NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

Financial Statements

December 31, 2009

NEW JERSEY BUILDING AUTHORITY

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December 31, 2009

MERCADIEN, P.C.
Certified Public Accountants
A Mercadien Group Company

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, 2009 and 2008, 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, 2009 and 2008, 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.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2010, 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.

Mercadien, P.C.
Certified Public Accountants

April 28, 2010

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
A Mercadien Group Company

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, 2009, and have issued our report thereon dated April 28, 2010. 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.

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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)

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.

Mercadien, P.C.
Certified Public Accountants

April 28, 2010

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, 2009. 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

- Issued $90,470,000 Series A Refunding Bonds.
- Issued $30,925,000 Series B Refunding Bonds.
- Construction-In-Progress outlays totaled $74,345,000.

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.

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.

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

	December 31,		Change
	2009	2008	2009-2008
Current assets	$ 174,214	$ 164,402	5.97 %
Non-current assets	594,885	581,014	2.39 %
Total assets	769,099	745,416	3.18 %
Current liabilities	75,635	74,081	2.10 %
Non-current liabilities	665,225	641,669	3.67 %
Total liabilities	740,860	715,750	3.49 %
Net assets	$ 28,239	$ 29,666	(4.81)%

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

	Year Ended December 31,		Percentage Change
	2009	2008	2009-2008
Revenues			
Investment income	$ 867	$ 4,272	(79.71)%
Rebate income	-	694	(100.00)%
State rental payments	21,622	36,457	(40.69)%
State appropriation	1,243	1,139	9.13 %
Amortization income	2,662	2,916	(8.71)%
Total revenues	26,394	45,478	(41.96)%
Expenditures			
Transaction costs	-	480	(100.00)%
Amortization expense	4,684	4,623	1.32 %
Debt Service:			
Interest	20,952	31,803	(34.12)%
Other administrative expenses	2,185	1,490	46.64 %
Total expenditures	27,821	38,396	(27.54)%
Change in net assets	(1,427)	7,082	(120.15)%
Net assets, beginning of year	29,666	22,584	31.36 %
Net assets, end of year	$ 28,239	$ 29,666	(4.81)%

Cash Receipts and Revenues

State debt service receipts totaled $51.2 million, of which $21 million was associated with the interest portion of bond payments as identified in the official statements and $3.3 million was associated with the pay-down of the principal portion. $26.9 million was classified as Deferred Revenue due to the two Bond Refunding Issues in 2009.

Investment income decreased $4,099,953 from $4,967,272 at December 31, 2008, to $867,319 at December 31, 2009, as a result of construction expenditures of over $74 million and a significant drop in interest rates in 2009.

The Authority received a State appropriation of $1.24 million to cover its 2009 Administrative Budget, the majority of which was used for salary and payroll related expenses ($903,000) of its eight full time and one part time employees.

Construction Contract Payments

Construction expenditures in 2009 totaled $74.345 million and are detailed in Table 1.

Table 1

Construction Contract Payments	2009 (in thousands)
Education Building	$ 12
Health Lab Facility	72,671
Justice Complex	5
State House Annex	26
State Museum	686
State Police HQ	780
State Police EOC	25
War Memorial	140
Total	$ 74,345

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 65% completed as of December 31, 2009. 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 close to completion. 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 2009 the Authority made principal payments of $3.3 million. There were two refunding issues, $90,470,000 2009 Series A and $30,925,000 2009 Series B.

Table 2 summarizes the change in debt service between the calendar years 2009 and 2008:

	2009	2008	Percentage Change 2009-2008
Bonds payable	$ 673,205	$ 636,410	5.78 %
Capital Appreciation Bonds Payable	-	40,580	(100.00)%
Accreted interest	1,254	1,082	15.90 %
Total Bonds Payable	$ 674,459	$ 678,072	(0.53)%

The Authority Bond Ratings as of December 31, 2009 and 2008, were as follows:

	2009	2008
Fitch	A+	A+
Moody's	A1	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.

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

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

Contacting Financial Management

This financial report is designed to provide citizens, vendors and creditors with a general overview of the 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, 2009

	Governmental Funds	Adjustments (Note G)	Statement of Net Assets
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	-	137,419,616	137,419,616
Total Assets	$ 120,376,760	$ 648,722,679	$ 769,099,439
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	-	19,113,959	19,113,959
Total Liabilities	31,220,958	709,639,248	740,860,206
FUND BALANCES/NET ASSETS			
Restricted	89,155,802	(60,916,569)	28,239,233
Total Fund Balances/Net Assets	89,155,802	(60,916,569)	28,239,233
Total Liabilities and Fund Balances/Net Assets	$ 120,376,760	$ 648,722,679	$ 769,099,439

See notes to financial statements.

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
December 31, 2008

	Governmental Funds	Adjustments (Note G)	Statement of Net Assets
ASSETS			
Cash and equivalents- restricted	$ 164,401,050	$ -	$ 164,401,050
Accrued interest receivable	714	-	714
Minimum lease payments receivable	-	488,787,247	488,787,247
Deferred loss on advanced refunding of bonds	-	21,457,150	21,457,150
Deferred bond issuance costs	-	5,403,443	5,403,443
Property and equipment	-	34,832	34,832
Construction in progress	-	65,331,888	65,331,888
Total Assets	$ 164,401,764	$ 581,014,560	$ 745,416,324
LIABILITIES			
Accounts payable			
Payable to State	$ 77,997	$ -	$ 77,997
Other	18,249,315	-	18,249,315
Contractor retainage payable	2,840,647	-	2,840,647
Accrued bond interest payable	-	1,081,521	1,081,521
Bonds payable	-	676,990,000	676,990,000
Unamortized bond premiums, net of discounts	-	16,510,692	16,510,692
Total Liabilities	21,167,959	694,582,213	715,750,172
FUND BALANCES/NET ASSETS			
Restricted	143,233,805	(113,567,653)	29,666,152
Total Fund Balances/Net Assets	143,233,805	(113,567,653)	29,666,152
Total Liabilities and Fund Balances/Net Assets	$ 164,401,764	$ 581,014,560	$ 745,416,324

See notes to financial statements.

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

See notes to financial statements.

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, 2008

	Governmental Funds	Adjustments (Note G)	Statement of Activities
REVENUES			
Investment income	$ 4,272,797	$ -	$ 4,272,797
Rebate income	-	694,475	694,475
State rental payments	36,456,893	-	36,456,893
State principal payments	58,291,030	(58,291,030)	-
State appropriation for administrative costs	1,138,937	-	1,138,937
Amortization income	-	2,915,779	2,915,779
Total revenues	100,159,657	(54,680,776)	45,478,881
EXPENDITURES			
Miscellaneous transaction costs	479,706	-	479,706
Amortization expense	-	4,623,648	4,623,648
Capital outlay	27,852,971	(27,852,971)	-
Debt service			
Principal	58,291,030	(58,291,030)	-
Interest	38,586,144	(6,782,225)	31,803,919
Other administrative expenses	1,489,930	-	1,489,930
Total expenditures	126,699,781	(88,302,578)	38,397,203
Excess (deficiency) of revenues over expenditures	(26,540,124)	33,621,802	7,081,678
Change in fund balance/net assets	(26,540,124)	33,621,802	7,081,678
Fund balance/net assets			
Beginning of year	169,773,929	(147,189,455)	22,584,474
End of year	$ 143,233,805	$ (113,567,653)	$ 29,666,152

See 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.

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").

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

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

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

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

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.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Funds Required by Bond Resolutions

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

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

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

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

	December 31,	
	2009	2008
Construction fund	$ 96,929,617	$160,512,106
Debt service	23,066,001	2,898,250
Rebate and other	381,084	990,694
	$120,376,702	$164,401,050

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 $6,973,428 and $8,056,108 for the years ended December 31, 2009 and 2008, respectively.

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

Bond Issuance Costs

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

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

Bond Premiums/Discounts

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

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.

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

GASB issued Statement No. 53 Accounting and Financial Reporting for Derivative Instruments. This statement provides guidance on reporting derivative instruments at fair value in the financial statements. The Authority will implement this statement as required for the calendar year ending December 31, 2010.

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, 2009 and 2008. 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, 2009 and 2008, the Authority's cash balances were as follows:

	December 31, 2009		December 30, 2008	
	Financial Statement Balance	Bank Balance	Financial Statement Balance	Bank Balance
Amount insured by the FDIC or collateralized with securities held in its name by the Authority.	$ 94,043,680	$ 94,043,680	$ 156,603,062	$ 156,603,062
Amount collateralized with securities held by the pledging financial institution's trust department in the Authority's name.	26,332,852	26,332,852	7,797,988	7,797,988
Total	$120,376,532	$120,376,532	$164,401,050	$164,401,050

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 2009 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 $12,253,183 and $25,732,467 as of December 31, 2009 and 2008, respectively.

2) **Credit Risk**

As of December 31, 2009, the Authority was not exposed to credit risk, because the swap had a negative fair value. However, should interest rates change and the fair value of the swaps become positive, the Authority would be exposed to credit risk in the amount of the swaps' fair value.

3) **Termination Risk**

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

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

D. MINIMUM LEASE PAYMENTS RECEIVABLE

Future minimum lease payments receivable from the State as of December 31, 2009, are as follows:

2010	$ 53,779,510
2011	68,943,106
2012	78,290,509
2013	73,514,842
2014	50,168,659
2015-2019	237,153,430
2020-2024	37,661,498
2025-2027	9,120,445
	608,631,999
Less amounts representing interest	(124,095,189)
	$ 484,536,810

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, 2009 and 2008, was as follows:

Balance, December 31, 2008	$ 676,990,000
Additions	121,395,000
Reductions	(125,180,000)
Balance, December 31, 2009	$ 673,205,000
Balance, December 31, 2007	$ 737,951,402
Additions	6,353,758
Reductions	(67,315,160)
Balance, December 31, 2008	$ 676,990,000

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 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

E. BONDS PAYABLE (CONTINUED)

in the balance sheet and is being amortized over the average remaining lives of refunded bonds.

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 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 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 advance 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.

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%.

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.

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.

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.

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%.

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, 2009, the amount of defeased general obligation debt outstanding but removed from the Authority's long-term debt amounted to $466,895,000.

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

2010	$ 61,520,000
2011	60,845,000
2012	43,945,000
2013	51,080,000
2014	36,265,000
2015-2019	195,735,000
2020-2024	17,505,000
Total	$ 466,895,000

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
2010	$ -	$ 69,113	$ 69,113
2011	-	69,113	69,113
2012	1,455,000	34,556	1,489,556
	$ 1,455,000	$ 172,782	$ 1,627,782

	2002 Series A Bond (net of 2003 and 2004 refunding)		
Year	Principal or sinking fund installment	Interest	Total debt service
2010	$ -	$ 268,950	$ 268,950
2011	3,040,000	268,950	3,308,950
2012	3,175,000	158,750	3,333,750
	$ 6,215,000	$ 696,650	$ 6,911,650

	2002 Series B Bond		
Year	Principal or sinking fund installment	Interest	Total debt service
2010	$ 14,370,000	$ 5,715,150	$ 20,085,150
2011	18,565,000	4,960,725	23,525,725
2012	21,160,000	3,986,063	25,146,063
2013	18,380,000	2,875,163	21,255,163
2014	17,690,000	1,910,212	19,600,212
2015	18,695,000	981,487	19,676,487
	$ 108,860,000	$ 20,428,800	$ 129,288,800

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
2010	$ 3,575,000	$ 173,524	$ 3,748,524
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
2015-2019	119,575,000	474,819	120,049,819
2020-2023	22,150,000	41,089	22,191,089
	$ 175,225,000	$ 1,324,138	$ 176,549,138

	2004 Series A Bond		
Year	Principal or sinking fund installment	Interest	Total debt service
2010	$ 500,000	$ 82,725	$ 582,725
2011	515,000	66,856	581,856
2012	530,000	49,544	579,544
2013	550,000	30,631	580,631
2014	570,000	10,331	580,331
	$ 2,665,000	$ 240,087	$ 2,905,087

	2004 Series B Bond		
Year	Principal or sinking fund installment	Interest	Total debt service
2010	$ 7,500,000	$ 1,139,856	$ 8,639,856
2011	45,000	766,731	811,731
2012	50,000	765,213	815,213
2013	3,390,000	763,463	4,153,463
2014	3,570,000	592,988	4,162,988
2015-2016	7,725,000	613,724	8,338,724
	$ 22,280,000	$ 4,641,975	$ 26,921,975

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

F. FUTURE DEBT SERVICE PAYMENTS (CONTINUED)

	2006 Series A Bond		
Year	Principal or sinking fund installment	Interest	Total debt service
2010	$ -	$ 1,851,950	$ 1,851,950
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
2015-2019	11,695,000	6,627,495	18,322,495
2020-2024	14,370,000	3,903,346	18,273,346
2025-2027	10,215,000	703,014	10,918,014
	$ 42,130,000	$ 20,106,381	$ 62,236,381

	2007 Series A Bond		
Year	Principal or sinking fund installment	Interest	Total debt service
2010	$ -	$ 4,488,000	$ 4,488,000
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
2015-2019	21,825,000	18,044,875	39,869,875
2020-2024	34,525,000	10,744,125	45,269,125
2025-2027	25,075,000	1,921,625	26,996,625
	$ 89,760,000	$ 52,542,500	$ 142,302,500

	2007 Series B Bond		
Year	Principal or sinking fund installment	Interest	Total debt service
2010	$ 7,505,000	$ 4,973,375	$ 12,478,375
2011	17,590,000	4,346,000	21,936,000
2012	18,465,000	3,444,625	21,909,625
2013	19,395,000	2,498,125	21,893,125
2014	7,290,000	1,831,000	9,121,000
2015-2018	32,975,000	3,397,875	36,372,875
	$ 103,220,000	$ 20,491,000	$ 123,711,000

F. FUTURE DEBT SERVICE PAYMENTS (CONTINUED)

	2009 Series A Bond		
Year	Principal or sinking fund installment	Interest	Total debt service
2010	$ -	$ 4,314,125	$ 4,314,125
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
2015-2019	33,125,000	10,743,125	43,868,125
2020-2024	6,110,000	3,981,525	10,091,525
2025-2026	13,035,000	1,266,600	14,301,600
	$ 90,470,000	$ 34,026,525	$ 124,496,525

	2009 Series B Bond		
Year	Principal or sinking fund installment	Interest	Total debt service
2010	$ -	$ 1,273,470	$ 1,273,470
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
2015-2019	13,950,000	3,675,800	17,625,800
2020-2022	9,790,000	835,800	10,625,800
	$ 30,925,000	$ 10,409,070	$ 41,334,070

Year	**Total debt service**
2010	$ 57,800,238
2011	77,993,111
2012	92,821,110
2013	87,812,788
2014	59,066,337
2015-2019	304,124,200
2020-2024	106,450,885
2025-2027	52,216,239
Subtotal, gross debt	838,284,908
Less: interest portion	(165,079,908)
Net Bonds Payable	$ 673,205,000

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 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).

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

Deferred loss on advance refunding

	December 31, 2009	December 31, 2008
2002 refunding	$ 9,157,204	$ 9,811,290
2003 refunding	4,455,975	6,396,136
2004 refunding	650,113	750,131
2007 refunding	4,112,128	4,499,593
2009 refunding	3,397,001	-
	$ 21,772,421	$ 21,457,150

(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, 2009	December 31, 2008
Total unamortized bond issuance cost	$ 4,965,122	$ 5,403,443
Related amortization expense	$ 588,606	$ 632,565
Bond issuance costs	$ 969,588	$ -

(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, 2009	December 31, 2008
Cost of property and equipment	$ 74,350	$ 74,350
Accumulated depreciation	(45,640)	(39,518)
Property and equipment, net	$ 28,710	$ 34,832
Construction in progress	$ 137,419,616	$ 65,331,888
Capital outlay	$ 74,345,094	$ 27,852,971

(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, 2009	December 31, 2008
Minimum lease receivable	$ 484,536,810	$ 488,787,247

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.

	December 31,	
	2009	2008
Accrued bond interest payable	$ 1,253,583	$ 1,081,521
Related adjustment to interest expense	$ (6,844,960)	$ (6,782,225)
Bonds payable	$ 673,205,000	$ 676,990,000
Unamortized bond premiums, net of discounts	$ 19,113,959	$ 16,510,692
Amortization income	$ 2,662,452	$ 2,915,779

(6) Amortization expense in the governmental fund differs from amortization expense in the statement of activities ($4,684,208 in 2009 and $4,623,648 in 2008). The difference is a result of the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds.

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

	Year Ended December 31,	
	2009	2008
Debt issuance	$ 121,395,000	$ -
Premium on debt issued	$ 5,386,304	$ -

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.

	Year Ended December 31,	
	2009	2008
Principal payments made	$ 3,300,000	$ 58,291,030

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 $29,871,254 during 2009 and $58,291,030 during 2008 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, 2009, 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 $18,400,000 and $22,400,000 for the years ended December 31, 2009 and 2008, respectively. Such commitments relate to various architectural and construction contracts under the project.

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

J. SUBSEQUENT EVENTS

Management has evaluated subsequent events that occurred after the balance sheet date but before April 28, 2010, the date the financial statements were available to be issued. No items were determined by management to require disclosure.