

## ***A Message from the Governor...***



As Governor, I am committed to protecting the welfare of our citizens, safeguarding our vital resources, and building a better New Jersey. The New Jersey Building Authority shares these values, which is evident in the projects they've taken on. Several projects focus on the preservation of a State rich in history, including the restoration of the State House and Dome and the renovation of the Old Barracks Museum, Thomas Edison College and the War Memorial.

More recently, their undertakings address the health and safety of New Jerseyans and our resources. The Building Authority managed the construction of two of the most sophisticated, high-tech facilities in the State: the State Police Technology Complex in Hamilton Township and the Regional Operations Intelligence Center in Ewing. This emergency center plays a vital role in protecting the citizens of New Jersey and will be activated in response to homeland security threats, large-scale emergency responses and crime fighting efforts. The center is truly the first of its kind and the best in its class.

Plans for the New Jersey Public Health, Environmental and Agriculture Laboratory are well under way and will further ensure that we are prepared for situations that jeopardize the public's health, our environment, livestock, and crops.

I congratulate the NJBA on their achievements and look forward to working with them in the coming years.

A handwritten signature in black ink, which appears to read "Jon Corzine". The signature is stylized and fluid.

Jon S. Corzine

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## ***And the State Treasurer...***



As State Treasurer, it is my responsibility to ensure that taxpayer dollars are managed efficiently and effectively. I take this responsibility seriously and so does the New Jersey Building Authority. During a time when the State faces serious financial difficulty, the Building Authority makes sure that every project dollar is well-spent from government office renovations to historical restorations to the construction of emergency command centers and high-tech laboratories.

Over the years, the Building Authority projects have grown in scale and complexity. As you read the details of these initiatives, you will see the challenges faced by the Building Authority, and the professionalism and skill with which these challenges are met. The Building Authority has made substantial contributions to the State by embarking on projects designed to preserve New Jersey's past, protect our citizens and resources, and prepare us for the future. At the same time, the Authority delivers significant value to the State by continually bringing in projects on time and under budget. The citizens of New Jersey are truly well-served.

Foresight, strong leadership, and solid fiscal controls make up the foundation of a very successful New Jersey Building Authority. I respect their efforts and commend them on a job well done.

A handwritten signature in black ink, appearing to read "R. David Rousseau", followed by a horizontal line.

R. David Rousseau

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*State of New Jersey*

NEW JERSEY BUILDING AUTHORITY  
PO Box 219  
TRENTON, NJ 08625-0219

JON S. CORZINE  
*Governor*

JOHN H. FISHER III  
*Chairman*

The Honorable Jon S. Corzine  
Governor of the State of New Jersey

The Honorable Richard J. Codey  
President, New Jersey Senate

The Honorable Joseph J. Roberts  
Speaker, New Jersey General Assembly

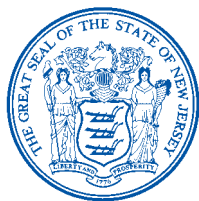
The Honorable R. David Rousseau  
State Treasurer

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 2007.

Respectfully,

A handwritten signature in black ink that reads "John H. Fisher III".

John H. Fisher III  
Chairman



## NEW JERSEY BUILDING AUTHORITY



**Chairman**



**Executive Director**

### *Report from the Chairman and Executive Director of the New Jersey Building Authority*

The end of the year is both a time for reflecting on past achievements and a time for planning future goals. As we look over the previous year, we are truly proud of what we have accomplished. On January 24, 2007, a dedication ceremony marked the official opening of the New Jersey State Police Emergency Operations Center in Ewing. This high-tech center, which will serve as command central during emergencies, is officially named the Regional Operations Intelligence Center. In just four months of opening, the center was put to the test during the 2007 April Nor'easter. Years of planning and hard labor had paid off. The emergency was handled without incident and provided valuable insight for the planning and construction of the New Jersey Public Health, Environmental and Agriculture Laboratory. This lab will consolidate public health, environmental and agricultural operations in a secure, state-of-the-art facility. Construction is expected to be completed in the first quarter of 2009.

After some delays, the State Museum project is steadily progressing. In December 2007, staff was able move into the newly renovated office space and collections were made available to the public in phases.

As the scope of our projects grows in complexity, so does our desire to take on even greater challenges. But, in doing so, we will never lose sight of the fundamental key to our success: our clients.



## NEW JERSEY BUILDING AUTHORITY

Successful projects are built on:

- 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.

We would like to thank all the NJBA board members and NJBA staff, the Department of Law and Public Safety, and the Department of the Treasury's: Office of Public Finance, Division of Property Management and Construction, and the Division of Administration for their continued dedication and service. Without their talent and expertise, these projects could not have transformed from vision to reality.

We look ahead to future endeavors and continue to explore ways to improve our program to better serve our clients and the citizens of New Jersey. On behalf of the Board of Directors, we are proud to present the 2007 Annual Report of the New Jersey Building Authority.

A handwritten signature in black ink, reading "John H. Fisher III".

John H. Fisher III  
Chairman

A handwritten signature in black ink, reading "Charles Chianese".

Charles Chianese  
Executive Director



# NEW JERSEY BUILDING AUTHORITY

## *Board of Directors*



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# NEW JERSEY BUILDING AUTHORITY

## *Board of Directors*



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Photo Not Available

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# NEW JERSEY BUILDING AUTHORITY

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## *Ex-Officio Board Directors*



**R. David Rousseau**  
**State Treasurer**

*Debra Bell served in the  
Treasurer's absence.*



**Charlene Holzbaur**  
**Comptroller of the Treasury**

*Gary Brune served in the  
Comptroller's absence.*



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

*James Vari served in the  
Chairperson's absence.*



## ***Overview of the History of the Building Authority***

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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, 2007, the Authority has undertaken projects totaling in excess of \$1.3 billion.

## ***Construction of State Office Buildings, State Police Facilities, and Correctional Institutions***

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In April 1981, the Authority submitted its first group of project reports describing five proposed building facilities to the Commission on Capital Budgeting and Planning. Those project reports were the results of a two-year planning program by the State. The five buildings were proposed as replacements for substandard and overcrowded rented space then used by the State. By consolidating office space, the State expected lower energy consumption, improved public access and increased productivity.

The facilities proposed in those initial project reports were:

### ***Environmental Protection Building***

***Project Cost: \$50,721,808***

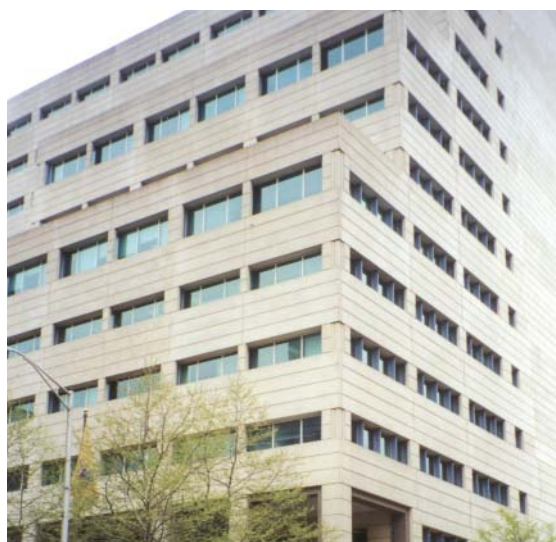
The Environmental Protection Building is located on 3.6 acres in Trenton on East State Street, across from the Federal Court and Office Building and near City Hall. This building provides approximately 400,000 square feet of office space and accommodates approximately 2,000 employees. The completion of this building permitted the consolidation of Department of Environmental Protection employees located in 15 separate office locations.



### ***Mary Roebling Building***

***Project Cost: \$50,879,841***

The Mary Roebling Building is located in Trenton on a .75 acre site on West State and North Warren Streets. The building provides approximately 300,000 square feet of space and accommodates approximately 1,500 employees. The building is occupied by the Department of Banking and Insurance, Commerce and Economic Growth Commission, the Commission on Higher Education and the Bureau of Risk Management.



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***Community Affairs Building***

***Project Cost: \$29,464,376***

The Community Affairs Building is located in Trenton on a .75 acre site on South Broad and Front Streets. This building of approximately 160,000 square feet accommodates approximately 900 employees. The building is occupied by the Department of Community Affairs and permitted the consolidation of employees previously occupying seven separate office locations.



***Department of Transportation Annex***

***Project Cost: \$35,148,027***

The Department of Transportation Annex is located in Ewing Township on a two acre site immediately to the rear of the Department's headquarters building on Parkway Avenue. The Annex provides approximately 270,000 square feet of space and accommodates an estimated 1,400 employees of the Department, permitting consolidation of employees across 14 locations in the Trenton area and eliminating overcrowding in the headquarters building.



***Pest Control Laboratory***

***Project Cost: \$4,887,050***

The one-story laboratory building is located on a 5.2 acre site in Ewing Township on State Police Road, near the State Police headquarters. This facility provides approximately 22,000 square feet and includes laboratories and a greenhouse to breed beneficial insect parasites as an alternative to chemical pesticides in controlling harmful insects. The laboratory building replaced previously rented space in Trenton.



These five buildings are completed and fully occupied.



***Bank Street Garage***  
***Project Cost: \$9,000,000***

Due to lower than projected contract prices, the Construction Fund for the initial projects had a residual balance. At the option of the State, \$9 million of this surplus was transferred to a Construction Fund account for a multi-story structural parking garage in Trenton to service State employees in the State capital area. The six-level garage accommodates approximately 1,000 vehicles.



***South Woods State Prison, Bridgeton***  
***Project Cost: \$234,439,107***

In June 1993, the Legislature authorized the Authority to proceed with financing and constructing several new projects. Among these projects was the construction of a medium security state prison in Bridgeton, New Jersey. Situated on an 85-acre site at South Burlington Road and Andrews Avenue, South Woods State Prison is a 3,000 bed prison with administrative, technical and vocational support units. The facility has minimum and medium security, with modern security design features. This project is the single largest construction project that the State has ever orchestrated. The design/build contracting method was used in order to expedite the design and construction process. The project was brought in \$29.5 million under budget. This major project was completed in a timely manner, with only minor weather related time extensions to the schedule.



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### ***South Woods State Prison, continued***



Also in Bridgeton, construction was completed on a new regional diesel fueling station on a 3.3-acre site directly across the street from the new South Woods State Prison. This station was funded out of the budget surplus of the prison. In February 1999 the construction contract was awarded \$100,000 below the design estimate. Construction was completed in September 1999 and the station was opened for business on November 30, 1999. In June 2000, a Memorandum of Understanding relating to the operation and maintenance of the new facility was signed between the Department of Corrections and the Treasury Department. Closeout activities were completed in August 2000.



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### ***Division of Revenue/State Police Facility***

In February 1999, planning began on a new facility to house the Department of Treasury's Division of Revenue and a State Police Troop C headquarters. A location in Hamilton Township was selected and land acquisition negotiations began. In anticipation of acquiring the land, a design consultant-architect and construction management firm were engaged and several bid packages were awarded for the Revenue facility.

In February 2000, the purchase of the land for the facility was completed. Construction for the Revenue facility was initiated for site work and exterior and interior masonry work. The pre-engineered building was scheduled for delivery in April 2000.

On April 28, 2000, Governor Whitman directed that the work on the Revenue project be halted and the facility be relocated to Trenton. All construction contracts and the construction management contract were terminated for convenience. The architect was retained to provide assistance in the redesign of the project.

After exploration of all the issues related to siting, budgeting and scheduling, a revised project report was developed and submitted to the NJBA Board in July 2000. It was requested that the proposed Division of Revenue facility be utilized as a multi-purpose facility to house State Police functions. The project report was approved by the NJBA Board, the Capital Planning Commission and the Legislature in July, August and December 2000 respectively.



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***State Police Technology/Multi-Purpose Building and Troop C Headquarters***  
***Project Cost: \$84,525,000***

**State Police Technology/Multi-Purpose Building**

The Technology/Multi-Purpose facility, covering approximately 195,000 square feet, includes a forensic laboratory and offices for the Information Technology Bureau, Records and Identification Section, and other investigative units. Common facilities include a kitchenette, a break room, centralized lockers, lavatories, conference centers and a 250 seat auditorium.

Three of the contracts prepared initially for the construction of the Revenue facility were reinstated in September 2000. The NJBA negotiated the redesign of the interior with the architect and the new plans were completed in December 2001. The remaining interior fit-out work for the building was awarded in April 2002.

Construction progressed quickly and the building was occupied by September 2003. On May 17, 2004, approximately 300 invited guests and law enforcement dignitaries attended the ribbon cutting ceremony officially unveiling the New Jersey Forensic Science Technology Center in Hamilton Township.

During closeout activities, a separate project was initiated and design plans were developed to convert a vacant 40,000 square foot area into office space for the Department of Law and Public Safety-Office of Counter Terrorism (Now, the Department of Homeland Security and Preparedness) and the Department of Treasury-Office of Information Technology. This space would also house the FBI Regional Computer Forensic Lab, one of only four in the country.

Construction commenced in November 2004 and within nine months, the offices were occupied. This project was completed under budget.

A wind-wake analysis prompted modification to some mechanical equipment. The Project was awarded in September 2007 and includes four areas of work: new electrical feeds to the chillers, installation of supporting sprinklers, construction of a wind-wall in the mechanical yard, and revisions to roof top HVAC equipment. By November 2007, the site was excavated and the new footings for the wind-wall and electrical stanchions were poured. Electrical rough-in work began.

**Status as of December 31, 2007**

All electrical conduits and pull-strings have been installed along with structural steel conduit supports. Final electrical tie-in is expected over the next few weeks.



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***State Police Technology/Multi-Purpose Building and Troop C Headquarters  
Continued***

***Troop C Headquarters***

The Troop C Headquarters, approximately 66,000 square feet, remains essentially as originally planned, but includes an additional 15,000 square feet to consolidate communications services used by the Division of State Police and the Departments of Transportation and Environmental Protection. The site elements in the Troop C project include an enclosed firing range, a communications tower, heliport, fueling station, emergency generator, parking area and easy access to the State's highway system for police activities.

The ground breaking ceremony for the Troop C headquarters was held on April 2, 2001. Bids were received in July and the project was awarded by October.

By January 2002, most of the footings and foundation walls were in place. It took four months to complete the steel framework, and by May 2002, the foundation and stone bedding within the building footprint were constructed. The exterior masonry and most of the interior stud walls were completed by September. Mechanical, electrical and plumbing installation progressed throughout the fall.

By January 2003, the boiler units were installed and the main electrical service to the building was activated. Interior finish work including the installation of the fire alarm and HVAC systems, light fixtures, cabinetry, countertops, flooring and ceiling tile continued through the spring.

By September, the 911 Center was completed, the firing range was turned over to the State Police and occupants were able to move into the facility.

This project was completed substantially ahead of schedule.





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***New Jersey State Police Emergency Operations Center***  
***Project Cost: \$27,600,000***



The objective of this project was to improve emergency services by constructing a new facility to accommodate the New Jersey State Police (NJSP) Emergency Management Section (EMS) and Emergency Operations Center (EOC). This high-tech facility, now called the Regional Operations Intelligence Center, was designed to serve as an interagency command center during homeland security, crime fighting, and emergency response efforts.

The 65,500 square foot, two-story facility is built to withstand 125 mph winds and earthquakes measuring 5.5 on the Richter scale. At the heart of this command center is a support room equipped with 100 workstations that can be configured uniquely for each agency involved including the FBI, Homeland Security, FEMA, and regional, state and local authorities. Input from all emergency operations representatives can be displayed on the 32 foot wide by 12 foot high video wall. Overlooking the support room is the capitol executive operations room, a restricted area, where Governor's Office staff and key officials can keep apprised of situations. The facility is also home to the New Jersey State Police Call Center with state-of-the-art communication technology designed to handle mobile 911 calls.

Technology includes an uninterruptible power source, separate electrical service power feeds, special grounding techniques and state-of-the-art communication and data feeds. To conserve and protect resources, alternate energy sources have been incorporated. A geothermal system heats, ventilates and cools the facility by utilizing ground temperature and a photo-voltaic system is used to convert sun light to electricity.

By September 2004, foundation excavation was under way and most structural work, plumbing, duct work and HVAC piping were completed by the following summer. Interior electrical work, dry wall installation and painting progressed through the fall 2005. The structure was completed and occupied by September 2006. During that time, a separate project for a second-story shell addition was initiated by the Department of Law and Public Safety (L&PS) with an estimated cost of \$7.598 million which is being funded directly by L&PS. Construction of the addition progressed through the year and was completed October 2007.

On January 24, 2007, a dedication ceremony marked the official opening and renaming of the Regional Operations Intelligence Center.

**Status as of December 31, 2007**

Interior fit-out documents for the second-story shell addition have been prepared and the project is scheduled for bid in mid-January 2008.

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***NJ Public Health, Environmental and Agriculture Laboratory Facilities***  
***Project Cost: \$156,000,000***



The objective of this project is to construct a new 275,000 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 180,000 square feet will be dedicated to specialized laboratories and 95,000 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.

**Status as of December 31, 2007**

The early bid package for structural steel was awarded and a Notice to Proceed was issued on December 17, 2007. Bid packages for site, civil engineering and foundations will be completed in January 2008 and the general construction contract is expected to be awarded that April. The security command center contract is in bid phase and should be awarded by mid-year 2008.

The entire NJPHEAL project is expected to be completed by December 2009.

## ***Renovation of State Office Buildings***

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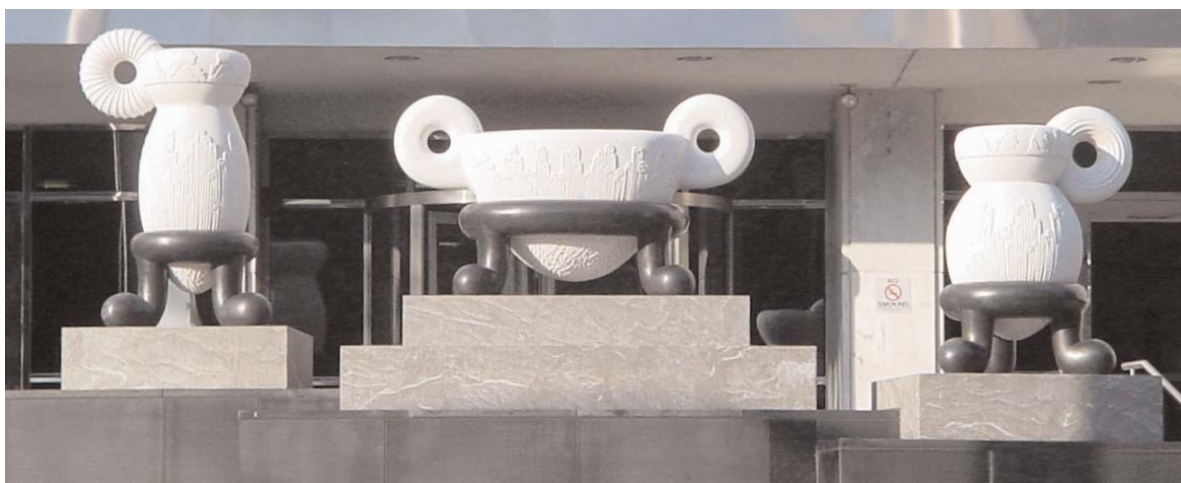
Since June 1993, the Legislature has authorized the Authority to proceed with various renovations of office buildings in Trenton. These projects, which are in varied phases of completion, are:

***Department of State - Cultural Campus  
Renovations (Phase 1)  
Project Cost: \$16,118,027***

The objective of this project was to renovate the former Education Building located at 225 West State Street in Trenton. The project was awarded for construction in June 1997. Demolition and renovation of the building's mechanical systems were completed in 1998. The Department of State moved into the building in late summer 1999 and a final Certificate of Occupancy was issued in September 2001.



*As part of an art inclusion package, three granite vessels have been crafted and are on display in front of the building atop of stone pedestals.*





## ***Labor Building Renovations***

***Project Cost: \$23,837,897***

Over the years, extensive upgrades have been made to the Labor Building. Early project scope included renovations to the basement through the 4th floor. Eventually, the scope expanded to include all thirteen floors and encompassed a variety of tasks including asbestos abatement; interior finishes and furnishings; upgrades to the HVAC, plumbing, electrical, fire, alarm, security, and telecommunication systems; and an overhaul to the elevators. Modifications incorporated barrier free access and satisfied Americans with Disabilities Act (ADA) requirements. Renovations began in 1993 and averaged about a year to complete each floor.

In 2000, exterior marble panels were replaced with granite panels.

In 2003, focus moved to repairing the building canopy. By June 2004, all exterior construction was completed and inside concrete repairs, water proofing, and painting were completed later that summer.

During close out activities, it was determined that the air conditioning system needed to be upgraded in order to support the new high-tech data center on the 3rd floor and to meet code compliance. The NJBA managed the project funded by the Department of Labor.

Additional projects addressed exterior repairs to meet ADA requirements and included: restoration of handicapped access ramps; replacement of damaged walkways, steps and railings; completion of parking areas. Also, installation of monuments, benches and stone paving was accomplished. Demolition of the walkways began in February 2006. Granite pavers and curbing were installed during the spring, and by the summer 2007, the exterior repairs were completed. Later that year, a sculpture was added as part of an art inclusion package.



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***Taxation Building Renovations***  
***Project Cost: \$6,513,297***

The objective of the project was to renovate the Taxation Building located at 50 Barrack Street in Trenton. The renovations included upgrading the building's air handler units, energy management system and fire and life-safety systems, and improving building access to meet the Americans with Disabilities Act requirements.

The project was completed and closed out in 1998.



***Department of Transportation,  
Engineering and Operations Building  
Improvements***  
***Project Cost: \$8,625,000***

This facility houses the Department of Transportation administrative, operational and engineering offices. The objective of the original project was to bring the existing HVAC systems up to code and to upgrade communication cabling throughout the building to meet industry standards for voice and data systems.

The HVAC improvement project was awarded in October 2000 and most renovations were completed by 2002. Relocation of the dry system fire pump was completed in February 2003. Over the course of 2004, modifications were made to the masonry air shaft design to ensure the structures met fire rating specifications.

***Department of Transportation, Fire  
Alarm System Upgrade, Elevator  
Replacement, and Flooring Repairs***  
***Project Cost: \$3,780,000***

The objective of this project is to upgrade the fire alarm system, replace elevators, and repair floors in various buildings throughout the Department of Transportation campus.

RFPs for the fire alarm system were drafted in the fall 2004. Composition of the new system began soon after. By April 2005, all fire alarm systems were installed and fully operational.

A kickoff meeting for the replacement ele-



vator project was held in July 2005. By September, engineers completed an initial survey of the elevators to develop plans for the permit and bid announcement. The low bid was accepted in October 2006 and electrical rough-in work began. Early in 2007, the technical drawings were approved, necessary elevator components were ordered, and mechanical systems were modified to accommodate the new elevators. Equipment was delivered in June and the installation process began. By December 2007, five out of the eight elevators were completed, inspected and returned to service.

**Status as of December 31, 2007**

Work continues on the remaining elevators and the entire project is expected to be completed by February 2008.

Repair and replacement of existing quarry tiles in the corridors and elevator lobbies of the Engineering and Operations building is on hold until the costs for the elevator project are finalized.



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## ***Richard J. Hughes Justice Complex Renovations***

***Project Cost: \$21,000,000***

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 of the escalators and spline ceiling. 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 and magnetometers at all entrances, additional lighting throughout the campus, 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 resur-



faced, 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. When major renovations were completed, new furniture was placed in public areas and greenery was added.

### **Status as of December 31, 2007**

The parking garage study contract remains open to address concerns over plans to construct a residential housing development on land currently leased by the State for parking.

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**New Jersey State Museum**  
**Project Cost: \$15,600,000**

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, 1st 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.

**Status as of December 31, 2007**

Interior construction is almost completed and minor work on the entrance remains. By mid-December 2007, a partial Certificate of Acceptance was approved and staff was able to move into the 2nd and 3rd floors offices.

## ***Renovation and Restoration of Historic Structures***

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Since its inception, the Building Authority has financed several projects to restore historical structures including the State House, Old Barracks Museum, War Memorial, Thomas Edison State College Townhouses, and the Pinelands Commission Headquarters. Descriptions of the projects follow:

### ***State House Complex Improvements*** ***Project Cost: \$143,993,680***

In May 1987, the Building Authority Chairman was named to oversee the restoration and renovation of the legislative portion of the State House and the State House Annex.

During 1988, design work on the State House portion of the project was completed. Construction contracts for work on the Legislative State House were awarded in 1989 and 1990, with completion in the fall of 1991.

Restoration of the Annex began in late 1992 and was completed in February, 1995.

In 1991, the Legislature authorized further improvements to the State House Complex including more extensive restorations of the annex, construction of a structural parking garage, and installation of a roof-top plaza and landscaped park at the rear of the complex.

### **State House Annex**

The Annex renovations were completed and closed-out in December 2002.

### **State House Garage, Plaza and Stacy Park**

A design/build contract for the Garage Plaza was awarded in late 1998. By August 1999, the Plaza design was approved and included construction of a plaza, park and fountain. A granite paver system to match the existing hardscape in the Capitol Complex was installed and the



existing garage roof system was reinforced by providing new flashing, replacing the roof membrane and expansion joints, and installing a concrete overlay.

By year-end, most of the structural work was accomplished and early in 2000, the granite curbing was completed. The fountain sculpture, part of a separate arts inclusion contract, was erected that summer. The plaza was landscaped and work on the granite pavers and fountain was completed by the fall. The plaza park and fountain were officially dedicated during a celebration in October 2000.



In December 2003, repairs were needed to eliminate water infiltration at the ventilation towers, elevator lobby, plaza skylights and expansion joints. The project was advertised and awarded that summer. In November, the team planned the demolition and reinstallation of the four ventilation towers and elevator lobby. During 2005, new ice and water shields, and replacement roof panels were installed on all ventilation towers and elevator shafts. During the course of this project, it was discovered that the roofing membrane in the expansion joints needed repair in order to eliminate water infiltration into the garage. By March 2007, detail and elevation drawings were completed and the contract was awarded in June. By October, significant progress was made and early testing of the area indicated that the water infiltration problem greatly improved.

#### **Status as of December 31, 2007**

Further testing will be conducted and repairs made as necessary until the problem is eliminated.

#### **State House Annex Entablature**

During the winter of 1996, a section of the cornice or entablature assembly on the State House Annex fell from the building. A preliminary study revealed that the break down was the result of the freeze-thaw process. Since this issue was not part of the original project scope, additional funding to perform a more detailed investigation of the cornice was sought and approved by the Building Authority in January 1998. Given that the Authority delivered several projects under budget, the cost for the repairs, approximately \$5.7 million, was funded from residual balances.

During removal of some cornice stones, the contractor discovered that underlying



dentil stones were cracked and the roof needed to be replaced. In 2000, the consultant conducted extensive tests and took several cores from portions of the roof and issued a report on the condition of the roof slab. The final report indicated a possible deterioration of the existing concrete slab, particularly on the West Wing.

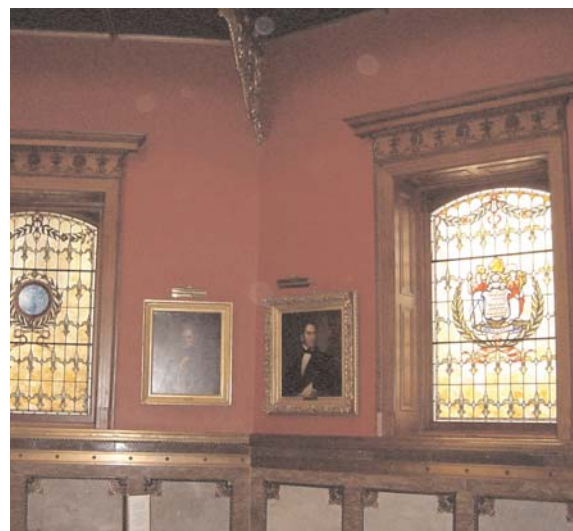
A scope of work was developed to contract with an independent engineer to conduct a structural investigation and develop design documents for the roof slab renovation and replacement project. This project was funded and administered under a separate State project. Remediation repairs began in July 2001 and were completed by January 2002.

## State House Dome Restoration Project Cost: \$9,078,421

The New Jersey State House is the second oldest State House in continuous legislative use in the United States. The cupola and lantern, which sit on top of the gilded dome, rise 145 feet from ground level. This makes the State House dome the most visible structure in Trenton as well as the most important symbol of the State's capital. Since its reconstruction in 1889, the dome had not undergone any significant structural repairs. Exterior caulking was done in 1989 as a temporary attempt to prevent leaking and water penetration. The most recent gilding and painting of the dome and drum had occurred in 1972, but inadequate surface preparation and inferior materials resulted in the initial flaking of the surface within ten years.

The State House dome was in obvious need of repair. The gold gilding had failed, leaving an unsightly discolored surface, paint on the cast iron was chipped and rust was prevalent throughout. Water leaking from the dome ruined the rotunda walls.

A consultant was hired to investigate the causes of the dome problems, recommend solutions and estimate the cost of repairs. A final report of findings, recommendations and cost was issued in December 1996. The report recommended, among other repair and restoration items, the complete disassembly, repair and reassembly of the exterior cast iron of the drum and cupola, structural reinforcement of the 24 webbed columns of the dome's frame, replacement of all copper cladding on the dome and cupola roofs, the regilding of all copper cladding,



repainting and regilding of all of the interior finishes of the rotunda, and the repair of stained glass windows. The project report and Legislative approval for the project was received in June 1997.

Due to the magnitude of the dome and the necessary repairs, a complex network of scaffolding was required. Placement of the scaffolding footings were completed in the fall of 1997. Once the scaffolding footings were in place, the steel structure took approximately three months to assemble and remained in place for the duration of the project.

Removal of existing copper on the Dome was completed in July and the cast iron removal was completed in August 1998. The cast iron pieces were transported to a foundry in Alabama for refinishing. By late February 1999, the cast iron pieces were reinstalled and the wood sheathing under the copper dome was replaced. New copper replaced the old, worn copper and the regilded cupola was reinstalled on top of the dome.

The interior finishes were repaired and refinished including the plastering, painting, regilding of the metal railings and refinishing of the stone work. The stained glass windows were restored at an off-site location and reinstalled.

In May 1999, the gilding of the exterior dome and the refinishing of the Great Seal were complete. Disassembly of the scaffolding began in June. The Dome Dedication Celebration was held on July 8th.

The project was completed significantly under budget and on schedule.





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**Thomas Edison State College Townhouses  
Restoration and Renovation  
Project Cost: \$14,447,000**

This project included renovating six historic townhouses located at 105-115 West State Street, adjacent to Thomas Edison State College. 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.

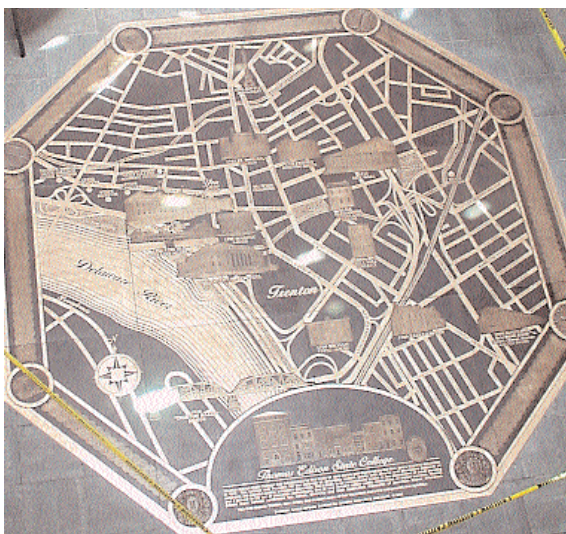
The project was substantially completed in October 1999. College personnel moved into the facility in November 1999. By late 2002, all DCA code requirements were satisfied and Certificates of Approval were received.

The NJBA had initiated repairs to the antique wood clock at the Kelsey Building because of its severe state of deterioration and potential hazard to passing pedes-



trians. The clock was refurbished by an antique clock consultant to its original detail and splendor and, once again, proudly adorns the Kelsey Building facade.

The NJBA pursued several art initiatives for the college through the New Jersey Council of the Arts. In September 2003, a vibrant glass sculpture was suspended from the atrium ceiling. Another project included the fabrication of bronze floor inlays depicting significant structures, landmarks and personalities of



historic Trenton. These beautiful plaques and tiles were set in the atrium and great hall in the spring of 2004.

In 2005, three problematic conditions were addressed. The first project included refinishing the exterior windows and doors and was completed by spring.

Other projects focused on water infiltration into the basement and ice formation on the power conduits, gutters, downspouts and storm drains during the winter months. To alleviate these problems, new sewer lines and de-icing equipment were installed. The project was put out to bid in September 2005 and completed by March 2006.



***Old Barracks Museum Restoration***  
***Project Cost: \$6,713,964***

The objective of this project was to complete the restoration of the Old Barracks Museum including archeological investigation and work on the interior of the Barracks, the roof, porches, parade ground and stockade fence. This project was completed on time and under budget in December 1998. Contract closeout was completed in early 2001.

To ensure the integrity of the Old Barracks structure and mechanical systems, a deferred maintenance and capital improvement plan was completed for the museum. In 2006, the structure and building systems were assessed, and the need for preventative maintenance, immediate repairs, and long-term service requirements were noted.



***War Memorial***  
***Restoration and Renovation***  
***Project Cost: \$33,855,977***

The objective of this project was to renovate and historically restore the War Memorial as a multi-use auditorium and performing arts center.

All the major interior and exterior work was completed in 1998 and a Temporary Certificate of Occupancy was issued that December.

The Authority sponsored "Hard Hat" concert was the first concert held in the refurbished theater. Craftsmen, their families and all who assisted in completing the renovation of the War Memorial were invited to attend this free concert.

The Governor's State of the State message was held in mid-January 1999 after



which the building was rededicated to all war veterans. The grand reopening was held in March 1999.

In early 2001, an additional balcony railing was added in the auditorium as requested by the Building Authority Board for public safety. Later that year, the Building Authority approved sound and lighting upgrades for the theater. The first set of design plans were developed by February of 2003. Plan modifications continued through the year and addressed issues related to the safeguarding of seating areas already compliant with the Americans with Disabilities Act (ADA) and to keep this seating available for use during construction of the new sound monitoring and mixing stations. By March 2004, the plans were approved and included new speakers throughout the theater, a permanent in-house sound-mixing station, and a system to control lighting from both the balcony and stage areas. Rewiring for the new sound and light systems began in July and the entire project was completed by October.

#### **Status as of December 31, 2007**

Options to upgrade and refurbish auditorium seating were investigated. The architect researched the original fabric and seating style for historical replication and incorporated period-appropriate features into the design scheme. These plans were approved by the State Historical Preservation Office and the NJBA is reviewing the estimate for consideration.





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### ***Pinelands Commission Renovations***

***Project Cost: \$2,060,000***

The objective of this project was to renovate and repair the Pinelands Commission Headquarters located in Pemberton Township while maintaining its historical value. The project required interior and exterior renovation of four buildings on the property. Improvements included upgrades to correct technical problems, improve functional operations and address code, safety and environmental issues in all buildings. All utilities including heating, air conditioning, electrical, plumbing, and telecommunications were updated. Walkways compliant with the Americans with Disabilities Act (ADA) were installed throughout the property.

The first two floors of the farmhouse were completely renovated and the exterior of the building, including windows, were restored to state historic specifications. A new roof completed the renovation.

The carriage house was structurally reinforced and painted. The windows were restored and a new tile 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.

Finally, the outhouse was converted into storage space.

Construction began in September 2004 and in just over a year, Pinelands Commission employees occupied all three buildings. By January 2006, the project was in closeout phase.





## ***Acquisition of State Office Buildings***

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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.

### ***Richard J. Hughes Justice Complex***

***Project Cost: \$80,682,136***

On January 1, 1978, the State of New Jersey and the Mercer County Improvement Authority (MCIA) entered into a lease agreement for the Richard J. Hughes Justice Complex to be constructed in Trenton, pursuant to which the State was responsible for the planning, construction, installation and maintenance of the complex. The Justice Complex consists of an eight-story L-shaped office building, a four-story Supreme Court structure and a two-story below-grade parking garage. The combined gross building space is approximately one million square feet.

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



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***Richard J. Hughes Justice Complex, continued***

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.

Pursuant to the MCIA Lease, the State had the option to purchase the Justice Complex by depositing with the Custodian an amount sufficient to pay the remaining principal component and accrued interest component of Basic Rent under the MCIA Lease, together with any other amounts then due and owing under the MCIA Lease, if any. 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.

## ***Building Authority Financing Activities***

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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%.

### **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%.

### **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.

### **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 1991 Series 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.

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.

#### ***Financial Statements***

See Appendix A for the combined financial statements for the years ended December 31, 2007 and 2006 along with the report of the independent public accountants.



# NEW JERSEY BUILDING AUTHORITY

## *Past and Present Board of Directors 1981 - 2007*

<u><b>Name</b></u>	<u><b>Affiliation</b></u>	<u><b>Years Served</b></u>
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 & Allied Craftworkers	2004
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	County Administrator, Gloucester County Courthouse	1990-present Chairman 2001-present and 1990-1993
Dale Florio	Partner, Princeton Public Affairs Group	1991-1994
Michael Hartsough, Chairman	Attorney, Hartsough, Kenny & Chase	1986-1994 Chairman 1994
William Hierung, Jr., Esquire	Attorney, Hierung, 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
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-present

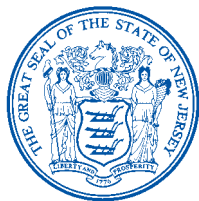


# NEW JERSEY BUILDING AUTHORITY

## ***Past and Present Board of Directors 1981 - 2007***

<b><u>Name</u></b>	<b><u>Affiliation</u></b>	<b><u>Years Served</u></b>
Charles Marciante	Business Manager, IBEW, Local 269	1996-present
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
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
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
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





# NEW JERSEY BUILDING AUTHORITY

## ***Past and Present Ex-Officio Board Directors 1981 - 2007***

<b><u>Name</u></b>	<b><u>State Office Held</u></b>	<b><u>Years Served</u></b>
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 Holzbaaur	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
Richard Standiford, III	Comptroller of the Department of the Treasury	1983-1988



# NEW JERSEY BUILDING AUTHORITY

## ***Past and Present Executive Directors 1981 - 2007***

<b><u>Name</u></b>	<b><u>Years Served</u></b>
David T. Beale	1981-1995
Charles Chianese	1995-present

### ***Mailing Address:***

P.O. Box 219  
Trenton, New Jersey 08625-0219

### ***Delivery Address:***

28 West State Street  
6th Floor  
Trenton, New Jersey 08625

### ***Telephone:***

(609) 633-7618

**NEW JERSEY BUILDING AUTHORITY**

(A Component Unit of the State of New Jersey)

Financial Statements

Years Ended December 31, 2007 and 2006



**NEW JERSEY BUILDING AUTHORITY**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
New Jersey Building Authority

We have audited the accompanying financial statements of the governmental activities and each fund of New Jersey Building Authority (the "Authority"), a component unit of the State of New Jersey, as of and for the years ended December 31, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each fund of New Jersey Building Authority as of December 31, 2007 and 2006, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2008 on our consideration of New Jersey Building Authority's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**PENNSYLVANIA OFFICE:**

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

The management's discussion and analysis on pages 5-9 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Mercaderes, PC*  
*Certified Public Accountants*

April 30, 2008



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 the financial statements of New Jersey Building Authority (the "Authority") as of and for the year ended December 31, 2007, and have issued our report thereon dated April 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered New Jersey Building Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

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45 YEARS OF SERVICE TO THE COMMUNITY

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 over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Jersey Building 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*.

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

*Mercaderes, PC*  
*Certified Public Accountants*  
April 30, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the New Jersey Building Authority's (the "Authority") annual financial report represents our discussion of the Authority's financial performance and provides an overview of the Authority's activity for the year ended December 31, 2007. This discussion and analysis is designed to assist the reader in focusing on the significant issues and activities and to identify any significant changes in financial position. Please read it in conjunction with the Authority's financial statements and notes.

### Financial Highlights

- Issued \$96,665,000 of 2007 Series A Bonds to fund the completion of the Public Health, Environmental & Health Agricultural Laboratory Facility at the New Jersey State Police Headquarters Complex in West Trenton.
- Issued \$119,675,000 of 2007 Series B Bonds to refund the remaining 1997 Series Bonds.
- Investment income totaled \$4,847,418.
- Construction-In-Progress outlays totaled \$38,456,786.

### 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 statements of net assets and governmental funds' balance sheets and the statements of activities and governmental funds' revenues, expenditures, and changes in fund balance/net assets.

With regard to the State of New Jersey (the "State"), the Authority is a component unit that 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 that used for recording the balances and transactions of the State, *i.e. as a governmental fund type*.

Governmental 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 are recognized when the related liability is incurred. The exception to this rule is that principal and interest on long-term debt are recognized when due.

### Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the Authority's finances. The statements of net assets and governmental funds' balance sheets present information on all of the Authority's assets and liabilities, with the difference between the two reported as fund balances/net assets. Fund balances/net assets increase when revenues exceed expenditures.

The statements of activities and governmental funds' revenues, expenditures, and changes in fund balance/net asset present information showing how the Authority's fund balance/net assets changed during the calendar year. All changes in net assets 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 interest payable, that will result in cash flows in future calendar years.

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



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Financial Analysis

#### Net Assets (in thousands) - Statements of Net Assets

	December 31,		Change
	2007	2006	2007-2006
Current assets	\$ 264,720	\$ 153,510	106.60 %
Non-current assets	523,271	592,349	(7.43)%
Total assets	787,991	745,859	5.64 %
Current liabilities	100,589	104,807	3.39 %
Non-current liabilities	664,818	618,020	5.91 %
Total liabilities	765,407	722,827	5.89 %
Net assets	\$ 22,584	\$ 23,032	(1.94)%

#### Change in Net Assets (in thousands) - Statements of Activities

	Year Ended December 31,		Percentage
	2007	2006	Change 2007-2006
Revenues			
Investment income	\$ 4,847	\$ 3,267	48.36 %
State rental payments	28,451	20,090	41.61 %
State appropriation	1,150	1,073	7.17 %
Amortization income	2,232	2,119	5.33 %
Total revenues	36,680	26,549	38.15 %
Expenditures			
Miscellaneous transaction costs	3	-	- %
Amortization expense	3,897	5,122	(23.91)%
Debt service interest	31,238	21,693	44.00 %
Arbitrage rebate expense	694	234	196.58 %
Other administrative expense	1,296	1,290	0.46 %
Total expenditures	37,128	28,339	31.01 %
Change in net assets	(448)	(1,790)	74.97 %
Net assets, beginning of year	23,032	24,822	(19.29)%
Net assets, end of year	\$ 22,584	\$ 23,032	55.68 %

### Cash Receipts and Revenues

State rental receipts totaled \$88.4 million, of which \$28.4 million was associated with the interest portion of bond payments as identified on the official statements and \$60.0 million was associated with the pay-down of the principal portion.

Investment income increased \$1,580,124 from \$3,267,294 at December 31, 2006, to \$4,847,418 at December 31, 2007. The increase was attributable to having the majority of the 2006 Bond Series earning interest for an entire year (Health Lab initial construction funding of \$48.8 million was received in August 2006) and earnings on the 2007 Bond Series funds (Health Lab completion funding of \$96.7 million received in November 2007).

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

NJBA received a State appropriation of \$1.2 million to cover its 2007 Administrative Budget, the majority of which was used to cover the salary and payroll related expenses \$(819,000) of its eight full-time and one part-time employee.

### Construction Contract Payments

Construction contract payments in 2007 are as follows:

**Table 1**

Construction Contract Payments	2007 (in thousands)
State Police E.O.C.	\$ 937
State Museum	4,401
DOT Ewing	1,798
Education Building	284
Labor Building	260
State House Annex	189
Pineland Headquarters	30
State Police Building	577
Health Lab Facility	6,367
Total	<u>\$ 14,843</u>

There was significant progress on the State Museum and DOT Ewing Campus projects. The objective of the State Museum project is to retrofit the current HVAC system with a state-of-the-art zoned system to provide the appropriate stable climate for visitors, staff, and the valuable collections. The objective of the DOT Ewing campus project is to install new fire alarm systems in the main office building, steam plant, finance and administration building, and the engineering & operations Building to include all audio and visual fire alarm devices as well as head end systems.

Additionally, NJBA commenced with the pre-construction phase of the 275,000 square foot Public Health, Environmental & Health Agricultural Laboratory Facility at the New Jersey State Police Headquarters Complex in West Trenton.

# MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

## Debt Service

During 2007, the Authority made principal payments of \$60.0 million, issued \$96.7 million of new debt to fund the completion phase of the Health Lab Facility, and issued \$119.7 of new debt to refund the remaining 1997 Bond Series.

Table 2 summarizes the change in debt service between the calendar years 2007, 2006 and 2005. During 2006, the Authority made principal payments of \$42.6 million and issued \$48.7 million of new debt to fund the initial construction phase of the Health Lab Facility.

	2007	2006	Percentage Change 2007-2006
Bonds payable	\$ 690,195	\$ 649,105	6.33 %
Capital Appreciation Bonds Payable	43,966	54,028	12.90 %
Accreted interest	3,790	3,462	9.47 %
Total Bond Payable	<u>\$ 737,951</u>	<u>\$ 706,595</u>	12.16 %

Subsequent to December 31, 2007, changes have developed in the tax-exempt auction rate bond markets, whereby the "AAA" rated bond insurers' exposure to the sub-prime mortgage crisis has negatively impacted the bonds that they insure. Several bond insurers have experienced rating downgrades into the "A" and "AA" categories by some or all three rating agencies. Other bond insurers remain rated "AAA," but have their ratings on credit watch negative, review for downgrade or negative outlook. The "AAA" ratings were essential to the operation of the auction rate bond market, as investors generally required an "AAA" rating as a minimum requirement for their purchase of auction rate bonds.

The Authority has \$181.8 million of auction rate bonds outstanding as of December 31, 2007. The interest rates on these bonds have increased substantially versus the interest rates in effect as of December 31, 2007. The State and the Authority are reviewing the impact of increased interest rates on debt service requirements and intends to take actions to mitigate the increase in interest rates. There is no assurance interest rates will not rise further or that the State and the Authority will be successful in mitigating the impact of such increased interest rates.

The NJBA Bond Ratings as of December 31, 2007 and 2006, were as follows:

	2007	2006
Fitch	A+	A+
Moody's	A1	A1
Standard & Poor	AA-	AA-



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

<u>Investment Grade</u>	<u>Moody's</u>	<u>Standard &amp; Poor</u>	<u>Fitch</u>
Highest Quality	Aaa1	AAA+	AAA+
Highest Quality	Aa2	AAA	AAA
Highest Quality	Aaa3	AAA-	AAA-
High Quality	Aa1	AA+	AA+
High Quality	Aa2	AA	AA
High Quality	Aa3	AA-	AA-
Upper Medium	A1	A+	A+
Upper Medium	A2	A	A
Upper Medium	A3	A-	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 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 New Jersey Building 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.

**NEW JERSEY BUILDING AUTHORITY**

(A Component Unit of the State of New Jersey)

**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET**  
December 31, 2007

	<u>Governmental Funds</u>	<u>Adjustments (Note F)</u>	<u>Statement of Net Assets</u>
<b>ASSETS</b>			
Cash and equivalents- restricted	\$ 176,643,195	\$ -	\$ 176,643,195
Accrued interest receivable	77,253	-	77,253
Minimum lease payments receivable	-	543,973,094	543,973,094
Deferred loss on advanced refunding of bonds	-	23,507,012	23,507,012
Deferred bond issuance costs	-	5,298,697	5,298,697
Property and equipment	-	35,911	35,911
Construction in progress	-	38,456,786	38,456,786
Total Assets	<u>\$ 176,720,448</u>	<u>\$ 611,271,500</u>	<u>\$ 787,991,948</u>
<b>LIABILITIES</b>			
Accounts payable			
Payable to State	\$ 220,654	\$ -	\$ 220,654
Other	4,351,802	-	4,351,802
Contractor retainage payable	2,374,063	-	2,374,063
Accrued bond interest payable	-	2,212,971	2,212,971
Arbitrage rebate payable	-	694,475	694,475
Bonds payable	-	737,951,402	737,951,402
Unamortized bond premiums, net of discounts	-	17,602,107	17,602,107
Total Liabilities	<u>6,946,519</u>	<u>758,460,955</u>	<u>765,407,474</u>
<b>FUND BALANCES/NET ASSETS</b>			
Restricted	<u>169,773,929</u>	<u>(147,189,455)</u>	<u>22,584,474</u>
Total Fund Balances/Net Assets	<u>169,773,929</u>	<u>(147,189,455)</u>	<u>22,584,474</u>
Total Liabilities and Fund Balances/Net Assets	<u>\$ 176,720,448</u>	<u>\$ 611,271,500</u>	<u>\$ 787,991,948</u>

**NEW JERSEY BUILDING AUTHORITY**

(A Component Unit of the State of New Jersey)

**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET**  
December 31, 2006

	<u>Governmental Funds</u>	<u>Adjustments (Note F)</u>	<u>Statement of Net Assets</u>
<b>ASSETS</b>			
Cash and equivalents- restricted	\$ 85,431,576	\$ -	\$ 85,431,576
Accrued interest receivable	78,271	-	78,271
Minimum lease payments receivable	-	450,110,211	450,110,211
Deferred loss on advanced refunding of bonds	-	20,052,295	20,052,295
Deferred bond issuance costs	-	4,709,923	4,709,923
Property and equipment	-	35,211	35,211
Construction in progress	<u>-</u>	<u>185,441,950</u>	<u>185,441,950</u>
Total Assets	<u>\$ 85,509,847</u>	<u>\$ 660,349,590</u>	<u>\$ 745,859,437</u>
<b>LIABILITIES</b>			
Accounts payable			
Payable to State	\$ 220,654	\$ -	\$ 220,654
Other	3,960,412	-	3,960,412
Contractor retainage payable	2,540,301	-	2,540,301
Accrued bond interest payable	-	1,097,112	1,097,112
Arbitrage rebate payable	-	233,832	233,832
Bonds payable	-	706,595,808	706,595,808
Unamortized bond premiums, net of discounts	<u>-</u>	<u>8,179,281</u>	<u>8,179,281</u>
Total Liabilities	<u>6,721,367</u>	<u>716,106,033</u>	<u>722,827,400</u>
<b>FUND BALANCES/NET ASSETS</b>			
Restricted	<u>78,788,480</u>	<u>(55,756,443)</u>	<u>23,032,037</u>
Total Fund Balances/Net Assets	<u>78,788,480</u>	<u>(55,756,443)</u>	<u>23,032,037</u>
Total Liabilities and Fund Balances/Net Assets	<u>\$ 85,509,847</u>	<u>\$ 660,349,590</u>	<u>\$ 745,859,437</u>

**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 ASSETS  
Year Ended December 31, 2007**

	<u>Governmental Funds</u>	<u>Adjustments (Note F)</u>	<u>Statement of Activities</u>
<b>REVENUES</b>			
Investment income	\$ 4,847,418	\$ -	\$ 4,847,418
State rental payments	28,450,824	-	28,450,824
State principal payments	60,006,248	(60,006,248)	-
State appropriation for administrative costs	1,150,000	-	1,150,000
Amortization income	-	2,232,471	2,232,471
Total revenues	<u>94,454,490</u>	<u>(57,773,777)</u>	<u>36,680,713</u>
<b>EXPENDITURES</b>			
Miscellaneous transaction costs	2,872	-	2,872
Amortization expense	-	3,896,805	3,896,805
Capital outlay	14,842,510	(14,842,510)	-
Debt service:			
Principal	60,006,248	(60,006,248)	-
Interest	27,321,728	3,916,713	31,238,441
Arbitrage rebate expense	-	694,475	694,475
Other administrative expenses	1,295,683	-	1,295,683
Total expenditures	<u>103,469,041</u>	<u>(66,340,765)</u>	<u>37,128,276</u>
Excess (deficiency) of revenues over expenditures	<u>(9,014,551)</u>	<u>8,566,988</u>	<u>(447,563)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Long-term debt issued	216,340,000	(216,340,000)	-
Bond issuance costs	(1,089,999)	1,089,999	-
Premium on debt issued	9,829,929	(9,829,929)	-
Payment to bond refunding escrow agent	(125,079,930)	125,079,930	-
Total other financing sources (uses)	<u>100,000,000</u>	<u>(100,000,000)</u>	<u>-</u>
Change in fund balance/net assets	90,985,449	(91,433,012)	(447,563)
Fund balance/net assets:			
Beginning of year	<u>78,788,480</u>	<u>(55,756,443)</u>	<u>23,032,037</u>
End of year	<u>\$ 169,773,929</u>	<u>\$ (147,189,455)</u>	<u>\$ 22,584,474</u>



**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 ASSETS  
Year Ended December 31, 2006**

	<u>Governmental Funds</u>	<u>Adjustments (Note F)</u>	<u>Statement of Activities</u>
<b>REVENUES</b>			
Investment income	\$ 3,267,294	\$ -	\$ 3,267,294
State rental payments	20,089,924	-	20,089,924
State principal payments	42,607,452	(42,607,452)	-
State appropriation for administrative costs	1,072,500	-	1,072,500
Amortization income	-	2,119,095	2,119,095
Total revenues	<u>67,037,170</u>	<u>(40,488,357)</u>	<u>26,548,813</u>
<b>EXPENDITURES</b>			
Miscellaneous transaction costs	-	-	-
Amortization expense	-	5,122,009	5,122,009
Capital outlay	19,065,641	(19,065,641)	-
Debt service:			
Principal	42,607,452	(42,607,452)	-
Interest	21,785,947	(93,014)	21,692,933
Arbitrage rebate expense	-	233,832	233,832
Other administrative expenses	<u>1,289,967</u>	<u>-</u>	<u>1,289,967</u>
Total expenditures	<u>84,749,007</u>	<u>(56,410,266)</u>	<u>28,338,741</u>
Excess (deficiency) of revenues over expenditures	<u>(17,711,837)</u>	<u>15,921,909</u>	<u>(1,789,928)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Long-term debt issued	48,745,000	(48,745,000)	-
Bond issuance costs	(1,234,245)	1,234,245	-
Premium on debt issued	<u>1,072,908</u>	<u>(1,072,908)</u>	<u>-</u>
Total other financing sources (uses)	<u>48,583,663</u>	<u>(48,583,663)</u>	<u>-</u>
Change in fund balance/net assets	30,871,826	(32,661,754)	(1,789,928)
Fund balance/net assets:			
Beginning of year	<u>47,916,654</u>	<u>(23,094,689)</u>	<u>24,821,965</u>
End of year	<u>\$ 78,788,480</u>	<u>\$ (55,756,443)</u>	<u>\$ 23,032,037</u>

## NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

### NOTES TO FINANCIAL STATEMENTS

#### 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.

**NEW JERSEY BUILDING AUTHORITY**

(A Component Unit of the State of New Jersey)

**NOTES TO FINANCIAL STATEMENTS**

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

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

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

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 are recognized when the related liability is incurred. The exception to this rule is that principal and interest on long-term debt are recognized when payment is due.

# NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

## NOTES TO FINANCIAL STATEMENTS

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Use of Estimates

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

#### 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:

<u>Fund Accounts</u>	<u>Amount</u>	<u>Use for Which Restricted</u>
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 recorded as a payable in the financial statements.



# NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

## NOTES TO FINANCIAL STATEMENTS

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Funds Required by Bond Resolutions (Continued)

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

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

	December 31,	
	2007	2006
Construction fund	\$ 173,020,425	\$ 84,603,530
Debt service	3,038,129	619,860
Rebate and other	584,641	208,186
	<u>\$ 176,643,195</u>	<u>\$ 85,431,576</u>

#### 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.

#### Capitalized Interest

In the government-wide financial statements, the Authority capitalizes all interest expense and income related to projects under construction. Capitalized interest charged to construction in progress was \$2,934,395 and \$10,501,477 for the years ended December 31, 2007 and 2006, respectively.

In the governmental fund financial statements, all interest income and expense is recorded in the statement of revenues, expenditures, and changes in fund balance as received and expended, respectively.

#### Bond Issuance Costs

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

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

#### Bond Premiums/Discounts

Bond premiums, net of discounts, are recorded as liabilities in the statements of net assets and are amortized over the life of the debt.

# NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

## NOTES TO FINANCIAL STATEMENTS

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Fund Balance/Net Assets

Fund balance/net assets are 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.

#### 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.

#### Cash and Equivalents

During the year ended December 31, 2005, the Authority adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, which 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 by financial institution and the amount exposed to custodial credit risk at December 31, 2007 and 2006. The New Jersey Cash Management Fund is a pooled investment fund and is guaranteed by the State of New Jersey. Thus, deposits in the New Jersey Cash Management Fund are not subject to credit risk or custodial credit risk. The Authority's deposits at Wachovia and US Bank are insured by the Federal Deposit Insurance Corporation up to \$100,000.

	December 31,	
	2007	2006
Wachovia	\$ 44,228	\$ 27,081
US Bank	6,587,279	6,310,808
New Jersey Cash Management Fund	<u>170,011,688</u>	<u>79,093,687</u>
Total cash balance	176,643,195	85,431,576
Total collateralized deposits	<u>170,569,494</u>	<u>79,220,768</u>
Total deposits exposed to custodial credit risk	<u>\$ 6,073,701</u>	<u>\$ 6,210,808</u>

## NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

### NOTES TO FINANCIAL STATEMENTS

#### B. 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, 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 2007 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 \$8,144,295 and \$3,547,195 as of December 31, 2007 and 2006, respectively.

##### **2) Credit Risk**

As of December 31, 2007, the Authority was not exposed to credit risk, because the swap had a negative fair value. However, should interest rates change and the fair value of the swaps become positive, the Authority would be exposed to credit risk in the amount of the swaps' fair value.

##### **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.

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

**NEW JERSEY BUILDING AUTHORITY**

(A Component Unit of the State of New Jersey)

**NOTES TO FINANCIAL STATEMENTS**

**C. MINIMUM LEASE PAYMENTS RECEIVABLE**

Future minimum lease payments receivable from the State as of December 31, 2007, are as follows:

2008	\$ 88,279,475
2009	85,236,103
2010	75,318,214
2011	81,229,669
2012	66,078,266
2013-2017	226,577,170
2018-2022	96,016,557
2023-2027	<u>5,247,998</u>
	723,983,452
Less amounts representing interest	<u>(180,010,358)</u>
	<u>\$ 543,973,094</u>

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.

The Authority has contract commitments for the renovation of the State House Complex and for construction and renovations funded by bonds issued by the Authority as of December 31, 2007, in the approximate amount of \$22,402,383. Such commitments relate to various architectural and construction contracts under the project.

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.

**D. BONDS PAYABLE**

Bond activity for the years ended December 31, 2007 and 2006, was as follows:

Balance, December 31, 2006	\$ 706,595,808
Additions	232,010,594
Reductions	<u>(200,655,000)</u>
Balance, December 31, 2007	<u>\$ 737,951,402</u>
Balance, December 31, 2005	\$ 700,798,396
Additions	52,305,509
Reductions	<u>(46,508,097)</u>
Balance, December 31, 2006	<u>\$ 706,595,808</u>



**NEW JERSEY BUILDING AUTHORITY**

(A Component Unit of the State of New Jersey)

**NOTES TO FINANCIAL STATEMENTS**

**D. BONDS PAYABLE (CONTINUED)**

***2007 Series A***

In November 2007, the Authority issued \$96,665,000 of 2007 Series A Bonds. The proceeds were used to finance the construction of the New Jersey Public Health Lab project.

The bonds were issued at a premium of \$3,813,983. The bonds mature at various amounts from June 2009 through 2027. The bonds bear interest rate of 5%.

***2007 Series B Refunding Bonds***

In November 2007, the Authority issued \$119,675,000 of 2007 Series B Bonds. The proceeds were used for the costs of issuance of the 2007 Series B Bonds and to refund the 1997 Series Bonds in the aggregate original principal amount of \$120,055,000. The bonds mature at various amounts from June 2008 through June 2018. The bonds bear interest rate of 5%.

In connection with the 2007 refunding, the Authority realized a loss on refunding of \$5,024,931, which has been included in deferred loss on advance refunding of bonds on the balance sheet and is being amortized over the average remaining lives of the refunded bonds.

***2006 Series A***

In August 2006, the Authority issued \$48,745,000 of 2006 Series Bonds. The proceeds were used to finance a portion of the construction of the New Jersey Public Health Lab project.

The bonds were issued at a premium of \$1,072,908. The bonds mature at various amounts from June 2008 through 2027. The bonds bear interest rates ranging from 4.00% to 6.00%.

***2004 Series A***

In December 2004, the Authority issued \$4,080,000 of 2004 Series A Bonds. The proceeds were used to fund the following:

- a. Renovating the elevators in several State office buildings.
- b. Retailing work in the New Jersey Department of Transportation Engineering and Operations Building.
- c. Upgrading the fire alarm systems in several State office buildings.
- d. Paying the costs of issuance of the 2004 Series A Bonds.

The bonds were issued at a premium of \$51,365. The bonds mature at various amounts from June 15, 2007 through June 15, 2014. The bonds bear interest rates ranging from 3.00% to 4.00%.

**NEW JERSEY BUILDING AUTHORITY**

(A Component Unit of the State of New Jersey)

**NOTES TO FINANCIAL STATEMENTS**

**D. BONDS PAYABLE (CONTINUED)**

***2004 Series B Refunding Bonds (Continued)***

In December 2004, the Authority issued \$48,795,000 of 2004 Series B Bonds. The proceeds were used for the costs of issuance of the 2004 Series B Bonds and to refund \$34,629,817 of previously issued bonds, including \$10,739,817 of 1991 Series Bonds, \$4,665,000 of 1999 Series Bonds, \$2,175,000 of 2000 Series Bonds, and \$17,050,000 of 2002 Series A Bonds.

The bonds were issued at a premium of \$4,613,593. The bonds mature at various amounts from December 15, 2006 through December 15, 2016. The bonds bear interest rates ranging from 3.375% to 5.25%.

This refunding was done to achieve interest cost savings. Proceeds of the bonds were used to establish an irrevocable escrow account. Funds in the escrow account were invested in special direct obligations of the United States Treasury or other obligations of the United States government or its agencies. The escrow securities and their earnings are structured to pay the principal and interest on the refunded bonds as such payments become due until the call dates of the respective refunded bonds, at which time the escrow agent will pay the principal of the refunded bonds at a price of par plus accrued interest. Since these funds have been placed in an irrevocable trust, the bonds are considered defeased and the liability for such bonds were removed from the balance sheet.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$3,261,194 in 2004. The difference was reported with deferred charges in the statement of net assets and is being charged to expenditures using a method which approximates the effective interest method over the shorter of the remaining life of the old debt or the life of the new debt. The economic gain from the advance refunding in 2004 was approximately \$203,000.

***2003 Series A Refunding Bonds***

In August 2003, the Authority issued \$189,950,000 of 2003 Series A Bonds. The proceeds were used to refund \$174,300,000 of previously issued bonds, including \$76,770,000 of 1994 Series Bonds, \$56,530,000 of 1999 Series Bonds, \$12,695,000 of 2000 Series Bonds, and \$28,305,000 of 2002 Series A Bonds.

The bonds were issued at par. The bonds mature at various amounts from June 10, 2005 through June 15, 2023. The bonds bear interest based on a variable rate.

In connection with the 2003 refunding, the Authority realized a loss on refunding of \$13,081,720, which has been included in deferred loss on advance refunding of bonds on the balance sheet and is being amortized over the average remaining lives of the refunded bonds.

**NEW JERSEY BUILDING AUTHORITY**

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**NOTES TO FINANCIAL STATEMENTS**

**D. BONDS PAYABLE (CONTINUED)**

***2002 Series A***

In December 2002, the Authority issued \$65,375,000 of 2002 Series A Bonds. The proceeds were used to finance the costs of the State Police Emergency Operations Center.

The bonds were issued at a premium of \$2,792,000. The bonds were scheduled to mature in various amounts from December 2005 through December 2023. The bonds bear interest rates ranging from 2.05% to 5.25%.

In August 2003, \$28,305,000 of the 2002 Series A Bonds were refunded by the 2003 Series A Bonds. As a result, the \$28,305,000 principal amount of the 2002 Series A Bonds is considered to be defeased, and the liability for such bonds was removed from the balance sheet.

In December 2004, \$17,050,000 of the 2002 Series A Bonds were refunded by the 2004 Series B Bonds. As a result, the \$17,050,000 principal amount of the 2002 Series A Bonds is considered to be defeased, and the liability for such bonds was removed from the balance sheet.

The remaining bonds payable mature in various amounts through 2012.

***2002 Series B Refunding Bonds***

In December 2002, the Authority issued \$210,515,000 of 2002 Series B Bonds. The proceeds were used to refund \$212,930,000 of previously issued bonds, including \$164,920,000 of 1994 Series Bonds, \$26,335,000 of 1997 Series Bonds, \$18,550,000 of 1999 Series Bonds and \$3,125,000 of 2000 Series Bonds.

The bonds were issued at a premium of \$21,355,000. The bonds were scheduled to mature in various amounts from December 2005 through December 2023. The bonds bear interest rates ranging from 2.05% to 5.25%.

In connection with the 2002 refunding, the Authority realized a loss on refunding of \$11,066,000, which has been included as part of the deferred loss on advance refunding of bonds in the balance sheet and is being amortized over the average remaining lives of the refunded bonds.

The remaining bonds payable mature in various amounts through 2015.

***2000 Series***

In August 2000, the Authority issued \$29,000,000 of 2000 Series Bonds. The proceeds were used to finance the costs of the 2000 series projects, consisting of the Justice Complex and the Department of Transportation project.

The bonds were issued at a discount of \$425,000. The bonds were scheduled to mature at various amounts from June 2001 through June 2020. The bonds bear interest rates ranging from 4.350% to 5.125%.

**NEW JERSEY BUILDING AUTHORITY**

(A Component Unit of the State of New Jersey)

**NOTES TO FINANCIAL STATEMENTS**

**D. BONDS PAYABLE (CONTINUED)**

***2000 Series (Continued)***

In December 2002, \$3,125,000 of the 2000 Series Bonds were refunded by the 2002 Series B Bonds. As a result, the \$3,125,000 principal amount of the 2000 Series Bonds is considered to be defeased, and the liability for such bonds was removed from the balance sheet.

In August 2003, \$12,695,000 of the 2000 Series Bonds were refunded by the 2003 Series A Bonds. As a result, the \$12,695,000 principal amount of the 2000 Series Bonds is considered to be defeased, and the liability for such bonds was removed from the balance sheet.

In December 2004, \$2,175,000 of the 2000 Series Bonds were refunded by the 2004 Series B Bonds. As a result, the \$2,175,000 principal amount of the 2000 Series Bonds is considered to be defeased, and the liability for such bonds was removed from the balance sheet.

The remaining bonds payable mature at various amounts through 2011.

***1999 Series***

In October 1999, the Authority issued \$134,925,000 of 1999 Series Bonds. The proceeds were used for the acquisition of the Richard J. Hughes Justice Complex and for construction of a new facility to house the New Jersey Department of Treasury's Division of Revenue and State Police Troop "C" Headquarters. The project for the new facility has since been renamed the State Police Multi-Purpose Building and Troop "C" headquarters.

The bonds were issued at a premium of \$2,502,000. The bonds were scheduled to mature at various amounts from June 2000 through June 2019. The bonds bear interest rates ranging from 5.0% to 5.75%.

In December 2002, \$18,550,000 of the 1999 Series Bonds were refunded by the 2002 Series B Bonds. As a result, the \$18,550,000 principal amount of the 1999 Series Bonds is considered to be defeased, and the liability for such bonds was removed from the balance sheet.

In August 2003, \$56,530,000 of the 1999 Series Bonds were refunded by the 2003 Series A Bonds. As a result, the \$56,530,000 principal amount of the 1999 Series Bonds is considered to be defeased, and the liability for such bonds was removed from the balance sheet.

In December 2004, \$4,665,000 of the 1999 Series Bonds were refunded by the 2004 Series B Bonds. As a result, the \$4,665,000 principal amount of the 1999 Series Bonds is considered to be defeased, and the liability for such bonds was removed from the balance sheet.

The remaining bonds payable mature at various amounts through 2011.

***1997 Series Refunding Bonds***

In December 2002, \$26,335,000 of the 1997 Series Bonds were refunded by the 2002 Series B Bonds. As a result, the \$26,335,000 principal amount of the 1997 Series Bonds is considered to be defeased, and the liability for such bonds was removed from the balance sheet. In November 2007, \$125,079,930 of the 1997 Series Bonds were refunded by the 2007 Series B Bonds. As a result, the \$125,079,930 principal amount of the 1997 Series Bonds is considered to be defeased, and the liability for such bonds was removed from the balance sheet.



**NEW JERSEY BUILDING AUTHORITY**

(A Component Unit of the State of New Jersey)

**NOTES TO FINANCIAL STATEMENTS**

**D. BONDS PAYABLE (CONTINUED)**

***1994 Series***

On January 13, 1994, the Authority issued \$314,970,113 of 1994 Series Bonds to fund the following:

- a. The costs of construction, renovation, reconstruction and/or improvement of several State office buildings and historic restoration projects.
- b. The costs of land acquisition and construction of South Woods State Prison.
- c. The cost of refunding a portion of the Authority's State Building Revenue Bonds, 1989 Series.
- d. Payment for a portion of interest payable on the 1994 Series Bonds through June 15, 1995.

The bonds consisted of both capital appreciation bonds and current interest bonds, with interest rates ranging from 4.2% to 5.0%.

In December 2002, \$164,920,000 of the 1994 Series Bonds were refunded by the 2002 Series B Bonds. As a result, the \$164,920,000 principal amount of the 1994 Series Bonds is considered to be defeased, and the liability for such bonds was removed from the balance sheet.

In August 2003, \$76,770,000 of the 1994 Series Bonds were refunded by the 2003 Series A Bonds. As a result, the \$76,770,000 principal amount of the 1994 Series Bonds is considered to be defeased, and the liability for such bonds was removed from the balance sheet.

The final bond principal and interest expense payments were made in 2006.

***1991 Series***

On October 9, 1991, the Authority issued \$74,999,816 of 1991 Series Bonds (Garden State Savings Bonds) to partially fund the State House Complex Project. These bonds were issued as capital appreciation bonds which mature in various amounts from June 2000 through 2011. Yields on these bonds range from 6.10% to 6.75%.

In December 2004, \$10,739,817 of the 1991 Series Bonds were refunded by the 2004 Series B Bonds. As a result, the \$10,739,817 principal amount of the 1991 Series Bonds is considered to be defeased, and the liability for such bonds was removed from the balance sheet. The defeased bonds were paid off in 2006.

***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, 2007, the amount of defeased general obligation debt outstanding but removed from the Authority's long-term debt amounted to \$412,700,000.

# NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

## NOTES TO FINANCIAL STATEMENTS

### D. BONDS PAYABLE (CONTINUED)

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

2008	\$ 29,385,000
2009	30,825,000
2010	32,480,000
2011	34,125,000
2012	43,945,000
2013-2017	189,775,000
2018-2020	<u>52,165,000</u>
Total	<u>\$ 412,700,000</u>

### E. FUTURE DEBT SERVICE PAYMENTS

The following tables reflect the debt service by year for the various Series Bonds issued by the Authority:

1991 Capital Appreciation Bond (net of 2004 refunding)			
Year	Principal or sinking fund installment	Interest	Total debt service
2008	\$ 4,506,031	\$ 9,023,969	\$ 13,530,000
2009	4,181,254	9,343,746	13,525,000
2010	3,912,647	9,612,353	13,525,000
2011	<u>3,662,706</u>	<u>9,867,294</u>	<u>13,530,000</u>
	<u>\$ 16,262,638</u>	<u>\$ 37,847,362</u>	<u>\$ 54,110,000</u>

1999 Series Bond (net of 2002, 2003 and 2004 refunding)			
Year	Principal or sinking fund installment	Interest	Total debt service
2008	\$ 6,490,000	\$ 1,401,025	\$ 7,891,025
2009	6,835,000	1,042,700	7,877,700
2010	7,220,000	647,163	7,867,163
2011	<u>7,645,000</u>	<u>219,794</u>	<u>7,864,794</u>
	<u>\$ 28,190,000</u>	<u>\$ 3,310,682</u>	<u>\$ 31,500,682</u>

**NEW JERSEY BUILDING AUTHORITY**

(A Component Unit of the State of New Jersey)

**NOTES TO FINANCIAL STATEMENTS**

**E. FUTURE DEBT SERVICE PAYMENTS (CONTINUED)**

2000 Series Bond (net of 2002, 2003 and 2004 refunding)			
Year	Principal or sinking fund installment	Interest	Total debt service
2008	\$ 1,215,000	\$ 282,811	\$ 1,497,811
2009	1,270,000	225,960	1,495,960
2010	1,325,000	165,944	1,490,944
2011	1,390,000	102,125	1,492,125
2012	1,455,000	34,556	1,489,556
	<u>\$ 6,655,000</u>	<u>\$ 811,396</u>	<u>\$ 7,466,396</u>

2002 Series A Bond (net of 2003 and 2004 refunding)			
Year	Principal or sinking fund installment	Interest	Total debt service
2008	\$ 2,750,000	\$ 546,475	\$ 3,296,475
2009	2,840,000	463,975	3,303,975
2010	2,935,000	371,675	3,306,675
2011	3,040,000	268,950	3,308,950
2012	3,175,000	158,750	3,333,750
	<u>\$ 14,740,000</u>	<u>\$ 1,809,825</u>	<u>\$ 16,549,825</u>

2002 Series B Bond			
Year	Principal or sinking fund installment	Interest	Total debt service
2008	\$ 21,900,000	\$ 8,076,338	\$ 29,976,338
2009	23,075,000	6,926,588	30,001,588
2010	14,370,000	5,715,150	20,085,150
2011	18,565,000	4,960,725	23,525,725
2012	21,160,000	3,986,063	25,146,063
2013	18,380,000	2,875,163	21,255,163
2014	17,690,000	1,910,213	19,600,213
2015	18,695,000	981,488	19,676,488
	<u>\$ 153,835,000</u>	<u>\$ 35,431,728</u>	<u>\$ 189,266,728</u>

**NEW JERSEY BUILDING AUTHORITY**

(A Component Unit of the State of New Jersey)

**NOTES TO FINANCIAL STATEMENTS**

**E. FUTURE DEBT SERVICE PAYMENTS (CONTINUED)**

2003 Series A Bond (net of 2003 and 2004 refunding)			
Year	Principal or sinking fund installment	Interest	Total debt service
2008	\$ 3,350,000	\$ 6,680,158	\$ 10,030,158
2009	3,300,000	6,364,697	9,664,697
2010	3,575,000	6,228,002	9,803,002
2011	3,575,000	6,299,197	9,874,197
2012	8,675,000	5,880,830	14,555,830
2013	9,025,000	5,723,243	14,748,243
2014	8,650,000	5,244,120	13,894,120
2015	10,925,000	5,029,732	15,954,732
2016	11,200,000	4,470,731	15,670,731
2017	30,975,000	3,702,072	34,677,072
2018	36,225,000	2,541,301	38,766,301
2019	30,250,000	1,307,923	31,557,923
2020	6,975,000	678,842	7,653,842
2021	4,875,000	442,452	5,317,452
2022	5,050,000	278,501	5,328,501
2023	5,250,000	88,806	5,338,806
	<u>\$ 181,875,000</u>	<u>\$ 60,960,607</u>	<u>\$ 242,835,607</u>

2004 Series A Bond			
Year	Principal or sinking fund installment	Interest	Total debt service
2008	\$ 470,000	\$ 119,025	\$ 589,025
2009	485,000	99,925	584,925
2010	500,000	82,725	582,725
2011	515,000	66,856	581,856
2012	530,000	49,544	579,544
2013	550,000	30,631	580,631
2014	570,000	10,331	580,331
	<u>\$ 3,620,000</u>	<u>\$ 459,037</u>	<u>\$ 4,079,037</u>



**NEW JERSEY BUILDING AUTHORITY**

(A Component Unit of the State of New Jersey)

**NOTES TO FINANCIAL STATEMENTS**

**E. FUTURE DEBT SERVICE PAYMENTS (CONTINUED)**

2004 Series B Bond			
Year	Principal or sinking fund installment	Interest	Total debt service
2008	\$ 6,785,000	\$ 1,835,606	\$ 8,620,606
2009	7,130,000	1,496,356	8,626,356
2010	7,500,000	1,139,856	8,639,856
2011	45,000	766,731	811,731
2012	50,000	765,213	815,213
2013	3,390,000	763,463	4,153,463
2014	3,570,000	592,988	4,162,988
2015	3,760,000	405,562	4,165,562
2016	3,965,000	208,162	4,173,162
	<u>\$ 36,195,000</u>	<u>\$ 7,973,937</u>	<u>\$ 44,168,937</u>

2006 Series A Bond			
Year	Principal or sinking fund installment	Interest	Total debt service
2008	\$ 1,520,000	\$ 2,151,425	\$ 3,671,425
2009	1,610,000	2,061,550	3,671,550
2010	1,700,000	1,974,775	3,674,775
2011	1,785,000	1,892,113	3,677,113
2012	1,865,000	1,809,988	3,674,988
2013	1,950,000	1,724,150	3,674,150
2014	2,035,000	1,634,488	3,669,488
2015	2,125,000	1,535,575	3,660,575
2016	2,235,000	1,426,575	3,661,575
2017	2,345,000	1,320,869	3,665,869
2018	2,445,000	1,222,138	3,667,138
2019	2,545,000	1,122,338	3,667,338
2020	2,645,000	1,016,884	3,661,884
2021	2,755,000	905,509	3,660,509
2022	2,865,000	787,806	3,652,806
2023	2,990,000	663,388	3,653,388
2024	3,115,000	529,763	3,644,763
2025	3,255,000	386,438	3,641,438
2026	3,405,000	236,588	3,641,588
2027	3,555,000	79,988	3,634,988
	<u>\$ 48,745,000</u>	<u>\$ 24,482,348</u>	<u>\$ 73,227,348</u>

**NEW JERSEY BUILDING AUTHORITY**

(A Component Unit of the State of New Jersey)

**NOTES TO FINANCIAL STATEMENTS**

**E. FUTURE DEBT SERVICE PAYMENTS (CONTINUED)**

Year	2007 Series A Bond		
	Principal or sinking fund installment	Interest	Total debt service
2008	\$ -	\$ 5,236,021	\$ 5,236,021
2009	2,200,000	4,778,250	6,978,250
2010	2,335,000	4,664,875	6,999,875
2011	2,370,000	4,547,250	6,917,250
2012	2,615,000	4,422,625	7,037,625
2013	2,765,000	4,288,125	7,053,125
2014	2,955,000	4,145,125	7,100,125
2015	3,060,000	3,994,750	7,054,750
2016	3,370,000	3,834,000	7,204,000
2017	3,590,000	3,660,000	7,250,000
2018	5,785,000	3,425,625	9,210,625
2019	6,020,000	3,130,500	9,150,500
2020	6,295,000	2,822,625	9,117,625
2021	6,575,000	2,500,875	9,075,875
2022	6,870,000	2,164,750	9,034,750
2023	7,210,000	1,812,750	9,022,750
2024	7,575,000	1,443,125	9,018,125
2025	7,950,000	1,055,000	9,005,000
2026	8,355,000	647,375	9,002,375
2027	8,770,000	219,250	8,989,250
	<u>\$ 96,665,000</u>	<u>\$ 62,792,896</u>	<u>\$ 159,457,896</u>

Year	2007 Series B Bond		
	Principal or sinking fund installment	Interest	Total debt service
2008	\$ 9,305,000	\$ 6,249,771	\$ 15,554,771
2009	7,150,000	5,339,750	12,489,750
2010	7,505,000	4,973,375	12,478,375
2011	17,590,000	4,346,000	21,936,000
2012	18,465,000	3,444,625	21,909,625
2013	19,395,000	2,498,125	21,893,125
2014	7,290,000	1,831,000	9,121,000
2015	7,650,000	1,457,500	9,107,500
2016	8,035,000	1,065,375	9,100,375
2017	8,435,000	653,625	9,088,625
2018	8,855,000	221,375	9,076,375
	<u>\$ 119,675,000</u>	<u>\$ 32,080,521</u>	<u>\$ 151,755,521</u>

**NEW JERSEY BUILDING AUTHORITY**

(A Component Unit of the State of New Jersey)

**NOTES TO FINANCIAL STATEMENTS**

**E. FUTURE DEBT SERVICE PAYMENTS (CONTINUED)**

<b>Year</b>	<b>Total debt service</b>
2008	\$ 93,643,884
2009	98,219,751
2010	88,453,540
2011	93,519,741
2012	78,542,194
2013	73,357,900
2014	58,128,265
2015	59,619,607
2016	39,809,843
2017	54,681,566
2018	60,720,439
2019	44,375,761
2020	20,433,351
2021	18,053,836
2022	18,016,057
2023	18,014,944
2024	12,662,888
2025	12,646,438
2026	12,643,963
2027	<u>12,624,238</u>
Subtotal, gross debt	968,168,206
Less: interest portion	(267,960,339)
Add: accreted interest 1991 Series Bonds	<u>37,743,535</u>
Net Bonds Payable	<u>\$ 737,951,402</u>

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

- (1) During 2003 and 2002, the Authority refunded some of its existing debt. The amount borrowed was received by the Governmental Funds and increased the fund balance. The amount that was sent to the paying agent to be escrowed for payment of the old debt as it comes due was paid out of the Governmental Funds and reduced the fund balance. The difference between those amounts will be amortized as an adjustment in the statement of activities over the remaining life of the refunded debt (varying amounts from twelve to nineteen years).

During 2004, the Authority refunded some of its existing debt. The amount borrowed was received by the Governmental Funds and increases fund balance. The amount that was sent to the paying agent (\$52,509,200) to be escrowed for payment of the old debt (\$49,248,006) as it comes due was paid out of the Governmental Funds and reduces fund balance. The difference between those amounts was \$3,261,194 and will be amortized as an adjustment in the statement of activities over the remaining life of the refunded debt (varying amounts from two to twelve years).

**NEW JERSEY BUILDING AUTHORITY**

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**NOTES TO FINANCIAL STATEMENTS**

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

During 2007, the Authority refunded the 1997 Series Bonds (net of 2002 refunding). The amount borrowed was received by the Governmental Funds and increases fund balance. The amount that was sent to the paying agent (\$125,079,930) to be escrowed for payment of the old debt (\$120,055,000) as it comes due was paid out of the Governmental Funds and reduces fund balance. The difference between those amounts was \$5,024,930 and will be amortized as an adjustment in the statement of activities over the remaining life of the refunded debt (varying amounts from two to nine years).

	December 31,	
	2007	2006
2002 refunding	\$ 10,465,376	\$ 11,119,462
2003 refunding	7,195,653	7,995,170
2004 refunding	843,897	937,663
2007 refunding	5,002,086	-
	<u>\$ 23,507,012</u>	<u>\$ 20,052,295</u>

- (2) Unamortized bond issuance costs are recorded as deferred charges (assets) in the statement of net assets and are amortized over the life of the debt. Amortization expense is recorded in the statement of activities. In governmental fund financial statements, bond issuance costs are expensed when incurred.

	December 31,	
	2007	2006
Total unamortized bond issuance cost	\$ 5,298,697	\$ 4,709,923
Related amortization expense	\$ 501,225	\$ 477,420
Bond issuance costs	<u>\$ 1,089,999</u>	<u>\$ 1,234,245</u>

- (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 assets includes those capital assets among the assets of the Authority as a whole.

	December 31,	
	2007	2006
Cost of property and equipment	\$ 69,762	\$ 62,178
Accumulated depreciation	(33,851)	(26,967)
Property and equipment, net	<u>\$ 35,911</u>	<u>\$ 35,211</u>
Construction in progress	<u>\$ 38,456,786</u>	<u>\$ 185,441,950</u>
Capital outlay	<u>\$ 14,842,510</u>	<u>\$ 19,065,641</u>



**NEW JERSEY BUILDING AUTHORITY**

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**NOTES TO FINANCIAL STATEMENTS**

**F. ADJUSTMENTS - RECONCILIATION OF DIFFERENCES BETWEEN THE 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,	
	2007	2006
Minimum lease receivable	<u>\$ 543,973,094</u>	<u>\$ 450,110,211</u>

- (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 assets 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 assets.

	December 31,	
	2007	2006
Accrued bond interest payable	<u>\$ 2,212,971</u>	<u>\$ 1,097,112</u>
Related adjustment to interest expense	<u>\$ 3,916,713</u>	<u>\$ (93,014)</u>
Bonds payable	<u>\$ 737,951,402</u>	<u>\$ 706,595,808</u>
Unamortized bond premiums, net of discounts	<u>\$ 17,602,107</u>	<u>\$ 8,179,281</u>
Amortization income	<u>\$ 2,232,471</u>	<u>\$ 2,119,095</u>

- (6) Amortization expense in the governmental fund (\$0) differs from amortization expense in the statement of activities (\$3,896,805 in 2007 and \$5,122,009 in 2006). 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 fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities. Proceeds were received from:

	Year Ended December 31,	
	2007	2006
Debt issuance	<u>\$ 216,340,000</u>	<u>\$ 48,745,000</u>
Premium on debt issued	<u>\$ 9,829,929</u>	<u>\$ 1,072,908</u>

**NEW JERSEY BUILDING AUTHORITY**

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**NOTES TO FINANCIAL STATEMENTS**

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

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 assets 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.

	<u>Year Ended December 31,</u>	
	<u>2007</u>	<u>2006</u>
Principal payments made	<u>\$ 60,006,248</u>	<u>\$ 42,607,452</u>

(8) The amounts received from the State for debt service principal payments of \$60,006,248 during 2007 and \$42,607,452 during 2006 constitute governmental fund revenue and thus are not included in the Authority's statements of activities.

(9) The Authority had an arbitrage rebate calculation performed at December 31, 2007, that resulted in a liability of \$694,475, which will be required to be paid to the Internal Revenue Service in the future. This amount is also included as an arbitrage rebate expense at December 31, 2007.

**G. 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, pursuant to the Authority's implementation of GASB Statement Number 45 on January 1, 2008, their portion of this liability and cost will be included in the State of New Jersey's CAFR on an annual basis.

As such, the liability for Authority employees' is covered under the state plan.

Please refer to State website [www.state.nj.us](http://www.state.nj.us) for more information regarding the plan.