371**

Extensive renovation, asbestos abatement Total interior and exterior refurbishing and replacement of materials and finishes. Make building ADA compliant. Upgrade HVAC and plumbing systems, replace sidewalks.

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Select Past NJBA Project Highlights

Project Description	Project Period	Project Cost
Old Barracks Museum	**1998—2001**	**$ 6,623,237**

Complete historic restoration of Old Barracks entailing archaeological research. Restoration of roof, porches and parade ground. Installation of a perimeter stockade fence. Complete assessment of the structural integrity of the buildings and the development of a building maintenance program.

War Memorial	**1996—2004**	**$33,586,014**

Renovate and historically restore the interior and exterior of the building to its original 1920's appearance. Install new railings and sound system. Upgrade lighting and make the building ADA compliant and handicapped accessible.

Thomas Edison College	**1998—2006**	**$ 14,294,056**

Restoration and renovation of six historic townhouses located at 105-115 W. State Street. The building exteriors were restored to reflect the original 19th Century appearance and the interiors were converted to modern office space for Thomas Edison State College personnel. A new addition connects the townhouses and the Kelsey Building. Restoration of antique exterior clock, refinishing exterior windows and remediation and repair of damage by water and ice. Install new gutters, downspouts and sewer lines.

Pinelands Commission Headquarters	**2004—2006**	**$ 2,002,646**

Renovate existing farm buildings for office use. The farmhouse was completely renovated. The ex terior of the building, including windows, were restored to state historic specifications the old roof was replaced. The carriage house was structurally reinforced and painted. The windows were re stored and a new bathroom was added. The barn was converted into office space which required the installation of a bathroom, heating and air conditioning systems, a security access system, and a telecommunication system. The barn roof was also replaced during the renovation.

TOTAL COST OF THESE PAST RENOVATION/RESTORATION PROJECTS: $426,995,594

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Acquisition of State Office Building

Richard J. Hughes Justice Complex, Acquisition Cost: $80,682,136

Up until 1999, all of the Building Authority's financing activities involved the construction, renovation and restoration of various office buildings, historical structures and correctional facilities. In late 1999, the Building Authority financed the acquisition of an existing building, the Richard J. Hughes Justice Complex.

The cost of acquisition and construction of the complex was financed through the issuance of bonds by the MCIA consisting of $50 million State Justice Complex Revenue Bonds, 1978 Series A, $60.2 million State Justice Complex Revenue Bonds, 1979 Series A, and $2.175 million State Justice Complex Revenue Bonds, 1985 Series A. The MCIA Bonds were defeased to maturity with proceeds from the secondary offering of the Custody Receipts. Pursuant to the MCIA Lease, the State paid the MCIA an amount of rent equal to the sum of (1) the debt service on the Custody Receipts outstanding; (2) payments in lieu of taxes due to the City of Trenton; and (3) the administrative fees and expenses of the MCIA, the Custodian and the MCIA Lease Trustee. The State's payment obligations under the MCIA Lease were subject to, and dependent upon, appropriations being made by the State Legislature, from time to time, for such purpose. During the term of the MCIA Lease, the State was responsible for, and paid all costs of, operating the Justice Complex and making all necessary repairs and replacements to the Justice Complex.

On October 1, 1999, the Building Authority issued $134.9 million of New Jersey Building Authority Revenue Bonds, 1999 Series. From the proceeds, $80.7 million was used to acquire the Richard J. Hughes Justice Complex. Upon defeasance of the Custody Receipts, the MCIA Lease was terminated and the MCIA conveyed the Justice Complex to the State which then ground leased it to the Authority pursuant to an amendment to the Ground Lease.

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Financial History of the New Jersey Building Authority

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Initial Project Financing

Construction of the Environmental Protection Building, Mary Roebling Building, Community Affairs Building, Department of Transportation Annex, Pest Control Laboratory, and Bank Street Garage

To maximize investment earnings during the construction period, the Authority designed a two and one-half year temporary bond issue with interest capitalized for the life of the loan. On December 23, 1981, the Authority sold $129 million of Revenue Bonds, secured by a lease agreement with the State and rated "Aa" by Moody's and "AA-" by Standard and Poor's, at a coupon rate of 10.5%. The bonds were due on August 1, 1984. The reinvestment of proceeds, according to a projected cash draw-down schedule, was made at a very favorable average return of approximately 14 percent.

Preparation for the long-term financing of the initial project began in September of 1982 but a planned November bond sale was postponed when interest rates moved upward. The sale was eventually consummated on January 13, 1983 when an issue of $157.1 million refunding bonds was underwritten at a net interest cost of 9.83%. In December 1985, the Authority refinanced its outstanding debt at an interest cost of 9.39%. In May, 1987, the Authority refinanced a portion of the 1985 bonds to achieve debt service savings of $13 million over the life of the bonds. In September, 1997, a portion of the 1987 bonds were refunded with the 1997 Bond Series.

State House Complex Improvements Financing

Restoration and Renovation of the State House and State House Annex
Construction of the State House Garage, State House Plaza and Stacy Park

The Authority issued $49.7 million of Revenue Bonds, 1989 Series to finance the first phase of the project. The bonds were issued at an interest cost of 7.518%. In January, 1994, a portion of these bonds were refunded with the 1994 Series Bonds. In September, 1991, the Authority issued $74.9 million of bonds to finance the second phase of the improvements. The 1991 Series Bonds were issued as capital appreciation bonds (CABS). These bonds are also a series of Garden State Savings Bonds. During 1990 and 1993 the Authority applied for and received two Historic Preservation Grants from the New Jersey Historic Trust. The grants, which were $530,450 and $64,000 respectively, were used to help fund the State House improvements.

1994 Project Financing

Construction of South Woods State Prison, Renovation of the Education, Labor and Taxation Buildings, Restoration and Renovation of the Old Barracks, War Memorial, and Edison Townhouses
Completion financing for the State House Complex Improvements.

On January 13, 1994, the Building Authority issued $314.9 million of New Jersey Building Authority Building Revenue Bonds, 1994 Series. A portion of these bonds were issued as capital appreciation bonds (CABS).

From the proceeds, $38.8 million was used to advance refund certain outstanding debt; $249.2 million was used to pay project construction costs. The balance of the proceeds were used to fund accrued and capitalized interest and pay the costs of issuance. The 1994 Series bonds were issued at a yield of 5.0326%.

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1995 Financing

The Authority issued no new bonds in 1995.
On July 20, 1995, the Authority entered into a collateralized flexible repurchase agreement.

1996 Financing

The Authority issued no new bonds in 1996.

1997 Project Financing

Completion financing for the 1994 Projects
Replacement of Labor Building Exterior Panel
Repair and Restoration of the State House Dome

On September 17, 1997, the Building Authority issued $224.6 million of New Jersey Building Authority Revenue Bonds, 1997 Series. $103.2 million of the proceeds were used to refund a portion of the 1987 Series; $102.5 million was used to complete the costs of the 1994 projects; $12.3 million was used to finance the Labor Building Exterior Panel Replacement project; and $9 million was used to pay for the cost of the repair and restoration of the State House Dome. The balance of the proceeds were used to fund accrued and capitalized interest and pay the costs of issuance. The bonds were issued at a yield of 5.0286%.

Additional funding for the State House Dome project was provided through other sources. $1 million in State appropriations were made available through the Joint Management Commission and approximately $2 million through private donations and fundraising initiatives. One such fundraising initiative was *"Dimes for the Dome".* During the week of May 5 - 9 1997, New Jersey school children voluntarily participated in a week-long fundraising drive to raise money for the dome repair and restoration. These students collected dimes and other coins by hosting varied events. They raised over $48,000, the exact amount needed to gold leaf the dome.

1998 Financing

The Authority issued no new bonds in 1998.

1999 Project Financing

Acquisition of the Richard J. Hughes Justice Complex
Construction of the Division of Revenue/State Police Facility

On October 1, 1999, the Building Authority issued $134.9 million of New Jersey Building Authority Revenue Bonds, 1999 Series.

From the proceeds, $80.7 million was used to acquire the Richard J. Hughes Justice Complex; $55 million will be used to pay for the construction of a new State Police Multi-Purpose Building and Troop C Headquarters. The balance of the proceeds will be used to fund accrued and capitalized interest and pay the costs of issuance. The bonds were issued at a yield of 5.3150%.

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2000 Project Financing

Renovation of the Richard J. Hughes Justice Complex
Construction of the Improvements to the Department of Transportation E & O Building

On August 1, 2000, the Building Authority issued $29.0 million of New Jersey Building Authority Revenue Bonds, 2000 Series A.

From the proceeds, $21.0 million will be used to finance the renovations of the Richard J. Hughes Justice Complex; $7.5 million will be used to finance the construction of the improvements to the Department of Transportation Engineering & Operations Building. The balance of the proceeds will be used to fund accrued and capitalized interest and pay the costs of issuance. The bonds were issued at a yield of 5.1023%.

2001 Financing

The Authority issued no new bonds in 2001.

2002 Project Financing

Construction of the State Police Office of Emergency Management and Emergency Operations Center
Renovation of the State Museum and the Pinelands Commission Headquarters,
Completion Funding for the State Police Technology/Multi-Purpose Building and Troop C Headquarters

On November 15, 2002, the Building Authority issued $65 million of NJBA Revenue Bonds, 2002 series A.
From the proceeds, $26.8 million was used to finance the construction of the State Police Emergency Management and Emergency Operations Center; $14.1 million was used to finance the renovation of the State Museum; $23.2 million was used to finance the completion of the construction of the State Police Technology/Multi-Purpose Building and Troop C Headquarters; $1 million of existing Building Authority proceeds was used to finance the renovations of the Pinelands Commission Headquarters. The balance of the 2002 A proceeds was used to fund accrued and capitalized interest and pay the costs of issuance. The bonds were issued at a variable rate yield.

On November 15, 2002, the Building Authority issued $210 million of NJBA Revenue and Refunding Bonds, 2002 series B. Those bonds represent a partial refunding of previous issues. The bonds were issued at a variable rate yield.

2003 Project Financing

On August 15, 2003, the Building Authority issued $190 million of NJBA Revenue Bonds, 2003 Series A.

The 2003 Bonds were issued by the Authority to provide proceeds to refund all or a portion of the 1994 Series Bonds, the 1999 Series Bonds, the 2000 Series A Bonds and the 2002 Series A Bonds (the "Bonds to be Refunded") and to pay for costs of issuance of the 2003 Bonds.

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2004 Project Financing

New Jersey Department of Transportation
Elevator Renovations, Limited Floor Re-Tiling and Fire Alarm System Upgrade

On December 1, 2004, the Authority issued $4.08 million of New Jersey Building Authority Revenue Bonds, 2004 Series A.

The 2004 Series A proceeds are being used to finance the (i) renovation of the elevators in the New Jersey Department of Transportation Engineering and Operations Building, the New Jersey Department of Transportation Main Office Building and the New Jersey Department of Transportation Finance and Administration Building, (ii) re-tiling work in the main lobby and one stairway of the New Jersey Department of Transportation Engineering and Operations Building and (iii) upgrading the fire alarm systems in the New Jersey Department of Transportation Engineering and Operations Building, the New Jersey Department of Transportation Main Office Building and the New Jersey Department of Transportation Finance and Administration Building.

On December 7, 2004, the Authority issued $48.8 million of New Jersey Building Authority Revenue Bonds, 2004 Series B.

The 2004 Series B Bonds were issued to refund certain maturities of the Outstanding 1991Series Bonds, 1999 Series Bonds, 2000 Series A Bonds and 2002 Series A Bonds of the Authority in the aggregate original principal amount of $34,629,816.60 and to pay costs of issuance of the 2004 Series B Bonds.

2005 Project Financing

The Authority issued no new bonds in 2005.

2006 Project Financing

New Jersey Public Health, Agricultural and Environmental Laboratory Project

On August 17, 2006, the Authority issued $48.7 million of New Jersey Building Authority Revenue Bonds, 2006 Series A.
The 2006 Series A will be used to finance the initial construction phase of an approximately 275,000 square foot public health, agricultural and environmental laboratory, to be located in Ewing Township, New Jersey. Construction should begin in January 2007 and is expected to be completed by December 2009.

2007 Project Financing

New Jersey Public Health, Environmental and Agriculture Laboratory

On November 7, 2007, the Authority issued $96.67 million of New Jersey Building Authority State Building Revenue Bonds 2007 Series A and $119.68 million of New Jersey Building Authority State Building Refunding Bonds 2007 Series B.

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The 2007 Series A proceeds will be used to finance the completion of the New Jersey Public Health, Environmental and Agriculture Laboratory. The 2007 Series B proceeds were used to refund the remainder of the outstanding 1997 Series Bonds in the aggregate original principal amount of $120,055,000 and to pay cost of issuance of the 2007 Series B Bonds.

2008 Project Financing

The Authority issued no new bonds in 2008.

2009 Project Financing

On June 2, 2009, the Authority issued $90.47 million of New Jersey Building Authority Revenue Refunding Bonds, 2009 series A. The 2009 Series A Bonds were issued to refund a portion of the 1991 Series Bonds, the 1999 Series Bonds, the 2000 Series A Bonds, the 2002 Series A Bonds, the 2004 Series A Bonds, the 2006 Series A Bonds, the 2007 Series A Bonds, and the 2007 Series B Bonds.

On December 1, 2009, the Authority issued $30.9 million of New Jersey Building Authority Revenue Refunding Bonds, 2009 Series B. The 2009 Series B Bonds were issued to refund a portion of the 2002 Series B Bonds. Both refunding issues provided the State short-term debt service savings.

2010 Project Financing

The Authority issued no new bonds in 2010.

2011 Project Financing

In November 2011, the Authority issued $54.4 million of New Jersey Building Authority Refunding Bonds, 2011 Series A Bonds. The 2011 Series A Bonds were issued to refund a portion of the 2002 Series A Bonds, the 2002 Series B Bonds, the 2004 Series B Bonds, the 2006 Series A Bonds, the 2007 Series A Bonds and the 2009 Series A Bonds. This refunding provided the State with short-term debt service savings.

2012 Project Financing

On December 11, 2012, the Authority issued the State Building Revenue Bond Anticipation Notes, Series 2012 with an interest rate of 1.5%, payable at Maturity on December 18, 2013. The funds will be used to begin the State House Exterior Restoration Project and the Mechanical and Electrical Equipment Relocation Project. In December, 2013, the Authority will issue approximately $51 million of State Building Revenue Bonds The funds will be utilized to pay maturing 2012 Bond anticipation notes and interest and the remaining funds will be utilized to complete the two above mentioned projects.

Financial Statements

See Appendix A for the combined financial statements for the years ended December 31, 2012 along with the report of the independent public accountants.

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Past and Present Members of the Board of Directors 1981—2012

Name	***Affiliation***	***Years Served***
Nancy Beer	*Program Associate, The Woodrow Wilson School, Princeton University*	*1981-1985*
William I. Blanchard	*Assistant Treasurer, Wm. Blanchard Co.*	*1996-2004*
Jerry Della Salla	*Business Manager, Bricklayers and Allied Craftworkers*	*2004*
Sean Earlen	*Silvi Group Companies*	*2012-present*
Stephen R. Ehrlich, Chairman	*President, Windemere Associates*	*1996-2005* *Chairman 1996-2001*
Bernard Ekelchick	*School Teacher, Edison, New Jersey*	*1981-1982*
Alfred L. Faiella	*Executive Director, Newark Economic Development Corporation*	*1981-1982*
John H. Fisher III, Chairman	*Governmental Affairs Specialist Archer & Greiner*	*1990-present*
Dale Florio, Partner	*Princeton Public Affairs Group*	*1991-1994*
Michael Hartsough, Chairman	*Attorney, Hartsough, Kenny & Chase*	*1986-1994* *Chairman 1994*
William Hiering, Jr., Esquire	*Attorney, Hiering, Hoffman & Gannon Law Firm*	*1996-2001*
Edward L. Hoffman	*Publisher, The Trentonian*	*1981-1988*
James Kearney	*President, BCC Construction LLSC*	*2004-2007*
Donald J. Kennedy	*Business Manager, IBEW, Local 269*	*1986-1995*
Karen Kominsky, Acting Chair	*Associate, Policy Management & Communications, Inc.*	*1993-1996* *Acting Chairwoman 1995*

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Past and Present Members of the Board of Directors 1981—2012

Name	***Affiliation***	***Years Served***
Aladar G. Komjathy	*Director, The Stewart Agency*	*1989-1998*
John R. Lacy, Jr.	*Publisher*	*1986-1988*
Joseph Lazur	*President, National Siding Co.*	*1984-1985*
William Maer	*Partner, Public Strategy Impact*	*2005-2012*
Charles Marciante	*Business Manager, IBEW, Local 269*	*1996-2008*
Arthur Maurice	*Associate, New Jersey Business and Industry Association*	*1994-1995*
Edward F. Meara, III,	*Chairman Executive Director, Mercer County Chamber of Commerce*	*1981-1992* *Chairman 1981-1982*
Peter J. McDonough, Jr.	*Partner, Princeton Public Affairs Group*	*1989-1990*
Dennis McNerney	*Bergen County Executive*	*2004-present*
William T. Mullen	*President, NJ Building and Construction Trades Council*	*2008-present*
Dean Munley	*Howard Savings Bank*	*1983-1985*
Prentis C. Nolan, III	*President, PC Nolan & Associates, Inc.*	*1999-present*
John S. Pehlivanian, Esquire	*Attorney, Pehlivanian & Braaten, LLC*	*1996-2007*
Maurice T. Perilli	*Executive Vice President and Board Chairman, Roma Savings Bank*	*1992-1994*
Edward Pulver	*Secretary/Treasurer, New Jersey AFL-CIO*	*1981-1985*
Ramon Rivera	*Executive Director, La Casa de Don Pedro*	*1981-1983*
Richard Rowson	*Business Agent, IBEW, Local 351*	*1997-2002*

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Past and Present Members of the Board of Directors 1981—2012

Name	***Affiliation***	***Years Served***
Morris Rubino	*Manger/Financial Secretary and Treasurer Ironworkers Local Union No. 68*	*2005-present*
W. Harry Sayen	*Board Chairman Emeritus, Mercer Rubber Co.*	*1981-1992*
Leonard Sendelsky	*Builder*	*1986-1991*
Morton A. Siegler,	*Chairman President, Morton A. Siegler Associates*	*1983-1987* *Chairman 1983-1987*
William C. Sproule	*NJ Regional Council of Carpenters*	*2008-present*
Charles E. Stapleton	*President, Impact Government Relations*	*1986-1990*
John H. Walther	*Board Chairman, New Jersey National Bank*	*1981-1985*
Kim Whelan	*Managing Director, Public Financial Mgmt.*	*1998-2005*

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Past and Present Ex-Officio Members of the Board Directors

Name	***State Office Held***	***Years Served***
Bradley I. Abelow	*State Treasurer*	*2006-2007*
Douglas Berman	*State Treasurer*	*1989-1990*
Kenneth R. Biederman	*State Treasurer*	*1981-1982*
Brian W. Clymer	*State Treasurer*	*1993-1997*
Samuel Crane	*State Treasurer*	*1991-1992*
Michellene Davis	*Acting State Treasurer*	*2007*
William R. DeLorenzo, Jr.	*Chairman, Commission on Capital Budgeting & Planning*	*1989-1993*
James A. DiEleuterio, Jr.	*State Treasurer*	*1997-1999*
Michael Ferrara	*Acting Comptroller of the Department of the Treasury*	*1993*
Edward G. Hofgesang	*Comptroller of the Department of the Treasury*	*1981-1982*
Charlene Holzbaur	*Comptroller of the Department of the Treasury*	*1999-present*
Michael Horn	*State Treasurer*	*1983-1985*
Eugene Jacobson	*Chairman, Commission on Capital Budgeting & Planning*	*1981-1985*
Richard Keevey	*Comptroller of the Department of the Treasury*	*1989-1992*
Peter R. Lawrance	*Acting State Treasurer*	*2001*
Roland M. Machold	*State Treasurer*	*1999-2001*
John McCormac	*State Treasurer*	*2002-2005*
Benedict T. Marino	*Chairman, Commission on Capital Budgeting & Planning*	*1986-1988*
Carol Molnar	*Chairman, Commission on Capital Budgeting & Planning*	*1994-present*
Feather O'Connor	*State Treasurer*	*1986-1988*
Elizabeth Pugh	*Comptroller of the Department of the Treasury*	*1994-1999*
R. David Rousseau	*State Treasurer*	*2008-2010*
Andrew P. Sidamon-Eristoff	*State Treasurer*	*2010 to Present*

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Past and Present Executive Directors 1981—2011

Name	***Years Served***
David T. Beale	1981—1995
Charles Chianese	1995—2010
Raymond A. Arcario	2011—Present

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State of New Jersey
New Jersey Building Authority
PO Box 292
Trenton, NJ 08625-0292

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

John H. Fisher III
Chairman

CERTIFICATION

I, Raymond A. Arcario – Executive Director of the New Jersey Building Authority, certify that during the preceding year the Authority has, to the best of my knowledge, followed all of the Authority's standards, procedures, and internal controls.

Raymond A. Arcario
Executive Director – New Jersey Building Authority

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Appendix A
New Jersey Building Authority
Financial Statements

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NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

FINANCIAL STATEMENTS

December 31, 2012

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NEW JERSEY BUILDING AUTHORITY

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MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
New Jersey Building Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each fund of the New Jersey Building Authority (the "Authority"), component unit of the State of New Jersey, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of the Authority, as of December 31, 2012 and 2011, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages five through eight be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our reports dated April 24, 2013 and May 17, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. These reports are an integral part of our audits performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mercadien, P.C.
Certified Public Accountants

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

April 24, 2013

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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 Board of Directors of
New Jersey Building Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the government-type activities and each fund, of the New Jersey Building Authority (the "Authority"), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated April 24, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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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)

Internal Control Over Financial Reporting (continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mercadien, P.C.
Certified Public Accountants

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

April 24, 2013

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NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the New Jersey Building Authority's annual financial report represents our discussion of the New Jersey Building Authority's (the "Authority") financial performance and provides an overview of the Authority's activities for the year ended December 31, 2012. 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. Please read it in conjunction with the Authority's basic financial statements.

Financial Highlights

- Issued a $20 million 2012 Bond Anticipation Note in December 2012 to start the State House exterior renovations and the mechanical and electrical equipment relocation projects.
- Construction-In-Progress outlays totaled $4,362,000.
- The Health Lab project was completed and the balance was moved from Construction-In Progress to minimum lease receivable in 2011.

Overview of the Financial Statements

The annual report consists of two parts – management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include the Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balance/Net Position.

With regard to the State of New Jersey, the Authority is a component unit which provides services entirely or almost entirely to the State. Per GASB 14 requirements, the Authority is thus considered a blending unit for inclusion in the New Jersey Comprehensive Annual Financial Report. Blending requires the component unit's balances and transactions to be recorded in a manner similar to the balances and transactions of the State, i.e. a governmental fund type.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when measurable and available. Expenditures, and the related liabilities, are accrued when they are normally expected to be paid out of revenues recognized during the current period. The exception to this rule is that principal and interest on long term debt is recognized when due.

Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the Authority's finances. The Statement of Net Position and Governmental Funds Balance Sheet presents information on all of the Authority's assets and liabilities, with the difference between the two reported as Fund Balance/Net Position. Fund Balance/Net Position increases when revenues exceed expenditures.

The Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balance/Net Position presents information showing how the Authority's Fund Balance/Net Position changed during the year. All changes in Fund Balance/Net Position are reported as the underlying events occur, regardless of the timing of the related cash flows. Therefore, revenues and expenditures are reported in this statement for some items, such as accrued bond interest, that will result in cash flows in future calendar years.

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Notes to the Basic Financial Statements.

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

Financial Analysis

Net Position (in thousands) - Statement of Fund Balance/Net Position

	December 31,			Change
	2012	2011	2010	2011-2012
Current assets	$ 148,381	$ 97,874	$ 101,133	51.60 %
Non-current assets	459,755	567,067	596,956	(18.92)%
Total assets	608,136	664,941	698,089	(8.54)%
Current liabilities	109,532	90,721	74,262	20.74 %
Non-current liabilities	476,007	551,410	601,096	(13.67)%
Total liabilities	585,539	642,131	675,358	(8.81)%
Fund balance/net position	$ 22,597	$ 22,810	$ 22,731	(0.93)%

Change in Fund Balance/Net Position (in thousands) - Statement of Activities

	Year Ended December 31,			Percentage Change
	2012	2011	2010	2011-2012
Revenues				
Investment income	$ 4	$ 28	$ 153	(85.71)%
State rental payments	28,021	28,156	20,070	(0.48)%
State appropriation	827	934	1,246	(11.46)%
Amortization income	3,249	2,835	2,308	14.60 %
Total revenues	32,101	31,953	23,777	0.46 %
Expenditures				
Amortization expense	3,623	2,744	3,769	32.03 %
Debt Service:				
Interest	26,786	26,713	23,171	0.27 %
Other administrative expenses	1,904	2,417	2,345	(21.22)%
Total expenditures	32,313	31,874	29,285	1.38 %
Change in fund balance/net position	(212)	79	(5,508)	(368.35)%
Fund balance/net position, beginning of year	22,810	22,731	28,239	0.35 %
Fund balance/net position, end of year	$ 22,597	$ 22,810	$ 22,731	(0.93)%

Cash Receipts and Revenues

State debt service receipts of $101.1 million, of which $21.6 million was associated with 2012 interest payments, $73 million with principal payments and $6.5 million for SWAP related costs.

Investment income decreased $23,797 from $27,819 at December 31, 2011, to $4,022 at December 31, 2012, as a result of reductions in cash and cash equivalents due to construction expenditures of $4.3 million.

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The Authority received a State appropriation of $0.827 million to cover its 2012 Administrative Budget, the majority of which was used for salary and payroll related expenses of its five full time and one part time employees.

Construction Contract Payments

Construction expenditures in 2012 totaled $4.3 million and are detailed in Table 1.

Table 1

Construction Contract Payments	2012 (in thousands)
Health Lab Facility	$ 2,487
Taxation Water Infiltration	601
State Museum	296
State Police HQ	293
Welcome Center Plaza	231
State House Garage	117
Justice Complex Elevator	94
DOT - Ewing Campus	90
State House Water Infiltration	70
Justice Complex Skylight	57
State House Air Handler	26
Total	$ 4,362

As of December 31, 2012, the 275,000 square foot Health Lab Facility was at 98 percent completion and had been issued its Certificate of Occupancy. Going forward it will be utilized as a secure, central state-of-the-art facility for various agencies to perform work in support of public health, environmental and agriculture programs.

Debt Service

During 2012 the Authority made principal payments of $73 million. Table 2 summarized the change in debt service between the calendar years 2012 and 2011.

Table 2

	2012	2011	2010	Percentage Change 2011-2010
Bonds payable	$ 544,980	$ 617,980	$ 639,755	(11.81)%

The Authority Bond Ratings as of December 31, 2012 and 2011, were as follows:

	2012	2011
Fitch	A+	AA-
Moody's	A1	Aa3
Standard & Poor	A+	AA-

To provide the reader with a better understanding of the above ratings, included below is a schedule explaining the various ratings utilized by three rating companies.

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Investment Grade	Fitch	Moody's	Standard & Poor
Highest Quality	AAA+	Aaa1	AAA+
Highest Quality	AAA	Aaa2	AAA
Highest Quality	AAA-	Aaa3	AAA-
High Quality	AA+	Aa1	AA+
High Quality	AA	Aa2	AA
High Quality	AA-	Aa3	AA-
Upper Medium	A+	A1	A+
Upper Medium	A	A2	A
Upper Medium	A-	A3	A-

Moody's uses a modifier of 1, 2 or 3 to show relative standing in a category (1 higher than 2, 2 higher than 3). Standard & Poor's and Fitch use a modifier of plus or minus.

Contacting Financial Management

This financial report is designed to provide citizens, vendors and creditors with a general overview of the Authority's finances. If you have any questions about this report or need additional financial information, contact the Authority's Fiscal Office at P.O. Box 219, Trenton, New Jersey 08625-0219.

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NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
December 31, 2012

	Governmental Funds	Adjustments (Note G)	Statement of Net Position
ASSETS			
Cash and equivalents- restricted	$ 40,932,046	$ -	$ 40,932,046
Current minimum lease payments receivable	-	83,965,000	83,965,000
Long term minimum lease payments receivable	-	461,015,000	461,015,000
Loss on advanced refunding of bonds	-	17,653,298	17,653,298
Bond issuance costs	-	3,697,526	3,697,526
Property and equipment	-	10,724	10,724
Construction in progress	-	862,536	862,536
Total assets	$ 40,932,046	$ 567,204,084	$608,136,130
LIABILITIES			
Accounts payable			
Other	$ 2,859,006	$ 1,766,554	$ 4,625,560
Contractor retainage payable	120,076	-	120,076
Accrued bond interest payable	-	825,615	825,615
Bond anticipation notes payable	20,000,000	-	20,000,000
Current bonds payable	-	83,965,000	83,965,000
Long term bonds payable	-	461,015,000	461,015,000
Unamortized bond premiums, net of discounts	-	14,987,334	14,987,334
Total liabilities	22,979,082	562,559,503	585,538,585
FUND BALANCE/NET POSITION			
Restricted	17,952,964	4,644,581	22,597,545
Total fund balance/net position	17,952,964	4,644,581	22,597,545
Total liabilities and fund balance/net position	$ 40,932,046	$ 567,204,084	$608,136,130

See notes to financial statements.

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NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
December 31, 2011

	Governmental Funds	Adjustments (Note G)	Statement of Net Position
ASSETS			
Cash and equivalents- restricted	$ 24,873,653	$ -	$ 24,873,653
Current minimum lease payments receivable	-	73,000,000	73,000,000
Long term minimum lease payments receivable	-	542,176,597	542,176,597
Loss on advanced refunding of bonds	-	20,755,362	20,755,362
Bond issuance costs	-	4,074,667	4,074,667
Property and equipment	-	16,466	16,466
Construction in progress	-	44,220	44,220
Total assets	$ 24,873,653	$ 640,067,312	$664,940,965
LIABILITIES			
Accounts payable			
Other	$ 22,705,464	$ (17,754,018)	$ 4,951,446
Contractor retainage payable	200,807	-	200,807
Accrued bond interest payable	-	1,022,014	1,022,014
Current bonds payable	-	73,000,000	73,000,000
Long term bonds payable	-	544,980,000	544,980,000
Unamortized bond premiums, net of discounts	-	17,976,663	17,976,663
Total liabilities	22,906,271	619,224,659	642,130,930
FUND BALANCE/NET POSITION			
Restricted	1,967,382	20,842,653	22,810,035
Total fund balance/net position	1,967,382	20,842,653	22,810,035
Total liabilities and fund balance/net position	$ 24,873,653	$ 640,067,312	$664,940,965

See notes to financial statements.

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NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/NET POSITION
Year Ended December 31, 2012

	Governmental Funds	Adjustments (Note G)	Statement of Activities
REVENUES			
Investment income	$ 4,022	$ -	$ 4,022
State rental payments	28,156,883	(135,850)	28,021,033
State principal payments	73,000,000	(73,000,000)	-
State appropriation for administrative costs	826,800	-	826,800
Amortization income	-	3,249,134	3,249,134
Total revenues	101,987,705	(69,886,716)	32,100,989
EXPENDITURES			
Amortization expense	-	3,623,095	3,623,095
Capital outlay	4,361,505	(4,361,505)	-
Debt service			
Principal	73,000,000	(73,000,000)	-
Interest	26,889,306	(103,034)	26,786,272
Other administrative expenses	1,904,112	-	1,904,112
Total expenditures	106,154,923	(73,841,444)	32,313,479
(Deficiency) excess of revenues over expenditures	(4,167,218)	3,954,728	(212,490)
OTHER FINANCING SOURCES (USES)			
Short-term debt issued	20,000,000	(20,000,000)	-
Bond issuance costs	(106,600)	106,600	-
Premium on debt issued	259,400	(259,400)	-
Total other financing sources (uses)	20,152,800	(20,152,800)	-
Change in fund balance/net position	15,985,582	(16,198,072)	(212,490)
Fund balance/net position			
Beginning of year	1,967,382	20,842,653	22,810,035
End of year	$ 17,952,964	$ 4,644,581	$ 22,597,545

See notes to financial statements.

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NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/NET POSITION
Year Ended December 31, 2011

	Governmental Funds	Adjustments (Note G)	Statement of Activities
REVENUES			
Investment income	$ 27,819	$ -	$ 27,819
State rental payments	28,060,539	95,291	28,155,830
State principal payments	20,966,028	(20,966,028)	-
State appropriation for administrative costs	933,900	-	933,900
Amortization income	-	2,835,344	2,835,344
Total revenues	49,988,286	(18,035,393)	31,952,893
EXPENDITURES			
Amortization expense	-	2,744,050	2,744,050
Capital outlay	21,255,965	(21,255,965)	-
Debt service			
Principal	21,680,263	(21,680,263)	-
Interest	26,876,848	(163,805)	26,713,043
Other administrative expenses	2,417,219	-	2,417,219
Total expenditures	72,230,295	(40,355,983)	31,874,312
(Deficiency) excess of revenues over expenditures	(22,242,009)	22,320,590	78,581
OTHER FINANCING SOURCES (USES)			
Long-term debt issued	54,435,000	(54,435,000)	-
Bond issuance costs	(217,319)	217,319	-
Premium on debt issued	5,529,577	(5,529,577)	-
Payment to bond refunding escrow agent	(59,697,391)	59,697,391	-
Total other financing sources (uses)	49,867	(49,867)	-
Change in fund balance/net position	(22,192,142)	22,270,723	78,581
Fund balance/net position			
Beginning of year	24,159,524	(1,428,070)	22,731,454
End of year	$ 1,967,382	$ 20,842,653	$ 22,810,035

See notes to financial statements.

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A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Authority

The New Jersey Building Authority (the "Authority"), a component unit of the State of New Jersey (the "State"), a body corporate and politic and an instrumentality of the State, was created in 1981 by the state legislature for the purpose of providing the capital resources (through the sale of bonds, notes and other obligations) necessary to acquire, construct, reconstruct, rehabilitate or improve office buildings or related facilities necessary or convenient to the operation of any State agency.

In Chapter 174 of the Pamphlet Laws of 1992, the state legislature amended the Authority's statute to expand the types of projects the Authority can undertake. The Authority can also now construct or rehabilitate correctional facilities and renovate and preserve historic public buildings. The amendment also removed the $250 million bond principal limitation.

Reporting Entity

The decision to include a potential component unit in the Authority's reporting entity is based on several criteria, including legal standing, fiscal dependency and financial accountability. Based on the application of these criteria, the Authority has no component units.

Under a master lease with amendments for individual properties, the Authority has leased to the State the buildings constructed or renovated with funds provided from various bond offerings made by the Authority. The State is required to pay rent to the Authority in amounts sufficient to pay (1) debt service on the bonds outstanding (to the extent such debt service is not funded from other monies available in the debt service account of the debt service fund, as provided for in the master lease agreement), and (2) administrative expenses of the Authority. The lease transactions with the State are accounted for as direct financing leases.

The State is responsible for awarding and monitoring all contracts for the design, acquisition and construction of projects, as well as supervising construction work and accepting the completed projects. Project costs incurred by the State are paid by the Authority's bond trustee out of the construction fund after approval by an authorized Authority representative. Pursuant to the terms of the master lease, the Authority is not liable or responsible for the adequacy, sufficiency and suitability of the plans and specifications of any contracts or agreements with respect to the acquisition or construction of these projects. During the master lease term, the State is responsible for all costs relating to the operation, maintenance and repair of the projects. In addition, the State pays for all utilities, taxes and governmental charges during the lease term.

At any time prior to the expiration of the master lease term, the State has the option to purchase the projects for a price of $1 plus an amount sufficient to provide the full payment of the bonds and accrued interest in conformity with the bond resolution. If such option has not been exercised prior to the end of the lease term, the title to the projects will be transferred by the Authority to the State at that time.

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A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

The obligation of the State to make rental payments is subject to and depends upon yearly appropriations being made by the State legislature for such purposes. In the event the State fails to make the necessary lease payments, the Authority may take possession of the projects and either lease or sell them to another party. In either case, the State is obligated to reimburse the Authority for any deficiency between the lease payments called for by the master lease and amounts paid by other parties.

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.

The accompanying basic 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 ("GASB").

In its accounting and financial reporting, the Authority follows the pronouncements of the GASB and other entities that promulgate accounting principles according to a hierarchy of sources of accounting principles. Per GASB Statement 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, priority is established as to which source of accounting principles to utilize in determining proper accounting treatment. The hierarchy is as follows: GASB Statements and Interpretations: GASB Technical Bulletins; American Institute of Certified Public Accountants ("AICPA") Industry Audit and Accounting Guides and AICPA Statements of Position, if applicable, and cleared by GASB; AICPA Practice Bulletins, if applicable, and cleared by GASB; Implementation Guides published by the GASB; AICPA pronouncements that are not specifically applicable to state and governmental entities; Financial Accounting Standards Board ("FASB") Statements and Interpretations; and Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure (issued on or before November 30, 1989). The Authority follows the hierarchy in determining accounting treatment.

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

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

The government-wide financial statements are prepared using 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 rental payments received from the State of New Jersey, in accordance with the Authority's master lease agreement with the State.

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A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

The governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when measurable and available. Expenditures, and the related liabilities, are accrued when they are normally expected to be paid out of revenues recognized during the current period. The exception to this rule is that principal and interest on long-term debt are recognized when payment is due.

Use of Estimates

The preparation of basic 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.

Funds Required by Bond Resolutions

In accordance with certain bond resolutions, the Authority has established the following restricted funds (accounts) to be held by US Bank, as trustee, to account for all revenue received by the Authority:

Fund Accounts	Amount	Use for Which Restricted
Construction	Any amount determined by the Authority after meeting requirements under the bond resolution for all of the other funds.	Payment of construction costs of any authorized projects.
Debt Service	Amounts needed to pay principal and interest on or before each interest payment date and principal installment date on the bonds.	Payment of principal and interest on the bonds.
Rebate	Estimated amount needed to pay arbitrage earnings.	Payment of arbitrage earnings to the federal government.

For financial reporting purposes, the assets, liabilities and fund balance/net position and related revenues, expenditures and other financing sources and uses of these funds have been combined.

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A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Funds Required by Bond Resolutions (Continued)

The following sets forth the cash and equivalent balances in the above funds:

	December 31,	
	2012	2011
Construction fund	$ 37,802,548	$ 21,973,350
Debt service	2,616,533	2,460,047
Rebate and other	512,965	440,256
	$ 40,932,046	$ 24,873,653

Construction in Progress

In the government-wide financial statements, construction in progress is stated at cost, which includes direct construction costs and other expenditures related to construction, including capitalized net interest. All construction costs related to projects which are not yet completed are charged to construction in progress until such time as the projects are completed and put into operation. Construction in progress is reduced when assets are put into operation and an offsetting minimum lease payment receivable is established. The State is obligated to make payments to the Authority for the construction in progress funded by bonds issued by the Authority.

In the governmental fund financial statements, construction costs are recorded as capital outlay expenditures as such costs are incurred.

Bond Issuance Costs

In the government-wide financial statements, bond issuance costs are reported as 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 Premiums/Discounts

Bond premiums, net of discounts, are recorded as liabilities in the statements of net position and are amortized over the life of the debt. In the government fund financial statements bond premiums are recognized as revenue as received.

Loss on Advanced Refunding of Bonds

Loss on advanced refunding of bonds is recorded as an asset in the statement of net position and is amortized over the life of the debt.

Fund Balance/Net Position

Fund balance/net position is classified as restricted and can only be utilized upon approval by the State Treasurer.

Income Taxes

As an instrumentality of the State, under existing statute, the Authority is exempt from both federal and state income taxes.

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A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Administrative Expense

The Authority receives an appropriation from the State for salaries, fringe benefits, related costs for overhead, and other expenses that support the operations of the Authority.

Concentration of Risk

The Authority maintains cash and equivalent balances which may exceed federally insured limits. They historically have not experienced any credit-related losses.

New Pronouncements

Governmental Accounting Standards Board issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Authority should implement this statement as required for the calendar year ending December 31, 2013.

B. CASH AND EQUIVALENTS

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires uncollateralized deposits exposed to custodial risk to be disclosed. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits that are in the possession of an outside party. The following is a summary of the Authority's cash deposit and the amount exposed to custodial credit risk at December 31, 2012 and 2011. The New Jersey Cash Management Fund (the "Fund") is a pooled investment fund and is guaranteed by the State of New Jersey. Thus, deposits in the Fund are not subject to credit risk or custodial credit risk. U.S. Treasury notes are explicitly guaranteed by the U.S. government and are not subject to credit risk or custodial credit risk. As of December 31, 2012 and 2011, the Authority's cash balances were as follows:

	December 31, 2012		December 31, 2011	
	Financial Statement Balance	Bank Balance	Financial Statement Balance	Bank Balance
Amount insured by the FDIC or collateralized with securities held in its name by the Authority.	$ 130,038	$ 130,038	$ 66,546	$ 66,546
Amount collateralized with securities held by the pledging financial institution's trust department in the Authority's name.	14,206,016	14,206,016	15,877,212	15,877,212
Total	$14,336,054	$14,336,054	$15,943,758	$ 15,943,758

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B. CASH AND EQUIVALENTS (CONTINUED)

Investments are stated at fair market value and consist of deposits in the Fund. Original cost basis and fair market value at December 31, 2012 and 2011, are summarized as follows:

	December 31, 2012		December 31, 2011	
	Original Cost	Fair Market Value	Original Cost	Fair Market Value
New Jersey Cash Management Fund	$ 26,595,992	$ 26,595,992	$ 8,929,895	$ 8,929,895

C. FINANCIAL INSTRUMENTS

Variable Rate Revenue Bonds, 2003 Series A Issue

In connection with its issuance of $189,950,000 Variable Rate Revenue Bonds, 2003 Series A issued on August 15, 2003, and then remarketed on May 9, 2008, the Authority has entered into six separate swap agreements, two each with Citibank, N.A., New York ("Citibank"), Goldman Sachs Mitsui Marine Derivative Products, L.P. ("Goldman Sachs") and Morgan Stanley Capital Services, Inc. ("Morgan Stanley"). The nature and purpose of each of these transactions is described below:

1) **Interest Rate Swap Agreements**

Under the terms of these agreements, which were executed on the same date and feature identical general terms, the Authority pays a fixed rate of 3.64% to Citibank, Goldman Sachs and Morgan Stanley on a notional amount equal to the principal amount of the 2003 bonds being hedged pursuant to such swap. In return, the respective swap provider will pay the Authority a floating amount based on 62% of one month LIBOR plus .20% on the same notional amount. As the 2003 bonds are redeemed, the notional amounts of the respective swaps shall decrease proportionately. The purpose of these agreements is to achieve a fixed rate. The swaps remain in effect during the entire term of the 2003 bonds. The negative fair value of the swaps were $22,394,245 and $23,587,186 as of December 31, 2012 and 2011, respectively.

The Authority implemented GASB Statement No. 53 as of December 31, 2010, which required the Authority to measure all financial instruments at fair value in its financial statements. No amounts are recorded because any asset or liability related to the swap would result in a corresponding deferred inflow or outflow from the State of New Jersey under the master lease agreement and not result in any change to the statement of activities and governmental funds revenues, expenditures and changes in fund balance/net position. Since the swap agreement is backed by the State of New Jersey, the ultimate responsibility falls on the State of New Jersey to record these amounts.

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C. FINANCIAL INSTRUMENTS (CONTINUED)

2) Credit Risk

The swap agreement contracts required that each swap counterparty shall have a credit rating from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories at the onset of the swap contract. Ratings, which are obtained from any other nationally recognized statistical rating agencies for such swap counterparty shall also be within the three highest investment rated categories, or the payment obligations of the swap counterparty shall also be unconditionally guaranteed by an entity with such credit ratings. The swap agreements also require that should the credit rating of a swap counterparty fall below the rating required, that the obligations of such swap counterparty shall be fully and continuously collateralized by direct obligations of, or obligations the principal and interest on which are guaranteed by, the United States of America, at the agreed upon collateral threshold levels pursuant to the Credit Support Annex. The collateral threshold levels are adjusted based on counterparty ratings as set forth in the Credit Support Annex.

3) Termination Risk

The swap contracts use the International Swap Dealers Association Master Agreement, which includes provision for standard termination events, such as failure to pay and bankruptcy. The Schedule to the master agreement includes provision for an "additional termination event." That is, the swap may be terminated by the Authority if the counterparty's credit quality rating falls below "A-," as issued by Fitch Ratings or Standards & Poor, or "A3," as issued by Moody's Investors Service. The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic fixed interest rate. Also, if the swap were to have a negative fair value at the time of termination, the Authority would be liable to the counterparty for a payment equal to the swap's fair value. If at the time of a termination the swap agreement has a positive fair value, the Authority would incur a gain and would be able to settle with the swap counterparty at the swap agreement's fair value.

4) Synthetic Rate

The Authority issued bonds bearing interest at a variable rate and simultaneously entered into one or more swap agreements with various swap providers. Under the terms of the swap agreements, the Authority will pay a fixed rate on a notional amount of bonds outstanding while the swap counterparty pays a variable rate on the same notional amount which is anticipated to, over time, match the variable interest rate on the bonds.

5) Basis Risk

The swap agreements expose the Authority to basis risk should the relationship between LIBOR and actual variable rate payments on the related bonds diverge. The effect of this difference in basis is indicated by the difference between the anticipated variable rate and the actual variable rate.

In connection with these agreements, no amounts are recorded in the basic financial statements other than the net interest expense resulting from the agreement.

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D. MINIMUM LEASE PAYMENTS RECEIVABLE

Future minimum lease payments receivable from the State as of December 31, 2012, are as follows:

2013	$ 107,450,954
2014	79,082,063
2015	80,277,641
2016	60,746,152
2017	67,861,507
2018-2022	196,552,163
2023-2027	84,261,330
	676,231,810
Less amounts representing interest	(131,251,810)
	$ 544,980,000

The State is obligated to make payments to the Authority against the minimum lease payments receivable for the completed portions of projects funded by bonds issued by the Authority, plus any administrative expenses of the Authority as defined in the master lease agreement with the State of New Jersey which include any fees and costs associated with swap agreements.

E. BONDS PAYABLE

Bond activity for the years ended December 31, 2012 and 2011, was as follows:

Balance, December 31, 2011	$ 617,980,000
Reductions	(73,000,000)
Balance, December 31, 2012	$ 544,980,000
Balance, December 31, 2010	$ 639,755,000
Additions	54,435,000
Reductions	(76,210,000)
Balance, December 31, 2011	$ 617,980,000

2011 Series A Refunding Bonds

In November 2011, the Authority issued $54,435,000 of 2011 Series A Bonds. The proceeds were used to refund $54,830,000 of previously issued bonds, including $3,040,000 of 2002 Series A Bonds, $18,865,000 of 2002 Series B Bonds, $45,000 of 2004 Series Bonds, $2,645,000 of 2006 Series Bonds, $18,100,000 of 2007 Series A Bonds and $12,135,000 of 2009 Series A Bonds.

The bonds were issued at a premium of $5,529,577. The bonds are scheduled to mature in various amounts from June 2013 through June 2016. The bonds bear interest rates ranging from 3.5% to 5%.

In connection with the 2011 Series A refunding, the Authority realized a loss on refunding of $5,025,654, which has been included as part of the deferred loss on advance refunding of bonds in the statement of net position and governmental funds balance sheets and is being amortized over the average remaining lives of bonds issued.

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E. BONDS PAYABLE (CONTINUED)

Defeased Bonds

The Authority has refunded various general obligation bond issuances by creating separate irrevocable trust funds. Refunding bonds have been issued, the proceeds from which are used to purchase U.S. Treasury Obligations - State and Local Government Series. The securities are deposited into an irrevocable trust fund and then held by the trustee. The investments themselves and the fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded debt has been considered defeased and has therefore been removed as a liability from the Authority's long-term debt. As of December 31, 2012, the amount of defeased general obligation debt outstanding but removed from the Authority's long-term debt amounted to $300,580,000.

The following table reflects the Authority's annual principal obligation for defeased general obligation debt outstanding:

2013	$ 51,080,000
2014	36,265,000
2015	38,265,000
2016	40,335,000
2017	42,450,000
2018-2022	92,185,000
Total	$ 300,580,000

F. FUTURE DEBT SERVICE PAYMENTS

The following table reflects the debt service by year for the various Series Bonds issued by the Authority:

Year	Total debt service
2013	$ 107,450,954
2014	79,082,063
2015	80,277,641
2016	60,746,152
2017	67,861,507
2018-2022	196,552,163
2023-2027	84,261,330
Subtotal, gross debt	676,231,810
Less: interest portion	(131,251,810)
Net Bonds Payable	$ 544,980,000

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G. BOND ANTICIPATION NOTE

On December 11, 2012, the Authority issued the State Building Revenue Bond Anticipation Notes, Series 2012 with an interest rate of 1.5%, payable at Maturity on December 18, 2013. The funds will be used to begin the State House Exterior Restoration Project and the Mechanical and Electrical Equipment Relocation Project.

In December, 2013, the Authority will issue approximately $51 million of State Building Revenue Bonds. The funds will be utilized to pay maturing 2012 Bond anticipation notes and interest and the remaining funds will be utilized to complete the two above mentioned projects.

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

(1) A loss on an advance refunding of bonds is recorded as an asset and amortized over the shorter of the remaining amortization period that was used or the life of the newly issued debt.

Loss on advance refunding net of amortization.

	December 31,	
	2012	2011
2002 refunding	$ 7,137,155	$ 7,820,137
2003 refunding	549,196	1,191,761
2004 refunding	352,575	451,349
2007 refunding	2,977,339	3,352,377
2009 refunding	2,819,087	3,015,141
2011 refunding	3,817,946	4,924,597
	$ 17,653,298	$ 20,755,362

(2) Unamortized bond issuance costs are recorded as assets in the statement of net position and are amortized over the life of the debt. Amortization expense is recorded in the statement of activities and governmental funds revenues, expenditures and changes in fund balance/net position. In governmental fund financial statements, bond issuance costs are expensed when incurred.

	December 31,	
	2012	2011
Total unamortized bond issuance cost	$ 3,697,526	$ 4,074,667
Related amortization expense	$ 496,968	$ 496,488
Bond issuance costs	$ 106,600	$ 217,319

(3) When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets is reported as an expenditure in governmental funds. However, the statement of net position includes those capital assets among the assets of the Authority as a whole.

	December 31,	
	2012	2011
Cost of property and equipment	$ 74,350	$ 74,350
Accumulated depreciation	(63,626)	(57,884)
Property and equipment, net	$ 10,724	$ 16,466
Construction in progress	$ 862,536	$ 44,220
Capital outlay	$ 4,361,505	$ 21,255,965

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H. ADJUSTMENTS - RECONCILIATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUNDS AND GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

(4) Minimum lease payments receivable are not part of the Authority's governmental fund activities because no portion of this balance is available to finance liabilities at year end.

	December 31,	
	2012	2011
Minimum lease receivable	$544,980,000	$615,176,597

(5) Unmatured principal and accrued interest applicable to the Authority's governmental activities are not shown as liabilities or expenses until they are due and payable. Unamortized bond premiums, net of discounts, are recorded as liabilities in the statement of net position and are amortized over the life of the debt. Amortization revenue is recorded in the statement of activities. In governmental fund financial statements, net bond premiums are recognized as revenue when received. All liabilities - both current and long-term - are reported in the statement of net position.

	December 31,	
	2012	2011
Accrued bond interest payable	$ 825,615	$ 1,022,014
Related adjustment to interest expense	$ (103,034)	$ (163,805)
Bonds payable	$544,980,000	$ 617,980,000
Unamortized bond premiums, net of discounts	$ 14,987,334	$ 17,976,663
Amortization income	$ 3,249,134	$ 2,835,344

(6) Amortization expense in the governmental funds differs from amortization expense in the statement of activities ($3,623,095 in 2012 and $2,744,050 in 2011). The difference is a result of the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds.

(7) Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in net position. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. Proceeds were received from:

	Year Ended December 31,	
	2012	2011
Debt issuance	$ 20,000,000	$ 54,435,000
Premium on debt issued	$ 259,400	$ 5,529,577

Repayment of bond principal is reported as an expenditure in governmental funds and thus has the effect of reducing fund balance because current financial resources have been used. For the Authority as a whole, however, the principal payments reduce the liabilities in the statement of net position and do not result in an expense in the statement of activities. The Authority's bond debt was reduced by principal payments made to bondholders.

	Year Ended December 31,	
	2012	2011
Principal payments made	$ 73,000,000	$ 21,680,263

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H. ADJUSTMENTS - RECONCILIATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUNDS AND GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

(8) The amounts received from the State for debt service principal payments of $73,000,000 during 2012 and $21,680,263 during 2011 constitute governmental fund revenues and thus are not included in the Authority's statements of activities.

(9) The Authority had an arbitrage rebate calculation performed at December 31, 2012, that resulted in no liability due to the Internal Revenue Service.

I. GASB STATEMENT NUMBER 45 - ACCOUNTING AND FINANCIAL REPORTING BY EMPLOYERS FOR POST-RETIREMENT BENEFITS OTHER THAN PENSION

The Authority is a member of the State of New Jersey's cost sharing multiple-employer plan for health and post-retirement medical benefits. Thus, the Authority's portion of this liability and cost is included in the State of New Jersey's CAFR, as such, the Liability of Authority's employees is covered under the State plan on an annual basis.

Please refer to State website www.state.nj.us for more information regarding the plan.

J. PENSION PLAN

The Authority's employees participate in the Public Employees Retirement System of New Jersey ("PERS"), a cost sharing multiple-employer defined benefit plan. The Authority's contribution is determined by State statute and is based upon an actuarial computation performed by the PERS.

The Authority's total and covered payroll for the years ended December 31, 2012, 2011 and 2010 were, $733,825, $452,035 and $384,169, respectively. Pension costs for the years ended December 31, 2012, 2011 and 2010 were $46,801, $77,977 and $55,246, respectively. Employees of the Authority also contribute a percentage of their wages to the pension system; the percentage of contributions, as determined by PERS, was 6.5% from January 1, 2012 to June 30, 2012; 6.64% from July 1, 2012 to December 31, 2012; 5.5% from January 1, 2011 to September 30, 2011; 6.5% from October 1, 2011 to December 31, 2011; and 5.5% in 2010.

The State of New Jersey, Division of Pension and Benefits, issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of New Jersey, Division of Pension and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at: www.state.nj.us/treasury/pensions.

K. COMMITMENTS AND CONTINGENCIES

The Authority has contract commitments totaling approximately $10,000,000 and $15,300,000 as of December 31, 2012 and 2011, respectively. Such commitments relate to various architectural and construction contracts under various projects.

The Authority is engaged in certain legal proceedings relating to vendor claims. Management of the Authority believes the outcome of these proceedings will not have a material adverse effect on the Authority's financial statements.

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L. SUBSEQUENT EVENTS

Management has evaluated subsequent events that occurred after the statement of position date but before April 24, 2013, the date the basic financial statements were available to be issued. No items were determined by management to require disclosure.