

**GENERAL PURPOSE
FINANCIAL STATEMENTS**

STATE OF NEW JERSEY
COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 1997

	GOVERNMENTAL FUND TYPES			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
ASSETS AND OTHER DEBITS				
CASH AND CASH EQUIVALENTS	\$ 46,919,739	\$ 15,861,554	\$ --	\$ 248,255
INVESTMENTS	1,547,475,019	1,531,766,391	16,113,023	45,824,442
RECEIVABLES, NET OF ALLOWANCES FOR UNCOLLECTIBLES				
Federal government	465,017,284	1,874,103	--	102,827,495
Departmental accounts	957,039,636	397,812,972	--	50,719,634
Loans	2,235,029	852,207,299	--	--
Mortgages	--	--	--	--
Other	198,615,583	49,238,010	--	60,378
FIXED ASSETS, NET	--	--	--	--
OTHER ASSETS				
Due from other funds	403,761,147	618,750,595	40,198,405	6,888,682
Due from intergovernmental agencies	--	--	--	--
Deferred charges	2,940,000	15,722,759	--	--
Other	129,215,935	2,167,122	4,594,777	--
AMOUNT TO BE PROVIDED FOR RETIREMENT OF LONG-TERM OBLIGATIONS	--	--	--	--
AMOUNT AVAILABLE IN DEBT SERVICE FUND	--	--	--	--
Total Assets and Other Debits	<u>\$ 3,753,219,372</u>	<u>\$ 3,485,400,805</u>	<u>\$ 60,906,205</u>	<u>\$ 206,568,886</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES				
Accounts payable and accrued expenses	\$ 1,093,261,092	\$ 300,655,288	\$ 4,594,777	\$ 93,619,611
Deferred revenue	487,050,862	30,615,388	--	--
Due to other funds	445,061,789	540,434,071	--	85,691,878
Due to intergovernmental agencies	--	--	--	--
Other	74,304,291	52,957,517	--	88,531
Matured interest payable	--	--	5,781,543	--
Deferred compensation payable	--	--	--	--
General obligation bonds payable	--	--	--	--
Revenue bonds payable	--	--	--	--
Notes payable	--	--	--	--
Accumulated sick and vacation payable	--	--	--	--
Capital leases and installment obligations	--	--	--	--
Loans payable	--	--	--	--
Total Liabilities	<u>2,099,678,034</u>	<u>924,662,264</u>	<u>10,376,320</u>	<u>179,400,020</u>
EQUITY AND OTHER CREDITS				
Contributed capital	--	--	--	--
Investment in general fixed assets	--	--	--	--
Cost of investment in facilities	--	--	--	--
Retained earnings:				
Reserved	--	--	--	--
Unreserved	--	--	--	--
Fund balances:				
Reserved-Encumbrances	322,879,548	406,838,268	--	26,252,584
Reserved-Higher education programs	--	--	--	--
Reserved-Employees' pension benefits	--	--	--	--
Reserved-Surplus revenue	388,377,360	--	--	--
Reserved-Other	71,970,100	1,025,812,538	--	--
Unreserved Designated-Continuing appropriations	589,737,677	398,730,296	--	35,148,458
Unreserved Designated-Debt service	--	--	50,529,885	--
Unreserved Undesignated	280,576,653	729,357,439	--	(34,232,176)
Total Equity and Other Credits	<u>1,653,541,338</u>	<u>2,560,738,541</u>	<u>50,529,885</u>	<u>27,168,866</u>
Total Liabilities, Equity and Other Credits	<u>\$ 3,753,219,372</u>	<u>\$ 3,485,400,805</u>	<u>\$ 60,906,205</u>	<u>\$ 206,568,886</u>

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

FIDUCIARY FUND TYPES	ACCOUNT GROUPS		COMPONENT UNITS	
	Trust And Agency Funds	General Fixed Asset Account Group	General Long-Term Debt Account Group	Authoritles
\$ 715,064,083	\$ --	\$ --	\$ 422,639,439	\$ 173,776,837
62,406,488,426	--	--	5,562,492,846	1,132,010,671
2,179,819,791	--	--	--	--
548,579,280	--	--	--	333,502,799
838,116,569	--	--	--	--
--	--	--	6,601,271,067	--
1,813,152,812	--	--	2,662,779,741	--
--	2,444,125,921	--	8,852,208,844	2,909,452,614
99,452,295	--	--	--	9,496,701
--	--	--	3,188,382	--
2,447,515	--	--	52,664,900	--
1,310,490	--	--	417,887,484	54,807,696
--	--	12,965,745,887	5,546,147,712	--
--	--	50,529,885	--	--
<u>\$ 68,602,430,261</u>	<u>\$ 2,444,125,921</u>	<u>\$ 13,016,275,772</u>	<u>\$ 30,121,280,415</u>	<u>\$ 4,613,047,318</u>
\$ 2,046,061,853	\$ --	\$ --	\$ 1,734,986,137	\$ 256,811,767
13,772,133	--	--	233,253,417	135,119,476
97,863,386	--	--	--	9,496,701
--	--	--	3,188,382	--
2,782,966,906	--	--	280,356,766	19,991,629
--	--	--	--	--
585,252,076	--	--	--	1,250,000
--	--	3,437,449,598	--	--
--	--	3,027,114,929	14,078,576,158	936,233,000
--	--	--	451,361,049	2,163,000
--	--	414,210,432	--	--
--	--	5,017,500,813	640,470,771	270,818,942
--	--	1,120,000,000	--	--
<u>5,525,916,354</u>	<u>--</u>	<u>13,016,275,772</u>	<u>17,422,192,680</u>	<u>1,631,884,515</u>
--	--	--	2,966,862,678	--
--	2,444,125,921	--	1,596,826	--
--	--	--	--	1,911,156,464
--	--	--	598,904,972	--
--	--	--	2,679,116,246	--
1,809,338	--	--	--	--
--	--	--	--	592,506,228
59,270,588,986	--	--	--	--
--	--	--	--	--
53,240,555	--	--	4,849,823,625	50,445,433
10,348,214	--	--	--	--
--	--	--	--	--
3,740,526,813	--	--	1,602,783,388	427,054,678
<u>63,076,513,907</u>	<u>2,444,125,921</u>	<u>--</u>	<u>12,699,087,735</u>	<u>2,981,162,803</u>
<u>\$ 68,602,430,261</u>	<u>\$ 2,444,125,921</u>	<u>\$ 13,016,275,772</u>	<u>\$ 30,121,280,415</u>	<u>\$ 4,613,047,318</u>

STATE OF NEW JERSEY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUNDS
AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 1997

	GOVERNMENTAL	
	General Fund	Special Revenue Funds
REVENUES		
Taxes	\$ 7,874,539,897	\$ 5,754,383,421
Federal and other grants	5,093,304,170	46,174,341
Licenses and fees	709,155,069	144,947,559
Services and assessments	1,157,280,964	208,189,845
Investment earnings	45,717,602	95,004,768
Contributions	--	105,912
Other	1,554,436,348	1,681,737,375
Total Revenues	16,434,434,050	7,930,543,221
OTHER FINANCING SOURCES		
Transfers from other funds	1,293,296,499	349,631,191
Proceeds from sale of bonds	--	709,671,841
Pension obligation bonds	2,803,042,499	--
Other	--	160,000,000
Total Other Financing Sources	4,096,338,998	1,219,303,032
Total Revenues and Other Financing Sources	20,530,773,048	9,149,846,253
EXPENDITURES		
Current:		
Public safety and criminal justice	1,777,287,140	64,753,832
Physical and mental health	5,232,911,624	349,368,863
Educational, cultural and intellectual development	3,778,732,495	3,433,368,150
Community development and environmental management	565,496,248	945,444,939
Economic planning, development and security	2,666,251,753	286,848,913
Transportation programs	337,620,226	17,348,131
Government direction, management and control	2,240,554,688	1,619,352,782
Special government services	176,615,078	248,622
Pension obligation refinancing	2,803,042,499	--
Capital Outlay	--	--
Debt Service:		
Principal	--	--
Interest	--	--
Total Expenditures	19,578,511,751	6,716,734,232
OTHER FINANCING USES		
Transfers to other funds	1,325,024,100	2,110,123,057
Total Other Financing Uses	1,325,024,100	2,110,123,057
Total Expenditures and Other Financing Uses	20,903,535,851	8,826,857,289
Net Increase (Decrease) in Fund Balances for the Year	(372,762,803)	322,988,964
FUND BALANCES-JULY 1, 1996	1,757,010,141	2,251,593,577
Residual Equity Transfer In (Out)	269,294,000	(13,844,000)
FUND BALANCES-JUNE 30, 1997	\$ 1,653,541,338	\$ 2,560,738,541

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

FUND TYPES		FIDUCIARY FUND TYPES		COMPONENT UNITS	
Debt Service Fund	Capital Projects Funds	Expendable Trust Funds	Authorities		
\$ --	\$ --	\$ 1,711,494,627	\$ --	--	--
--	571,340,899	83,840,111	--	25,511,981	--
--	--	6,174,340	--	31,892,727	--
--	--	236,472,567	--	440,230,306	--
2,244,688	3,224,443	211,392,935	--	129,728,089	--
--	--	704,829,997	--	--	--
--	21,217,985	107,722,855	--	265,381,759	--
<u>2,244,688</u>	<u>595,783,327</u>	<u>3,061,927,432</u>	--	<u>892,744,862</u>	--
601,984,052	785,232,332	539,958,347	--	--	--
--	--	--	--	537,786,406	--
--	--	--	--	--	--
--	--	--	--	45,778,196	--
<u>601,984,052</u>	<u>785,232,332</u>	<u>539,958,347</u>	--	<u>583,564,602</u>	--
604,228,740	1,381,015,659	3,601,885,779	--	1,476,309,464	--
--	--	671,261	--	--	--
--	--	--	--	188,553,000	--
--	--	62,226,179	--	329,747,585	--
--	--	9,686,198	--	13,387,392	--
--	--	1,947,737,595	--	1,727,667	--
--	--	--	--	--	--
--	--	1,178,375,697	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	1,414,905,311	--	--	--	--
298,961,000	--	--	--	213,450,734	--
<u>332,009,314</u>	<u>--</u>	<u>--</u>	--	<u>347,665,476</u>	--
<u>630,970,314</u>	<u>1,414,905,311</u>	<u>3,198,696,930</u>	--	<u>1,094,531,854</u>	--
--	3,762,989	131,192,275	--	--	--
--	<u>3,762,989</u>	<u>131,192,275</u>	--	--	--
630,970,314	1,418,668,300	3,329,889,205	--	1,094,531,854	--
(26,741,574)	(37,652,641)	271,996,574	--	381,777,610	--
77,271,459	64,821,507	3,788,799,884	--	6,070,829,403	--
--	--	(255,450,000)	--	--	--
<u>\$ 50,529,885</u>	<u>\$ 27,168,866</u>	<u>\$ 3,805,346,458</u>	<u>\$</u>	<u>6,452,607,013</u>	--

STATE OF NEW JERSEY
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
NON-EXPENDABLE TRUST FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 1997

	FIDUCIARY FUND TYPES	COMPONENT UNITS
	Non-expendable Trust	Authorities
OPERATING REVENUES		
Charges for services and sales	\$ --	\$ 1,287,035,756
Interest	--	179,574,000
Investment income	39,218	45,547,000
Other	--	81,468,523
	39,218	1,593,625,279
OPERATING EXPENSES		
Operations	147,366	1,421,136,996
Interest	--	166,444,000
Depreciation and amortization	--	286,056,837
Other	--	17,405,738
	147,366	1,891,043,571
Operating Income(Loss)	(108,148)	(297,418,292)
NONOPERATING REVENUES(EXPENSES)		
Governmental subsidies and grants	--	117,595,479
Capital contributions	--	529,178,295
Interest revenue	--	105,554,030
Interest expense and fiscal charges	--	(322,679,536)
Other	--	13,319,350
	--	442,967,618
Net Income (Loss)	(108,148)	145,549,326
FUND EQUITY - Beginning of Year	686,611	6,099,334,570
FUND EQUITY - End of Year	\$ 578,463	\$ 6,244,883,896

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

**STATE OF NEW JERSEY
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1997**

	Central Pension Fund	Consolidated Police And Firemen's Pension Fund	Judicial Retirement System
<u>ADDITIONS</u>			
Contributions:			
Employers	\$ 496,962	\$ 44,133,378	\$ 110,483,753
Members	--	--	1,013,367
Other	25,583	16,857,853	--
Total Contributions	522,545	60,991,231	111,497,120
Investment Income:			
Net appreciation in fair value of investments	--	(156,394)	16,533,260
Interest	5,642	1,389,628	15,491,734
Dividends	--	--	1,620,343
Total Investment Income	5,642	1,233,234	33,645,337
Less: Investment expense	--	15,123	15,557
Net Investment Income	5,642	1,218,111	33,629,780
Total Additions	528,187	62,209,342	145,126,900
<u>DEDUCTIONS</u>			
Benefit payment	472,298	30,221,538	17,496,716
Other	55,889	106,527	1,178,949
Total Deductions	528,187	30,328,065	18,675,665
Net Increase in Plan Assets	--	31,881,277	126,451,235
FUND BALANCE RESERVED FOR EMPLOYEES' PENSION BENEFITS - July 1, 1996	--	33,238,657	178,465,374
FUND BALANCE RESERVED FOR EMPLOYEES' PENSION BENEFITS - June 30, 1997	\$ --	\$ 65,119,934	\$ 304,916,609

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

Police And Firemen's Retirement System	Prison Officers' Pension Fund	Public Employees' Retirement System	State Police Retirement System
\$ 964,953,912	\$ 21,688,219	\$ 315,374,643	\$ 120,308,862
183,222,535	--	412,729,797	10,378,323
--	1,452,073	25,336	37,721
<u>1,148,176,447</u>	<u>23,140,292</u>	<u>728,129,776</u>	<u>130,724,906</u>
907,355,021	--	1,595,109,542	107,049,156
937,493,707	86,160	1,557,835,031	101,778,842
99,555,093	--	166,711,397	10,633,572
<u>1,944,403,821</u>	<u>86,160</u>	<u>3,319,655,970</u>	<u>219,461,570</u>
822,426	1,844	2,959,961	84,309
<u>1,943,581,395</u>	<u>84,316</u>	<u>3,316,696,009</u>	<u>219,377,261</u>
<u>3,091,757,842</u>	<u>23,224,608</u>	<u>4,044,825,785</u>	<u>350,102,167</u>
525,647,989	3,530,615	769,910,698	48,396,302
30,043,819	11,226	218,014,998	1,270,762
<u>555,691,808</u>	<u>3,541,841</u>	<u>987,925,696</u>	<u>49,667,064</u>
2,536,066,034	19,682,767	3,056,900,089	300,435,103
<u>10,564,598,078</u>	<u>1,294,268</u>	<u>16,502,449,118</u>	<u>1,086,497,515</u>
<u>\$ 13,100,664,112</u>	<u>\$ 20,977,035</u>	<u>\$ 19,559,349,207</u>	<u>\$ 1,386,932,618</u>

(Continued on next page)

**STATE OF NEW JERSEY
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS (Continued)
PENSION TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1997**

	Supplemental Annuity Collective Trust	Teachers' Pension and Annuity Fund	Total Pension Trust Funds
ADDITIONS			
Contributions:			
Employers	\$ --	\$ 1,747,001,558	\$ 3,324,441,287
Members	5,873,170	327,980,876	941,198,068
Other	27,722	7,395	18,433,683
Total Contributions	5,900,892	2,074,989,829	4,284,073,038
Investment Income:			
Net appreciation in fair value of investments	38,349,524	1,917,197,676	4,581,437,785
Interest	119,570	1,863,503,238	4,477,703,552
Dividends	3,181,034	197,390,554	479,091,993
Total Investment Income	41,650,128	3,978,091,468	9,538,233,330
Less: Investment expense	--	2,009,347	5,908,567
Net Investment Income	41,650,128	3,976,082,121	9,532,324,763
Total Additions	47,551,020	6,051,071,950	13,816,397,801
DEDUCTIONS			
Benefit payment	18,021,807	881,856,199	2,295,554,162
Other	--	188,467,573	439,149,743
Total Deductions	18,021,807	1,070,323,772	2,734,703,905
Net Increase In Plan Assets	29,529,213	4,980,748,178	11,081,693,896
FUND BALANCE RESERVED FOR EMPLOYEES' PENSION BENEFITS - July 1, 1996	147,861,759	19,674,490,321	48,188,895,090
FUND BALANCE RESERVED FOR EMPLOYEES' PENSION BENEFITS - June 30, 1997	\$ 177,390,972	\$ 24,655,238,499	\$ 59,270,588,986

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

**STATE OF NEW JERSEY
COMBINED STATEMENT OF CASH FLOWS
NON-EXPENDABLE TRUST FUND AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 1997**

	FIDUCIARY FUND TYPES	COMPONENT UNITS
	Non-expendable Trust	Authorities
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (Loss)	\$ (108,148)	\$ (297,418,292)
Adjustments to reconcile net income (Loss) to net cash provided by operating activities:		
Depreciation and amortization	--	286,056,837
Changes in operating assets:		
Decrease (increase) in mortgage receivables	--	(83,020,000)
Decrease (increase) in other receivables	1,283	(90,217,885)
Decrease (increase) in due from other funds	231,712	--
Decrease (increase) in due from intergovernmental agencies	--	4,743,771
Decrease (increase) in deferred charges	--	(7,769,414)
Decrease (increase) in other assets	--	(2,556,864)
Changes in operating liabilities:		
Increase (decrease) in accounts payable and accrued expenses	--	77,437,812
Increase (decrease) in deferred revenue	--	30,449,192
Increase (decrease) in due to intergovernmental agencies	--	(4,743,771)
Increase (decrease) in other liabilities	--	30,145,167
Other changes	--	13,319,350
Net cash provided by (used in) operating activities	124,847	(43,574,097)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Governmental subsidies and grants	--	117,595,479
Net cash provided by (used in) noncapital financing activities	--	117,595,479
CASH FLOWS FROM CAPITAL AND RELATED FINANCING:		
Capital contributions received	--	529,178,295
Proceeds from issuance of revenue bonds	--	475,763,120
Proceeds from issuance of notes	--	395,741,216
Principal payment of revenue bonds	--	(275,134,219)
Principal payment of capital leases	--	(18,712,159)
Principal payment of notes	--	(2,000,000)
Interest expense paid	--	(322,679,536)
Acquisition/construction of capital assets	--	(493,957,481)
Disposition (acquisition) of fixed assets	--	(47,686,226)
Net cash provided by (used in) capital and related financing activities	--	240,513,010
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of investments	--	708,511,547
Purchase of investments	--	(1,178,558,282)
Interest revenue received	--	105,554,030
Net cash provided by (used in) investing activities	--	(364,492,705)
Increase (Decrease) in cash and Cash Equivalents	124,847	(49,958,313)
CASH AND CASH EQUIVALENTS, At Beginning of Year	366	169,736,980
CASH AND CASH EQUIVALENTS, At End of Year	\$ 125,213	\$ 119,778,667

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

STATE OF NEW JERSEY
COMBINED STATEMENT OF CASH FLOWS
NON-EXPENDABLE TRUST FUND AND DISCRETELY PRESENTED COMPONENT UNITS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 1997

RECONCILIATION TO COMBINED BALANCE SHEET - CASH AND CASH EQUIVALENTS

FIDUCIARY FUND TYPES

Cash per Combined Balance Sheet		\$	715,064,083
Less: Fund types not requiring cash flow statements			
Expendable Trust Funds	\$		3,395,082
Pension Trust Funds			471,474
Agency Funds			<u>711,197,305</u>
Non-cash flow statement cash			<u>715,063,861</u>
Non-expendable Cash and Cash Equivalents		\$	<u>222</u>

COMPONENT UNITS

Cash per Combined Balance Sheet		\$	422,639,439
Less: Component Units not requiring cash flow statements			
Governmental Funds			<u>302,860,772</u>
Proprietary Cash and Cash Equivalents		\$	<u>119,778,667</u>

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

**STATE OF NEW JERSEY
COMBINING BALANCE SHEET
COLLEGE AND UNIVERSITY FUNDS
JUNE 30, 1997**

	<u>The College Of New Jersey</u>	<u>Thomas A. Edison State College</u>	<u>Jersey City State College</u>
<u>ASSETS</u>			
CASH AND CASH EQUIVALENTS	\$ 467,000	\$ 50,420	\$ 89,889
INVESTMENTS	108,973,000	11,855,859	23,316,310
RECEIVABLES, NET OF ALLOWANCES FOR UNCOLLECTIBLES			
Departmental	10,452,000	1,115,362	6,785,025
FIXED ASSETS, NET	242,345,000	28,374,041	95,567,887
OTHER ASSETS			
Due from other funds	2,396,000	84,159	700,000
Other	5,158,000	741,778	854,614
Total Assets	\$ 369,791,000	\$ 42,221,619	\$ 127,313,725
<u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES			
Accounts payable and accrued expenses	\$ 16,035,000	\$ 2,011,909	\$ 4,401,547
Deferred revenue	2,375,000	1,883,731	1,387,797
Due to other funds	2,396,000	84,159	700,000
Other	446,000	208,386	--
Deferred compensation payable	--	--	--
Revenue bonds payable	172,341,000	--	--
Notes payable	--	--	--
Capital lease payable	--	--	27,527,827
Total Liabilities	193,593,000	4,188,185	34,017,171
FUND BALANCES			
Cost of investment in facilities	144,446,000	28,165,655	68,040,060
Reserved for:			
Auxiliary enterprises	--	--	--
General university	6,172,000	--	5,655,000
Endowment and similar funds	465,000	823,434	2,222,831
Retirement of indebtedness	20,907,000	--	3,573,930
Unreserved:			
Undesignated	4,208,000	9,044,345	13,804,733
Total Fund Balances	176,198,000	38,033,434	93,296,554
Total Liabilities and Fund Balances	\$ 369,791,000	\$ 42,221,619	\$ 127,313,725

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

<u>Kean College Of New Jersey</u>	<u>Montclair State University</u>	<u>New Jersey Institute Of Technology</u>
\$ 5,194,000	\$ 7,654,824	\$ 14,287,000
25,106,000	31,796,414	45,395,000
7,504,000	6,203,262	24,716,000
94,176,000	142,071,627	254,986,000
846,000	240,251	2,546,000
589,000	3,079,811	3,549,000
<u>\$ 133,415,000</u>	<u>\$ 191,046,189</u>	<u>\$ 345,479,000</u>
\$ 9,387,000	\$ 8,224,706	\$ 14,372,000
1,353,000	3,867,849	11,974,000
846,000	240,251	2,546,000
152,000	306,053	--
--	--	--
--	--	89,992,000
--	--	--
21,315,000	49,535,105	--
<u>33,053,000</u>	<u>62,173,964</u>	<u>118,884,000</u>
72,861,000	93,574,108	185,077,000
5,614,000	--	--
1,047,000	4,997,753	--
3,772,000	--	18,098,000
2,048,000	3,440,624	4,642,000
15,020,000	26,859,740	18,778,000
<u>100,362,000</u>	<u>128,872,225</u>	<u>226,595,000</u>
<u>\$ 133,415,000</u>	<u>\$ 191,046,189</u>	<u>\$ 345,479,000</u>

(Continued on next page)

**STATE OF NEW JERSEY
COMBINING BALANCE SHEET (Continued)
COLLEGE AND UNIVERSITY FUNDS
JUNE 30, 1997**

	<u>The William Paterson University Of New Jersey</u>	<u>Ramapo College Of New Jersey</u>	<u>Rowan University</u>
<u>ASSETS</u>			
CASH AND CASH EQUIVALENTS	\$ 4,834,169	\$ 1,577,000	\$ 10,054
INVESTMENTS	30,997,709	19,572,000	58,910,495
RECEIVABLES, NET OF ALLOWANCES FOR UNCOLLECTIBLES			
Departmental	3,572,930	2,807,000	5,182,889
FIXED ASSETS, NET	145,787,820	78,041,000	141,151,608
OTHER ASSETS			
Due from other funds	--	1,020,000	406,630
Other	1,115,978	169,000	3,129,148
Total Assets	\$ 186,308,606	\$ 103,186,000	\$ 208,790,824
<u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES			
Accounts payable and accrued expenses	\$ 5,629,218	\$ 5,640,000	\$ 11,796,015
Deferred revenue	1,093,084	867,000	1,987,362
Due to other funds	--	1,020,000	406,630
Other	403,150	10,000	3,120,364
Deferred compensation payable	--	--	--
Revenue bonds payable	--	--	83,500,000
Notes payable	--	--	--
Capital lease payable	28,296,183	29,579,000	--
Total Liabilities	35,421,635	37,116,000	100,810,371
FUND BALANCES			
Cost of investment in facilities	121,375,361	53,647,000	63,548,871
Reserved for:			
Auxiliary enterprises	12,535,063	--	828,181
General university	772,490	4,481,000	29,375,441
Endowment and similar funds	7,519,656	--	1,064,699
Retirement of indebtedness	--	2,406,000	--
Unreserved:			
Undesignated	8,684,401	5,536,000	13,163,261
Total Fund Balances	150,886,971	66,070,000	107,980,453
Total Liabilities and Fund Balances	\$ 186,308,606	\$ 103,186,000	\$ 208,790,824

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

<u>Rutgers, The State University</u>	<u>Richard Stockton College Of New Jersey</u>	<u>University Of Medicine And Dentistry Of New Jersey</u>	<u>Total</u>
\$ 99,635,000	\$ 14,247,481	\$ 25,730,000	\$ 173,776,837
435,477,000	53,949,884	286,661,000	1,132,010,671
69,298,000	14,609,331	181,257,000	333,502,799
1,064,708,000	119,536,631	502,707,000	2,909,452,614
--	1,088,661	169,000	9,496,701
16,825,000	640,367	18,956,000	54,807,696
<u>\$ 1,685,943,000</u>	<u>\$ 204,072,355</u>	<u>\$ 1,015,480,000</u>	<u>\$ 4,613,047,318</u>
\$ 53,256,000	\$ 20,257,372	\$ 105,801,000	\$ 256,811,767
19,220,000	11,644,653	77,466,000	135,119,476
--	1,088,661	169,000	9,496,701
13,959,000	506,676	880,000	19,991,629
--	--	1,250,000	1,250,000
382,055,000	--	208,345,000	936,233,000
2,163,000	--	--	2,163,000
66,739,000	47,826,827	--	270,818,942
<u>537,392,000</u>	<u>81,324,189</u>	<u>393,911,000</u>	<u>1,631,884,515</u>
658,145,000	98,111,409	324,165,000	1,911,156,464
--	--	--	18,977,244
83,179,000	9,348,680	126,690,000	271,718,364
249,357,000	1,920,000	16,568,000	301,810,620
8,123,000	5,304,879	--	50,445,433
<u>149,747,000</u>	<u>8,063,198</u>	<u>154,146,000</u>	<u>427,054,678</u>
<u>1,148,551,000</u>	<u>122,748,166</u>	<u>621,569,000</u>	<u>2,981,162,803</u>
<u>\$ 1,685,943,000</u>	<u>\$ 204,072,355</u>	<u>\$ 1,015,480,000</u>	<u>\$ 4,613,047,318</u>

**STATE OF NEW JERSEY
COMBINED STATEMENT OF CHANGES IN FUND BALANCES
COLLEGE AND UNIVERSITY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1997**

	<u>The College Of New Jersey</u>	<u>Thomas A. Edison State College</u>	<u>Jersey City State College</u>
REVENUES AND OTHER ADDITIONS:			
Unrestricted Current Fund revenues	\$ 42,173,000	\$ 11,956,581	\$ 37,175,339
Student tuition and fees	--	--	--
Auxiliary enterprises	22,540,000	--	3,742,276
Patient service revenue	--	--	--
Governmental grants and contracts	22,129,000	2,674,627	16,609,374
Fringe benefit paid directly by the State of New Jersey	--	--	--
Private gifts, grants and contracts	117,000	384,526	--
Investment income	5,738,000	391,985	330,962
Realized gains on endowment investments	--	--	--
Interest on loans receivable	--	--	--
Expended for plant facilities	--	593,807	1,959,831
Retirement of indebtedness	--	45,963	648,777
Other	14,000	48,077	433,001
New Jersey State Library	--	20,201,555	--
Total Revenues and Other Additions	<u>92,711,000</u>	<u>36,297,121</u>	<u>60,899,560</u>
EXPENDITURES AND OTHER DEDUCTIONS:			
Educational and general	92,683,000	13,890,826	71,296,207
Institutional support	86,000	--	--
Operation and maintenance plant	2,564,000	--	--
Auxiliary enterprises	13,026,000	--	2,051,545
Expenditures for plant facilities	--	593,807	740,117
Loan cancellations, write-offs and refunds	--	--	39,756
Disposal of property, plant and equipment	169,000	821,276	471,041
Interest on indebtedness	7,380,000	9,408	1,659,204
Retirement of indebtedness	--	45,963	648,777
Depreciation and amortization	--	--	--
Other	3,705,000	48,077	47,921
Library expenditures	--	17,931,232	--
Total Expenditures and Other Deductions	<u>119,613,000</u>	<u>33,340,589</u>	<u>76,954,568</u>
Net Revenues	<u>(26,902,000)</u>	<u>2,956,532</u>	<u>(16,055,008)</u>
HIGHER EDUCATION AND UNIVERSITY HOSPITAL INTERFUND TRANSFERS IN (OUT)			
Non-mandatory:			
Other	669,000	--	--
Operating Transfers - In	33,064,000	19,764,907	28,012,109
Total Higher Education and University Hospital Interfund Transfers	<u>33,733,000</u>	<u>19,764,907</u>	<u>28,012,109</u>
Net Increase(Decrease) in Fund Balances	<u>6,831,000</u>	<u>22,721,439</u>	<u>11,957,101</u>
FUND BALANCES - JULY 1, 1996	<u>169,367,000</u>	<u>15,311,995</u>	<u>81,339,453</u>
FUND BALANCES - JUNE 30, 1997	<u>\$ 176,198,000</u>	<u>\$ 38,033,434</u>	<u>\$ 93,296,554</u>

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

<u>Kean College Of New Jersey</u>	<u>Montclair State University</u>	<u>New Jersey Institute Of Technology</u>
\$ 57,343,000	\$ 50,927,755	\$ 95,500,000
--	--	--
9,100,000	16,206,097	4,946,000
--	--	--
--	17,451,110	54,000
--	--	--
2,373,000	--	4,346,000
532,000	943,886	1,604,000
--	--	--
--	63,060	--
7,117,000	10,365,134	3,890,000
1,553,000	1,709,831	--
196,000	23,522	2,405,000
--	--	--
<u>78,214,000</u>	<u>97,690,395</u>	<u>112,745,000</u>
88,499,000	102,644,459	137,279,000
--	--	58,000
--	--	629,000
6,101,000	11,357,112	1,327,000
6,661,000	10,453,218	--
159,000	16,146	--
--	--	--
1,291,000	2,853,903	4,545,000
1,553,000	1,709,831	--
--	--	--
796,000	77,754	33,527,000
--	--	--
<u>105,060,000</u>	<u>129,112,423</u>	<u>177,365,000</u>
<u>(26,846,000)</u>	<u>(31,422,028)</u>	<u>(64,620,000)</u>
--	--	--
<u>33,108,000</u>	<u>42,966,576</u>	<u>54,614,000</u>
33,108,000	42,966,576	54,614,000
6,262,000	11,544,548	(10,006,000)
94,100,000	117,327,677	236,601,000
\$ <u>100,362,000</u>	\$ <u>128,872,225</u>	\$ <u>226,595,000</u>

(Continued on next page)

STATE OF NEW JERSEY
COMBINED STATEMENT OF CHANGES IN FUND BALANCES (Continued)
COLLEGE AND UNIVERSITY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1997

	The William Paterson University Of New Jersey	Ramapo College Of New Jersey	Rowan University
REVENUES AND OTHER ADDITIONS:			
Unrestricted Current Fund revenues	\$ 33,865,921	\$ 24,156,000	\$ 42,772,888
Student tuition and fees	--	--	--
Auxiliary enterprises	11,965,825	9,580,000	18,501,461
Patient service revenue	--	--	--
Governmental grants and contracts	7,672,796	--	11,618,856
Fringe benefit paid directly by the State of New Jersey	--	--	122,369
Private gifts, grants and contracts	--	--	--
Investment income	707,278	333,000	2,751,001
Realized gains on endowment investments	--	30,000	--
Interest on loans receivable	--	--	101,844
Expended for plant facilities	11,948,489	--	6,234,762
Retirement of indebtedness	1,629,963	--	2,545,376
Other	79,794	25,000	221,014
New Jersey State Library	--	--	--
Total Revenues and Other Additions	67,870,066	34,124,000	84,869,571
EXPENDITURES AND OTHER DEDUCTIONS:			
Educational and general	73,127,266	40,014,000	80,304,247
Institutional support	--	--	--
Operation and maintenance plant	--	--	--
Auxiliary enterprises	6,543,685	5,931,000	13,071,153
Expenditures for plant facilities	12,360,534	--	6,003,334
Loan cancellations, write-offs and refunds	137,064	--	326,464
Disposal of property, plant and equipment	1,474,687	--	--
Interest on indebtedness	1,853,132	1,468,000	5,277,772
Retirement of indebtedness	1,629,963	--	2,545,376
Depreciation and amortization	--	--	--
Other	--	1,456,000	426,173
Library expenditures	--	--	--
Total Expenditures and Other Deductions	97,126,331	48,869,000	107,954,519
Net Revenues	(29,256,265)	(14,745,000)	(23,084,948)
HIGHER EDUCATION AND UNIVERSITY HOSPITAL INTERFUND TRANSFERS IN (OUT)			
Non-mandatory:			
Other	--	--	--
Operating Transfers - In	38,170,067	20,371,000	32,741,346
Total Higher Education and University Hospital Interfund Transfers	38,170,067	20,371,000	32,741,346
Net Increase(Decrease) in Fund Balances	8,913,802	5,626,000	9,656,398
FUND BALANCES - JULY 1, 1996	141,973,169	60,444,000	98,324,055
FUND BALANCES - JUNE 30, 1997	\$ 150,886,971	\$ 66,070,000	\$ 107,980,453

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

Rutgers, The State University	Richard Stockton College Of New Jersey	University Of Medicine And Dentistry Of New Jersey	Total
\$ 378,489,000	\$ 26,039,295	\$ 392,109,000	\$ 1,192,507,779
4,107,000	--	--	4,107,000
130,064,000	10,062,112	5,108,000	241,815,771
--	--	129,880,000	129,880,000
256,125,000	14,129,581	100,962,000	449,426,344
--	--	--	122,369
58,267,000	965,759	36,060,000	102,513,285
15,199,000	999,515	21,528,000	51,058,627
15,975,000	--	--	16,005,000
--	46,371	460,000	671,275
60,233,000	7,298,849	46,408,000	156,048,872
13,333,000	1,648,777	--	23,114,687
9,330,000	610,304	15,229,000	28,614,712
--	--	--	20,201,555
<u>941,122,000</u>	<u>61,800,563</u>	<u>747,744,000</u>	<u>2,416,087,276</u>
899,211,000	61,537,970	444,839,000	2,105,325,975
--	--	--	144,000
--	--	--	3,193,000
110,453,000	5,933,348	4,053,000	179,847,843
46,052,000	6,182,959	47,149,000	136,195,969
1,224,000	42,618	2,906,000	4,851,048
971,000	181,760	--	4,088,764
26,473,000	2,352,802	11,558,000	66,721,221
13,333,000	1,648,777	--	23,114,687
55,659,000	--	42,164,000	97,823,000
23,019,000	693,402	368,387,000	432,183,327
--	--	--	17,931,232
<u>1,176,395,000</u>	<u>78,573,636</u>	<u>921,056,000</u>	<u>3,071,420,066</u>
<u>(235,273,000)</u>	<u>(16,773,073)</u>	<u>(173,312,000)</u>	<u>(655,332,790)</u>
--	--	--	669,000
<u>308,116,000</u>	<u>23,418,177</u>	<u>198,023,000</u>	<u>832,369,182</u>
<u>308,116,000</u>	<u>23,418,177</u>	<u>198,023,000</u>	<u>833,038,182</u>
72,843,000	6,645,104	24,711,000	177,705,392
<u>1,075,708,000</u>	<u>116,103,062</u>	<u>596,858,000</u>	<u>2,803,457,411</u>
<u>\$ 1,148,551,000</u>	<u>\$ 122,748,166</u>	<u>\$ 621,569,000</u>	<u>\$ 2,981,162,803</u>

**STATE OF NEW JERSEY
COMBINED STATEMENT OF CURRENT FUNDS, REVENUES, EXPENDITURES
AND OTHER CHANGES
COLLEGE AND UNIVERSITY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1997**

	UNRESTRICTED		
	The College Of New Jersey	Thomas A. Edison State College	Jersey City State College
REVENUES AND OTHER ADDITIONS:			
Educational and general:			
Student tuition and fees	\$ 28,953,000	\$ 7,155,254	\$ 25,539,012
Patient service revenue	--	--	--
Governmental grants and contracts	224,000	162,001	--
Fringe benefits paid directly by the State of New Jersey	11,082,000	2,565,080	10,700,000
Private gifts, grants and contracts	117,000	--	--
Investment income	679,000	252,370	936,327
Other sources	1,118,000	1,821,876	--
	<u>42,173,000</u>	<u>11,956,581</u>	<u>37,175,339</u>
Auxiliary enterprises	22,540,000	--	3,742,276
Total Revenues and Other Additions	<u>64,713,000</u>	<u>11,956,581</u>	<u>40,917,615</u>
EXPENDITURES AND OTHER DEDUCTIONS:			
Educational and general:			
Instruction	30,614,000	3,235,944	29,785,181
Research	1,115,000	--	27,547
Public service	181,000	282,527	--
Academic support	8,684,000	4,204,601	3,330,990
Student service	7,204,000	2,111,401	6,050,871
Institutional support	9,655,000	3,685,607	11,976,752
Scholarships and fellowships	2,948,000	--	335,161
Operation and maintenance plant	10,915,000	--	8,708,944
Other	3,298,000	--	--
Library expenditures	--	3,739,550	--
	<u>74,614,000</u>	<u>17,259,630</u>	<u>60,215,446</u>
Auxiliary enterprises	13,026,000	--	2,051,545
Total Expenditures and Other Deductions	<u>87,640,000</u>	<u>17,259,630</u>	<u>62,266,991</u>
Net Revenues	<u>(22,927,000)</u>	<u>(5,303,049)</u>	<u>(21,349,376)</u>
HIGHER EDUCATION AND UNIVERSITY HOSPITAL INTERFUND TRANSFERS IN(OUT) & ADDITIONS			
Excess(deficiency) of restricted additions over transfers to revenue	--	--	--
New Jersey State Library	--	(109,077)	--
Refunds to Grantors	--	--	--
Mandatory:			
Principal and interest	(8,017,000)	(55,371)	(2,509,005)
Loan funds matching grants	--	--	--
Other	--	(150,000)	--
Non-Mandatory:			
Plant funds	(2,618,000)	(1,792,575)	(3,900,000)
Other	426,000	--	(300,901)
Operating transfers - in	32,699,000	7,489,395	28,012,109
Total Higher Education and University Hospital Interfund Transfers	<u>22,490,000</u>	<u>5,382,372</u>	<u>21,302,203</u>
Net Increase (Decrease) In Fund Balances	<u>\$ (437,000)</u>	<u>\$ 79,323</u>	<u>\$ (47,173)</u>

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

Kean College Of New Jersey	Montclair State University	New Jersey Institute Of Technology
\$ 32,829,000	\$ 33,899,752	\$ 41,178,000
--	--	--
78,000	11,278	3,100,000
9,824,000	11,765,000	11,371,000
36,000	--	2,085,000
904,000	1,393,814	826,000
1,435,000	3,857,911	107,000
<u>45,106,000</u>	<u>50,927,755</u>	<u>58,667,000</u>
9,100,000	16,206,097	4,946,000
<u>54,206,000</u>	<u>67,133,852</u>	<u>63,613,000</u>
41,156,000	40,786,054	42,059,000
89,000	479,806	5,163,000
382,000	3,376,787	1,571,000
3,357,000	9,594,545	13,121,000
6,111,000	9,854,918	5,822,000
12,812,000	14,226,521	15,777,000
1,632,000	1,965,106	5,221,000
10,546,000	9,672,967	12,347,000
--	--	--
--	--	--
<u>76,085,000</u>	<u>89,956,704</u>	<u>101,081,000</u>
6,101,000	11,357,112	1,327,000
<u>82,186,000</u>	<u>101,313,816</u>	<u>102,408,000</u>
<u>(27,980,000)</u>	<u>(34,179,964)</u>	<u>(38,795,000)</u>
--	--	--
--	--	--
--	--	--
(2,470,000)	(4,709,785)	(6,507,000)
(177,000)	(3,677)	(18,000)
(18,000)	--	--
--	--	(170,000)
(2,502,000)	(3,936,790)	(460,000)
<u>33,108,000</u>	<u>42,966,576</u>	<u>46,420,000</u>
<u>27,941,000</u>	<u>34,316,324</u>	<u>39,265,000</u>
<u>\$ (39,000)</u>	<u>\$ 136,360</u>	<u>\$ 470,000</u>

(Continued on next page)

STATE OF NEW JERSEY
COMBINED STATEMENT OF CURRENT FUNDS, REVENUES, EXPENDITURES
AND OTHER CHANGES (Continued)
COLLEGE AND UNIVERSITY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1997

	UNRESTRICTED		
	The William Paterson University Of New Jersey	Ramapo College Of New Jersey	Rowan University
REVENUES AND OTHER ADDITIONS:			
Educational and general:			
Student tuition and fees	\$ 22,509,708	\$ 12,614,000	\$ 26,819,359
Patient service revenue	--	--	--
Governmental grants and contracts	--	--	--
Fringe benefits paid directly by the State of New Jersey	9,900,000	5,742,000	10,202,642
Private gifts, grants and contracts	--	--	2,550,000
Investment income	1,019,808	560,000	783,176
Other sources	436,405	153,000	2,417,711
	<u>33,865,921</u>	<u>19,069,000</u>	<u>42,772,888</u>
Auxiliary enterprises	11,965,825	9,580,000	18,501,461
Total Revenues and Other Additions	<u>45,831,746</u>	<u>28,649,000</u>	<u>61,274,349</u>
EXPENDITURES AND OTHER DEDUCTIONS:			
Educational and general:			
Instruction	28,496,813	14,806,000	32,921,773
Research	--	--	125,475
Public service	194,351	--	1,678,016
Academic support	6,158,179	2,783,000	8,036,843
Student service	6,545,586	4,449,000	7,605,446
Institutional support	11,485,738	6,667,000	12,597,686
Scholarships and fellowships	1,099,435	453,000	--
Operation and maintenance plant	11,336,426	5,722,000	6,543,657
Other	--	--	--
Library expenditures	--	--	--
	<u>65,316,528</u>	<u>34,880,000</u>	<u>69,508,896</u>
Auxiliary enterprises	6,543,685	5,931,000	13,071,153
Total Expenditures and Other Deductions	<u>71,860,213</u>	<u>40,811,000</u>	<u>82,580,049</u>
Net Revenues	<u>(26,028,467)</u>	<u>(12,162,000)</u>	<u>(21,305,700)</u>
HIGHER EDUCATION AND UNIVERSITY HOSPITAL INTERFUND TRANSFERS IN(OUT) & ADDITIONS			
Excess(deficiency) of restricted additions over transfers to revenue	--	--	--
New Jersey State Library	--	--	--
Refunds to Grantors	--	--	--
Mandatory:			
Principal and interest	(5,040,281)	(2,853,000)	(6,145,742)
Loan funds matching grants	--	(109,000)	(422,281)
Other	--	--	--
Non-Mandatory:			
Plant funds	(6,551,557)	(2,091,000)	(3,948,150)
Other	1,466,264	--	--
Operating transfers - in	34,750,256	17,288,000	32,741,346
Total Higher Education and University Hospital Interfund Transfers	<u>24,624,682</u>	<u>12,235,000</u>	<u>22,225,173</u>
Net Increase (Decrease) In Fund Balances	<u>\$ (1,403,785)</u>	<u>\$ 73,000</u>	<u>\$ 919,473</u>

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

<u>Rutgers, The State University</u>	<u>Richard Stockton College Of New Jersey</u>	<u>University Of Medicine And Dentistry Of New Jersey</u>	<u>Sub-Total Unrestricted Funds</u>
\$ 234,976,000	\$ 16,356,798	\$ 36,429,000	\$ 519,258,883
--	--	285,148,000	285,148,000
7,391,000	1,000	--	10,967,279
86,597,000	6,666,000	48,716,000	225,130,722
798,000	346,911	--	5,932,911
14,192,000	1,044,698	--	22,591,193
34,535,000	1,623,888	21,816,000	69,321,791
378,489,000	26,039,295	392,109,000	1,138,350,779
130,064,000	10,062,112	5,108,000	241,815,771
508,553,000	36,101,407	397,217,000	1,380,166,550
315,916,000	18,648,225	132,795,000	731,219,990
52,979,000	139,632	--	60,118,460
16,760,000	1,108,532	--	25,534,213
26,210,000	3,980,416	5,963,000	95,423,574
37,286,000	4,171,860	4,441,000	101,653,082
62,514,000	7,267,830	37,963,000	206,628,134
16,717,000	460,877	2,490,000	33,321,579
82,319,000	6,576,585	31,017,000	195,704,579
--	--	335,069,000	338,367,000
--	--	--	3,739,550
610,701,000	42,353,957	549,738,000	1,791,710,161
110,453,000	5,933,348	4,053,000	179,847,843
721,154,000	48,287,305	553,791,000	1,971,558,004
(212,601,000)	(12,185,898)	(156,574,000)	(591,391,454)
--	--	--	--
--	--	--	(109,077)
--	--	--	--
(35,538,000)	(3,276,553)	(1,593,000)	(78,714,737)
(35,000)	(31,001)	(145,000)	(940,959)
--	--	--	(168,000)
(29,483,000)	--	(39,711,000)	(90,265,282)
405,000	(3,836,000)	(1,000)	(8,739,427)
287,201,000	19,149,091	198,023,000	779,847,773
222,550,000	12,005,537	156,573,000	600,910,291
\$ 9,949,000	\$ (180,361)	\$ (1,000)	\$ 9,518,837

(Continued on next page)

STATE OF NEW JERSEY
COMBINED STATEMENT OF CURRENT FUNDS, REVENUES, EXPENDITURES
AND OTHER CHANGES (Continued)
COLLEGE AND UNIVERSITY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1997

	RESTRICTED		
	The College Of New Jersey	Thomas A. Edison State College	Jersey City State College
REVENUES AND OTHER ADDITIONS:			
Educational and general:			
Student tuition and fees	\$ --	\$ --	\$ --
Patient service revenue	--	--	--
Governmental grants and contracts	21,159,000	14,262,031	11,080,761
Fringe benefits paid directly by the State of New Jersey	--	--	--
Private gifts, grants and contracts	116,000	248,187	--
Investment income	--	52,210	--
Other sources	--	--	--
	<u>21,275,000</u>	<u>14,562,428</u>	<u>11,080,761</u>
Auxiliary enterprises	--	--	--
Total Revenues and Other Additions	<u>21,275,000</u>	<u>14,562,428</u>	<u>11,080,761</u>
EXPENDITURES AND OTHER DEDUCTIONS:			
Educational and general:			
Instruction	1,742,000	--	1,982,362
Research	710,000	--	--
Public service	35,000	--	--
Academic support	44,000	--	70,287
Student service	82,000	--	20,728
Institutional support	--	--	26,524
Scholarships and fellowships	18,754,000	82,496	8,980,860
Operation and maintenance plant	--	--	--
Other	--	288,250	--
Library expenditures	--	14,191,682	--
	<u>21,367,000</u>	<u>14,562,428</u>	<u>11,080,761</u>
Auxiliary enterprises	--	--	--
Total Expenditures and Other Deductions	<u>21,367,000</u>	<u>14,562,428</u>	<u>11,080,761</u>
Net Revenues	<u>(92,000)</u>	<u>--</u>	<u>--</u>
HIGHER EDUCATION AND UNIVERSITY HOSPITAL INTERFUND TRANSFERS IN(OUT) & ADDITIONS			
Excess(deficiency) of restricted additions over transfers to revenue	--	886,879	733,238
New Jersey State Library	--	536,656	--
Refunds to Grantors	--	--	(34,734)
Mandatory:			
Principal and interest	--	--	--
Loan funds matching grants	--	--	--
Other	--	--	--
Non-Mandatory:			
Plant funds	--	(14,105)	--
Other	92,000	--	--
Operating transfers - in	--	--	--
Total Higher Education and University Hospital Interfund Transfers	<u>92,000</u>	<u>1,409,430</u>	<u>698,504</u>
Net Increase (Decrease) in Fund Balances	<u>\$ --</u>	<u>\$ 1,409,430</u>	<u>\$ 698,504</u>

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

Kean College Of New Jersey	Montclair State University	New Jersey Institute Of Technology	The William Paterson University Of New Jersey
\$ --	\$ --	\$ 64,000	\$ --
--	--	--	--
11,479,000	12,687,755	31,980,000	7,810,738
--	--	--	--
735,000	--	3,951,000	--
23,000	--	543,000	--
177,000	--	295,000	--
12,414,000	12,687,755	36,833,000	7,810,738
--	--	--	--
12,414,000	12,687,755	36,833,000	7,810,738
1,867,000	875,043	284,000	382,752
93,000	370	26,408,000	428,840
257,000	1,663,889	--	15,851
139,000	6,298	147,000	13,794
279,000	23,357	471,000	472,508
--	67,450	--	2,050
9,779,000	10,051,348	8,888,000	6,492,348
--	--	--	2,595
--	--	--	--
--	--	--	--
12,414,000	12,687,755	36,198,000	7,810,738
--	--	--	--
12,414,000	12,687,755	36,198,000	7,810,738
--	--	635,000	--
58,000	(70,918)	--	142,624
--	--	--	--
(159,000)	--	--	(58,185)
--	--	--	--
--	--	--	--
--	--	--	--
--	--	(239,000)	--
(56,000)	--	(382,000)	(898,938)
--	--	--	--
(157,000)	(70,918)	(621,000)	(814,499)
\$ (157,000)	\$ (70,918)	\$ 14,000	\$ (814,499)

(Continued on next page)

STATE OF NEW JERSEY
COMBINED STATEMENT OF CURRENT FUNDS, REVENUES, EXPENDITURES
AND OTHER CHANGES (Continued)
COLLEGE AND UNIVERSITY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1997

	RESTRICTED		
	Ramapo College Of New Jersey	Rowan University	Rutgers, The State University
REVENUES AND OTHER ADDITIONS:			
Educational and general:			
Student tuition and fees	\$ --	\$ --	\$ --
Patient service revenue	--	--	--
Governmental grants and contracts	--	10,672,982	278,700,000
Fringe benefits paid directly by the State of New Jersey	--	122,369	--
Private gifts, grants and contracts	5,134,000	--	9,050,000
Investment income	--	--	--
Other sources	--	--	760,000
	<u>5,134,000</u>	<u>10,795,351</u>	<u>288,510,000</u>
Auxiliary enterprises	--	--	--
Total Revenues and Other Additions	<u>5,134,000</u>	<u>10,795,351</u>	<u>288,510,000</u>
EXPENDITURES AND OTHER DEDUCTIONS:			
Educational and general:			
Instruction	826,000	1,834,145	8,983,000
Research	23,000	64,950	75,945,000
Public service	--	467,984	34,867,000
Academic support	--	--	1,242,000
Student service	518,000	--	2,266,000
Institutional support	--	--	1,586,000
Scholarships and fellowships	3,767,000	8,428,272	162,384,000
Operation and maintenance plant	--	--	1,237,000
Other	--	--	--
Library expenditures	--	--	--
	<u>5,134,000</u>	<u>10,795,351</u>	<u>288,510,000</u>
Auxiliary enterprises	--	--	--
Total Expenditures and Other Deductions	<u>5,134,000</u>	<u>10,795,351</u>	<u>288,510,000</u>
Net Revenues	--	--	--
HIGHER EDUCATION AND UNIVERSITY HOSPITAL INTERFUND TRANSFERS IN(OUT) & ADDITIONS			
Excess(deficiency) of restricted additions over transfers to revenue	62,000	139,739	2,526,000
New Jersey State Library	--	--	--
Refunds to Grantors	--	--	--
Mandatory:			
Principal and interest	--	--	--
Loan funds matching grants	--	--	--
Other	--	--	--
Non-Mandatory:			
Plant funds	(76,000)	--	--
Other	--	--	(781,000)
Operating transfers - in	--	--	--
Total Higher Education and University Hospital Interfund Transfers	<u>(14,000)</u>	<u>139,739</u>	<u>1,745,000</u>
Net Increase (Decrease) in Fund Balances	<u>\$ (14,000)</u>	<u>\$ 139,739</u>	<u>\$ 1,745,000</u>

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

<u>Richard Stockton College Of New Jersey</u>	<u>University Of Medicine And Dentistry Of New Jersey</u>	<u>Sub-Total Restricted Funds</u>	<u>Total Current Funds</u>
\$ --	\$ --	\$ 64,000	\$ 519,322,883
--	128,123,000	128,123,000	413,271,000
18,218,254	93,693,000	511,743,521	522,710,800
--	--	122,369	225,253,091
965,759	48,249,000	68,448,946	74,381,857
--	4,815,000	5,433,210	28,024,403
--	--	1,232,000	70,553,791
19,184,013	274,880,000	715,167,046	1,853,517,825
--	--	--	241,815,771
19,184,013	274,880,000	715,167,046	2,095,333,596
198,734	9,442,000	28,417,036	759,637,026
148,029	81,260,000	185,081,189	245,199,649
614,275	90,590,000	128,510,999	154,045,212
--	824,000	2,486,379	97,909,953
752,304	175,000	5,059,897	106,712,979
--	44,740,000	46,422,024	253,050,158
17,228,552	3,135,000	257,970,876	291,292,455
242,119	--	1,481,714	197,186,293
--	44,714,000	45,002,250	383,369,250
--	--	14,191,682	17,931,232
19,184,013	274,880,000	714,624,046	2,506,334,207
--	--	--	179,847,843
19,184,013	274,880,000	714,624,046	2,686,182,050
--	--	543,000	(590,848,454)
--	14,557,000	19,034,562	19,034,562
--	--	536,656	427,579
--	(2,856,000)	(3,107,919)	(3,107,919)
--	--	--	(78,714,737)
--	--	--	(940,959)
--	--	--	(168,000)
--	--	(329,105)	(90,594,387)
--	1,000	(2,024,938)	(10,764,365)
--	--	--	779,847,773
--	11,702,000	14,109,256	615,019,547
\$ --	\$ 11,702,000	\$ 14,652,256	\$ 24,171,093

**STATE OF NEW JERSEY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL-BUDGETARY BASIS
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1997**

	GENERAL FUND		
	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
REVENUES			
Taxes	\$ 7,595,854,624	\$ 7,874,539,899	\$ 278,685,275
Federal and other grants	4,620,015,015	4,617,064,555	(2,950,460)
Licenses and fees	760,219,601	709,155,065	(51,064,536)
Services and assessments	1,083,121,324	1,157,280,919	74,159,595
Investment earnings	25,449,019	45,717,603	20,268,584
Other	1,692,286,314	1,554,450,644	(137,835,670)
Total Revenues	<u>15,776,945,897</u>	<u>15,958,208,685</u>	<u>181,262,788</u>
OTHER FINANCING SOURCES			
Transfers from other funds	<u>1,542,505,197</u>	<u>1,562,576,255</u>	<u>20,071,058</u>
Total Other Financing Sources	<u>1,542,505,197</u>	<u>1,562,576,255</u>	<u>20,071,058</u>
Total Revenues and Other Financing Sources	<u>17,319,451,094</u>	<u>17,520,784,940</u>	<u>201,333,846</u>
EXPENDITURES			
Public safety and criminal justice	1,954,007,303	1,785,798,780	168,208,523
Physical and mental health	5,475,122,583	5,250,069,812	225,052,771
Educational, cultural and intellectual development	3,924,144,665	3,751,245,939	172,898,726
Community development and environmental management	986,608,397	561,171,925	425,436,472
Economic planning, development and security	2,648,732,308	2,226,013,010	422,719,298
Transportation programs	359,367,214	333,753,365	25,613,849
Government direction, management and control	2,535,872,944	2,244,507,132	291,365,812
Special government services	179,225,985	161,683,087	17,542,898
Total Expenditures	<u>18,063,081,399</u>	<u>16,314,243,050</u>	<u>1,748,838,349</u>
OTHER FINANCING USES			
Transfers to other funds	<u>1,291,383,789</u>	<u>1,291,383,789</u>	<u>--</u>
Total Other Financing Uses	<u>1,291,383,789</u>	<u>1,291,383,789</u>	<u>--</u>
Total Expenditures and Other Financing Uses	<u>19,354,465,188</u>	<u>17,605,626,839</u>	<u>1,748,838,349</u>
Net Increase (Decrease) in Fund Balances for the Year	<u>\$ (2,035,014,094)</u>	<u>\$ (84,841,899)</u>	<u>\$ 1,950,172,195</u>

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

BUDGETED SPECIAL REVENUE FUNDS

<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
\$ 4,831,000,000	\$ 5,133,687,300	\$ 302,687,300
--	--	--
54,000,000	49,553,625	(4,446,375)
--	--	--
2,500,000	1,731,092	(768,908)
34,690,444	34,303,156	(387,288)
<u>4,922,190,444</u>	<u>5,219,275,173</u>	<u>297,084,729</u>
<u> 375,000</u>	<u> 375,000</u>	<u> --</u>
<u> 375,000</u>	<u> 375,000</u>	<u> --</u>
<u>4,922,565,444</u>	<u>5,219,650,173</u>	<u>297,084,729</u>
37,651,000	36,873,043	777,957
318,206,444	316,569,780	1,636,664
3,468,974,000	3,409,195,825	59,778,175
785,100,148	785,099,681	467
6,137,000	6,137,000	--
21,107,000	21,107,000	--
414,606,404	410,834,395	3,772,009
92,000	86,887	5,113
<u>5,051,873,996</u>	<u>4,985,903,611</u>	<u>65,970,385</u>
<u> --</u>	<u> --</u>	<u> --</u>
<u> --</u>	<u> --</u>	<u> --</u>
<u>5,051,873,996</u>	<u>4,985,903,611</u>	<u>65,970,385</u>
<u>\$ (129,308,552)</u>	<u>\$ 233,746,562</u>	<u>\$ 363,055,114</u>

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

NOTE 1 - 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 for the College and University Funds have been prepared in conformity with the American Institute of Certified Public Accountants' "Industry Audit Guide - Audits of Colleges and Universities."

The financial statements have been prepared primarily from accounts and records maintained by the State Comptroller. 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 independent accounting systems maintained by them.

B. Financial Reporting Entity

For financial reporting purposes the State of New Jersey includes all fund types, account groups, 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 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 New Jersey Building Authority and the New Jersey Transportation Trust Fund Authority are blended component units since they provide services entirely, or almost entirely to the State. Their activities are reported in a special revenue fund, debt service fund and general long-term debt account group. Additional pertinent information related to them is disclosed in the notes of the primary government. All other component units have been discretely presented. Additional pertinent information related to the discretely presented component units is reported separately from the notes of the primary government in Notes 18 and 19, respectively.

AUTHORITIES

Casino Reinvestment Development Authority
Hackensack Meadowlands Development Commission
New Jersey Building Authority
New Jersey Development Authority for Small Businesses,
Minorities' and Women's Enterprises
New Jersey Economic Development Authority
New Jersey Educational Facilities Authority
New Jersey Health Care Facilities Financing Authority
New Jersey Higher Education Assistance Authority-NJ Class
New Jersey Highway Authority
New Jersey Housing and Mortgage Finance Agency

New Jersey Redevelopment Authority (formerly New Jersey Urban Development Corporation)
New Jersey Sports and Exposition Authority
New Jersey Transit Corporation
New Jersey Transportation Trust Fund Authority
New Jersey Turnpike Authority
New Jersey Wastewater Treatment Trust
New Jersey Water Supply Authority
South Jersey Port Corporation
South Jersey Transportation Authority

COLLEGES AND UNIVERSITIES

The College of New Jersey
Thomas A. Edison State College
Jersey City State College
Kean College of New Jersey
Montclair State University
New Jersey Institute of Technology
The William Paterson University of New Jersey (formerly William Paterson College of New Jersey)
Ramapo College of New Jersey
Rowan State University (formerly Rowan College of New Jersey)
Rutgers, the State University
Richard Stockton College of New Jersey
University of Medicine and Dentistry of New Jersey

C. Fund Accounting

The State uses funds, account groups, and component units to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts which represent the fund's assets, liabilities, equity, revenues and expenditures or expenses. State funds are classified into two categories: governmental and fiduciary. Each category is then divided into separate "Fund Types".

I. Governmental Fund Types

- a. General Fund - The fund into which all State revenues, not otherwise restricted by statute, are deposited and from which appropriations are made. The largest part of the total financial operations of the State is accounted for in the General Fund. Most revenues received from taxes and federal sources and certain miscellaneous revenue items are recorded in this fund. The Appropriations Act enacted by the Legislature provides the basic framework for the operations of the General Fund.
- b. Special Revenue Funds - Are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or for major capital projects) that are legally restricted to expenditure for specific purposes.
- c. Debt Service Fund - Accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Amounts provided by the General Fund are deposited with banks that serve as paying agents.

- d. Capital Project Funds - Account for financial resources to be used for the acquisition or construction of major capital facilities for State use. Funds granted to other units of government are not classified as capital projects funds and are included as expenditures of special revenue funds. Various capital project funds include funds both for capital facilities for State use and for grants to other units of government.

2. Fiduciary Fund Types

- a. Expendable Trust Funds - Account for assets held by the State as a legal trustee when both principal and interest may be expended for designated purposes.
- b. Non-expendable Trust Funds - Accounts for assets held by the State as legal trustee in situations requiring that the principal be preserved intact and only the interest be expended as designated.
- c. Pension Trust Funds - Account for monies received for, expenses incurred by, and net assets available for plan benefits of the various public employee retirement systems.
- d. Agency Funds - Account for monies held by the State for custodial purposes only.

3. Account Groups

- a. General Long-Term Debt Account Group - Accounts for the unmatured general long-term liabilities of the State.
- b. General Fixed Assets Account Group - Accounts for the State's fixed assets acquired or constructed for general government purposes. The State acquires and retains title to certain property shown in the college and university funds and would be entitled to any proceeds from the ultimate disposition of such property.

4. Component Units

Accounts for the activities of legally separate organizations for which the elected officials of the State are financially accountable. The activities of blended component units are reported in special revenue funds, the debt service fund and general long-term debt account group. The activities of boards, commissions and authorities other than those blended are discretely presented as Component Units - Authorities. Colleges and universities for which the State is financially accountable are discretely presented as Component Units - College and University Funds.

D. Budgetary Process

Annual budgets are adopted for the General Fund and certain special revenue funds (Casino Control, Casino Revenue, Gubernatorial Elections, and Property Tax Relief funds). The Legislature enacts the Budget through passage of specific departmental appropriations, the sum of which may not exceed estimated revenues. It is a constitutional requirement that the Budget be balanced. The Governor certifies the revenues. Before signing the Appropriations Act, the Governor may veto or reduce any specific appropriation, subject to Legislative override. Once passed and signed, the Budget becomes the State's financial plan for the coming year. During the year, the Budget may be revised by supplemental appropriations approved by both the Legislature and the Governor.

Budgetary control is maintained at the department level. Budget revisions during the year, reflecting program changes or interdepartmental transfers of an administrative nature, may be effected with certain executive and legislative branch approval. Only the Legislature, however, may transfer appropriations between departments. Transfers within a department are permitted within certain guidelines and management approval.

Appropriations are authorized for expenditure during the fiscal year and for a period of one month thereafter, and unencumbered appropriations lapse at the end of the fiscal year, unless otherwise specified by the Appropriations Act.

The State's budgetary basis of accounting differs from that utilized to present financial statements in conformance with generally accepted accounting principles (GAAP). The main differences between the budgetary basis and the GAAP basis are that under the budgetary basis encumbrances are recognized as expenditures, the federal revenue related to such encumbrances is also recognized, and the budgetary basis reflects transactions only for the current fiscal year. A reconciliation of the differences between the budgetary basis and GAAP basis are presented in Note 2.

E. Bond Fund Appropriations

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 shall have 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.

F. Basis of Accounting

All of the governmental funds and expendable trust and agency funds are accounted for on the modified accrual basis of accounting. In accordance with this 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. Those revenues which are considered to be susceptible to accrual include amounts received during the 12 month period subsequent to June 30 that were earned as of June 30 and in the hands of receiving agents.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement, only current assets and liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. Agency funds are accounted for and reported in the same manner as governmental funds; however, since they are custodial in nature they do not involve measurement of results of operations.

All non-expendable trust funds and pension trust funds use the accrual basis of accounting and are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases and decreases in net total assets.

Significant revenue sources which are susceptible to accrual include sales tax, individual income taxes, corporate income taxes, and federal grants. Licenses, fees, permits and other miscellaneous revenue are recognized when received since they normally are measurable only at that time. Revenue refunds payable are recorded as other liabilities on the combined balance sheet.

Expenditures are recorded on an accrual basis when the related liability is incurred. Disbursements for prepaid expenses, inventory items, and fixed assets are recorded when expenditures are incurred. Expenditures for principal and interest on general obligation long-term debt are recognized when due.

The activities of Component Units - College and University Funds are accounted for on the accrual basis of accounting including student tuition and fees when a semester covers more than one fiscal period. This revenue is deferred to the period in which it is earned.

The activities of Component Units - Authorities are accounted for using both the modified accrual basis and the accrual basis. Activities that are accounted for using the modified accrual basis are presented in a column in the combined statement of revenues, expenditures and changes in fund balance. Activities that are accounted for using the accrual basis are presented in a column in the combined statement of revenues, expenses and changes in retained earnings/fund equity and in the combined statement of cash flows. For balance sheet purposes, however, the activities of all Authorities are shown together in a separate column on the combined balance sheet.

The General Long-Term Debt Account Group and General Fixed Asset Account Group are not funds. An account group is concerned only with the measurement of financial position and does not involve measurement of results of operations.

G. Assets and Other Debits

1. Cash and Cash Equivalents

Deposits encompass the State's cash on deposit with financial institutions and several cash equivalents, including money market accounts with financial institutions and 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 Notes 3, 18 and 19 for details.

2. Investments

Securities of the Pension Trust Funds and the Deferred Compensation Fund, 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. All other securities are recorded at cost and amortized for premium or discount. 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 Program and the Common Pension Trust Fund Program is reflected as investments in the Balance Sheet. See Notes 4, 18 and 19 for details.

3. Receivables

Receivables in the State's governmental and fiduciary funds, Component Units - Authorities, and Component Units - College and University Funds, primarily consist of federal revenues, taxes, loans, mortgages and other receivables. See Notes 5, 18 and 19 for details.

4. Fixed Assets

General fixed assets are reported at cost or estimated historical cost based on appraisals or other acceptable methods when historical cost information is not available. Donated fixed assets are stated at market value at the date of donation. The State's general fixed assets consist of:

- a. All land, including parks and forests.
- b. All general government buildings, including hospitals, care and correctional facilities.
- c. Land improvements and machinery and equipment with a unit cost above \$25,000 and \$20,000 respectively, used in general operations.
- d. Capital projects in the process of construction. Certain public domain fixed assets (including highways, bridges, highways lands and rights-of-way) are not capitalized. No depreciation is provided on general fixed assets.

For the Component Units - Authorities, which use the accrual basis of accounting, fixed assets are generally recorded at cost and depreciated over the respective lives of the various assets.

The South Jersey Transportation Authority, New Jersey Highway Authority and New Jersey Turnpike Authority report under the bond resolution basis of accounting. For presentation purposes, the maintenance reserve expense of the New Jersey Turnpike Authority has been reclassified from non-operating to operating expense in an amount equal to the estimated depreciation. A similar adjustment was made for the New Jersey Highway Authority and the South Jersey Transportation Authority.

For the Component Units - College and University Funds, fixed assets are generally recorded at cost or fair value at date of donation in the case of gifts. Certain colleges and universities include the recognition of depreciation in their general fixed assets.

Capital leases are classified as fixed assets in amounts equal to the lesser of the fair market value of the asset or the present value of the net minimum lease payments at the inception of the lease. See Notes 6, 18 and 19 for details.

5. Other Assets

- a. Due from Other Funds - 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 and service debt. The accompanying financial statements generally reflect such transactions as transfers. 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 reimbursements of expenses. See Note 7 for details.
- b. Due from Intergovernmental Agencies - Includes any receivable or payable and due to or due from Component Units - Authorities that relates to federal or other governmental agencies.
- c. Advance to Other Funds - Noncurrent portions of long-term interfund receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

H. Equity and Other Credits

1. **Contributed Capital** - Equity provided by other funds or governmental units for property, plant, and equipment or for original start up costs of Component Units - Authorities.
2. **Investment in General Fixed Assets** - Used to record the net investment in fixed assets, including land and land improvements, buildings, equipment and construction in progress, as accounted for in the General Fixed Asset Account Group.
3. **Cost of Investment in Facilities** - Used to record the net investment in fixed assets, including land and land improvements, buildings, equipment and construction in progress.
4. **Retained Earnings**
 - a. Reserved - Used to earmark a portion of the retained earnings currently unavailable for expense, or a restriction on current retained earnings.
 - b. Unreserved - An equity account reflecting the accumulated unrestricted earnings of Component Units - Authorities.
5. **Fund Balance**
 - a. Reserved for Encumbrances - Used to segregate a portion of fund balance to provide for expenditure upon vendor performance of purchase agreements.
 - b. Reserved for Higher Education Programs - Used to record the portion of fund balance set aside for instruction, research, loans to students, and current operations.

- c. Reserved for Employees' Pension Benefits - Used to accumulate all active member, State and other employer contributions and investment income from which all benefit payments are made.
- d. Reserved-Surplus Revenue - Used to identify that portion of fund balance, commonly called the "Rainy Day Fund," which represents excess revenues that have been set aside pursuant to P.L. 1990, c.44.
- e. Reserved-Other - Used to earmark a portion of the fund balance to indicate it is either a resource currently unavailable for appropriation or expenditure, or a statutory restriction on current fund balance.
- f. Unreserved-Designated for continuing appropriations - Used to represent that portion of fund balance which has been appropriated by the Legislature.
- g. Unreserved-Designated for Debt Service - Used to identify that portion of the fund balance of the New Jersey Transportation Trust Fund which is made available to satisfy the debt service requirements of the subsequent period.
- h. Unreserved-Undesignated - Used to represent that portion of fund balance resources available for appropriation.

I. Fiscal Year End Differences

The following component units have fiscal years that end on December 31, 1996:

Special Revenue Funds

New Jersey Building Authority

Component Units - Authorities

Casino Reinvestment Development Authority
 Hackensack Meadowlands Development Commission
 New Jersey Development Authority for Small Businesses, Minorities'
 and Women's Enterprises
 New Jersey Economic Development Authority
 New Jersey Educational Facilities Authority
 New Jersey Health Care Facilities Financing Authority
 New Jersey Highway Authority
 New Jersey Redevelopment Authority (formerly New Jersey Urban Development
 Corporation)
 New Jersey Sports and Exposition Authority
 New Jersey Turnpike Authority
 South Jersey Port Corporation
 South Jersey Transportation Authority

NOTE 2 - OTHER ACCOUNTING DISCLOSURES

A. Change in Accounting Policy

The State has adopted GASB Statement 25, "Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans," for its pension trust funds effective for the fiscal year ended June 30, 1997. Implementation of GASB Statement 25 resulted in a change from reporting investments at cost to reporting investments at fair value. The State has restated its pension trust funds' financial statements for the fiscal year ended June 30, 1997, for changes resulting from the adoption of GASB Statement 25. (See Note 2B for restatements). The implementation has impacted the basic financial statements of the pension trust funds. New Combining Statements of Plan Net Assets and Changes in Plan Net Assets are presented in addition to the traditional Balance Sheet.

The accompanying Statement of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual - Budgetary Basis presents comparisons of the legally adopted budget with actual data on a budgetary basis.

There were no expenditures in excess of appropriations for those funds operating under an annual budgetary control system. The following presents a reconciliation of the budgetary basis to the GAAP basis of reporting:

**Actual on Budgetary Basis to GAAP Basis
June 30, 1997
(In Millions)**

	General Fund	Special Revenue Funds
Budgeted Funds:		
Budgetary basis - net increase (decrease) in fund balances for the fiscal year	\$ (84.8)	\$ 233.7
Federal revenue and other financing sources	476.2	33.7
Residual equity transfers	(269.3)	(0.4)
Prior year expenditures and other financing uses	(933.8)	(23.6)
Encumbrances	438.9	23.9
GAAP basis - net increase (decrease) in fund balances for the fiscal year	(372.8)	267.3
Non-Budgeted Funds:		
GAAP basis - net increase (decrease) in fund balances for the fiscal year	--	55.7
Total All Funds:		
GAAP basis - net increase (decrease) in fund balances for the fiscal year	\$ (372.8)	\$ 323.0

2. Other special revenue funds, capital projects funds, and trust funds do not operate under an annual budgetary control system, but expenditures are authorized by the enabling legislation. Accordingly, the Statement of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual - Budgetary Basis does not include these funds.
3. The State Lottery operates under an informal budgetary control system approved by the New Jersey State Lottery Commission which for fiscal year 1997 resulted in the Governor's revenue certification of \$689.7 million representing transfers from the State Lottery Fund to the General Fund for administration (\$14.2 million) and for state institutions and education (\$675.5 million).

E. Joint Ventures

**The Port Authority of New York and New Jersey
One World Trade Center
New York, NY 10048**

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 his 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 for the fiscal year ended December 31, 1996 disclosed the following (expressed in thousands):

	Financial Position		
	<u>Port Authority</u>	<u>PFC Program</u>	<u>Combined Total</u>
Total Assets	\$ 10,530,622	\$ 426,224	\$ 10,956,846
Total Liabilities	<u>7,418,324</u>	<u>--</u>	<u>7,418,324</u>
Net Assets	<u>\$ 3,112,298</u>	<u>\$ 426,224</u>	<u>\$ 3,538,522</u>
	Operating Results		
Operating Revenues	\$ 2,154,120	\$ 101,872	\$ 2,255,992
Operating Expenses	(1,469,309)	--	(1,469,309)
Depreciation and Amortization	<u>(362,180)</u>	<u>(2,979)</u>	<u>(365,159)</u>
Income from Operations	322,631	98,893	421,524
Financial Income (Expense), Net	<u>(233,507)</u>	<u>10,894</u>	<u>(222,613)</u>
Net Income	<u>\$ 89,124</u>	<u>\$ 109,787</u>	<u>\$ 198,911</u>
	Changes in Net Assets		
Balance January 1, 1995	\$ 2,984,657	\$ 316,437	\$ 3,301,094
Net Income	89,124	109,787	198,911
Government Contributions in Aid of Construction	<u>38,517</u>	<u>--</u>	<u>38,517</u>
Balance December 31, 1996	<u>\$ 3,112,298</u>	<u>\$ 426,224</u>	<u>\$ 3,538,522</u>

Additional required supplemental information schedules of funding progress and employer contributions provide historical trend information on the actuarially determined funded status of the plans and the annual required contributions of the employers from a long-term, on-going perspective and the progress made in accumulating sufficient assets to pay benefits when due.

The State has also adopted GASB Statement 27, "Accounting for Pensions by State and Local Governmental Employers," for the fiscal year ended June 30, 1997. This changed the State's note disclosure regarding pension plans. (See Note 16 - Retirement Systems).

B. Restatement of Fund Balance

The following schedule details the effect on the individual pension funds of adopting GASB Statement 25:

	Fund Balance - June 30, 1996		
	As Previously Reported	Adjustment	As Restated
Consolidated Police And Firemen's Pension Fund	\$ 33,011,722	\$ 226,935	\$ 33,238,657
Judicial Retirement System	145,060,539	33,404,835	178,465,374
Police And Firemen's Retirement System	8,200,499,069	2,364,099,009	10,564,598,078
Public Employees' Retirement System	12,614,493,796	3,887,955,322	16,502,449,118
State Police Retirement System	851,933,444	234,564,071	1,086,497,515
Teachers Pension And Annuity Fund	15,115,388,142	4,559,102,179	19,674,490,321

C. Deficit Fund Balances

The following funds have deficit fund balances. It is anticipated that bond sales during fiscal year 1998 will relieve most of these deficits (expressed in millions).

Capital Project Funds

New Jersey Bridge Rehabilitation and Improvement and Railroad Right of Way Preservation Fund	\$ 16.0
Transportation Rehabilitation and Improvement Fund	0.4

Special Revenue Funds

Developmental Disabilities Waiting List Reduction Fund	\$ 1.8
1989 Farmland Preservation Fund	2.1
1992 Farmland Preservation Fund	14.9
Hazardous Discharge Fund of 1981	11.3
Hazardous Discharge Fund of 1986	59.1
1992 Historic Preservation Fund	3.1
Jobs, Education and Competitiveness Fund	7.8
1989 New Jersey Green Acres Fund	1.4
1992 New Jersey Green Acres Fund	32.0

1995 New Jersey Green Acres Fund	17.5
1992 New Jersey Green Trust Fund	2.0
1995 New Jersey Green Trust Fund	3.0
1992 Wastewater Treatment Fund	1.9
Water Conservation Fund	0.1

D. Revenue and Expenditure Budgets

1. The General Fund and four special revenue funds consisting of the Casino Control, Casino Revenue, Gubernatorial Elections, and Property Tax Relief Funds operate under a budgetary control system comprised of:
 - (a) The Annual Appropriations Act approved June 28, 1996 for fiscal year 1997 and various supplemental appropriations approved during the fiscal year.
 - (b) Other authorized appropriations which include reappropriations (authorized by the Annual Appropriations Act) of prior year funds which are available for expenditure in the current year and estimated receipts.
 - (c) Appropriated Revenues (authorized by the Annual Appropriations Act) which established certain revenues as appropriations.

The above items provided the following amounts for the fiscal year 1997 budget:

	<u>Revenue and Other Increases (In Millions)</u>	
	<u>General Fund</u>	<u>Special Revenue Funds</u>
Annual Appropriations Act	\$ 10,767.1	\$ 4,889.4
Other Authorized Appropriations	--	--
Appropriated Revenue	<u>6,552.4</u>	<u>33.2</u>
Totals	<u>\$ 17,319.5</u>	<u>\$ 4,922.6</u>

	<u>Expenditures and Other Decreases (In Millions)</u>	
	<u>General Fund</u>	<u>Special Revenue Funds</u>
Annual Appropriations Act	\$ 11,240.5	\$ 5,016.3
Other Authorized Appropriations	1,561.6	2.4
Appropriated Revenue	<u>6,552.4</u>	<u>33.2</u>
Totals	<u>\$ 19,354.5</u>	<u>\$ 5,051.9</u>

The fiscal year 1997 expenditure budget includes as other authorized appropriations all estimated federal entitlements.

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, 1996, Port Authority debt consisted of the following (expressed in thousands):

Bonds, Notes and Other Obligations

Consolidated Bonds and Notes	\$	4,723,335
Special Project Bonds		544,291
Operating Asset Financing		436,443
Capital Asset Financing		<u>881,550</u>
		6,585,619
Less: Amortized Cost of Purchased Bonds		--
One Hundred Third Series		--
Unamortized Discount and Premium		<u>(147,513)</u>
Total	\$	<u>6,438,106</u>

F. Risk Management and Insurance Coverage

The State is self-insured and self-administered for tort and automobile liability claims. Tort and automobile liability claims are handled through the Bureau of Risk Management pursuant to New Jersey statutes.

Property exposure is handled by a commercial insurance carrier. There were no reductions in commercial insurance coverage during the fiscal year ended June 30, 1997. No settlements exceeded commercial insurance coverage during each of the past three fiscal years.

The State does not participate in any risk pools.

G. Other

In accordance with Governmental Accounting and Financial Reporting Standards (GASB) Codification L20.126, "Leases between State and Local Governments and Public Authorities", the debt and assets of the New Jersey Building Authority have been reduced for presentation herein in the amount of \$437 million, the amount of the present value of future lease payments by the State to the New Jersey Building Authority as of December 31, 1996.

In accordance with GASB Statement 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," an additional \$476.2 million in federal grant revenues and economic planning, development and security expenditures and \$117.8 million in other assets and deferred revenues relating to the State's food stamp program have been recorded.

Prior to fiscal year 1997, amounts contributed by various funds to the State of New Jersey Cash Management Fund were recorded as due from other funds in the balance sheet. For fiscal year 1997, however, these amounts are recorded as investments in the balance sheets of the respective funds and are no longer recorded as investments in the State of New Jersey Cash Management Fund.

Prior to fiscal year 1997, amounts contributed by the pension trust funds to a common pension fund pool (Common Pension Fund A, Common Pension Fund B, and Common Pension Fund D) were recorded as due from other funds in the balance sheets of the respective pension trust funds and as a due to other funds in the balance sheets of the respective common pension funds. For fiscal year 1997, however, the activity of Common Pension Funds A, B and D are recorded in the financial statements of the pension trust funds. Consequently, no financial statements are presented for Common Pension Fund A, Common Pension Fund B, and Common Pension Fund D.

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 and Property Tax Relief 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.

New Jersey Revised Statutes (52:18-16.1) sets 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 as well as certificates of deposit 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 are 100% and 120% of collateral, respectively, of the highest daily balance of each account. For banks that have State deposits which total \$15 million or more per month, the amount of collateral required is 120% of the total average daily balance on deposit in the bank during each calendar quarter of the year. The amount of collateral required for certificates of deposit is 120% of par value minus FDIC coverage.

The State Department of Treasury monitors the level of collateral required to be maintained by the banks.

The Governmental Accounting Standards Board Statement 3 requires the bank balances of deposits to be categorized to indicate the level of risk assumed by the entity. Category 1 consists of deposits that are insured or collateralized with securities held by the entity or by its agent in the entity's name. Category 2 consists of deposits collateralized with securities held by the pledging financial institutions trust department or agent in the entity's name. Category 3 consists of deposits which are uncollateralized.

Cash and cash equivalents are categorized below for all funds excluding discretely presented component units (expressed in millions):

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Bank Balance</u>	<u>Total Carrying Amount</u>
Cash	\$ 86.4	\$ --	\$ --	\$ 86.4	\$ 68.9
Certificates of deposit and related items	<u>709.2</u>	<u>--</u>	<u>--</u>	<u>709.2</u>	<u>709.2</u>
Total	<u>\$ 795.6</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 795.6</u>	<u>\$ 778.1</u>

Negative book balances of \$369.1 million representing a managed overdraft have been reclassified and are included in the accounts payable balance on the balance sheet as follows:

<u>Funds</u>	<u>Amount (In Millions)</u>
General Fund	\$ 274.5
Special Revenue Funds	14.6
Capital Projects Funds	1.5
Trust and Agency Funds	<u>78.5</u>
Total	<u>\$ 369.1</u>

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 obligations of the U.S. Treasury, foreign governments, agencies, and municipal or political subdivisions of the State, commercial paper, bankers acceptances, revenue obligations of public authorities, debt instruments of banks, collateralized notes and mortgages, certificates of deposit, repurchase agreements, equity and convertible equity securities and other common types of investment securities. Investee institutions and organizations are prescribed by the statutes and regulations based on such things 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.

Securities of the Pension Trust Funds and the Deferred Compensation Fund 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. All other securities are recorded at cost and amortized for premium or discount.

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 program and the Common Pension Trust Fund investment program is reflected as investments in the Balance Sheet.

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. Except for the Casino Revenue Fund and the Casino Control Fund, investment earnings for these funds accrue to the General Fund.

Approximately \$1.3 billion of investments represents deposit fund contracts for future installment payments of lottery prizes due beyond one year from the balance sheet date. 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. An agency fund has been established to record the deposit fund contracts and related liabilities at present value. 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. Face value of deposit fund contracts approximates \$2.1 billion.

The Governmental Accounting Standards Board Statement 3 requires investments be categorized to indicate the level of risk assumed by the entity. Category 1 consists of investments that are insured or registered or for which the securities are held by the entity or its agent in the entity's name. Category 2 consists of uninsured and unregistered investments for which the securities are held by counterparties' trust department or agent in the entity's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparties' trust department or agent but not in the entity's name. Investments for all funds are classified as Category 1 and are detailed below (expressed in millions):

	<u>Carrying Amount</u>	<u>Fair Value</u>
Government bonds and obligations	\$ 1,681.3	\$ 1,682.9
Industrial bonds and commercial paper	898.2	898.2
Finance companies - senior debt	2.0	2.0
Telephone bonds	4.4	4.5
Gas, electric and water bonds	1.6	1.6
Common stock	605.3	667.8
Mortgage - backed certificates	2,518.6	2,518.6
Repurchase agreements	128.6	128.6
Other investments	<u>0.1</u>	<u>0.2</u>
Investments subject to risk categorization	5,840.1	5,904.4
Annuity contracts	1,271.3	1,271.3
Investment in State of New Jersey Cash Management Fund investment program	8,994.4	8,994.4
Investment in Common Pension Trust Fund investment program	49,430.1	49,430.1
Mutual funds	11.7	19.3
Total	<u>\$ 65,547.6</u>	<u>\$ 65,619.5</u>

NOTE 5 - RECEIVABLES

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 20 - Contingent Liabilities.

These Federal receivables are reported in conformance with generally accepted accounting principles as defined in Statement 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 \$1.7 billion of Federal government awards consisting of encumbrances and appropriation balances which are considered unearned and unrecorded as of June 30, 1997.

Federal receivable balances in the Unemployment Compensation Fund (\$2.2 billion) represent unemployment contributions transferred to the Federal Reserve Bank for deposit in the Federal Unemployment Trust Fund. All monies are invested by the Federal Government and interest earnings are credited to the Unemployment Compensation Fund.

B. Departmental

Departmental accounts receivable of \$1,952.1 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 are deemed to be collectible, and are reflected net of allowances (\$109.5 million).

C. Loans

Loans receivable of \$1,710.4 million are reduced by allowances of \$17.9 million and include \$799.0 million due from local units of government and other recipients for environmental projects, \$825.5 million representing loans from respective pension funds to participating members of the pension funds, \$29.6 million loaned for economic development within local units of government, \$18.6 million loaned for housing and mortgage assistance, and \$10.8 million due the Luxury Tax Fund from the Atlantic County Improvement Authority for housing projects.

D. Other

Other receivables totaling \$3,711.6 million are reduced by allowances of \$467.8 million and include \$367.1 million of accrued earnings on investments and accrued interest on loans to third parties, contributions due from employers and members to the respective pension funds of \$1,359.8 million, contributions due from employers and members to the Health Benefits Fund of \$38.8 million, assessments of \$30.3 million due from insurance companies to the Unsatisfied Claim and Judgment Fund, and \$198.5 million due from the Port Authority of New York and New Jersey.

NOTE 6 - FIXED ASSETS

A. Summary of Fixed Assets

A summary of fixed assets by category at June 30, 1997 is as follows (in millions):

	General Fixed Assets Account Group
Land	\$ 351.2
Land improvements	64.2
Building and improvements	1,456.1
Machinery and equipment	307.7
Construction in progress	264.9
Total	\$ 2,444.1

B. Changes in Fixed Assets

A summary reflecting changes in the General Fixed Assets Account Group and the resulting June 30, 1997 balances follows (expressed in millions):

	Balance July 1, 1996	Additions	Deductions	Balance June 30, 1997
Land	\$ 325.2	\$ 26.0	\$ 0.0	\$ 351.2
Land improvements	62.3	1.9	0.0	64.2
Buildings and improvements	1,338.0	128.7	10.6	1,456.1
Machinery and equipment	299.0	44.9	36.2	307.7
Construction in progress	241.2	154.3	130.6	264.9
Total	\$ 2,265.7	\$ 355.8	\$ 177.4	\$ 2,444.1

NOTE 7 - INTERFUND TRANSACTIONS

A. Due From/Due To Other Funds

Interfund receivables and payables are referred to respectively as due from other funds and due to other funds on the balance sheet. A schedule of interfund receivables and payables at June 30, 1997 is presented below (expressed in thousands):

<u>Interfund Receivables and Payables</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 403,762	\$ 445,062
Debt Service	40,198	--
Special Revenue Funds		
Casino Control Fund	7,876	--
Casino Revenue Fund	45,928	--
Cultural Centers and Historic Preservation Fund	5,309	4,726
Developmental Disabilities Waiting List Reduction Fund	--	5,287
1992 Farmland Preservation Fund	--	18,290
Green Trust Fund	7,403	--
Hazardous Discharge Fund of 1981	--	16,636
Hazardous Discharge Fund of 1986	--	58,030
Hazardous Discharge Site Cleanup Fund	13,372	16,190
Health Care Subsidy Fund	7,647	14,319
Higher Education Facility Renovation and Rehabilitation Fund	7,000	--
1992 Historic Preservation Fund	--	6,727
Jobs, Education and Competitiveness Fund	--	9,513
1983 New Jersey Green Acres Fund	19,462	1,244
1989 New Jersey Green Acres Fund	9,590	15,104
1992 New Jersey Green Acres Fund	--	34,230
1995 New Jersey Green Acres Fund	--	20,564
1989 New Jersey Green Trust Fund	--	35,705
1992 New Jersey Green Trust Fund	8,425	30,616
1995 New Jersey Green Trust Fund	--	7,707
New Jersey Spill Compensation Fund	--	19,115
New Jersey Transportation Trust Fund Authority	--	40,198
New Jersey Workforce Development Partnership Fund	537	7,893
Property Tax Relief Fund	308,036	--
State Lottery Fund	--	81,080
Unemployment Compensation Auxiliary Fund	--	20,213
Wastewater Treatment Fund	111,359	8,667
1992 Wastewater Treatment Fund	--	12,200
Water Conservation Fund	--	12,130
Water Supply Fund	60,738	18,369
Other Special Revenue Funds under \$5 million	6,068	25,681
Total Special Revenue Funds	<u>618,750</u>	<u>540,434</u>

Interfund Receivables and Payables

	<u>Due From</u>	<u>Due To</u>
Capital Projects Funds		
New Jersey Bridge Rehabilitation and Improvement and Railroad Right-of-Way Preservation Fund	--	13,995
New Jersey Bridge Rehabilitation and Improvement Fund	5,982	4,847
Special Transportation Fund	--	63,216
Other Capital Projects Funds under \$5 million	<u>907</u>	<u>3,634</u>
Total Capital Projects Funds	<u>6,889</u>	<u>85,692</u>
Trust and Agency Funds		
Trust Funds		
Fund for Support of Free Public Schools	--	5,291
Health Benefits Program Fund	45,818	2,238
New Home Warranty Security Fund	--	6,595
State Disability Benefit Fund	1,106	14,853
Unclaimed Personal Property Trust Fund	82	34,474
Unemployment Compensation Fund	137	5,934
Pension Trust Funds		
Public Employees' Retirement System	21,322	4,338
Agency Funds		
Alternate Benefit Program Fund	6,293	1,228
Wastewater Treatment Trust Fund	7,000	--
Other Trust and Agency Funds under \$5 million	<u>17,694</u>	<u>22,912</u>
Total Trust and Agency Funds	<u>99,452</u>	<u>97,863</u>
Total All Funds	<u>\$ 1,169,051</u>	<u>\$ 1,169,051</u>

B. Transfer From/To Other Funds

Transfers from and transfers to other funds in the Statement of Revenues, Expenditures and Changes in Fund Balance represent transfers between funds. A schedule of transfers from and transfers to at June 30, 1997 is presented below (expressed in thousands):

	<u>Transfers From</u>	<u>Transfers To</u>
General Fund	\$ 1,293,297	\$ 1,325,024
Debt Service Fund	601,984	--
Special Revenue Funds		
Casino Revenue Fund	29,741	--
Hazardous Discharge Fund of 1981	--	8,247
Hazardous Discharge Fund of 1986	--	8,436
Hazardous Discharge Site Cleanup Fund	8,084	16,190
Health Care Subsidy Fund	--	364,785
Legal Services Fund	--	9,236

	<u>Transfers From</u>	<u>Transfers To</u>
New Jersey Spill Compensation Fund	--	19,115
New Jersey Transportation Trust Fund Authority	304,500	940,315
New Jersey Workforce Development Partnership Fund	--	7,893
State Lottery Fund	--	662,080
Unemployment Compensation Auxiliary Fund	--	20,075
Water Supply Fund	--	14,309
Other Special Revenue Funds under \$5 million	<u>7,306</u>	<u>39,442</u>
Total Special Revenue Funds	<u>349,631</u>	<u>2,110,123</u>
Capital Projects Funds		
Special Transportation Fund	785,232	--
Other Capital Projects Funds under \$5 million	<u>--</u>	<u>3,763</u>
Total Capital Projects Fund	<u>785,232</u>	<u>3,763</u>
Expendable Trust Funds		
Dental Expense Program Fund	19,390	--
Fund for Support of Free Public Schools	--	8,549
Health Benefits Program Fund	449,778	--
Higher Education Assistance Fund	--	11,281
New Home Warranty Security Fund	--	6,595
Prescription Drug Program Fund	68,807	--
State Disability Benefit Fund	--	28,218
Unclaimed Personal Property Trust Fund	--	74,474
Other Trust and Agency Funds under \$5 million	<u>1,983</u>	<u>2,075</u>
Total Expendable Trust Funds	<u>539,958</u>	<u>131,192</u>
Total All Funds	<u>\$ 3,570,102</u>	<u>\$ 3,570,102</u>

C. Residual Equity Transfers In (Out)

Residual equity transfers in (out) in the Statement of Revenues, Expenditures and Changes in Fund Balance represent nonroutine or nonrecurring transfers between funds and are reported as additions or deductions from fund balance. A schedule of residual equity transfers in (out) at June 30, 1997 is presented below (expressed in thousands):

Residual Equity Transfers	<u>In</u>	<u>Out</u>
General Fund	\$ 269,294	\$ --
Special Revenue Funds		
Boarding House Rental Assistance Fund	--	375
Casino Revenue Fund	375	--
Mortgage Assistance Fund	--	2,514
Sanitary Landfill Facility Contingency Fund	<u>--</u>	<u>11,330</u>
Total Special Revenue Funds	<u>375</u>	<u>14,219</u>

Residual Equity Transfers	<u>In</u>	<u>Out</u>
Expendable Trust Funds		
Emergency Services Fund	--	1,200
New Home Warranty Fund	--	4,250
State Disability Benefit Fund	--	250,000
Total Expendable Trust Funds	--	255,450
Total Residual Equity Transfers	<u>\$ 269,669</u>	<u>\$ 269,669</u>

NOTE 8 - DEFERRED REVENUE

Deferred revenue represents amounts received but not earned as of June 30. These amounts will be earned in subsequent fiscal years.

Deferred revenue at June 30, 1997 in the General Fund (\$487.1 million) consists principally of amounts due from the Port Authority of New York and New Jersey, motor vehicle licenses and registrations, insurance licensing, professional board licenses and fees and food stamp inventory (in accordance with the provisions of GASB Statement 24). The amount at June 30, 1997 in the Petroleum Overcharge Reimbursement Fund (\$21.3 million) represents oil overcharge monies, which have been received, but remain unexpended. The Health Benefit Program Fund reflects deferred revenue of \$13.0 million representing premiums received in June 1997 for July 1997 coverage. Additionally, the Casino Control Fund reflects deferred revenue of \$7.9 million which represents advance tax payments on slot machines from various casinos.

NOTE 9 - LONG-TERM OBLIGATIONS

A. Summary of Long-Term Obligations

A summary of long-term obligations at June 30, 1997 is shown below:

<u>General Long-Term Debt</u>	<u>Amount</u> <u>In Thousands</u>
General obligation bonds	\$ 3,437,450
Revenue bonds	3,027,115
Accumulated sick and vacation payable	414,210
Capital leases	57,467
Installment obligations	4,943,759
Certificates of participation	16,275
Loans payable	1,120,000
Total General Long-Term Debt	<u>\$ 13,016,276</u>

B. Debt Service Payments

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

	General Long-Term Debt Account Group		
	<u>State Bonded Debt</u>	<u>Revenue Bonds</u>	<u>Total</u>
First	\$ 287,675	\$ 90,250	\$ 377,925
Second	285,985	103,399	389,384
Third	285,630	108,077	393,707
Fourth	286,860	113,427	400,287
Fifth	264,930	123,428	388,358
Thereafter	<u>2,026,370</u>	<u>2,488,534</u>	<u>4,514,904</u>
Total	<u>\$ 3,437,450</u>	<u>\$ 3,027,115</u>	<u>\$ 6,464,565</u>

The general obligation bonded debt outstanding as of June 30, 1997 is \$3.4 billion which is secured by the full faith and credit of the State (the General Fund). The amount to be provided for retirement of general obligation bonds on the balance sheet represents appropriations to be provided in the future from the General Fund for principal payments.

The New Jersey Transportation Trust Fund issued \$714.3 million in new bonds on October 30, 1996.

The amount provided by the General Fund to the Debt Service Fund for interest and principal payments for the fiscal year ended June 30, 1997 was \$446.9 million. This is reflected in the Statement of Revenues, Expenditures and Changes in Fund Balances as a Transfer to other funds in the General Fund and a Transfer from other funds in the Debt Service Fund.

In prior years, the State has refunded various bond issuances by creating separate irrevocable trust funds. Refunding debt has been issued and the proceeds have been used to purchase United States Treasury Obligations--State and Local Government Series that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the State's General Long-Term Debt Account Group. As of June 30, 1997, the amount of defeased debt outstanding but removed from the General Long-Term Debt Account Group amounted to \$1,518.8 million.

In addition, the State (the General Fund) has guaranteed the principal and interest payments on certain bonds issued by the New Jersey Sports and Exposition Authority. The amount outstanding on these bonds as of December 31, 1996 is \$127.9 million. The State's liability is contingent upon the Authority's inability to meet such debt service requirements through derived revenues. The State believes that the revenue of the Authority will be sufficient to provide for the payment of debt service on these obligations without recourse to the State's guarantee. The State has contracted with the Authority to provide annual appropriations to the Authority in amounts sufficient to provide for the debt service on certain other bonds issued by the Authority (State Contract Bonds). At June 30, 1997, the amount outstanding was \$458.9 million.

The State may be required to provide appropriations to meet any annual deficiencies in debt service for the South Jersey Port Corporation and the New Jersey Housing and Mortgage Finance Agency. However, the Legislature is not legally bound to make such appropriations for these "moral obligation" bonds.

The New Jersey Housing and Mortgage Finance Agency has not had a deficiency in debt service reserve which required the State to appropriate funds.

The State 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, 1996, the Corporation certified that it would be unable to provide sufficient funds from operations for debt reserve and would, therefore, require a State appropriation for fiscal year 1997 in the amount of \$5.3 million.

C. Changes in Long-Term Debt

The following schedule represents the changes in the General Long-Term Debt Account Group (expressed in thousands):

	<u>Outstanding July 1, 1996</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding June 30, 1997</u>
General Obligation Bonds	\$ 3,688,361	\$ --	\$ 250,911	\$ 3,437,450
Revenue Bonds	2,371,955	714,340	59,180	3,027,115
Accumulated Sick and Vacation Payable	412,836	1,374	--	414,210
Capital Leases	58,483	4,504	5,520	57,467
Installment Obligations	1,684,243	3,360,367	100,851	4,943,759
Certificates of participation	35,260	--	18,985	16,275
Loans Payable	<u>960,000</u>	<u>160,000</u>	<u>--</u>	<u>1,120,000</u>
Total	<u>\$ 9,211,138</u>	<u>\$ 4,240,585</u>	<u>\$ 435,447</u>	<u>\$ 13,016,276</u>

D. Capital Lease and Installment Obligations

The State has entered into various lease and installment purchase agreements as a means of acquiring capital assets.

The following is a schedule, by fiscal year, of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 1997 (expressed in thousands):

<u>Fiscal Year</u>	<u>General Long-Term Obligations</u>
1998	\$ 13,895
1999	11,884
2000	10,620
2001	9,845
2002	9,845
Thereafter	<u>85,314</u>
Total minimum lease payments	141,403
Less: Amount representing interest	<u>83,936</u>
Present value of lease principal payments	<u>\$ 57,467</u>

Installment obligations represent agreements between the State and several authorities which have issued their obligations to purchase or construct facilities to be rented by the State or to provide financing for other State projects. The State agrees to make rental payments equal to the debt service of the respective authorities' funds, subject to and dependent upon appropriations being made by the State Legislature for such purchases. Included in installment obligations is \$2.8 billion representing the principal amount of bonds issued by the Economic Development Authority (a component unit), which was utilized in funding the State's accrued pension liability. At the conclusion of the term of the installment agreements, title to the various facilities is to be transferred to the State. The following is a schedule, by fiscal year, of future installment payments together with the present value of net minimum installment payments, as of June 30, 1997 (expressed in thousands) for both installment purchases as well as various other installment obligations of the State:

<u>Fiscal Year</u>	<u>General Long-Term Debt Account Group</u>
1998	\$ 331,557
1999	344,541
2000	353,283
2001	347,640
2002	336,203
Thereafter	<u>12,162,121</u>
Total minimum installment payments	13,875,345
Less: Amount representing interest	<u>8,931,586</u>
Present value of installments principal payments	<u>\$ 4,943,759</u>

Those obligations identified as certificates of participation represent a series of master lease agreements with a trustee from the sale of certificates of participation. The State is required to make aggregate payments on the equipment that approximate the interest and principal payments to be made by the trustee to certified holders. On September 15, 1992 an issue was sold of which \$124,525,000 of the proceeds was used to refund several prior issues and which also contained \$21,900,000 in new certificates. Details of the various agreements are as follows (expressed in thousands):

<u>Effective Date</u>	<u>Original Issues</u>	
	<u>Principal</u>	<u>Interest</u>
September 15, 1992	<u>\$ 146,485</u>	<u>\$ 18,128</u>
Total Certificates of Participation Issued	<u>\$ 146,485</u>	<u>\$ 18,128</u>

The following is a schedule, by fiscal year, of future minimum payments for outstanding certificates of participation as of June 30, 1997 (expressed in thousands):

<u>Fiscal Year</u>	<u>General Long-Term Debt Account Group</u>
1998	\$ 16,682
1999	--
2000	--
2001	--
2002	--
Thereafter	<u>--</u>
Total minimum certificates of participation payments	16,682
Less: Amount representing interest	<u>407</u>
Present value of certificates of participation principal payments	<u>\$ 16,275</u>

E. Loans Payable

In addition, the New Jersey Automobile Insurance Guaranty Fund has received a loan of \$1.12 billion from the New Jersey Property-Liability Insurance Guaranty Association. This loan will be repaid to the Association when the financial obligations of the Joint Underwriters Association (JUA) have been fully satisfied.

NOTE 10 - OTHER LIABILITIES

Other liabilities at June 30, 1997 include the following:

Deposits and accumulated earnings on investments of \$2.8 billion are due to local units of government and school districts from the State of New Jersey Cash Management Fund. Other liabilities in the General Fund (\$74.3 million) and in the Property Tax Relief Fund (\$52.1 million) consists principally of revenue refunds payable and payments due to local units of government.

NOTE 11 - FUND BALANCE RESERVED-OTHER

The following portions of fund balances have been reserved:

General Fund

The \$72.0 million reservation in the General Fund, consists principally of long-term advances and receivables due from individuals, estates, municipalities, railroads and other funds, that are considered not currently available for appropriation. This includes a 4 percent dedication of Corporation Business Tax revenues in excess of appropriations pursuant to the Constitutional Amendment approved by New Jersey voters in November 1996.

Special Revenue Funds

Beaches and Harbor Fund

\$1.3 million represents amounts in escrow.

Boarding House Rental Assistance Fund

\$5.4 million represents unpaid balances of loan commitments entered into by the New Jersey Housing and Mortgage Finance Agency as of June 30, 1997.

Green Trust Fund

\$67.2 million represents loans due from various municipalities for land acquisition and development.

Hazardous Discharge Site Cleanup Fund

\$11.1 million represents receivables from responsible parties for cleanup.

Housing Assistance Fund

\$6.5 million represents loans receivable from the New Jersey Housing and Mortgage Finance Agency which are to be repaid over a period of years based on repayments to that agency of mortgage loans made to borrowers.

Mortgage Assistance Fund

\$12.1 million represents loans receivable from the New Jersey Housing and Mortgage Finance Agency which will subsequently be repaid over a period of years based on repayments to that agency by borrowers.

New Jersey Automobile Insurance Guaranty Fund

\$6.5 million represents an escrow reserve established pursuant to litigation.

1989 New Jersey Green Trust Fund

\$69.1 million represents loans made to various municipalities for land acquisition and development.

1992 New Jersey Green Trust Fund

\$17.4 million represents loans made to various municipalities for land acquisition and development.

1995 New Jersey Green Trust Fund

\$1.3 million represents loans made to various municipalities for land acquisition and development.

New Jersey Local Development Financing Fund

\$29.6 million represents loans made to various municipalities for economic development which will be repaid during a subsequent period of years.

New Jersey Transportation Trust Fund Authority

\$144.9 million represents amounts reserved for State transportation program costs.

Petroleum Overcharge Reimbursement Fund

\$3.5 million represents a loan to the New Jersey Sports and Exposition Authority.

Pinelands Infrastructure Trust Fund

\$6.6 million represents loans to local units of government in the pinelands area for infrastructure capital projects necessary to accommodate development in the regional growth area.

Resource Recovery and Solid Waste Disposal Facility Fund

\$104.4 million represents loans made to various counties for the design, acquisition, and construction of resource recovery facilities.

Shore Protection Fund

\$2.5 million represents loans for shore protection projects to various municipalities.

State Lottery Fund

Of the \$9.2 million reserved, \$2 million is reserved for bond insurance and \$9.0 million is for prizes.

State Recycling Fund

\$6.8 million represents low interest loans to recycling businesses which will be repaid in future years.

Volunteer Emergency Service Organizations Loan Fund

\$1.5 million represents loans to volunteer emergency service organizations.

Wastewater Treatment Fund

\$383.1 million represents loans to local governments which will be repaid in future years.

1992 Wastewater Treatment Fund

\$2.8 million represents loans to local governments which will be repaid in future years.

Water Conservation Fund

\$0.8 million represents sewage facility planning loans and contaminated wellfield loans.

Water Supply Fund

\$131.9 million represents loans to the New Jersey Water Supply Authority which will be repaid over a 10 year period commencing on May 1, 1986, and rehabilitation loans made to various municipalities.

Trust Funds

Fund for Support of Free Public Schools

New Jersey Statutes provide for the establishment of a School Bond Reserve within this fund, in an amount equal to at least one and one-half percent of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes, exclusive of the debt service for bonds as provided by State appropriations. Accordingly, \$45.4 million of this fund balance has been reserved at June 30, 1997.

Higher Education Assistance Fund

\$1.8 million represents loans to students that will be paid over an extended period of time.

Unsatisfied Claim and Judgment Fund

\$5.6 million represents receivables to be paid to the fund over an extended period of years.

NOTE 12 - OTHER FINANCING SOURCES/USES - OTHER

Special Revenue Funds

New Jersey Automobile Insurance Guaranty Fund

\$160.0 million in Other Financing Sources-Other represents long-term financing from the New Jersey Property-Liability Insurance Guaranty Association.

NOTE 13 - OPERATING LEASES

The State of New Jersey has commitments to lease certain buildings and equipment under arrangements representing operating leases. Future minimum rental commitments for noncancellable operating leases as of June 30, 1997 are as follows (expressed in thousands):

Fiscal Year Ending	
June 30	
1998	\$ 91,692
1999	76,505
2000	72,055
2001	63,512
2002	61,170
Thereafter	<u>631,567</u>
Total Future Minimum Lease Payments	<u>\$ 996,501</u>

NOTE 14 - ACCUMULATED UNPAID SICK AND VACATION BENEFITS

Cash payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The payment is based on fifty percent of the employee's sick leave accumulation, at the pay rate in effect at the time of retirement up to a maximum of \$15,000. Employees separating from State service prior to retirement are not entitled to payments for accumulated sick leave balances.

At June 30, 1997, accumulated employee sick leave balances had an estimated value of \$319.4 million which is reflected in the General Long-Term Debt Account Group. Cash payments for sick leave at retirement are made from annual legislative appropriations for salaries and wages on a "pay-as-you-go" basis. Sick leave accumulations may also be used by an employee for a personal illness or injury as a means of continuing regular pay during illness or injury.

As of June 30, 1997, the liability for accumulated vacation pay of approximately \$94.8 million is reflected in the General Long-Term Debt Account Group. Employees annually earn 12 to 25 vacation days based on years of service and are permitted to carry over those days earned within a one year period.

NOTE 15 - DEFERRED COMPENSATION

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is administered by the Division of Pensions, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency.

Under current Internal Revenue Service regulations, all monies that are deferred and any other assets or income of the plan shall be held in trust for the exclusive benefit of the participating employees and their beneficiaries. The State has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

NOTE 16 - 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 Fndd (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 five 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 Fndd (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 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.

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 public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for 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 several 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. There are no employees covered by CPF.

The State also administers the Pension Adjustment Fund (PAF) which provides cost of living increases, equal to 60 percent of the change in the average consumer price index, to eligible retirees in all State-sponsored pension systems except SACT. In the CPFPPF, POPF, and CPF, the cost of living increases are payable from the State of New Jersey Pension Adjustment Fund which is funded by the State as benefit allowances become payable. The cost of living increases for PFRS, PERS, TPAF, SPRS, and JRS are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required State contribution for that system.

According to state statutes, 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 obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Summary of Significant Accounting Policies

Basis of Accounting

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

The Funds adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 25, "Financial Reporting for Defined Benefit Plans and Note Disclosures for Defined Contribution Plans" and Statement No. 26, "Financial Reporting for Postemployment Healthcare Plans Administered By Defined Benefit Pension Plans" in 1997. GASB Statement No. 25 requires that plan assets, plan liabilities, and plan net assets be recorded at fair value. Prior to the adoption of GASB Statement No. 25, investments were recorded at cost or amortized cost. The cumulative effect of this change in accounting method, as of July 1, 1996, of \$11.6 billion, is reported in the accompanying statement of changes in plan net assets. The effects of the adoption of GASB Statement No. 26 were immaterial to the financial statements of the State of New Jersey Pension Trust Funds.

Investment Valuation

Investments are reported at fair value. Short-term investments (State of New Jersey Cash Management Funds) are reported at cost, which approximates 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 publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, and Common Pension Fund D. 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.

Significant Legislation

During the year ended June 30, 1997, legislation was enacted (Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority (the "Authority") to issue bonds, notes, or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. On June 30, 1997, the Authority issued bonds pursuant to this legislation and \$2.75 billion from the proceeds of the bonds were deposited into the Funds' investment accounts. Such proceeds are included as employer contributions in the accompanying statement of changes in plan net assets.

As a result of additional legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997), the asset valuation method was changed from market related value to full-market value for the valuation reports applicable to Fiscal Year 1998 (i.e. the March 31, 1996 valuation for PERS and TPAF; the July 1, 1996 valuation for SPRS, JRS, CPFPPF, and POPF; and the July 1, 1995 valuation for PFRS). This legislation also contains a provision to reduce the employee contribution rates under PERS and TPAF by 1/2 of 1 percent to 4.5 percent for calendar years 1998 and 1999, and to allow for a similar reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provides that the State of New Jersey may reduce its normal contributions to the Funds based on the revaluation of assets, and fund such contributions from excess assets not needed to cover the costs of all accrued benefits. In addition, the legislation requires that the normal contribution to be made to the TPAF for the year ended June 30, 1997 shall be no less than \$54 million excluding the post-retirement medical contribution.

Due to the enactment of the legislation described above, the State of New Jersey's portion of the unfunded accrued liability under each retirement system was eliminated. As of the most recent 1996 actuarial valuations (June 30, 1995 valuation for PERS), the retirement systems have a combined accrued liability surplus of \$1.0 billion. Prior to the enactment of the legislation described above, the State of New Jersey's portion of such unfunded accrued liability was \$4.3 billion. In addition, excess valuation assets were available to fund, in whole or in part, the State of New Jersey's normal contribution for the fiscal year ended June 30, 1997, excluding the contribution for post-retirement medical benefits in the PERS and TPAF.

Funding Policy

Contribution Requirements

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The various pension funds provide for employee contributions based on percentages ranging from 3.00 percent to 8.50 percent of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in all Funds except the SACT, CPF, and PAF. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the JRS, PFRS, PERS, SPRS, and TPAF. In the PERS and TPAF, the employer contribution includes funding for post-retirement medical premiums.

During the year ended June 30, 1997, for CPFPPF, JRS, POPF, SPRS, and TPAF, which are single employer plans, annual pension cost equals annual required contribution. For PFRS and PERS, which are multi-employer pension plans, the annual pension cost differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

Plan / Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
PERS - State						
3/31/95	\$5,499,850,766	\$5,921,281,646	\$421,430,880	92.9%	\$2,830,000,937	14.9%
3/31/96	\$6,565,471,539	\$6,225,818,232	\$(339,653,307)	105.5%	\$2,762,479,385	-12.3%
PERS - Local						
3/31/95	\$8,629,411,069	\$8,433,456,163	\$(195,954,906)	102.3%	\$4,191,703,372	-4.7%
3/31/96	\$9,919,779,257	\$8,960,275,181	\$(959,504,076)	110.7%	\$4,301,404,278	-22.3%
TPAF						
3/31/95	\$16,942,637,259	\$18,410,393,538	\$1,467,756,279	92.0%	\$5,358,893,876	27.4%
3/31/96	\$20,843,247,418	\$19,828,428,735	\$(1,014,818,683)	105.1%	\$5,594,150,132	-18.1%
PFRS - State & Local						
6/30/94	\$8,102,859,352	\$9,812,668,271	\$1,709,808,919	82.6%	\$1,774,962,741	96.3%
6/30/95	\$10,058,945,352	\$10,920,667,340	\$861,721,988	92.1%	\$1,843,745,932	46.7%
6/30/96	\$10,959,178,731	\$12,194,092,185	\$1,234,913,454	89.9%	\$1,967,863,025	62.8%
SPRS						
6/30/95	\$940,200,607	\$1,130,124,715	\$189,924,108	83.2%	\$135,971,603	139.7%
6/30/96	\$1,219,615,207	\$1,187,387,033	\$(32,228,174)	102.7%	\$142,390,519	-22.6%
JRS						
6/30/95	\$163,907,007	\$255,572,086	\$91,665,079	64.1%	\$40,041,000	228.9%
6/30/96	\$283,199,734	\$283,199,734	--	100.0%	\$47,587,950	0.0%
CPFPF						
6/30/95	\$50,406,423	\$82,101,504	\$31,695,081	61.4%	--	N/A
6/30/96	\$78,769,717	\$73,694,514	\$(5,075,203)	106.9%	--	N/A
POPF						
6/30/95	\$3,339,376	\$19,594,151	\$16,254,775	17.0%	--	N/A
6/30/96	\$18,654,334	\$18,654,334	--	100.0%	--	N/A

The annual pension cost for the fiscal year ending June 30, 1997 and related information, including a summary of the significant actuarial methods and assumptions used by the Funds, are presented below:

	CPFPP	JRS	PFRS
Annual Pension Cost (APC)			
State	\$10,580,991	\$18,406,865	\$715,344,385
Local			\$234,963,865
Contributions Made			
State	\$43,995,746	\$110,483,753	\$715,344,385
Local			\$234,963,865
Percentage of APC Contributed			
State	415.8%	600.2%	100.0%
Local			100.0%
Net Pension Obligation			
State	(\$33,414,755)	(\$92,076,888)	\$0
Local			\$0
Contribution rates:			
State	N/A	46.0%	275.3%
State-related employers	N/A	N/A	15.5%
Employees	N/A	3.0%	8.5%
Significant Actuarial Assumptions and Methods:			
Date of actuarial valuation	6/30/96	6/30/96	6/30/96
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level Dollar, Closed	Level Dollar, Closed	Level Percent, Closed
Remaining amortization period	3 years	36 years	35 years
Asset valuation method	Five Year Average of Market Value	Market Value	Five Year Average of Market Value
Actuarial assumptions:			
Investment rate of return	8.75%	8.75%	8.75%
Projected salary increases	n/a	5.95%	5.95%
Cost-of-Living Adjustments	N/A	60% of the maximum of the CPI increase and 4.0%	60% of the maximum of the CPI increase and 4.0%

	POPF	PERS	SPRS	TPAF
Annual Pension Cost (APC)				
State	\$2,949,604	\$241,106,642	\$44,384,679	\$372,060,546
Local		\$67,476,771		
Contributions Made				
State	\$21,688,219	\$241,106,642	\$120,308,862	\$1,601,688,633
Local		\$67,476,771		
Percentage of APC Contributed				
State	735.3%	100.0%	271.1%	430.5%
Local		100.0%		
Net Pension Obligation				
State	(\$18,738,615)	\$0	(\$75,924,183)	(\$1,229,628,087)
Local		\$0		
Contribution rates:				
State	N/A	8.5%	32.6%	6.9%
State-related employers	N/A	1.6%	N/A	N/A
Employees	N/A	5.0%	7.5%	5.0%
Significant Actuarial Assumptions and Methods:				
Date of actuarial valuation	6/30/96	3/31/96	6/30/96	3/31/96
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level Dollar, Closed	Level Percent, Closed	Level Dollar, Closed	Level Percent, Closed
Remaining amortization period	6 years	36 years	36 years	36 years
Asset valuation method	Market Value	Market Value	Market Value	Market Value
Actuarial assumptions:				
Investment rate of return	5.00%	8.75%	8.75%	8.75%
Projected salary increases	N/A	5.95%	5.95%	5.95%
Cost-of-Living Adjustments	N/A	60% of the maximum of the CPI increase and 4.0%	60% of the maximum of the CPI increase and 4.0%	60% of the maximum of the CPI increase and 4.0%

NOTE 17 - POST-RETIREMENT MEDICAL BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after reaching age 60 and accumulating 25 years of credited service. As of June 30, 1997, there were 39,883 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994 with an additional contribution beginning in fiscal year 1996 to maintain a medical reserve of one half of 1% of the active State payroll.

The State contributed \$51.0 million to the PERS and \$127.5 million to the TPAF in fiscal year 1997 for post-retirement medical benefits.

In addition, chapter 136, P.L. 1977 provides for the State to pay health benefits coverage of retired state employees regardless of retirement date whose pensions are based upon 25 years or more of credited service (except those who elect a deferred retirement) or a disability retirement regardless of years of service. Excluded from these benefits are retirees from the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund which finance the cost of providing the same health benefits coverage to the retirees.

These benefits are funded by the State on a "pay as you go" basis. For fiscal year 1997, the State contributed \$12.4 million for 3,094 eligible retired members.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS, TPAF and ABP who retired from a board of education or county college with 25 years of service. In fiscal year 1997, the State paid \$14.6 million toward Chapter 126 benefits for 3,980 eligible retired members.

NOTE 18 - COMPONENT UNITS - AUTHORITIES

The accounts of public authorities, private not-for-profit corporations and similar entities (hereinafter called Authorities) in the accompanying financial statements are derived from their most recently issued annual financial statements. Authorities are legally separate entities that are not operating departments of the State.

The activities of the New Jersey Building Authority and the New Jersey Transportation Trust Fund Authority have been blended into the financial activities of the State as special revenue funds, debt service fund and general long-term account group. All other Authorities have been discretely presented as component units in the State's financial statements in accordance with GASB Statement 14. Accordingly, the statements of these Authorities have been discretely presented in separate columns in the State's financial statements.

The Authorities are managed independently, outside the appropriated budget process and their powers generally are vested in the governing board. Authorities are established for a variety of purposes for the benefit of the State's citizenry such as economic development, financing, public transportation, low cost housing, environmental protection and capital development for health and education purposes. In addition, they are not subject to State constitutional restrictions on the incurrence of debt, which apply to the State itself, and may issue bonds and notes within legislatively authorized amounts.

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

Descriptions of the discretely presented Authorities and addresses from which complete financial statements of the respective Authority may be obtained is provided at the conclusion of Note 18.

The following pages represent condensed financial statements for each major discretely presented Authority included in the component unit column in the general purpose financial statements (GPFS). All nonmajor discretely presented Authorities are presented in the aggregate.

**STATE OF NEW JERSEY
CONDENSED BALANCE SHEET
COMPONENT UNITS - AUTHORITIES
JUNE 30, 1997
(In thousands)**

	<u>New Jersey Educational Facilities Authority</u>	<u>New Jersey Health Care Facilities Financing Authority</u>	<u>New Jersey Highway Authority</u>	<u>New Jersey Housing And Mortgage Finance Agency</u>
Assets:				
Current assets	\$ 551,369	\$ 708,350	\$ 281,313	\$ 1,247,562
Receivables, net	1,476,618	2,788,083	2,982	2,430,136
Fixed asset, net	271	615	1,398,295	14,796
Amount to be provided for:				
Bonds and notes	<u>1,492,452</u>	<u>3,378,540</u>	--	--
Total Assets	<u>\$ 3,520,710</u>	<u>\$ 6,875,588</u>	<u>\$ 1,682,590</u>	<u>\$ 3,692,494</u>
Liabilities:				
Current liabilities	\$ 53,846	\$ 103,503	\$ 114,861	\$ 384,803
Revenue bonds and notes payable	1,492,452	3,378,540	610,810	2,727,457
Capital leases	--	--	--	--
Total Liabilities	<u>1,546,298</u>	<u>3,482,043</u>	<u>725,671</u>	<u>3,112,260</u>
Fund Equity:				
Contributed capital	--	--	--	--
Investment in general fixed assets	271	615	--	--
Retained earnings:				
Reserved	--	--	--	426,917
Unreserved	--	--	956,919	153,317
Fund balances:				
Reserved - Other	1,947,741	2,729,146	--	--
Unreserved-Undesignated	<u>26,400</u>	<u>663,784</u>	--	--
Total Fund Equity	<u>1,974,412</u>	<u>3,393,545</u>	<u>956,919</u>	<u>580,234</u>
Total Liabilities and Fund Equity	<u>\$ 3,520,710</u>	<u>\$ 6,875,588</u>	<u>\$ 1,682,590</u>	<u>\$ 3,692,494</u>

**STATE OF NEW JERSEY
CONDENSED BALANCE SHEET (Continued)
COMPONENT UNITS - AUTHORITIES
JUNE 30, 1997
(In thousands)**

	New Jersey Transit Corporation	New Jersey Turnpike Authority	All Other Component Units Authorities	Total Component Units Authorities
Assets:				
Current assets	\$ 1,273,825	\$ 707,338	\$ 1,689,116	\$ 6,458,873
Receivables, net	95,086	10,461	2,460,685	9,264,051
Fixed asset, net	3,041,789	3,190,260	1,206,183	8,852,209
Amount to be provided for:				
Bonds and notes	--	--	675,156	5,546,148
Total Assets	\$ 4,410,700	\$ 3,908,059	\$ 6,031,140	\$ 30,121,281
Liabilities:				
Current liabilities	\$ 628,970	\$ 136,836	\$ 828,966	\$ 2,251,785
Revenue bonds and notes payable	351,583	2,719,614	3,249,481	14,529,937
Capital leases	640,450	--	21	640,471
Total Liabilities	1,621,003	2,856,450	4,078,468	17,422,193
Fund Equity:				
Contributed capital	2,854,500	--	112,363	2,966,863
Investment in general fixed assets	--	--	711	1,597
Retained earnings:				
Reserved	--	67,990	103,998	598,905
Unreserved	(64,803)	983,619	650,064	2,679,116
Fund balances:				
Reserved - Other	--	--	172,937	4,849,824
Unreserved-Undesignated	--	--	912,599	1,602,783
Total Fund Equity	2,789,697	1,051,609	1,952,672	12,699,088
Total Liabilities and Fund Equity	\$ 4,410,700	\$ 3,908,059	\$ 6,031,140	\$ 30,121,281

**STATE OF NEW JERSEY
CONDENSED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
COMPONENT UNITS - AUTHORITIES
JUNE 30, 1997
(In Thousands)**

Governmental Fund Type

	New Jersey Educational Facilities Authority	New Jersey Health Care Facilities Financing Authority	All Other Component Units Authorities	Total Component Units Authorities
Revenues:				
Operating	\$ 404,577	\$ 379,184	\$ 108,984	\$ 892,745
Expenditures:				
Current	327,735	188,553	17,128	533,416
Debt Service	152,252	323,108	85,756	561,116
Total Expenditures	479,987	511,661	102,884	1,094,532
Operating Income (Loss)	(75,410)	(132,477)	6,100	(201,787)
Other Financing Sources	372,247	74,636	136,682	583,565
Net Increase (Decrease) in Fund Balance for the Year	296,837	(57,841)	142,782	381,778
Fund Balance Beginning of Year	1,677,304	3,450,771	942,754	6,070,829
Fund Balance End of Year	\$ 1,974,141	\$ 3,392,930	\$ 1,085,536	\$ 6,452,607

**STATE OF NEW JERSEY
CONDENSED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS/FUND EQUITY
COMPONENT UNITS - AUTHORITIES
JUNE 30, 1997
(In thousands)**

Proprietary Fund Types

	New Jersey Highway Authority	New Jersey Housing And Mortgage Finance Agency	New Jersey Transit Corporation
Operating Revenues	\$ 190,791	\$ 236,488	\$ 435,917
Operating Expenses:			
Depreciation & Amortization	26,352	1,475	199,795
Other	99,065	198,332	849,285
Operating Income (Loss)	65,374	36,681	(613,163)
Governmental Subsidies and Grants	(10,000)	--	410,911
Capital Contribution	--	--	513,627
Other Nonoperating Revenues (Expenses)	(22,167)	(2,442)	33,788
Income(Loss) before Operating Transfers	33,207	34,239	345,163
Operating Transfers In (Out)	--	--	--
Net Income	33,207	34,239	345,163
Retained Earnings/Fund Equity Beginning of Year	923,712	545,995	2,444,534
Retained Earnings/Fund Equity End of Year	<u>\$ 956,919</u>	<u>\$ 580,234</u>	<u>\$ 2,789,697</u>

STATE OF NEW JERSEY
CONDENSED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS/FUND EQUITY (Continued)
COMPONENT UNITS - AUTHORITIES
JUNE 30, 1997
(In thousands)

Proprietary Fund Types

	New Jersey Turnpike Authority	All Other Component Units Authorities	Total Component Units Authorities
Operating Revenues	\$ 351,766	\$ 378,664	\$ 1,593,626
Operating Expenses:			
Depreciation & Amortization	23,591	34,844	286,057
Other	164,203	294,102	1,604,987
Operating Income (Loss)	163,972	49,718	(297,418)
Governmental Subsidies and Grants	(12,000)	(271,316)	117,595
Capital Contribution	--	15,551	529,178
Other Nonoperating Revenues (Expenses)	(126,681)	(86,305)	(203,807)
Income(Loss) before Operating Transfers	25,291	(292,352)	145,548
Operating Transfers In (Out)	--	--	--
Net income	25,291	(292,352)	145,548
Retained Earnings/Fund Equity Beginning of Year	1,026,318	1,158,776	6,099,335
Retained Earnings/Fund Equity End of Year	\$ 1,051,609	\$ 866,424	\$ 6,244,883

A. Restatements

The following governmental authorities fund balance have been restated to properly reflect investment in general fixed assets (expressed in millions).

<u>Authority</u>	<u>From</u>	<u>To</u>
Casino Reinvestment Development Authority	\$ 144.6	\$ 144.1
New Jersey Development Authority for Small Businesses, Minorities and Women's Enterprise	\$ 4.3	\$ 4.2
New Jersey Educational Facilities Authority	\$1,677.5	\$1,677.3
New Jersey Health Care Facilities Financing Authority	\$3,451.4	\$3,450.8
New Jersey Redevelopment Authority	\$ 23.3	\$ 23.2
New Jersey Wastewater Treatment Trust	\$ 668.6	\$ 668.5

The following proprietary authorities fund equity have been restated to properly reflect various reclassifications (expressed in millions).

<u>Authority</u>	<u>From</u>	<u>To</u>
Hackensack Meadowlands Development Commission	\$ 34.1	\$ 34.8
New Jersey Transit Corporation	\$2,446.9	\$2,444.5

B. Cash and Cash Equivalents

Governmental Accounting Standards Board Statement 3 requires the bank balances of deposits to be categorized to indicate the level of risk assumed by the entity. Category 1 consists of deposits that are insured or collateralized with securities held by the entity or by its agent in the entity's name. Category 2 consists of deposits collateralized with securities held by the pledging financial institutions trust department or agent in the entity's name. Category 3 consists of deposits which are uncollateralized.

The Component Units - Authorities generally classify as cash and cash equivalents all highly liquid investments with an original maturity of three months or less.

Cash and cash equivalents are categorized below for all discretely presented Authorities (expressed in thousands):

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Bank Balance</u>	<u>Total Carrying Balance</u>
Cash	\$ 15,827	\$ 103,319	\$ 12,639	\$ 131,785	\$ 114,780
Certificates of deposits and related items	200	248,601	58,252	307,053	307,859
Total	<u>\$ 16,027</u>	<u>\$ 351,920</u>	<u>\$ 70,891</u>	<u>\$ 438,838</u>	<u>\$ 422,639</u>

Cash and cash equivalents for proprietary and governmental component units total \$119.8 million and \$302.8 million respectively.

C. Investments

The Authorities primarily invest in U.S. Government Securities, other Government bonds and securities, and mortgage backed certificates. Governmental Accounting Standards Board Statement 3 requires investments to be categorized to indicate the level of risk assumed by the entity. Category 1 consists of investments that are insured or registered or for which the securities are held by the entity or its agent in the entity's name. Category 2 consists of uninsured and unregistered investments for which the securities are held by counterparties' trust department or agent in the entity's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparties' trust department or agent but not in the entity's name. Investments are categorized below for all discretely presented Authorities (expressed in thousands):

	Carrying Amount				Market Value
	Category 1	Category 2	Category 3	Total	
Government bonds and obligations	\$ 159,957	\$ 840,488	\$ 1,303,827	\$ 2,304,272	\$ 2,325,452
Repurchase agreements	76,442	3,766	272,143	352,351	352,352
Other	3,974	7,027	1,435,644	1,446,645	1,446,787
Investments subject to risk categorization	<u>\$ 240,373</u>	<u>\$ 851,281</u>	<u>\$ 3,011,614</u>	<u>\$ 4,103,268</u>	<u>\$ 4,124,591</u>
Participation in State of New Jersey					
Cash Management Fund				1,408,198	1,408,198
Annuity Contracts				51,027	51,027
Total reported as investments				<u>\$ 5,562,493</u>	<u>\$ 5,583,816</u>

D. Receivables

Other receivables in the Casino Reinvestment Development Authority (\$111.5 million), the New Jersey Economic Development Authority (\$1.7 billion), the New Jersey Health Care Facilities Financing Authority (\$70.6 million), the New Jersey Higher Education Assistance Authority (\$80.4 million), and the New Jersey Transit Corporation (\$95.1 million), and the New Jersey Wastewater Treatment Trust (\$481.2 million), represent notes receivable due from various companies or individuals.

E. Fixed Assets

A summary reflecting changes in the discretely presented Authorities fixed assets and the resulting June 30, 1997 balances follows (expressed in thousands):

	Balance	Additions	Deductions	Balance
	July 1, 1996			June 30, 1997
Land	\$ 753,553	\$ 3,983	\$ 1,272	\$ 756,264
Land improvements	3,862,953	145,862	52,192	3,956,623
Buildings and improvements	1,831,409	61,778	97,194	1,795,993
Machinery and equipment	899,697	226,437	132,483	993,651
Construction in progress	956,588	409,669	16,579	1,349,678
Total	<u>\$ 8,304,200</u>	<u>\$ 847,729</u>	<u>\$ 299,720</u>	<u>\$ 8,852,209</u>

Depreciation Method

Depreciation is calculated using the straight line method over the following useful life:

Land Improvements	10 - 100 yrs.
Buildings	15 - 60 yrs.
Machinery and Equipment	2 - 25 yrs.

The following table reflects the accumulated depreciation for the major classes of fixed assets reported by the discretely presented Authorities which use proprietary fund accounting (expressed in thousands):

	<u>Accumulated Depreciation</u>
Land	\$ --
Land improvements	91,476
Building and improvements	911,282
Machinery and equipment	1,020,966
Construction in progress	<u>--</u>
Total	<u><u>\$ 2,023,724</u></u>

F. Long-Term Obligations

A summary of long-term obligations for the discretely presented Authorities at June 30, 1997 is shown below:

	<u>Proprietary Amount In Thousands</u>
Revenue bonds and notes	\$ 8,853,213
Capital leases and installment obligations	<u>640,471</u>
Total Long-Term Debt	<u><u>\$ 9,493,684</u></u>
	<u>Governmental Amount In Thousands</u>
Revenue bonds and notes	\$ 5,676,724
Capital leases and installment obligations	<u>--</u>
Total Long-Term Debt	<u><u>\$ 5,676,724</u></u>

Certain Authorities issue their own revenue bonds and bond anticipation notes. Bond anticipation notes are generally repaid from the proceeds of revenue bonds to be issued from renewal of the notes, Federal or State aid, or other sources relative to the purpose of the issuance. Revenue bonds, except as disclosed, are not obligations of the State of New Jersey. The State of New Jersey has entered into an agreement with the New Jersey Economic Development Authority whereby the State has agreed to annually pay to the Economic Recovery Fund, maintained by the Authority, an amount equivalent to the amount due to the State each year by the Port Authority of New York and New Jersey pursuant to the regional economic development agreement subject to and dependent upon appropriations being made for such purposes by the State Legislature.

1. Debt Service Payments

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

<u>Fiscal Year</u>	<u>Proprietary Funds Amount</u>
First	\$ 772,776
Second	758,735
Third	768,033
Fourth	842,888
Fifth	844,255
Thereafter	<u>12,523,157</u>
Total minimum debt service payments	16,509,844
Less: Amount representing interest	<u>(7,756,616)</u>
Present value of debt service payments	<u>\$ 8,753,228</u>

<u>Fiscal Year</u>	<u>Governmental Funds Amount</u>
First	\$ 584,209
Second	536,829
Third	537,048
Fourth	538,084
Fifth	509,315
Thereafter	<u>7,129,314</u>
Total minimum debt service payments	9,834,799
Less: Amount representing interest	<u>(4,147,900)</u>
Present value of debt service payments	<u>5,686,899</u>

2. Changes in Long Term Debt

The following schedule represents the changes in the discretely presented Authorities long term debt (expressed in thousands):

	<u>Outstanding July 1, 1996</u>	<u>Proprietary Funds</u>		<u>Outstanding June 30, 1997</u>
		<u>Additions</u>	<u>Deductions</u>	
Revenue Bonds and Notes	\$ 8,257,983	\$ 871,504	\$ 276,274	\$ 8,853,213
Capital Leases and Installment Obligations	368,729	290,454	18,712	640,471
Total	<u>\$ 8,626,712</u>	<u>\$ 1,161,958</u>	<u>\$ 294,986</u>	<u>\$ 9,493,684</u>

	<u>Outstanding July 1, 1996</u>	<u>Governmental Funds</u>		<u>Outstanding June 30, 1997</u>
		<u>Additions</u>	<u>Deductions</u>	
Revenue Bonds and Notes	\$ 5,391,240	\$ 583,565	\$ 298,081	\$ 5,676,724
Capital Leases and Installment Obligations	--	--	--	--
Total	<u>\$ 5,391,240</u>	<u>\$ 583,565</u>	<u>\$ 298,081</u>	<u>\$ 5,676,724</u>

3. Capital Lease and Installment Obligations

The following is a schedule by fiscal year of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 1997 (expressed in thousands):

<u>Fiscal Year</u>	<u>Proprietary</u>	<u>Amount</u>
First		\$ 53,100
Second		41,168
Third		52,348
Fourth		51,431
Fifth		78,359
Thereafter		<u>1,204,913</u>
Total minimum lease payments		1,481,319
Less: Amount representing interest		<u>(838,818)</u>
Present value of lease principal payments		<u>\$ 642,501</u>

G. Fund Balance/Retained Earnings-Reserved-Other

The following significant fund balances have been reserved:

New Jersey Educational Facilities Authority

The reserve of \$1.9 billion represents \$0.4 billion reserved for debt service and construction projects and \$1.5 billion reserved for mortgage receivables.

New Jersey Health Care Facilities Financing Authority

\$2.7 billion is reserved for mortgage receivables.

New Jersey Housing and Mortgage Finance Agency

The reserve of \$426.9 million includes \$289.2 million reserved in accordance with the Agency's bond resolution, \$131.2 million reserved for their administrative fund, and \$6.5 million reserved for new mortgage loan programs.

New Jersey Wastewater Treatment Trust

\$95.2 million is reserved for debt service payments.

H. Description of Authorities

Casino Reinvestment Development Authority (N.J.S.A. 5:12-153)
1014 Atlantic Avenue
Atlantic City, New Jersey 08401
Fiscal Year Ending December 31, 1996

The Authority was created in 1984 to maintain public confidence in the casino gaming industry as a tool of urban redevelopment throughout New Jersey and to directly facilitate the redevelopment of blighted areas by providing eligible projects in which licensees (Casinos) can invest. The Authority encourages investment in, or financing of, projects which are made as part of a comprehensive plan to improve blighted areas or are targeted to benefit low through middle income residents. The Authority is also responsible for promoting the tourist industry in New Jersey, especially in Atlantic County.

**Hackensack Meadowlands Development Commission (N.J.S.A. 13:17-5)
1 De Korte Park Plaza
Lyndhurst, New Jersey 07071
Fiscal Year Ending December 31, 1996**

The Hackensack Meadowlands Development Commission is a body corporate and politic established within the Department of Community Affairs under the provisions of the Hackensack Meadowlands Reclamation and Development Act of 1968. Pursuant to the Act, the Commission is authorized and empowered to be the planning and zoning agency for the reclaiming, planning, development and redevelopment of the 19,730 acre Meadowlands District. The agency also has the responsibility to provide garbage disposal facilities for 118 communities in Bergen, Essex, Hudson and Passaic counties.

The District consists of waterways, tidal flow lands, woodlands, marsh and meadows contained within portions of 14 municipalities and two counties, Bergen and Hudson. Through the issuance, if needed, of tax-exempt bonds and notes, the Commission is able to raise needed funds.

**New Jersey Development Authority For Small Businesses, Minorities And Women's
Enterprise
(N.J.S.A. 34:1B-49)
200 South Warren Street
P.O. Box 990
Trenton, New Jersey 08625
Fiscal Year Ending December 31, 1996**

The New Jersey Development Authority for Small Businesses, Minorities and Women's Enterprise, established in, but not of, the Department of Commerce and Economic Development, was created pursuant to Chapter 386 of P.L. 1985. The Authority was established to provide financial assistance to small businesses and businesses owned by minorities and women in order to encourage entrepreneurship within these groups.

**New Jersey Economic Development Authority (N.J.S.A. 34:1B-4)
Capital Place One
200 South Warren Street
P.O. Box 990
Trenton, New Jersey 08625
Fiscal Year Ending December 31, 1996**

The New Jersey Economic Development Authority, created in 1974 as a public body corporate and politic, is authorized to arrange long-term, low-interest financing, and other forms of assistance to private firms and companies for the purpose of maintaining and expanding employment opportunities and enlarging the tax base of state and local governments in the State of New Jersey.

**New Jersey Educational Facilities Authority (N.J.S.A. 18A:72A-4)
101 College Road East
Princeton, New Jersey 08540-6601
Fiscal Year Ending December 31, 1996**

The New Jersey Educational Facilities Authority was established in 1966 to provide 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 its debt instruments (bonds, notes and other obligations). The Authority may finance academic and auxiliary facilities for the public and the independent institutions of higher education.

**New Jersey Health Care Facilities Financing Authority (N.J.S.A. 26:2I-4)
Station Plaza Bldg. #4
South Clinton and Yard Avenue
P.O. Box 366
Trenton, New Jersey 08625
Fiscal Year Ending December 31, 1996**

The New Jersey Health Care Facilities Financing Authority, established in 1972 as a public body corporate and politic of the State, provides low-cost capital financing for the public and private not-for-profit health care institutions of the State.

New Jersey Higher Education Assistance Authority - NJ Class (N.J.S.A. 18A:72-10)

**Office of Accounting
P.O. Box 547
Trenton, New Jersey 08625
Fiscal Year Ending June 30, 1997**

This authority was established because there was found to be a need for a State program to make State sponsored student loans available to students who cannot obtain Federally guaranteed loans, either because those loans are not available, because the student does not meet the program eligibility requirements as defined by the federal government, or because the student has additional financial need unmet by Federally guaranteed student loans.

New Jersey Highway Authority (N.J.S.A. 27:12B-4)

**Excutive Offices
Garden State Parkway
Woodbridge, New Jersey 07095
Fiscal Year Ending December 31, 1996**

The New Jersey Highway Authority, created in 1952 as a body corporate and politic, is authorized to acquire, construct, operate, and maintain highway projects (specifically the toll portions of the Garden State Parkway) with the provision that the Governor shall have the right to veto any action, except collective bargaining; and that the approval of the Governor and State Treasurer or Comptroller shall be required prior to adoption of any bond resolution or revision of tolls. The Authority has also been responsible for construction and maintenance of the Garden State Arts Center.

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 08650-2085
Fiscal Year Ending June 30, 1997**

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, the Agency monitors and provides technical support in the planning, construction, and management of all developments in its portfolio. HMFA mortgage loan funds come from the sale of tax-exempt revenue bonds.

In promoting the availability of affordable homeownership financing, the Agency also provides 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 Redevelopment Authority (N.J.S.A 55:19-1)

(replaces New Jersey Urban Development Corporation)

**200 South Warren Street
P. O. Box 990
Trenton, New Jersey 08625
Fiscal Year Ending December 31, 1996**

The New Jersey Redevelopment Authority was created pursuant to Chapter 62 of P.L. 1996, effective July 13, 1996, to provide assistance in the redevelopment and revitalization of New Jersey cities. The Authority is to provide 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)
P. O. Box C-200
East Rutherford, New Jersey 07073
Fiscal Year Ending December 31, 1996

The New Jersey Sports and Exposition Authority, established in 1971 as a public body corporate and politic with corporate succession, has been responsible for the financing, construction, and management of the Meadowlands Racetrack and Giants Stadium, both of which opened in 1976, and the Continental Airlines Arena which opened in July, 1981. The Authority is charged with the responsibility to own, operate, and build various facilities, located in the State of New Jersey, including the Atlantic City Convention Center Authority, for athletic and entertainment events, trade shows, and other expositions, and is authorized to issue bonds and notes and to provide the terms and security thereof.

New Jersey Transit Corporation (N.J.S.A. 27:25-1)
One Penn Plaza East
Newark, New Jersey 07105
Fiscal Year Ending June 30, 1997

New Jersey Transit Corporation (NJ TRANSIT) was created by the New Jersey Public Transportation Act of 1979 and is empowered to acquire, own, operate, and contract for the operation of public transportation services.

NJ TRANSIT receives operating subsidies principally from the State of New Jersey by legislative appropriation and the Federal Government by defined formula grants under the Urban Mass Transportation Administration (UMTA). These government grants are used to support the operation of public transportation services.

NJ TRANSIT provides these services through the operation of 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 maintenance of certain NJ TRANSIT rolling stock and the use of Amtrak's northeast corridor, including propulsion costs and the cost of maintaining right-of-way.

New Jersey Turnpike Authority (N.J.S.A. 27:23-3)
P. O. Box 1121
New Brunswick, New Jersey 08903
Fiscal Year Ending December 31, 1996

The New Jersey Turnpike Authority, created as a body corporate and politic by the New Jersey Turnpike Authority Act of 1948, is authorized to construct, maintain, repair, and operate turnpike projects at locations established by law. Furthermore, the Authority may issue turnpike revenue bonds or notes of the Authority, subject to prior approval by the Governor and by either or both the State Treasurer and the Comptroller of the Treasury, payable solely from tolls and other revenues of the Authority.

New Jersey Wastewater Treatment Trust (N.J.S.A. 58:11B-4)
3131 Princeton Pike - Building 6
P. O. Box 440
Trenton, New Jersey 08625
Fiscal Year Ending June 30, 1997

The New Jersey Wastewater Treatment Trust, established in, but not of, the Department of Environmental Protection in 1985, is a body corporate and politic, with corporate succession. The purpose of the Trust is to make loans to and guarantee debt incurred by local government units to finance the cost of wastewater treatment system projects. The Trust may from time to time issue bonds, notes or other obligations in any principal amounts that the Trust deems necessary, up to an aggregate principal amount of \$600 million in order to provide sufficient funds to carry out its purpose.

New Jersey Water Supply Authority (N.J.S.A. 58:1B-4)

P. O. Box 5196

Clinton, New Jersey 08809

Fiscal Year Ending June 30, 1997

The New Jersey Water Supply Authority, created in 1981 as a public body corporate and politic, is authorized to acquire, finance, construct, and operate water supply systems. The Authority currently operates and maintains the Delaware and Raritan Canal and the Spruce Run/Round Valley Reservoir water supply system.

The Authority may, upon the request of a municipality, county, the State, or agencies thereof, 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)

Second and Beck Streets

Camden, New Jersey 08104

Fiscal Year Ending December 31, 1996

The South Jersey Port Corporation, an entity of the State's Department of Commerce and Economic Development, was created in 1968 by the South Jersey Port Corporation Act. The Act conferred upon the Corporation the powers to establish, acquire, construct, rehabilitate, improve, operate, and maintain marine terminals in the South Jersey Port District, including 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 the Marine Terminal Revenue Bond Resolution adopted November 30, 1970, 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

Fiscal Year Ending December 31, 1996

The South Jersey Transportation Authority created in 1992 is authorized and empowered to acquire, construct, maintain, operate and support expressway and transportation projects including the Atlantic County International Airport. The Authority may issue revenue bonds or notes of the Authority subject to prior approval by the Governor and by either or both the State Treasurer and the Comptroller of the Treasury, payable solely from tolls and other revenues of the Authority.

NOTE 19 - COMPONENT UNITS - COLLEGE AND UNIVERSITY FUNDS

Effective July 1, 1987, nine State colleges whose revenues and expenditures were previously accounted for in the General Fund of the State of New Jersey, were given autonomous status as a result of Chapters 42 and 88 of Public Law of 1988.

The financial statements of the colleges and universities have been prepared in accordance with the American Institute of Certified Public Accountants' "Industry Audit Guide - Audits of Colleges and Universities" and Governmental Accounting Standards Board (GASB) Statement 14, "The Financial Reporting Entity." Accordingly, the statements of these colleges and universities have been discretely presented in a separate column in the combined balance sheet. Additionally, the statement of changes in fund balances and statement of current funds, revenues, expenditures, and other changes have been presented in separate statements. The financial statements do not include the financial activity related to foundations and similar organizations within the colleges and universities.

Descriptions of the colleges and universities as well as addresses from which audit reports of the individual college and universities can be obtained is provided at the conclusion of this note.

A. Fund Accounting

The financial activities of the colleges and universities are recorded in funds which classify the various transactions by specified activities or objectives. Fund balances of such funds are reported as reserved for higher education programs and higher education general endowment and similar funds. The financial statements presented here are an aggregation of these fund types. Data regarding these funds can be obtained in the audit reports of the individual college and university funds for the year ended June 30, 1997.

B. Restatements

The beginning balances for the following funds were changed as follows:

Unrestricted Fund - There was a net decrease of \$80,462 from a restatement of Stockton's beginning balance.

Endowment Fund - There was a net decrease of \$210,016 from a restatement of Stockton's beginning balance.

C. Cash and Cash Equivalents

Governmental Accounting Standards Board Statement 3 requires the bank balances of deposits to be categorized to indicate the level of risk assumed by the entity. Category 1 consists of deposits that are insured or collateralized with securities held by the entity or by its agent in the entity's name. Category 2 consists of deposits collateralized with securities held by the pledging financial institutions trust department or agent in the entity's name. Category 3 consists of deposits which are uncollateralized.

Cash and cash equivalents are categorized below for all college and university funds (expressed in millions):

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Bank Balance</u>	<u>Total Carrying Balance</u>
Cash	\$ 44.6	\$ 0.0	\$ 2.3	\$ 46.9	\$ 22.3
Cash with fiscal agents	20.3	4.7	0.4	25.4	38.3
Certificates of deposit and related items	<u>7.6</u>	<u>2.3</u>	<u>103.3</u>	<u>113.2</u>	<u>113.2</u>
Total	<u>\$ 72.5</u>	<u>\$ 7.0</u>	<u>\$ 106.0</u>	<u>\$ 185.5</u>	<u>\$ 173.8</u>

A negative cash balance of \$13.7 million in the Richard Stockton College of New Jersey's Current Unrestricted Fund was reclassified to accounts payable. In addition, minor negative cash balances totaling \$414,984 in the Current Unrestricted and Restricted, Loan and Endowment Funds of the William Paterson University of New Jersey and \$19,966 in the University of Medicine and Dentistry of New Jersey's Current Unrestricted Fund were also reclassified to accounts payable.

D. Investments

Investments of the colleges and universities are stated at cost, adjusted for amortization of premiums and accretion of discounts. Donated securities are carried at market value at the date of gift. Governmental Accounting Standards Board Statement 3 requires investments to be categorized to indicate the level of risk assumed by the entity. Category 1 consists of investments that are insured or registered or for which the securities are held by the entity or its agent in the entity's name. Category 2 consists of uninsured and unregistered investments for which the securities are held by counterparties' trust department or agent in the entity's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparties' trust department or agent but not in the entity's name. Investments of the colleges and universities are in accordance with the statutes of the State of New Jersey (see Note 4), regulations of governing boards or applicable limitations set forth in gift instruments. Investments for all colleges and universities are detailed below (expressed in millions):

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Amount</u>	<u>Value</u>
Government and Other	\$ 515.4	\$ 212.3	\$ --	\$ 727.7	\$ 727.1
Repurchase agreements	18.2	0.0	--	18.2	18.2
Ind bonds and commercial paper	17.2	1.8	--	19.0	20.3
Telephone bonds	5.7	0.0	--	5.7	5.5
Utility bonds	0.2	1.4	--	1.6	1.7
Fin Co's - senior debt	38.9	5.6	--	44.5	44.5
Common stock	118.1	11.9	0.1	130.1	177.0
Other	2.9	9.0	--	11.9	12.1
Investments subject to risk categorization	<u>\$ 716.6</u>	<u>\$ 242.0</u>	<u>\$ 0.1</u>	\$ 958.7	\$ 1,006.4
Participation in State of New Jersey Cash Management Fund				173.3	173.3
Total reported as investments				<u>\$ 1,132.0</u>	<u>\$ 1,179.7</u>

E. Patient Service Revenues

Patient revenues, which were \$285.1 million during fiscal year 1997, are recognized at the time of service, net of allowances applicable to third-party payers, charity and bad debts.

F. Departmental Receivables

An allowance for doubtful receivables is provided for estimated losses expected to be incurred in collection. The estimated losses are based on historical collection experience and a review of the status of existing receivables.

G. Fixed Assets

Fixed Assets are stated principally at cost at date of acquisition or fair value at date of donation in the case of gifts. Rutgers, the State University and the University of Medicine and Dentistry have elected to record depreciation in accordance with FASB Statement No. 93, "Recognition of Depreciation by Not-for-Profit Organizations" (expressed in millions):

	<u>College and University Funds</u>
Land	\$ 98.2
Land improvements	71.1
Building and improvements	2,598.0
Machinery and equipment	943.1
Construction in progress	194.4
	<u>3,904.8</u>
Less accumulated depreciation	995.3
Total	<u>\$ 2,909.5</u>

H. Pension and Retirement Benefits

Retirement benefits for the majority of eligible full-time employees are provided under various pension agreements, namely the Public Employees' Retirement System (Note 16), the Teachers' Pension and Annuity Fund, and the Teachers' Insurance and Annuity Association College and Retirement Equity Fund. Under these arrangements, the plan participants make annual contributions and the State provides the employer portion of the contribution directly. Contributions made by the State in fiscal year 1997 amounted to \$75.6 million. In addition to the above major plans, some employees of Kean College of New Jersey, Montclair State University of New Jersey, Rowan College of New Jersey and Trenton State College of New Jersey are covered by the Police and Fireman's Retirement System and some employees of the University of Medicine and Dentistry are covered under retirement systems of the city of Newark.

I. Notes Payable

Notes payable consists mainly of \$2.2 million for Rutgers, the State University.

J. Bonds Payable and Other Debt

A summary of bonds issued and outstanding for Rutgers, the State University at June 30, 1997 is as follows (expressed in thousands):

	Date of Series	Original Amount	Outstanding June 30, 1997
Revenue refunding bonds:			
Series A, 3.125%, due serially to May 1, 2001	5/1/67	\$ 5,025	\$ 745
Series B, 2.875%, due serially to May 1, 1999	5/1/67	575	40
Series C, 2.75%, due serially to May 1, 1999	5/1/67	2,190	200
Series D, 4.4%, due serially to May 1, 1999 to May 1, 1999	5/1/67	1,920	105
Series Q, 6.92% effective, due serially to May 1, 2001 and term bonds due May 1, 2013	3/15/91	5,475	4,725
Series R, 6.51 % effective, due serially to May 1, 2009 and term bonds due May 1, 2018	2/1/92	90,655	80,360
Series S, 5.11 % effective, due serially to May 1, 2014	4/15/93	35,170	28,865
Series T, 5.34% effective, due serially to May 1, 2016	4/15/93	36,270	32,515
Total revenue refunding bonds		<u>177,280</u>	<u>147,555</u>
Revenue bonds:			
Series E, 3.75%, due serially to May 1, 2016	5/1/67	\$ 1,200	\$ 730
Series F, 3%, due serially to May 1, 2016	11/1/67	2,350	1,340
Series H, 5.9% effective, due serially to May 1, 2007	11/1/70	8,300	4,470
Series J, 5.8% effective, due serially to May 1, 2003 and term bonds due May 1, 2013	11/1/76	11,200	7,805
Series P 6.86% effective, due serially to May 1, 2007 and term bonds due May 1, 2021	3/15/91	28,325	26,315
Total revenue bonds		<u>51,375</u>	<u>40,660</u>

General obligations refunding bonds:

1992 Series A, 6.51 % effective, due serially to May 1, 2007 and term bonds due May 1, 2018	2/1/92	94,370	85,425
1993 Series 1, 5.32% effective, due serially to May 1, 2015	4/15/93	10,275	9,100
1993 Series A, 5.12% effective, due serially to May 1, 2014 and term bonds due May 1, 2019	10/1/93	<u>81,600</u>	<u>72,975</u>
Total general obligation refunding bonds		<u>186,245</u>	<u>167,500</u>
General obligations bonds:			
1993 Series B, 5.37% effective, due serially to May 1, 2016	4/15/93	<u>28,020</u>	<u>26,340</u>
Total general obligation bonds		<u>28,020</u>	<u>26,340</u>
TOTAL BONDS		<u>\$ 442,920</u>	<u>\$ 382,055</u>

The Revenue Refunding Bonds, Series A-D and Q-T and the Revenue Bonds, Series E, F, H, J and P were issued under an open-ended indenture dated May 1, 1967 to finance construction of auxiliary enterprise facilities and to consolidate previously outstanding bond indebtedness. Under the terms of the indenture, all bonds issued are direct and general obligations of Rutgers, the State University and are in no way an obligation of the State of New Jersey. All revenues from auxiliary enterprise facilities constructed from the proceeds of the bonds, together with revenues from certain other such facilities, are pledged to secure the indebtedness and must be applied to (1) annual interest and amortization payments, (2) debt service reserve deficiency, if any, (3) operating and maintenance expenses, and (4) the funding of repair and replacement reserves. The excess of funds, after satisfying these requirements, is available to the University. The University has covenanted that so long as the bonds are outstanding, it will not incur any other indebtedness secured by a pledge of the facility revenues, nor sell, mortgage or otherwise dispose of such facilities.

The General Obligation Refunding Bonds, 1992 and 1993 Series A, and General Obligation Bonds, 1993 Series B, were issued under an open-ended indenture of trust, dated May 1, 1987, as supplemented; the General Obligation Refunding Bonds, 1993 Series 1, were issued under an indenture of trust, dated May 1, 1986. These bonds were issued to finance a portion of the cost of the renovation, construction and equipping of certain academic, research, support and other facilities, as well as infrastructure development and land acquisitions of the University. Under the terms of the indentures, all bonds issued are direct and general obligations of the University and are in no way an obligation of the State of New Jersey.

Debt service payments over the next five years for the following bonds outstanding at June 30, 1997, are as follows (expressed in thousands):

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Series A-F, H, J, P-T *					
Principal	\$ 6,610	\$ 6,910	\$ 6,915	\$ 7,260	\$ 7,580
Interest*	10,875	10,558	10,215	9,854	9,467
1993 Series 1					
Principal	325	340	355	370	390
Interest	462	448	433	417	400
1992, 1993 and 1997 Series A					
Principal	4,410	4,630	4,860	5,110	5,375
Interest	10,124	10,020	9,794	9,550	9,289
1993 Series B					
Principal	855	890	935	980	1,035
Interest	<u>1,382</u>	<u>1,340</u>	<u>1,295</u>	<u>1,248</u>	<u>1,199</u>
Total	<u>\$ 35,043</u>	<u>\$ 35,136</u>	<u>\$ 34,802</u>	<u>\$ 34,789</u>	<u>\$ 34,735</u>

* Net of interest subsidy of \$69,000 on Series H Bonds

The New Jersey Institute of Technology (NJIT) entered into an agreement with the New Jersey Educational Facilities Authority (NJEFA) in May of 1994, under which the NJEFA issued \$56.5 million of revenue bonds, Issue 1994 Series A (the "1994 Series A Bonds"). The NJIT advance refunded the 1986 Series A, 1986 Series B, 1989 Series A and 1991 Series D bonds which increased its total debt service payments over the next 30 years by approximately \$30 million and resulted in an economic gain (difference between the present value of the debt service payment on the old and the new bonds) of approximately \$4 million. The University obligation under this agreement is as follows:

	<u>Amount in Thousands</u>
1994 Series A serial bonds 5.65-5.95% (due to the New Jersey Educational Facilities Authority to 2009)	\$ 15,385
1994 Series A term bonds 6.00% (due to the New Jersey Educational Facilities Authority on July 1, 2015)	11,940
1994 Series A term bonds 6.00% (due to the New Jersey Educational Facilities Authority on July 1, 2024)	27,905
Discount on Bonds	<u>(1,013)</u>
Total	\$ <u>54,217</u>

In November of 1995, NJIT entered into an agreement with the NJEFA under which the NJEFA issued \$33.2 million of Revenue Bonds, Issue 1995 Series E. The University obligation under this agreement is as follows:

	<u>Amount (In Thousands)</u>
1995 Series E serial bonds 5.25-5.375% (due to the New Jersey Educational Facilities Authority to 2013)	\$ 12,585
1995 Series E term bonds 5.375% (due to the New Jersey Educational Facilities Authority on July 1, 2016)	3,935
1995 Series E term bonds 5.375% (due to the New Jersey Educational Facilities Authority on July 1, 2020)	6,390
1995 Series E term bonds 5.375% (due to the New Jersey Educational Facilities Authority on July 1, 2025)	10,320
Discount on Bonds	<u>(631)</u>
Total	\$ <u>32,599</u>

The agreement with NJEFA requires the pledging of certain revenues to meet the sinking fund requirements of the issue. Deposits held with the trustees represent restricted funds held by the First Fidelity Bank, National Association, New Jersey under terms of the agreement with NJEFA. The funds consist principally of cash and U.S. Government securities. Of the total deposits held at June 30, 1997, approximately \$4.3 million is required to be maintained in accordance with mortgage bond indenture agreements.

Remaining aggregate principal repayments required under the term of the mortgage bond are:

<u>Fiscal Year</u>	<u>Amount (In Thousands)</u>
1998	\$ 2,165
1999	1,982
2000	2,061
2001	2,146
2002	1,910
Thereafter	<u>83,682</u>
	\$ 93,946
Less amts. represent- ing interest	<u>(2,310)</u>
	<u>\$ 91,636</u>

On August 1, 1994, NJIT, along with other colleges and universities, entered into a lease agreement with the NJEFA whereby NJEFA issued bonds to purchase equipment and each college and university pays rental payments to service its portion of the debt service. At the end of the lease, the equipment title will transfer to the NJIT. The Institute acquired equipment in the amount of \$.4 million during fiscal year 1997 under the Equipment Leasing Fund ("ELF") program. At June 30, 1997 future principal and interest commitments under the ELF program are \$1.2 and \$.1 million respectively.

At June 30, 1997, long-term debt of University of Medicine and Dentistry of New Jersey consisted of the following (excluding debt relating to Raritan Valley Hospital):

University of Medicine and Dentistry of New Jersey Series B Tax Exempt Revenue Bonds of August 1986 issued in the amount of \$56,840,000. Serial bonds in the amount of \$1,815,000 bearing interest at rates of 6.85% are payable in equal annual installments of interest and principal through 1997; \$19,685,000 of term bonds bearing interest of 5% are due through 2011. \$8,595,000 of serial bonds and \$14,605,000 of 7% term bonds were retired with the issuance of Series B Bonds.) The issue is collateralized by certain University revenue.	\$ 21,500,000
University of Medicine and Dentistry of New Jersey, Series C Tax Exempt Revenue Bonds of October 1989 issued in the amount of \$55,875,000. Serial bonds in the amount of \$4,455,000 bearing interest at rates of 6.7-7.0% are payable in equal annual installments of interest and principal through 2000. (\$5,380,000 of serial bonds \$41,760,000 of 7.2% term bonds were retired with the issuance of Series 1995 B Bonds.) The issue is collateralized by certain University revenue.	4,455,000
University of Medicine and Dentistry of New Jersey, Series D Tax Exempt Refunding Bonds of July 1991 issued in the amount of \$9,750,000. Serial bonds in the amount of \$6,105,000 bearing interest at rates of 5.8-6.5% are payable in equal installments of interest and principal through 2003. (2,265,000 of serial bonds were retired with the issuance of Series 1995 B Bonds.) The issue is collateralized by certain University revenue.	6,105,000
University of Medicine and Dentistry of New Jersey Series E Tax Exempt Revenue Bonds of February 1992 issued in the amount of \$68,605,000. Serial bonds in the amount of \$9,530,000 bearing interest at rates of 5.3-6.2% are payable in equal installments of interest and principal through 2003; \$12,695,000 of 6.5% term bonds are due in 2012. (\$3,540,000 of serial bonds and \$40,210,000 of 5.75-6.50% term bonds were retired with issuance of series 1995 B Bonds.) The issue is collateralized by certain University revenue.	22,225,000
University of Medicine and Dentistry of New Jersey Series 1995 B Tax Exempt Revenue Bonds of December 1995 issued in the amount of \$143,645,000. Serial bonds in the amount of \$106,075,000, bearing interest at rates of 5.0-5.25% are payable in equal installments of interest an principle through 2017; \$37,570,000 of 5.25% term bonds are due through 2025. The issue is collateralized by certain University revenue.	143,645,000
University of Medicine and Dentistry of New Jersey, Certificates of Participation: Series C and D	11,185,000
Equipment leasing fund	<u>1,795,000</u>
	210,910,000
LESS: Unamortized discount of Series B, D and E and 1995 B Tax Exempt Revenue Bonds	<u>3,380,000</u>
Total	<u>\$ 207,530,000</u>

In November 1989, the University entered into a Master Lease Agreement whereby the University may borrow up to \$26.3 million under Series B, C and D Certificates of Participation ("the Certificates") for equipment and facilities acquisition and renovation. These certificates bear interest at 6.6-6.8 percent and, at June 30, 1997, are due serially from December 1997 to December 1999; \$9.6 million of term certificates bearing interest at 6.75 percent are due December 2009. Title to all equipment and facilities purchased under these lease agreements vests with the University and the leases are collateralized by the assets acquired.

In August 1994, the University participated in the Equipment Leasing Fund Program with the New Jersey Educational Facilities Authority to fund specific equipment needs. The University's allocation was \$10.1 million of which 25 percent (\$2.5 million), bearing an interest rate of 5 percent, is the obligation of the University and the remaining 75 percent is the obligation of the State of New Jersey. Lease payments will be made through August 2000 at approximately \$.5 million per year, at which time title to the equipment passes to the University.

Repayments of principal amounts of long-term debt exclusive of the debt related to Raritan Valley Hospital for the next five years and thereafter are as follows:

<u>Fiscal Year</u>	<u>Amount (In Thousands)</u>
1998	6,516
1999	4,982
2000	6,529
2001	7,658
2002	7,435
Thereafter	<u>177,790</u>
	<u>\$ 210,910</u>

K. Capitalized Lease Obligations

At June 30, 1997, Jersey City State College, Kean College of New Jersey, Montclair State University, William Paterson University of New Jersey, Ramapo College of New Jersey, Rutgers the State University, and Richard Stockton College of New Jersey had future lease payments as shown in the following schedule:

<u>Year</u>	<u>Amount (In Millions)</u>
1998	\$ 25.2
1999	24.0
2000	23.9
2001	23.7
2002	22.6
Thereafter	<u>317.0</u>
Total lease payments	436.4
Less: Amount representing interest	<u>165.6</u>
Present value of lease payments	<u>\$ 270.8</u>

L. Self Insurance Reserve Fund

The University of Medicine and Dentistry of New Jersey Self Insurance Reserve Fund is accounted for within a trust fund maintained by the State of New Jersey.

M. Commitments and Contingencies

The University is a party to various legal actions arising in the ordinary course of its operations. While it is not feasible to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the University's financial statements.

N. Subsequent Event

On July 1, 1997, Rutgers, the State University of New Jersey, issued General Obligation Bonds, 1997 Series A, in the aggregate amount of \$25.4 million with serial bonds due to May 1, 2017 and term bonds due May 1, 2022 and 2027, at an effective interest cost of 5.34 percent. The proceeds of the 1997 Series A Bonds, together with certain other moneys available to the University, will be used to finance the construction of the Center for Law and Justice, including the acquisition of two parcels of land, to accommodate the University's Newark Law School, the School of Criminal Justice and various other campus administrative services. Proceeds will also be used to cover the costs associated with the issuance of the bonds.

O. Description of Colleges and Universities

**The College of New Jersey (N.J.S.A. 18A:62-1)
Hillwood Lakes
Trenton, New Jersey 08625**

The College of New Jersey (formerly Trenton State College), founded in 1855, came under the general policy control of the State Board of Higher Education effective July 1, 1967. Operation and management are vested in a nine-member Board of Trustees appointed by the State Board of Higher Education, subject to the approval of the Governor.

The College offers over 60 undergraduate degrees and more than 20 graduate degree and certification programs through five schools: Arts and Sciences, Business, Education, Nursing and Technology. Other programs offered are the cooperative education program, international/national study options, continuing education and the Institute for Public and Private Service.

The College is located in Ewing Township, Mercer County, on 255 acres. Its 36 buildings include the 550,000 volume Roscoe L. West Library, the Holman Hall Art Gallery, the Brower Student Center, 13 academic computer laboratories, and the collegiate recreation and athletic facilities complex.

**Thomas A. Edison State College (N.J.S.A. 18A:62-1)
101 West State Street
Trenton, New Jersey 08625**

Thomas A. Edison State College was founded by the State Board of Higher Education on July 1, 1972, and was officially established as the ninth State college under the terms of the State College Law (N.J.S.A. 18A:62-1 et seq.) on May 18, 1973. The operations and management of the College were vested in its Board of Trustees, appointed by the State Board of Higher Education, with the approval of the Governor.

The mission of the College is to evaluate college-level learning, regardless of its source. To achieve this mission, the College has been authorized:

1. To award college credit through college proficiency examinations, the assessment of prior learning and/or the evaluation of transfer credits and special credentials, and to award associate and baccalaureate degrees to individuals who have met the degree requirements as established by the Academic Council of the College.
2. To develop and administer the Thomas A. Edison State College examination and Portfolio Assessment Programs as basic means through which Edison students may satisfy degree requirements.

3. To encourage the availability of college-level learning opportunities through cooperation with all types of institutions that are now providing, or have the potential to provide, college-level learning experiences outside the traditional modes of higher education. In developing these cooperative arrangements, the College will not provide instruction directly but will award credit for such educational experiences either through the evaluation of noncollegiate programs or the direct testing of student learning outcomes.
4. To develop linkages with or create educational delivery systems built around contemporary telecommunications technology which will provide the distant learner with information and guidance on educational opportunities, modes of support for independent study and assessment, and access to media-based instruction and testing.

The College maintains three permanent educational counseling centers in East Orange, Trenton, and Cherry Hill which are open to all residents who wish information and advice concerning educational opportunities available to them within the State system of higher education.

Jersey City State College (N.J.S.A. 18A:62-1)
2039 Kennedy Boulevard
Jersey City, New Jersey 07305

Jersey City State College, located in Hudson County, is dedicated to urban programs designed to meet the complex economic, social and educational problems of the "inner" cities of metropolitan New Jersey. The urban mission is unique among the State colleges, and in order to strengthen this mission, the College has embarked on a three-year plan designed to make it the premier Cooperative Education College in the State. The College serves thousands of residents of the northeast corner of the State. Ten percent of the student population is comprised of men and women from the other areas of New Jersey, adjacent states and foreign countries. The operation and management of the College is vested in its nine-member Board of Trustees appointed by the State Board of Higher Education, subject to the approval of the Governor.

Special features of the campus include the A. Harry Moore Laboratory School for Special Education, the Peter W. Rodino, Jr. Institute of Criminal Justice, the Center for the Advancement of Teaching and Learning (CATALYST), the Center for Occupational Education, the Adult Education Center, the Media Arts Center, and the Margaret Williams Theater for the Performing Arts. The College has 15 acres of athletic fields, three gymnasiums, a swimming pool, a modern dance studio and three auditoriums, in addition to its 110 classrooms and laboratories.

Kean College Of New Jersey (N.J.S.A. 18A:62-1)
Morris Avenue
Union, New Jersey 07083

Kean College of New Jersey is a public, State-supported, four-year, co-educational institution of higher education. It is located in Union Township, and is situated on a 120-acre campus, which includes a six-acre woodlands preserve. The College traces its history to 1855 when it was founded by and in the City of Newark. For more than a century, its accomplishments and reputation were primarily associated with contributions made in the area of teacher education. In 1913 the College became a State institution, and in 1958 moved to its present location on property which had been a part of the Kean Estate. The operation and management of the College is vested in its nine-member Board of Trustees appointed by the State Board of Higher Education, subject to the approval of the Governor.

The campus currently contains 26 structures, including modern classroom buildings, a science complex, a 1,000-seat theatre for the performing arts, a library, a child study institute, athletic and recreational facilities, student apartments, and a student center. The 28-acre east campus, one quarter mile from the main campus, includes athletic fields, recreation facilities, and certain student and academic support programs.

Montclair State University (N.J.S.A. 18A:62-1)
Valley Road
Upper Montclair, New Jersey 07043

Montclair State University (the University) is recognized as a public institution of higher education by the State of New Jersey (the "State"). This recognition is supported by annual appropriations from the State to support the University. On April 27, 1994 the institution obtained university status.

The University, which began in 1908 as a two-year Normal School, came under the general policy control of the State Board of Higher Education on July 1, 1967. The operation and management of the University is vested in its own nine-member Board of Trustees appointed by the State Board of Higher Education, subject to the approval of the Governor. The University offers a broad spectrum of general liberal arts education and professional studies for more than 12,000 students for both full-time and part-time undergraduate and graduate programs.

The main campus of the University has 202 acres divided between the town of Montclair in Essex County and the municipalities of Little Falls and Clifton in Passaic County. Presently over 40 buildings comprise the physical plant, including campus housing for nearly 2,000 students, and a Student Center Annex.

The University also operates a 30-acre nature preserve at Lake Valhalla (Morris County) and, as part of the University's School of Conservation, a 240-acre environmental education center in Stokes State Forest (Sussex County).

New Jersey Institute Of Technology (N.J.S.A. 18A:64E-4)
323 Dr. Martin Luther King Jr. Boulevard
Suite 22E
Newark, New Jersey 07102

The Institute is recognized as a public institution of higher education by the State of New Jersey. The recognition is supported by an annual contract between the Institute and the State whereby the Institute agrees to render services of public higher education for the State of New Jersey. In return, the State appropriates funds to support the Institute.

The Institute was founded in 1881 (N.J.S.A. 18A:64E-1 et seq.). For more than three decades, the State Board of Education contracted annually with the New Jersey Institute of Technology, formerly Newark College of Engineering, for services in public higher education. Effective July 1, 1967, the contractual relationship is with the State Board of Higher Education (N.J.S.A. 18A:3-14).

The physical plant is located in Newark on 34 acres and is comprised of 16 buildings, including classroom-laboratory buildings, gymnasium, library, theatre, residence hall, maintenance building, parking lots and playing fields.

The William Paterson University Of New Jersey (N.J.S.A. 18A:62-1)
300 Pompton Road
Wayne, New Jersey 07470

The William Paterson University of New Jersey (formerly the William Paterson College of New Jersey), founded in Paterson in 1855, was relocated in 1951 to the Boroughs of Wayne, Haledon and North Haledon, Passaic County. Effective July 1, 1967, the State Board of Higher Education became responsible for general oversight of the College, but the operation and management of the College is vested in its own nine-member Board of Trustees appointed by the State Board of Higher Education, subject to the approval of the Governor.

The College offers 33 baccalaureate and 13 master's degree programs through seven schools: The Arts and Communication, Education and Community Services, Health Professions and Nursing, Humanities, Management, Science and Social Science.

The College is located on 250 acres and has 20 major buildings. Academic buildings include color television studios, modern facilities and science laboratories, fine arts studios, a 1,000-seat theatre, classrooms, and academic/administrative computer center, a gymnasium and pool, and a library. Other facilities include a student center, a multipurpose recreation center, athletic fields, dormitory and apartments for 1,551 students.

Ramapo College Of New Jersey (N.J.S.A. 18A:62-1)
505 Ramapo Valley Road
Mahwah, New Jersey 07430

Ramapo College of New Jersey was established by the Legislature in 1968 and opened in September, 1971. Responsibility for the operation and management of the College is vested in its own nine-member Board of Trustees appointed by the State Board of Higher Education, subject to the approval of the Governor. The College is located in the foothills of the Ramapo Mountains in Northwest Bergen County, close to the New York State border. The wooded, almost rural setting is enhanced by the award winning barrier-free modern buildings and the student apartments. Facilities include modern academic buildings, library, science building, student center, and an athletic complex which includes a gymnasium, an NCAA-size swimming pool, tennis courts and a variety of playing fields.

Rowan University (N.J.S.A. 18A:62-1)
Linden Hall
Glassboro, New Jersey 08028

Rowan University (formerly Rowan College of New Jersey), was founded in 1923 and effective July 1, 1967, came under the general policy control of the State Board of Higher Education. Under the Higher Education Act of 1966, the College and all the other State colleges became multipurpose institutions with emphasis on the liberal arts and sciences and various professional areas. The College offers a full range of baccalaureate degree programs and selected master's degree programs through its Schools of Liberal Arts and Sciences, Business Administration, Fine and Performing Arts and Professional Studies. The operation and management of the College is vested in the College Board of Trustees (N.J.S.A. 18A:64-1 et seq.). The work of the College is centered on the main campus in Glassboro and the branch campus in Camden; courses are offered at several off-campus locations.

The College is located in Glassboro, Gloucester County, on 200 acres and in 1987 included 48 buildings comprised of administrative offices, library, dormitories, apartments, classrooms, gymnasium, athletic team house, theatre/auditorium, maintenance shop, heating plant, student center, bookstore, and Holly Bush (the Whitney Mansion that was the site of the Johnson-Kosygin Summit Conference in 1967).

Rutgers, The State University (N.J.S.A. 18A:65-12)
Administration Building -- Room 308
Davidson Road
Piscataway, New Jersey 08855

Founded in 1766 as one of the colonial colleges, Rutgers became The State University in 1956 (N.J.S.A. 18A:65-1 et seq. as amended) with a reorganized Board of Trustees and a newly created Board of Governors. The membership of the Board of Governors consists of ex-officio members, the Chancellor of the Department of Higher Education of New Jersey, the President of the Corporation and 11 voting members, six of whom are appointed by the Governor of the State with the advice and consent of the Senate, and five of whom are appointed by the Board of Trustees from among its members. The Board of Governors has general supervision over the University's operations. The Board of Trustees acts in overall advisory capacity and controls certain properties, funds and trusts. The State Board of Higher Education (N.J.S.A. 18A:62-1 et seq.) is responsible for the coordination and general financial oversight of Rutgers as a part of the State's system of higher education.

The University provides instruction to approximately 90,000 full and part-time students enrolled in instructional programs in its graduate and undergraduate colleges, schools, summer session, and continuing education programs.

Research, the second major area of University responsibility, has earned the support of commerce, industry, State and Federal governments, societies, and philanthropic organizations, as well as financing from the University's funds.

Extension services, designed to take the University's teaching function directly to the people of the State, is a major responsibility. Such services range from the work of the county agricultural, home economics and 4-H Club agents to non-credit courses, including postgraduate work in technical and professional fields.

Richard Stockton College of New Jersey (N.J.S.A. 18A:62-1)
Administration and Finance Building
Pomona, New Jersey 08240

Richard Stockton College of New Jersey was authorized in the 1968 Bond Referendum and admitted its first students in September, 1971. The operation and management of the College are vested in a ten-member Board of Trustees appointed by the State Board of Higher Education, subject to the approval of the Governor. The College is under the general policy direction of the State Board of Higher Education.

The College is located on a 1,600-acre campus in Galloway Township in the pine barrens of New Jersey. Academic facilities accommodate approximately 4,000 full-time equivalent students. Campus housing is available for 1,830 students, with both apartment and dormitory style living arrangements. The College is the only four-year academic institution in the rapidly developing region of South Jersey.

University Of Medicine And Dentistry Of New Jersey (N.J.S.A. 18A:64G-4)
30 Bergen Street
Newark, New Jersey 07107

The University of Medicine and Dentistry of New Jersey is governed and managed by a Board of Trustees appointed by the Governor with Senate confirmation and administered by a President as the Chief Executive Officer. The primary purposes of the institution are the education of health care personnel including physicians, dentists and allied health professionals, medical and dental research, and the provision of health care to the people of New Jersey.

The University is composed of three medical schools (two Allopathic and one Osteopathic), a dental school, a graduate school of biomedical sciences and a school of allied health professions. Its medical programs are centered in Newark, Piscataway and Camden. It operates a hospital and two community mental health care centers which serve as both health care and teaching facilities.

In addition to its wholly owned facilities, the University is affiliated for teaching purposes at either, or both, the undergraduate and graduate level with 54 community hospitals and health care agencies, five community colleges, five State colleges, Rutgers University, New Jersey Institute of Technology and three independent universities.

NOTE 20 - CONTINGENT LIABILITIES

General Fund

At any given time, there are various numbers of claims and cases pending against the State, State agencies and employees, seeking recovery of monetary damages. 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, 1997, the exact amount involved in these legal proceedings is not fully determinable.

Special Revenue Funds

New Jersey Automobile Insurance Guaranty Fund

Various insurers licensed to write property and casualty insurance in the State have filed suit against the State contending that their assessments are being used to retire debt of the Market Transition Fund (MTF). The plaintiffs contend that assessments dating back to 1990 are in dispute and challenge the constitutionality of the assessments and legislation which allow the assessment and request that the monies assessed since 1990 be returned. The ultimate disposition of this suit is not determinable at this time.

New Jersey Spill Compensation Fund

As of June 30, 1997, claims totaling \$22.7 million have been filed against the Fund by third parties for damages caused by spills. These claims have not reached the stage in the judicial process where reasonable amounts have been established, and therefore, are not classified as liabilities under generally accepted accounting principles.

Sanitary Landfill Facility Contingency Fund

Various claims totaling approximately \$15.0 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.

Capital Project and Special Revenue Funds

Due to delays in construction and design problems, various claims for damages have been filed with respect to the following funds (expressed in millions):

Correctional Facilities Construction Fund of 1987	\$ 3.8
1983 New Jersey Green Acres Fund	0.3
Public Purpose Buildings Construction Fund	3.4
Special Transportation Fund	21.8

Fund management is presently evaluating the claims. There has been no determination as to the ultimate amount for which these funds will be liable.

Trust Funds

Health Benefits Program Fund

Several local government employers are seeking refunds of approximately \$4.0 million from accumulated surplus. The ultimate disposition of this matter is not determinable at this time.

New Home Warranty Security Fund

Due to deficiencies in fire retardant plywood, homeowners faced with emergent needs may file claims against the Fund as a means of immediate remediation. The amount of these claims is not determinable at this time. The law also allows the State to pursue claims against any party responsible for the defective plywood in order to recover costs of remediation.

Real Estate Guaranty Fund

Claim payments, as certified by court orders, are made to persons aggrieved by the unlawful practices of real estate brokers or salesmen. As of June 30, 1997, there were various cases pending with a maximum possible exposure to the Fund of approximately \$.5 million. The ultimate disposition of these claims is not determinable at this time.

University of Medicine and Dentistry of New Jersey Self Insurance Reserve Fund

As of June 30, 1997, an independent study was performed which estimated an aggregate potential exposure for tort and medical malpractice claims of approximately \$90.8 million. The State has the ultimate liability for any claims in excess of the resources of the fund.

Federal Programs

Under the terms of various grant awards, expenditures from Federal funds are subject to audit. As of June 30, 1997, audits of expenditures for fiscal year 1997 and prior years may not be completed. Disallowances which may result from these audits are not determinable at this time. As of June 30, 1997, it is management's opinion that disallowances, if any, would not be material.

Pension Funds

New Jersey Education Association et al. v. State of New Jersey et al. This case represents a challenge to amendments to the pension laws enacted on June 30, 1994 (P.L. 1994, Chapter 62), which concerned the funding of various pension funds. The statute, P.L. 1994, Chapter 62, as enacted, made several changes affecting these retirement systems. Plaintiffs seek to permanently enjoin the State from administering, enforcing, or otherwise implementing Chapter 62. The ultimate disposition of this suit is not determinable at this time.

Teaneck Board of Education has filed an action against the Teachers Pension and Annuity Fund (TPAF) seeking compensatory damages as well as declaratory relief. The basis for the lawsuit is Teaneck's contention that its initial per annum cost for participating in an early retirement incentive program for teachers should be approximately \$210,000 less than was actually calculated. Teaneck alleges a violation of due process, breach of contract, and three counts of negligence against the State. If Teaneck prevails, the impact could approach \$3.5 million in reduced employer contributions over the twenty-eight year period of the retirement program. Further, if Teaneck prevails and similarly situated school boards file like claims for relief, the impact could well exceed tens of millions of dollars over the period at issue. The plaintiff's complaint was dismissed. The plaintiff has filed an appeal against this dismissal. The ultimate disposition of this suit is not determinable at this time.

NOTE 21 - SUBSEQUENT EVENTS

Subsequent to June 30, 1997, the State issued \$800 million of short term notes in the form of commercial paper. Final maturity of the notes is June 15, 1998. In addition, during September 1997 the New Jersey Building Authority issued bonds in the amount of \$224.6 million to refund the Authority's 1987 State Building Revenue Bonds and to finance additional projects.