Basic Financial Statements

STATE OF NEW JERSEY
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current Assets				
Cash and cash equivalents	$ 221,387,556	$ 583,161	$ 221,970,717	$ 4,193,680,261
Investments	3,440,272,589	255,284,058	3,695,556,647	6,883,727,711
Receivables, net of allowances for uncollectibles				
Federal government	1,063,571,535	276,880,852	1,340,452,387	297,137,937
Departmental accounts	3,665,948,664	832,929,669	4,498,878,333	-
Loans	1,813,862,998	-	1,813,862,998	267,827,041
Mortgages	-	-	-	92,984,000
Other	740,351,948	114,713,838	855,065,786	695,450,529
Internal balances	144,707,427	(144,707,427)	-	-
Due from external parties	10,623,042	-	10,623,042	179,809,967
Inventories	-	-	-	165,876,986
Deferred charges	-	3,027,054	3,027,054	-
Other	8,464,371	-	8,464,371	275,855,631
Total Current Assets	11,109,190,130	1,338,711,205	12,447,901,335	13,052,350,063
Noncurrent Assets				
Investments	-	245,502,273	245,502,273	4,452,010,399
Receivables, net of allowances for uncollectibles				
Loans	-	-	-	3,712,110,423
Mortgages	-	-	-	2,378,023,880
Other	-	-	-	142,595,938
Pension assets	4,022,726	-	4,022,726	-
Capital assets - nondepreciated	8,000,697,158	-	8,000,697,158	7,290,733,561
Capital assets - depreciated, net	17,531,319,656	-	17,531,319,656	18,305,916,139
Derivative instrument asset	-	-	-	7,553,000
Other	248,267,249	-	248,267,249	172,891,927
Total Noncurrent Assets	25,784,306,789	245,502,273	26,029,809,062	36,461,835,267
Deferred Outflows of Resources	1,121,885,236	-	1,121,885,236	490,937,548
Total Assets and Deferred Outflows of Resources	38,015,382,155	1,584,213,478	39,599,595,633	50,005,122,878

The accompanying notes are an integral part of the financial statements.

STATE OF NEW JERSEY
STATEMENT OF NET POSITION (Continued)
JUNE 30, 2014

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
LIABILITIES				
Current Liabilities				
Accounts payable and accruals	2,327,222,125	167,356,861	2,494,578,986	1,295,688,137
Due to external parties	123,863,888	-	123,863,888	273,759,368
Interest payable	262,897,761	-	262,897,761	323,765,499
Unearned revenue	456,512,178	-	456,512,178	490,994,443
Current portion of long-term obligations	2,453,202,328	50,768,499	2,503,970,827	1,062,442,656
Other	335,325,519	52,358,726	387,684,245	524,535,709
Total Current Liabilities	5,959,023,799	270,484,086	6,229,507,885	3,971,185,812
Noncurrent Liabilities				
Net pension obligation	15,949,329,630	-	15,949,329,630	51,218,784
Net OPEB obligation	23,573,700,000	-	23,573,700,000	821,798,749
Pollution remediation obligation	73,964,569	-	73,964,569	52,660,384
Derivative instrument liability	326,226,608	-	326,226,608	129,713,262
Other	42,817,670,443	246,189,172	43,063,859,615	25,006,401,948
Total Noncurrent Liabilities	82,740,891,250	246,189,172	82,987,080,422	26,061,793,127
Deferred Inflows of Resources	-	-	-	288,204,642
Total Liabilities and Deferred Inflows of Resources	88,699,915,049	516,673,258	89,216,588,307	30,321,183,581
NET POSITION				
Net investment in capital assets	8,038,178,174	-	8,038,178,174	9,861,171,479
Restricted for:				
Capital projects	-	-	-	209,089,529
Public safety and criminal justice	27,436	-	27,436	-
Physical and mental health	3,122,144	-	3,122,144	-
Educational, cultural, and intellectual development	408,129,775	-	408,129,775	-
Community development and environmental management	2,622,572,484	-	2,622,572,484	-
Economic planning, development and security	393,223,591	-	393,223,591	-
Transportation programs	2,374,581	-	2,374,581	-
Debt service	-	-	-	1,103,107,236
Unemployment	-	1,066,720,937	1,066,720,937	-
Prize awards and State contributions	-	819,283	819,283	6,205,783,766
Unrestricted	(62,152,161,079)	-	(62,152,161,079)	2,304,787,287
Total Net Position	$ (50,684,532,894)	$ 1,067,540,220	$ (49,616,992,674)	$ 19,683,939,297

STATE OF NEW JERSEY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions - Programs				
Primary Government				
Governmental activities:				
Public safety and criminal justice	$ 3,462,205,214	$ 1,111,414,531	$ 756,363,764	$ 2,087,246
Physical and mental health	12,935,441,796	848,702,260	1,285,764,165	-
Educational, cultural, and intellectual development	15,684,854,900	113,640,627	974,558,945	-
Community development and environmental management	2,274,271,684	342,283,093	1,247,117,354	90,253,817
Economic planning, development, and security	6,527,437,038	1,274,986,792	779,809,310	-
Transportation programs	1,786,847,934	30,533,805	1,407,383,939	562,112,456
Government direction, management, and control	11,726,596,524	880,082,117	9,176,480,115	-
Special government services	358,718,609	201,022,653	10,556,495	4,394,465
Interest expense	1,235,261,166	-	-	-
Total governmental activities	55,991,634,865	4,802,665,878	15,638,034,087	658,847,984
Business-type activities:				
State Lottery Fund	1,985,610,464	2,942,217,410	209,438	-
Unemployment Compensation Fund	3,058,101,835	3,000,323,954	680,354,149	-
Total business-type activities	5,043,712,299	5,942,541,364	680,563,587	-
Total Primary Government	$ 61,035,347,164	$ 10,745,207,242	$ 16,318,597,674	$ 658,847,984
Component Units				
Authorities	$ 6,658,746,207	$ 3,553,781,632	$ 1,859,754,353	$ 2,277,578,148
Colleges and Universities	5,885,493,082	3,028,397,289	2,251,280,098	133,003,795
Total Component Units	$ 12,544,239,289	$ 6,582,178,921	$ 4,111,034,451	$ 2,410,581,943
General Revenues and Transfers				
Taxes:				
Gross Income Tax				
Sales and Use Tax				
Corporate Business Tax				
Other taxes				
Investment earnings				
Payments from State				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in Net Position				
Net Position - July 1, 2013 (Restated)				
Net Position - June 30, 2014				

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (1,592,339,673)	$ -	$ (1,592,339,673)	$ -
(10,800,975,371)	-	(10,800,975,371)	-
(14,596,655,328)	-	(14,596,655,328)	-
(594,617,420)	-	(594,617,420)	-
(4,472,640,936)	-	(4,472,640,936)	-
213,182,266	-	213,182,266	-
(1,670,034,292)	-	(1,670,034,292)	-
(142,744,996)	-	(142,744,996)	-
(1,235,261,166)	-	(1,235,261,166)	-
(34,892,086,916)	-	(34,892,086,916)	-
-	956,816,384	956,816,384	-
-	622,576,268	622,576,268	-
-	1,579,392,652	1,579,392,652	-
$ (34,892,086,916)	$ 1,579,392,652	$ (33,312,694,264)	$ -
$ -	$ -	$ -	$ 1,032,367,926
-	-	-	(472,811,900)
$ -	$ -	$ -	$ 559,556,026
12,311,695,518	-	12,311,695,518	-
8,828,563,523	-	8,828,563,523	-
2,112,908,123	-	2,112,908,123	-
5,585,377,936	-	5,585,377,936	-
16,317,696	-	16,317,696	-
-	-	-	1,039,299,687
916,680,942	-	916,680,942	-
965,010,000	(965,010,000)	-	-
30,736,553,738	(965,010,000)	29,771,543,738	1,039,299,687
(4,155,533,178)	614,382,652	(3,541,150,526)	1,598,855,713
(46,528,999,716)	453,157,568	(46,075,842,148)	18,085,083,584
$ (50,684,532,894)	$ 1,067,540,220	$ (49,616,992,674)	$ 19,683,939,297

STATE OF NEW JERSEY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Property Tax Relief Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 116,840,884	$ -	$ 104,546,672	$ 221,387,556
Investments	894,423,764	-	2,545,848,825	3,440,272,589
Receivables, net of allowances for uncollectibles				
Federal government	665,967,008	-	207,340,403	873,307,411
Departmental accounts	2,800,342,959	472,720,838	392,884,867	3,665,948,664
Loans	365,921,201	-	1,447,941,797	1,813,862,998
Other	149,161,562	-	155,492,853	304,654,415
Due from other funds	833,307,806	9,712,165	329,485,019	1,172,504,990
Other	8,453,254	-	11,117	8,464,371
Total Assets	$ 5,834,418,438	$ 482,433,003	$ 5,183,551,553	$ 11,500,402,994
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accruals	$ 1,686,015,606	$ 61,468,073	$ 579,738,446	$ 2,327,222,125
Unearned revenue	461,412,044	-	116,130,134	577,542,178
Due to other funds	236,468,239	214,827,443	689,742,727	1,141,038,409
Other	127,401,727	197,877,225	10,046,567	335,325,519
Total Liabilities	2,511,297,616	474,172,741	1,395,657,874	4,381,128,231
Fund Balances				
Nonspendable	20,416,073	-	-	20,416,073
Restricted	999,185,039	-	3,381,051,058	4,380,236,097
Committed	2,008,437,560	8,260,262	406,842,621	2,423,540,443
Unassigned	295,082,150	-	-	295,082,150
Total Fund Balances	3,323,120,822	8,260,262	3,787,893,679	7,119,274,763
Total Liabilities and Fund Balances	$ 5,834,418,438	$ 482,433,003	$ 5,183,551,553	$ 11,500,402,994

The accompanying notes are an integral part of the financial statements.

STATE OF NEW JERSEY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total fund balances of governmental funds		$ 7,119,274,763
Amounts reported for governmental activities in the statement of net position are different as a result of the following items:		
Some of the State's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		625,961,657
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund perspective. These assets consist of :		
Infrastructure assets	$ 24,836,875,337	
Buildings and improvements	3,747,602,335	
Land and land improvements	5,279,292,138	
Other capital assets	4,179,797,015	
Accumulated depreciation	(12,511,550,011)	25,532,016,814
Unearned tobacco settlement revenue recorded in the fund perspective is recognized as revenue and not unearned revenue in the statement of net position.		121,030,000
Deferred outflows of resources are not current resources and therefore are not reported in the fund perspective.		1,121,885,236
The pension and other assets are not current resources and therefore are not reported in the fund perspective.		252,289,975
Some liabilities are not due and payable in the current period and therefore are not reported in the fund perspective. Those liabilities consist of:		
Current Liabilities		
Accrued interest	(262,897,761)	
Current portion of long-term obligations	(2,453,202,328)	(2,716,100,089)
Noncurrent Liabilities		
Bonds and notes payable	(23,207,275,000)	
Installment obligations	(17,395,425,468)	
Loans payable	(1,279,358,087)	
Capital leases	(583,040,290)	
Compensated absences	(245,063,788)	
Unamortized premium	(2,083,864,033)	
Tobacco Settlement Financing Corporation Bonds	(4,272,855,001)	
Unamortized discount on Capital Appreciation Bonds	7,136,806,973	
Net pension obligation	(15,949,329,630)	
Net OPEB obligation	(23,573,700,000)	
Pollution remediation obligation	(73,964,569)	
Derivative instrument liability	(326,226,608)	
Other	(887,595,749)	(82,740,891,250)
Net Position of governmental activities		$ (50,684,532,894)

The accompanying notes are an integral part of the financial statements.

STATE OF NEW JERSEY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General Fund	Property Tax Relief Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 14,360,802,999	$ 12,991,384,076	$ 1,646,408,492	$ 28,998,595,567
Federal and other grants	13,166,170,282	-	1,191,303,545	14,357,473,827
Licenses and fees	1,243,592,034	-	128,324,491	1,371,916,525
Services and assessments	1,770,334,788	-	1,167,115,560	2,937,450,348
Investment earnings	21,932,516	-	2,688,213	24,620,729
Other	3,394,091,875	-	380,874,201	3,774,966,076
Total Revenues	33,956,924,494	12,991,384,076	4,516,714,502	51,465,023,072
EXPENDITURES				
Current:				
Public safety and criminal justice	3,482,406,021	-	117,544,045	3,599,950,066
Physical and mental health	12,733,521,381	122,549,070	136,483,039	12,992,553,490
Educational, cultural, and intellectual development	4,028,900,527	11,501,320,088	474,298,857	16,004,519,472
Community development and environmental management	1,980,029,724	256,134,184	209,600,894	2,445,764,802
Economic planning, development, and security	5,608,379,905	-	1,008,626,180	6,617,006,085
Transportation programs	762,480,453	-	2,184,057,961	2,946,538,414
Government direction, management, and control	5,729,940,194	1,113,959,311	199,935,058	7,043,834,563
Special government services	348,763,820	-	170,377	348,934,197
Capital Outlay	221,844,642	-	-	221,844,642
Debt Service:				
Principal	243,445,000	-	517,095,000	760,540,000
Interest	111,822,468	-	880,962,045	992,784,513
Total Expenditures	35,251,534,135	12,993,962,653	5,728,773,456	53,974,270,244
Excess (deficiency) of revenues over expenditures	(1,294,609,641)	(2,578,577)	(1,212,058,954)	(2,509,247,172)
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	876,820,000	876,820,000
Transfers from other funds	2,602,044,749	-	2,686,107,298	5,288,152,047
Transfers to other funds	(1,506,627,693)	-	(2,816,509,905)	(4,323,137,598)
Other sources	1,895,981,937	-	350,956,736	2,246,938,673
Payment to bond escrow agents	(1,556,215,150)	-	(331,473,088)	(1,887,688,238)
Total other financing sources (uses)	1,435,183,843	-	765,901,041	2,201,084,884
Net Change in Fund Balance	140,574,202	(2,578,577)	(446,157,913)	(308,162,288)
Fund Balances - July 1, 2013	3,182,546,620	10,838,839	4,234,051,592	7,427,437,051
Fund Balances - June 30, 2014	$ 3,323,120,822	$ 8,260,262	$ 3,787,893,679	$ 7,119,274,763

The accompanying notes are an integral part of the financial statements.

STATE OF NEW JERSEY
RECONCILIATION OF THE CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Net change in fund balance of total governmental funds		$ (308,162,288)
Amounts reported for governmental activities in the statement of activities are different as a result of the following items:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 2,025,056,258	
Depreciation expense	(881,530,424)	
Excess of capital outlay over depreciation expense		1,143,525,834
Bond proceeds provide current financial resources to governmental funds. However, issuing debt increases long-term obligations in the statement of net position. In the current period, proceeds were received from revenue and general obligation bonds.		(876,820,000)
Some capital additions were financed through capital leases, certificates of participation and installment obligations. In the governmental funds these arrangements are considered a source of financing, but in the statement of net position, these arrangements are reported as an obligation.		(308,117,119)
The changes in fair value related to nonqualifying swap agreements and swap termination costs are not considered current resources and are only reported in the statement of activities.		(22,271,894)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term obligations in the statement of net position. In the current year, these amounts consist of:		
Bond principal retirement	704,535,000	
Capital lease payments	40,838,724	
Installment obligation retirement	567,966,065	
Certificates of participation retirement	34,049,762	
Tobacco Settlement Financing Corp. bond retirement	(2,792,875)	
Total long-term obligations repayment		1,344,596,676
Some revenues will not be collected for several months after the fiscal year ends, they are not considered "available" revenues and are not accrued in the governmental funds. The Fiscal Year 2014 receivable balances increased by this amount.		77,382,894
Some revenues recorded in the statement of activities do not provide current financial resources and therefore are unearned in the fund perspective.		4,623,001
In the government-wide statements certain items are capitalized and amortized over a period of years, but are reported as expenditures or other financing sources and uses in the fund perspective. These activities consist of:		
Decrease in unamortized premiums	127,700,451	
Decrease in deferral on refunding issues	(82,347,021)	
Total capitalized and amortized items		45,353,430
Some items reported in the statement of activities do not require the use of current financial resources and therefore are reported as expenditures or reductions of revenue in governmental funds. These activities consist of:		
Net increase in accrued interest	(399,082,508)	
Increase in compensated absences, medicaid, and other	(45,324,949)	
Decrease in pension assets	(1,380,470)	
Increase in net pension and OPEB obligations	(4,830,348,422)	
Decrease in pollution remediation obligation	12,197,676	
Increase in other assets	8,294,961	
Total additional expenditures and revenue reductions		(5,255,643,712)
Change in net position of governmental activities		$ (4,155,533,178)

The accompanying notes are an integral part of the financial statements.

STATE OF NEW JERSEY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	State Lottery Fund	Unemployment Compensation Fund	Total Proprietary Funds
ASSETS			
Current Assets			
Cash and cash equivalents	$ 407,418	$ 175,743	$ 583,161
Investments	255,182,784	101,274	255,284,058
Receivables, net of allowances for uncollectibles			
Federal government	-	276,880,852	276,880,852
Departmental accounts	-	832,929,669	832,929,669
Other	13,220,416	101,493,422	114,713,838
Due from other funds	-	11,692,151	11,692,151
Deferred charges	3,027,054	-	3,027,054
Total Current Assets	271,837,672	1,223,273,111	1,495,110,783
Noncurrent Assets			
Investments	245,502,273	-	245,502,273
Total Assets	517,339,945	1,223,273,111	1,740,613,056
LIABILITIES			
Current Liabilities			
Accounts payable and accruals	100,924,832	66,432,029	167,356,861
Due to other funds	118,638,159	37,761,419	156,399,578
Current portion of long-term obligations	50,768,499	-	50,768,499
Other	-	52,358,726	52,358,726
Total Current Liabilities	270,331,490	156,552,174	426,883,664
Noncurrent Liabilities			
Due in more than one year	246,189,172	-	246,189,172
Total Noncurrent Liabilities	246,189,172	-	246,189,172
Total Liabilities	516,520,662	156,552,174	673,072,836
NET POSITION			
Restricted for:			
Unemployment compensation	-	1,066,720,937	1,066,720,937
Prize awards and State contributions	819,283	-	819,283
Total Net Position	$ 819,283	$ 1,066,720,937	$ 1,067,540,220

The accompanying notes are an integral part of the financial statements.

STATE OF NEW JERSEY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	State Lottery Fund	Unemployment Compensation Fund	Total Proprietary Funds
OPERATING REVENUES			
Sales and charges for services	$ 2,901,645,562	$ -	$ 2,901,645,562
Assessments	-	2,879,037,751	2,879,037,751
From federal agencies	-	677,960,518	677,960,518
Other	40,571,848	3,272,478	43,844,326
Total Operating Revenues	2,942,217,410	3,560,270,747	6,502,488,157
OPERATING EXPENSES			
Unemployment compensation	-	3,058,101,835	3,058,101,835
Lottery prize awards	1,731,959,514	-	1,731,959,514
Other	253,650,950	-	253,650,950
Total Operating Expenses	1,985,610,464	3,058,101,835	5,043,712,299
Operating Income (Loss)	956,606,946	502,168,912	1,458,775,858
NONOPERATING REVENUES (EXPENSES)			
Investment income	209,438	2,393,631	2,603,069
Other	-	118,013,725	118,013,725
Total Nonoperating Revenues (Expenses)	209,438	120,407,356	120,616,794
Income (Loss) Before Transfers	956,816,384	622,576,268	1,579,392,652
Transfers to other funds	(965,010,000)	-	(965,010,000)
Change in Net Position	(8,193,616)	622,576,268	614,382,652
Net Position - July 1, 2013	9,012,899	444,144,669	453,157,568
Net Position - June 30, 2014	$ 819,283	$ 1,066,720,937	$ 1,067,540,220

The accompanying notes are an integral part of the financial statements.

STATE OF NEW JERSEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	State Lottery Fund	Unemployment Compensation Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts received from customers	$ 1,428,992,039	$ -	$ 1,428,992,039
Receipts from federal and local agencies	-	907,159,330	907,159,330
Receipts from assessments	-	2,760,366,221	2,760,366,221
Payments to suppliers	(34,833,546)	-	(34,833,546)
Payments to prize winners	(466,596,549)	-	(466,596,549)
Claims paid	-	(3,303,659,324)	(3,303,659,324)
Other receipts (payments)	(11,589,192)	-	(11,589,192)
Net cash provided (used) by operating activities	915,972,752	363,866,227	1,279,838,979
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Loan from (payment to) federal government	-	(364,276,673)	(364,276,673)
Transfers to other funds	(950,009,581)	-	(950,009,581)
Net cash provided (used) by noncapital financing activities	(950,009,581)	(364,276,673)	(1,314,286,254)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments	1,281,510,000	-	1,281,510,000
Purchase of investments	(1,247,500,002)	-	(1,247,500,002)
Net cash provided (used) by investing activities	34,009,998	-	34,009,998
Net increase (decrease) in cash and cash equivalents	(26,831)	(410,446)	(437,277)
Cash and cash equivalents - July 1, 2013	434,249	586,189	1,020,438
Cash and cash equivalents - June 30, 2014	$ 407,418	$ 175,743	$ 583,161
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ 956,606,946	$ 502,168,912	$ 1,458,775,858
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Net changes in assets and liabilities:			
Current assets	15,568,246	(7,281,064)	8,287,182
Noncurrent assets	22,537,555	-	22,537,555
Current liabilities	(42,091,933)	(131,021,621)	(173,113,554)
Noncurrent liabilities	(36,648,062)	-	(36,648,062)
Net cash provided (used) by operating activities	$ 915,972,752	$ 363,866,227	$ 1,279,838,979

The accompanying notes are an integral part of the financial statements.

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STATE OF NEW JERSEY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Agency Funds	Investment Trust Fund
ASSETS		
Cash and cash equivalents	$ 36,175,994	$ 2,071,426
Securities lending collateral	-	-
Investments	85,847,575	2,028,253,835
Receivables, net of allowances for uncollectibles		
Members	-	-
Employers	546,046	-
Interest and dividends	-	975,498
Other	696,399	-
Due from other funds	34,491,346	-
Other	-	-
Total Assets	157,757,360	2,031,300,759
LIABILITIES		
Accounts payable	157,678,740	-
Benefits payable	-	-
Securities lending collateral and rebates payable	-	-
Contributory life insurance payable	-	-
Due to other funds	78,620	1,563,721
Total Liabilities	157,757,360	1,563,721
NET POSITION		
Held in Trust for Pension Benefits and Other Purposes	$ -	$ 2,029,737,038

The accompanying notes are an integral part of the financial statements.

Pension and Other Employee Benefits Trust Funds	Private Purpose Trust Funds
$ 74,798,145	$ 1,915,685
1,475,934,227	-
86,062,907,529	12,592,204
182,009,240	-
1,943,446,581	-
7,374,594	-
-	-
89,372,542	-
1,187,193,240	-
91,023,036,098	14,507,889
153,664,140	4,169,020
1,491,527,720	-
1,474,629,754	-
556,155,444	-
8,855,892	124,809
3,684,832,950	4,293,829
$ 87,338,203,148	$ 10,214,060

STATE OF NEW JERSEY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Investment Trust Fund	Pension and Other Employee Benefits Trust Funds	Private Purpose Trust Funds
ADDITIONS			
Contributions:			
Members	$ -	$ 2,515,059,384	$ -
Employers	-	7,738,101,825	-
Other	13,013,992,531	98,815,766	-
Total Contributions	13,013,992,531	10,351,976,975	-
Investment Income:			
Net increase (decrease) in fair value of investments	-	11,221,086,258	-
Interest and dividends	1,460,654	1,168,336,635	14,729
Total Investment Income	1,460,654	12,389,422,893	14,729
Less investment expense	-	14,790,325	-
Net Investment Income	1,460,654	12,374,632,568	14,729
Miscellaneous	-	-	705,874
Total Additions	13,015,453,185	22,726,609,543	720,603
DEDUCTIONS			
Benefit payments	-	15,359,288,555	-
Refunds of contributions	-	183,747,830	-
Refunds and transfers to other systems	-	-	4,449
Administrative expense	1,563,721	48,111,042	-
Contributory life insurance payments	-	96,799,412	-
Payments in accordance with trust agreements	-	-	733,870
Distributions to shareholders	13,509,882,385	-	-
Total Deductions	13,511,446,106	15,687,946,839	738,319
Total Changes in Net Position Held in Trust	(495,992,921)	7,038,662,704	(17,716)
Net Position - July 1, 2013 (Restated)	2,525,729,959	80,299,540,444	10,231,776
Net Position - June 30, 2014	$ 2,029,737,038	$ 87,338,203,148	$ 10,214,060

The accompanying notes are an integral part of the financial statements.

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STATE OF NEW JERSEY
STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2014

	New Jersey Transit Corporation	New Jersey Turnpike Authority
ASSETS		
Current Assets		
Cash and cash equivalents	$ 222,756,264	$ 279,038,418
Investments	36,803,951	832,964,521
Receivables, net of allowances for uncollectibles		
Federal government	141,792,306	-
Loans	-	-
Mortgages	-	-
Other	39,226,174	58,901,459
Due from external parties	120,352,157	19,706,939
Inventories	125,991,982	18,691,676
Other	12,426,220	28,787,344
Total Current Assets	699,349,054	1,238,090,357
Noncurrent Assets		
Investments	959,970,225	1,075,200,751
Receivables, net of allowances for uncollectibles		
Loans	-	-
Mortgages	-	-
Other	4,487,549	74,463
Capital assets - nondepreciated	1,216,528,540	4,615,345,612
Capital assets - depreciated, net	6,009,185,797	4,453,788,785
Derivative instrument asset	-	-
Other	8,000	-
Total Noncurrent Assets	8,190,180,111	10,144,409,611
Deferred Outflows of Resources	3,651,510	204,255,705
Total Assets and Deferred Outflows of Resources	8,893,180,675	11,586,755,673
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	350,305,215	144,157,382
Due to external parties	12,035,565	223,979,163
Interest payable	-	233,399,599
Unearned revenue	65,422,812	51,870,681
Current portion of long-term obligations	283,450,810	171,911,488
Other	196,201,044	363,261
Total Current Liabilities	907,415,446	825,681,574
Noncurrent Liabilities		
Net pension obligation	-	-
Net OPEB obligation	386,462,007	282,846,774
Pollution remediation	19,940,043	27,333,000
Derivative instrument liability	-	17,424,262
Other	2,177,017,785	9,732,693,925
Total Noncurrent Liabilities	2,583,419,835	10,060,297,961
Deferred Inflows of Resources	-	30,988,730
Total Liabilities and Deferred Inflows of Resources	3,490,835,281	10,916,968,265
NET POSITION		
Net investment in capital assets	5,850,890,024	407,125,277
Restricted for:		
Capital projects	6,592,706	-
Debt service	-	148,832,800
Other purposes	-	-
Unrestricted	(455,137,336)	113,829,331
Total Net Position	$ 5,402,345,394	$ 669,787,408

The accompanying notes are an integral part of the financial statements.

Rutgers, The State University of New Jersey	Non-Major Component Units	Total Component Units
$ 815,095,000	$ 2,876,790,579	$ 4,193,680,261
557,383,000	5,456,576,239	6,883,727,711
20,712,000	134,633,631	297,137,937
11,726,000	256,101,041	267,827,041
-	92,984,000	92,984,000
392,681,000	204,641,896	695,450,529
-	39,750,871	179,809,967
4,533,000	16,660,328	165,876,986
21,450,000	213,192,067	275,855,631
1,823,580,000	9,291,330,652	13,052,350,063
996,265,000	1,420,574,423	4,452,010,399
61,433,000	3,650,677,423	3,712,110,423
-	2,378,023,880	2,378,023,880
87,957,000	50,076,926	142,595,938
356,361,000	1,102,498,409	7,290,733,561
2,694,877,000	5,148,064,557	18,305,916,139
-	7,553,000	7,553,000
4,002,000	168,881,927	172,891,927
4,200,895,000	13,926,350,545	36,461,835,267
97,582,000	185,448,333	490,937,548
6,122,057,000	23,403,129,530	50,005,122,878
372,939,000	428,286,540	1,295,688,137
-	37,744,640	273,759,368
12,198,000	78,167,900	323,765,499
124,284,000	249,416,950	490,994,443
97,680,000	509,400,358	1,062,442,656
70,607,000	257,364,404	524,535,709
677,708,000	1,560,380,792	3,971,185,812
-	51,218,784	51,218,784
-	152,489,968	821,798,749
-	5,387,341	52,660,384
20,883,000	91,406,000	129,713,262
2,230,047,000	10,866,643,238	25,006,401,948
2,250,930,000	11,167,145,331	26,061,793,127
-	257,215,912	288,204,642
2,928,638,000	12,984,742,035	30,321,183,581
1,351,416,000	2,251,740,178	9,861,171,479
58,866,000	143,630,823	209,089,529
11,127,000	943,147,436	1,103,107,236
1,037,209,000	5,168,574,766	6,205,783,766
734,801,000	1,911,294,292	2,304,787,287
$ 3,193,419,000	$ 10,418,387,495	$ 19,683,939,297

STATE OF NEW JERSEY
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	New Jersey Transit Corporation	New Jersey Turnpike Authority
Expenses	$ 2,708,723,870	$ 1,150,424,459
Net (Expense) Revenue and Changes in Net Position		
Program Revenues		
Charges for services	986,782,653	1,493,288,136
Operating grants and contributions	1,102,760,017	13,750,369
Capital grants and contributions	513,694,029	-
Net (Expense) Revenue	(105,487,171)	356,614,046
General Revenue		
Payments from State	58,373,000	19,674,283
Total General Revenue	58,373,000	19,674,283
Change in Net Position	(47,114,171)	376,288,329
Net Position - Beginning of Year (Restated)	5,449,459,565	293,499,079
Net Position - End of Year	$ 5,402,345,394	$ 669,787,408

The accompanying notes are an integral part of the financial statements.

Rutgers, The State University of New Jersey	Non-Major Component Units	Total Component Units
$ 3,444,708,000	$ 5,240,382,960	$ 12,544,239,289
1,767,055,000	2,335,053,132	6,582,178,921
1,285,614,000	1,708,910,065	4,111,034,451
14,143,000	1,882,744,914	2,410,581,943
(377,896,000)	686,325,151	559,556,026
455,188,000	506,064,404	1,039,299,687
455,188,000	506,064,404	1,039,299,687
77,292,000	1,192,389,555	1,598,855,713
3,116,127,000	9,225,997,940	18,085,083,584
$ 3,193,419,000	$ 10,418,387,495	$ 19,683,939,297

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Notes to the

Basic Financial Statements

STATE OF NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
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STATE OF NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements have been prepared primarily from accounts and records maintained by the Director of the Office of Management and Budget. The financial data for the various public benefit corporations, authorities, commissions, colleges, and universities has been derived from reports prepared by those organizations based on their independent accounting systems.

B. Financial Reporting Entity

For financial reporting purposes the State of New Jersey includes all fund types, departments, and agencies of the State, as well as boards, commissions, authorities, colleges, and universities, for which the State is financially accountable. The following circumstances set forth the State's financial accountability for a legally separate organization:

1. The State is financially accountable if it appoints a voting majority of the organization's governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

2. The State may be financially accountable if an organization is fiscally dependent on the State regardless of whether the organization has (a) a separately elected governing board or (b) a jointly appointed board.

Entities for which the State is financially accountable, and have a financial benefit or burden relationship, such as boards, commissions, authorities, colleges and universities are considered component units. These component units are included in the State's reporting entity because of the significance of their operational or financial relationships with the State. Component units are either discretely presented or blended. Discrete presentation entails reporting component unit financial data in columns separate from the financial data of the primary government (the State). Blending requires the component unit's balances and transactions to be reported in a manner similar to the balances and transactions of the State.

The following organizations comprise the State's component units. The Garden State Preservation Trust, the New Jersey Building Authority, the New Jersey Schools Development Authority, the Tobacco Settlement Financing Corporation, and the New Jersey Transportation Trust Fund Authority are blended component units since they provide services entirely or almost entirely to the State and thus are fiscally dependent upon the State, are substantively the same as the governing body, and the component unit debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. Additional pertinent information related to them is disclosed in the notes of the primary government. All other component units have been discretely presented. Descriptions of the discretely presented component units and addresses from which complete financial statements of the respective component units can be obtained is detailed in Note 18.

COLLEGES AND UNIVERSITIES

The College of New Jersey
Kean University
Montclair State University
New Jersey City University
New Jersey Institute of Technology
Ramapo College of New Jersey
The Richard Stockton College of New Jersey
Rowan University
Rutgers, The State University of New Jersey
Thomas Edison State College
The William Paterson University of New Jersey

AUTHORITIES

Casino Reinvestment Development Authority
Garden State Preservation Trust
Higher Education Student Assistance Authority
New Jersey Building Authority
New Jersey Economic Development Authority
New Jersey Educational Facilities Authority
New Jersey Environmental Infrastructure Trust
New Jersey Health Care Facilities Financing Authority
New Jersey Housing and Mortgage Finance Agency
New Jersey Meadowlands Commission
New Jersey Redevelopment Authority
New Jersey Schools Development Authority
New Jersey Sports and Exposition Authority
New Jersey Transit Corporation
New Jersey Transportation Trust Fund Authority
New Jersey Turnpike Authority
New Jersey Water Supply Authority
South Jersey Port Corporation
South Jersey Transportation Authority
Tobacco Settlement Financing Corporation
University Hospital of New Jersey

C. Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these government-wide statements. Governmental activities, which normally are supported by taxes and intragovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of net position measures not just current assets and liabilities, but also long-term assets and liabilities such as capital assets (including infrastructure assets) and long-term obligations and deferred outflows of resources and deferred inflows of resources. The difference between the State's assets and deferred outflows of resources and its liabilities and deferred inflows of resources is its net position. Net position is displayed in three components - invested in capital assets; restricted; and unrestricted. Net position is restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. The amount of net position that is restricted by enabling legislation is disclosed in Note 14. When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first, then unrestricted resources as they are needed.

The statement of activities is presented in a format that reports the net (expense) revenue of the State's individual functions. The net (expense) revenue format reports the relative financial burden of each of the State's functions on its taxpayers. This format identifies the extent to which each function of the government draws from the general revenues of the State or is self-financed through licenses, fees, permits, and other revenues.

Program revenues originate from the program or from parties other than the government's taxpayers or citizens as a whole and reduce the expenses of the function to be financed by general revenues. Categories of program revenues that are separately reported in the statement are charges for services, program specific operating grants and contributions, and program specific capital grants and contributions. Charges for services are revenues from exchange or exchange-like transactions with external parties that purchase, use, or directly benefit from the program's goods, services, or privileges. These revenues include fees charged for specific services, licenses and permits, and operating special assessments, as well as payments from exchange transactions with other governments. Program specific operating and capital grants and contributions are revenues from mandatory and voluntary nonexchange transactions with external parties that are restricted for use in a particular program. All other revenues are general revenues, including all taxes, even if levied for a specific purpose. A special item is a significant transaction or other event within the control of management that is either (1) unusual in nature, or (2) infrequent in occurrence. An extraordinary item is a transaction or other event that is both (1) unusual in nature and (2) infrequent in occurrence.

In the statement of activities, all expenses are reported by function except those that are special or extraordinary items. Each function reports direct expenses – those specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Some functions, such as government direction, management and control, include expenses that are indirect expenses of other functions. The State does not allocate indirect expenses to the other functions.

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds, and component units. However, the fiduciary funds are not included in the government-wide statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

D. Measurement Focus and Basis of Accounting

Government-wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The government-wide financial statements report all financial and capital assets (including infrastructure assets), deferred outflows of resources, short and long-term liabilities, deferred inflows of resources, revenues, expenses, gains, and losses using the economic resources measurement focus and the accrual basis of accounting. Activity and balances resulting from exchange and exchange-like transactions are recognized when the exchange takes place; those resulting from nonexchange transactions are recognized based on the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Governmental Fund Financial Statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets and liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

In accordance with the modified accrual basis, revenues are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Generally, these revenues which are considered to be susceptible to accrual include amounts received during the three month period subsequent to June 30 that were earned as of June 30. On an exception basis, the State will occasionally accrue amounts received after this three month period but within twelve months subsequent to June 30. Those revenues which are considered to be susceptible to accrual include sales tax, individual income taxes, corporate income taxes, and federal grants. Licenses, fees, permits and other sources are recognized when received since they normally are measurable only at that time. Revenue refunds payable are recorded as other liabilities. Unapplied overpayments of Corporation Business Tax and Gross Income Tax are recorded when a final determination is made as to the ultimate disposition of the overpayments.

Expenditures are recognized when the related fund liabilities are incurred. Expenditures for compensated absences, claims, and judgments are recorded to the extent they would normally be liquidated with available financial resources. Disbursements for prepaid expenses, inventory items, and capital assets are recorded when expenditures are incurred. Expenditures for principal and interest on general obligation long-term debt are recognized when due.

Proprietary Funds, Fiduciary Funds, and Component Units Financial Statements - The financial statements of the proprietary funds, fiduciary funds, and component units are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements previously described.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, incorporates into GASB's authoritative literature certain accounting and financial reporting guidance included in the Financial Accounting Standards Board (FASB) pronouncements which does not conflict with or contradict GASB pronouncements, and eliminates the option to apply post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The State's proprietary funds are the Unemployment Compensation Fund and the State Lottery Fund.

The Unemployment Compensation Fund's principal ongoing operations consist of assessments received from employers and employees and the subsequent disbursement of monies to persons entitled to receive unemployment benefits. Collections and disbursements to eligible recipients are classified as operating revenues and expenses. The State Lottery Fund's principal ongoing operations, which are classified as operating revenues and expenses, consist of receipts from lottery ticket sales and subsequent disbursements of monies to lottery winners.

E. Fund Accounting

The financial activities of the State are recorded in individual funds, each of which is deemed to be a separate accounting entity. The State uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, which represent the fund's assets, liabilities, residual equities or balances, revenues, and expenditures or expenses. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column.

1. Major Funds

The State reports the General Fund and the Property Tax Relief Fund as major governmental funds. The State also reports the State Lottery Fund and the Unemployment Compensation Fund as major proprietary funds. Descriptions are as follows:

a. General Fund - This fund accounts for all State revenues not otherwise restricted by statute. The largest part of the total financial operations of the State is accounted for in the General Fund. Most revenues received from taxes, federal sources, and certain miscellaneous revenue items are recorded in this fund. The Annual Appropriations Act enacted by the State Legislature provides the basic framework for the operations of the General Fund.

b. Property Tax Relief Fund - This fund accounts for revenues from the New Jersey Gross Income Tax and a portion of the New Jersey Sales and Use Tax. Revenues realized are dedicated by the State Constitution. All receipts from taxes levied on personal income of individuals, estates, and trusts must be appropriated exclusively for the purpose of reducing or offsetting property taxes. P.L. 2006, c.44 increased the Sales and Use Tax rate to seven percent from six percent. Of the additional one percent, one half of a percent was dedicated to the Property Tax Relief Fund. Annual appropriations are made from the fund, pursuant to formulas established by the State Legislature, to counties, municipalities, and school districts.

c. State Lottery Fund - Monies derived from the sale of State lottery tickets are deposited into this fund. Disbursements are authorized for the payment of prizes to holders of winning lottery tickets and for the administrative expenses of the Division of State Lottery. Remaining balances are paid to the General Fund in support of the amounts annually appropriated for State institutions and for education. The present value of obligations for future installment payments of lottery prizes funded by the purchase of deposit fund contracts are accounted for in this fund.

d. Unemployment Compensation Fund - This fund accounts for monies deposited from contributions of employers and employees for unemployment compensation, amounts credited or advances made by the federal government, and amounts received herein from any other source. After consideration is given to any claim for refund of overpayment of contributions, the remainder is transferred by the Division of Employment Security to the Treasurer of the United States for credit to the State of New Jersey Unemployment Compensation Fund and held by the Treasurer of the United States in the State of New Jersey Unemployment Trust Fund. Drawdowns against the State of New Jersey Unemployment Trust Fund are made by requests submitted to the Treasurer of the United States by the Division of Employment Security on an as-needed basis, whereby amounts are transferred back to the Unemployment Compensation Fund and are then disbursed by the Division of Employment Security to persons entitled to receive unemployment benefits. Any shortfall in the Unemployment Compensation Fund needed to pay benefits is covered by federal statutes, which authorize advances from the federal government for unemployment benefits. Such advances are repayable by increased rates on federally taxable wages reported by New Jersey employers, or the advances may be repaid out of the fund assets at any time by the Governor.

2. Governmental Fund Types

a. Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The term, "proceeds of specific revenue sources," establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund.

b. Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

3. Fiduciary Fund Types

a. Pension and Other Employee Benefits Trust Funds - These funds report resources that are required to be held in trust for members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit plans, and other employee benefit plans, such as the deferred compensation plan.

b. Investment Trust Fund - This fund reports an investment pool that consolidates monies from municipalities, counties, school districts, and any other public body, corporate or politic.

c. Private Purpose Trust Funds - These funds report all other trust arrangements for which principal and income benefit individuals, private organizations, or other governments.

d. Agency Funds - These funds report resources held by the State in a purely custodial capacity. These funds typically involve only the receipt, temporary investment, and remittance of the resources to external parties.

F. Appropriations and Outstanding Debt

The State Constitution provides that the Legislature may not create a debt (where total outstanding debt would exceed one percent of total appropriations for the year) unless such law has been submitted to the people at a general election and approved by a majority of the legally qualified voters. After approval by the electorate, and prior to any bond sale, the Legislature may make appropriations up to the legally authorized amount of such bonds, which enables the State to enter into contracts with vendors.

G. Assets

1. Cash and Cash Equivalents

Deposits encompass the State's cash on deposit with financial institutions and several cash equivalents, including certificates of deposit. All deposits, including cash equivalents that are subject to federal or state depository insurance, generally are classified as deposits. Only investments with an original maturity of three months or less are considered to be cash equivalents. See Note 3 for details.

2. Investments

Statutes of the State of New Jersey and regulations of the State Investment Council authorize the Division of Investment to invest in domestic and international equities and exchange traded funds; covered call and put options; equity futures contracts; obligations of the U.S. Treasury, government agencies, corporations, international governments and agencies; interest rate swap transactions; credit default swaps; fixed income exchange traded funds; U.S. Treasury futures contracts; New Jersey State and Municipal general obligations; public authority revenue obligations; collateralized notes and mortgages; commercial paper; certificates of deposit; repurchase agreements; bankers' acceptances; guaranteed income contracts; funding agreements; money market funds; private equity funds; real estate funds; other real assets; global diversified credit funds; and absolute return strategy funds.

In addition to the amounts invested directly, most of the funds included herein participate in the State of New Jersey Cash Management Fund wherein amounts also contributed by other units of government are combined into a large scale investment program. The Pension Trust Funds also participate in a Common Pension Trust Fund pool whereby amounts contributed by the various Pension Trust Funds are combined for the purpose of investment. Participation in the Cash Management Fund investment pool and the Common Pension Trust Fund investment pool by State funds is reflected as investments in the Balance Sheets of the respective funds. Amounts contributed to the Cash Management Fund investment pool by local governments and other entities which are not part of the State's reporting entity, are reflected as investments in the statement of net position of the Investment Trust Fund.

Amounts contributed to the Cash Management Fund investment pool are recorded at cost, which approximates fair value. Any differences between cost and fair value for Cash Management Fund pool investments are immaterial. Other investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. See Note 4 for additional details.

3. Securities Lending Collateral

The Pension Trust Funds participate in securities lending programs with their custodian banks, whereby securities are loaned to brokers and, in return, the Pension Trust Funds have rights to the collateral received. All of the securities held in the Common Pension Trust Fund investment pool are eligible for the securities lending program. Collateral received may consist of cash, irrevocable bank letters of credit, or U.S. Treasury obligations having a market value equal to or exceeding 102 percent (U.S. dollar denominated) or 105 percent (non-U.S. dollar denominated) of the value of the loaned securities at the time the loan is made. The contracts with the Common Pension Trust Fund investment pool custodian banks require them to indemnify the investment pool if the brokers fail to return the securities or fail to pay the investment pool for income distributions by the securities' issuers while the securities are on loan. The securities loans can be terminated by notification by either the broker or the investment pool. The term to maturity of the securities loans is generally matched with the term to maturity of the investment of cash collateral. As of June 30, 2014, the Pension Trust Funds have no aggregate credit risk exposure to brokers because the collateral amount held by the Pension Trust Funds exceeded the market value of the securities on loan. See Note 5 for additional details.

4. Receivables

Receivables in the State's governmental, fiduciary, and proprietary funds, component units - authorities, and component units - college and university funds are stated net of allowances for uncollectible amounts and primarily consist of federal revenues, taxes, assessments, loans, interest and dividends, contributions due from employers and members to the respective pension funds, mortgages, and other receivables. See Note 6 for details.

5. Capital Assets

Capital assets are tangible and intangible assets that are used in operations and that have initial useful lives that extend beyond a single reporting period. Capital assets are reported in the statement of net position at cost or historical cost based on appraisals or other acceptable methods when historical cost information is not available. Donated fixed assets are recorded at estimated fair value at the time of donation. The State’s capital assets consist of:

a. All land, including parks, forests, easements, development rights, highways, and right-of-ways.

b. Infrastructure assets such as roads, bridges, and dams.

c. All general government buildings, including hospital, care, and correctional facilities.

d. Land improvements, equipment, software, and motor vehicles used in general operations with a unit cost of at least $25,000, $20,000, $100,000, and $30,000 respectively. For the purpose of reporting, equipment and software are consolidated into one category.

e. Capital projects in the process of construction.

To measure depreciation expense, the State uses the straight-line method, whereby the historical cost (or other capitalized amount) of depreciable assets, less their estimated salvage values, is allocated in equal annual amounts over the estimated useful lives of the assets. To estimate the useful lives of its capital assets, the State uses guidelines from industry organizations. There is no depreciation recorded for land, easements, construction in progress, and rights-of-way.

Capital leases which are classified as capital assets are recorded in amounts equal to the lesser of the fair value of the asset or the present value of the future net minimum lease payments at the inception of the lease.

The State does not capitalize and depreciate works of art, historical treasures, and similar assets because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. Capital assets utilized in the government funds are recorded as expenditures in the governmental fund financial statements. See Note 7 for additional details.

6. Interfund/Intrafund Transactions

Interfund Transactions - During the course of normal operations, the State has numerous routine transactions between funds, including expenditures, and transfers of resources to provide administrative services, program services, debt service, and compliance with legal mandates, such as legislation requiring the transfer of investment earnings from a capital project fund to the General Fund. In the fund financial statements, these transactions generally are recorded as transfers to/transfers from other funds and due to/due from other funds. Operating transfers represent legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended and do not represent reimbursement of expenses.

Intrafund Transactions - Intrafund transactions, as a result of contracts among departments within the same fund, are considered expenditures by the contractor and revenues by the contractee in the fund financial statements.

As a general rule, intrafund revenues and expenditures, interfund transfers, and interfund receivables and payables have been eliminated in the government-wide financial statements. An exception is the net residual amounts due between governmental and business-type activities, which is recorded as internal balances. Receivables from and payables to fiduciary funds are recorded in the statement of net position as receivable from and payable to external parties.

7. Deferred Outflow of Resources

A deferred outflow of resources is a consumption of new assets by the government that is applicable to a future reporting period. In the government-wide statements, governmental activities column, the deferred outflows of resources represents the unamortized deferral on refundings, which was previously reported as a long-term obligation.

H. Liabilities

1. Unearned Revenue

Unearned revenues at the fund level arise when potential revenue does not meet the available criterion for recognition in the current period. Unearned revenues also arise when resources are received by the State before it has a legal claim. In subsequent periods, when the revenue recognition criterion is met, or when the State has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized. Unearned revenues at the government-wide level arise only when the State receives resources before it has a legal claim to these resources.

Unearned revenue in the General Fund, at both levels, consists principally of amounts due from the Port Authority of New York and New Jersey.

2. Long-term Obligations

The State's long-term obligations are divided into bonded and non-bonded categories. Bonded categories include general obligation bonds, revenue bonds, certain capital leases, installment obligations, certificates of participation, unamortized premium, Tobacco Settlement Financing Corporation Bonds (TSFC), and unamortized interest on capital appreciation bonds. Non-bonded categories include accumulated sick and vacation payable, certain capital leases, loans payable, net pension obligation, pollution remediation obligation, other postemployment benefits obligation, other, and deposit fund contracts. The liability for long-term items described above is reflected in the government-wide financial statements and the proprietary fund financial statements as noncurrent liabilities, due in more than one year and as current liabilities-current portion of long-term obligations, if due within a year.

Bond and note premiums and discounts are amortized to interest expense based on the straight-line method. Capital appreciation bonds are reported at their net or accreted value rather than at face value. Bonds and notes payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

3. Deferred Inflow of Resources

A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period.

I. Net Position

1. **Net Investment in Capital Assets -** This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2. **Restricted** - Net position is reported as restricted when constraints placed on its use are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of the other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

3. **Unrestricted -** Unrestricted net position consists of assets that do not meet the definition of "restricted" or "invested in capital assets".

4. **Held in Trust for Pension Benefits and Other Purposes** - This is used to accumulate all active member, State, and other employer contributions and investment income from which all benefit payments are made; also used to accumulate resources received as a result of trust arrangements or to accumulate resources held for investment.

J. Fund Balances

1. **Nonspendable** - Fund balance includes amounts that are not in a spendable form or are legally or contractually required to be maintained intact (i.e., the principal of a permanent fund).

2. **Restricted** - Fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers or imposed by law through constitutional provisions, or through enabling legislation.

3. **Committed** - Fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.

4. **Assigned** - Fund balance comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

5. **Unassigned** - Fund balance is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. Based on the definitions of the restricted, committed, and assigned fund balance classifications, positive unassigned amounts can exist only in the General Fund. The State's General Fund reflects both committed and unassigned fund balances. Initially, expenditures are made from existing committed fund balances, and if necessary, additional expenditures are made from unassigned fund balances.

K. Fiscal Year End Differences

The following component units have fiscal years that ended on December 31, 2013:

Component Units – Authorities

Casino Reinvestment Development Authority
New Jersey Economic Development Authority
New Jersey Educational Facilities Authority
New Jersey Health Care Facilities Financing Authority
New Jersey Housing and Mortgage Finance Agency
New Jersey Meadowlands Commission
New Jersey Redevelopment Authority
New Jersey Sports and Exposition Authority
New Jersey Turnpike Authority
South Jersey Port Corporation
South Jersey Transportation Authority

Special Revenue Funds

New Jersey Building Authority (blended component unit)
New Jersey Schools Development Authority (blended component unit)

NOTE 2 - OTHER ACCOUNTING DISCLOSURES

A. Changes in Accounting Policy/Reclassifications

In Fiscal Year 2014 the State adopted three new Governmental Accounting Standards Board (GASB) standards as follows:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* This statement establishes accounting and financial reporting standards that reclassify certain items previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. In addition, this Statement amended the financial statement element classification of certain items previously reported as assets and liabilities. As a result of implementing this Statement, presentation and terminology changes were made to the fund financial statements and government-wide statements, as necessary, in addition to the immediate recognition of certain elements.

In implementing GASB Statement No. 65, $301.6 million in debt issuance costs, previously reported as assets and amortized, were immediately recognized in the current reporting period. In addition, $1,068.0 million, previously reported as long-term obligations, was reclassified in the current year as deferred outflows of resources on the government-wide statements.

GASB Statement No. 67, *Financial Reporting for Pension Plans.* This statement was implemented by New Jersey Retirement Systems (pension trust and defined contribution plans) for the year ended June 30, 2014.

This statement requires changes in presentation of the financial statements, notes to the financial statements, and required supplementary information for pension plans. It also requires more comprehensive footnote disclosure regarding the pension liability, the sensitivity of the net pension liability to the discount rate, and increased investment activity disclosures. The implementation of this Statement did not significantly impact the accounting for accounts receivable and investment balances for pension plans. The total pension liability, determined in accordance with GASB Statement No. 67 (for groups of systems and plans covering substantially all employees of the State, public education, and other political subdivisions of the State), is estimated to be $113.1 billion.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees.* This statement requires additional disclosures concerning a government's obligations and risk exposure from extending nonexchange financial guarantees. In part, this Statement requires a government (guarantor) to recognize a liability when qualitative factors and historical data indicate that it is more likely than not the guarantor will be required to make a payment on the nonexchange financial guarantee.

GASB Statement No. 70 resulted in an increase in the July 1, 2013 outstanding balance in Non-bonded debt-other of $184.1 million relating to the South Jersey Port Corporation bonds. See Note 10 for addition details.

All applicable provisions of these new statements have been incorporated into the financial statements and notes.

B. Restatement of Net Position

The July 1, 2013 Net Position for the primary government was adjusted for the following:

		Government-wide Net Position
Balance July 1, 2013 - As Reported	$	(45,593,578,910)
Prior Period Adjustments (adoption of GASB standards):		
Increase in Long-term obligations for inclusion of South Jersey Port Corporation Bonds per GASB Statement No. 70		(184,144,853)
Decrease in deferred issuance costs per GASB Statement No. 65		(301,625,291)
Prior Period Adjustment (correction of an error):		
Increase in Capital Assets		60,397,259
Increase in Accumulated Depreciation		(4,700,531)
Increase in Unamortized Premium on Bonds Payable		(52,189,822)
Balance July 1, 2013 - Restated	$	(46,075,842,148)

The July 1, 2013 Net Position for the Pension and Other Employee Benefits Trust Funds was adjusted for the following:

		Pension and Other Employee Benefits Trust Funds
Balance July 1, 2013 - As Reported	$	81,927,697,893
Inclusion of previously unreported Defined Contribution Retirement Program		969,614
Prior Period Adjustment (correction of an error - overstated employer receivable):		
Public Employees' Retirement System		(1,073,566,812)
Teachers' Pension and Annuity Fund		(34,007,248)
Increase in liability for assets held for contributory life insurance:		
Public Employees' Retirement System		(384,313,550)
Teachers Pension and Annuity Fund		(137,239,453)
Balance July 1, 2013 - Restated	$	80,299,540,444

C. Deficit Net Asset Balance

The Health Benefits Fund-State is on an actuarial basis of accounting, therefore, it has recorded a claims liability of $244.1 million. There are sufficient cash balances to pay claims that are billed to the fund.

D. Deficit Fund Balance

It is anticipated that bond sales during Fiscal Year 2015 will relieve the current deficit fund balance in the Cultural Centers and Historic Preservation Fund.

E. Name Change

The University of Medicine and Dentistry of New Jersey – Self-Insurance Reserve Fund (a special revenue fund) has been renamed to Medical Malpractice Self Insurance Fund for fiscal year 2014 presentation.

F. Joint Ventures

The Port Authority of New York and New Jersey
225 Park Avenue South
New York, NY 10003-1604
www.panynj.gov

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose such as contracting and maintaining an interstate bridge. Pursuant to current financial reporting standards, the State does not record its equity in joint ventures. The only significant joint venture in which the State of New Jersey participates is the Port Authority of New York and New Jersey. Individually published financial statements may be obtained by writing the Port Authority of New York and New Jersey at the above mentioned address. Other joint ventures are immaterial.

The Port Authority is a municipal corporate instrumentality of the States of New York and New Jersey created by compact between the two states in 1921 with the consent of the Congress of the United States. It is authorized and directed to plan, develop, and operate terminals and other facilities of transportation and commerce, and to advance projects in the general fields of transportation, economic development, and world trade that contribute to promoting and protecting the commerce and economy of the Port District, defined in the compact, which comprises an area of about 1,500 square miles in both states, centering about New York Harbor. The Governor of each State appoints six of the twelve members of the governing Board of Commissioners, subject to confirmation by the respective State Senate. Each Governor has from time to time exercised the statutory power to veto the actions of the commissioners from their state.

The commissioners serve six-year overlapping terms as public officials without compensation. They establish Authority policy, appoint an Executive Director to implement it, and also appoint a General Counsel to act as legal advisor to the Board and to the Executive Director. The Authority undertakes only those projects authorized by the two states.

The compact envisions the Port Authority as being financially self-sustaining and, as such, it must obtain the funds necessary for the construction or acquisition of facilities upon the basis of its own credit, its reserve funds, and its future revenues. The agency has neither the power to pledge the credit of either state or any municipality nor to levy taxes or assessments.

Consolidated financial statements for the Port Authority (including the Passenger Facility Charges Program) for the fiscal year ended December 31, 2013 disclosed the following (expressed in millions):

Financial Position

	Combined Total
Total Assets and Deferred Outflows of Resources	$ 38,471.4
Total Liabilities and Deferred Inflow of Resources	24,743.1
Net Position	$ 13,728.3

Operating Results

Operating Revenues	$ 4,408.3
Operating Expenses	(2,596.3)
Depreciation and Amortization	(940.2)
Income from Operations	871.8
Non-operating Revenues (Expense), Net	156.0
Net Income	$ 1,027.8

Changes in Net Position

Balance January 1, 2013 - Restated	$ 12,700.5
Net Income	1,027.8
Balance December 31, 2013	$ 13,728.3

Except for Special Project Bonds, the Authority's debt is secured by its full faith and credit, its reserve funds, or a pledge of future revenues. Special Project Bonds are secured by a mortgage on the financed properties. At December 31, 2013, Port Authority debt consisted of the following (expressed in millions):

Bonds, Notes, and Other Obligations

Consolidated Bonds and Notes	$ 18,538.3
Special Project Bonds	1,605.5
Operating Asset Financing	426.0
Capital Asset Financing	1,659.0
	22,228.8
Less: Unamortized Discount and Premium	(18.0)
Total	$ 22,210.8

G. Other

In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, the debt and assets of the New Jersey Building Authority have been reduced for presentation herein in the amount of $541.3 million, the amount of the present value of future lease payments by the State to the New Jersey Building Authority as of December 31, 2013.

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, an additional $1.3 billion in federal grant revenues and economic planning, development, and security expenditures has been recorded.

NOTE 3 - CASH AND CASH EQUIVALENTS

All funds maintain their own individual bank account(s) except for the Casino Control, Casino Revenue, Gubernatorial Elections, Special Transportation, Property Tax Relief, and Long Term Obligation and Capital Expenditure Funds which are in the General Fund bank accounts. The balances of cash for these funds held in the General Fund, after receipt and disbursement transactions, are accounted for and reflected in the respective due from or due to accounts on the balance sheet presented in the fund financial statements.

New Jersey Revised Statutes (c.52:18-16.1) set the policy that the State Treasurer must follow when depositing State funds and for the collateralization of such funds. The relationship between the face amount of the collateral and the amount of a deposit is not statutory but is stipulated by the State Treasurer. All bank accounts in which the State Treasurer deposits funds must be collateralized. Securities pledged as collateral must consist of obligations of, or be guaranteed by, the United States or the State of New Jersey. Securities are pledged in the State Treasurer's name and held by a custodian bank under a custodian agreement.

Collateral requirements for demand accounts and time accounts for banks having less than $15 million in State deposits per month require 100 percent coverage of the highest daily balance of the preceding month. For banks that have State deposits which total $15 million or more per month, the amount of collateral required is 120 percent of the total average daily balance on deposit in the bank during each calendar quarter of the year. The State Department of the Treasury monitors the level of collateral required to be maintained by the banks.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires that the State disclose bank deposits that are subject to custodial credit risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the State will not be able to recover deposits or will not be able to recover collateral securities that may be in the possession of an outside party. As of June 30, 2014 the State’s bank balances amounted to $383.0 million. Of these balances, $11.8 million was exposed to custodial credit risk as uninsured and uncollateralized.

NOTE 4 – INVESTMENTS

Statutes of the State of New Jersey and regulations of the State Investment Council authorize the Division of Investment to invest in global equities; non-convertible preferred stocks; covered call and put options; futures contracts; obligations of the U.S. Treasury, government agencies, corporations, international governments and agencies; global diversified credit funds; interest rate swap transactions; state and municipal general obligations; public authority revenue obligations; collateralized notes and mortgages; commercial paper; certificates of deposit; repurchase agreements; money market funds; private equity funds; real estate funds; other real assets; and absolute return strategy funds. Investee institutions and organizations are prescribed by the statutes and regulations based on such criteria as minimum capital, dividend paying history, credit history, and other evaluation factors.

The purchase, sale, receipt of income, and other transactions affecting investments are governed by custodial agreements between the investing funds through the State Treasurer and custodian banks as agents for the funds. State laws and policies set forth the requirements of such agreements and other particulars as to the size of the custodial institution, amount of the portfolio to be covered by the agreements, and other pertinent matters.

Federal securities, including those held as collateral on repurchase agreements, are maintained at Federal Reserve Banks in Philadelphia and New York through the custodian banks, in trust for the State of New Jersey. A significant portion of corporate equity and debt securities are maintained by the Depository Trust Company (DTC) through the custodian banks in trust for the State of New Jersey.

Securities not maintained by the Federal Reserve Banks or DTC are in the name of a designated nominee representing the securities of a particular State fund which establishes the State fund's unconditional right to the securities. The custodian banks, as agents for the State funds, maintain internal accounting records identifying the securities maintained by the Federal Reserve Banks and the DTC as securities owned by or pledged to the State funds.

In addition to the amounts invested directly, most of the funds included herein participate in the State of New Jersey Cash Management Fund wherein amounts also contributed by other units of government are combined into a large scale investment program. The Pension Trust Funds also participate in a Common Pension Trust Fund pool whereby amounts contributed by the various Pension Trust Funds are combined for the purpose of investment. Participation in the Cash Management Fund investment pool and the Common Pension Trust Fund investment pool by State funds is reflected as investments in the Balance Sheets of the respective funds. Amounts contributed to the Cash Management Fund investment pool by local governments and other entities which are not part of the State's reporting entity, are primarily reflected as investments in the Statement of Fiduciary Net Position, Investment Trust Fund.

Amounts contributed to the Cash Management Fund investment pool are recorded at cost, which approximates fair value. Any differences between cost and fair value for Cash Management Fund investment pool investments are immaterial. All other investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund and the Common Pension Funds. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

Casino Control, Casino Revenue, Gubernatorial Elections, Special Transportation, and Property Tax Relief Funds do not maintain separate investment accounts. Since cash transactions are handled by and through the General Fund as described in Note 3, any available cash balances for these funds reside in the General Fund and are combined with other balances for either participation in the State of New Jersey Cash Management Fund or direct investment as part of the General Fund large scale investment program.

Approximately $296.3 million of investments represents deposit fund contracts for future installment payments of lottery prizes. Lottery prizes are funded by the purchase of deposit fund contracts which, when matured, will provide amounts sufficient for future payment of installment prizes. Purchases of deposit fund contracts are recorded as an expenditure in the State Lottery Fund in the year of purchase. Annuity contracts are carried at their current contract values which are based upon their original purchase price adjusted for credited interest and amounts already received. The estimated fair value of annuity contracts approximates the carrying value reflected in the statement of net position. In the event of default in making future payments by the insurance company from which the contracts were purchased, the State Lottery Commission would be liable for such future payments.

Investments for all funds are as follows (expressed in millions):

	Amount Reported As Investments
Domestic fixed income securities	$ 24,822.8
Domestic equities	23,640.4
International equities	15,801.9
Absolute return strategy funds	8,762.4
Private equities	7,215.1
Real estate funds	3,227.3
Global diversified credit funds	2,258.6
International fixed income securities	2,245.8
Real assets	1,739.3
Mortgages	877.7
Annuity contracts	296.3
Mutual funds	276.9
Opportunistic private equity investments	143.8
Put options	1.0
Total investments	91,309.3
Unallocated administrative expenses and transaction exchanges	821.4
Net amount recorded as investments	$ 92,130.7

As Reported on the Government-wide Statement of Net Position and Statement of Fiduciary Net Position (expressed in millions):

	Current Investments	Non-Current Investments	Total
Governmental activities	$ 3,440.3	$ -	$ 3,440.3
Business-type activities	255.3	245.5	500.8
Fiduciary funds	88,189.6	-	88,189.6
Total	$ 91,885.2	$ 245.5	$ 92,130.7

The State's investments are subject to various risks. Among these risks are credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Each one of these risks is discussed in more detail below.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's), Standard & Poor's Corporation (S&P), or Fitch Ratings (Fitch). Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. There are no restrictions in the amount that can be invested in United States Treasury and government agency securities. State regulations require minimum credit ratings for certain categories of fixed income obligations and limit the amount that can be invested in any one issuer or issue. As of June 30, 2014 the following limits were in effect:

Category	Minimum Rating[1] Moody's	S&P	Fitch	Limitation of Issuers' Outstanding Debt	Limitation of Issue	Other Limitations
Global debt obligations	Baa3	BBB-	BBB-	10%	-	Not more than 5% of fund assets can be invested in any one issuer
International government and agency obligations	Baa3	BBB-	BBB-	25%	25%	Not more than 5% of fund assets can be invested in this category
Collateralized notes and mortgages	Baa3	BBB-	BBB-	-	25%	Not more than 5% of fund assets can be invested in any one issuer; not more than 5% of fund assets can be invested in this category
Commercial paper	P-1	A-1	F1	-	-	Not more than 5% of fund assets can be invested in any one issuer
Certificates of deposit						Cannot exceed 10% of issuer's primary capital; not more than 5% of fund assets can be invested in any one issuer
Domestic	A3/P-1	A-/A-1	A-/F1	-	-	
International	Aa3/P-1	AA-/A-1	AA-/F1	-	-	
Global diversified credit investments:						
Direct bank loans	Baa3	BBB-	BBB-	10%	-	Not more than 7% of fund assets can be invested in this category; not more than 5% of fund assets can be invested in any one issuer
Funds	Baa3	BBB-	BBB-	-	-	
Swap transactions	Baa2	BBB	BBB	-	-	Notional value of net exposure to any one counterparty shall not exceed 1% of fund assets; notional value shall not exceed 5% of fund assets but may be increased to 10% for a fixed period of time
Repurchase agreements						
Bank or trust company	-	-	-	-	-	-
Broker	P-1	A-1	F1	-	-	-
State, municipal and public authority obligations	A3	A-	A-	10%	10%	Not more than 2% of fund assets can be invested in debt of any one obligor
Mortgage backed						Not more than 10% of fund assets can be invested in this category
pass-through securities	A3	A-	A-	-	-	
senior debt securities	-	-	-	-	25%	
Non-convertible preferred stocks of U.S. corporations	Baa3	BBB-	BBB-	10%	25%	Not more than 5% of fund assets can be invested in any one issuer

[1] Short term ratings (e.g. P-1, A-1, F1) are used for commercial paper and certificates of deposit.

The above table does not include Prudential Retirement investments for the New Jersey State Employees Deferred Compensation Plan (NJSEDCP). The NJSEDCP consists of a number of individual investment managers, which individually have investment guidelines that they comply with and follow.

Up to eight percent of the market value of the combined assets of the pension funds may be invested in corporate obligations, international corporate obligations, collateralized notes and mortgages, global diversified credit investments, non-convertible preferred stocks, and mortgage backed pass-through securities that do not meet the minimum credit rating requirements set forth above.

For securities exposed to credit risk in the fixed income portfolio, the following tables disclose aggregate fair value, by major credit quality rating category at June 30, 2014. The tables include the fixed income securities held directly by the Common Pension Funds, as well as those held by Prudential Retirement. The first table is for bonds rated by Moody's. The second table uses Standard and Poor's ratings for bonds not rated by Moody's (expressed in millions):

	Moody's Rating					
	Aaa	Aa	A	Baa	Ba	P-1
United States Treasury notes	$ 142.3	$ -	$ -	$ -	$ -	$ -
United States Treasury TIPS	1,612.0	-	-	-	-	-
United States Treasury bonds	1,355.7	-	-	-	-	-
United States Government Agency	5,248.0	0.1	-	-	-	-
Mortgages/FHLMC/FNMA/GNMA	344.6	-	-	-	-	-
Domestic corporate obligations	674.8	1,248.8	2,290.0	2,014.3	541.1	1.3
Foreign government obligations	707.2	1,501.2	44.0	7.0	-	-
SBA pass through certificates	86.5	-	-	-	-	-
Asset backed obligations	29.7	9.8	3.4	0.1	0.4	-
Certificates of deposit	-	-	-	-	-	1,987.3
Commercial paper	-	-	-	-	-	4,362.6
Other	64.5	456.3	265.7	0.2	-	-
Bank Loans	-	-	-	2.6	36.8	-
Total	$ 10,265.3	$ 3,216.2	$ 2,603.1	$ 2,024.2	$ 578.3	$ 6,351.2

	Standard & Poor's Rating					
	AAA	AA	A	BBB	BB	B
Domestic corporate obligations	$ -	$ -	$ 116.9	$ 140.4	$ 20.0	$ 12.1
Bank Loans	-	-	-	-	0.8	-
Other	-	57.8	18.0	-	-	-
Total	$ -	$ 57.8	$ 134.9	$ 140.4	$ 20.8	$ 12.1

The tables do not include various domestic corporate obligations given a Moody's rating of A1 ($63.6 million), A3 ($104.6 million), Aa3 ($59.6 million), Baa1 ($31.1 million), B ($593.2 million), C ($0.4 million), Ca ($2.6 million), CAA ($383.5 million), and a Standard and Poor's rating of CCC ($4.6 million). They also do not include bank loan obligations given a Moody's rating of B ($65.8 million), Caa ($30.4 million) and a Standard and Poor's rating of CCC ($2.0 million). Also not included are asset backed obligations given a Moody's rating of B ($0.2 million), Ca ($0.1 million), and Caa ($0.3 million).

In addition, the Police and Firemen's mortgages of $877.7 million, domestic corporate obligations of $27.0 million, international corporate obligations of $60.9 million, asset backed obligations of $0.8 million, bank loan obligations of $0.9 million, and other various investment types of $232.8 million, are unrated.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Commercial paper must mature within 270 days. Certificates of deposits and bankers' acceptances are limited to a term of one year or less. Repurchase agreements must mature within 30 days. The investment in guaranteed income contracts and funding agreements is limited to a term of ten years or less.

The following table summarizes the maturities (or, in the case of Remics, Police and Firemen's mortgages, and mortgage backed securities, the expected average life) of the fixed income portfolio at June 30, 2014 (expressed in millions):

		Maturities in Years			
	Total Fair Value	Less than 1	1-5	6-10	More than 10
United States Treasury notes	$ 142.3	$ 127.3	$ 15.0	$ -	$ -
United States Treasury TIPS	1,612.0	-	984.4	625.7	1.9
United States Treasury bonds	1,355.7	58.5	1,024.2	229.6	43.4
United States Government Agency	5,248.1	5,011.2	12.7	201.6	22.6
Mortgages/FHLMC/FNMA/GNMA	344.6	-	1.6	5.5	337.5
Domestic corporate obligations	8,329.9	379.5	2,996.8	3,489.7	1,463.9
International corporate obligations	60.9	-	-	-	60.9
Foreign government obligations	2,259.4	11.2	559.2	1,431.9	257.1
Police & Firemen's mortgages	877.7	-	1.6	23.7	852.4
SBA pass through certificates	86.5	-	39.3	47.2	-
Asset backed obligations	44.8	0.2	1.7	3.4	39.5
Certificates of deposit	1,987.3	1,987.3	-	-	-
Commercial paper	4,362.6	4,362.6	-	-	-
Other	1,095.3	95.5	1.3	108.9	889.6
Bank Loans	139.3	2.5	16.1	120.7	-
Total	$ 27,946.4	$ 12,035.8	$ 5,653.9	$ 6,287.9	$ 3,968.8

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. As mentioned previously, the State's Pension Trust Funds participate in the Common Pension Trust Fund pool, which invests in global markets.

The total amount of a particular class of stock directly purchased of any one entity cannot exceed 10 percent of that class of stock outstanding. The total amount of shares or interests directly purchased or acquired of any one exchange traded fund or global, regional or country fund shall not exceed 10 percent of the total shares outstanding or interests of such fund.

At June 30, 2014, the State had the following foreign currency exposure based on exchange rates in effect for such day (expressed in millions of U.S. dollars):

Currency	Total Fair Value	Equities	Fixed Income	Alternative Investments
Australian dollar	$ 651.6	$ 651.6	$ -	$ -
Brazilian real	345.1	345.1	-	-
Canadian dollar	1,037.6	931.4	106.2	-
Chilean peso	2.3	2.3	-	-
Czech koruna	55.3	55.3	-	-
Danish krone	130.3	130.3	-	-
Egyptian pound	0.3	0.3	-	-
Euro dollar	3,209.0	2,641.4	-	567.6
Hong Kong dollar	701.5	701.5	-	-
Hungarian forint	26.1	26.1	-	-
Indonesian rupiah	89.9	89.9	-	-
Israeli shekel	9.6	9.6	-	-
Japanese yen	1,695.6	1,695.6	-	-
Malaysian ringgit	56.9	56.9	-	-
Mexican peso	111.4	111.4	-	-
Norwegian krone	54.5	54.5	-	-
Pakistan rupee	21.2	21.2	-	-
Philippines peso	57.9	57.9	-	-
Polish zolty	72.1	72.1	-	-
Singapore dollar	128.1	128.1	-	-
South African rand	236.6	236.6	-	-
South Korean won	537.0	537.0	-	-
Swedish krona	260.5	260.5	-	-
Swiss franc	884.0	884.0	-	-
Taiwan new dollar	20.9	20.9	-	-
Thailand baht	83.8	83.8	-	-
Turkish lira	83.8	83.8	-	-
United Kingdom sterling	1,945.2	1,835.7	-	109.5
Total	$ 12,508.1	$ 11,724.8	$ 106.2	$ 677.1

The State's interests in alternative investments may contain elements of credit, currency, and market risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence upon key individuals, emphasis on speculative investments (both derivatives and non-marketable investments), and nondisclosure of portfolio composition. State regulations require that not more than 38 percent of the market value of the pension funds can be invested in alternative investments, with limits on the individual categories of real estate (nine percent), real assets (seven percent), private equity (12 percent), and absolute return strategy (15 percent). The Common Pension Fund E account within the Common Pension Trust Fund pool reflects the State's alternative investments. Not more than five percent of the market value invested through direct investments, separate accounts, fund-of-funds, commingled funds, co-investments and joint ventures in global diversified credit, private equity, real asset and absolute return strategy investments, plus outstanding commitments, may be committed to any one partnership or investment. These investments cannot comprise more than 20 percent of any one investment manager's total assets.

As of June 30, 2014, the net position of Common Pension Fund E includes receivables of $431 million related to the secondary sale of certain private equity and real estate funds, of which $22 million was due by January 2015 and the balance due over the course of three years.

NOTE 5 - SECURITIES LENDING COLLATERAL

The State Investment Council policies permit the Common Pension Funds and several of the individual pension plan portfolios to participate in securities lending programs, whereby securities are loaned to brokers or other borrowers and, in return, the Funds have rights to the collateral received. The publicly traded securities held by the Common Pension Funds and the pension plans, are eligible for the securities lending program. Collateral received may consist of cash, irrevocable bank letters of credit, or U.S. Treasury obligations having a market value equal to or exceeding 102% (U.S. dollar denominated) or 105% (non-U.S. dollar denominated) of the value of the loaned securities at the time the loan is made. Collateral is marked to market daily and adjusted as needed to maintain the required minimum level.

For loans of U.S. government securities or sovereign debt issued by non-U.S. governments, in the event that the market value of the collateral falls below 100% of the market value of the outstanding loaned securities to an individual borrower, or the market value of the collateral of all loans of such securities falls below the collateral requirement, additional collateral shall be transferred by the borrower to the respective funds no later than the close of the next business day so that the market value of such additional collateral together with collateral previously delivered meets the collateral requirements.

For loans of all other types of securities, in the event that the market value of the collateral falls below the collateral requirement of either 102% or 105% (depending on whether the securities are denominated in U.S. dollars or a foreign currency, respectively) of the market value of the outstanding loaned securities to an individual borrower, additional collateral shall be transferred in an amount that will increase the aggregate of the borrower's collateral to meet the collateral requirements. As of June 30, 2014, the Common Pension Funds have no aggregate credit risk exposure to borrowers because the collateral amount held by the Common Pension Funds exceeded the market value of the securities on loan.

The contract with the securities lending agent requires them to indemnify the Common Pension Funds and pension plans if the brokers or other borrowers fail to return the securities and provides that collateral securities may be sold in the event of a borrower default. The Common Pension Funds and pension plans are also indemnified for any loss of principal or interest on collateral invested in repurchase agreements. The Common Pension Funds and pension plans cannot participate in any dividend reinvestment program or vote with respect to any securities that are on loan on the applicable record date. The securities loans can be terminated by notification by either the borrower or the Common Pension Funds and pension plans. The term to maturity of the securities loans is generally matched with the term to maturity of the investment of the collateral.

The securities lending collateral is subject to various risks. Among these risks are custodial credit risk, credit risk, concentration of credit risk, and interest rate risk. Securities lending collateral is invested in repurchase agreements, the maturities of which cannot exceed 30 days. The collateral for repurchase agreements is limited to obligations of the U.S. Government or certain U.S. Government agencies, collateralized notes and mortgages and corporate obligations meeting certain minimum rating criteria. Total exposure to any individual issuer is limited consistent with internal policies for funds managed by the Division of Investment.

For securities exposed to credit risk in the collateral portfolio, the following table disclosures aggregate fair value, by major credit quality rating category at June 30, 2014 (expressed in millions):

	Rating		
	Aaa/AAA	**Not Rated**	**Total**
Repurchase Agreements	$ 1,268.1	$ -	$ 1,268.1
Cash	-	206.4	206.4
Totals	$ 1,268.1	$ 206.4	$ 1,474.5

Custodial credit risk for investments is the risk that the Pension Funds will not recover the value of the investments, which are in the possession of an outside party, if the counterparty to the transaction does not fulfill its obligations. The repurchase agreements' underlying securities are held in the Common Pension Fund's name.

As of June 30, 2014, the Pension Funds had outstanding loaned investment securities with an aggregate fair value of $1,437.9 million and did not hold any noncash collateral. There were no borrowers or lending agent default losses, and no recoveries or prior-period losses during the year.

NOTE 6 - RECEIVABLES

Fiduciary funds' receivables are not disclosed in the statement of net position. However, these receivables are disclosed in the fund financial statements and consist primarily of amounts due from employers and employees and accrued earnings on investments. Receivables presented in the statement of net position are described below.

A. Federal

Federal government grant awards are established against State appropriations. Most Federal government receivables are comprised of amounts expended against grant awards, the expenditure of which is the basis of reimbursement. Since all amounts due from the Federal government are considered to be collectible, no allowance has been established for doubtful collections. Also see Note 19 – Contingent Liabilities.

These Federal receivables are reported in conformance with generally accepted accounting principles as defined in Statement No. 2 - *Grant, Entitlement and Shared Revenue Accounting and Reporting by State and Local Governments* published by the National Council on Governmental Accounting. Inasmuch as encumbrances do not constitute expenditures, and since recognition of grants and entitlements as revenue is primarily based on expenditures, there is an additional $3.2 billion of Federal government awards consisting of encumbrances which are considered unearned and unrecorded as of June 30, 2014.

B. Departmental

Departmental accounts receivable of $4.5 billion include amounts which were substantially collected within the one month period subsequent to June 30 and include most major tax revenues. Amounts included in these receivables but not collected within the one month period subsequent to June 30, 2014 are deemed to be collectible, and are reflected net of allowances ($619.4 million).

C. Loans

Loans receivable of $1.9 billion are reduced by allowances of $63.1 million and include $1.6 billion due from local units of government and other recipients for environmental projects, $94.0 million loaned to New Jersey Transit Corporation for transportation projects, $42.7 million loaned for economic development within local units of government, and $10.0 million loaned for housing and mortgage assistance.

D. Other

Other receivables totaling $1.4 billion are reduced by allowances of $580.1 million and include tax receivables due of $435.7 million, $148.1 million due from the Port Authority of New York and New Jersey, $110.0 million from the tobacco companies, $11.5 million due from the utility industry, and $19.5 million due from proceeds of Motor Vehicle Commission bonds which are held by the trustee.

NOTE 7 – CAPITAL ASSETS

A summary of capital assets and related accumulated depreciation by category as of June 30, 2014 is as follows (expressed in millions):

	Balance July 1, 2013*	Additions	Deductions	Transfers/ Adjustments	Balance June 30, 2014
Capital assets, not being depreciated:					
Land and easements	$ 4,965.2	$ 80.2	$ -	$ -	$ 5,045.4
Construction in progress	2,553.2	1,878.1	0.6	(1,475.4)	2,955.3
Capital assets, being depreciated:					
Land improvements	231.4	0.4	-	2.1	233.9
Buildings and improvements	3,526.1	25.1	24.7	221.1	3,747.6
Equipment and software	1,159.7	62.0	9.4	12.2	1,224.5
Infrastructure	23,582.9	-	-	1,253.9	24,836.8
Total at historical cost	36,018.5	2,045.8	34.7	13.9	38,043.5
Less accumulated depreciation:					
Land improvements	148.5	7.4	-	1.6	157.5
Buildings and improvements	1,950.9	109.7	22.8	-	2,037.8
Equipment and software	690.5	129.6	8.3	-	811.8
Infrastructure	8,840.1	664.3	-	-	9,504.4
Total accumulated depreciation	11,630.0	911.0	31.1	1.6	12,511.5
Governmental activities capital assets, net	$ 24,388.5	$ 1,134.8	$ 3.6	$ 12.3	$ 25,532.0

* The July 1, 2013 capital asset balance has been restated by $60.4 million and the accumulated depreciation balance has been restated by $4.7 million across all categories.

Capital Assets were acquired by functions of the primary government as follows (expressed in millions):

	Amount
Public safety and criminal justice	$ 77.3
Physical and mental health	17.7
Educational, cultural, and intellectual development	27.5
Community development and environmental management	109.0
Economic planning, development, and security	8.1
Transportation programs	1,772.6
Government direction, management, and control	30.3
Special government services	3.3
Total	$ 2,045.8

A. Items Not Capitalized and Depreciated

The State possesses certain capital assets that have not been capitalized and depreciated because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. Examples of these assets include, but are not limited to statues, monuments, forts, lighthouses, and various capitol related furnishings. Collections, such as historical documents, artifacts, works of art, rare library books, and antique furnishings are not capitalized. These assets are exempted from capitalization as the State maintains the collections for reasons other than financial gain; the collections are protected, kept unencumbered, cared for and preserved; and the collections are subject to an organizational policy requiring that the proceeds from sales of collection items be used to acquire other items for collections.

B. Depreciation and Useful Lives

Capital assets are depreciated using the straight line method. The State assigned useful lives that were most suitable for the particular assets. Estimated useful lives were in an allowable range as follows:

Asset	Years
Land improvements	10-50
Building and improvements	12-60
Equipment and software	3-30
Infrastructure	4-70

Depreciation was charged to functions of the primary government as follows (expressed in millions):

	Amount
Public safety and criminal justice	$ 78.9
Physical and mental health	16.8
Educational, cultural, and intellectual development	26.8
Community development and environmental management	17.0
Economic planning, development, and security	23.8
Transportation programs	673.8
Government direction, management, and control	64.7
Special government services	9.2
Total	$ 911.0

NOTE 8 - INTERFUND TRANSACTIONS

During the course of normal operations, the State has numerous routine transactions between funds, including interfund loans, expenditures, and transfers of resources to provide administrative services, program services, debt service, and compliance with legal mandates, such as legislation requiring the transfer of investment earnings from a capital project fund to the General Fund. In the fund financial statements, these transactions generally are recorded as transfers in/transfers (out) and due to/due from other funds. Operating transfers represent legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended and do not represent reimbursement of expenses.

A. Due From/Due To Other Funds

The balances of current interfund receivables and payables at June 30, 2014 are presented below (expressed in millions):

	General Fund	Property Tax Relief Fund	Non-Major Governmental Funds	State Lottery Fund	Unemployment Compensation Fund	Fiduciary Funds	Total
Due from:							
General Fund	$ -	$ -	$ 112.2	$ -	$ 0.4	$ 123.9	$ 236.5
Property Tax Relief Fund	200.8	-	2.9	-	11.1	-	214.8
Non-Major Governmental Funds	511.9	0.5	177.1	-	0.2	-	689.7
State Lottery Fund	118.6	-	-	-	-	-	118.6
Unemployment Compensation Fund	-	0.5	37.3	-	-	-	37.8
Fiduciary Funds	1.9	8.7	-	-	-	-	10.6
Total Due from	$ 833.2	$ 9.7	$ 329.5	$ -	$ 11.7	$ 123.9	$ 1,308.0
Due to:							
General Fund	$ -	$ 200.8	$ 511.9	$ 118.6	$ -	$ 1.9	$ 833.2
Property Tax Relief Fund	-	-	0.5	-	0.5	8.7	9.7
Non-Major Governmental Funds	112.2	2.9	177.1	-	37.3	-	329.5
Unemployment Compensation Fund	0.4	11.1	0.2	-	-	-	11.7
Fiduciary Funds	123.9	-	-	-	-	-	123.9
Total Due to	$ 236.5	$ 214.8	$ 689.7	$ 118.6	$ 37.8	$ 10.6	$ 1,308.0

B. Transfer In/(Out)

Interfund transfers for the fiscal year ended June 30, 2014 are presented below (expressed in millions):

	General Fund	Property Tax Relief Fund	Non-Major Governmental Funds	State Lottery Fund	Unemployment Compensation Fund	Fiduciary Funds	Total
Transfers (out) to:							
General Fund	$ -	$ -	$ (1,637.0)	$ (965.0)	$ -	$ -	$ (2,602.0)
Non-Major Governmental Funds	(1,506.6)	-	(1,179.5)	-	-	-	(2,686.1)
Total Transfers (Out)	$ (1,506.6)	$ -	$ (2,816.5)	$ (965.0)	$ -	$ -	$ (5,288.1)
Transfers in from:							
General Fund	$ -	$ -	$ 1,506.6	$ -	$ -	$ -	$ 1,506.6
Non-Major Governmental Funds	1,637.0	-	1,179.5	-	-	-	2,816.5
State Lottery Fund	965.0	-	-	-	-	-	965.0
Total Transfers In	$ 2,602.0	$ -	$ 2,686.1	$ -	$ -	$ -	$ 5,288.1
Net Transfers	$ 1,095.4	$ -	$ (130.4)	$ (965.0)	$ -	$ -	$ -

NOTE 9 - SHORT-TERM DEBT

Tax and Revenue Anticipation Notes

The State issues short-term debt instruments in the form of Tax and Revenue Anticipation Notes (TRAN) in advance of income tax and corporation business tax collections, depositing the proceeds in the General Fund. These notes are used to provide effective cash management to fund the imbalances that occur between the collection of revenues and the disbursement of appropriations of the General Fund and Property Tax Relief Fund. For Fiscal Year 2014, the State, under a resolution executed by the Treasurer on July 1, 2013, authorized the issuance of TRAN. On July 2, 2013 the State issued $1.5 billion of TRAN through a private placement. The State issued an additional $600 million of TRAN on July 31, 2013 also through a private placement. These notes bear interest from their date of issuance through maturity or earlier redemption by the State at an adjustable rate per annum equal to the London Interbank Offered Rate (LIBOR) plus 19 basis points. On November 20, 2013 the State issued $2.6 billion of TRAN that bear an interest rate of 2.0 percent per annum with a yield of 0.35 percent per annum. These notes matured on June 26, 2014. Part of the proceeds from these notes were used to refund and retire the $2.1 billion of TRAN issued under private placement on July 2, 2013 and July 31, 2013.

Short-term debt activity for the year ended June 30, 2014 was as follows (expressed in millions):

	Outstanding July 1, 2013	Issued	Redeemed	Outstanding June 30, 2014
Tax and Revenue Anticipation Notes - Series 2014 A	$ -	$ 1,500.0	$ (1,500.0) *	$ -
Tax and Revenue Anticipation Notes - Series 2014 B	-	600.0	(600.0) *	-
Tax and Revenue Anticipation Notes - Series 2014 C	-	2,600.0	(2,600.0)	-
Total Tax and Revenue Anticipation Notes	$ -	$ 4,700.0	$ (4,700.0)	$ -

* Redeemed with the proceeds from the Series 2014 C Notes.

NOTE 10 – LONG-TERM OBLIGATIONS

The State's long-term debt is divided into bonded and non-bonded categories. Bonded categories include General Obligation Bonds, Revenue Bonds Payable, certain Capital Leases, Installment Obligations, Certificates of Participation, Tobacco Settlement Financing Corporation Bonds (TSFC), Unamortized Interest on Capital Appreciation Bonds, and Unamortized Premium. Non-bonded categories include Accumulated Sick and Vacation Payable, certain Capital Leases, Loans Payable, Net OPEB Obligation, Net Pension Obligation, Pollution Remediation Obligation, Advance from Federal Government, and Deposit Fund Contracts.

A. Changes in Long-term Debt

The following schedule represents the changes in the State's long-term debt (expressed in millions):

	Outstanding July 1, 2013	Additions	Deductions	Outstanding June 30, 2014	Amounts Due Within One Year
Governmental Activities					
Bonded Debt[1]					
General Obligation Bonds	$ 2,400.9	$ -	$ 243.4	$ 2,157.5	$ 309.8
Revenue Bonds Payable	21,544.9	1,177.0	765.0	21,956.9	597.3
Capital Leases	314.8	-	3.7	311.1	12.6
Installment Obligations	18,243.3	1,777.0	1,939.2	18,081.1	736.5
Certificates of Participation	92.9	26.1	34.1	84.9	34.2
Tobacco Settlement Financing Corp. Bonds (TSFC)	4,293.9	-	(2.8)	4,296.7	23.8
Unamortized Premium[2]	2,119.3	143.4	178.8	2,083.9	-
Unamortized Interest on Capital Appreciation Bonds	(7,503.5)	-	(366.7)	(7,136.8)	-
Non-bonded Debt					
Accumulated Sick and Vacation Payable	574.7	323.7	329.7	568.7	323.7
Capital Leases	353.9	0.2	37.1	317.0	32.4
Loans Payable	1,279.4	-	-	1,279.4	-
Net OPEB Obligation	20,176.7	4,951.1	1,554.1	23,573.7	-
Net Pension Obligation	14,516.0	2,457.9	1,024.5	15,949.4	-
Pollution Remediation	86.2	-	12.2	74.0	-
Other[3]	1,219.2	518.3	467.1	1,270.4	382.9
Subtotal Governmental Activities - Restated	$ 79,712.6	$ 11,374.7	$ 6,219.4	$ 84,867.9	$ 2,453.2
Business-type Activities					
Accumulated Sick and Vacation Payable	$ 1.0	$ 0.4	$ 0.7	$ 0.7	$ 0.4
Advance from Federal Government	351.4	1,588.7	1,940.1	-	-
Deposit Fund Contracts	332.5	27.7	64.0	296.2	50.8
Subtotal Business-type Activities	684.9	1,616.8	2,004.8	296.9	51.2
Total Governmental and Business-type Activities-Restated	$ 80,397.5	$ 12,991.5	$ 8,224.2	$ 85,164.8	$ 2,504.4

1 Restated to reflect the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 resulted in the reclassification of the July 1, 2013 balance of Unamortized Deferral on Refunding from Long-term Obligations to Deferred Outflow of Resources in the amount of ($1,068.0) million.

2 Restated to reflect an increase in Unamortized Premium on bonds payable of $52.2 million due to over amortization in prior years.

3 Restated to reflect the implementation of Governmental Accounting Standards Board (GASB) Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB Statement No. 70 resulted in an increase in the July 1, 2013 outstanding balance in Non-bonded Debt-Other of $184.1 million relating to the South Jersey Port Corporation bonds.

B. Debt Service Payments

The following schedule represents debt service payments for the next five fiscal years and thereafter (expressed in millions):

Fiscal Year	General Obligation Bonds	Revenue Bonds	Capital Leases	Installment Obligations[1]	Certificates of Participation	TSFC[2]	Total
				Debt Service			
2015	$ 309.8	$ 597.3	$ 45.0	$ 736.5	$ 34.2	$ 23.8	$ 1,746.6
2016	363.0	674.9	44.3	1,217.5	25.5	41.1	2,366.3
2017	235.1	646.4	46.2	1,290.7	15.9	57.3	2,291.6
2018	218.0	673.3	47.7	1,510.7	9.3	68.3	2,527.3
2019	216.6	702.5	49.7	1,230.1	-	72.9	2,271.8
2020-2024	620.4	4,088.9	177.3	5,296.8	-	418.7	10,602.1
2025-2029	99.8	4,714.4	108.5	5,349.8	-	528.4	10,800.9
2030-2034	94.8	3,581.1	102.3	1,141.6	-	672.9	5,592.7
2035-2039	-	4,092.9	3.9	307.4	-	858.8	5,263.0
2040-2044	-	2,185.2	0.4	-	-	1,554.5	3,740.1
2045-2063	-	-	2.8	-	-	-	2.8
Total Principal	2,157.5	21,956.9	628.1	18,081.1	84.9	4,296.7	47,205.2
2015	98.8	720.9	40.8	663.0	0.9	152.4	1,676.8
2016	82.8	690.9	37.2	639.5	0.5	151.2	1,602.1
2017	67.2	658.5	33.8	610.9	0.3	149.2	1,519.9
2018	55.7	629.5	30.0	575.1	0.1	146.5	1,436.9
2019	44.7	597.1	25.4	534.8	-	143.3	1,345.3
2020-2024	88.6	2,414.1	78.8	2,155.7	-	662.9	5,400.1
2025-2029	31.1	1,547.8	35.5	1,190.6	-	556.4	3,361.4
2030-2034	9.7	1,090.3	11.9	219.3	-	414.8	1,746.0
2035-2039	-	675.2	0.6	22.3	-	234.3	932.4
2040-2044	-	148.9	0.3	-	-	30.5	179.7
2045-2063	-	-	0.6	-	-	-	0.6
Total Interest	478.6	9,173.2	294.9	6,611.2	1.8	2,641.5	19,201.2
2015	408.6	1,318.2	85.8	1,399.5	35.1	176.2	3,423.4
2016	445.8	1,365.8	81.5	1,857.0	26.0	192.3	3,968.4
2017	302.3	1,304.9	80.0	1,901.6	16.2	206.5	3,811.5
2018	273.7	1,302.8	77.7	2,085.8	9.4	214.8	3,964.2
2019	261.3	1,299.6	75.1	1,764.9	-	216.2	3,617.1
2020-2024	709.0	6,503.0	256.1	7,452.5	-	1,081.6	16,002.2
2025-2029	130.9	6,262.2	144.0	6,540.4	-	1,084.8	14,162.3
2030-2034	104.5	4,671.4	114.2	1,360.9	-	1,087.7	7,338.7
2035-2039	-	4,768.1	4.5	329.7	-	1,093.1	6,195.4
2040-2044	-	2,334.1	0.7	-	-	1,585.0	3,919.8
2045-2063	-	-	3.4	-	-	-	3.4
Total Principal and Interest	$ 2,636.1	$ 31,130.1	$ 923.0	$ 24,692.3	$ 86.7	$ 6,938.2	$ 66,406.4

[1] Fiscal Years 2015-2019, 2026 and 2028 include maturing Floating Rate Notes that the State anticipates refunding prior to maturity.
[2] The State is not liable for debt issued by the TSFC.

C. General Obligation Bonds

The State is empowered by voters to authorize, issue, and incur debt subject to certain constitutional restrictions. General obligation bond acts are both legislatively and voter-approved and are backed by the State's full faith and credit. As of June 30, 2014, the State had $2.2 billion of State general obligation bonds outstanding with another $1.3 billion of bonding authorization remaining from various State general obligation bond acts. The amount provided by the State's General Fund for debt service payments for Fiscal Year 2014 was $355.3 million.

The State has refunded various outstanding general obligation bonds. Refunding bond proceeds are used to purchase and deposit United States Treasury Obligations – State and Local Government Series or open market U.S. Treasury Securities into a separate irrevocable trust fund held by a trustee. The investments and the fixed earnings that accrue are sufficient to fully service the defeased debt until it is called or matures. For financial reporting purposes, the refunded debt is considered defeased at the time the refunding bonds have been issued. Therefore, the refunded debt is removed as a liability from the State's long-term obligations. As of June 30, 2014, the amount of defeased general obligation debt outstanding, but removed from the State's long-term obligations, amounted to $182.7 million.

D. Revenue Bonds Payable

This debt classification represents bond issuances whose segment of debt service is derived solely from legally restricted revenues. Revenue bonds include debt issued by the New Jersey Building Authority (NJBA), the Garden State Preservation Trust (GSPT), and the New Jersey Transportation Trust Fund Authority (TTFA). During Fiscal Year 2014, the TTFA issued $849.2 million of bonds used to fund transportation system improvements. The NJBA issued $47.6 million of Bond Anticipation Notes used to fund construction and rehabilitation of related facilities for use by State agencies. They also issued $280.2 of Refunding Bonds which were used to defease $303.9 million of existing debt. As a result, the refunded bonds' liability has been removed from the State's long term obligations. Total debt service payments over the next 14 years were decreased by $0.2 million which resulted in a $4.4 million present value savings. During Fiscal Year 2014, no GSPT debt was issued. Total authorized but unissued revenue bonds equal $1.7 billion as of June 30, 2014.

E. Capital Leases (Bonded)

Capital Leases represent long-term contractual debt obligations that the State has with various State authorities, for the purpose of utilizing office space for State operations and program usage. This includes the design, acquisition, and construction or renovation of facilities such as the Greystone Psychiatric Hospital. The New Jersey Health Care Facilities Financing Authority (HCFFA) issued no debt during Fiscal Year 2014.

F. Installment Obligations

Installment Obligations represent agreements between the State and several authorities which have issued bonds for the purpose of purchasing or constructing facilities to be rented by the State or to provide financing for other State projects. The State agrees to make payments equal to the corresponding authority's debt service, subject to and dependent upon appropriations being made from time to time by the State Legislature. At the conclusion of the term of the installment obligation agreement, title to the various facilities is transferred to the State, except in the case of the School Facilities Construction Program. During Fiscal Year 2014, these authorities issued $1.8 billion of bonds, of which $1.5 billion were refunding bonds, that were issued in order to defease $1.4 billion of existing debt. The liability on these refunded bonds has been removed from the State's long-term obligations. Total debt service payments over the next 21 years were decreased by $10.8 million and resulted in a net present value savings of $26.1 million. The State's installment obligations outstanding as of June 30, 2014 total $18.1 billion. Total authorized but unissued installment obligations equal $4.1 billion as of June 30, 2014.

G. Certificates of Participation

These obligations represent several Lines of Credit that were drawn on to finance State equipment needs through the State's Master Lease Program.

H. Tobacco Settlement Financing Corporation (TSFC)

In November 1998, the State entered into a Master Settlement Agreement with participating cigarette manufacturers, 46 states, and six other United States jurisdictions in the settlement of certain smoking-related litigation. During Fiscal Year 2003, the State sold to the newly established TSFC, the State's right, title, and beneficial ownership interest in the State's right to receive tobacco settlement rights under the Master Settlement Agreement and decree of Final Judgment. In return, in 2002 and 2003, the TSFC issued $3.5 billion of bonds to pay for the tobacco settlement rights. Proceeds of the two bond issuances were used to fund General Fund expenditures during Fiscal Year 2003 and Fiscal Year 2004. During Fiscal Year 2007, $4.7 billion of refunding bonds were issued, of which $1.1 billion were capital appreciation bonds. The State retains 23.74% of the Tobacco Settlement Receipts.

During Fiscal Year 2003, the TSFC was presented as a discreet component unit of the State. Since then, the State adopted GASB Technical Bulletin No. 2004-1, *Tobacco Settlement Recognition and Financial Reporting Issues*. As a result, the TSFC is required to be shown as a blended component unit of the State. Bonds issued by the TSFC are the sole obligation of the TSFC. The State is not liable for any debt issued by the TSFC nor is the debt dependent on any dedicated stream of revenue generated by the State.

On March 7, 2014, the TSFC entered into a credit enhancement transaction. Pursuant to the Series 2007-1B Pledge Agreement, the TSFC pledged an additional 15.99% of the TSRs received on and after July 1, 2016, to be applied to the optional redemption of the Series 2007-1B bonds. Pursuant to the Series 2007-1C Pledge Agreement, the TSFC additionally pledged 7.75% of the TSRs received on and after July 1, 2016, to be applied to the optional redemption of the Series 2007-1C bonds. As a result of these Pledge Agreements, a bond enhancement premium of $96.5 million was received by the TSFC, of which $91.6 million was paid to the State of New Jersey, in accordance with the Pledge Agreements, and the remaining $4.9 million was paid to various professionals as a transaction fee.

I. Unamortized Interest on Capital Appreciation Bonds

Unamortized Interest on Capital Appreciation Bonds represents the unaccreted interest value on zero coupon bonds that have been issued.

J. Unamortized Premium

GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, requires bond premiums to be deferred and amortized over the life of the refunding bonds.

K. Accumulated Sick and Vacation Payable

Pursuant to GASB Statement No. 16, *Accounting for Compensated Balances*, Accumulated Sick and Vacation payable represents the liability due to employees for unused sick and vacation time.

L. Capital Leases (Non-bonded)

Capital Leases represent long-term contractual obligations that the State has entered into for the purpose of utilizing office space for State operations and program usage. Examples of non-bonded capital leases include motor vehicle inspection stations, State government office buildings, and State Police facilities.

M. Loans Payable

The New Jersey Automobile Insurance Guaranty Fund received a $1.3 billion loan from the New Jersey Property-Liability Insurance Guaranty Association. The loan was made in an effort to depopulate the New Jersey Automobile Insurance Guaranty Fund and to help satisfy its unfunded liability.

N. Net OPEB Obligation

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective for periods beginning after December 15, 2006, requires the reporting of future Other Postemployment Benefits (OPEB) as a general long-term obligation of the State. Based upon an actuarial valuation, the OPEB obligation as of June 30, 2014 is estimated to be $23.6 billion.

O. Net Pension Obligation

Net Pension Obligation (NPO) represents a $15.9 billion pension fund liability due to the Judicial Retirement System, the State Police Retirement System, the Consolidated Police and Firemen's Retirement System, and the Teachers' Pension and Annuity Fund. Financial reporting requirements for net pension fund obligations fall under the purview of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers.*

P. Pollution Remediation Obligation

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective for periods beginning after December 15, 2007, requires the reporting of Pollution Remediation Obligations as a general long-term obligation of the State. The Pollution Remediation Obligation represents contractual commitments of the State with either vendors to clean up hazardous waste contaminated sites or the administrative authorization to proceed to clean up identified hazardous waste contaminated sites. Pollution remediation activities include the engagement of contractors to define the extent of the hazardous waste contamination through a remedial investigative contract, outline the method of cleanup/remediation through a feasibility study contract, implement the required/recommended remediation action through construction contractors, and maintain and monitor the operations of the cleanup remedy at the site.

The Pollution Remediation Obligation estimates that appear in this report are subject to change over time. Cost may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations and other factors that could result in revisions to these estimates. Prospective recoveries from responsible parties may reduce the State's obligation.

The estimated liability as of June 30, 2014 is $74.0 million. The reported amount represents the unexpended balances of those cleanup actions in which the State has obligated itself to commence remediation. The reported amounts represent the prospective outlays for existing remediation activities and not anticipated remediation work that may be addressed by the site's responsible parties at some future time or date.

Q. Other

This obligation represents unamortized long-term claims which are required to be reported under National Council on Governmental Accounting Statement No. 1 as a general long-term obligation of the State. This includes Business Employment Incentive Program (BEIP) grants of $641.5 million which have been incurred but not reported. This also includes Medicaid benefit claims ($341.9 million of which $242.0 million is federally reimbursable) which have been incurred but not reported. This obligation also includes $62.5 million of capitalized software liability which is required to be reported in accordance with GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* Unclaimed property of $43.8 million deemed to be payable to other states, and the South Jersey Port Corporation obligation of $180.7 million is also included. Governmental Accounting Standards Board (GASB) Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* resulted in the inclusion of the State's estimated future obligation relating to the South Jersey Port Corporation bonds.

R. Advance from Federal Government

As of June 30, 2014, the Unemployment Compensation Fund did not owe the Federal Government any money. These funds were used to pay unemployment benefits.

S. Deposit Fund Contracts

Large Lottery prizes are paid out to winners over a period of multiple years. Current Lottery proceeds are used to purchase deposit fund contracts which will provide sufficient amounts for future payment of installment prizes. Future payments of installment prizes in the present value of $296.3 million are recorded as liabilities in both the fund financial statements and the government-wide statements.

T. Nonexchange Financial Guarantees

The authorizing legislation for certain State entities provides for specific budgetary procedures with respect to certain obligations issued by these entities. Pursuant to such legislation, a designated official is required to certify any deficiency in debt service funds maintained to meet payments of principal and interest on the obligations and a State appropriation in the amount of the deficiency is to be made. However, the State Legislature is not legally bound to make an appropriation. Bonds issued pursuant to authorizing legislation of this type are sometimes referred to as “moral obligation” bonds. There is no statutory limitation on the amount of “moral obligation” bonds which may be issued by eligible State entities. Currently, bonds issued by the South Jersey Port Corporation, the New Jersey Housing and Mortgage Finance Agency, and the Higher Education Student Assistance Authority fall under this category. Furthermore, the New Jersey Housing and Mortgage Finance Agency and the Higher Education Student Assistance Authority have not had a deficiency in their respective debt service funds which required the State to appropriate funds.

The State, when necessary, provides the South Jersey Port Corporation with funds to cover all debt service and property tax requirements when the Corporation’s earned revenues are anticipated to be insufficient to cover these obligations. On December 1, 2013, the Corporation certified that it would be unable to provide sufficient funds from operations for debt service, and therefore, required a State appropriation for Fiscal Year 2014 in the amount of $14.8 million.

NOTE 11 - RISK MANAGEMENT AND INSURANCE COVERAGE

The State is self-insured and self-administered for tort, workers’ compensation, and automobile liability claims. As of June 30, 2014 no liability for unpaid claims has been established since the amount of loss cannot be reasonably estimated, however, any unpaid claims are not expected to be material. Claims are reported as expenditures in the General Fund in the year they are paid. Amounts expended for tort, workers’ compensation, and automobile liability claims for Fiscal Year 2014 and Fiscal Year 2013 are detailed below (expressed in millions):

Type of Claim	Fiscal Year 2014	Fiscal Year 2013
Tort	$ 13.1	$ 27.9
Workers' compensation	91.4	89.6
Automobile	1.4	5.3

Property exposure is handled by a commercial insurance carrier. There were no reductions in commercial insurance coverage during the fiscal year ended June 30, 2014. No settlements exceeded commercial insurance coverage during each of the past three fiscal years. The State does not participate in any risk pools.

The State has obtained a financial guaranty policy insurance commitment to cover potential permanent losses on investments by non-state participants in the State of New Jersey Cash Management Fund-External Portion (Investment Trust Fund). The State is liable for reimbursement to the issuer of the financial guaranty policy insurance commitment for any payments made. The State had two policies in place. The first of which expired on December 1, 2012 and was not renewed. The second financial guaranty policy insurance commitment expires on July 1, 2016.

NOTE 12 – DERIVATIVES

A. Interest Rate Swap Agreements

The State has obtained long-term financing in the form of voter-approved General Obligation Debt and other obligations for which voter approval is not needed and has not otherwise been sought. Non-voter approved long-term financings include debt obligations such as revenue bonds, certificates of participation, and installment obligations. The State pays debt service on these debt obligations pursuant to a State contract or a lease it enters into with the issuer, subject to annual appropriations made by the State Legislature. These debt obligations include, but are not limited to, certain bonds issued through State public authorities such as the New Jersey Building Authority and the New Jersey Economic Development Authority. In connection with certain bonds issued through these public authorities, the State has entered into Interest Rate Exchange Agreements (Swap Agreements). As of June 30, 2014 the State has 14 active swap agreements with 8 swap providers for a combined notional amount of $1.1 billion.

B. Interest Rate Swap Agreements – Synthetic Rate

In the past, the State acting through its public authorities, 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 State pays a fixed rate on an agreed upon notional amount while the swap counterparty pays a variable rate on the same notional amount.

On November 22, 2013 the State terminated the outstanding New Jersey Building Authority swap agreements. The notional amount of the terminated swap agreements was $150.4 million. The termination payment made to certain swap providers was $16.8 million.

Issuer/Counterparty	Notional Amount ($ Millions)	Amended Effective Date	Fixed Rate	Floating Index
NJ Economic Development Authority (NJEDA)				
School Facilities Construction Program				
Variable-to-Fixed Swaps				
Bank of America, N.A.	$ 64.007	6/15/13	4.407 %	71.98% 1-month LIBOR
Bank of Montreal	121.173	6/15/13	4.549	62% 1-month LIBOR + 40 bps
Goldman Sachs Mitsui Marine Derivative, Products, L.P.	49.148	6/15/13	4.296	70.8% 1-month LIBOR
Goldman Sachs Mitsui Marine Derivative, Products, L.P.	78.167	6/15/13	4.407	71.98% 1-month LIBOR
Goldman Sachs Mitsui Marine Derivative, Products, L.P.	91.058	6/15/13	4.399	71.57% 1-month LIBOR
Merrill Lynch Capital Services, Inc.	179.716	6/15/13	4.251	62% 1-month LIBOR + 40 bps
Natixis Financial Products, Inc.	95.420	6/15/13	4.489	62% 1-month LIBOR + 40 bps
Royal Bank of Canada	90.460	6/15/13	4.512	62% 1-month LIBOR + 40 bps
UBS AG, Stamford Branch	64.323	1/20/11	4.063	71.13% 1-month LIBOR
UBS AG, Stamford Branch	64.790	1/20/11	4.176	74.24% 1-month LIBOR
UBS AG, Stamford Branch	116.098	1/20/11	4.399	71.57% 1-month LIBOR
Wells Fargo Bank, N.A.	49.332	6/15/13	4.063	71.13% 1-month LIBOR
Wells Fargo Bank, N.A.	33.912	6/15/13	4.176	74.24% 1-month LIBOR
Wells Fargo Bank, N.A.	49.148	6/15/13	4.296	70.8% 1-month LIBOR
Total NJEDA	$ 1,146.752			

The swap agreements listed above have final maturities ranging from September 1, 2029 through March 1, 2035. The swap agreements total current notional amount is $1,146.8 million. Under the swap agreements, the State pays the counterparties a fixed payment ranging from 4.063 percent to 4.549 percent and receives a variable payment as computed for each associated variable rate transaction as shown above. The swap provider calculates the variable rate, as well as the dollar amount that is owed by the swap counterparty. The State confirms all calculations to ensure accuracy.

C. Interest Rate Swap Agreements - Fair Value

As of June 30, 2014, the State, acting through the New Jersey Economic Development Authority, is party to 14 swap agreements. General interest rates have declined since the execution of the swap agreements which were initially executed during Calendar Year 2003. As a result, the projected net present value of the State's entire portfolio as of June 30, 2014 is negative $326.2 million. A breakdown of this amount is shown below ($ millions):

	Changes in Fair Value		Fair Value at June 30, 2014	
Governmental Activities	**Classification**	**Amount**	**Classification**	**Amount**
Cash Flow Hedges:				
Pay fixed interest rate swaps				
NJ Building Authority	Deferred Outflows of Resources	$ 17.338	Debt	$ -
Total Cash Flow Hedges		17.338		-
Investment Derivatives:				
Pay fixed interest rate swaps				
NJ Economic Development Authority				
School Facilities Construction Program	Investment earnings	$ (6.150)	Investment	$ (326.227)
Total Investment Derivatives		(6.150)		(326.227)
Total		$ 11.188		$ (326.227)

The fair values of the swaps take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. The fair market values were calculated using the zero-coupon method. The zero-coupon method calculates the future net settlement payments required by each swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

The amounts shown above are the amounts that the State would pay to swap counterparties in the event that all the State's swap agreements were terminated on June 30, 2014.

D. Interest Rate Swap Agreements - Credit Risk

The swap agreement contracts require 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. No collateral posting has ever been required.

E. Interest Rate Swap Agreements - Basis Risk

The swap agreements expose the State 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.

F. Interest Rate Swap Agreements - Termination Risk

Each swap agreement contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes "additional termination events", providing that the swap agreements may be terminated if either the State's or a swap counterparty's credit quality rating falls below certain levels, generally below "BBB" or "Baa2". The State or the swap counterparties may terminate the swap agreements if the other party fails to perform under the terms of the contract. Also, if at the time of termination the swap agreement has a negative fair value, the State would incur a loss and would be required to settle with the swap counterparty at the swap agreement's fair value. If at the time of a termination the swap agreement has a positive fair value, the State would incur a gain and would be able to settle with the swap counterparty at the swap agreement's fair value.

NOTE 13 - OTHER LIABILITIES – CURRENT

Other liabilities presented in the statement of net position consist principally of revenue refunds payable to taxpayers of $357.3 million.

In addition, the New Jersey Schools Development Authority reflects other liabilities of $6.4 million which represent deposits received from local school districts to fund the local share portion of Regular Operating District school facility projects or to cover certain ineligible costs pertaining to projects in the New Jersey Schools Development Authority school districts. The Unemployment Compensation Interest Repayment Fund reflects other liabilities of $2.8 million to the federal government representing interest accrued on outstanding loans to the Unemployment Compensation Fund.

NOTE 14 - NET ASSETS RESTRICTED BY ENABLING LEGISLATION/GOVERNMENTAL FUND BALANCES

A. Net Assets Restricted by Enabling Legislation

As of June 30, 2014, $3.4 billion of restricted net assets are reported in the Statement of Net Position. Net assets are restricted when constraints have been placed upon the use of resources through enabling legislation initiated by voter referendum, constitutional provisions, debt covenants, or other external parties such as the federal government. Unexpended debt proceeds that are recorded as assets and restricted fund balance in the governmental funds ($1.0 billion) have been deducted from the restricted net asset balance.

B. Governmental Fund Balances

In the governmental fund financial statements, fund balances are segregated into the following categories: nonspendable, restricted, committed, and unassigned.

Nonspendable

The nonspendable fund balance classification includes amounts in the New Jersey Cultural Trust Fund ($20.0 million) and the State of New Jersey Tischler Memorial Fund ($0.4 million) that are legally required to remain intact.

Restricted

Similar to the net assets restricted by enabling legislation definition, the restricted fund balance classification is used when constraints have been placed upon the use of resources through enabling legislation initiated by voter referendum, constitutional provisions, debt covenants, or other external parties such as the federal government.

Committed

The committed fund balance classification is used for amounts that can only be used for purposes specified in enabling legislation, with the consent of both the legislative and executive branches. In contrast to the restricted fund balance classification, amounts in this category may be redeployed for other purposes with appropriate due process.

As mentioned above, both restricted and committed fund balances, respectively, may only be used for purposes specified in enabling legislation. Within these balances, however, money has been set aside (encumbered) pending vendor performance. In addition, within these balances are long-term loans and other items such as legally mandated reserves and escrow balances that represent balances that are not currently available for expenditure in subsequent accounting periods.

The following table reflects restricted and committed fund balances in the aggregate that have been encumbered or are currently unavailable for current expenditure as of June 30, 2014 (expressed in millions):

Major Components of:	General Fund	Property Tax Relief Fund	Non-Major Governmental Funds	Total Governmental Funds
Restricted Fund Balances	**$ 999.2**	**$ -**	**$ 3,381.0**	**$ 4,380.2**
Encumbrances	310.4	-	226.3	536.7
Long-term loans	341.2	-	1,338.2	1,679.4
School Bond Reserve	-	-	71.9	71.9
Committed Fund Balances	**$ 2,008.4**	**$ 8.3**	**$ 406.8**	**$ 2,423.5**
Encumbrances	949.8	3.0	157.8	1,110.6
Long-term loans	24.8	-	104.7	129.5

Restricted Fund Balance – School Bond Reserve:

Fund for Support of Free Public Schools

New Jersey statutes provide for the establishment of a school bond reserve within this fund. The school bond reserve consists of two accounts, the old school bond reserve account and the new school bond reserve account. The old school bond reserve account shall be funded in an amount equal to at least 1.5 percent of the aggregate issued and outstanding bonded indebtedness of counties, municipalities, or school districts for school purposes for all such indebtedness issued prior to July 1, 2003. The new school bond reserve account shall be funded in an amount equal to at least one percent of the aggregate issued and outstanding bonded indebtedness of counties, municipalities, or school districts for school purposes for all such indebtedness issued on or after July 1, 2003, exclusive of bonds for debt service, which is provided by State appropriations. Accordingly, $71.9 million has been reserved as of June 30, 2014.

Unassigned

Unassigned balance is $295.1 million. This classification represents fund balance that has not been restricted or committed to specific purposes within the General Fund.

NOTE 15 – OTHER FINANCING SOURCES – OTHER

The following items were recorded as other financing sources – other in the fund financial statements (expressed in millions):

	General Fund	Non-Major Funds	Total Governmental Funds
Refunding bonds issued	$ 1,556.2	$ 331.5	$ 1,887.7
Installment obligations issued	281.8	-	281.8
Premium related to new debt issuances	31.7	19.4	51.1
Capital lease acquisitions	0.2	-	0.2
Certificates of participation issued	26.1	-	26.1
Other Financing Sources (Uses) - Other	$ 1,896.0	$ 350.9	$ 2,246.9

NOTE 16 – OPERATING LEASES

The State of New Jersey has commitments to lease certain land, buildings, and equipment under arrangements representing operating leases. Future minimum rental commitments for noncancelable operating leases as of June 30, 2014 are as follows (expressed in millions):

Fiscal Year	Amount
2015	$ 45.4
2016	34.8
2017	28.9
2018	19.3
2019	13.9
2020-2024	25.6
2025-2030	1.7
Total Future Minimum Lease Payments	$ 169.6

NOTE 17 – RETIREMENT SYSTEMS, HEALTH BENEFITS, AND POST-RETIREMENT MEDICAL BENEFITS

A. RETIREMENT SYSTEMS

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all State and local government employees:

Consolidated Police and Firemen's Pension Fund (CPFPF)--established in January 1952, under the provisions of N.J.S.A. 43:16 to provide coverage to municipal police and firemen who were appointed prior to July 1, 1944. The fund is a closed system with no active members.

Judicial Retirement System (JRS)--established in June 1973, under the provisions of N.J.S.A. 43:6A to provide coverage to all members of the State judiciary system. Membership is mandatory for such employees with vesting after 5 years of successive service as a judge and 10 years in the aggregate of public service.

Police and Firemen's Retirement System (PFRS)--established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership.

Prison Officers' Pension Fund (POPF)--established in January 1941, under the provisions of N.J.S.A. 43:7 to provide coverage to various employees of the State penal institutions who were appointed prior to January 1, 1960. The fund is a closed system with no active members. New employees of the State penal institutions are enrolled in the Police and Firemen's Retirement System.

Public Employees' Retirement System (PERS)--established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

State Police Retirement System (SPRS)--established in July 1965, under the provisions of N.J.S.A. 53:5A to provide coverage to all uniformed officers and troopers of the State Police in the State. Membership is mandatory and vesting occurs after 10 years of membership.

Teachers' Pension and Annuity Fund (TPAF)--established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

Other Pension Funds

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The State or local governmental employers do not appropriate funds to SACT.

The State also administers the Central Pension Fund (CPF) which is a single-employer noncontributory defined benefit plan for special groups which are not included in other State-administered systems.

The State also administers the Pension Adjustment Fund (PAF). Prior to the adoption of pension reform legislation in 2011, P.L. 2011, c.78, it provided cost-of-living increases equal to 60 percent of the change in the average consumer price index, to eligible retirees in some State-sponsored pension systems which are the CPFPF, POPF, and CPF. Cost-of-living increases provided under the State’s Pension Adjustment Program are currently suspended as a result of the reform legislation. This benefit is funded by the State as benefit allowances become payable.

The cost-of-living increase for PFRS, PERS, TPAF, SPRS, and JRS are funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

According to State law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues a publicly available financial report that includes the financial statements of the State of New Jersey Cash Management Fund. The financial report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290, or at www.state.nj/treasury/doinvest.

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the aggregate funded ratio for the retirement systems (TPAF, PERS, PFRS, POPF, CPFPF, JRS, and SPRS) is 62.8 percent with an unfunded actuarial accrued liability of $51.0 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 54.2 percent and $37.3 billion, respectively, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 75.4 percent and $13.7 billion, respectively.

The required supplementary information regarding the funded status and funding progress of the retirement systems includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

The schedule of funding progress in the required supplementary information presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2013 actuarial valuations, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) an investment rate of return for the retirement systems of 7.90 percent except for POPF (5 percent) and CPFPF (2 percent), and (b) projected salary increases which vary by fund and are presented on the following pages.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey, and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation, with the amount of the contributions by the State of New Jersey contingent upon the annual Appropriation Act. As defined, the various retirement systems require employee contributions based on percentages ranging from 6.9 percent to 10.0 percent of employees' annual compensation.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* for the year ended June 30, 2014 for CPFPF and TPAF, which are cost sharing plans with special funding situations, and for JRS, POPF, and SPRS, which are single employer plans, the annual pension cost differs from the annual required contribution. For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. The annual pension cost for the fiscal year ending June 30, 2014 and related information, including a summary of the significant actuarial methods and assumptions used by the retirement systems, are presented on the following pages.

The calculation of the employer contribution rates on the following pages, for State and Local, represents the APC divided by the covered payroll as reflected in the Schedule of Funding Progress per the actuarial valuations as of June 30, 2012. In Fiscal Year 2011, the State made a decision to reduce the PFRS lag period between the valuation year and the contribution year from three years to two years which brings the PFRS in line with the other pension trust funds.

		CPFPF	JRS	PFRS
Annual Pension Cost (APC)				
State:	June 30, 2012	$ 712,146	$ 41,418,589	$ 59,246,203
	June 30, 2013	28,562	43,982,682	118,886,119 *
	June 30, 2014	1,615,690	46,697,832	174,285,800
Local:	June 30, 2012	-	-	767,214,812
	June 30, 2013	-	-	776,857,260 *
	June 30, 2014	-	-	726,711,800
Contributions Made				
State:	June 30, 2012	174,000	5,969,713	59,246,203
	June 30, 2013	896,883	12,308,227 *	118,886,119 *
	June 30, 2014	864,041	19,322,072	174,285,800
Local:	June 30, 2012	-	-	767,214,812
	June 30, 2013	-	-	776,857,260 *
	June 30, 2014	-	-	726,711,800
Percentage of APC Contributed				
State:	June 30, 2012	24.4%	14.4%	100.0%
	June 30, 2013	3,140.1%	28.0%*	100.0%
	June 30, 2014	53.5%	41.4%	100.0%
Local:	June 30, 2012	-	-	100.0%
	June 30, 2013	-	-	100.0%
	June 30, 2014	-	-	100.0%
Net Pension Obligation				
State:	June 30, 2012	1,067,070	160,829,287	-
	June 30, 2013	198,749	192,503,742 *	-
	June 30, 2014	950,398	219,879,502	-
Local:	June 30, 2012	-	-	-
	June 30, 2013	-	-	-
	June 30, 2014	-	-	-
Contribution rates				
State		N/A	69.2%	33.7%
State-related employers		N/A	N/A	23.2%
Employees		N/A	8.1%	10.0%

Significant Actuarial Assumptions and Methods	CPFPF	JRS	PFRS
Date of actuarial valuation	6/30/13	6/30/13	6/30/13
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level Dollar Closed	Level Dollar Open	Level Dollar Open
Remaining amortization period	1 year	30 years	30 years
Asset valuation method	Five Year Average of Market Value	Five Year Average of Market Value	Five Year Average of Market Value
Actuarial assumptions			
Investment rate of return	2.00%	7.90%	7.90%
Projected salary increases	N/A	2.50%	6.04%
Cost-of-Living adjustments	N/A	0.00%	0.00%

* Restated

		POPF	PERS	SPRS	TPAF
Annual Pension Cost (APC)					
State:	June 30, 2012	$ 515,016	$ 155,453,471	$ 93,578,396	$ 2,184,639,605
	June 30, 2013	531,940	301,739,723 *	93,572,444	2,225,169,189
	June 30, 2014	1,380,470	459,704,218	108,720,740	2,301,978,730
Local:	June 30, 2012	-	820,640,436	-	-
	June 30, 2013	-	785,649,417 *	-	-
	June 30, 2014	-	749,538,745	-	-
Contributions Made					
State:	June 30, 2012	-	155,453,471	13,545,607	317,927,358
	June 30, 2013	-	301,739,723 *	27,777,047 *	647,059,335 *
	June 30, 2014	-	459,704,218	46,125,734	958,145,216
Local:	June 30, 2012	-	820,640,436	-	-
	June 30, 2013	-	785,649,417 *	-	-
	June 30, 2014	-	749,538,745	-	-
Percentage of APC Contributed					
State:	June 30, 2012	-	100.0%	14.5%	14.6%
	June 30, 2013	-	100.0%	29.7%*	29.1%*
	June 30, 2014	-	100.0%	42.4%	41.6%
Local:	June 30, 2012	-	100.0%	-	-
	June 30, 2013	-	100.0%	-	-
	June 30, 2014	-	100.0%	-	-
Net Pension Obligation					
State:	June 30, 2012	(5,935,136)	-	707,636,110	11,970,529,849
	June 30, 2013	(5,403,196)	-	773,431,507 *	13,548,639,703 *
	June 30, 2014	(4,022,726)	-	836,026,513	14,892,473,217
Local:	June 30, 2012	-	-	-	-
	June 30, 2013	-	-	-	-
	June 30, 2014	-	-	-	-
Contribution rates					
State		N/A	10.1%	38.4%	23.5%*
State-related employers		N/A	10.9%	N/A	N/A
Employees		N/A	6.9% (10% for County Prosecutors)	9.0%	6.9%
Significant Actuarial Assumptions and Methods					
Date of actuarial valuation		6/30/13	6/30/13	6/30/13	6/30/13
Actuarial cost method		Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method		Level Dollar Closed	Level Dollar Open	Level Dollar Open	Level Dollar Open
Remaining amortization period		1 year	30 years	30 years	30 years
Asset valuation method		Market Value	Five Year Average of Market Value	Five Year Average of Market Value	Five Year Average of Market Value
Actuarial assumptions					
Investment rate of return		5.00%	7.90%	7.90%	7.90%
Projected salary increases		N/A	4.24%	3.45%	3.33%
Cost-of-Living adjustments		N/A	0.00%	0.00%	0.00%

* Restated

The Annual Pension Cost (APC) and Net Pension Obligation (NPO) for the single employer plans and cost sharing plans with special funding situations, which are administered by the State of New Jersey for the fiscal year ending June 30, 2014, are presented below:

	Single Employer Plans		
	JRS	POPF	SPRS
Annual Required Contribution, June 30, 2014	$ 48,428,575	$ (4,022,726)	$ 115,674,429
Interest adjustment on NPO	15,207,796	(270,160)	61,101,089
Adjustment to Annual Required Contribution	(16,938,539)	5,673,356	(68,054,778)
APC as of June 30, 2014	46,697,832	1,380,470	108,720,740
Total Fiscal Year 2014 Contributions	19,322,072	-	46,125,734
Increase (Decrease) in NPO	27,375,760	1,380,470	62,595,006
NPO as of June 30, 2013	192,503,742 *	(5,403,196)	773,431,507 *
NPO as of June 30, 2014	$ 219,879,502	$ (4,022,726)	$ 836,026,513

	Cost Sharing Plans With Special Funding Situations		
	CPFPF	TPAF	Total All Plans
Annual Required Contribution, June 30, 2014	$ 1,814,439	$ 2,423,790,461	$ 2,585,685,178
Interest adjustment on NPO	3,975	1,070,342,537	1,146,385,237
Adjustment to Annual Required Contribution	(202,724)	(1,192,154,268)	(1,271,676,953)
APC as of June 30, 2014	1,615,690	2,301,978,730	2,460,393,462
Total Fiscal Year 2014 Contributions	864,041	958,145,216	1,024,457,063
Increase (Decrease) in NPO	751,649	1,343,833,514	1,435,936,399
NPO as of June 30, 2013	198,749	13,548,639,703 *	14,509,370,505 *
NPO as of June 30, 2014	$ 950,398	$ 14,892,473,217	$ 15,945,306,904

* Restated

B. HEALTH BENEFITS AND POST-RETIREMENT MEDICAL BENEFITS

As a result of Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for fiscal year 2007, the State Health Benefit Program (SHBP) and the Prescription Drug Program (PDP) and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as State Health Benefit Program Funds. Specifically, the SHBP-State, and the PRM of the PERS are combined and reported as Health Benefits Program Fund-State classified as a single employer plan. The SHBP-Local, the PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund-Local Government classified as a cost-sharing multiple-employer plan. The post-retirement benefit programs had a total of 590 state and local participating employers for fiscal year 2014.

The State of New Jersey sponsors and administers the following health benefit programs covering substantially all State and local government employees:

State Health Benefit Program Fund - Local Education (including Prescription Drug Program Fund) – The State of New Jersey provides State paid coverage to members of the Teachers' Pension and Annuity Fund who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of P.L. 1992, c.126, the State also provides State paid coverage to members of the Public Employees' Retirement System and Alternate Benefits Program who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for State paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare Parts A and B by paying the cost of the insurance for themselves and their covered dependents. Also, education employees are eligible for the PDP coverage after 60 days of employment.

State Health Benefit Program Fund - Local Government (including Prescription Drug Program Fund) – Certain local employers who participate in the State Health Benefit Program provide health insurance coverage to their employees at retirement. Under the provisions of P.L. 1997, c.330, the State of New Jersey provides partially funded benefits to local police officers and firefighters who retire with 25 years of service (or on disability) from an employer who does not provide coverage. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program by paying the cost of the insurance for themselves and their covered dependents. Also, local employees are eligible for the PDP coverage after 60 days of employment.

State Health Benefit Program Fund - State (including Prescription Drug Program Fund) – N.J.S.A. 52:14-17.25 provides medical coverage to qualified active and retired participants. Under P.L. 1977, c.136, the State of New Jersey pays for the health insurance coverage of all enrolled retired State employees (regardless of age) whose pensions are based upon 25 years or more of credited service or a disability retirement regardless of years of service. Retirees who are not eligible for State paid health coverage at retirement can continue in the program by paying the cost of the insurance for themselves and their covered dependents. The PDP was established in December 1974, under N.J.S.A. 52:14-17.29 to provide coverage to employees and their eligible dependents for drugs which under federal or State law may be dispensed only upon a prescription written by a physician. State employees are eligible for PDP coverage after 60 days of employment.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above funds. The financial reports may be accessed via the New Jersey Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

Significant Legislation

P.L. 2011, c.78, effective October 2011, set new employee contribution requirements towards the cost of employer provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this legislation's effective date with a minimum contribution required to be at least 1.5 percent of salary.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the unfunded actuarial accrued liability for OPEB is $53.0 billion which is made up of $19.7 billion for State active and retired members and $33.3 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The required supplementary information regarding the funded status and funding progress of the OPEB includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations, and new estimates are made about the probability of future events.

The schedule of funding progress in the required supplementary information presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2013 OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

Post-Retirement Medical Benefits Contribution

P.L. 1987, c.384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2014, there were 103,432 retirees receiving post-retirement medical benefits, and the State contributed $1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

Commencing on July 1, 1997, State employees attaining 25 years of service credit after this date in a State administered retirement system and those who retire on disability who elect the NJ Direct 10 Plan shall be subject to premium sharing based on the negotiated contracts.

P.L. 1977, c.136, provides for the State's General Fund to pay health benefits on a pay-as-you-go basis for all enrolled retired State employees, regardless of retirement date, under two provisions. The first is for State employees whose pensions are based on 25 years or more of credited service (except those who elect a deferred retirement). The second is for retired State employees who are eligible for a disability retirement regardless of years of service. The State contributed $148.1 million for 9,851 eligible retired members for Fiscal Year 2014. This benefit covers the Police and Firemen's Retirement System, the Prison Officers' Pension Fund, the Judicial Retirement System, the Central Pension Fund, the State Police Retirement System, and the Alternate Benefit Program.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid $165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014.

P.L. 1997, c.330, provides State paid post-retirement health benefits to qualified retirees of the Police and Firemen's Retirement System and the Consolidated Police and Firemen's Pension Fund and to dependents of qualified retirees. The State is responsible for 80 percent of the premium for the category of coverage elected by the retiree under the State managed care plan or a health maintenance organization participating in the program, whichever provides the lower charge. The State contributed $41.8 million in the current year to provide benefits under Chapter 330 to qualified retirees.

Annual OPEB Cost (AOC)

The annual OPEB cost for the fiscal year ending June 30, 2014 and related information, including a summary of the significant actuarial methods and assumptions used by OPEB, are presented below.

The calculation of the employer contribution rates on the following page for OPEB represents the AOC divided by the covered payroll as reflected in the Schedule of Funding Progress per the actuarial valuations as of June 30, 2013.

OPEB - STATE

Annual OPEB Cost (AOC)			
State:	June 30, 2012	$	4,696,700,000
	June 30, 2013		4,874,600,000
	June 30, 2014		4,951,100,000
Contributions Made			
State:	June 30, 2012	$	1,379,400,000
	June 30, 2013		1,516,200,000
	June 30, 2014		1,554,100,000
Percentage of AOC Contributed			
State:	June 30, 2012		29.4%
	June 30, 2013		31.1%
	June 30, 2014		31.4%
Net OPEB Obligation (NOO)			
State:	June 30, 2012	$	16,818,300,000
	June 30, 2013		20,176,700,000
	June 30, 2014		23,573,700,000

Significant Actuarial Assumptions and Methods

Date of actuarial valuation	6/30/13
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar Open
Remaining amortization period	30 years
Actuarial assumptions	
Investment rate of return	4.50% (assuming no prefunding)
Projected salary increases	N/A
Cost-of-Living adjustments	N/A

Contribution rates

State	24.1%
Employees	N/A

For medical benefits, the healthcare cost trend rate assumption initially is at 8.0 percent and decreases to a 5.0 percent long term trend rate for all medical benefits after seven years, except for NJ Direct Post-65 whose rate assumption is 5.0 percent throughout seven years. For prescription drug benefits, the initial healthcare cost trend rate assumption is 8.0 percent, decreasing to a 5.0 percent long term trend rate after seven years. For Medicare Part B reimbursement, the healthcare cost trend rate assumption is 5.0 percent throughout seven years.

The AOC and NOO for the State-funded post-retirement medical obligations for the fiscal year ending June 30, 2014 are presented below:

Annual Required Contribution, June 30, 2014	$	5,281,900,000
Interest Adjustment on NOO		907,900,000
Adjustment to Annual Required Contribution		(1,238,700,000)
AOC as of June 30, 2014		4,951,100,000
Total Fiscal Year 2014 Contributions		1,554,100,000
Increase in NOO		3,397,000,000
NOO as of June 30, 2013		20,176,700,000
NOO as of June 30, 2014	$	23,573,700,000

NOTE 18 – COMPONENT UNITS

A. Authorities

Managed independently of the appropriated budget process, the Authorities are legally separate entities with powers generally vested in a governing board. Established for the benefit of the State's citizenry, Authorities exist for a variety of purposes such as financing economic development, public transportation, low-cost housing, environmental protection, and capital development for health and education. Unlike the State itself, Authorities are not subject to State constitutional restrictions on the incurrence of debt; however, similar to the State, Authorities may issue bonds and notes within legislatively authorized amounts.

With the approval of the State Senate, the Governor appoints the members of the board of most Authorities. Authorities generally submit annual reports to the Governor, the State Legislature, and the Director, Division of Budget and Accounting on their operations and finances accompanied by an independent auditor's report thereon. Authorities also submit annual budget information on operations and capital construction to the Governor and the State Legislature. From time to time, the Governor has exercised the statutory power to veto actions.

The activities of the Garden State Preservation Trust, the New Jersey Building Authority, the New Jersey Schools Development Authority, the New Jersey Transportation Trust Fund Authority, and the Tobacco Settlement Financing Corporation have been blended into the financial activities of the State as Special Revenue Funds.

In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34,* all other Authorities have been presented discretely as major and non-major component units in the State's financial statements. These component units are included in the State's reporting entity because of the significance of their operational or financial relationship with the State. Financial statements for the Authorities are derived from their most recently issued financial statements. Descriptions of the discretely presented Authorities, and addresses from which separately issued audited financial statements and accompanying notes may be obtained, are provided below:

Casino Reinvestment Development Authority (N.J.S.A. 5:12-153)
15 S. Pennsylvania Avenue
Atlantic City, New Jersey 08401
http://www.njcrda.com

The Casino Reinvestment Development Authority (CRDA) was created to maintain public confidence in the casino gaming industry as a tool of urban redevelopment throughout New Jersey, and to facilitate the direct redevelopment of blighted areas by providing eligible projects in which licensees (casinos) can invest. CRDA encourages investment in, or financing of, projects which are made as part of a comprehensive plan to improve blighted areas or targeted to benefit low-through middle-income residents. CRDA is also responsible for promoting the tourist industry in New Jersey, especially in Atlantic County.

On February 1, 2011, the Governor of the State of New Jersey signed legislation that provided for the establishment of the Atlantic City Tourism District and for the transfer of the Atlantic City Convention & Visitors Authority ("ACCVA"), together with its functions, powers, and duties, to the Casino Reinvestment Development Authority ("CRDA"). The tourism district is an area in which the CRDA has authority to impose land use regulations, implement a tourism district master plan promoting cleanliness, commercial development and safety within the tourism district, undertake redevelopment projects, and institute public safety infrastructure improvements. The CRDA assumed the ACCVA's powers, duties, assets, and responsibilities on April 10, 2013 pursuant to P. L. 2011, c. 18. The transfer was retroactive to April 1, 2013.

Higher Education Student Assistance Authority (N.J.S.A. 18A:71A-1 et. seq.)
4 Quakerbridge Plaza, P.O. Box 545
Trenton, New Jersey 08625-0545
http://www.hesaa.org

New Jersey's Higher Education Student Assistance Authority (HESAA) was established to provide a single statewide agency for the coordination and delivery of student financial assistance. HESAA serves as the Guaranty Agency for the Federal Family Education Loan (FFEL) program and the issuer of State of New Jersey College Loans to Assist State Students (NJCLASS) supplementary loan program. In addition to administering the delivery of a number of need-and merit-based State scholarship programs, to include Tuition Aid Grants (TAG), New Jersey Student Tuition Assistance Reward Scholarship (NJSTARS), and World Trade Center Scholarship Fund, HESAA oversees the State's 529 College Savings Program, known as the New Jersey Better Educational Savings Trust (NJBEST).

New Jersey Economic Development Authority (N.J.S.A. 34:1B-4)
36 West State Street, P.O. Box 990
Trenton, New Jersey 08625-0990
http://www.njeda.com

The New Jersey Economic Development Authority is authorized to arrange long-term, low-interest financing, as well as other forms of assistance to private firms and companies, for the purpose of maintaining and expanding employment opportunities and enlarging New Jersey's tax base for State and local governments.

New Jersey Educational Facilities Authority (N.J.S.A. 18A:72A-4)
103 College Road East, 2nd Floor
Princeton, New Jersey 08540-6612
http://www.njefa.com

The New Jersey Educational Facilities Authority (NJEFA) provides a means for New Jersey public and independent colleges and universities to construct additional facilities through the financial resources of a public authority empowered to sell their debt instruments (bonds, notes, and other obligations). NJEFA may finance academic and auxiliary facilities for the State's public and independent institutions of higher education.

New Jersey Environmental Infrastructure Trust (N.J.S.A. 58:11B-4)
3131 Princeton Pike, Bldg. 4, Suite 216
Lawrenceville, New Jersey 08648-2201
http://www.njeit.org

The New Jersey Environmental Infrastructure Trust provides low-cost financing for the construction of environmental infrastructure projects that enhance and protect ground and surface water resources, ensure the safety of drinking water supplies, and make possible responsible and sustainable economic development.

Working in partnership with the New Jersey Department of Environmental Protection, the Trust has devised a system to leverage the funds available from the federal government to make money available at the lowest possible cost. The financing program has provided funds to local and county government units, as well as some private water companies, to finance wastewater systems, combined sewer overflow abatement, nonpoint source pollution control, safe drinking water supplies, and open space acquisition.

New Jersey Health Care Facilities Financing Authority (N.J.S.A. 26:2I-4)
22 South Clinton Avenue, Station Plaza, Bldg. #4
P.O. Box 366
Trenton, New Jersey 08625-0366
http://www.njhcffa.com

The New Jersey Health Care Facilities Financing Authority provides low-cost capital financing for the State's public and private not-for-profit health care institutions.

New Jersey Housing and Mortgage Finance Agency (N.J.S.A. 55:14K-4)
637 South Clinton Avenue, P.O. Box 18550
Trenton, New Jersey 08650
http://www.state.nj.us/dca/hmfa

The Housing and Mortgage Finance Agency (HMFA) makes mortgage and improvement loans to nonprofit and limited dividend sponsors for the construction or major rehabilitation of rental apartment housing for low-and moderate-income families and senior citizens. In addition to providing financing, HMFA monitors and provides technical support in the planning, construction, and management of all developments in its portfolio. Its mortgage loan funds come from the sale of tax-exempt revenue bonds.

In promoting the availability of affordable homeownership financing, HMFA also provide low-interest mortgage and improvement loans to eligible residents throughout the State. Proceeds from the sale of tax-exempt mortgage revenue bonds enable the Agency to finance the purchase and improvement of one to four unit residences.

New Jersey Meadowlands Commission (N.J.S.A. 13:17-5)
One DeKorte Park Plaza, P.O. Box 640
Lyndhurst, New Jersey 07071
http://www.njmeadowlands.gov

The New Jersey Meadowlands Commission is the planning and zoning agency for the reclaiming, planning, development, redevelopment, and enhancement (including open space acquisition) of the 19,730 acre Meadowlands District. The District consists of waterways, tidal flow lands, woodlands, marsh, and meadows contained within portions of 14 municipalities and two counties (Bergen and Hudson). If needed, the Commission is able to raise funds through the issuance of tax-exempt bonds and notes.

New Jersey Redevelopment Authority (P.L. 1996, c.62)
150 West State Street, 2nd Floor, P.O. Box 790
Trenton, New Jersey 08625
http://www.njra.us

The New Jersey Redevelopment Authority provides assistance in the redevelopment and revitalization of New Jersey cities. The Authority provides financial, managerial, and technical assistance to persons, firms, or corporations that wish to undertake industrial, commercial, or civic projects within qualified municipalities.

New Jersey Sports and Exposition Authority (N.J.S.A. 5:10-4)
50 State Route 120
East Rutherford, New Jersey 07073
http://www.njsea.com

The New Jersey Sports and Exposition Authority (NJSEA) owns, operates, and manages a variety of sports, entertainment, wagering, and convention facilities throughout New Jersey; it also has been responsible for the financing, construction, and management of the Meadowlands Racetrack, the IZOD Center, and the MetLife stadium. In addition to being authorized to issue bonds and notes and provide the terms and security thereof, NJSEA is charged with the responsibility to own, operate, and build various facilities for athletic and entertainment events, trade shows, and other expositions located throughout the State.

New Jersey Transit Corporation (N.J.S.A. 27:25-1)
One Penn Plaza East
Newark, New Jersey 07105
http://www.njtransit.com

New Jersey Transit Corporation (NJ TRANSIT) is empowered to acquire, own, operate, and contract for the operation of public transportation services. Both the State, by legislative appropriation, and the federal government, by defined formula grants under the Federal Transit Administration, provide NJ TRANSIT with operating subsidies. NJ TRANSIT uses these subsidies to operate public transportation services through bus and commuter rail subsidiaries.

NJ TRANSIT also contracts with several motor bus carriers for certain transportation services; under these contracts, NJ TRANSIT has the right to set fares and coordinate service levels and schedules. In addition, NJ TRANSIT contracts with the National Railroad Passenger Corporation (Amtrak) for the use of Amtrak's Northeast Corridor, including the cost of maintaining right-of-way as well as propulsion costs.

New Jersey Turnpike Authority (N.J.S.A. 27:23-3)
581 Main Street, P.O. Box 5042
Woodbridge, New Jersey 07095-5042
http://www.state.nj.us/turnpike

The New Jersey Turnpike Authority is authorized to construct, maintain, repair, and operate turnpike projects at locations established by law. Subject to prior approval by the Governor and by either or both the State Treasurer and the Director, Division of Budget and Accounting, the Authority also may issue turnpike revenue bonds or notes that are payable solely from Authority tolls and other revenues. Effective July 9, 2003, the New Jersey Highway Authority merged and became part of the New Jersey Turnpike Authority.

New Jersey Water Supply Authority (N.J.S.A. 58:1B-4)
1851 State Route 31, P.O. Box 5196
Clinton, New Jersey 08809
http://www.njwsa.org

The New Jersey Water Supply Authority is authorized to acquire, finance, construct, and operate water supply systems. The Authority currently operates and maintains the Delaware and Raritan Canal Transmission Center, the Spruce Run/Round Valley Reservoirs Complex, and the Manasquan Reservoir Water Supply System. Upon the request of a municipality, county, the State, or agencies thereof, the Authority may enter into a contract to provide services for any water system project. All projects undertaken by the Authority shall conform to the recommendations of the New Jersey Statewide Water Supply Plan. Bonds of the Authority may be issued to finance these projects, and the debt service on the bonds is payable from the revenues and other funds of the Authority.

South Jersey Port Corporation (N.J.S.A. 12:11A-1)
101 Joseph A. Balzano Blvd.
Camden, New Jersey 08103
http://www.southjerseyport.com

The South Jersey Port Corporation is empowered to establish, acquire, construct, rehabilitate, improve, operate, and maintain marine terminals in the South Jersey Port District, to include Mercer, Burlington, Camden, Gloucester, Salem, Cumberland, and Cape May counties. To this end, the Corporation may issue tax-exempt revenue bonds subject to the provisions and restrictions of its Marine Terminal Bond Resolution, which mandates the distribution of funds to various Port Corporation funds.

South Jersey Transportation Authority (P.L. 1991, c.252)
Farley Service Plaza, P.O. Box 351
Hammonton, New Jersey 08037
http://www.sjta.com

The South Jersey Transportation Authority is authorized and empowered to acquire, construct, maintain, operate, and support transportation projects to include the Atlantic City Expressway, the Atlantic City International Airport terminal, and the parking facilities in Atlantic City. Subject to prior approval by the Governor and by either or both the State Treasurer and the Director, Division of Budget and Accounting, the Authority also may issue revenue bonds or notes, which are payable solely from Authority tolls and other revenues.

University Hospital (P.L. 2012, c.45)
150 Bergen Street
Newark, New Jersey 07103
http://www.uhnj.org

In accordance with Public Law 2012, c.45, the New Jersey Medical and Health Science Education and Restructuring Act (the Restructuring Act), effective July 1, 2013, University Hospital (the Hospital), a public institution of healthcare and a body politic of the State of New Jersey was separated from University of Medicine and Dentistry of New Jersey as a new stand-alone entity and is the primary teaching hospital for the Newark-based schools of the Rutgers School of Biomedical and Health Sciences. The Hospital shall maintain its public mission to provide a comprehensive healthcare program and services in collaboration with the Newark-based schools of the Rutgers School of Biomedical and Health Sciences. The Hospital is committed to act in accordance with the spirit and intent of the "Agreements Reached between Community and Government Negotiators Regarding New Jersey College of Medicine and Dentistry and Related Matters of April 30, 1968."

B. Colleges and Universities

Enactment of P.L. 1986, c.42 and c.43, provided autonomous status for New Jersey's eight State colleges and universities. Prior to the July 1, 1987 effective date of this legislation, revenues and expenses for these public institutions of higher education were included in the General Fund of the State of New Jersey.

The financial statements of all eleven of the State's Senior Public institutions of higher education (three Public Research universities and the aforementioned eight State colleges and universities) have been prepared in accordance with GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. Due to the significance of their operational or financial relationships and fiscal dependency with the State, these component units are included in the State's reporting entity. State appropriations, tuition, federal grants, and private donations and grants provide funding for these institutions. Based upon the relative size of assets, liabilities, revenues, and expenses in relation to the total, the financial statements of these institutions have been presented discretely in either the major or non-major categories in both the Statement of Net Position and the Statement of Activities. In addition, pursuant to GASB Statement No.

39, *Determining Whether Certain Organizations are Component Units*, the financial statements of all eleven institutions include financial activities related to their foundations and other similar organizations.

Effective July 1, 2013, the "New Jersey Medical and Health Sciences Education Restructuring Act" of 2012 abolished the University of Medicine and Dentistry of New Jersey (UMDNJ), transferred UMDNJ's various schools and institutes to Rutgers University and Rowan University, respectively, and established Rowan University as a public research university. University Hospital in Newark, New Jersey was established as a body corporate and politic and maintained its status as the principal teaching hospital of the New Jersey Medical School, New Jersey Dental School and other medical education programs located in Newark, New Jersey. University Hospital, by law, is a separate discretely presented component unit (Authority) of the State.

Separately issued independent audited financial statements and accompanying notes may be obtained directly from the State's Senior Public institutions of higher education at the following addresses and websites:

The College of New Jersey
(N.J.S.A. 18A:62-1)
2000 Pennington Road
Ewing, New Jersey 08628
http://www.tcnj.edu

Kean University
(N.J.S.A. 18A:62-1)
1000 Morris Avenue
Union, New Jersey 07083
http://www.kean.edu

Montclair State University
(N.J.S.A. 18A:62-1)
One Normal Avenue
Montclair, New Jersey 07043
http://www.montclair.edu

New Jersey City University
(N.J.S.A. 18A:62-1)
2039 Kennedy Boulevard
Jersey City, New Jersey 07305-1597
http://www.njcu.edu

New Jersey Institute of Technology
(N.J.S.A. 18A:64E-4)
323 Dr. Martin Luther King Jr. Boulevard
Newark, New Jersey 07102
http://www.njit.edu

Ramapo College of New Jersey
(N.J.S.A. 18A:62-1)
505 Ramapo Valley Road
Mahwah, New Jersey 07430
http://www.ramapo.edu

The Richard Stockton College of New Jersey
(N.J.S.A. 18A:62-1)
101 Vera King Farris Drive, N119
Galloway, New Jersey 08205
http://www.stockton.edu

Rowan University
(N.J.S.A. 18A:62-1)
201 Mullica Hill Road
Glassboro, New Jersey 08028
http://www.rowan.edu

Rutgers, The State University of New Jersey
(N.J.S.A. 18A:65-12)
65 Davidson Road
Piscataway, New Jersey 08854
http://www.rutgers.edu

Thomas Edison State College
(N.J.S.A. 18A:62-1)
101 West State Street
Trenton, New Jersey 08608
http://www.tesc.edu

William Paterson University of New Jersey
(N.J.S.A. 18A:62-1)
300 Pompton Road
Wayne, New Jersey 07470
http://www.wpunj.edu

NOTE 19 - CONTINGENT LIABILITIES

General Fund

At any given time, there are various numbers of tort, contract, and other claims and cases pending against the State, State agencies, and employees, seeking recovery of monetary damages. The claims filed can represent significant amounts and include, but are not limited to, issues regarding pensions and education funding. The majority of these claims have historically proven to be substantially less value than originally claimed. The State does not formally estimate its reserve representing potential exposure for these claims and cases. As of June 30, 2014, the exact amount involved in these legal proceedings is not fully determinable.

Unapplied overpayments of Corporate Business Tax are recorded when a final determination is made as to the ultimate disposition of the overpayment. These overpayments only become a liability based upon a taxpayer filing a request for the refund. As of June 30, 2014 there was approximately $456.0 million of overpayments.

New Jersey Lawyers' Fund for Client Protection

Claims of approximately $25.6 million have been filed against this Fund by individuals and companies seeking reimbursement for losses resulting from the alleged dishonest conduct by members of the Bar of the State of New Jersey. Under present rules and regulations of the Fund, the total maximum amount that may be awarded from this Fund is $17.8 million. The ultimate disposition of these claims is not determinable at this time.

New Jersey Spill Compensation Fund

Various claims totaling approximately $21.7 million have been filed against this Fund by third parties for damages caused by spills. In addition, there are a number of similar claims for unspecified dollar amounts which are pending. The ultimate disposition of these claims is not determinable at this time.

Property Tax Relief Fund

Unapplied overpayments of Gross Income Tax are recorded when a final determination is made as to the ultimate disposition of the overpayment. These overpayments only become a liability based upon a taxpayer filing a request for the refund. As of June 30, 2014 there were approximately $1,184.0 million of overpayments.

Sanitary Landfill Facility Contingency Fund

Various claims totaling approximately $19.0 million have been filed against this Fund by individuals, local municipalities, and school districts. In addition, there are a number of similar claims for unspecified dollar amounts which are pending. The ultimate disposition of these claims is not determinable at this time.

Tobacco Settlement Financing Corporation

The following is information about arbitration of disputes under the multi-state Master Settlement Agreement ("MSA"), which settled litigation with participating tobacco companies.

Tobacco Settlement Financing Corporation ("TSFC") was not a party to the arbitration and the arbitration did not involve any claims against TSFC; rather the arbitration involved the State as a signatory to the MSA. This information is being provided because the State assigned its right to all tobacco settlement receipts under the MSA to TSFC.

On December 14, 2012, New Jersey joined other states in a settlement of the disputes for 2003 through 2012, as well as potential disputes for 2013 and 2014. The settlement included both 2013 payments to New Jersey from a disputed payments account and credits to the participating manufacturers for MSA payments due in each April, from 2013 through 2017. The settlement was challenged by other states before the arbitration panel. On March 12, 2013, the arbitration panel entered a Stipulated Partial Settlement and Award ("Stipulated Award") implementing the settlement. Some of the objecting states moved to have the Stipulated Award vacated prior to the distribution of settlement funds in April 2013. However, those actions were not successful and, in April, pursuant to the settlement, New Jersey received approximately $170.0 million more in 2013 MSA payments than it would have otherwise received, but will receive a total of approximately $75.0 million less from 2014 through 2017. Some modest decreased payments can be expected in later years, but, as is always the case with long term projections of MSA payments, such payments are subject to too many variables to estimate the impact.

Medical Malpractice Self Insurance Fund

The State has the ultimate liability for tort and malpractice claims in excess of the resources of the Fund. The University of Medicine and Dentistry of New Jersey (UMDNJ) – Self-Insurance Reserve Fund was dissolved as of July 1, 2013. A new fund was established; the Medical Malpractice Self-Insurance Fund, which encompasses three successor entities; University Hospital, Rowan University, which includes UMDNJ's former school of Osteopathic Medicine, and Rutgers University, which now includes all other components of the former UMDNJ. As of June 30, 2014 projected unpaid claims were $146.0 million. Fund management is presently evaluating the claims. There has been no determination as to the ultimate amount for which this Fund will be liable.

Capital Projects Funds

Due to delays in construction and design problems, various claims for damages have been filed with respect to the Special Transportation Fund in the amount of $51.1 million. Fund management is presently evaluating the claims. There has been no determination as to the ultimate amount for which this Fund will be liable.

Federal Programs

Under the terms of various grant awards, expenditures from Federal funds are subject to audit. As of June 30, 2014, audits of expenditures for Fiscal Year 2013 and prior years may not be completed. Disallowances which may result from these audits are not determinable at this time. Medicaid disallowances may be issued based on a series of federal Office of the Inspector General program audits of claim documentation and cost allocation methodologies. The Department of Human Services disputes these findings and is taking steps to minimize the final impact of these audits. Fourteen audits are currently in draft or final form, but due to possible revisions or appeals, the final amounts and timing of any repayments are uncertain. The State is unable to estimate its exposure for these disallowances. As of June 30, 2014, based on information provided by the Department of Human Services regarding memorandums, conversations, and other correspondence with the federal Centers for Medicare and Medicaid Services, it is management's opinion that disallowances, if any, would not be material.

NOTE 20 – SUBSEQUENT EVENTS

Short-term Debt

For Fiscal Year 2015, the State authorized the issuance of short-term notes. The short-term note proceeds are to be used to provide effective cash flow management to fund the imbalances that occur in the collection of revenues and the disbursement of appropriations. On July 1, 2014, the State issued $2.6 billion of Tax and Revenue Anticipation Notes, Series Fiscal 2015A. The Notes were issued at a rate of LIBOR plus 0.37 percent per annum, adjusting monthly, with accrued interest payable at final maturity on June 26, 2015.

Long-term Obligations

On September 24, 2014, the New Jersey Educational Facilities Authority issued $199.9 million of Higher Education Facilities Trust Fund Bonds, Series 2014. Interest on the bonds ranges from 3.5 to 5.0 percent per annum and is payable June 15 and December 15, commencing on June 15, 2015. Final maturity of the bonds is June 15, 2029. The Series 2014 bonds maturing on or after June 15, 2025 are subject to optional redemption prior to maturity on or after June 15, 2024, at the option of the Authority.

On October 17, 2014, the New Jersey Economic Development Authority issued $119.1 million of School Facilities Construction Refunding Notes, 2014 Series K, and $525.0 million of School Facilities Construction Bonds, 2014 Series UU. Interest on the 2014 Series K notes is SIFMA rate plus 0.73 percent per annum and is payable the first business day of each month, commencing November 3, 2014. The 2014 Series K notes are subject to redemption prior to maturity at the option of the Authority, at any time on or after August 1, 2016. Interest on the 2014 Series UU bonds ranges from 2.0 to 5.0 percent per annum and is payable June 15 and December 15, commencing on June 15, 2015. The 2014 Series UU bonds maturing on or after June 15, 2025, are subject to redemption prior to maturity at the option of the Authority, at any time on or after June 15, 2024. The 2014 Series UU bonds maturing on June 15, 2040 are subject to mandatory sinking fund redemption prior to maturity.

On October 30, 2014, the Casino Reinvestment Development Authority issued $241.2 million of Luxury Tax Revenue Bonds, Series 2014, for the purpose of refunding the New Jersey Sports and Exposition Authority bonds. Interest on the bonds ranges from 2.0 to 5.25 percent per annum and is payable May 1 and November 1, commencing on May 1, 2015. Final maturity of the bonds is November 1, 2044.

On November 25, 2014, the New Jersey Transportation Trust Fund Authority issued $764.1 million Transportation Program Bonds, 2014 Series AA. Interest on the bonds ranges from 4.25 to 5.0 percent per annum and is payable June 15 and December 15, commencing June 15, 2015. Final maturity of the bonds is June 15, 2044. Also, on November 25, 2014, the New Jersey Transportation Trust Fund Authority issued $150.0 million of Transportation Program Notes, Series 2014 BB-1 and $147.5 million of Transportation Program Notes, Series 2014 BB-2. Interest on the Series 2014 BB-1 notes is SIFMA Index plus 1.0 percent per annum and is payable on the first business day of each month, commencing January 2, 2015. Interest on the Series 2014 BB-2 notes is SIFMA Index plus 1.2 percent per annum and is payable on the first business day of each month, commencing January 2, 2015. Final maturity of both of the notes is June 15, 2034. The 2014 Series BB-1 notes are subject to redemption prior to maturity at the option of the Authority, at any time on or after June 15, 2019. The 2014 Series BB-1 notes are also subject to mandatory sinking fund redemption prior to maturity. The 2014 Series BB-2 notes are subject to redemption prior to maturity at the option of the Authority, at any time on or after June 15, 2021.

On December 18, 2014, the State of New Jersey issued $525.0 million of General Obligation Bonds for various purposes. Interest on the bonds ranges from 3.25 to 5.0 percent per annum and is payable June 1 and December 1, commencing on June 1, 2015. Final maturity of the bonds is June 1, 2035.

Litigation

Escobar v. DYFS et al. On July 17, 2009, Plaintiff's child was allegedly shaken by his biological father. As a result, the child is severely disabled and requires life care by professionals. The biological father is currently incarcerated for aggravated assault. The Division of Youth and Family Services ("DYFS") (now known as the Division of Child Protection and Permanency in the Department of Children and Families) allegedly had knowledge that the biological father had a history of drug use, domestic violence, mental health disorders and other issues. DYFS also was allegedly aware that the child showed prior evidence of abuse. Plaintiff alleges that DYFS failed to adequately investigate the reports of alleged abuse. After completion of the trial, the jury awarded the Plaintiff $166.0 million, of which approximately $57.0 million was for pain and suffering, approximately $4.0 million was for the child's past medical needs and $105.0 million is to cover the child's future medical needs. The State filed a motion for a new trial and, in the alternative, for remitter on the awards for pain and suffering and the child's future medical needs. On March 19, 2014, the court ruled on the motion for remitter, reducing the award against the State to $102.6 million by reducing the amount allocated for future medical needs to $75.9 million from $105.0 million based on the assumption of the child's life expectancy of 79 years and by allocating 25% liability to the biological father. On April 1, 2014, the court entered a final order judgment in the case. On April 22, 2014, the State filed a notice of appeal. The State is vigorously defending this matter.

Pension Funding Litigation (Burgos et al. v. State et al; CWA et al, v. Christie et al; NJEA et al, v. State et al; PANJ et al, v. State et al.) On February 23, 2015, a New Jersey Superior Court judge ruled against Governor Chris Christie's plan to cut $1.6 billion of contributions to its public pension systems. The judge ruled that New Jersey could not go back on its obligations to teachers, firefighters and police who sued the Governor and State Legislature in June 2014. On March 31, 2015 the State filed a motion asking the State Supreme Court to hear the case. The Governor will continue to work on a practical solution to New Jersey's pension and health benefits problems.

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