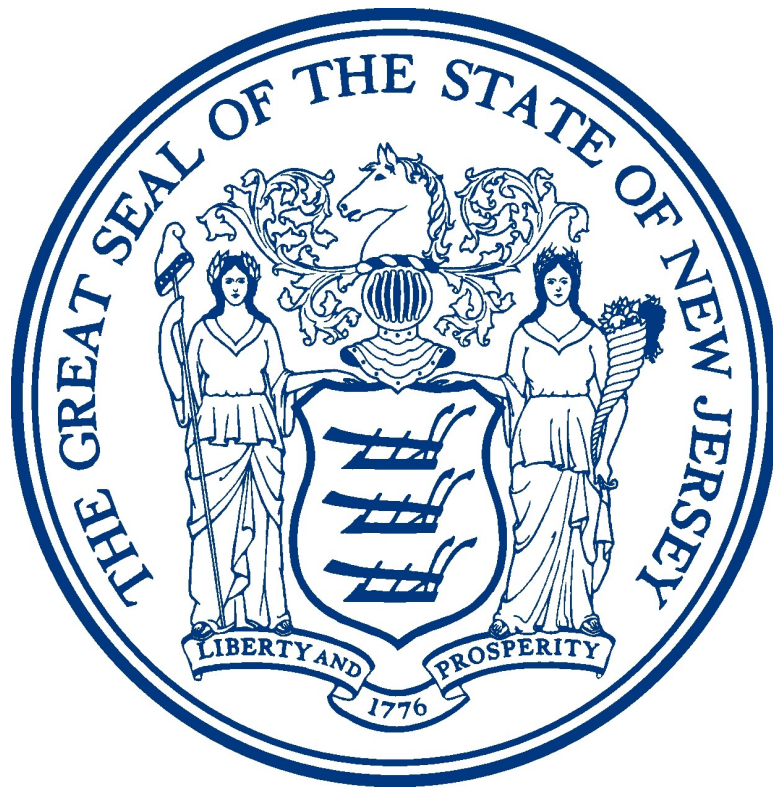


NEW JERSEY BUILDING AUTHORITY



2010
ANNUAL REPORT

A Brief History of the New Jersey Building Authority

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

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

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

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

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

The obligation of the State to make rental payments is subject to and depends upon yearly appropriations being made by the State Legislature for such purposes. In the event the State fails to make the necessary lease payments, the Authority may take possession of the projects and either lease or sell them to another party. In either case, the State is obligated to reimburse the Authority for any deficiency between the lease payments called for by the master lease and amounts paid by other parties. Through December 31, 2010, the Authority has undertaken projects totaling in excess of \$1.4 billion.



NEW JERSEY BUILDING AUTHORITY

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***Current Construction and
Renovation Projects***



State of New Jersey

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

CHRIS CHRISTIE
Governor

JOHN H. FISHER III
Chairman

The Honorable Chris Christie
Governor of the State of New Jersey

The Honorable Stephen M. Sweeney
President, New Jersey Senate

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

The Honorable Andrew P. Sidamon-Eristoff
State Treasurer

Consistent with N.J.S.A. 52:18A-78.26, I am pleased to report on the activities of the New Jersey Building Authority for calendar year 2010.

Respectfully,

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

John H. Fisher III
Chairman



Chairman



Executive Director

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

We are pleased to submit the 2010 Annual Report of the New Jersey Building Authority (NJBA). This report provides the history of the NJBA, the status of our projects, financial activity, and audited financial statements. As evident in this report, with each new project, our work scope has grown in complexity. We are certainly proud of our achievements. Our portfolio includes a wide range of projects including the renovation of state office buildings; the restoration of historical structures; and the construction of correctional facilities, and state-of-the-art technology campuses.

Our most recent venture is the New Jersey Public Health, Environmental and Agricultural Laboratory (NJPHEAL). Construction is rapidly progressing. The four story structure has been completed, and is quite impressive. The building is constructed of steel and concrete with a metal façade, and modified bitumen roofing system. A glass curtain wall allows natural light to permeate the building. Roof-mounted, photovoltaic panels will convert light to electricity. Security measures include a command center, and a prescreening facility. The entire campus will be protected by perimeter fencing, and hardened checkpoints. The new laboratory



NEW JERSEY BUILDING AUTHORITY

is intended to meet all operational standards and mandatory requirements set forth by the Centers for Disease Control and Prevention, the National Institute of Health, and the United States Department of Agriculture. Major construction is expected to be completed by the winter of 2010, and personnel should be able to occupy the space beginning in summer 2011.

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

- A clear understanding of the client's needs, objectives and expectations;
- A strong professional commitment to achieve the client's objectives;
- An on-going, productive working relationship with the client characterized by an open line of communication throughout the process, and;
- A continuous focus on the philosophy that the client is the purpose of our work.

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

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

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

A handwritten signature in black ink that reads "John H. Fisher III". The signature is written in a cursive style with a prominent "J" and "F".

John H. Fisher III
Chairman

A handwritten signature in black ink that reads "Raymond A. Arcario". The signature is written in a cursive style with a prominent "R" and "A".

Raymond A. Arcario
Executive Director

Board of Directors



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Managing Director
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New Jersey Regional Council of Carpenters

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Galloway, NJ 08205

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Ex-Officio Board Directors



Andrew P. Sidamon-Eristoff

State Treasurer

*David Moore served in the
Treasurer's absence.*



Charlene Holzbaur

Comptroller of the Treasury

*Nancy Style served in the
Comptroller's absence.*



Carol Molnar, Esquire

**Chair, Commission on Capital
Budgeting and Planning**

*A designee served in the
Chairperson's absence.*

NJ Public Health, Environmental and Agriculture Laboratory Facilities
Project Cost: \$157,200,000

The objective of this project is to construct a new 275,000 square foot Public Health, Environmental and Agriculture Laboratory (NJPHEAL) in the NJ State Police Headquarters Complex in West Trenton. The laboratory will consolidate operations in a highly secure state-of-the-art facility, eliminate duplicative processes, and allow State departments to share resources.

Approximately 180,000 square feet will be dedicated to specialized laboratories and 95,000 square feet will be utilized for administrative and support services. Included in the design are a biological lab to safely handle dangerous pathogens and toxic chemicals; a necropsy lab for the detection of animal-borne diseases; a greenhouse for the evaluation and prevention of threats to the state's agricultural resources; and training facilities for personnel.

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

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

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

The site, civil engineering and foundation contract, and the general construction contract were both awarded early in 2008. The bids for the security command center contract came in over budget, so the contractors were interviewed to better understand the higher costs. The contracts were revised, and the project will be advertised again.



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

NJBA NEW JERSEY BUILDING AUTHORITY

By the end of the year, the site excavation phase was completed, and underground utilities were positioned within the building footprint. Metal decks were installed, and concrete deck slabs were poured.

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



The exterior wall systems were completed by year end with the exception of the C building area. Also during 2009, construction of the Pre-Screening Building and the Greenhouse commenced.

By December 2010, the majority of the work had been completed and the Department of Community Affairs issued a Temporary Certificate of Occupancy. The State had agreed to take over the boiler operations and plans were underway to move all NJBA, Turner Construction, Bovis Lend Lease, and Working Buildings' staff into temporary space within the building. This allowed for the removal of construction trailers so that the remaining site work can be completed during Spring 2011.



***NJ State Police Emergency Operations Center
Project Cost: \$ 31,031,033***

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





NEW JERSEY BUILDING AUTHORITY

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***Future Construction and
Renovation Projects***

New Repair Projects of State Facilities



State Museum/Auditorium

**Project A1115-00
HVAC upgrade new Digital Control System**

**Budgeted: \$500,000
Anticipated Start Date: October 2011**



State Justice Complex

**Project A1116-00
Replacement of Atrium Skylight Glazing**

**Budgeted: \$700,000
Anticipated Start Date: October 2011**



Treasury Taxation Building

**Project A1117-00
Water infiltration repair, Exterior Sealant application on stone facing. Removal of 4th story bridge,**

**Budgeted: \$1,000,000
Anticipated Start Date: November 2011**



State Justice Complex

**Project A1118-00
Elevator Modernization—New cars and Controls**

**Budgeted: \$2,000,000
Anticipated Start Date: December 2011**

New Repair Projects of State Facilities



State House Complex Visitors Center Plaza

Project A1120-00

Repair of below grade waterproof membrane

Budgeted: \$400,000

Anticipated Start Date: October 2011



State House Annex

Project A1121-00

Replacement of #4 Air Handler Unit

Budgeted: \$415,000

Anticipated Start Date: September 2011



State House Annex—East Wing Basement

Project A1122-00

Water Infiltration Repair

Budgeted: \$400,000

Anticipated Start Date: October 2011



State House Parking Garage

Project A1123-00

Structural repairs to concrete within parking structure

Budgeted: \$2,000,000

Anticipated Start Date: November 2011

New Jersey State Museum

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

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

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

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

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

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

Status as of December 31, 2010



New Jersey State Richard J. Hughes Justice Complex

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



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

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

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

NJ Department of Treasury Taxation Building

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

Technical and fee proposals are due April 14, 2011 by randomly selected A/E firms that can submit proposals for design of this project. Submitted technical proposals will be evaluated and rated by the project team; fee proposals are then opened and reviewed. The highest rated firm will be interviewed to discuss its project approach, the budget constraints and design team experience in similar projects.



NJ State House Annex

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

A draft Scope of work was received on March 22, 2011 from DPMC and forwarded to the Project Team for review. A meeting was held to discuss the SOW comments and returned to DPMC Scope of Work Unit so that a final scope of work can be distributed for approval to the Project Team. A meeting was held with a representative from the State Historic Preservation Office to determine if pre-qualification as a Historic Architectural firm will be required on this project. Due to the Annex being registered as a Historic site it will be necessary to advertise the project to a Historic Preservation Architect.



NJ Statehouse Visitors Complex and Parking Garage



This project will address continual water infiltration in the State House Atrium Welcome Center Lobby located below the State House Plaza Park. The Plaza Park is directly above an operational parking garage serving the Capital Complex and above the State House Atrium Welcome Center lobby. It consists of paved surfaces with drainage and waterproofing system below. Some areas of the waterproofing membrane have been leaking since 2002, causing water infiltration into the State House Atrium and allowing mold growth within the drywall finishes. Water is frequently found on the floor of level 3 of the State House Atrium creating hazardous conditions at one of the main entrances to the Capitol Complex. The project scope will consist of the removal of the overburden at the Plaza Park area above the Welcome Center to include railings, cap blocks and pavers in order to allow access for the replacement of the waterproofing membrane and the reinstallation of the permanent structures.

A draft scope of work was circulated to the project team for review and comments. All comments will be returned to DPMC Scope of Work unit for review and incorporation into the document and a final scope of work will be distributed for signatures.

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

The Scope of Work was circulated on March 14, 2011 from DPMC to the Project Team for review. A meeting was held to discuss the SOW comments and returned to DPMC Scope of Work unit so that a final scope of work can be distributed to the Project Team for approval. Project advertisement and pre-proposal dates have not yet been established for this project.



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***Past Construction and
Renovation Projects***

Past NJBA Project Highlights

<u>Project Description</u>	<u>Project Period</u>	<u>Project Cost</u>
<p>Dept. of Corrections, Southwoods State Prison. The Bridgeton Prison Project was comprised of the construction of a 1,355,000 square foot medium security prison including a poultry processing plant and a central kitchen which services prison facilities throughout the State. The project added approximately 3,000 beds to the State prison system. The facilities are fully operational and have been occupied since 1997.</p>	1993—2000	\$234,447,437
<p>Dept. of State, Cultural Campus Renovation (Phase 1) Total demolition and renovation of building mechanical systems.</p>	1997—2001	\$ 16,058,298
<p>Taxation Building Renovations Upgrade air handler units, energy management and fire safety systems. Make building ADA compliant.</p>	1997– 1998	\$ 6,513,297
<p>Dept. of Transportation Engineering & Operations Building Improvements Upgrade communications and data cabling. Bring HVAC systems up to code. Ensure fire safety compliance.</p>	2000—2004	\$ 8,400,340
<p>Dept. of Law & Public Safety State Police Troop C Headquarters Firing Range & Technology Complex The new headquarters includes barracks and a firearms range, fueling station, emergency generator, transformer, heliport, communications tower, surface parking and other amenities. These projects have been completed and were within budget.</p>	2001—2003	\$ 83,449,391
<p>Dept. of Transportation Upgrade fire alarm systems in all DOT main campus buildings. Repair flooring and replace elevators</p>	2004—2009	\$ 3,734,337
<p>Labor Building Renovation Extensive renovation, asbestos abatement Total interior and exterior refurbishing and replacement of materials and finishes. Make building ADA compliant. Upgrade HVAC and plumbing systems, replace sidewalks.</p>	2002—2007	\$ 22,932,074

Past NJBA Project Highlights

<u>Project Description</u>	<u>Project Period</u>	<u>Project Cost</u>
<p>Old Barracks Museum Complete historic restoration of Old Barracks entailing archaeological research. Restoration of roof, porches and parade ground. Installation of a perimeter stockade fence. Complete assessment of the structural integrity of the buildings and the development of a building maintenance program.</p>	<p>1998—2001</p>	<p>\$ 6,623,237</p>
<p>War Memorial Renovate and historically restore the interior and exterior of the building to its original 1920’s appearance. Install new railings and sound system. Upgrade lighting and make the building ADA compliant and handicapped accessible.</p>	<p>1996—2004</p>	<p>\$33,586,014</p>
<p>Thomas Edison College Restoration and renovation of six historic townhouses located at 105-115 W. State Street. The building exteriors were restored to reflect the original 19th Century appearance and the interiors were converted to modern office space for Thomas Edison State College personnel. A new addition connects the townhouses and the Kelsey Building. Restoration of antique exterior clock, refinishing exterior windows and remediation and repair of damage by water and ice. Install new gutters, downspouts and sewer lines.</p>	<p>1998—2006</p>	<p>\$ 14,294,056</p>
<p>Pinelands Commission Headquarters Renovate existing farm buildings for office use. The farmhouse was completely renovated. The exterior of the building, including windows, were restored to state historic specifications the old roof was replaced. The carriage house was structurally reinforced and painted. The windows were restored and a new bathroom was added. The barn was converted into office space which required the installation of a bathroom, heating and air conditioning systems, a security access system, and a telecommunication system. The barn roof was also replaced during the renovation.</p>	<p>2004—2006</p>	<p>\$ 2,002,646</p>
<p>TOTAL COST OF THESE PAST RENOVATION RESTORATION PROJECTS:</p>		<p>\$432,041,127</p>

Acquisition of State Office Building **Richard J. Hughes Justice Complex, Acquisition Cost: \$80,682,136**

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

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

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





NEW JERSEY BUILDING AUTHORITY

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***Financial History of the
New Jersey Building Authority***

Initial Project Financing

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

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

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

State House Complex Improvements Financing

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

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

1994 Project Financing

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

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

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

1995 Financing

The Authority issued no new bonds in 1995.

On July 20, 1995, the Authority entered into a collateralized flexible repurchase agreement.

1996 Financing

The Authority issued no new bonds in 1996.

1997 Project Financing

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

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

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

1998 Financing

The Authority issued no new bonds in 1998.

1999 Project Financing

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

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

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

2000 Project Financing

Renovation of the Richard J. Hughes Justice Complex

Construction of the Improvements to the Department of Transportation E & O Building

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

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

2001 Financing

The Authority issued no new bonds in 2001.

2002 Project Financing

Construction of the State Police Office of Emergency Management and Emergency Operations Center

Renovation of the State Museum and the Pinelands Commission Headquarters,

Completion Funding for the State Police Technology/Multi-Purpose Building and Troop C Headquarters

On November 15, 2002, the Building Authority issued \$65 million of NJBA Revenue Bonds, 2002 series A.

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

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

2003 Project Financing

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

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

2004 Project Financing

New Jersey Department of Transportation

Elevator Renovations, Limited Floor Re-Tiling and Fire Alarm System Upgrade

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

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

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

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

2005 Project Financing

The Authority issued no new bonds in 2005.

2006 Project Financing

New Jersey Public Health, Agricultural and Environmental Laboratory Project

On August 17, 2006, the Authority issued \$48.7 million of New Jersey Building Authority Revenue Bonds, 2006 Series A.

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

2007 Project Financing

New Jersey Public Health, Environmental and Agriculture Laboratory

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

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

2008 Project Financing

The Authority issued no new bonds in 2008.

2009 Project Financing

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

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

2010 Project Financing

The Authority issued no new bonds in 2010.

Financial Statements

See Appendix A for the combined financial statements for the years ended December 31, 2010 and 2009 along with the report of the independent public accountants.

Past and Present Members of the Board of Directors 1981—2010

<u>Name</u>	<u>Affiliation</u>	<u>Years Served</u>
Nancy Beer	Program Associate, The Woodrow Wilson School, Princeton University	1981-1985
William I. Blanchard	Assistant Treasurer, Wm. Blanchard Co.	1996-2004
Jerry Della Salla	Business Manager, Bricklayers and Allied Craftworkers	2004
Stephen R. Ehrlich, Chairman	President, Windemere Associates	1996-2005 <i>Chairman 1996-2001</i>
Bernard Ekelchick	School Teacher, Edison, New Jersey	1981-1982
Alfred L. Faiella	Executive Director, Newark Economic Development Corporation	1981-1982
John H. Fisher III, Chairman	Managing Director, Tri-State Strategies, NJ, LLC Chairman	1990-present <i>2001-present and 1990-1993</i>
Dale Florio Partner,	Princeton Public Affairs Group	1991-1994
Michael Hartsough, Chairman	Attorney, Hartsough, Kenny & Chase	1986-1994 <i>Chairman 1994</i>
William Hering, Jr., Esquire	Attorney, Hering, Hoffman & Gannon Law Firm	1996-2001
Edward L. Hoffman	Publisher, The Trentonian	1981-1988
James Kearney	President, BCC Construction LLSC	2004-2007
Donald J. Kennedy	Business Manager, IBEW, Local 269	1986-1995
Karen Kominsky, Acting Chair	Associate, Policy Management & Communications, Inc.	1993-1996 <i>Acting Chairwoman 1995</i>
Aladar G. Komjathy	Director, The Stewart Agency	1989-1998
John R. Lacy, Jr.	Publisher	1986-1988

Past and Present Members of the Board of Directors 1981—2010

<u>Name</u>	<u>Affiliation</u>	<u>Years Served</u>
<i>Joseph Lazur</i>	<i>President, National Siding Co.</i>	<i>1984-1985</i>
<i>William Maer</i>	<i>Partner, Public Strategy Impact</i>	<i>2005-present</i>
<i>Charles Marciante</i>	<i>Business Manager, IBEW, Local 269</i>	<i>1996-2008</i>
<i>Arthur Maurice</i>	<i>Associate, New Jersey Business and Industry Association</i>	<i>1994-1995</i>
<i>Edward F. Meara, III,</i>	<i>Chairman Executive Director, Mercer County Chamber of Commerce</i>	<i>1981-1992</i> <i>Chairman 1981-1982</i>
<i>Peter J. McDonough, Jr.</i>	<i>Partner, Princeton Public Affairs Group</i>	<i>1989-1990</i>
<i>Dennis McNerney</i>	<i>Bergen County Executive</i>	<i>2004-present</i>
<i>William T. Mullen</i>	<i>President, NJ Building and Construction Trades Council</i>	<i>2008-present</i>
<i>Dean Munley</i>	<i>Howard Savings Bank</i>	<i>1983-1985</i>
<i>Prentis C. Nolan, III</i>	<i>President, PC Nolan & Associates, Inc.</i>	<i>1999-present</i>
<i>John S. Pehlivanian, Esquire</i>	<i>Attorney, Pehlivanian & Braaten, LLC</i>	<i>1996-2007</i>
<i>Maurice T. Perilli</i>	<i>Executive Vice President and Board Chairman, Roma Savings Bank</i>	<i>1992-1994</i>
<i>Edward Pulver</i>	<i>Secretary/Treasurer, New Jersey AFL-CIO</i>	<i>1981-1985</i>
<i>Ramon Rivera</i>	<i>Executive Director, La Casa de Don Pedro</i>	<i>1981-1983</i>
<i>Richard Rowson</i>	<i>Business Agent, IBEW, Local 351</i>	<i>1997-2002</i>
<i>Morris Rubino</i>	<i>Manger/Financial Secretary and Treasurer Ironworkers Local Union No. 68</i>	<i>2005-present</i>

Past and Present Members of the Board of Directors 1981—2010

<u>Name</u>	<u>Affiliation</u>	<u>Years Served</u>
<i>W. Harry Sayen</i>	<i>Board Chairman Emeritus, Mercer Rubber Co.</i>	<i>1981-1992</i>
<i>Leonard Sendelsky</i>	<i>Builder</i>	<i>1986-1991</i>
<i>Morton A. Siegler,</i>	<i>Chairman President, Morton A. Siegler Associates</i>	<i>1983-1987 Chairman 1983-1987</i>
<i>William C. Sproule</i>	<i>NJ Regional Council of Carpenters</i>	<i>2008-present</i>
<i>Charles E. Stapleton</i>	<i>President, Impact Government Relations</i>	<i>1986-1990</i>
<i>John H. Walther</i>	<i>Board Chairman, New Jersey National Bank</i>	<i>1981-1985</i>
<i>Kim Whelan</i>	<i>Managing Director, Public Financial Mgmt.</i>	<i>1998-2005</i>

Past and Present Ex-Officio Members of the Board Directors

<u>Name</u>	<u>State Office Held</u>	<u>Years Served</u>
<i>Bradley I. Abelow</i>	<i>State Treasurer</i>	<i>2006-2007</i>
<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>Michellene Davis</i>	<i>Acting State Treasurer</i>	<i>2007</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>John McCormac</i>	<i>State Treasurer</i>	<i>2002-2005</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>R. David Rousseau</i>	<i>State Treasurer</i>	<i>2008-2010</i>
<i>Andrew P. Sidamon-Eristoff</i>	<i>State Treasurer</i>	<i>2010 to Present</i>

***Past and Present Executive Directors
1981—2010***

<u>Name</u>	<u>Years Served</u>
David T. Beale	1981—1995
Charles Chianese	1995—2010
Raymond A. Arcario	2011—Present



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

CHRIS CHRISTIE
Governor
KIM GUADAGNO
Lt. Governor

John H. Fisher III
Chairman

CERTIFICATION

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

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

Raymond A. Arcario

Executive Director – New Jersey Building Authority

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)
Financial Statements
December 31, 2010

NEW JERSEY BUILDING AUTHORITY

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December 31, 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
New Jersey Building Authority

We have audited the accompanying financial statements of the governmental activities and each fund of New Jersey Building Authority (the "Authority"), a component unit of the State of New Jersey, as of and for the years ended December 31, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each fund of the Authority as of December 31, 2010 and 2009, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

- AN INDEPENDENTLY OWNED MEMBER OF THE RSM MCGILDRAY NETWORK
- AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
- NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
- NEW YORK SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
- PENNSYLVANIA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
- AICPA'S PRIVATE COMPANIES PRACTICE SECTION
- AICPA'S CENTER FOR AUDIT QUALITY
- REGISTERED WITH THE PCAOB

INDEPENDENT AUDITORS' REPORT (CONTINUED)

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2011, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5-8 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Mercador, PC
Certified Public Accountants

April 28, 2011

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

To the Board of Directors of
New Jersey Building Authority

We have audited the financial statements of New Jersey Building Authority (the "Authority") as of and for the year ended December 31, 2010, and have issued our report thereon dated April 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

- AN INDEPENDENTLY OWNED MEMBER OF THE RSM MCGGLADREY NETWORK
- AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
- NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
- NEW YORK SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
- PENNSYLVANIA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
- AICPA'S PRIVATE COMPANIES PRACTICE SECTION
- AICPA'S CENTER FOR AUDIT QUALITY
- REGISTERED WITH THE PCAOB

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

Compliance and Other Matters

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

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

Marcadon, PC
Certified Public Accountants

April 28, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the New Jersey Building Authority's annual financial report represents our discussion of the New Jersey Building Authority's (the "Authority") financial performance and provides an overview of the Authority's activities for the year ended December 31, 2010. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read it in conjunction with the Authority's financial statements.

Financial Highlights

- Authorized \$10.1 million of additional projects utilizing existing funding.
- Construction-In-Progress outlays totaled \$40,124,000.

Overview of the Financial Statements

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

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

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

Basic Financial Statements

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Notes to the basic financial statements.

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

Financial Analysis

Net Assets (in thousands) - Statements of Net Assets

	Year Ended December 31,		Change 2009-2010
	2010	2009	
Current assets	\$ 101,133	\$ 174,214	(41.95)%
Non-current assets	596,956	594,885	0.35 %
Total assets	<u>698,089</u>	<u>769,099</u>	(9.47)%
Current liabilities	74,262	75,635	(1.82)%
Non-current liabilities	<u>601,096</u>	<u>665,225</u>	(9.64)%
Total liabilities	<u>675,358</u>	<u>740,860</u>	(8.84)%
Net assets	<u>\$ 22,731</u>	<u>\$ 28,239</u>	(19.50)%

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

	Year Ended December 31,		Percentage Change 2009-2010
	2010	2009	
Revenues			
Investment income	\$ 153	\$ 867	(82.35)%
Rebate income	-	-	- %
State rental payments	20,070	21,622	(7.18)%
State appropriation	1,246	1,243	0.24 %
Amortization income	<u>2,308</u>	<u>2,662</u>	(13.26)%
Total revenues	<u>23,777</u>	<u>26,394</u>	(9.91)%
Expenditures			
Transaction costs	-	-	- %
Amortization expense	3,769	4,684	(19.53)%
Debt Service:			
Interest	23,171	20,952	10.59 %
Other administrative expenses	<u>2,345</u>	<u>2,185</u>	7.32 %
Total expenditures	<u>29,285</u>	<u>27,821</u>	5.26 %
Change in net assets	(5,508)	(1,427)	(285.91)%
Net assets, beginning of year	<u>28,239</u>	<u>29,666</u>	(4.81)%
Net assets, end of year	<u>\$ 22,731</u>	<u>\$ 28,239</u>	(19.50)%

Cash Receipts and Revenues

State debt service receipts of \$39.7 million and \$18.3 million of deferred revenue were utilized to make 2010 debt service payments, of which \$24.5 million was associated with the interest portion of bond payments as identified in the official statements and \$33.5 million was associated with the pay-down of the principal portion.

Investment income decreased \$714,338 from \$867,319 at December 31, 2009, to \$152,981 at December 31, 2010, as a result of construction expenditures of over \$37 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The Authority received a State appropriation of \$1.26 million to cover its 2010 Administrative Budget, the majority of which was used for salary and payroll related expenses (\$778,000) of its eight full time and one part time employees (as of January 1, 2010).

Construction Contract Payments

Construction expenditures in 2010 totaled \$40.124 million and are detailed in Table 1.

Table 1

<u>Construction Contract Payments</u>	2010 <u>(in thousands)</u>
DOT	\$ 5
Health Lab Facility	35,329
Justice Complex	300
DOT - Ewing Campus	87
State Museum	222
State Police HQ	907
State Police EOC	1,549
Other	1,725
Total	<u>\$ 40,124</u>

There was significant progress on the construction of the 275,000 square foot Public Health, Environmental & Health Agricultural Laboratory Facility at the New Jersey State Police Headquarters Complex in West Trenton. The project was approximately 85% completed as of December 31, 2010. When completed, the laboratory will provide a secure, central, state-of-the-art facility for various agencies to perform work in support of public health, environmental and agriculture programs.

Also, the State Museum project is substantially completed. The objective of State Museum project is to retrofit the current HVAC system with a state-of-the-art zoned system to provide the appropriate stable climate for visitors, staff and the valuable collections.

Debt Service

During 2010 the Authority made principal payments of \$33.45 million. Table 2 summarized the change in debt service between the calendar years 2010 and 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Table 2

	2010	2009	Percentage Change 2010-2009
Bonds payable	\$ 639,755	\$ 673,205	(4.97)%

The Authority Bond Ratings as of December 31, 2010 and 2009, were as follows:

	2010	2009
Fitch	AA-	A+
Moody's	Aa3	A1
Standard & Poor	AA-	AA-

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

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

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

Contacting Financial Management

This financial report is designed to provide citizens, vendors and creditors with a general overview of the 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 219, Trenton, New Jersey 08625-0219.

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
December 31, 2010

	<u>Governmental Funds</u>	<u>Adjustments (Note G)</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash and equivalents- restricted	\$ 46,594,447	\$ -	\$ 46,594,447
Minimum lease payments receivable	-	482,773,917	482,773,917
Deferred loss on advanced refunding of bonds	-	18,501,093	18,501,093
Deferred bond issuance costs	-	4,594,832	4,594,832
Property and equipment	-	22,588	22,588
Construction in progress	-	145,602,546	145,602,546
Total Assets	<u>\$ 46,594,447</u>	<u>\$ 651,494,976</u>	<u>\$ 698,089,423</u>
LIABILITIES			
Accounts payable			
Other	\$ 17,466,656	\$ (4,828,085)	\$ 12,638,571
Contractor retainage payable	4,968,267	-	4,968,267
Accrued bond interest payable	-	1,189,816	1,189,816
Bonds payable	-	639,755,000	639,755,000
Unamortized bond premiums, net of discounts	-	16,806,315	16,806,315
Total Liabilities	<u>22,434,923</u>	<u>652,923,046</u>	<u>675,357,969</u>
FUND BALANCES/NET ASSETS			
Restricted	<u>24,159,524</u>	<u>(1,428,070)</u>	<u>22,731,454</u>
Total Fund Balances/Net Assets	<u>24,159,524</u>	<u>(1,428,070)</u>	<u>22,731,454</u>
Total Liabilities and Fund Balances/Net Assets	<u>\$ 46,594,447</u>	<u>\$ 651,494,976</u>	<u>\$ 698,089,423</u>

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
December 31, 2009

	<u>Governmental Funds</u>	<u>Adjustments (Note G)</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash and equivalents- restricted	\$ 120,376,702	\$ -	\$ 120,376,702
Accrued interest receivable	58	-	58
Minimum lease payments receivable	-	484,536,810	484,536,810
Deferred loss on advanced refunding of bonds	-	21,772,421	21,772,421
Deferred bond issuance costs	-	4,965,122	4,965,122
Property and equipment	-	28,710	28,710
Construction in progress	-	<u>137,419,616</u>	<u>137,419,616</u>
Total Assets	<u>\$ 120,376,760</u>	<u>\$ 648,722,679</u>	<u>\$ 769,099,439</u>
LIABILITIES			
Accounts payable			
Payable to State	\$ -	\$ 77,997	\$ 77,997
Other	26,117,933	15,988,709	42,106,642
Contractor retainage payable	5,103,025	-	5,103,025
Accrued bond interest payable	-	1,253,583	1,253,583
Bonds payable	-	673,205,000	673,205,000
Unamortized bond premiums, net of discounts	-	<u>19,113,959</u>	<u>19,113,959</u>
Total Liabilities	<u>31,220,958</u>	<u>709,639,248</u>	<u>740,860,206</u>
FUND BALANCES/NET ASSETS			
Restricted	<u>89,155,802</u>	<u>(60,916,569)</u>	<u>28,239,233</u>
Total Fund Balances/Net Assets	<u>89,155,802</u>	<u>(60,916,569)</u>	<u>28,239,233</u>
Total Liabilities and Fund Balances/Net Assets	<u>\$ 120,376,760</u>	<u>\$ 648,722,679</u>	<u>\$ 769,099,439</u>

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/NET ASSETS
Year Ended December 31, 2010

	<u>Governmental Funds</u>	<u>Adjustments (Note G)</u>	<u>Statement of Activities</u>
REVENUES			
Investment income	\$ 152,981	\$ -	\$ 152,981
State rental payments	18,222,283	1,847,415	20,069,698
State principal payments	21,445,000	(21,445,000)	-
State appropriation for administrative costs	1,245,900	-	1,245,900
Amortization income	-	2,308,533	2,308,533
Total revenues	<u>41,066,164</u>	<u>(17,289,052)</u>	<u>23,777,112</u>
EXPENDITURES			
Amortization expense	-	3,768,706	3,768,706
Capital outlay	40,123,551	(40,123,551)	-
Debt service			
Principal	33,450,000	(33,450,000)	-
Interest	30,143,896	(6,972,706)	23,171,190
Other administrative expenses	2,344,995	-	2,344,995
Total expenditures	<u>106,062,442</u>	<u>(76,777,551)</u>	<u>29,284,891</u>
Excess (deficiency) of revenues over expenditures	<u>(64,996,278)</u>	<u>59,488,499</u>	<u>(5,507,779)</u>
Change in fund balance/net assets	<u>(64,996,278)</u>	<u>59,488,499</u>	<u>(5,507,779)</u>
Fund balance/net assets			
Beginning of year	<u>89,155,802</u>	<u>(60,916,569)</u>	<u>28,239,233</u>
End of year	<u>\$ 24,159,524</u>	<u>\$ (1,428,070)</u>	<u>\$ 22,731,454</u>

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/NET ASSETS
Year Ended December 31, 2009

	Governmental Funds	Adjustments (Note G)	Statement of Activities
REVENUES			
Investment income	\$ 867,319	\$ -	\$ 867,319
State rental payments	21,348,722	273,601	21,622,323
State principal payments	29,871,254	(29,871,254)	-
State appropriation for administrative costs	1,243,500	-	1,243,500
Amortization income	-	2,662,452	2,662,452
Total revenues	<u>53,330,795</u>	<u>(26,935,201)</u>	<u>26,395,594</u>
EXPENDITURES			
Miscellaneous transaction costs	129	-	129
Amortization expense	-	4,684,208	4,684,208
Capital outlay	74,345,094	(74,345,094)	-
Debt service			
Principal	3,300,000	(3,300,000)	-
Interest	27,797,744	(6,844,960)	20,952,784
Other administrative expenses	<u>2,185,392</u>	<u>-</u>	<u>2,185,392</u>
Total expenditures	<u>107,628,359</u>	<u>(79,805,846)</u>	<u>27,822,513</u>
Excess (deficiency) of revenues over expenditures	<u>(54,297,564)</u>	<u>52,870,645</u>	<u>(1,426,919)</u>
OTHER FINANCING SOURCES (USES)			
Long-term debt issued	121,395,000	(121,395,000)	-
Bond issuance costs	(969,588)	969,588	-
Premium on debt issued	5,386,304	(5,386,304)	-
Payment to bond refunding escrow agent	<u>(125,592,155)</u>	<u>125,592,155</u>	<u>-</u>
Total other financing sources (uses)	<u>219,561</u>	<u>(219,561)</u>	<u>-</u>
Change in fund balance/net assets	(54,078,003)	52,651,084	(1,426,919)
Fund balance/net assets			
Beginning of year	<u>143,233,805</u>	<u>(113,567,653)</u>	<u>29,666,152</u>
End of year	<u>\$ 89,155,802</u>	<u>\$ (60,916,569)</u>	<u>\$ 28,239,233</u>

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Authority

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

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

Reporting Entity

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

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

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

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

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

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

Basis of Accounting

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

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

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

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

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

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenditures are recognized when incurred. The primary sources of revenues are rental payments received from the State of New Jersey, in accordance with the Authority's master lease agreement with the State.

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

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

Use of Estimates

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

Funds Required by Bond Resolutions

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

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

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

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Funds Required by Bond Resolutions (Continued)

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

	December 31,	
	2010	2009
Construction fund	\$ 43,002,160	\$ 96,929,617
Debt service	3,139,721	23,066,001
Rebate and other	452,566	381,084
	<u>\$ 46,594,447</u>	<u>\$ 120,376,702</u>

Construction in Progress

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

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

Capitalized Interest

In the government-wide financial statements, the Authority capitalizes all interest expense and income related to projects under construction. Capitalized interest charged to construction in progress was \$6,904,669 and \$6,973,428 for the years ended December 31, 2010 and 2009, respectively.

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

Bond Issuance Costs

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

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

Bond Premiums/Discounts

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

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance/Net Assets

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

Income Taxes

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

Administrative Expense

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

Concentration of Risk

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

B. CASH AND EQUIVALENTS

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires uncollateralized deposits exposed to custodial risk to be disclosed. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits that are in the possession of an outside party. The following is a summary of the Authority's cash deposit by financial institution and the amount exposed to custodial credit risk at December 31, 2010 and 2009. The New Jersey Cash Management Fund is a pooled investment fund and is guaranteed by the State of New Jersey. Thus, deposits in the New Jersey Cash Management Fund are not subject to credit risk or custodial credit risk. U.S. Treasury notes are explicitly guaranteed by the U.S. government and are not subject to credit risk or custodial credit risk. As of December 31, 2010 and 2009, the Authority's cash balances were as follows:

	<u>December 31, 2010</u>		<u>December 30, 2009</u>	
	<u>Financial Statement Balance</u>	<u>Bank Balance</u>	<u>Financial Statement Balance</u>	<u>Bank Balance</u>
Amount insured by the FDIC or collateralized with securities held in its name by the Authority.	\$ 32,940,932	\$ 32,940,932	\$ 94,043,850	\$ 94,043,850
Amount collateralized with securities held by the pledging financial institution's trust department in the Authority's name.	<u>13,653,515</u>	<u>13,653,515</u>	<u>26,332,852</u>	<u>26,332,852</u>
Total	<u>\$ 46,594,447</u>	<u>\$ 46,594,447</u>	<u>\$ 120,376,702</u>	<u>\$ 120,376,702</u>

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

C. FINANCIAL INSTRUMENTS

Variable Rate Revenue Bonds, 2003 Series A Issue

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

1) Interest Rate Swap Agreements

Under the terms of these agreements, which were executed on the same date and feature identical general terms, the Authority pays a fixed rate of 3.64% to Citibank, Goldman Sachs, and Morgan Stanley on a notional amount equal to the principal amount of the 2003 bonds being hedged pursuant to such swap. In return, the respective swap provider will pay the Authority a floating amount based on 62% of one month LIBOR plus .20% on the same notional amount. As the 2010 and 2008 bonds are redeemed, the notional amounts of the respective swaps shall decrease proportionately. The purpose of these agreements is to achieve a fixed rate. The swaps remain in effect during the entire term of the 2003 bonds. The negative fair value of the swaps were \$18,240,551 and \$12,253,183 as of December 31, 2010 and 2009, respectively.

For the year ended December 31, 2010, the Authority was required to implement GASB Statement No. 53, which required the Authority to measure most derivative instruments at fair value in its financial statements. No amounts are recorded because any asset or liability related to the swap would result in a corresponding receivable or payable from the State of New Jersey and not result in any change to the statement of activities and governmental funds revenues, expenditures and changes in fund balance. Since the swap agreement is backed by the State of New Jersey, the ultimate responsibility falls on the State of New Jersey to record these amounts. The Authority does not have to book these amounts on their statement of net assets as the State has recorded them on its CAFR.

2) Credit Risk

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

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

C. FINANCIAL INSTRUMENTS (CONTINUED)

3) Termination Risk

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

4) Synthetic Rate

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

5) Basis Risk

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

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

D. MINIMUM LEASE PAYMENTS RECEIVABLE

Future minimum lease payments receivable from the State as of December 31, 2010, are as follows:

2011	\$ 74,223,333
2012	83,621,870
2013	78,296,604
2014	53,238,958
2015	54,503,198
2016-2020	210,789,444
2021-2025	30,087,470
2026-2030	<u>10,344,730</u>
	595,105,607
Less amounts representing interest	<u>(112,331,690)</u>
	<u>\$ 482,773,917</u>

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

D. MINIMUM LEASE PAYMENTS RECEIVABLE (CONTINUED)

The State is obligated to make payments to the Authority against the minimum lease payments receivable for the completed portions of projects funded by bonds issued by the Authority.

E. BONDS PAYABLE

Bond activity for the years ended December 31, 2010 and 2009, was as follows:

Balance, December 31, 2009	\$ 673,205,000
Reductions	<u>(33,450,000)</u>
Balance, December 31, 2010	<u>\$ 639,755,000</u>
Balance, December 31, 2008	\$ 676,990,000
Additions	121,395,000
Reductions	<u>(125,180,000)</u>
Balance, December 31, 2009	<u>\$ 673,205,000</u>

2009 Series A Refunding Bonds

In June 2009, the Authority issued \$90,470,000 of 2009 Series A Bonds. The proceeds were used to refund \$91,680,000 of previously issued bonds, including \$40,580,000 of 1991 Series Bonds, \$21,700,000 of 1999 Series Bonds, \$3,985,000 of 2000 Series A Bonds, \$5,775,000 of 2002 Series A Bonds, \$485,000 of 2004 Series A Bonds, \$5,095,000 of 2006 Series A Bonds, \$6,905,000 of 2007 Series A Bonds, and \$7,150,000 of 2007 Series B Bonds.

The bonds were issued at a premium of \$4,855,250. The bonds are scheduled to mature in various amounts from December 2011 through December 2026. The bonds bear interest rates ranging from 2% to 5%.

In connection with the 2009 Series A refunding, the Authority realized a loss on refunding of \$4,075,093, which has been included as part of the deferred loss on advance refunding of bonds in the balance sheet and is being amortized over the average remaining lives of refunded bonds.

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

2009 Series B Refunding Bonds

In December 2009, the Authority issued \$30,925,000 of 2009 Series B Bonds. The proceeds were used to refund \$30,205,000 of previously issued bonds, including \$23,075,000 of 2002 Series B Bonds and \$7,130,000 of 2004 Series B Bonds.

The bonds were issued at a premium of \$531,054. The bonds are scheduled to mature in various amounts from December 2012 through December 2022. The bonds bear interest rates ranging from 3% to 5%.

In connection with the 2009 Series B refunding, the Authority realized a gain on refunding of \$568,277, which has been included as part of the deferred gain on advance refunding of bonds in the balance sheet and is being amortized over the average remaining lives of refunded bonds.

The 2009 Series A and B refundings were done to achieve short-term debt service savings. Proceeds of the bonds were used to establish an irrevocable escrow account. Funds in the escrow account were invested in special direct obligations of the United States Treasury or other obligations of the United States government or its agencies. The escrow securities and their earnings are structured to pay the principal and interest on the refunded bonds as such payments become due until the call dates of the respective refunded bonds, at which time the escrow agent will pay the principal of the refunded bonds at a price of par plus accrued interest. Since these funds have been placed in an irrevocable trust, the bonds are considered defeased and the liability for such bonds was removed from the balance sheet.

The 2009 Series A and B refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$3,506,815. The difference was reported with deferred charges in the statement of net assets and is being charged to expenditures using a method which approximates the effective interest method over the shorter of the remaining life of the old debt or the life of the new debt. The economic loss from the advance refunding in 2009 was approximately \$3,992,758.

2007 Series A

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

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

In June 2009, \$6,905,000 of the 2007 Series A bonds were refunded by proceeds from the 2009 Series A bonds. As a result, the \$6,905,000 principal amount of the 2007 Series A bonds is considered to be defeased, and the liability for such bonds was removed from the balance sheet.

The remaining bonds payable mature in various amounts through 2027.

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

2007 Series B Refunding Bonds

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

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

In June 2009, \$7,150,000 of the 2007 Series B bonds were refunded by proceeds from the 2009 Series A bonds. As a result, the \$7,150,000 principal amount of the 2007 Series B bonds is considered to be defeased, and the liability for such bonds was removed from the balance sheet.

The remaining bonds payable mature in various amounts through 2018.

2006 Series A

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

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

In June 2009, \$5,095,000 of the 2006 Series A bonds were refunded by proceeds from the 2009 Series A bonds. As a result, the \$5,095,000 principal amount of the 2006 Series A bonds is considered to be defeased, and the liability for such bonds was removed from the balance sheet.

The remaining bonds payable mature in various amounts through 2027.

2004 Series A

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

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

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

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NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

In June 2009, \$485,000 of the 2004 Series A bonds were refunded by proceeds from the 2009 Series A bonds. As a result, the \$485,000 principal amount of the 2004 Series A bonds is considered to be defeased, and the liability for such bonds was removed from the balance sheet.

The remaining bonds payable mature in various amounts through 2014.

2004 Series B Refunding Bonds

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

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

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

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

In December 2009, \$7,130,000 of the 2004 Series B bonds were refunded by proceeds from the 2009 Series B bonds. As a result, the \$7,130,000 principal amount of the 2004 Series A bonds is considered to be defeased, and the liability for such bonds was removed from the balance sheet.

The remaining bonds payable mature in various amounts through 2016.

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NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

2003 Series A Refunding Bonds

In August 2003, the Authority issued \$189,950,000 of 2003 Series A Bonds. The proceeds were used to refund \$174,300,000 of previously issued bonds, including \$76,770,000 of 1994 Series Bonds, \$56,530,000 of 1999 Series Bonds, \$12,695,000 of 2000 Series Bonds, and \$28,305,000 of 2002 Series A Bonds. The interest rate mode on these bonds was revised in May 2008 to a variable rate mode from an auction rate mode. The remaining terms and conditions of these bonds have not changed.

The bonds were issued at par. The bonds mature at various amounts from June 10, 2005 through June 15, 2023.

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

2002 Series A

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

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

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

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

In June 2009, \$5,775,000 of the 2002 Series A bonds were refunded by proceeds from the 2009 Series A bonds. As a result, the \$5,775,000 principal amount of the 2002 Series A bonds is considered to be defeased, and the liability for such bonds was removed from the balance sheet.

The remaining bonds payable mature in various amounts through 2012.

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NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

2002 Series B Refunding Bonds

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

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

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

In December 2009, \$23,075,000 of the 2002 Series B bonds were refunded by proceeds from the 2009 Series B bonds. As a result, the \$23,075,000 principal amount of the 2002 Series B bonds is considered to be defeased, and the liability for such bonds was removed from the balance sheet.

The remaining bonds payable mature in various amounts through 2015.

2000 Series

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

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

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

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

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

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NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

In June 2009, \$3,985,000 of the 2000 Series A bonds were refunded by proceeds from the 2009 Series A bonds. As a result, the \$3,985,000 principal amount of the 2000 Series A bonds is considered to be defeased, and the liability for such bonds was removed from the balance sheet.

The remaining bonds payable mature at various amounts through 2012.

1999 Series

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

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

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

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

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

In June 2009, the remaining \$21,700,000 of the 1999 Series A bonds were refunded by proceeds from the 2009 Series A bonds. As a result, this amount is considered to be defeased, and the liability for such bonds was removed from the balance sheet.

1991 Series

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

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NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

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

In June 2009, the remaining \$11,756,607 of the 1991 Series A bonds were refunded by proceeds from the 2009 Series A bonds. As a result, this amount is considered to be defeased, and the liability for such bonds was removed from the balance sheet.

Defeased Bonds

The Authority has refunded various general obligation bond issuances by creating separate irrevocable trust funds. Refunding bonds have been issued, the proceeds from which are used to purchase U.S. Treasury Obligations - State and Local Government Series. The securities are deposited into an irrevocable trust fund and then held by the trustee. The investments themselves and the fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded debt has been considered defeased and has therefore been removed as a liability from the Authority's long-term debt. As of December 31, 2010, the amount of defeased general obligation debt outstanding but removed from the Authority's long-term debt amounted to \$405,375,000.

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

2011	\$ 60,845,000
2012	43,945,000
2013	51,080,000
2014	36,265,000
2015	38,265,000
2016-2020	164,550,000
2021-2022	10,425,000
Total	<u>\$ 405,375,000</u>

NEW JERSEY BUILDING AUTHORITY

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NOTES TO FINANCIAL STATEMENTS

F. FUTURE DEBT SERVICE PAYMENTS

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

2000 Series Bond (net of 2002, 2003 and 2004 refunding)			
Year	Principal or sinking fund installment	Interest	Total debt service
2011	\$ -	\$ 69,113	\$ 69,113
2012	1,455,000	34,556	1,489,556
	<u>\$ 1,455,000</u>	<u>\$ 103,669</u>	<u>\$ 1,558,669</u>

2002 Series A Bond (net of 2003 and 2004 refunding)			
Year	Principal or sinking fund installment	Interest	Total debt service
2011	\$ 3,040,000	\$ 268,950	\$ 3,308,950
2012	3,175,000	158,750	3,333,750
	<u>\$ 6,215,000</u>	<u>\$ 427,700</u>	<u>\$ 6,642,700</u>

2002 Series B Bond			
Year	Principal or sinking fund installment	Interest	Total debt service
2011	\$ 18,565,000	\$ 4,960,725	\$ 23,525,725
2012	21,160,000	3,986,063	25,146,063
2013	18,380,000	2,875,163	21,255,163
2014	17,690,000	1,910,212	19,600,212
2015	18,695,000	981,487	19,676,487
	<u>\$ 94,490,000</u>	<u>\$ 14,713,650</u>	<u>\$ 109,203,650</u>

NEW JERSEY BUILDING AUTHORITY

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NOTES TO FINANCIAL STATEMENTS

F. FUTURE DEBT SERVICE PAYMENTS (CONTINUED)

2003 Series A Bond (net of 2003 and 2004 refunding)			
Year	Principal or sinking fund installment	Interest	Total debt service
2011	\$ 3,575,000	\$ 169,861	\$ 3,744,861
2012	8,675,000	164,971	8,839,971
2013	9,025,000	154,406	9,179,406
2014	8,650,000	145,468	8,795,468
2015	10,925,000	136,433	11,061,433
2016-2020	115,625,000	357,037	115,982,037
2021-2023	15,175,000	22,438	15,197,438
	<u>\$ 171,650,000</u>	<u>\$ 1,150,614</u>	<u>\$ 172,800,614</u>

2004 Series A Bond			
Year	Principal or sinking fund installment	Interest	Total debt service
2011	\$ 515,000	\$ 66,856	\$ 581,856
2012	530,000	49,544	579,544
2013	550,000	30,631	580,631
2014	570,000	10,331	580,331
	<u>\$ 2,165,000</u>	<u>\$ 157,362</u>	<u>\$ 2,322,362</u>

2004 Series B Bond			
Year	Principal or sinking fund installment	Interest	Total debt service
2011	\$ 45,000	\$ 766,731	\$ 811,731
2012	50,000	765,213	815,213
2013	3,390,000	763,463	4,153,463
2014	3,570,000	592,988	4,162,988
2015	3,760,000	405,562	4,165,562
2016	3,965,000	208,162	4,173,162
	<u>\$ 14,780,000</u>	<u>\$ 3,502,119</u>	<u>\$ 18,282,119</u>

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NOTES TO FINANCIAL STATEMENTS

F. FUTURE DEBT SERVICE PAYMENTS (CONTINUED)

Year	2006 Series A Bond		
	Principal or sinking fund installment	Interest	Total debt service
2011	\$ -	\$ 1,851,950	\$ 1,851,950
2012	1,865,000	1,809,988	3,674,988
2013	1,950,000	1,724,150	3,674,150
2014	2,035,000	1,634,488	3,669,488
2015	2,125,000	1,535,575	3,660,575
2016-2020	12,215,000	6,108,804	18,323,804
2021-2025	14,980,000	3,272,900	18,252,900
2026-2027	6,960,000	316,576	7,276,576
	<u>\$ 42,130,000</u>	<u>\$ 18,254,431</u>	<u>\$ 60,384,431</u>

Year	2007 Series A Bond		
	Principal or sinking fund installment	Interest	Total debt service
2011	\$ -	\$ 4,488,000	\$ 4,488,000
2012	2,615,000	4,422,625	7,037,625
2013	2,765,000	4,288,125	7,053,125
2014	2,955,000	4,145,125	7,100,125
2015	3,060,000	3,994,750	7,054,750
2016-2020	25,060,000	16,872,750	41,932,750
2021-2025	36,180,000	8,976,500	45,156,500
2026-2027	17,125,000	866,625	17,991,625
	<u>\$ 89,760,000</u>	<u>\$ 48,054,500</u>	<u>\$ 137,814,500</u>

Year	2007 Series B Bond		
	Principal or sinking fund installment	Interest	Total debt service
2011	\$ 17,590,000	\$ 4,346,000	\$ 21,936,000
2012	18,465,000	3,444,625	21,909,625
2013	19,395,000	2,498,125	21,893,125
2014	7,290,000	1,831,000	9,121,000
2015	7,650,000	1,457,500	9,107,500
2016-2018	25,325,000	1,940,375	27,265,375
	<u>\$ 95,715,000</u>	<u>\$ 15,517,625</u>	<u>\$ 111,232,625</u>

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NOTES TO FINANCIAL STATEMENTS

F. FUTURE DEBT SERVICE PAYMENTS (CONTINUED)

Year	2009 Series A Bond		
	Principal or sinking fund installment	Interest	Total debt service
2011	\$ 12,135,000	\$ 4,314,125	\$ 16,449,125
2012	12,715,000	3,758,975	16,473,975
2013	13,350,000	3,149,725	16,499,725
2014	-	2,498,325	2,498,325
2015	-	2,498,325	2,498,325
2016-2020	33,125,000	9,149,775	42,274,775
2021-2025	6,110,000	3,709,850	9,819,850
2026	13,035,000	633,300	13,668,300
	<u>\$ 90,470,000</u>	<u>\$ 29,712,400</u>	<u>\$ 120,182,400</u>

Year	2009 Series B Bond		
	Principal or sinking fund installment	Interest	Total debt service
2011	\$ -	\$ 1,225,800	\$ 1,225,800
2012	2,295,000	1,225,800	3,520,800
2013	2,390,000	1,134,000	3,524,000
2014	2,500,000	1,038,400	3,538,400
2015	2,605,000	913,400	3,518,400
2016-2020	14,475,000	3,170,650	17,645,650
2021-2022	6,660,000	427,550	7,087,550
	<u>\$ 30,925,000</u>	<u>\$ 9,135,600</u>	<u>\$ 40,060,600</u>

Year	Total debt service
2011	\$ 77,993,111
2012	92,821,110
2013	87,812,788
2014	59,066,337
2015	60,743,032
2016-2020	267,597,553
2021-2025	95,514,238
2026-2027	<u>38,936,501</u>
Subtotal, gross debt	780,484,670
Less: interest portion	<u>(140,729,670)</u>
Net Bonds Payable	<u>\$ 639,755,000</u>

NEW JERSEY BUILDING AUTHORITY

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NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

During 2009, the Authority refunded remaining principal and interest payments on the 1991 Series Bonds; 2009, 2010 and 2011 principal payments on 1999 Series Bonds, 2000 Series Bonds, 2006 Series A bonds and 2007 Series A Bonds; 2009 and 2010 principal payments on 2002 Series A Bonds and 2009 principal payments on 2002 Series B Refunding Bonds, 2004 Series A Bonds, 2004 Series B Refunding Bonds and 2007 Series B Refunding Bonds. The amount borrowed was received by the Governmental Funds and increased fund balance. The amount that was sent to the paying agent (\$125,595,155) to be escrowed for payment of the old debt (\$121,885,000) as it comes due was paid out of the Governmental Funds and reduced fund balance. The difference between those amounts was \$3,506,816 and will be amortized as an adjustment in the statement of activities over the remaining life of the refunded debt (varying amounts from two to sixteen years).

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NOTES TO FINANCIAL STATEMENTS

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

Deferred loss on advance refunding

	December 31,	
	2010	2009
2002 refunding	\$ 8,503,118	\$ 9,157,204
2003 refunding	2,515,814	4,455,975
2004 refunding	550,096	650,113
2007 refunding	3,724,663	4,112,128
2009 refunding	<u>3,207,402</u>	<u>3,397,001</u>
	<u>\$ 18,501,093</u>	<u>\$ 21,772,421</u>

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

	December 31,	
	2010	2009
Total unamortized bond issuance cost	<u>\$ 4,594,832</u>	<u>\$ 4,965,122</u>
Related amortization expense	<u>\$ 496,488</u>	<u>\$ 588,606</u>
Bond issuance costs	<u>\$ -</u>	<u>\$ 969,588</u>

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

	December 31,	
	2010	2009
Cost of property and equipment	\$ 74,350	\$ 74,350
Accumulated depreciation	(51,762)	(45,640)
Property and equipment, net	<u>\$ 22,588</u>	<u>\$ 28,710</u>
Construction in progress	<u>\$ 145,602,546</u>	<u>\$ 137,419,616</u>
Capital outlay	<u>\$ 40,123,551</u>	<u>\$ 74,345,094</u>

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

	December 31,	
	2010	2009
Minimum lease receivable	<u>\$ 482,773,917</u>	<u>\$ 484,536,810</u>

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NOTES TO FINANCIAL STATEMENTS

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

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

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
Accrued bond interest payable	<u>\$ 1,189,816</u>	<u>\$ 1,253,583</u>
Related adjustment to interest expense	<u>\$ (6,972,706)</u>	<u>\$ (6,844,960)</u>
Bonds payable	<u>\$ 639,755,000</u>	<u>\$ 673,205,000</u>
Unamortized bond premiums, net of discounts	<u>\$ 16,806,315</u>	<u>\$ 19,113,959</u>
Amortization income	<u>\$ 2,308,533</u>	<u>\$ 2,662,452</u>

- (6) Amortization expense in the governmental funds differs from amortization expense in the statement of activities (\$3,768,706 in 2010 and \$4,684,208 in 2009). The difference is a result of the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds.

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

	<u>Year Ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Debt issuance	<u>\$ -</u>	<u>\$ 121,395,000</u>
Premium on debt issued	<u>\$ -</u>	<u>\$ 5,386,304</u>

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

	<u>Year Ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Principal payments made	<u>\$ 33,450,000</u>	<u>\$ 3,300,000</u>

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

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

- (8) The amounts received from the State for debt service principal payments of \$33,450,000 during 2010 and \$3,300,000 during 2009 constitute governmental fund revenue and thus are not included in the Authority's statements of activities.
- (9) The Authority had an arbitrage rebate calculation performed at December 31, 2010, that resulted in no liability due to the Internal Revenue Service.

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

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

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

I. COMMITMENTS AND CONTINGENCIES

The Authority has contract commitments totaling approximately \$19,300,000 and \$18,400,000 for the years ended December 31, 2010 and 2009, respectively. Such commitments relate to various architectural and construction contracts under various projects.

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

J. SUBSEQUENT EVENTS

Management has evaluated subsequent events that occurred after the balance sheet date but before April 28, 2011, the date the financial statements were available to be issued. No items were determined by management to require disclosure.

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)
Financial Statements
December 31, 2010

NEW JERSEY BUILDING AUTHORITY

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December 31, 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
New Jersey Building Authority

We have audited the accompanying financial statements of the governmental activities and each fund of New Jersey Building Authority (the "Authority"), a component unit of the State of New Jersey, as of and for the years ended December 31, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each fund of the Authority as of December 31, 2010 and 2009, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

- AN INDEPENDENTLY OWNED MEMBER OF THE RSM MCGILDRAY NETWORK
- AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
- NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
- NEW YORK SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
- PENNSYLVANIA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
- AICPA'S PRIVATE COMPANIES PRACTICE SECTION
- AICPA'S CENTER FOR AUDIT QUALITY
- REGISTERED WITH THE PCAOB

INDEPENDENT AUDITORS' REPORT (CONTINUED)

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2011, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5-8 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Mercador, PC
Certified Public Accountants

April 28, 2011

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

To the Board of Directors of
New Jersey Building Authority

We have audited the financial statements of New Jersey Building Authority (the "Authority") as of and for the year ended December 31, 2010, and have issued our report thereon dated April 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

- AN INDEPENDENTLY OWNED MEMBER OF THE RSM MCGGLADREY NETWORK
- AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
- NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
- NEW YORK SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
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- AICPA'S PRIVATE COMPANIES PRACTICE SECTION
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- REGISTERED WITH THE PCAOB

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

Compliance and Other Matters

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

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

Marcadon, PC
Certified Public Accountants

April 28, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the New Jersey Building Authority's annual financial report represents our discussion of the New Jersey Building Authority's (the "Authority") financial performance and provides an overview of the Authority's activities for the year ended December 31, 2010. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read it in conjunction with the Authority's financial statements.

Financial Highlights

- Authorized \$10.1 million of additional projects utilizing existing funding.
- Construction-In-Progress outlays totaled \$40,124,000.

Overview of the Financial Statements

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

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

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

Basic Financial Statements

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Notes to the basic financial statements.

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

Financial Analysis**Net Assets (in thousands) - Statements of Net Assets**

	Year Ended December 31,		Change 2009-2010
	2010	2009	
Current assets	\$ 101,133	\$ 174,214	(41.95)%
Non-current assets	596,956	594,885	0.35 %
Total assets	<u>698,089</u>	<u>769,099</u>	(9.47)%
Current liabilities	74,262	75,635	(1.82)%
Non-current liabilities	<u>601,096</u>	<u>665,225</u>	(9.64)%
Total liabilities	<u>675,358</u>	<u>740,860</u>	(8.84)%
Net assets	<u>\$ 22,731</u>	<u>\$ 28,239</u>	(19.50)%

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

	Year Ended December 31,		Percentage Change 2009-2010
	2010	2009	
Revenues			
Investment income	\$ 153	\$ 867	(82.35)%
Rebate income	-	-	- %
State rental payments	20,070	21,622	(7.18)%
State appropriation	1,246	1,243	0.24 %
Amortization income	<u>2,308</u>	<u>2,662</u>	(13.26)%
Total revenues	<u>23,777</u>	<u>26,394</u>	(9.91)%
Expenditures			
Transaction costs	-	-	- %
Amortization expense	3,769	4,684	(19.53)%
Debt Service:			
Interest	23,171	20,952	10.59 %
Other administrative expenses	<u>2,345</u>	<u>2,185</u>	7.32 %
Total expenditures	<u>29,285</u>	<u>27,821</u>	5.26 %
Change in net assets	(5,508)	(1,427)	(285.91)%
Net assets, beginning of year	<u>28,239</u>	<u>29,666</u>	(4.81)%
Net assets, end of year	<u>\$ 22,731</u>	<u>\$ 28,239</u>	(19.50)%

Cash Receipts and Revenues

State debt service receipts of \$39.7 million and \$18.3 million of deferred revenue were utilized to make 2010 debt service payments, of which \$24.5 million was associated with the interest portion of bond payments as identified in the official statements and \$33.5 million was associated with the pay-down of the principal portion.

Investment income decreased \$714,338 from \$867,319 at December 31, 2009, to \$152,981 at December 31, 2010, as a result of construction expenditures of over \$37 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The Authority received a State appropriation of \$1.26 million to cover its 2010 Administrative Budget, the majority of which was used for salary and payroll related expenses (\$778,000) of its eight full time and one part time employees (as of January 1, 2010).

Construction Contract Payments

Construction expenditures in 2010 totaled \$40.124 million and are detailed in Table 1.

Table 1

<u>Construction Contract Payments</u>	2010 <u>(in thousands)</u>
DOT	\$ 5
Health Lab Facility	35,329
Justice Complex	300
DOT - Ewing Campus	87
State Museum	222
State Police HQ	907
State Police EOC	1,549
Other	1,725
Total	<u>\$ 40,124</u>

There was significant progress on the construction of the 275,000 square foot Public Health, Environmental & Health Agricultural Laboratory Facility at the New Jersey State Police Headquarters Complex in West Trenton. The project was approximately 85% completed as of December 31, 2010. When completed, the laboratory will provide a secure, central, state-of-the-art facility for various agencies to perform work in support of public health, environmental and agriculture programs.

Also, the State Museum project is substantially completed. The objective of State Museum project is to retrofit the current HVAC system with a state-of-the-art zoned system to provide the appropriate stable climate for visitors, staff and the valuable collections.

Debt Service

During 2010 the Authority made principal payments of \$33.45 million. Table 2 summarized the change in debt service between the calendar years 2010 and 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Table 2

	<u>2010</u>	<u>2009</u>	<u>Percentage Change 2010-2009</u>
Bonds payable	<u>\$ 639,755</u>	<u>\$ 673,205</u>	<u>(4.97)%</u>

The Authority Bond Ratings as of December 31, 2010 and 2009, were as follows:

	<u>2010</u>	<u>2009</u>
Fitch	AA-	A+
Moody's	Aa3	A1
Standard & Poor	AA-	AA-

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

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

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

Contacting Financial Management

This financial report is designed to provide citizens, vendors and creditors with a general overview of the 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 219, Trenton, New Jersey 08625-0219.

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
December 31, 2010

	<u>Governmental Funds</u>	<u>Adjustments (Note G)</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash and equivalents- restricted	\$ 46,594,447	\$ -	\$ 46,594,447
Minimum lease payments receivable	-	482,773,917	482,773,917
Deferred loss on advanced refunding of bonds	-	18,501,093	18,501,093
Deferred bond issuance costs	-	4,594,832	4,594,832
Property and equipment	-	22,588	22,588
Construction in progress	-	145,602,546	145,602,546
Total Assets	<u>\$ 46,594,447</u>	<u>\$ 651,494,976</u>	<u>\$ 698,089,423</u>
LIABILITIES			
Accounts payable			
Other	\$ 17,466,656	\$ (4,828,085)	\$ 12,638,571
Contractor retainage payable	4,968,267	-	4,968,267
Accrued bond interest payable	-	1,189,816	1,189,816
Bonds payable	-	639,755,000	639,755,000
Unamortized bond premiums, net of discounts	-	16,806,315	16,806,315
Total Liabilities	<u>22,434,923</u>	<u>652,923,046</u>	<u>675,357,969</u>
FUND BALANCES/NET ASSETS			
Restricted	<u>24,159,524</u>	<u>(1,428,070)</u>	<u>22,731,454</u>
Total Fund Balances/Net Assets	<u>24,159,524</u>	<u>(1,428,070)</u>	<u>22,731,454</u>
Total Liabilities and Fund Balances/Net Assets	<u>\$ 46,594,447</u>	<u>\$ 651,494,976</u>	<u>\$ 698,089,423</u>

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
December 31, 2009

	<u>Governmental Funds</u>	<u>Adjustments (Note G)</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash and equivalents- restricted	\$ 120,376,702	\$ -	\$ 120,376,702
Accrued interest receivable	58	-	58
Minimum lease payments receivable	-	484,536,810	484,536,810
Deferred loss on advanced refunding of bonds	-	21,772,421	21,772,421
Deferred bond issuance costs	-	4,965,122	4,965,122
Property and equipment	-	28,710	28,710
Construction in progress	-	<u>137,419,616</u>	<u>137,419,616</u>
Total Assets	<u>\$ 120,376,760</u>	<u>\$ 648,722,679</u>	<u>\$ 769,099,439</u>
LIABILITIES			
Accounts payable			
Payable to State	\$ -	\$ 77,997	\$ 77,997
Other	26,117,933	15,988,709	42,106,642
Contractor retainage payable	5,103,025	-	5,103,025
Accrued bond interest payable	-	1,253,583	1,253,583
Bonds payable	-	673,205,000	673,205,000
Unamortized bond premiums, net of discounts	-	<u>19,113,959</u>	<u>19,113,959</u>
Total Liabilities	<u>31,220,958</u>	<u>709,639,248</u>	<u>740,860,206</u>
FUND BALANCES/NET ASSETS			
Restricted	<u>89,155,802</u>	<u>(60,916,569)</u>	<u>28,239,233</u>
Total Fund Balances/Net Assets	<u>89,155,802</u>	<u>(60,916,569)</u>	<u>28,239,233</u>
Total Liabilities and Fund Balances/Net Assets	<u>\$ 120,376,760</u>	<u>\$ 648,722,679</u>	<u>\$ 769,099,439</u>

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/NET ASSETS
Year Ended December 31, 2010

	<u>Governmental Funds</u>	<u>Adjustments (Note G)</u>	<u>Statement of Activities</u>
REVENUES			
Investment income	\$ 152,981	\$ -	\$ 152,981
State rental payments	18,222,283	1,847,415	20,069,698
State principal payments	21,445,000	(21,445,000)	-
State appropriation for administrative costs	1,245,900	-	1,245,900
Amortization income	-	2,308,533	2,308,533
Total revenues	<u>41,066,164</u>	<u>(17,289,052)</u>	<u>23,777,112</u>
EXPENDITURES			
Amortization expense	-	3,768,706	3,768,706
Capital outlay	40,123,551	(40,123,551)	-
Debt service			
Principal	33,450,000	(33,450,000)	-
Interest	30,143,896	(6,972,706)	23,171,190
Other administrative expenses	2,344,995	-	2,344,995
Total expenditures	<u>106,062,442</u>	<u>(76,777,551)</u>	<u>29,284,891</u>
Excess (deficiency) of revenues over expenditures	<u>(64,996,278)</u>	<u>59,488,499</u>	<u>(5,507,779)</u>
Change in fund balance/net assets	<u>(64,996,278)</u>	<u>59,488,499</u>	<u>(5,507,779)</u>
Fund balance/net assets			
Beginning of year	<u>89,155,802</u>	<u>(60,916,569)</u>	<u>28,239,233</u>
End of year	<u>\$ 24,159,524</u>	<u>\$ (1,428,070)</u>	<u>\$ 22,731,454</u>

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/NET ASSETS
 Year Ended December 31, 2009

	Governmental Funds	Adjustments (Note G)	Statement of Activities
REVENUES			
Investment income	\$ 867,319	\$ -	\$ 867,319
State rental payments	21,348,722	273,601	21,622,323
State principal payments	29,871,254	(29,871,254)	-
State appropriation for administrative costs	1,243,500	-	1,243,500
Amortization income	-	2,662,452	2,662,452
Total revenues	53,330,795	(26,935,201)	26,395,594
EXPENDITURES			
Miscellaneous transaction costs	129	-	129
Amortization expense	-	4,684,208	4,684,208
Capital outlay	74,345,094	(74,345,094)	-
Debt service			
Principal	3,300,000	(3,300,000)	-
Interest	27,797,744	(6,844,960)	20,952,784
Other administrative expenses	2,185,392	-	2,185,392
Total expenditures	107,628,359	(79,805,846)	27,822,513
Excess (deficiency) of revenues over expenditures	(54,297,564)	52,870,645	(1,426,919)
OTHER FINANCING SOURCES (USES)			
Long-term debt issued	121,395,000	(121,395,000)	-
Bond issuance costs	(969,588)	969,588	-
Premium on debt issued	5,386,304	(5,386,304)	-
Payment to bond refunding escrow agent	(125,592,155)	125,592,155	-
Total other financing sources (uses)	219,561	(219,561)	-
Change in fund balance/net assets	(54,078,003)	52,651,084	(1,426,919)
Fund balance/net assets			
Beginning of year	143,233,805	(113,567,653)	29,666,152
End of year	\$ 89,155,802	\$ (60,916,569)	\$ 28,239,233

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Authority

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

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

Reporting Entity

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

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

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

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

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

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

Basis of Accounting

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

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

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

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

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

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenditures are recognized when incurred. The primary sources of revenues are rental payments received from the State of New Jersey, in accordance with the Authority's master lease agreement with the State.

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

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

Use of Estimates

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

Funds Required by Bond Resolutions

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

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

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

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Funds Required by Bond Resolutions (Continued)

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

	December 31,	
	2010	2009
Construction fund	\$ 43,002,160	\$ 96,929,617
Debt service	3,139,721	23,066,001
Rebate and other	452,566	381,084
	<u>\$ 46,594,447</u>	<u>\$ 120,376,702</u>

Construction in Progress

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

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

Capitalized Interest

In the government-wide financial statements, the Authority capitalizes all interest expense and income related to projects under construction. Capitalized interest charged to construction in progress was \$6,904,669 and \$6,973,428 for the years ended December 31, 2010 and 2009, respectively.

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

Bond Issuance Costs

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

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

Bond Premiums/Discounts

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

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance/Net Assets

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

Income Taxes

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

Administrative Expense

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

Concentration of Risk

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

B. CASH AND EQUIVALENTS

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires uncollateralized deposits exposed to custodial risk to be disclosed. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits that are in the possession of an outside party. The following is a summary of the Authority's cash deposit by financial institution and the amount exposed to custodial credit risk at December 31, 2010 and 2009. The New Jersey Cash Management Fund is a pooled investment fund and is guaranteed by the State of New Jersey. Thus, deposits in the New Jersey Cash Management Fund are not subject to credit risk or custodial credit risk. U.S. Treasury notes are explicitly guaranteed by the U.S. government and are not subject to credit risk or custodial credit risk. As of December 31, 2010 and 2009, the Authority's cash balances were as follows:

	<u>December 31, 2010</u>		<u>December 30, 2009</u>	
	<u>Financial Statement Balance</u>	<u>Bank Balance</u>	<u>Financial Statement Balance</u>	<u>Bank Balance</u>
Amount insured by the FDIC or collateralized with securities held in its name by the Authority.	\$ 32,940,932	\$ 32,940,932	\$ 94,043,850	\$ 94,043,850
Amount collateralized with securities held by the pledging financial institution's trust department in the Authority's name.	<u>13,653,515</u>	<u>13,653,515</u>	<u>26,332,852</u>	<u>26,332,852</u>
Total	<u>\$ 46,594,447</u>	<u>\$ 46,594,447</u>	<u>\$ 120,376,702</u>	<u>\$ 120,376,702</u>

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

C. FINANCIAL INSTRUMENTS

Variable Rate Revenue Bonds, 2003 Series A Issue

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

1) Interest Rate Swap Agreements

Under the terms of these agreements, which were executed on the same date and feature identical general terms, the Authority pays a fixed rate of 3.64% to Citibank, Goldman Sachs, and Morgan Stanley on a notional amount equal to the principal amount of the 2003 bonds being hedged pursuant to such swap. In return, the respective swap provider will pay the Authority a floating amount based on 62% of one month LIBOR plus .20% on the same notional amount. As the 2010 and 2008 bonds are redeemed, the notional amounts of the respective swaps shall decrease proportionately. The purpose of these agreements is to achieve a fixed rate. The swaps remain in effect during the entire term of the 2003 bonds. The negative fair value of the swaps were \$18,240,551 and \$12,253,183 as of December 31, 2010 and 2009, respectively.

For the year ended December 31, 2010, the Authority was required to implement GASB Statement No. 53, which required the Authority to measure most derivative instruments at fair value in its financial statements. No amounts are recorded because any asset or liability related to the swap would result in a corresponding receivable or payable from the State of New Jersey and not result in any change to the statement of activities and governmental funds revenues, expenditures and changes in fund balance. Since the swap agreement is backed by the State of New Jersey, the ultimate responsibility falls on the State of New Jersey to record these amounts. The Authority does not have to book these amounts on their statement of net assets as the State has recorded them on its CAFR.

2) Credit Risk

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

NEW JERSEY BUILDING AUTHORITY

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NOTES TO FINANCIAL STATEMENTS

C. FINANCIAL INSTRUMENTS (CONTINUED)

3) Termination Risk

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

4) Synthetic Rate

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

5) Basis Risk

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

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

D. MINIMUM LEASE PAYMENTS RECEIVABLE

Future minimum lease payments receivable from the State as of December 31, 2010, are as follows:

2011	\$ 74,223,333
2012	83,621,870
2013	78,296,604
2014	53,238,958
2015	54,503,198
2016-2020	210,789,444
2021-2025	30,087,470
2026-2030	<u>10,344,730</u>
	595,105,607
Less amounts representing interest	<u>(112,331,690)</u>
	<u>\$ 482,773,917</u>

NEW JERSEY BUILDING AUTHORITY

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NOTES TO FINANCIAL STATEMENTS

D. MINIMUM LEASE PAYMENTS RECEIVABLE (CONTINUED)

The State is obligated to make payments to the Authority against the minimum lease payments receivable for the completed portions of projects funded by bonds issued by the Authority.

E. BONDS PAYABLE

Bond activity for the years ended December 31, 2010 and 2009, was as follows:

Balance, December 31, 2009	\$ 673,205,000
Reductions	<u>(33,450,000)</u>
Balance, December 31, 2010	<u>\$ 639,755,000</u>
Balance, December 31, 2008	\$ 676,990,000
Additions	121,395,000
Reductions	<u>(125,180,000)</u>
Balance, December 31, 2009	<u>\$ 673,205,000</u>

2009 Series A Refunding Bonds

In June 2009, the Authority issued \$90,470,000 of 2009 Series A Bonds. The proceeds were used to refund \$91,680,000 of previously issued bonds, including \$40,580,000 of 1991 Series Bonds, \$21,700,000 of 1999 Series Bonds, \$3,985,000 of 2000 Series A Bonds, \$5,775,000 of 2002 Series A Bonds, \$485,000 of 2004 Series A Bonds, \$5,095,000 of 2006 Series A Bonds, \$6,905,000 of 2007 Series A Bonds, and \$7,150,000 of 2007 Series B Bonds.

The bonds were issued at a premium of \$4,855,250. The bonds are scheduled to mature in various amounts from December 2011 through December 2026. The bonds bear interest rates ranging from 2% to 5%.

In connection with the 2009 Series A refunding, the Authority realized a loss on refunding of \$4,075,093, which has been included as part of the deferred loss on advance refunding of bonds in the balance sheet and is being amortized over the average remaining lives of refunded bonds.

NEW JERSEY BUILDING AUTHORITY

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NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

2009 Series B Refunding Bonds

In December 2009, the Authority issued \$30,925,000 of 2009 Series B Bonds. The proceeds were used to refund \$30,205,000 of previously issued bonds, including \$23,075,000 of 2002 Series B Bonds and \$7,130,000 of 2004 Series B Bonds.

The bonds were issued at a premium of \$531,054. The bonds are scheduled to mature in various amounts from December 2012 through December 2022. The bonds bear interest rates ranging from 3% to 5%.

In connection with the 2009 Series B refunding, the Authority realized a gain on refunding of \$568,277, which has been included as part of the deferred gain on advance refunding of bonds in the balance sheet and is being amortized over the average remaining lives of refunded bonds.

The 2009 Series A and B refundings were done to achieve short-term debt service savings. Proceeds of the bonds were used to establish an irrevocable escrow account. Funds in the escrow account were invested in special direct obligations of the United States Treasury or other obligations of the United States government or its agencies. The escrow securities and their earnings are structured to pay the principal and interest on the refunded bonds as such payments become due until the call dates of the respective refunded bonds, at which time the escrow agent will pay the principal of the refunded bonds at a price of par plus accrued interest. Since these funds have been placed in an irrevocable trust, the bonds are considered defeased and the liability for such bonds was removed from the balance sheet.

The 2009 Series A and B refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$3,506,815. The difference was reported with deferred charges in the statement of net assets and is being charged to expenditures using a method which approximates the effective interest method over the shorter of the remaining life of the old debt or the life of the new debt. The economic loss from the advance refunding in 2009 was approximately \$3,992,758.

2007 Series A

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

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

In June 2009, \$6,905,000 of the 2007 Series A bonds were refunded by proceeds from the 2009 Series A bonds. As a result, the \$6,905,000 principal amount of the 2007 Series A bonds is considered to be defeased, and the liability for such bonds was removed from the balance sheet.

The remaining bonds payable mature in various amounts through 2027.

NEW JERSEY BUILDING AUTHORITY

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NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

2007 Series B Refunding Bonds

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

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

In June 2009, \$7,150,000 of the 2007 Series B bonds were refunded by proceeds from the 2009 Series A bonds. As a result, the \$7,150,000 principal amount of the 2007 Series B bonds is considered to be defeased, and the liability for such bonds was removed from the balance sheet.

The remaining bonds payable mature in various amounts through 2018.

2006 Series A

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

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

In June 2009, \$5,095,000 of the 2006 Series A bonds were refunded by proceeds from the 2009 Series A bonds. As a result, the \$5,095,000 principal amount of the 2006 Series A bonds is considered to be defeased, and the liability for such bonds was removed from the balance sheet.

The remaining bonds payable mature in various amounts through 2027.

2004 Series A

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

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

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

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

In June 2009, \$485,000 of the 2004 Series A bonds were refunded by proceeds from the 2009 Series A bonds. As a result, the \$485,000 principal amount of the 2004 Series A bonds is considered to be defeased, and the liability for such bonds was removed from the balance sheet.

The remaining bonds payable mature in various amounts through 2014.

2004 Series B Refunding Bonds

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

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

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

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

In December 2009, \$7,130,000 of the 2004 Series B bonds were refunded by proceeds from the 2009 Series B bonds. As a result, the \$7,130,000 principal amount of the 2004 Series A bonds is considered to be defeased, and the liability for such bonds was removed from the balance sheet.

The remaining bonds payable mature in various amounts through 2016.

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

2003 Series A Refunding Bonds

In August 2003, the Authority issued \$189,950,000 of 2003 Series A Bonds. The proceeds were used to refund \$174,300,000 of previously issued bonds, including \$76,770,000 of 1994 Series Bonds, \$56,530,000 of 1999 Series Bonds, \$12,695,000 of 2000 Series Bonds, and \$28,305,000 of 2002 Series A Bonds. The interest rate mode on these bonds was revised in May 2008 to a variable rate mode from an auction rate mode. The remaining terms and conditions of these bonds have not changed.

The bonds were issued at par. The bonds mature at various amounts from June 10, 2005 through June 15, 2023.

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

2002 Series A

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

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

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

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

In June 2009, \$5,775,000 of the 2002 Series A bonds were refunded by proceeds from the 2009 Series A bonds. As a result, the \$5,775,000 principal amount of the 2002 Series A bonds is considered to be defeased, and the liability for such bonds was removed from the balance sheet.

The remaining bonds payable mature in various amounts through 2012.

NEW JERSEY BUILDING AUTHORITY

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NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

2002 Series B Refunding Bonds

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

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

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

In December 2009, \$23,075,000 of the 2002 Series B bonds were refunded by proceeds from the 2009 Series B bonds. As a result, the \$23,075,000 principal amount of the 2002 Series B bonds is considered to be defeased, and the liability for such bonds was removed from the balance sheet.

The remaining bonds payable mature in various amounts through 2015.

2000 Series

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

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

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

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

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

NEW JERSEY BUILDING AUTHORITY

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NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

In June 2009, \$3,985,000 of the 2000 Series A bonds were refunded by proceeds from the 2009 Series A bonds. As a result, the \$3,985,000 principal amount of the 2000 Series A bonds is considered to be defeased, and the liability for such bonds was removed from the balance sheet.

The remaining bonds payable mature at various amounts through 2012.

1999 Series

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

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

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

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

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

In June 2009, the remaining \$21,700,000 of the 1999 Series A bonds were refunded by proceeds from the 2009 Series A bonds. As a result, this amount is considered to be defeased, and the liability for such bonds was removed from the balance sheet.

1991 Series

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

NEW JERSEY BUILDING AUTHORITY

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NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

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

In June 2009, the remaining \$11,756,607 of the 1991 Series A bonds were refunded by proceeds from the 2009 Series A bonds. As a result, this amount is considered to be defeased, and the liability for such bonds was removed from the balance sheet.

Defeased Bonds

The Authority has refunded various general obligation bond issuances by creating separate irrevocable trust funds. Refunding bonds have been issued, the proceeds from which are used to purchase U.S. Treasury Obligations - State and Local Government Series. The securities are deposited into an irrevocable trust fund and then held by the trustee. The investments themselves and the fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded debt has been considered defeased and has therefore been removed as a liability from the Authority's long-term debt. As of December 31, 2010, the amount of defeased general obligation debt outstanding but removed from the Authority's long-term debt amounted to \$405,375,000.

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

2011	\$ 60,845,000
2012	43,945,000
2013	51,080,000
2014	36,265,000
2015	38,265,000
2016-2020	164,550,000
2021-2022	10,425,000
Total	<u>\$ 405,375,000</u>

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NOTES TO FINANCIAL STATEMENTS

F. FUTURE DEBT SERVICE PAYMENTS

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

2000 Series Bond (net of 2002, 2003 and 2004 refunding)			
Year	Principal or sinking fund installment	Interest	Total debt service
2011	\$ -	\$ 69,113	\$ 69,113
2012	1,455,000	34,556	1,489,556
	<u>\$ 1,455,000</u>	<u>\$ 103,669</u>	<u>\$ 1,558,669</u>

2002 Series A Bond (net of 2003 and 2004 refunding)			
Year	Principal or sinking fund installment	Interest	Total debt service
2011	\$ 3,040,000	\$ 268,950	\$ 3,308,950
2012	3,175,000	158,750	3,333,750
	<u>\$ 6,215,000</u>	<u>\$ 427,700</u>	<u>\$ 6,642,700</u>

2002 Series B Bond			
Year	Principal or sinking fund installment	Interest	Total debt service
2011	\$ 18,565,000	\$ 4,960,725	\$ 23,525,725
2012	21,160,000	3,986,063	25,146,063
2013	18,380,000	2,875,163	21,255,163
2014	17,690,000	1,910,212	19,600,212
2015	18,695,000	981,487	19,676,487
	<u>\$ 94,490,000</u>	<u>\$ 14,713,650</u>	<u>\$ 109,203,650</u>

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

F. FUTURE DEBT SERVICE PAYMENTS (CONTINUED)

2003 Series A Bond (net of 2003 and 2004 refunding)			
Year	Principal or sinking fund installment	Interest	Total debt service
2011	\$ 3,575,000	\$ 169,861	\$ 3,744,861
2012	8,675,000	164,971	8,839,971
2013	9,025,000	154,406	9,179,406
2014	8,650,000	145,468	8,795,468
2015	10,925,000	136,433	11,061,433
2016-2020	115,625,000	357,037	115,982,037
2021-2023	15,175,000	22,438	15,197,438
	<u>\$ 171,650,000</u>	<u>\$ 1,150,614</u>	<u>\$ 172,800,614</u>

2004 Series A Bond			
Year	Principal or sinking fund installment	Interest	Total debt service
2011	\$ 515,000	\$ 66,856	\$ 581,856
2012	530,000	49,544	579,544
2013	550,000	30,631	580,631
2014	570,000	10,331	580,331
	<u>\$ 2,165,000</u>	<u>\$ 157,362</u>	<u>\$ 2,322,362</u>

2004 Series B Bond			
Year	Principal or sinking fund installment	Interest	Total debt service
2011	\$ 45,000	\$ 766,731	\$ 811,731
2012	50,000	765,213	815,213
2013	3,390,000	763,463	4,153,463
2014	3,570,000	592,988	4,162,988
2015	3,760,000	405,562	4,165,562
2016	3,965,000	208,162	4,173,162
	<u>\$ 14,780,000</u>	<u>\$ 3,502,119</u>	<u>\$ 18,282,119</u>

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NOTES TO FINANCIAL STATEMENTS

F. FUTURE DEBT SERVICE PAYMENTS (CONTINUED)

Year	2006 Series A Bond		
	Principal or sinking fund installment	Interest	Total debt service
2011	\$ -	\$ 1,851,950	\$ 1,851,950
2012	1,865,000	1,809,988	3,674,988
2013	1,950,000	1,724,150	3,674,150
2014	2,035,000	1,634,488	3,669,488
2015	2,125,000	1,535,575	3,660,575
2016-2020	12,215,000	6,108,804	18,323,804
2021-2025	14,980,000	3,272,900	18,252,900
2026-2027	6,960,000	316,576	7,276,576
	<u>\$ 42,130,000</u>	<u>\$ 18,254,431</u>	<u>\$ 60,384,431</u>

Year	2007 Series A Bond		
	Principal or sinking fund installment	Interest	Total debt service
2011	\$ -	\$ 4,488,000	\$ 4,488,000
2012	2,615,000	4,422,625	7,037,625
2013	2,765,000	4,288,125	7,053,125
2014	2,955,000	4,145,125	7,100,125
2015	3,060,000	3,994,750	7,054,750
2016-2020	25,060,000	16,872,750	41,932,750
2021-2025	36,180,000	8,976,500	45,156,500
2026-2027	17,125,000	866,625	17,991,625
	<u>\$ 89,760,000</u>	<u>\$ 48,054,500</u>	<u>\$ 137,814,500</u>

Year	2007 Series B Bond		
	Principal or sinking fund installment	Interest	Total debt service
2011	\$ 17,590,000	\$ 4,346,000	\$ 21,936,000
2012	18,465,000	3,444,625	21,909,625
2013	19,395,000	2,498,125	21,893,125
2014	7,290,000	1,831,000	9,121,000
2015	7,650,000	1,457,500	9,107,500
2016-2018	25,325,000	1,940,375	27,265,375
	<u>\$ 95,715,000</u>	<u>\$ 15,517,625</u>	<u>\$ 111,232,625</u>

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NOTES TO FINANCIAL STATEMENTS

F. FUTURE DEBT SERVICE PAYMENTS (CONTINUED)

Year	2009 Series A Bond		
	Principal or sinking fund installment	Interest	Total debt service
2011	\$ 12,135,000	\$ 4,314,125	\$ 16,449,125
2012	12,715,000	3,758,975	16,473,975
2013	13,350,000	3,149,725	16,499,725
2014	-	2,498,325	2,498,325
2015	-	2,498,325	2,498,325
2016-2020	33,125,000	9,149,775	42,274,775
2021-2025	6,110,000	3,709,850	9,819,850
2026	13,035,000	633,300	13,668,300
	<u>\$ 90,470,000</u>	<u>\$ 29,712,400</u>	<u>\$ 120,182,400</u>

Year	2009 Series B Bond		
	Principal or sinking fund installment	Interest	Total debt service
2011	\$ -	\$ 1,225,800	\$ 1,225,800
2012	2,295,000	1,225,800	3,520,800
2013	2,390,000	1,134,000	3,524,000
2014	2,500,000	1,038,400	3,538,400
2015	2,605,000	913,400	3,518,400
2016-2020	14,475,000	3,170,650	17,645,650
2021-2022	6,660,000	427,550	7,087,550
	<u>\$ 30,925,000</u>	<u>\$ 9,135,600</u>	<u>\$ 40,060,600</u>

Year	Total debt service
2011	\$ 77,993,111
2012	92,821,110
2013	87,812,788
2014	59,066,337
2015	60,743,032
2016-2020	267,597,553
2021-2025	95,514,238
2026-2027	<u>38,936,501</u>
Subtotal, gross debt	780,484,670
Less: interest portion	<u>(140,729,670)</u>
Net Bonds Payable	<u>\$ 639,755,000</u>

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NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

During 2009, the Authority refunded remaining principal and interest payments on the 1991 Series Bonds; 2009, 2010 and 2011 principal payments on 1999 Series Bonds, 2000 Series Bonds, 2006 Series A bonds and 2007 Series A Bonds; 2009 and 2010 principal payments on 2002 Series A Bonds and 2009 principal payments on 2002 Series B Refunding Bonds, 2004 Series A Bonds, 2004 Series B Refunding Bonds and 2007 Series B Refunding Bonds. The amount borrowed was received by the Governmental Funds and increased fund balance. The amount that was sent to the paying agent (\$125,595,155) to be escrowed for payment of the old debt (\$121,885,000) as it comes due was paid out of the Governmental Funds and reduced fund balance. The difference between those amounts was \$3,506,816 and will be amortized as an adjustment in the statement of activities over the remaining life of the refunded debt (varying amounts from two to sixteen years).

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NOTES TO FINANCIAL STATEMENTS

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

Deferred loss on advance refunding

	December 31,	
	2010	2009
2002 refunding	\$ 8,503,118	\$ 9,157,204
2003 refunding	2,515,814	4,455,975
2004 refunding	550,096	650,113
2007 refunding	3,724,663	4,112,128
2009 refunding	<u>3,207,402</u>	<u>3,397,001</u>
	<u>\$ 18,501,093</u>	<u>\$ 21,772,421</u>

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

	December 31,	
	2010	2009
Total unamortized bond issuance cost	<u>\$ 4,594,832</u>	<u>\$ 4,965,122</u>
Related amortization expense	<u>\$ 496,488</u>	<u>\$ 588,606</u>
Bond issuance costs	<u>\$ -</u>	<u>\$ 969,588</u>

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

	December 31,	
	2010	2009
Cost of property and equipment	\$ 74,350	\$ 74,350
Accumulated depreciation	(51,762)	(45,640)
Property and equipment, net	<u>\$ 22,588</u>	<u>\$ 28,710</u>
Construction in progress	<u>\$ 145,602,546</u>	<u>\$ 137,419,616</u>
Capital outlay	<u>\$ 40,123,551</u>	<u>\$ 74,345,094</u>

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

	December 31,	
	2010	2009
Minimum lease receivable	<u>\$ 482,773,917</u>	<u>\$ 484,536,810</u>

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NOTES TO FINANCIAL STATEMENTS

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

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

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
Accrued bond interest payable	<u>\$ 1,189,816</u>	<u>\$ 1,253,583</u>
Related adjustment to interest expense	<u>\$ (6,972,706)</u>	<u>\$ (6,844,960)</u>
Bonds payable	<u>\$ 639,755,000</u>	<u>\$ 673,205,000</u>
Unamortized bond premiums, net of discounts	<u>\$ 16,806,315</u>	<u>\$ 19,113,959</u>
Amortization income	<u>\$ 2,308,533</u>	<u>\$ 2,662,452</u>

(6) Amortization expense in the governmental funds differs from amortization expense in the statement of activities (\$3,768,706 in 2010 and \$4,684,208 in 2009). The difference is a result of the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds.

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

	<u>Year Ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Debt issuance	<u>\$ -</u>	<u>\$ 121,395,000</u>
Premium on debt issued	<u>\$ -</u>	<u>\$ 5,386,304</u>

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

	<u>Year Ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Principal payments made	<u>\$ 33,450,000</u>	<u>\$ 3,300,000</u>

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NOTES TO FINANCIAL STATEMENTS

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

- (8) The amounts received from the State for debt service principal payments of \$33,450,000 during 2010 and \$3,300,000 during 2009 constitute governmental fund revenue and thus are not included in the Authority's statements of activities.
- (9) The Authority had an arbitrage rebate calculation performed at December 31, 2010, that resulted in no liability due to the Internal Revenue Service.

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

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

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

I. COMMITMENTS AND CONTINGENCIES

The Authority has contract commitments totaling approximately \$19,300,000 and \$18,400,000 for the years ended December 31, 2010 and 2009, respectively. Such commitments relate to various architectural and construction contracts under various projects.

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

J. SUBSEQUENT EVENTS

Management has evaluated subsequent events that occurred after the balance sheet date but before April 28, 2011, the date the financial statements were available to be issued. No items were determined by management to require disclosure.