



2001 Annual Report

**N E W J E R S E Y
B U I L D I N G
A U T H O R I T Y**

A Message from the Governor...



The New Jersey Building Authority (NJBA) serves a central role in preserving the history of New Jersey and meeting the building needs of State Government. The substantial projects the NJBA has produced in recent years includes the Legislative Annex, South Woods Prison, Old Barracks, War Memorial, Thomas Edison State College and the restored State House dome. These buildings are evidence of the Authority's hard work and leadership in serving New Jersey's citizens.

We look forward to working with the Building Authority on projects which invest in New Jersey's future. With thoughtful vision and responsible stewardship, the NJBA will take the lead on the design and construction of critical state projects. My administration will work with the NJBA in producing the best work product for our citizens. Thank you.

James E. McGreevey

And the State Treasurer...



Managing an extensive variety of complex projects, the NJBA brings a mix of leadership, drive and commitment that gets results. That has been demonstrated on projects ranging in diversity from detailed historical restorations of some of the most visible and significant buildings in the Capitol Complex to large-scale new construction.

The financial systems the NJBA has developed to manage multi-million dollar projects are extremely impressive. These financial control systems position the NJBA to continue delivering projects on time and on budget.

Details of the New Jersey Building Authority's work are found in this report, which provides both summaries of past accomplishments and the status of current initiatives. I look forward to working with the NJBA as we address the State's building needs and challenges in the years to come.

John E. McCormac, CPA



State of New Jersey
NEW JERSEY BUILDING AUTHORITY
PO Box 219
TRENTON, NJ 08625-0219

JAMES E. MCGREEVEY
Governor

STEPHEN R. EHRLICH
Chairman

The Honorable James E. McGreevey
Governor of the State of New Jersey

The Honorable John O. Bennett
President, New Jersey Senate

The Honorable Richard J. Codey
President, New Jersey Senate

The Honorable Albio Sires
Speaker, New Jersey General Assembly

The Honorable John E. McCormac, CPA
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 2001.

Respectfully,

A handwritten signature in black ink that reads "Stephen R. Ehrlich".

Stephen R. Ehrlich
Chairman



NEW JERSEY BUILDING AUTHORITY



Chairman

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



Executive Director

On behalf of the Board of Directors, we are pleased to submit this 2001 Annual Report of the New Jersey Building Authority (NJBA). This document will update the Governor, the Legislature, the State Treasurer and the citizens of New Jersey on the status of all our projects, our financing activities and our audited financial statements. It reflects the diverse scope of our projects in 2001 and summarizes another successful year for our organization.

In 2001, we made further progress on the renovations to the Labor Building and the Richard J. Hughes Justice Complex, improvements to the Department of Transportation's Engineering and Operations Building and the construction of a new State Police Multi-Purpose Facility and Troop C Headquarters in Hamilton. We completed work on the Thomas Edison State College Townhouses and the Department of State - Cultural Campus Renovations.

Strong awareness of our clients' needs and an infrastructure that supports our partnership with our clients have been key components to our success. We continue to believe that the fundamental requirements for a successful project are:

- 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.



NEW JERSEY BUILDING AUTHORITY

We want to thank the staff of the NJBA, the Department of Law & Public Safety's Division of Law, and the Department of the Treasury's Office of Public Finance, Division of Property Management & Construction and Division of Administration for their efforts in our behalf. Their dedication has been key in our success.

The New Jersey Building Authority looks forward to the challenges of 2002. As always, we continue to explore ways to improve our processes and program to better serve our clients and the citizens of New Jersey.

A handwritten signature in black ink that reads "Stephen R. Ehrlich".

Stephen R. Ehrlich
Chairman

A handwritten signature in black ink that reads "Charles Chianese".

Charles Chianese
Executive Director



NEW JERSEY BUILDING AUTHORITY

Board of Directors



Stephen R. Ehrlich, Chairman

**President, Windemere Associates
32 Windemere Terrace
Short Hills, NJ 07078
OFFICE: (973) 467-0122 FAX: (973) 467-1744**



William I. Blanchard

**Assistant Treasurer, Wm. Blanchard Co.
P.O. Box 298 / 199 Mountain Ave.
Springfield, NJ 07081
OFFICE: (973) 376-9100 FAX: (973) 376-9154**



John H. Fisher III

**County Administrator, Gloucester County Courthouse
P.O. Box 337 / 1 North Broad Street
Woodbury, NJ 08096
OFFICE: (856) 853-3275 FAX: (856) 251-6794**



NEW JERSEY BUILDING AUTHORITY

Board of Directors

*Photograph
unavailable*

William Hierung, Jr., Esq.

**Attorney, Hierung & Gannon Law Firm
P.O. Box 5258 / 29 Hadley Ave.
Toms River, NJ 08753
OFFICE: (732) 349-1800 FAX: (732) 286-2275**



Charles Marciante

**Business Manager, IBEW, Local 269
International Brotherhood of Electrical Workers
670 Whitehead Road
Trenton, NJ 08648
OFFICE: (609) 394-8129 FAX: (609) 599-2998**



Prentis C. Nolan, III

**President, PC Nolan & Associates, Inc.
190 Route 173 West, Suite 2
Asbury, NJ 08802
OFFICE: (908) 713-9970 FAX: (908) 713-9976**



NEW JERSEY BUILDING AUTHORITY

Board of Directors



John S. Pehlivanian, Esq.

**Attorney, Pehlivanian & Braaten, LLC
PO Box 648 / 2430 Route 34
Manasquan, NJ 08736
OFFICE: (732) 528-8888 FAX: (732) 528-4445**



Richard Rowson

**Business Agent, IBEW, Local 351
International Brotherhood of Electrical Workers
1113 Black Horse Pike
Folsom, NJ 08037-2826
OFFICE: (609) 704-8351 FAX: (609) 704-0621**



Kim Whelan

**Managing Director, Public Financial Management
224 Strawbridge Drive
Suite 104
Moorestown, NJ 08057
OFFICE: (856) 235-6800 FAX: (856) 235-6882**



NEW JERSEY BUILDING AUTHORITY

Ex-Officio Board Directors



John E. McCormac, CPA
State Treasurer

*Robert Smartt 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**

*John Geniesse served in the
Chair's absence.*

Overview of the History of the Building Authority

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

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

The Authority, under a master lease with amendments for individual properties, has leased to the State the buildings constructed or renovated with the funds provided from various bonds 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, 2001, the Authority has undertaken projects totaling in excess of \$923 million.

*Construction of
State Office Buildings
and Correctional Facilities*

Construction of State Office Buildings and Correctional Facilities

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 presently 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, all of which are now complete and fully occupied, are:

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 Development, the Commission on Higher Education and the Bureau of Risk Management.



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. The 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.



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: \$239,912,821

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 \$24 million under budget. This major project was completed in a timely manner, with only minor weather related time extensions to the schedule.



Status at December 31, 2001

The Project Team has completed all closeout certifications.

South Woods State Prison, continued

A lawsuit was filed by the Design/Builder, Perini Corporation alleging damages pursuant to a delay in the awarding of the construction contract due to a bid protest. The Attorney General's Office is representing the Building Authority in this matter.



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.

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, which would include a road station, communications center, firing range and refueling station. The main facility was to be a pre-engineered metal building with all site work and surface parking. A location was selected in Hamilton Township 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, exterior and interior masonry work, and 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 as described below.

Status at December 31, 2001

State Police Multi-Purpose Building and Troop "C" Headquarters Project Cost: \$83,500,000

After exploration of all the issues related to siting, budgeting and scheduling, a revised Project Report was developed and submitted to the Building Authority Board in July 2000. The Project Report requested that the Division of Revenue facility now be utilized as a new Multi-Purpose facility to house State Police functions. The Multi-Purpose facility consists of approximately 195,000 square feet. Included in the facility will be offices for the Information Technology Bureau, Records and Identification Section, various investigative units, forensic laboratory space and common facilities. The Troop C Headquarters of approximately 66,000 square feet would remain essentially as originally planned but would include an additional 15,000 square feet to consolidate the communications services of the Division of State Police and the Departments of Transportation and Environmental Protection into this joint-use facility. The site elements included in the Troop "C" project include parking, an enclosed firing range, fueling station, emergency generator, heliport, communications tower and access to the State's highway system for Police activities. The Project Report was approved by the NJBA Board, the Capital Planning Commission and the Legislature in July, August and December 2000 respectively.

State Police Multi-Purpose Building and Troop "C" Headquarters, continued



Status at December 31, 2001

Three of the original contracts for the initial construction of the Revenue facility were re-started in September 2000. The building has been erected and is enclosed. Masonry and roof work is substantially complete. Underground plumbing work within the footprint of the building is underway with concrete slab work to be completed by mid-December, 2001. The NJBA negotiated the redesign of the interiors of the multi-purpose building with the architect hired for the original Revenue facility who completed the redesign of the interiors in December 2001. The remaining interior fit-out work for the building will be advertised for bid in late March 2002, awarded in April 2002 and completion of the multi-purpose building is scheduled for mid-2003. The design of the Troop "C" Headquarters was completed in spring 2001. Bids were received in late July 2001 and the project was awarded in October 2001. Construction work has been initiated and site work is underway. Construction is scheduled to be completed in May 2003.



*Renovation of
State Office Buildings*

Renovation of State Office Buildings

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: \$15,767,790

The objective of this project is to renovate the former Education Building located at 225 West State Street in Trenton. The Department of State will move into the building after completion. The project was originally delayed by several bid protests. Upon resolution, the project was awarded for construction in June 1997. Demolition and renovation of the building's mechanical systems were completed in 1998.



Status at December 31, 2001

The Department of State moved into the building in late summer 1999. Punchlist work and contract closeout activities continued in 2000. Several meetings were held with the general contractor to expedite the completion of outstanding punchlist work. Efforts continue to complete the punchlist work and a final Certificate of Occupancy was issued in September 2001. The project is in the contract closeout phase with two (2) contracts remaining.



Labor Building Renovations Project Cost: \$23,505,732

The Labor Building renovations are two-fold. The objective of the first project, which was approved in June 1993, is to renovate the remaining floors of the Labor Building which includes the Basement - 4th Floor. The renovations encompass a variety of tasks including those related to interior finishes, furnishings, HVAC,



Labor Building, continued

plumbing, electrical, fire suppression, alarm systems, elevators, security system, telecommunications, ADA and barrier free accessibility improvements.

Status at December 31, 2001

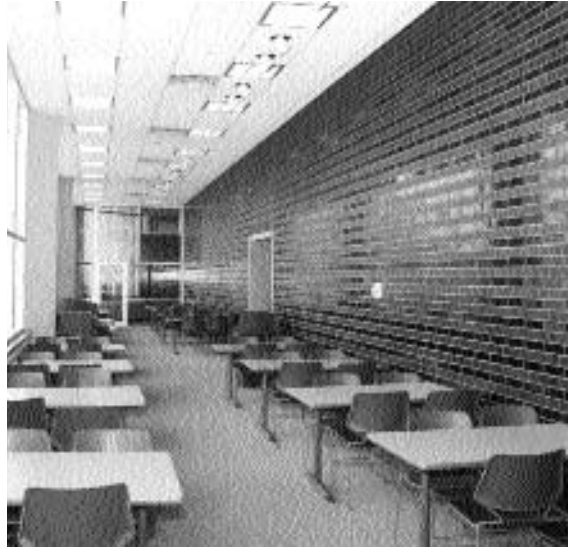
The basement and first and second floors were completed in prior years. The asbestos removal and renovation of the fourth floor was completed early in 2001. Punchlist items were completed in mid-2001 and contract closeout of the fourth floor is being finalized. The design documents for the third floor asbestos abatement were advertised for bid early in 2001. Asbestos abatement was completed in early Summer 2001. The design documents for the renovations to the third floor are in the permit phase and are expected to be completed in January 2002. The project is scheduled to be advertised for bid in early 2002 and completed in the Summer of 2002.

Exterior Panel Replacement

The objective of the second part of the Labor Building renovations, the Exterior Panel Replacement project, is to remove the existing marble facade panels and replace them with new granite panels.

Status at December 31, 2001

The Exterior Panel Replacement project was closed-out in January 2000. Final punchlist items and contract closeout was also completed in the spring, 2000 for the ADA Upgrades project to the entire building. This project is complete.



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 American's with Disabilities Act requirements.

The project was completed and closed out in 1998.



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

The objectives of this project are to upgrade all the existing HVAC systems and communications cabling in the Transportation E&O Building. The HVAC improvements will provide improved air flow and temperature control for the building occupants and result in the building meeting recent construction code requirements for HVAC systems. The communications cabling project will upgrade the communications cabling throughout the E & O Building to meet industry standards for voice and data systems.

Status at December 31, 2001

In 2001, renovations were completed on floors 1, 5, 6 and 7. Renovations are underway on the fourth floor and are scheduled to be completed by late January 2002. The remaining floors (floors 2 and 3) and the remaining components of the project are scheduled to be completed in Spring 2002.



**Richard J. Hughes Justice Complex
Renovations**

Project Cost: \$21,000,000

The objective of this project is to ensure that the integrity of the life safety, HVAC, electrical, structural and all operational components of the facility are maintained. The primary projects planned for the facility include: replacement of the Atrium glass and other interior glazed doors, structural enhancements in the "Court Jewel Area," repairs to the concrete and structural system in the first floor and indoor garage area, improvements to the wire management system in the building, replacement of the roof and miscellaneous improvements and upgrades to the building systems, structures and finishes.

Status at December 31, 2001

A planning charette was held in Summer 2000 with the building occupants to develop an order of priority for the proposed improvements and repairs. The result of the charette determined that the Atrium glass replacement was the top priority, followed by the replacement of the roofing system and parking garage renovations and repairs. All three projects were awarded for design in 2001. The Atrium glass replacement is scheduled for design completion in Winter 2002. The roof replacement project design has been completed. Construction is scheduled to begin in March 2002. Design for the parking garage renovations and repairs was awarded in November 2001 and is scheduled to be completed in Summer 2002. Construction bid and award will follow in Fall 2002.



*Renovation and Restoration of
Historic Structures*

Renovation and Restoration of Historic Structures

Since its inception, the Building Authority has financed several projects to restore historical structures including the State House, Old Barracks Museum, War Memorial, and the Thomas Edison State College townhouses. 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.

Status at December 31, 2001

State House Annex

The Annex renovations are complete and closed-out.



**Thomas Edison State College Townhouses
Restoration and Renovation
Project Cost: \$14,427,000**

The objective of this project is to renovate six (6) historic townhouses located at 105-115 West State Street, adjacent to Thomas Edison State College. The 19th Century building exteriors will be restored to their “near original” appearance and the interiors will be converted to modern office space for Thomas Edison State College personnel. A new addition is also being constructed which will connect the townhouses and the Kelsey Building.



Status at December 31, 2001

The project was substantially completed in October 1999. College personnel moved into the facility in November 1999. Punchlist work has been completed and contract closeout is continuing. An independent consultant was contracted to review the project and claims submitted from the architect and contractors. In August 2000, the Attorney General's Office filed a third party action against the architectural firm regarding their contract performance on the project. Mediation was conducted in May 2001 which was unsuccessful. This litigation is ongoing.



State House Complex, continued

State House Garage, Plaza & Stacy Park

A design/build contract was awarded in late 1998 for the Garage Plaza. During the design development, structural and technical issues were investigated to ensure the successful construction of the plaza park and fountain. During the design phase, the client decided to make two design changes to the project. The first was to install a granite paver system in lieu of the base bid concrete paver system. It was determined that the granite would match the existing hardscape elsewhere in the Capital Complex. The second change was to modify the existing roof system of the Garage to enhance and ensure the durability of the roof system by providing new flashing, replacing the roof membrane and expansion joints and installing a concrete overlay.

By August 1999, the Plaza design was approved and work began on the removal of gravel and waterproofing upgrades. By year-end the roofing modifications, concrete overlay, and forming out of the base of the main fountain were complete, and the installation of granite curbing was nearing completion. The entire roof was flood tested to ensure the integrity of the roof system. All storm water piping and inlets were completed. Installation of the granite pavers was initiated.

In early 2000, the granite curbing was completed. The fountain sculpture, part of a separate arts inclusion contract, was erected by Summer, 2000. Topsoil, sod and trees were placed on the Plaza by mid-summer. Work on the granite pavers and fountain was completed by the end of September 2000. The Plaza Park and Fountain were officially dedicated at a



celebration in October 2000. Final punchlist work for the project is being completed and contract closeout activities continue.

It was decided that Stacy Park would be designed and constructed as part of future improvements to the Executive State House. The NJBA is anticipating a project report submission to initiate this project.

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 of the soundness of the entablature revealed that the failures were the result of the freeze-thaw process. The issue involving the entablature was not part of the

State House Complex, continued.

original scope of the Annex renovation project. In January 1998 funding was approved by the Building Authority to perform a more detailed investigation of the cornice and to develop design drawings to complete the repairs. The estimated cost for the project was approximately \$5.7 million. Due to the Authority delivering several projects under budget, this project was funded from the residual balances.

A special prequalification of the bidders for this project was completed in January 1999. The project was advertised for bid and the contract was awarded in late February 1999. Extensive scaffolding and canopies were constructed for the project by April. During removal of some cornice stones, the contractor discovered that some underlying dentil stones were also cracked. The fabrication and replacement of these stones added four weeks to the project schedule. By November, all cornice and dentil stones had been replaced. Given some of the failures of the existing roof system, the replacement of the roof was added to the project. Roof replacement work was completed over the East and West wings in late Fall 1999 and the scaffolding was disassembled on the East Center and most of the West wing. Prior to installation of the underlayment and roof pavers, which cover the roofing system, the design consultant was requested to further investigate the concrete roof slab.

In 2000, the consultant conducted extensive tests and took several roof 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.



Consequently, completion of the roof installation was placed on hold until a plan could be developed to remediate the deficiencies in the roof slab.

A scope of work was developed to contract with a new engineer to conduct a structural investigation and develop design documents for the Roof Slab Renovation and Replacement project. This project is being funded and administered under a separate State project, and was initiated in 2001 and completed. An independent engineer has been engaged to investigate and offer an evaluation regarding the performance of the previous vendors associated with the inadequate roofing system that is being replaced.

State House Dome Restoration

Project Cost: \$9,077,222

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 gray/black surface, the paint on the cast iron was chipped with rust prevalent throughout; and the dome leaked with water dripping down 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 restorations items, the complete disassembly, repair and reassembly of the exterior cast iron of



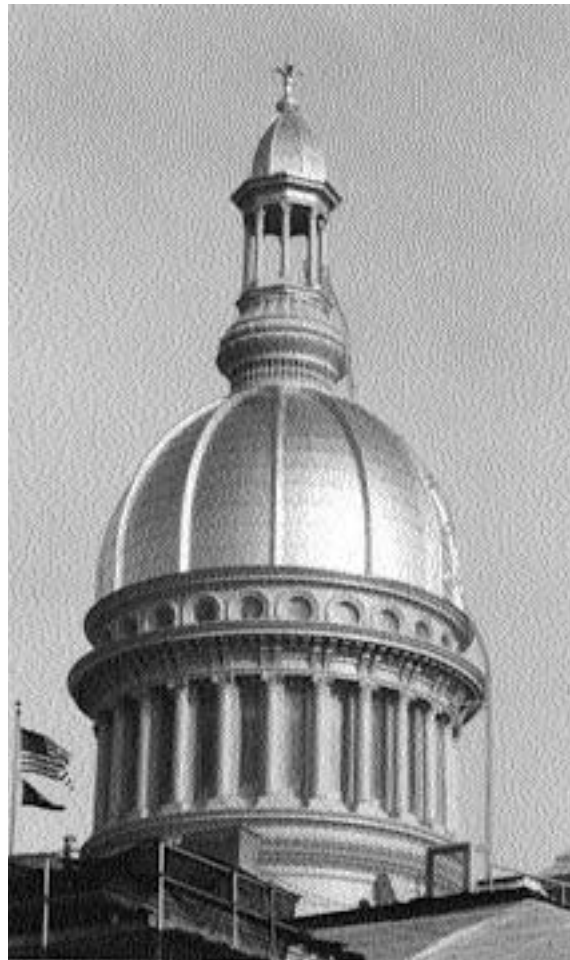
State House Dome, continued

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.

In January 1999, the repair of the Great Seal and the surrounding cast iron structure was added to this project. Construction moved steadily through 1999. The cast iron pieces were reinstalled. The wood sheathing under the copper dome was replaced. The copper cladding was replaced with new copper and the cupola was regilded and was reinstalled on top of the dome by late February 1999. The interior finishes were repaired and refinished including the plastering, painting, regilding of the metal railings and refinishing of the stone work. The stain 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. The scaffolding began to be disassembled in June. The Dome Dedication Celebration was held on July 8th. Sidewalk repairs, the removal of the remaining scaffolding and roof penetration repairs continued through the rest of 1999.

Status at December 31, 2001

All punchlist items have been completed. The project was completed significantly under budget and on schedule.



Old Barracks Museum Restoration
Project Cost: \$6,651,854

The objective of this project is to complete the restoration of the Old Barracks Museum including archeological investigation, the interior of the Barracks, the roof, porches, parade ground and stockade fence.

Status at December 31, 2001

This project was completed on time and under budget in December 1998. Contract closeout was completed in early 2001.



War Memorial
Restoration and Renovation
Project Cost: \$34,065,977

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

All the major interior and exterior work was completed in 1998.

A Temporary Certificate of Occupancy was issued in early December 1998 and four (4) shakedown concerts were held.

The Authority sponsored "Hard Hat" Concert was the first concert held. Craftsmen and their families and other individuals from the private and public sector who assisted in completing the renovation of the War Memorial attended 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.



War Memorial, continued

Status at December 31, 2001

The Project Team continued to coordinate the completion of punchlist items in 2001 and efforts are proceeding to close out the remaining 5 contracts. In early 2001, an additional balcony railing was added in the Auditorium as requested by the Building Authority Board to enhance public safety. The Building Authority approved sound and lighting upgrades for the theater in mid-2001. The design is scheduled to be advertised to sound and lighting consultants in 2002 and awarded in mid-2002.



*Acquisition of
State Office Buildings*

Acquisition of State Office Buildings

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. 1999 marked the first year 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



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*

Building Authority Financing Activities

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 10-1/2 percent. 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 is being provided through other sources. \$1 million in State appropriations is being made available through the Joint Management Commission and approximately \$2 million is expected to come 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

1997 Project Financing, continued

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.

Financial Statements

Following are the combined financial statements for the years ended December 31, 2001 and 2000 with the report of the independent public accountants.



NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)

Financial Statements

December 31, 2001 and 2000

(With Independent Auditors' Report Thereon)



New Jersey Headquarters
150 John F. Kennedy Parkway
Short Hills, NJ 07078

Independent Auditors' Report

To the Board of Directors of the
New Jersey Building Authority:

We have audited the accompanying balance sheets of the New Jersey Building Authority (the Authority) (A Component Unit of the State of New Jersey) as of December 31, 2001 and 2000, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 New Jersey Building Authority as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 2 to the financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as amended by GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* and GASB Statement No. 38, *Certain Financial Statement Disclosures* as of December 1, 2001.

Management's Discussion and Analysis is not a required part of the basic financial statements of the Authority, but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

KPMG LLP

March 8, 2002



New Jersey Headquarters
150 John F. Kennedy Parkway
Short Hills, NJ 07078

Independent Auditors' Report

To the Board of Directors of the
New Jersey Building Authority:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of the New Jersey Building Authority (A Component Unit of the State of New Jersey) as of December 31, 2001, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended, and have issued our report thereon dated March 8, 2002.

In connection with our audit, nothing came to our attention that caused us to believe that the Authority failed to comply with the terms, covenants, provisions or conditions of Articles VII and VIII of the New Jersey Building Authority State Building Revenue Bond Resolution adopted December 4, 1985 and Article VII of the Lease and Agreement between the New Jersey Building Authority and the State of New Jersey dated November 15, 1981, insofar as they relate to accounting matters. However, our audit was not directed primarily towards obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the Board of Directors and management of the New Jersey Building Authority and First Union National Bank, New Jersey, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 8, 2002

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)

Management's Discussion And Analysis

This section of the New Jersey Building Authority's (NJBA) annual financial report represents our discussion of the New Jersey Building Authority's (NJBA) financial performance and provides an overview of the NJBA activity for the fiscal year ended December 31, 2001. Please read it in conjunction with the NJBA financial statements.

Financial Highlights

- The Authority's fund balance increased \$2.0 million (56.6%) due primarily to a reduction in interest and other expenses.
- Revenue decreased \$0.1 million (0.9%) due to reduction in recovery for start-up expenses for the school facilities project.
- Construction in Progress increased \$19.8 million (4.5%) due to the continued construction at the DOT Building and the Division of Revenue and State Police Multi Purpose Building.
- Non-current Assets decreased \$21.0 million (3.6%) due to continued pay down on outstanding debt.

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 balance sheet and related statements of revenues, expense and changes in net assets and cash flows.

Financial Summary

Changes in Net Assets, Revenues, Expenses between December 31, 2000 and 2001 are summarized in Table 1.

Table 1

Changes in Net Assets	<u>2001</u>	<u>2000</u>	<u>Change</u>	
			<u>\$</u>	<u>%</u>
Revenues				
Interest Income Related to leases and other payments from State of NJ	<u>\$2,130,931</u>	<u>1,691,735</u>	<u>439,196</u>	<u>26.0%</u>

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)

Management's Discussion And Analysis

Changes in Net Assets	<u>2001</u>	<u>2000</u>	<u>Change</u>	
			<u>\$</u>	<u>%</u>
Other Interest Income:				
Money Market Interest	\$ 329,624	256,324	73,300	28.6%
Cash Management Fund Interest	3,508,667	3,494,172	14,495	0.4%
FRA Interest	2,401,231	3,590,634	(1,189,403)	(33.1)%
Less Arbitrage Rebate Expense	<u>(316,022)</u>	<u>(1,060,542)</u>	<u>744,520</u>	(70.2)%
Total Other Interest Income	5,923,500	6,280,588	(357,088)	(5.7)%
State Funding to cover administrative Costs associated with undertaking the design of School Facilities Projects	<u>—</u>	<u>158,350</u>	<u>(158,350)</u>	(100.0)%
Total Revenues	<u>\$8,054,431</u>	<u>8,130,673</u>	<u>(76,242)</u>	(0.9)%
Expenses				
Interest expense on bonds and supplemental interest certificates, including amortization of debt discount	\$5,777,659	8,009,647	(2,231,988)	(27.9)%
Other Expenses:				
Administrative	184,357	233,983	(49,626)	(21.2)%
Salary	54,807	342,621	(287,814)	(84.0)%
Payroll Tax	5,603	—	5,603	100.0%
Health Insurance	2,686	—	2,686	100.0%
Dental	250	—	250	100.0%
Prescription Drug	<u>891</u>	<u>—</u>	<u>891</u>	100.0%
Total Other Expenses	<u>248,594</u>	<u>576,604</u>	<u>(328,010)</u>	(56.9)%
Total Expenses	<u>\$6,026,253</u>	<u>8,586,251</u>	<u>(2,559,998)</u>	(29.8)%
Increase (Decrease) in Net Assets	<u>2,028,178</u>	<u>(455,578)</u>	<u>2,483,756</u>	<u>(545.2)%</u>

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)

Management's Discussion And Analysis

Revenues

Interest income related to lease and other payments from the State of New Jersey increased \$439,000 (26.0%) from \$1,692,000 at December 31, 2000 to \$2,131,000 at December 31, 2001. The \$439,000 increase for 2001 is due to additional accrued interest in current year for the 1991 Capital Appreciation Bond.

State rental receipts totaled \$70.4 million, of which \$40.0 million was associated with the interest portion of bond payments as identified in the official statements and \$30.4 million was associated with the pay-down of the principal portions. Principal portions reduce the minimum lease receivable of the Authority and the interest portion is netted against the interest expense of the authority for each bond payment. The remaining balance in this account is composed of accrued interest payable on the Authority's bonds and the net effect of interest expense items not related to the amortization of bonds including amortization of discounts, premiums, and deferred bond costs.

Other Interest income decreased \$357,000 (5.7%) from \$6,281,000 at December 31, 2000 to \$5,923,000 at December 31, 2001. The decrease was due to declining interest rates over the prior year levels and lower balances in the Flexible Repurchase Agreement. These accounts had a significantly higher average interest rate in 2001 (6.54%) than the New Jersey Cash Management accounts (4.4%).

State Funding to cover administrative costs associated with undertaking the design of School Facilities projects decreased \$158,000 (100%), as the Authority has no further responsibilities for this program.

Expenses

Interest expense on bonds and supplemental interest certificates decreased \$2.2 million (27.9%) as a result of the timing of recognition of interest expense on the 1991 and 1994 CAB bonds in the prior year.

Other Expenses decreased \$328,000 (56.9%). The \$328,000 decrease was due to \$288,000 decrease in salary expense due to \$342,000 in salary expenses incurred in the prior year for the School Facilities design project offset by \$55,000 in current year for hiring of in-house project managers. In addition, there was a \$50,000 decrease in Administration Expense as a result of decreased legal expenses associated with the School Facilities Project. There was also a \$9,000 increase in benefits expense due to current year hiring.

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)

Management's Discussion And Analysis

Summary of Assets and Liabilities (in thousands)	<u>2001</u>	<u>2000</u>
Current assets	\$199,042	203,080
Construction in progress	457,583	437,829
Minimum lease receivable	106,960	147,187
Other assets	<u>5,104</u>	<u>5,597</u>
	<u>\$768,689</u>	<u>793,693</u>
Current liabilities	\$ 45,214	38,859
Long-term debt	717,771	751,248
Total liabilities	762,985	790,107
Net assets-restricted	<u>5,614</u>	<u>3,586</u>
	<u>\$768,599</u>	<u>793,693</u>

Current Assets

Current Assets decreased \$4.0 million (2%) due to a \$9.2 million reduction in cash and cash equivalents, offset by \$5.6 million reduction in the current portion of minimum lease receivable, and a \$0.4 million reduction in other current assets. The \$9.2 million cash decrease is detailed on the Statement of Cash Flows.

It is noted that cash balances increased in the prior year by \$9.4 million. The gap between the prior year increase of \$9.4 million and the current year decrease of \$9.2 million (\$18.4 million) is mainly due to the lack of bond proceeds in the current year (\$28.0 million in the prior year) off-set by lower capital spending in the current year which was an \$8.5 million reduction.

Construction In Progress Costs

Construction in Progress increased \$19.8 million (4.5%) from \$437.8 million at December 31, 2000 to \$457.6 million at December 31, 2001. Table 2 shows the changes in Construction in Progress.

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)

Management's Discussion And Analysis

Table 2

Changes in Construction in Progress	<u>2001</u>	<u>2000</u>	<u>Change</u>	
			<u>\$</u>	<u>%</u>
Justice Complex	\$ 419,332	—	419,332	100.0%
DOT Building	5,787,418	508,234	5,279,184	1038.7%
Entablature repair	6,687,538	6,688,549	(1,011)	0.0%
State House Phase II	52,622,368	52,622,368	—	0.0%
State House Annex/Garage	27,860,683	27,681,716	178,967	0.6%
State House Dome	7,306,200	7,051,435	254,765	3.6%
South Woods State Prison	237,542,204	237,814,843	(272,639)	-0.1%
Education Building	16,335,990	16,398,589	(62,599)	-0.4%
Labor Building	20,058,681	19,047,693	1,010,988	5.3%
Edison Townhouse	13,679,035	13,666,814	12,221	0.1%
Old Barracks	6,702,974	6,677,332	25,642	0.4%
War Memorial	34,134,067	33,714,274	419,793	1.2%
Labor Building Exterior Panel	3,551,417	3,513,481	37,936	1.1%
Revenue/State Police Building	<u>24,895,375</u>	<u>12,444,194</u>	<u>12,451,181</u>	99.9%
Total	<u>\$457,583,282</u>	<u>437,829,522</u>	<u>19,753,760</u>	4.5%

Overall construction in Progress increased \$19.8 million due to \$14.5 million in cash disbursements, \$6.5 million in accrued expenses, \$6.2 million in net interest capitalization. Offsetting this was, \$2.1 million in reversal of prior year accrual and \$5.3 million in reclass of interest capitalization against State of New Jersey revenues.

Construction activity in 2001 focused on the Department of Transportation Engineering & Operations Building and the new State Police Multi-Purpose Building. Construction costs on these two projects accounted for 90% of NJBA construction costs incurred in 2001. Upgrades and improvements were also begun on the Richard J. Hughes Justice Complex. The Cultural Complex, State House Garage, State House Dome Restoration, Restoration of Old Barracks Museum and the War Memorial Restoration are in the closeout phase. The South Woods State Prison has been completed, however a lawsuit has been filed by the builder and is now in the discovery phase. The Attorney General's Office is representing the Building Authority in this matter. The decrease of \$272,000 in this asset, the decrease of \$63,000 in the Education building, and the decrease of \$1,000 in the Entablature repair is due to a reclassification from Construction in Progress to minimum lease receivable.

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)

Management's Discussion And Analysis

Non-Current Assets

Non-current assets decreased \$21.0 million (3.6%) due to \$40.2 million decrease in non-current portion of minimum lease receivable as a result of scheduled payments and \$0.6 million decrease in deferred bond costs. This decrease was offset by the \$19.8 million increase in Construction in Progress as noted above section.

Current Liabilities

Current Liabilities increased \$6.4 million (16.4%) due to \$3.6 million increase in construction payable amounts, \$2.5 million increase in current portion of bonds payable, and \$0.3 million increase in arbitrage liability.

Construction payable amounts (including retainage) increased \$3.6 million due to \$3.8 million in payables for the State Police building and \$1.2 million in payables for the DOT building. This increase was offset by the fewer number of overall projects in progress compared to year-end December 31, 2000.

Outstanding Debt

Including current and non-current portions of long-term debt, the Authority had \$752.2 million in bonds outstanding versus \$783.4 million last year, a decrease of \$31.3 million (4.0%) as shown in Table 3.

Table 3

Changes in Bonds Payable	<u>2001</u>	<u>2000</u>	<u>Change</u>	
			<u>\$</u>	<u>%</u>
Bonds payable, net of premium of \$418,849 and \$528,825, respectively	\$633,468,849	648,238,826	(14,769,977)	(2.3)%
Capital appreciation bonds, net of discount of \$38,575,848 and \$50,429,435, respectively	118,699,151	130,338,295	(11,639,144)	(8.9)%
Supplemental interest certificates, net of discount of \$0 and \$158,049, respectively	—	4,861,951	(4,861,951)	(100.0)%
Total	<u>\$752,168,000</u>	<u>783,439,072</u>	<u>(31,271,072)</u>	(4.0)%

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)

Management's Discussion And Analysis

The \$31.3 million decrease was due to the scheduled pay-down of bond principal. Included in the 2001 pay-down was the \$4.9 million payment of the final supplemental interest certificate from the 1987 issue. There were no new bond issues in 2001. For 2002 the New Jersey Building Authority is scheduled to issue a \$48 million bond. The funding will be used to complete the State Police Multi-Purpose Building and to begin construction on the State Police Emergency Operation Center.

Non-Current Liabilities

Non-current Liabilities decreased \$33.5 million (4.5%) to reflect payment of principal on long-term debt.

Contacting Financial Management

This financial report is designed to provide citizens, vendors, and creditors with a general overview of the New Jersey Building Authority finances. If you have any questions about this report or need additional financial information, contact the Authority's Fiscal office at P.O. Box 211 Trenton, New Jersey 08625-0211.

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)

Balance Sheets

December 31, 2001 and 2000

	2001	2000
Assets		
Current assets:		
Cash and cash equivalents (notes 2 and 3)	\$ 126,050,203	135,275,166
Accrued interest receivable	89,478	219,462
Prepaid and other assets	40,652	43,097
Minimum lease payments receivable, current portion	72,279,838	66,654,680
Deferred amount on advanced refunding of 1989 Bonds Series, current portion (note 7)	292,834	292,834
Deferred bond issuance costs, current portion	289,142	595,027
Total current assets	199,042,147	203,080,266
Non-current assets:		
Minimum lease payments receivable, non-current, net of interest to be received in the future (notes 1 and 4)	106,959,909	147,186,880
Deferred amount on advanced refunding of 1989 Bonds Series, non-current portion (note 7)	2,928,338	3,221,172
Deferred bond issuance costs, non-current, net of accumulated amortization of \$4,875,502 and \$4,692,816, respectively (note 2)	2,085,904	2,375,046
Construction in progress (note 2)	457,583,282	437,829,521
Total non-current assets	569,557,433	590,612,619
Total assets	\$ 768,599,580	793,692,885

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)

Balance Sheets

December 31, 2001 and 2000

	2001	2000
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable:		
Operations	\$ 2,358,568	2,042,546
Construction	5,358,825	1,674,745
Accrued expenses	6,119	—
Contractor retainage payable	1,144,913	1,254,872
Accrued bond interest payable	1,948,625	1,695,298
Bonds payable, current portion	23,590,000	14,660,000
Capital appreciation bonds, current portion	10,807,160	12,669,250
Supplemental interest certificates, net of discount of \$0 and \$158,049, respectively (notes 1 and 7)	—	4,861,951
Total current liabilities	45,214,210	38,858,662
Non-current liabilities		
Bonds payable, non-current portion, net of premium of \$418,849 and \$528,825, respectively (notes 1 and 7)	609,878,849	633,578,826
Capital appreciation bonds, non-current portion, net of discount of \$38,575,848 and \$50,429,435, respectively (notes 1 and 7)	107,891,991	117,669,045
Total non-current liabilities	717,770,840	751,247,871
Total liabilities	762,985,050	790,106,533
Commitments and contingencies (note 5)		
Net assets - restricted (note 2)	5,614,530	3,586,352
Total liabilities and net assets	\$ 768,599,580	793,692,885

See accompanying notes to combined financial statements.

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)

Statements of Revenues, Expenses and Changes in Net Assets

Years ended December 31, 2001 and 2000

	2001	2000
Interest income related to leases and other payments from State of New Jersey (notes 1 and 4)	\$ 2,130,931	1,691,735
Interest income	5,923,500	6,280,608
State charges to cover administrative costs associated with undertaking the design of School Facilities Projects	—	158,350
Total revenues	8,054,431	8,130,693
Interest expense on bonds and supplemental interest certificates, including amortization of debt discount	5,777,659	8,009,647
Other expenses	248,594	576,604
Total expenses	6,026,253	8,586,251
Operating income/changes in net assets	2,028,178	(455,558)
Net assets, beginning of year	3,586,352	4,041,910
Net assets, end of year	\$ 5,614,530	3,586,352

See accompanying notes to financial statements.

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)

Statements of Cash Flows

Years ended December 31, 2001 and 2000

	2001	2000
Cash flows from operating activities		
Proceeds from State rental payments	\$ 70,361,059	66,761,843
Interest on investments	6,369,622	6,622,033
Interest paid on bonds	(32,833,860)	(34,146,163)
Cash paid for general and administration	(181,255)	(272,522)
Cash paid for payroll	(58,664)	(342,621)
Net cash provided by operating activities	43,656,902	38,622,570
Cash flows from capital and related financing activities:		
Increase in construction in progress	(15,276,866)	(23,729,814)
Payment of bonds payable	(32,584,999)	(28,135,000)
Bond issuance cost paid	—	(193,122)
Proceeds from bond offering	—	28,574,716
Payment of supplemental interest certificates	(5,020,000)	(5,725,000)
Net cash (used in) provided by financing activities	(52,881,865)	(29,208,220)
Net (decrease) increase in cash and cash equivalents	(9,224,963)	9,414,350
Balances, beginning of year	135,275,166	125,860,816
Balances, end of year	\$ 126,050,203	135,275,166

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)

Statements of Cash Flows

Years ended December 31, 2001 and 2000

	2001	2000
Reconciliation of net cash provided by operating activities		
Excess of revenues over expenses	\$ 2,028,178	(455,558)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities-		
Amortization of premium on refunding of 1989 bond series	292,834	292,834
Amortization of deferred bond costs	595,027	392,966
Accretion of discount/premium on bonds indebtedness	(109,977)	(116,194)
Accretion of discount on capital appreciation bonds	11,853,587	6,935,018
Accretion of discount on supplemental interest certificates	158,049	508,021
Changes in assets and liabilities-		
Decrease in accrued interest receivable	129,984	217,118
Decrease in minimum lease payments receivable	34,601,813	26,435,901
Decrease (increase) in prepaids and other assets	2,445	(15,105)
Decrease (increase) in Construction in Progress accrual	(4,476,897)	565,727
Decrease non-cash portion of Capital Appreciation Bond liability	(5,567,730)	5,567,730
Increase in accounts payable	4,006,221	730,060
Increase (decrease) in contractor retainage	(109,959)	(928,955)
Increase (decrease) in accrued bond interest payable	253,327	(1,506,993)
Net cash provided by operating activities	\$ 43,656,902	38,622,570
Supplemental disclosure of cash flow information - cash paid during the year for interest	\$ 32,833,860	34,146,163

See accompanying notes to combined financial statements.

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2001 and 2000

(1) Operations of the Authority

Reporting Entity

The New Jersey Building Authority (the "Authority"), a body corporate and politic and an instrumentality of the State of New Jersey (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.

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.

The Authority, under a master lease with amendments for individual properties, 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 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 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

December 31, 2001 and 2000

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.

The Authority was created by act of Legislation as an instrumentality of the State to acquire, construct, reconstruct, rehabilitate, or improve office, correctional, historical and other public facilities, as well as provide the financing for these projects. In accordance with its enabling legislation, interest income earned by the Authority on its investments becomes part of the funds utilized by the Authority to provide for the costs of the related projects. For the years ended December 31, 2001 and 2000, payments from the State of New Jersey for Construction in Progress have been reduced by approximately \$6,208,710 and \$11,158,546, respectively, to recognize the portion of such income earned which will be utilized to fund the construction costs.

(2) Summary of Significant Accounting Policies

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Basis of Accounting

The Authority financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of when the related cash flow takes place.

In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," the Authority applies all applicable GASB pronouncements, as well as all Financial Accounting Standards Board ("FASB") Statements and Interpretations issued on or before November 30, 1989 that do not conflict with GASB pronouncements. Subsequent to November 30, 1989, the Authority exclusively applies all applicable GASB pronouncements.

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2001 and 2000

GASB Statement No. 34

During 2001, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* As amended by GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis- for State and Local Governments: Omnibus* and GASB Statement No. 38, *Certain Financial Statement Disclosures*. GASB Statement No. 34 establishes financial reporting standards for state and local governments, including state, city, and special purpose governments.

As a result of its adoption, which was retroactive to January 1, 2000 the financial statements herein present a section for Management’s Discussion and Analysis and present the Statement of Cash Flows using the direct method as specified in GASB Statement No. 9. Also what was previously fund balance is now called net assets.

Cash and Cash Equivalents

Cash and cash equivalents are stated at cost. Cash and cash equivalents include investments in the State of New Jersey Cash Management Fund, money market funds, and flexible repurchase agreements which are readily convertible to known amounts of cash.

Funds Required by Bond Resolutions

In accordance with certain bond resolutions, the Authority has established the following restricted funds (accounts) to be held by First Union National Bank, as Trustee, to account for all revenue received by the Authority. In accordance with the terms of these bond resolutions, cash and investments for all funds established under the resolutions are classified as restricted assets.

<u>Fund</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.
Revenue	All revenues must be paid into this fund.	Transfers into the debt service, subordinated debt and bond retirement funds.

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2001 and 2000

<u>Fund</u>	<u>Amount</u>	<u>Use for Which Restricted</u>
Debt Service	Amount 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.
Subordinated Debt	Amount needed to pay principal and interest on or before each interest payment date and principal installment date on subordinated debt.	Payment of principal and interest on any subordinated debt.
Bond Retirement	Any amount determined by the Authority after meeting requirements under the bond resolution for all of the other funds.	Purchase or redemption of 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.

For financial reporting purposes, the assets, liabilities, and fund net assets and related revenues, expenses and cash flows of these sub funds have been combined.

The following sets forth the cash and cash equivalent balances in the above restricted funds as of December 31, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Construction fund	\$123,540,272	133,212,883
Debt service fund	178	1,704
Rebate fund	2,346,686	2,042,546

In addition, \$163,067 and \$18,033 is held in other funds as of December 31, 2001 and 2000, respectively.

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2001 and 2000

Construction in Progress

Construction in progress is stated at cost, which includes direct construction costs and other expenditures related to construction including capitalized 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 receivable is established.

Capitalized Interest

Net interest expense incurred during the construction of the Authority's projects is capitalized to the cost of those projects during the period of construction. Interest capitalized during 2001 and 2000 aggregated \$9,565,701 and \$14,528,305, respectively net of interest income of \$3,356,985 and \$3,722,538, respectively.

Deferred Bond Costs

Bond issuance costs are being amortized using the effective interest method over the life of the applicable bond issue.

Net Assets

Net Assets are classified as restricted and can only be utilized upon approval by the State Treasurer.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Income Taxes

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

Administrative Expense

The Authority reimburses the State for salary, fringe benefits and related costs for overhead and other expense that support the operations of the Authority.

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2001 and 2000

(3) Cash and Cash Equivalents

The Authority's cash and cash equivalents are classified below to inform the financial statement user about the extent to which the Authority's cash and cash equivalents are exposed to custodial credit risk.

Cash and cash equivalents held at financial institutions can be categorized according to three levels of risk. Category 1 includes amounts which are insured or collateralized with securities held by the Authority or by its agent in the Authority's name. Category 2 includes amounts which are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name. Category 3 includes amounts which are not collateralized.

As of December 31, 2001 and 2000, cash and cash equivalents are comprised of:

	<u>2001</u>	<u>2000</u>	<u>Category</u>
State of New Jersey cash management fund	\$ 97,287,338	57,732,755	1
Flexible repurchase agreement	26,063,553	76,130,813	2
Money market funds	2,698,920	1,411,245	3
Non-interest bearing accounts	<u>392</u>	<u>353</u>	3
	<u>\$126,050,203</u>	<u>135,275,166</u>	

(4) Minimum Lease Payments Receivable

Future minimum lease payments receivables due from the State as of December 31, 2001 are as follows:

2002	\$ 72,279,838
2003	74,157,015
2004	76,572,555
2005	76,690,925
2006	76,667,213
Thereafter	<u>213,955,792</u>
	595,603,782
Less – amounts representing interest	<u>(411,083,591)</u>
	<u>\$ 179,239,747</u>

The amount that is net of interest represents the principal on debt due on assets placed into operations by the State.

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2001 and 2000

The State is obligated to make payments to the Authority for the uncompleted portions of the State House Complex Project and other uncompleted projects funded by the 1994, 1997, 1999, and 2000 Series Bonds.

(5) Commitments and Contingencies

The Authority has contract commitments for the renovation of the State House Complex and for construction and renovations funded by the 1994, 1997, 1999, and 2000 Series Bonds as of December 31, 2001 and 2000 in the amount of \$31,827,699 and \$15,238,252, respectively. 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 position or results of operations.

(6) Reclassifications

Certain reclassifications have been made to the 2000 balances to be consistent with the 2001 presentation.

(7) Bonds Payable

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 \$425,284, which is being amortized as interest expense using the effective interest method over the life of the bonds. The bonds mature at various amounts from June 2001 through June 2020. The bonds bear interest rates ranging from 4.350% to 5.125%.

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 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.

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2001 and 2000

The bonds were issued at a premium of \$2,501,856, which is being amortized as a reduction of interest expense using the effective interest method over the life of the bonds. The bonds mature at various amounts from June 2000 through June 2019. The bonds bear interest rates ranging from 5.0% to 5.75%.

1997 Series

In September 1997, the Authority issued \$224,630,000 of 1997 Series Bonds. A portion of the proceeds of the bonds was used to advance refund \$97,995,000 principal amount of the \$103,760,000 outstanding of 1987 Series Bonds and to pay certain costs incurred in connection with the 1997 Series Bonds. As a result, the \$97,995,000 principal amount of the 1987 Series is considered to be defeased and the liability for such bonds was removed from the balance sheet. The defeased bonds were called and paid off in 1997. The advance refunding of the 1987 Series Bonds resulted in a loss of refunding of \$1,717,000.

The remaining proceeds of the 1997 Series Bonds was used 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. To provide payment for a portion of interest payable on the 1997 Series Bonds through June 15, 1999.

The bonds were issued at a premium of \$2,436,818, which is being amortized as a reduction of interest expense using the effective interest method over the life of the bonds. The bonds mature a various amounts from June 2000 through June 2018. The bonds bear interest at rates ranging from 4.75% to 6.00%.

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. To refund a portion of the Authority's State Building Revenue Bonds, 1989 Series.
- d. To provide payment for a portion of interest payable on the 1994 Series Bonds through June 15, 1995.

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

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2001 and 2000

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 varying amounts from June 2000 through 2011. Yields on these bonds range from 6.10% to 6.75%.

1989 Series

On April 1, 1989, the Authority issued \$49,752,390 of 1989 Series Bonds to partially fund the State House Complex Project.

The issuance consisted of three types of bonds:

- a. Bonds, priced at par, in the amount of \$28,640,000 which include \$9,045,000 of term bonds due June 2009 and \$19,595,000 of serial bonds which mature in varying amounts from June 1991 through June 2001. Interest rates on these bonds range from 6.85% to 7.20%.
- b. Bonds issued at a discount of \$2,117,103, with a face amount of \$15,265,000, due 2013 with an effective yield of 7.50%.
- c. Capital appreciation bonds in the amount of \$5,847,390 which mature in varying amounts from June 2001 through June 2006. Yields on these bonds range from 7.25% to 7.50%.

The 1989 Series Bonds maturing on and after June 2001 were advance refunded with a portion of the 1994 Series Bonds. As a result, the \$32,767,390 principal amount of the 1989 Series is considered to be defeased and the liability for such bond was removed from the balance sheet. The difference between the advance refunded price and the net carrying amount of the refunded bonds is deferred and amortized on a straight-line basis over the life of the new bonds.

1987 Series

On April 21, 1987, the Authority issued \$103,760,000 of 1987 Series Bonds (including \$52,395,000 of supplemental interest) with a combined average interest rate of 7.0% to advance refund \$103,760,000 principal amount of the \$121,685,000 outstanding of 1985 Series Bonds and to pay certain costs incurred in connection with the 1987 Series Bonds. As a result, the \$103,760,000 principal amount of the 1985 Series is considered to be defeased and the liability for such bonds was removed from the combined balance sheet. The defeased bonds were called and paid off in 1995.

The liability for supplemental interest certificates recorded on the combined balance sheet effectively represents, for financial reporting purposes, the unamortized principal amount of such certificates.

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2001 and 2000

In September 1997, the Authority advance refunded \$97,995,000 of the principal amount of 1987 Series Bonds with the proceeds of the 1997 Series Bonds.

Debt activity for the years ended December 31, 2000 and 2001 was as follows:

	<u>Bonds Payable</u>	<u>Capital Appreciation Bonds</u>	<u>Supplemental Interest Certificates</u>
Balance December 31, 1999	\$634,385,303	131,365,547	10,078,930
Additions	29,000,000	6,935,018	—
Reductions	<u>15,146,477</u>	<u>7,962,270</u>	<u>5,216,979</u>
Balance December 31, 2000	648,238,826	130,338,295	4,861,951
Additions	—	6,563,908	—
Reductions	<u>14,769,977</u>	<u>18,203,052</u>	<u>4,861,951</u>
Balance December 31, 2001	<u>\$633,468,849</u>	<u>118,699,151</u>	<u>—</u>

The following tables reflect the debt service by year for the 1987, 1991, 1994, 1997, 1999 and 2000 Series Bonds:

	<u>1987 Series Bond</u>		
<u>Year</u>	<u>Principal or Sinking Fund Installment</u>	<u>Interest</u>	<u>Total Debt Service</u>
2002	<u>\$5,765,000</u>	<u>186,572</u>	<u>5,951,572</u>

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2001 and 2000

1991 Series Bond			
<u>Year</u>	<u>Principal or Sinking Fund Installment</u>	<u>(1) Interest</u>	<u>Total Debt Service</u>
2002	\$ 6,902,465	6,890,253	13,792,718
2003	6,405,711	7,352,508	13,758,219
2004	5,974,172	7,773,202	13,747,374
2005	5,562,292	8,170,940	13,733,232
2006	5,177,525	8,545,486	13,723,011
2007	4,811,248	8,879,484	13,690,732
2008	4,506,031	9,194,809	13,700,840
2009	4,181,254	9,487,248	13,668,502
2010	3,912,647	9,748,554	13,661,201
2011	<u>3,662,706</u>	<u>4,595,727</u>	<u>8,258,433</u>
	<u>\$51,096,051</u>	<u>80,638,211</u>	<u>131,734,262</u>

- (1) Includes \$84,178,949 of capital appreciation bonds payable June 15, 2001 through June 15, 2011. This discount is being accreted for financial statement purposes over the life of the bonds.

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2001 and 2000

1994 Series Bond			
<u>Year</u>	<u>Principal or Sinking Fund Installment</u>	<u>(1) Interest</u>	<u>Total Debt Service</u>
2002	\$ 11,060,284	13,655,215	24,715,499
2003	11,284,205	13,451,039	24,735,244
2004	11,536,664	13,220,551	24,757,215
2005	11,837,051	12,944,554	24,781,605
2006	12,172,452	12,541,867	24,714,319
2007	13,410,000	10,050,693	23,460,693
2008	14,065,000	9,384,081	23,449,081
2009	14,760,000	8,670,411	23,430,411
2010	15,500,000	7,912,334	23,412,334
2011	16,295,000	7,115,779	23,410,779
2012	17,135,000	6,278,257	23,413,257
2013	18,020,000	5,402,043	23,422,043
2014	14,545,000	4,590,692	19,135,692
2015	15,320,000	3,842,438	19,162,438
2016	16,130,000	3,054,478	19,184,478
2017	16,985,000	2,224,800	19,209,800
2018	17,885,000	1,351,149	19,236,149
2019	<u>18,835,000</u>	<u>451,524</u>	<u>19,286,524</u>
	<u>\$266,775,656</u>	<u>136,141,905</u>	<u>402,917,561</u>

- (1) \$8,654,344 of capital appreciation bonds payable June 15, 2001 through June 15, 2006. This discount is being accreted for financial statement purposes over the life of the bonds.

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2001 and 2000

1997 Series Bond			
<u>Year</u>	<u>Principal or Sinking Fund Installment</u>	<u>Interest</u>	<u>Total Debt Service</u>
2002	\$ 4,105,000	10,969,155	15,074,155
2003	9,500,000	10,624,244	20,124,244
2004	12,320,000	10,043,036	22,363,036
2005	12,980,000	9,345,720	22,325,720
2006	13,705,000	8,608,730	22,313,730
2007	14,455,000	7,798,571	22,253,571
2008	15,320,000	6,996,081	22,316,081
2009	16,065,000	6,164,198	22,229,198
2010	16,980,000	5,278,492	22,258,492
2011	17,830,000	4,406,455	22,236,455
2012	18,720,000	3,490,824	22,210,824
2013	19,660,000	2,542,780	22,202,780
2014	7,570,000	1,874,066	9,444,066
2015	7,945,000	1,485,180	9,430,180
2016	8,345,000	1,072,317	9,417,317
2017	8,770,000	649,541	9,419,541
2018	<u>9,185,000</u>	<u>220,188</u>	<u>9,405,188</u>
	<u>\$213,455,000</u>	<u>91,569,578</u>	<u>305,024,578</u>

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2001 and 2000

1999 Series Bond			
<u>Year</u>	<u>Principal or Sinking Fund Installment</u>	<u>Interest</u>	<u>Total Debt Service</u>
2002	\$ 4,700,000	7,137,367	11,837,367
2003	5,040,000	6,893,256	11,933,256
2004	5,295,000	6,634,341	11,929,341
2005	5,565,000	6,361,976	11,926,976
2006	5,845,000	6,068,487	11,913,487
2007	6,165,000	5,752,529	11,917,529
2008	6,490,000	5,419,261	11,909,261
2009	6,835,000	5,059,407	11,894,407
2010	7,220,000	4,662,562	11,882,562
2011	7,645,000	4,234,996	11,879,996
2012	8,090,000	3,801,794	11,891,794
2013	8,530,000	3,342,258	11,872,258
2014	9,025,000	2,836,341	11,861,341
2015	9,555,000	2,300,872	11,855,872
2016	10,120,000	1,733,845	11,853,845
2017	10,715,000	1,134,272	11,849,272
2018	11,340,000	529,143	11,869,143
2019	<u>4,500,000</u>	<u>115,979</u>	<u>4,615,979</u>
	<u>\$132,675,000</u>	<u>74,018,686</u>	<u>206,693,686</u>

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2001 and 2000

2000 Series Bond			
<u>Year</u>	<u>Principal or Sinking Fund Installment</u>	<u>Interest</u>	<u>Total Debt Service</u>
2002	\$ 935,000	1,316,923	2,251,923
2003	980,000	1,273,476	2,253,476
2004	1,020,000	1,229,628	2,249,628
2005	1,065,000	1,183,675	2,248,675
2006	1,110,000	1,135,442	2,245,442
2007	1,160,000	1,084,528	2,244,528
2008	1,215,000	1,030,658	2,245,658
2009	1,270,000	973,676	2,243,676
2010	1,325,000	913,527	2,238,527
2011	1,390,000	849,524	2,239,524
2012	1,455,000	781,827	2,236,827
2013	1,525,000	708,848	2,233,848
2014	1,600,000	630,567	2,230,567
2015	1,730,000	547,046	2,277,046
2016	1,825,000	457,973	2,282,973
2017	1,860,000	364,516	2,224,516
2018	1,955,000	266,553	2,221,553
2019	2,055,000	163,584	2,218,584
2019	<u>2,250,000</u>	<u>52,852</u>	<u>2,302,852</u>
	<u>\$27,725,000</u>	<u>14,964,823</u>	<u>42,689,823</u>

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2001 and 2000

Total Debt Service – All Bonds

<u>Year</u>	<u>Total Debt Service</u>
2002	\$ 73,623,234
2003	72,804,439
2004	75,046,594
2005	75,016,208
2006	74,909,989
2007	73,567,053
2008	73,620,921
2009	73,466,194
2010	73,453,116
2011	68,025,187
2012	59,752,702
2013	59,730,929
2014	42,671,666
2015	42,725,536
2016	42,738,613
2017	42,703,129
2018	42,732,033
2019	26,121,087
2020	<u>2,302,852</u>
	<u>\$1,095,011,482</u>



NEW JERSEY BUILDING AUTHORITY

Past and Present Board of Directors 1981 - 2001

<u>Name</u>	<u>Affiliation</u>	<u>Years Served</u>
<i>Nancy Beer</i>	<i>Program Associate, The Woodrow Wilson School, Princeton University</i>	<i>1981-1985</i>
<i>William I. Blanchard</i>	<i>Assistant Treasurer, Wm. Blanchard Co.</i>	<i>1996-present</i>
<i>Stephen R. Ehrlich, Chairman</i>	<i>President, Windemere Associates</i>	<i>1996-present</i> <i>Chairman 1996-present</i>
<i>Bernard Ekelchick</i>	<i>School Teacher, Edison, New Jersey</i>	<i>1981-1982</i>
<i>Alfred L. Faiella</i>	<i>Executive Director, Newark Economic Development Corporation</i>	<i>1981-1982</i>
<i>John H. Fisher, III, Chairman</i>	<i>County Administrator, Gloucester County Courthouse</i>	<i>1990-present</i> <i>Chairman 1990-1993</i>
<i>Dale Florio</i>	<i>Partner, Princeton Public Affairs Group</i>	<i>1991-1994</i>
<i>Michael Hartsough, Chairman</i>	<i>Attorney, Hartsough, Kenny & Chase</i>	<i>1986-1994</i> <i>Chairman 1994</i>
<i>William Hierung, Jr., Esquire</i>	<i>Attorney, Hierung, Hoffman & Gannon Law Firm</i>	<i>1996-2001</i>
<i>Edward L. Hoffman</i>	<i>Publisher, The Trentonian</i>	<i>1981-1988</i>
<i>Donald J. Kennedy</i>	<i>Business Manager, IBEW, Local 269</i>	<i>1986-1995</i>
<i>Karen Kominsky, Acting Chair</i>	<i>Associate, Policy Management & Communications, Inc.</i>	<i>1993-1996</i> <i>Acting Chairwoman 1995</i>
<i>Aladar G. Komjathy</i>	<i>Director, The Stewart Agency</i>	<i>1989-1998</i>
<i>John R. Lacy, Jr.</i>	<i>Publisher</i>	<i>1986-1988</i>
<i>Joseph Lazur</i>	<i>President, National Siding Co.</i>	<i>1984-1985</i>
<i>Charles Marciante</i>	<i>Business Manager, IBEW, Local 269</i>	<i>1996-present</i>



NEW JERSEY BUILDING AUTHORITY

Past and Present Board of Directors 1981 - 2001

<u>Name</u>	<u>Affiliation</u>	<u>Years Served</u>
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
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-present
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-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 Management	1998-present



NEW JERSEY BUILDING AUTHORITY

Past and Present Ex-Officio Board Directors 1981 - 2001

<u>Name</u>	<u>State Office Held</u>	<u>Years Served</u>
<i>Douglas Berman</i>	<i>State Treasurer</i>	<i>1989-1990</i>
<i>Kenneth R. Biederman</i>	<i>State Treasurer</i>	<i>1981-1982</i>
<i>Brian W. Clymer</i>	<i>State Treasurer</i>	<i>1993-1997</i>
<i>Samuel Crane</i>	<i>State Treasurer</i>	<i>1991-1992</i>
<i>William R. DeLorenzo, Jr.</i>	<i>Chairman, Commission on Capital Budgeting & Planning</i>	<i>1989-1993</i>
<i>James A. DiEleuterio, Jr.</i>	<i>State Treasurer</i>	<i>1997-1999</i>
<i>Michael Ferrara</i>	<i>Acting Comptroller of the Department of the Treasury</i>	<i>1993</i>
<i>Edward G. Hofgesang</i>	<i>Comptroller of the Department of the Treasury</i>	<i>1981-1982</i>
<i>Charlene Holzbaur</i>	<i>Comptroller of the Department of the Treasury</i>	<i>1999-present</i>
<i>Michael Horn</i>	<i>State Treasurer</i>	<i>1983-1985</i>
<i>Eugene Jacobson</i>	<i>Chairman, Commission on Capital Budgeting & Planning</i>	<i>1981-1985</i>
<i>Richard Keevey</i>	<i>Comptroller of the Department of the Treasury</i>	<i>1989-1992</i>
<i>Peter R. Lawrance</i>	<i>Acting State Treasurer</i>	<i>2001</i>
<i>Roland M. Machold</i>	<i>State Treasurer</i>	<i>1999-2001</i>
<i>Benedict T. Marino</i>	<i>Chairman, Commission on Capital Budgeting & Planning</i>	<i>1986-1988</i>
<i>Carol Molnar</i>	<i>Chairman, Commission on Capital Budgeting & Planning</i>	<i>1994-present</i>
<i>Feather O'Connor</i>	<i>State Treasurer</i>	<i>1986-1988</i>
<i>Elizabeth Pugh</i>	<i>Comptroller of the Department of the Treasury</i>	<i>1994-1999</i>
<i>Richard Standiford, III</i>	<i>Comptroller of the Department of the Treasury</i>	<i>1983-1988</i>



NEW JERSEY BUILDING AUTHORITY

Past and Present Executive Directors 1981 - 2001

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

Mailing Address:

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

Delivery Address:

50 West State Street
8th Floor
Trenton, New Jersey 08625

Telephone:

(609) 633-7618