

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)
FINANCIAL STATEMENTS
December 31, 2012

NEW JERSEY BUILDING AUTHORITY

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December 31, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
New Jersey Building Authority

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

Opinion

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

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

Mercadien, P.C.
Certified Public Accountants

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

April 24, 2013

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

To the Board of Directors of
New Jersey Building Authority

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

Internal Control Over Financial Reporting

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

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

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

Internal Control Over Financial Reporting (continued)

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

Compliance and Other Matters

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

Purpose of this Report

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

Mercadien, P.C.
Certified Public Accountants

**MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS**

April 24, 2013

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the New Jersey Building Authority's annual financial report represents our discussion of the New Jersey Building Authority's (the "Authority") financial performance and provides an overview of the Authority's activities for the year ended December 31, 2012. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read it in conjunction with the Authority's basic financial statements.

Financial Highlights

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

Overview of the Financial Statements

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

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

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

Basic Financial Statements

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

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

NEW JERSEY BUILDING AUTHORITY

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Notes to the Basic Financial Statements.

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

Financial Analysis

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

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

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

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

Cash Receipts and Revenues

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

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

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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

Construction Contract Payments

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

Table 1

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

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

Debt Service

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

Table 2

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>Percentage Change 2011-2010</u>
Bonds payable	<u>\$ 544,980</u>	<u>\$ 617,980</u>	<u>\$ 639,755</u>	<u>(11.81)%</u>

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

	<u>2012</u>	<u>2011</u>
Fitch	A+	AA-
Moody's	A1	Aa3
Standard & Poor	A+	AA-

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

NEW JERSEY BUILDING AUTHORITY

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

<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 Authority's finances. If you have any questions about this report or need additional financial information, contact the Authority's Fiscal Office at P.O. Box 219, Trenton, New Jersey 08625-0219.

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

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

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

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

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

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

Year Ended December 31, 2012

	<u>Governmental Funds</u>	<u>Adjustments (Note G)</u>	<u>Statement of Activities</u>
REVENUES			
Investment income	\$ 4,022	\$ -	\$ 4,022
State rental payments	28,156,883	(135,850)	28,021,033
State principal payments	73,000,000	(73,000,000)	-
State appropriation for administrative costs	826,800	-	826,800
Amortization income	-	3,249,134	3,249,134
Total revenues	<u>101,987,705</u>	<u>(69,886,716)</u>	<u>32,100,989</u>
EXPENDITURES			
Amortization expense	-	3,623,095	3,623,095
Capital outlay	4,361,505	(4,361,505)	-
Debt service			
Principal	73,000,000	(73,000,000)	-
Interest	26,889,306	(103,034)	26,786,272
Other administrative expenses	<u>1,904,112</u>	<u>-</u>	<u>1,904,112</u>
Total expenditures	<u>106,154,923</u>	<u>(73,841,444)</u>	<u>32,313,479</u>
 (Deficiency) excess of revenues over expenditures	 <u>(4,167,218)</u>	 <u>3,954,728</u>	 <u>(212,490)</u>
OTHER FINANCING SOURCES (USES)			
Short-term debt issued	20,000,000	(20,000,000)	-
Bond issuance costs	(106,600)	106,600	-
Premium on debt issued	<u>259,400</u>	<u>(259,400)</u>	<u>-</u>
Total other financing sources (uses)	<u>20,152,800</u>	<u>(20,152,800)</u>	<u>-</u>
Change in fund balance/net position	15,985,582	(16,198,072)	(212,490)
Fund balance/net position			
Beginning of year	<u>1,967,382</u>	<u>20,842,653</u>	<u>22,810,035</u>
End of year	<u>\$ 17,952,964</u>	<u>\$ 4,644,581</u>	<u>\$ 22,597,545</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 POSITION
Year Ended December 31, 2011**

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

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

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

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

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

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, and the related liabilities, are accrued when they are normally expected to be paid out of revenues recognized during the current period. The exception to this rule is that principal and interest on long-term debt are recognized when payment is due.

Use of Estimates

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

Funds Required by Bond Resolutions

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

<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 position 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,	
	2012	2011
Construction fund	\$ 37,802,548	\$ 21,973,350
Debt service	2,616,533	2,460,047
Rebate and other	512,965	440,256
	<u>\$ 40,932,046</u>	<u>\$ 24,873,653</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.

Bond Issuance Costs

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

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

Bond Premiums/Discounts

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

Loss on Advanced Refunding of Bonds

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

Fund Balance/Net Position

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

Income Taxes

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

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Administrative Expense

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

Concentration of Risk

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

New Pronouncements

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

B. CASH AND EQUIVALENTS

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

	<u>December 31, 2012</u>		<u>December 31, 2011</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.	\$ 130,038	\$ 130,038	\$ 66,546	\$ 66,546
Amount collateralized with securities held by the pledging financial institution's trust department in the Authority's name.	<u>14,206,016</u>	<u>14,206,016</u>	<u>15,877,212</u>	<u>15,877,212</u>
Total	<u>\$14,336,054</u>	<u>\$14,336,054</u>	<u>\$15,943,758</u>	<u>\$15,943,758</u>

NEW JERSEY BUILDING AUTHORITY

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NOTES TO FINANCIAL STATEMENTS

B. CASH AND EQUIVALENTS (CONTINUED)

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

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

C. FINANCIAL INSTRUMENTS

Variable Rate Revenue Bonds, 2003 Series A Issue

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

1) Interest Rate Swap Agreements

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

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

NEW JERSEY BUILDING AUTHORITY

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NOTES TO FINANCIAL STATEMENTS

C. FINANCIAL INSTRUMENTS (CONTINUED)

2) Credit Risk

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

3) Termination Risk

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

4) Synthetic Rate

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

5) Basis Risk

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

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

NEW JERSEY BUILDING AUTHORITY

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NOTES TO FINANCIAL STATEMENTS

D. MINIMUM LEASE PAYMENTS RECEIVABLE

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

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

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

E. BONDS PAYABLE

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

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

2011 Series A Refunding Bonds

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

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

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

NEW JERSEY BUILDING AUTHORITY

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NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

Defeased Bonds

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

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

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

F. FUTURE DEBT SERVICE PAYMENTS

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

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

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

G. BOND ANTICIPATION NOTE

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

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

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

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

Loss on advance refunding net of amortization.

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

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

	December 31,	
	2012	2011
Total unamortized bond issuance cost	<u>\$ 3,697,526</u>	<u>\$ 4,074,667</u>
Related amortization expense	<u>\$ 496,968</u>	<u>\$ 496,488</u>
Bond issuance costs	<u>\$ 106,600</u>	<u>\$ 217,319</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 position includes those capital assets among the assets of the Authority as a whole.

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

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

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

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

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Minimum lease receivable	<u>\$544,980,000</u>	<u>\$615,176,597</u>

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

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

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

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

	<u>Year Ended December 31,</u>	
	<u>2012</u>	<u>2011</u>
Debt issuance	<u>\$ 20,000,000</u>	<u>\$ 54,435,000</u>
Premium on debt issued	<u>\$ 259,400</u>	<u>\$ 5,529,577</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 position and do not result in an expense in the statement of activities. The Authority's bond debt was reduced by principal payments made to bondholders.

	<u>Year Ended December 31,</u>	
	<u>2012</u>	<u>2011</u>
Principal payments made	<u>\$ 73,000,000</u>	<u>\$ 21,680,263</u>

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

J. PENSION PLAN

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

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

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

K. COMMITMENTS AND CONTINGENCIES

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

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

NEW JERSEY BUILDING AUTHORITY

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NOTES TO FINANCIAL STATEMENTS

L. SUBSEQUENT EVENTS

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