Basic Financial Statements

STATE OF NEW JERSEY
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 289,083,180	$ 325,958	$ 289,409,138	$ 1,395,748,225
Investments	7,964,503,816	306,935,457	8,271,439,273	11,380,065,573
Receivables, net of allowances for uncollectibles				
Federal government	617,344,689	849,022,472	1,466,367,161	90,565,827
Departmental accounts	2,987,593,647	586,235,492	3,573,829,139	--
Loans	1,265,555,446	--	1,265,555,446	2,562,363,284
Mortgages	--	--	--	2,480,206,189
Other	966,301,745	50,784,236	1,017,085,981	840,348,058
Internal balances	88,412,537	(88,412,537)	--	--
Due from external parties	23,308,404	--	23,308,404	55,295,356
Inventories	--	--	--	142,222,412
Other	354,463,967	11,551,529	366,015,496	634,449,199
Total Current Assets	14,556,567,431	1,716,442,607	16,273,010,038	19,581,264,123
Noncurrent Assets:				
Investments	--	525,342,844	525,342,844	--
Pension assets	6,370,711	--	6,370,711	--
Capital assets - nondepreciated	7,487,965,852	--	7,487,965,852	3,298,312,779
Capital assets - depreciated, net	11,738,246,172	--	11,738,246,172	15,314,240,138
Other	207,408,865	--	207,408,865	--
Total Noncurrent Assets	19,439,991,600	525,342,844	19,965,334,444	18,612,552,917
Total Assets	33,996,559,031	2,241,785,451	36,238,344,482	38,193,817,040

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

STATE OF NEW JERSEY
STATEMENT OF NET ASSETS (Continued)
JUNE 30, 2008

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued expenses	2,759,740,154	142,692,115	2,902,432,269	1,087,384,001
Due to external parties	83,764,071	--	83,764,071	137,502,053
Interest payable	266,487,300	--	266,487,300	192,326,568
Deferred revenue	296,115,082	--	296,115,082	319,682,247
Current portion of long-term obligations	1,839,612,993	138,959,467	1,978,572,460	854,958,212
Other	255,165,632	117,608,909	372,774,541	567,206,451
Total Current Liabilities	5,500,885,232	399,260,491	5,900,145,723	3,159,059,532
Noncurrent Liabilities:				
Net pension obligation	4,759,367,621	--	4,759,367,621	1,075,436
Net OPEB obligation	3,177,400,000	--	3,177,400,000	289,803,969
Other	34,593,948,508	525,808,314	35,119,756,822	19,360,414,350
Total Noncurrent Liabilities	42,530,716,129	525,808,314	43,056,524,443	19,651,293,755
Total Liabilities	48,031,601,361	925,068,805	48,956,670,166	22,810,353,287
NET ASSETS				
Invested in capital assets, net of related debt	6,868,459,148	--	6,868,459,148	7,651,568,333
Restricted for:				
Capital projects	--	--	--	742,597,629
Public safety and criminal justice	100,280,895	--	100,280,895	--
Physical and mental health	205,852,840	--	205,852,840	--
Educational, cultural, and intellectual development	660,121,220	--	660,121,220	--
Community development and environmental management	2,642,707,470	--	2,642,707,470	--
Economic planning, development, and security	755,385,610	--	755,385,610	--
Transportation programs	118,216,145	--	118,216,145	--
Debt service	650,000,000	--	650,000,000	856,446,184
Property tax relief	136,401,359	--	136,401,359	--
Unemployment	--	1,254,201,146	1,254,201,146	--
Other	223,510,730	62,515,500	286,026,230	3,923,514,359
Unrestricted	(26,395,977,747)	--	(26,395,977,747)	2,209,337,248
Total Net Assets	$ (14,035,042,330)	$ 1,316,716,646	$ (12,718,325,684)	$ 15,383,463,753

STATE OF NEW JERSEY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

		Program Revenues		
	Expenses	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Functions - Programs				
Primary Government				
Governmental activities:				
Public safety and criminal justice	$ 3,211,794,689	$ 1,046,925,103	$ 306,383,329	$ 2,369,543
Physical and mental health	10,177,450,713	853,212,674	656,983,159	33,464
Educational, cultural, and intellectual development	15,545,557,114	117,110,261	813,630,118	--
Community development and environmental management	2,501,987,897	282,738,249	566,672,914	83,832,121
Economic planning, development and security	5,487,678,062	1,055,870,465	695,890,203	--
Transportation programs	1,717,923,832	11,711,643	795,776,878	30,352,994
Governmental direction, management, and control	11,865,832,062	940,937,204	6,394,568,704	--
Special government services	344,127,229	117,950,746	1,096,146	--
Interest expense	1,048,332,780	--	--	--
Total governmental activities	51,900,684,378	4,426,456,345	10,231,001,451	116,588,122
Business-type activities:				
State Lottery Fund	1,667,600,328	2,579,307,085	5,236,545	--
Unemployment Compensation Fund	2,119,161,962	1,979,952,764	66,083,855	--
Total business-type activities	3,786,762,290	4,559,259,849	71,320,400	--
Total Primary Government	$ 55,687,446,668	$ 8,985,716,194	$ 10,302,321,851	$ 116,588,122
Component Units				
Authorities	5,452,683,947	2,376,965,916	1,171,799,518	1,597,182,406
Colleges and Universities	5,160,095,627	2,411,878,167	1,825,588,487	16,175,986
Total Component Units	$ 10,612,779,574	$ 4,788,844,083	$ 2,997,388,005	$ 1,613,358,392
General Revenues and Transfers:				
Taxes:				
Gross Income Tax				
Sales and Use Tax				
Corporate Business Tax				
Other taxes				
Investment earnings				
Payments from State				
Miscellaneous				
Transfers				
Total general revenue and transfers				
Change in Net Assets				
Net Assets - July 1, 2007 (Restated)				
Net Assets - June 30, 2008				

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

--------------------------Net (Expense) Revenue and Changes in Net Assets---

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (1,856,116,714)	$ --	$ (1,856,116,714)	$ --
(8,667,221,416)	--	(8,667,221,416)	--
(14,614,816,735)	--	(14,614,816,735)	--
(1,568,744,613)	--	(1,568,744,613)	--
(3,735,917,394)	--	(3,735,917,394)	--
(880,082,317)	--	(880,082,317)	--
(4,530,326,154)	--	(4,530,326,154)	--
(225,080,337)	--	(225,080,337)	--
(1,048,332,780)	--	(1,048,332,780)	--
(37,126,638,460)	--	(37,126,638,460)	--
--	916,943,302	916,943,302	--
--	(73,125,343)	(73,125,343)	--
--	843,817,959	843,817,959	--
--	843,817,959	(36,282,820,501)	--
--	--	--	(306,736,107)
--	--	--	(906,452,987)
--	--	--	(1,213,189,094)
12,605,545,164	--	12,605,545,164	--
9,053,666,342	--	9,053,666,342	--
3,062,378,873	--	3,062,378,873	--
5,719,739,003	--	5,719,739,003	--
181,324,005	--	181,324,005	--
--	--	--	1,585,836,441
753,630,348	--	753,630,348	--
220,302,291	(670,302,291)	(450,000,000)	--
31,596,586,026	(670,302,291)	30,926,283,735	1,585,836,441
(5,530,052,434)	173,515,668	(5,356,536,766)	372,647,347
(8,504,989,896)	1,143,200,978	(7,361,788,918)	15,010,816,406
$ (14,035,042,330)	$ 1,316,716,646	$ (12,718,325,684)	$ 15,383,463,753

STATE OF NEW JERSEY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General Fund	Property Tax Relief Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 45,603,027	$ --	$ 243,480,153	$ 289,083,180
Investments	3,057,213,911	--	4,907,289,905	7,964,503,816
Receivables, net of allowances for uncollectibles				
Federal government	431,444,949	--	64,199,719	495,644,668
Departmental accounts	1,941,974,322	685,649,422	359,969,903	2,987,593,647
Loans	22,183,281	--	1,243,372,165	1,265,555,446
Other receivable	200,374,040	--	355,257,989	555,632,029
Due from other funds	1,346,743,638	10,955,770	570,122,874	1,927,822,282
Advances to other funds	8,000,000	--	--	8,000,000
Other	23,479,791	--	178,313	23,658,104
Total Assets	$ 7,077,016,959	$ 696,605,192	$ 7,743,871,021	$ 15,517,493,172
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accruals	$ 1,787,322,891	$ 48,298,848	$ 924,118,413	$ 2,759,740,152
Deferred revenue	287,442,887	--	152,703,195	440,146,082
Due to other funds	375,542,359	396,033,425	1,128,289,628	1,899,865,412
Advances from other funds	--	--	8,000,000	8,000,000
Other	85,406,430	115,871,560	53,887,642	255,165,632
Total Liabilities	2,535,714,567	560,203,833	2,266,998,878	5,362,917,278
Fund Balances				
Reserved for:				
Encumbrances	923,852,981	19,618,659	1,227,787,926	2,171,259,566
Surplus revenue	734,706,805	--	--	734,706,805
Other	65,805,449	--	1,633,125,477	1,698,930,926
Unreserved:				
General Fund	2,816,937,157	--	--	2,816,937,157
Special Revenue Funds	--	116,782,700	2,522,350,469	2,639,133,169
Capital Projects Funds	--	--	93,608,271	93,608,271
Total Fund Balances	4,541,302,392	136,401,359	5,476,872,143	10,154,575,894
Total Liabilities and Fund Balances	$ 7,077,016,959	$ 696,605,192	$ 7,743,871,021	$ 15,517,493,172

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

STATE OF NEW JERSEY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances-governmental funds		$ 10,154,575,894
Amounts reported for governmental activities in the statement of net assets are different as a result of the following items:		
The State has receivables which are not current resources and therefore are not reported in the fund perspective.		532,369,737
In the government-wide statements deferred issuance costs are capitalized and amortized over a period of years, but are reported as expenditures in the fund perspective.		330,805,246
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund perspective. These assets consist of:		
Infrastructure assets	$ 16,265,981,205	
Buildings and improvements	2,868,346,105	
Land and land improvements	4,548,506,600	
Other capital assets	3,712,656,481	
Accumulated depreciation	(8,169,278,367)	19,226,212,024
Deferred tobacco settlement revenue recorded in the fund perspective is recognized as revenue and not deferred in the statement of net assets.		144,031,000
The pension and other assets are not current and therefore are not reported in the fund perspective.		213,779,576
Some liabilities are not due and payable in the current period and therefore are not reported in the fund perspective. Those liabilities consist of:		
Current Liabilities		
Accrued interest		(266,487,300)
Noncurrent Liabilities		
Bonds and notes payable	(16,520,930,000)	
Installment obligations	(18,272,738,932)	
Loans payable	(1,279,358,087)	
Capital leases	(697,106,760)	
Compensated absences	(595,855,821)	
Unamortized deferral on refunding bonds	865,654,238	
Unamortized premium	(1,412,760,771)	
Tobacco Settlement Financing Corporation, Inc. Bonds	(4,591,408,701)	
Unamortized discount on Capital Appreciation Bonds	6,347,598,350	
Net pension obligation	(4,759,367,621)	
Net OPEB obligation	(3,177,400,000)	
Other noncurrent liabilities	(276,654,402)	(44,370,328,507)
Net assets of governmental activities		$ (14,035,042,330)

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

STATE OF NEW JERSEY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General Fund	Property Tax Relief Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 15,414,147,171	$ 13,271,536,874	$ 1,718,788,888	$ 30,404,472,933
Federal and other grants	8,650,050,707	--	830,205,301	9,480,256,008
Licenses and fees	1,131,760,281	--	121,194,009	1,252,954,290
Services and assessments	1,681,978,536	--	931,865,415	2,613,843,951
Investment earnings	98,212,336	--	223,112,900	321,325,236
Contributions	1,585	--	484,258	485,843
Other	2,174,548,245	--	362,855,458	2,537,403,703
Total Revenues	29,150,698,861	13,271,536,874	4,188,506,229	46,610,741,964
EXPENDITURES				
Current:				
Public safety and criminal justice	3,196,618,565	--	120,910,878	3,317,529,443
Physical and mental health	9,764,795,923	122,039,000	364,323,811	10,251,158,734
Educational, cultural, and intellectual development	4,502,670,475	10,256,583,753	1,001,691,288	15,760,945,516
Community development and environmental management	1,257,505,855	936,449,171	465,122,889	2,659,077,915
Economic planning, development, and security	4,683,305,430	26,005,000	893,798,534	5,603,108,964
Transportation programs	459,836,955	--	2,328,255,120	2,788,092,075
Government direction, management, and control	5,206,015,743	2,498,160,962	242,370,984	7,946,547,689
Special government services	331,652,845	--	183,177	331,836,022
Capital Outlay	318,550,569	--	--	318,550,569
Debt Service:				
Principal	270,714,446	--	343,206,248	613,920,694
Interest	157,955,151	--	647,430,036	805,385,187
Total Expenditures	30,149,621,957	13,839,237,886	6,407,292,965	50,396,152,808
Excess (deficiency) of revenues over expenditures	(998,923,096)	(567,701,012)	(2,218,786,736)	(3,785,410,844)
OTHER FINANCING SOURCES (USES)				
Issuance of debt	--	--	1,507,720,000	1,507,720,000
Transfers from other funds	2,222,636,355	--	3,599,553,074	5,822,189,429
Transfers to other funds	(2,825,584,696)	--	(2,776,292,300)	(5,601,876,996)
Other sources	3,472,494,620	--	168,483,560	3,640,978,180
Other uses	(1,931,167,702)	--	(125,690,946)	(2,056,858,648)
Total other financing sources (uses)	938,378,577	--	2,373,773,388	3,312,151,965
Excess (deficiency) of revenues and other sources over expenditures and other uses	(60,544,519)	(567,701,012)	154,986,652	(473,258,879)
Fund balances - July 1, 2007	4,601,846,911	704,102,371	5,321,885,491	10,627,834,773
Fund balances - June 30, 2008	$ 4,541,302,392	$ 136,401,359	$ 5,476,872,143	$ 10,154,575,894

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

STATE OF NEW JERSEY
RECONCILIATION OF THE CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Net change in fund balance - total governmental funds		$ (473,258,879)
Amounts reported for governmental activities in the statement of activities are different as a result of the following items:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 1,733,759,803	
Depreciation expense	(484,868,194)	
Excess of capital outlay over depreciation expense		1,248,891,609
Bond proceeds provide current financial resources to governmental funds. However, issuing debt increases long-term obligations in the statement of net assets. In the current period, proceeds were received from revenue and general obligation bonds.		(1,567,085,000)
Some capital additions were financed through capital leases, certificates of participation and installment obligations. In governmental funds these arrangements are considered a source of financing, but in the statement of net assets, these arrangements are reported as an obligation.		(1,526,828,814)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term obligations in the statement of net assets. In the current year these amounts consist of:		
Bond principal retirement	590,720,000	
Capital lease payments	83,626,855	
Installment obligation retirement	521,217,690	
Certificates of participation retirement	27,909,100	
Tobacco Settlement Financing Corp, Inc. retirement	53,165,000	
Total long-term obligations repayment		1,276,638,645
Some revenues will not be collected for several months after the fiscal year ends, they are not considered "available" revenues and are not accrued in the governmental funds. The Fiscal Year 2008 receivable balances increased by this amount.		46,400,721
Some revenues recorded in the statement of activities do not provide current financial resources and therefore are deferred in the fund perspective.		1,839,000
In the government-wide statements certain items are capitalized and amortized over a period of years, but are reported as expenditures or other financing sources and uses in the fund perspective. These activites consist of:		
Increase in unamortized premiums	(15,353,754)	
Decrease in deferral on refunding issues	(58,573,229)	
Decrease in deferred issuance costs	30,816,799	
Decrease in bond discount	(879,685)	
Total capitalized and amortized items		(43,989,869)
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures or reductions of revenue in governmental funds. These activities consist of:		
Net increase in accrued interest	(279,558,778)	
Increase in compensated absences, medicaid, and other	(42,894,720)	
Increase in pension assets	79,506	
Increase in net pension and OPEB obligations	(4,175,488,912)	
Increase in other assets	5,203,057	
Total additional expenditures and revenue reductions		(4,492,659,847)
Change in net assets of governmental activities		$ (5,530,052,434)

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

STATE OF NEW JERSEY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	State Lottery Fund	Unemployment Compensation Fund	Total Proprietary Funds
ASSETS			
Current Assets			
Cash and cash equivalents	$ 95,038	$ 230,920	$ 325,958
Investments	286,363,815	20,571,642	306,935,457
Receivables, net of allowances for uncollectibles			
Federal government	--	849,022,472	849,022,472
Departmental accounts	--	586,235,492	586,235,492
Other	14,932,344	35,851,892	50,784,236
Due from other funds	--	22,976,377	22,976,377
Other	11,551,529	--	11,551,529
Noncurrent Assets			
Investments	525,342,844	--	525,342,844
Total Assets	838,285,570	1,514,888,795	2,353,174,365
LIABILITIES			
Current Liabilities			
Accounts payable	61,888,097	80,804,018	142,692,115
Due to other funds	89,268,392	22,120,522	111,388,914
Current portion of long-term obligations	138,959,467	--	138,959,467
Other	--	117,608,909	117,608,909
Noncurrent Liabilities			
Due in more than one year	525,808,314	--	525,808,314
Total Liabilities	815,924,270	220,533,449	1,036,457,719
NET ASSETS			
Restricted for:			
Unemployment compensation	--	1,254,201,146	1,254,201,146
Other purposes	22,361,300	40,154,200	62,515,500
Total Net Assets	$ 22,361,300	$ 1,294,355,346	$ 1,316,716,646

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

STATE OF NEW JERSEY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	State Lottery Fund	Unemployment Compensation Fund	Total Proprietary Funds
OPERATING REVENUES			
Sales and charges for services	$ 2,538,476,656	$ --	$ 2,538,476,656
Assessments	--	1,977,595,363	1,977,595,363
From federal agencies	--	35,031,496	35,031,496
Other	40,830,429	2,357,401	43,187,830
Total Operating Revenues	2,579,307,085	2,014,984,260	4,594,291,345
OPERATING EXPENSES			
Unemployment compensation	--	2,119,161,962	2,119,161,962
Lottery prize awards	1,471,117,973	--	1,471,117,973
Other	196,482,355	--	196,482,355
Total Operating Expenses	1,667,600,328	2,119,161,962	3,786,762,290
Operating Income (Loss)	911,706,757	(104,177,702)	807,529,055
NONOPERATING REVENUES (EXPENSES)			
Investment income	5,236,545	31,052,359	36,288,904
Total Nonoperating Revenues (Expenses)	5,236,545	31,052,359	36,288,904
Income (Loss) Before Transfers	916,943,302	(73,125,343)	843,817,959
Transfers from other funds	--	260,000,000	260,000,000
Transfers to other funds	(905,008,392)	(25,293,899)	(930,302,291)
Change in Net Assets	11,934,910	161,580,758	173,515,668
Total Net Assets - July 1, 2007	10,426,390	1,132,774,588	1,143,200,978
Total Net Assets - June 30, 2008	$ 22,361,300	$ 1,294,355,346	$ 1,316,716,646

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

STATE OF NEW JERSEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	State Lottery Fund	Unemployment Compensation Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts received from customers	$ 1,263,350,327	$ --	$ 1,263,350,327
Receipts from federal and local agencies	--	143,324,827	143,324,827
Receipts from assessments	--	1,831,503,348	1,831,503,348
Payments to suppliers	(53,795,913)	--	(53,795,913)
Payments to prize winners	(444,306,037)	--	(444,306,037)
Claims paid	--	(1,929,279,818)	(1,929,279,818)
Other receipts (payments)	130,388,056	--	130,388,056
Net cash provided (used) by operating activities	895,636,433	45,548,357	941,184,790
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(908,072,587)	(26,695,662)	(934,768,249)
Net cash provided (used) by noncapital financing activities	(908,072,587)	(26,695,662)	(934,768,249)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments	1,166,430,000	260,000,000	1,426,430,000
Purchase of investments	(1,154,192,000)	(279,000,000)	(1,433,192,000)
Net cash provided (used) by investing activities	12,238,000	(19,000,000)	(6,762,000)
Net increase (decrease) in cash and cash equivalents	(198,154)	(147,305)	(345,459)
Cash and cash equivalents - July 1, 2007	293,192	378,225	671,417
Cash and cash equivalents - June 30, 2008	$ 95,038	$ 230,920	$ 325,958
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ 911,706,757	$ (104,177,702)	$ 807,529,055
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Net changes in assets and liabilities:			
Current assets	9,579,528	136,355,175	145,934,703
Noncurrent assets	67,891,713	--	67,891,713
Current liabilities	(17,815,076)	13,370,884	(4,444,192)
Noncurrent liabilities	(75,726,489)	--	(75,726,489)
Net cash provided (used) by operating activities	$ 895,636,433	$ 45,548,357	$ 941,184,790

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

STATE OF NEW JERSEY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Agency Funds	Investment Trust Fund
ASSETS		
Cash and cash equivalents	$ 11,940,261	$ 95
Securities lending collateral	--	--
Investments	107,699,781	4,046,803,509
Receivables, net of allowances for uncollectibles		
Members	146,671	--
Employers	1,374,460	--
Interest and dividends	--	--
Departmental accounts	25,945	--
Other	41,822	5,032,386
Due from other funds	31,456,492	--
Other	--	--
Total Assets	152,685,432	4,051,835,990
LIABILITIES		
Accounts payable	147,087,616	--
Benefits payable	--	--
Securities lending collateral and rebates payable	--	--
Due to other funds	5,597,816	2,798,460
Total Liabilities	152,685,432	2,798,460
NET ASSETS		
Held in Trust for Pension Benefits and Other Purposes	$ --	$ 4,049,037,530

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

Pension and Other Employee Benefits Trust Funds	Private Purpose Trust Funds
$ 8,406,882	$ 592,809
12,832,412,674	--
81,718,443,664	13,545,116
191,395,865	--
3,013,046,134	--
780,902,372	--
--	11,070
--	--
53,841,155	--
1,097,815,406	--
99,696,264,152	14,148,995
70,682,206	3,754,195
944,642,787	--
12,832,412,674	--
11,756,614	4,689,090
13,859,494,281	8,443,285
$ 85,836,769,871	$ 5,705,710

STATE OF NEW JERSEY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Investment Trust Fund	Pension and Other Employee Benefits Trust Funds	Private Purpose Trust Funds
ADDITIONS			
Contributions:			
Members	$ --	$ 2,014,920,419	$ --
Employers	--	5,932,504,351	--
Other	15,424,621,205	7,644,333	--
Total Contributions	15,424,621,205	7,955,069,103	--
Investment Income:			
Net increase (decrease) in fair value of investments	--	(4,748,503,271)	--
Interest and dividends	159,560,928	3,083,344,730	548,024
Total Investment Income	159,560,928	(1,665,158,541)	548,024
Less investment expense	--	10,939,982	--
Net Investment Income	159,560,928	(1,676,098,523)	548,024
Miscellaneous	--	--	99,208
Total Additions	15,584,182,133	6,278,970,580	647,232
DEDUCTIONS			
Benefit payments	--	9,993,959,447	--
Refunds of contributions	--	141,829,202	--
Refunds and transfers to other systems	--	--	10,142
Administrative expense	2,798,460	51,836,121	--
Payments in accordance with trust agreements	--	--	160,179
Distributions to shareholders	14,686,046,466	--	--
Total Deductions	14,688,844,926	10,187,624,770	170,321
Total Changes in Net Assets Held In Trust	895,337,207	(3,908,654,190)	476,911
Net Assets - July 1, 2007	3,153,700,323	89,745,424,061	5,228,799
Net Assets - June 30, 2008	$ 4,049,037,530	$ 85,836,769,871	$ 5,705,710

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

STATE OF NEW JERSEY
STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2008

	New Jersey Transit Corporation	New Jersey Turnpike Authority	Rutgers, The State University of New Jersey
ASSETS			
Current Assets			
Cash and cash equivalents	$ 236,011,324	$ 140,545,145	$ 73,946,000
Investments	2,174,208,730	993,026,951	1,099,520,000
Receivables, net of allowances for uncollectibles			
Federal government	26,792,423	--	--
Loans	--	--	9,116,000
Mortgages	--	--	--
Other	--	31,777,678	175,859,000
Due from external parties	--	4,850,480	--
Inventories	97,693,086	24,556,270	4,843,000
Other	85,964,175	67,192,568	177,097,000
Total Current Assets	2,620,669,738	1,261,949,092	1,540,381,000
Noncurrent Assets			
Capital assets - nondepreciated	990,310,037	1,243,768,737	139,994,000
Capital assets - depreciated, net	6,195,190,634	2,895,048,295	1,514,911,000
Total Noncurrent Assets	7,185,500,671	4,138,817,032	1,654,905,000
Total Assets	9,806,170,409	5,400,766,124	3,195,286,000
LIABILITIES			
Current Liabilities			
Accounts payable	295,602,525	82,118,881	116,007,000
Due to external parties	--	123,371,407	--
Interest payable	--	85,038,602	--
Deferred revenue	--	2,092,783	52,585,000
Current portion of long-term obligations	371,888,157	76,460,000	32,053,000
Other	46,453,463	10,006,912	135,767,000
Total Current Liabilities	713,944,145	379,088,585	336,412,000
Noncurrent Liabilities			
Net pension obligation	--	--	--
Net OPEB obligation	112,463,881	38,383,502	--
Other	3,546,002,639	4,940,110,284	548,438,000
Total Noncurrent Liabilities	3,658,466,520	4,978,493,786	548,438,000
Total Liabilities	4,372,410,665	5,357,582,371	884,850,000
NET ASSETS			
Invested in capital assets, net of related debt	5,559,233,857	(759,977,239)	1,045,262,000
Restricted for:			
Capital projects	1,550,046	542,864,044	38,756,000
Debt service	--	88,499,170	16,935,000
Other purposes	--	218,365	706,655,000
Unrestricted	(127,024,159)	171,579,413	502,828,000
Total Net Assets	$ 5,433,759,744	$ 43,183,753	$ 2,310,436,000

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

University of Medicine and Dentistry of New Jersey	Non-Major Component Units	Total Component Units
$ 54,027,000	$ 891,218,756	$ 1,395,748,225
474,002,000	6,639,307,892	11,380,065,573
28,241,000	35,532,404	90,565,827
32,277,000	2,520,970,284	2,562,363,284
--	2,480,206,189	2,480,206,189
209,596,000	423,115,380	840,348,058
--	50,444,876	55,295,356
13,273,000	1,857,056	142,222,412
49,315,000	254,880,456	634,449,199
860,731,000	13,297,533,293	19,581,264,123
31,945,000	892,295,005	3,298,312,779
1,026,432,000	3,682,658,209	15,314,240,138
1,058,377,000	4,574,953,214	18,612,552,917
1,919,108,000	17,872,486,507	38,193,817,040
304,459,000	289,196,595	1,087,384,001
--	14,130,646	137,502,053
9,481,000	97,806,966	192,326,568
54,648,000	210,356,464	319,682,247
86,581,000	287,976,055	854,958,212
339,000	374,640,076	567,206,451
455,508,000	1,274,106,802	3,159,059,532
--	1,075,436	1,075,436
--	138,956,586	289,803,969
666,939,000	9,658,924,427	19,360,414,350
666,939,000	9,798,956,449	19,651,293,755
1,122,447,000	11,073,063,251	22,810,353,287
445,303,000	1,361,746,715	7,651,568,333
7,884,000	151,543,539	742,597,629
25,706,000	725,306,014	856,446,184
357,858,000	2,858,782,994	3,923,514,359
(40,090,000)	1,702,043,994	2,209,337,248
$ 796,661,000	$ 6,799,423,256	$ 15,383,463,753

STATE OF NEW JERSEY
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	New Jersey Transit Corporation	New Jersey Turnpike Authority	Rutgers, The State University of New Jersey
Expenses	$ 2,419,247,735	$ 995,951,983	$ 1,626,606,000
Net (Expense) Revenue and Changes in Net Assets			
Program Revenues			
Charges for services	829,234,070	831,393,880	679,689,000
Operating grants and contributions	632,033,127	64,528,574	696,941,000
Capital grants and contributions	918,842,550	--	12,123,000
Net (Expense) Revenue	(39,137,988)	(100,029,529)	(237,853,000)
General Revenue			
Payments from State	298,200,000	--	328,895,000
Total General Revenue	298,200,000	--	328,895,000
Changes in Net Assets	259,062,012	(100,029,529)	91,042,000
Net Assets - Beginning of Year (Restated)	5,174,697,732	143,213,282	2,219,394,000
Net Assets - End of Year	$ 5,433,759,744	$ 43,183,753	$ 2,310,436,000

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

University of Medicine and Dentistry of New Jersey	Non-Major Component Units	Total Component Units
$ 1,836,941,000	$ 3,734,032,856	$ 10,612,779,574
853,467,000	1,595,060,133	4,788,844,083
588,416,000	1,015,469,304	2,997,388,005
--	682,392,842	1,613,358,392
(395,058,000)	(441,110,577)	(1,213,189,094)
281,704,000	677,037,441	1,585,836,441
281,704,000	677,037,441	1,585,836,441
(113,354,000)	235,926,864	372,647,347
910,015,000	6,563,496,392	15,010,816,406
$ 796,661,000	$ 6,799,423,256	$ 15,383,463,753

STATE OF NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
INDEX

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Financial Reporting Entity

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

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

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

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

The following organizations comprise the State's component units. The Garden State Preservation Trust, the New Jersey Building Authority, the New Jersey Schools Development Authority, the Tobacco Settlement Financing Corporation, Inc., and the New Jersey Transportation Trust Fund Authority are blended component units since they provide services entirely or almost entirely to the State, or on behalf of the State. Additional pertinent information related to them is disclosed in the notes of the primary government. All other component units have been discretely presented. Descriptions of the discretely presented component units and addresses from which complete financial statements of the respective component units can be obtained is detailed in Note 18.

COLLEGES AND UNIVERSITIES

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

AUTHORITIES

Casino Reinvestment Development Authority
Garden State Preservation Trust
Higher Education Student Assistance Authority
New Jersey Building Authority
New Jersey Commerce 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 Environmental Infrastructure Trust
New Jersey Health Care Facilities Financing Authority
New Jersey Housing and Mortgage Finance Agency
New Jersey Meadowlands Commission
New Jersey Redevelopment Authority
New Jersey Schools Development Authority (formerly New Jersey
Schools Construction Corporation)
New Jersey Sports and Exposition Authority
New Jersey Transit Corporation
New Jersey Transportation Trust Fund Authority
New Jersey Turnpike Authority
New Jersey Water Supply Authority
South Jersey Port Corporation
South Jersey Transportation Authority
Tobacco Settlement Financing Corporation, Inc.

C. Government-wide and Fund Financial Statements

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

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

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

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

Each proprietary fund has the option under Governmental Accounting Standards Board (GASB), Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to elect to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 unless FASB conflicts with GASB. The State has elected to not apply FASBs issued after the applicable date.

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

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

E. Fund Accounting

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

1. Major Funds

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

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

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

c. State Lottery Fund - This fund accounts for monies derived from the sale of lottery tickets and the subsequent payment of prizes to holders of winning lottery tickets.

d. Unemployment Compensation Fund - This fund accounts for assessments received from employers and employees for unemployment compensation, and amounts credited or advances made by the Federal government to be used to provide benefits to eligible unemployed workers.

2. Governmental Fund Types

a. Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than special assessments, private-purpose trusts, or major capital projects) that are legally restricted to expenditure for specific purposes such as education, environment, and health care.

b. Capital Projects Funds - To account for financial resources, usually general obligation bonds, capital projects funds are used for the acquisition or construction of major capital facilities for State use such as mental health, educational and correctional facilities, and public transportation projects. Funds granted to other units of government are not classified as capital projects funds and are included as expenditures of special revenue funds.

3. Fiduciary Fund Types

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

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

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

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

4. Proprietary Fund Types

Enterprise Funds - These funds may be used to report any activity for which a fee is charged to external users for goods and services. Activities are required to be reported as enterprise funds if laws or regulations require that the activity's costs of providing services be recovered with fees and charges, rather than with taxes on similar revenues.

F. Appropriations and Outstanding Debt

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

G. Assets

1. Cash and Cash Equivalents

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

2. Investments

Statutes of the State of New Jersey and regulations of the State Investment Council authorize the Division of Investment to invest in obligations of the U.S. Treasury, foreign governments, agencies, 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.

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

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

3. Securities Lending Collateral

The Pension Trust Funds participate in securities lending programs with their custodian banks, whereby securities are loaned to brokers and, in return, the Pension Trust Funds have rights to the collateral received. All of the securities held in the Common Pension Trust Fund investment pool are eligible for the securities lending program. Collateral received may consist of cash, letters of credit, or government securities having a market value equal to or exceeding 102 percent (U.S. dollar denominated) or 105 percent (non-U.S. dollar denominated) of the value of the loaned securities at the time the loan is made. The contracts with the Common Pension Trust Fund investment pool custodian banks require them to indemnify the investment pool if the brokers fail to return the securities or fail to pay the investment pool for income distributions by the securities' issuers while the securities are on loan. The securities loans can be terminated by notification by either the broker or the investment pool. The term to maturity of the securities loans is generally matched with the term to maturity of the investment of cash collateral. As of June 30, 2008, the Pension Trust Funds have no aggregate credit risk exposure to brokers because the collateral amount held by the Pension Trust Funds exceeded the market value of the securities on loan. See Note 5 for additional details.

4. Receivables

Receivables in the State's governmental, fiduciary, and proprietary funds, Component Units - Authorities, and Component Units - College and University Funds are stated net of allowances for uncollectable amounts and primarily consist of federal revenues, taxes, loans, interest, contributions due from employers and members to the respective pension funds, mortgages, and other receivables. See Note 6 for details.

5. Capital Assets

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

a. All land, including parks, forests, easements, and development rights.

b. Infrastructure assets such as roads, bridges, dams, highway lands, and rights-of-way.

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

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

e. Capital projects in the process of construction.

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

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

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

6. Interfund/Intrafund Transactions

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

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

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

H. Liabilities

1. Deferred Revenue

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

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

2. Deferred Compensation

The State offers its employees a deferred compensation plan (the Plan) created in accordance with Internal Revenue Code Section 457. The Plan, which is administered by the Department of the Treasury, Division of Pensions and Benefits, 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 an 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.

The State's Employees' Deferred Compensation Plan is reported as a pension (and other employee benefits) trust fund in the fund financial statements. The Plan is fiduciary in nature, and thus is not reported in the government-wide financial statements.

3. 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. Cash payments for sick leave at retirement are made from annual legislative appropriations 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.

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. The liability for accumulated employee sick leave and for accumulated vacation pay is reflected in the government-wide financial statements and the proprietary fund financial statements as noncurrent liabilities if due in more than one year, and as current liabilities-current portion of long-term obligations, if due within a year.

4. Other Long-term Obligations

In addition to accumulated unpaid sick and vacation benefits, other long-term obligations include general obligation bonds, revenue bonds, capital leases, installment obligations, certificates of participation, loans payable, and other liabilities of a long-term nature. The liability for long-term items described above is reflected in the government-wide financial statements and the proprietary fund financial statements as noncurrent liabilities, due in more than one year and as current liabilities-current portion of long-term obligations, if due within a year.

Bond and note premiums and discounts are amortized to interest expense based on the straight-line method. Capital appreciation bonds are reported at its net or accreted value rather than at face value. Bonds and notes payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges in other assets and are amortized over the term of the related debt.

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

I. Net Assets

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

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

3. Unrestricted - Unrestricted net assets consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

J. Fund Balances

1. Reserved for Encumbrances - Used to segregate a portion of fund balance to provide for expenditure upon vendor performance of purchase agreements.

2. Reserved for 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 per P.L. 1990, c.44.

3. Reserved for 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.

4. Unreserved - General Fund, Special Revenue Funds, and Capital Projects Funds - Represents the following:

   a. Unreserved Designated - Continuing Appropriations - Used to represent that portion of fund balance which has been appropriated by the Legislature, as well as those portions of fund balance of non-budgeted governmental funds so designated by management.

   b. Unreserved Designated - Unrealized Gains - Used to represent the portion of fund balance that resulted from the fair value reporting of investments, i.e., the difference between investments reported at fair value and the amortized cost of those investments.

   c. Unreserved Undesignated - Used to represent that portion of fund balance resources available for appropriation.

K. Fiscal Year End Differences

The following component units have fiscal years that ended on December 31, 2007:

Component Units - Authorities

Casino Reinvestment Development 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 Housing and Mortgage Finance Agency
New Jersey Meadowlands Commission
New Jersey Redevelopment Authority
New Jersey Sports and Exposition Authority
New Jersey Turnpike Authority
South Jersey Port Corporation
South Jersey Transportation Authority

Special Revenue Funds

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

NOTE 2 - OTHER ACCOUNTING DISCLOSURES

A. Change in Accounting Policy

The State has adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, GASB Statement No. 47, *Accounting for Termination Benefits*, GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, and GASB Statement No. 50, *Pension Disclosures*.

B. Restatement of Net Asset Balance

The July 1, 2007 net asset balance for governmental activities was increased by $251.0 million to reflect net additions to the capital asset balance of $104.5 million, and a decrease to the non-bonded debt-other category of $146.5 million.

C. Joint Ventures

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

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

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

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

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

Consolidated financial statements for the Port Authority including the Passenger Facility Charges Program for the fiscal year ended December 31, 2007 disclosed the following (expressed in millions):

Financial Position

	Combined Total
Total Assets	$ 23,712.1
Total Liabilities	14,774.8
Net Assets	$ 8,937.3

Operating Results

Operating Revenues	$ 3,413.0
Operating Expenses	(2,247.4)
Depreciation and Amortization	(691.8)
Net Recoverables (Expenses) Related to the Events of September 11, 2001	(4.6)
Income from Operations	469.2
Non-operating Revenues (Expense), Net	833.7
Net Income	$ 1,302.9

Changes in Net Assets

Balance January 1, 2007	$ 7,634.4
Net Income	1,302.9
Balance December 31, 2007	$ 8,937.3

Except for Special Project Bonds, the Authority's debt is secured by its full faith and credit, its reserve funds, or a pledge of future revenues. Special Project Bonds are secured by a mortgage on the financed properties. At December 31, 2007, Port Authority debt consisted of the following (expressed in millions):

Bonds, Notes and Other Obligations

Consolidated Bonds and Notes	$ 9,495.4
Special Project Bonds	1,264.7
Operating Asset Financing	502.6
Capital Asset Financing	1,535.5
	12,798.2
Less: Unamortized Discount and Premium	(46.8)
Total	$ 12,751.4

D. Other

In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, the debt and assets of the New Jersey Building Authority have been reduced for presentation herein in the amount of $611.3 million, the amount of the present value of future lease payments by the State to the New Jersey Building Authority as of December 31, 2007.

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, an additional $526.0 million in federal grant revenues and economic planning, development, and security expenditures has been recorded.

NOTE 3 - CASH AND CASH EQUIVALENTS

All funds maintain their own individual bank account(s) except for the Casino Control, Casino Revenue, Gubernatorial Elections, Special Transportation, 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 presented in the fund financial statements.

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

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

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires that the State disclose bank deposits that are subject to custodial credit risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the State will not be able to recover deposits or will not be able to recover collateral securities that may be in the possession of an outside party. As of June 30, 2008 the State's bank balances amounted to $290.2 million. Of these balances, $91.8 million was exposed to custodial credit risk as uninsured and uncollateralized.

NOTE 4 – INVESTMENTS

Statutes of the State of New Jersey and regulations of the State Investment Council authorize the Division of Investment to invest in domestic and international equities and exchange traded funds; covered call and put options; equity futures contracts; obligations of the U.S. Treasury, government agencies, corporations, finance companies and banks; obligations of international corporations, governments and agencies; interest rate swap transactions; fixed income exchange traded funds; U.S. Treasury futures contracts; New Jersey State and Municipal general obligations; public authority revenue obligations; collateralized notes and mortgages; commercial paper; certificates of deposit; repurchase agreements; bankers acceptances; guaranteed income contracts; funding agreements; money market funds; private equity; real estate; other real assets; and absolute return strategy funds. Investee institutions and organizations are prescribed by the statutes and regulations based on such criteria as minimum capital, dividend paying history, credit history, and other evaluation factors.

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

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

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

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

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

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

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

Approximately $663.7 million 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. Annuity contracts are carried at their current contract values which are based upon their original purchase price adjusted for credited interest and amounts already received. The estimated fair value of annuity contracts approximates the carrying value reflected in the balance sheet. In the event of default in making future payments by the insurance company from which the contracts were purchased, the State Lottery Commission would be liable for such future payments.

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

	Amount Reported As Investments
Domestic fixed income securities	$ 40,105.3
Domestic equities	25,228.5
International equities	14,889.9
Absolute return strategy funds	3,739.0
International fixed income securities	2,913.0
Private equities	2,850.2
Real estate	1,916.2
Mortgages	1,288.0
Commodity funds	975.5
Annuity contracts	663.7
Miscellaneous	0.7
Total investments	94,570.0
Unallocated administrative expenses and transaction exchanges	113.3
Net amount recorded as investments	$ 94,683.3

As Reported on the Government-wide Statement of Net Assets and Statement of Fiduciary Net Assets:

	Current Investments	**Non-Current Investments**	**Total**
Governmental activities	$ 7,964.5	$ --	$ 7,964.5
Business-type activities	306.9	525.4	832.3
Fiduciary funds	85,886.5	--	85,886.5
Total	$ 94,157.9	$ 525.4	$ 94,683.3

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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody’s Investors Service, Inc. (Moody’s), Standard & Poor’s Corporation (S&P), or Fitch Ratings (Fitch). Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. There are no restrictions in the amount that can be invested in United States Treasury and government agency securities. State regulations require minimum credit ratings for certain categories of fixed income obligations and limit the amount that can be invested in any one issuer or issue. The following limits were in place from July 1, 2006 through September 4, 2006.

Category	Minimum Rating Moody's	Minimum Rating S&P	Limitation of Issuers' Outstanding Debt	Limitation of Issue	Other Limitations
Corporate obligations	Baa	BBB	25%	25%	-
U.S. finance company debt, bank debentures, and N.J. State and municipal debt	A	A	10%	10%	-
Canadian obligations	A	A	10%	10%	Purchase cannot exceed greater of 10% of issue or $10 million
International government and agency obligations	Aa	AA	2%	10%	Not more than 1% of fund assets can be invested in any one issuer
Public Authority revenue obligations	A	A	-	10%	Not more than 2% of fund assets can be invested in any one issuer
Collateralized notes and mortgages	Baa	BBB	-	33%	Not more than 2% of fund assets can be invested in any one issuer
Commercial paper	P-1	A-1	-	-	-
Certificates of deposit and bankers acceptances (rating applies to international)	Aa/P-1	-	-	-	Uncollateralized certificates of deposit and bankers acceptances cannot exceed 10% of issuer's primary capital
Guaranteed income contracts	P-1	-	-	-	A+ rating from A.M. Best for insurance companies
Money market funds	-	-	-	-	Not more than 10% of fund assets can be invested; limited to 5% of shares or units outstanding

In addition, the State sets individual issuer limits for commercial paper and certificates of deposit.

As of September 5, 2006 the following limits became effective:

Category	Minimum Rating Moody's	S&P	Fitch	Limitation of Issuers' Outstanding Debt	Limitation of Issue	Other Limitations
Corporate obligations	Baa3	BBB-	BBB-	10%	25%	Not more than 5% of fund assets can be invested in one corporation
U.S. finance company debt and bank debentures	Baa3	BBB-	BBB-	10%	25%	Not more than 5% of fund assets can be invested in one corporation
International corporate obligations	Baa3	BBB-	BBB-	10%	25%	Limited to not more than 5% of fund assets in any one issuer; not more than 10% of fund assets can be invested in this category
International government and agency obligations	Aa3	AA-	AA-	25%	Greater of 25% or $10 million	Not more than 1% of fund assets can be invested in one issuer
Collateralized notes and mortgages	Baa3	BBB-	BBB-	-	25%	Not more than 5% of fund assets can be invested in one issuer
Commercial paper	P-1	A-1	F1	-	-	-
Certificates of deposit and bankers acceptances:						Certificates of deposit and bankers acceptances cannot exceed 10% of issuer's primary capital
Domestic	A3/P-1	A-/A-1	A-/F1	-	-	
International	Aa3/P-1	AA-/A-1	AA-/F1	-	-	
Guaranteed income contracts	A3	A-	A-	-	-	-
Money market funds	-	-	-	-	-	Limited to 10% of the assets of the fund
Interest rate swap transactions	A3	A-	A-	-	-	Notional value of net exposure to any one counterparty shall not exceed 10% of fund assets
Repurchase agreements	Aa3	AA-	AA-	-	-	-
New Jersey state and municipal obligations	A3	A-	A-	10%	10%	Limit of 10% of fund assets can be invested in debt of any one entity
Public Authority revenue obligations	A3	A-	A-	-	10%	Limit of 2% of fund assets in any one authority
Mortgage backed pass-through securities	A3	A-	A-	-	-	Limit of 5% of fund assets in any one issue
Mortgage backed senior debt securities	-	-	-	-	25%	Limit of 5% of fund assets in any one issue

In addition, the State sets individual issuer limits for commercial paper and certificates of deposit.

Effective August 20, 2007, up to five percent of the market value of the combined assets of the pension and annuity funds may be invested in corporate obligations, finance company debt, bank debentures, international corporate obligations, collateralized notes and mortgages and mortgage backed pass-through securities that do not meet the minimum credit rating requirements set forth above.

For securities exposed to credit risk in the fixed income portfolio, the following table discloses aggregate fair value, by major credit quality rating category at June 30, 2008 (expressed in millions):

	Moody's Rating					
	Aaa	Aa	A	Baa	Ba	P-1
United States Treasury bills	$ 4,897.1	$ -	$ -	$ -	$ -	$ -
United States Treasury notes	450.5	-	-	-	-	-
United States Treasury TIPS	3,573.8	-	-	-	-	-
United States Treasury bonds	3,914.4	-	-	-	-	-
United States Treasury strips	622.3	-	-	-	-	-
United States Government Agency	155.1	0.1	-	-	-	-
Title XI merchant marine notes	2.6	-	-	-	-	-
Federal farm credit bank bonds	19.5	-	-	-	-	-
Federal home loan bank bonds	850.5	-	-	-	-	-
Federal home loan bank discounted notes	6.7	-	-	-	-	-
Federal home loan mortgage corporation notes	963.3	-	0.1	-	-	-
Federal national mortgage association notes	578.1	-	-	-	-	-
Housing Urban Development	23.0	-	-	-	-	-
Tennessee Valley Authority strips	166.9	-	-	-	-	-
Floating rate notes	28.1	-	-	-	-	-
Domestic corporate obligations	486.0	725.2	3,119.0	2,681.6	91.4	-
Domestic corporate discounted obligations	105.2	-	4.9	-	-	-
International corporate obligations	-	-	205.8	193.4	-	-
Real estate investment trust obligations	-	-	-	19.4	-	- -
Finance company debt	385.2	476.1	784.2	268.8	-	-
International bonds and notes	298.7	20.3	67.8	19.9	-	-
Foreign government obligations	1,077.2	150.7	-	-	-	-
Foreign government discounted obligations	879.3	-	-	-	-	-
Adjustable rate municipal bonds	31.0	135.7	135.0	-	-	-
Remic/FHLMC	546.4	-	-	-	-	-
Remic/FNMA	50.3	-	-	-	-	-
GNMA mortgage backed certificates	148.3	-	-	-	-	-
FHLM mortgage backed certificates	440.1	-	-	-	-	-
FNMA mortgage backed certificates	448.6	-	-	-	-	-
SBA passthrough certificated	100.4	-	-	-	-	-
Asset backed obligations	63.8	119.0	-	139.3	-	-
Private export obligations	85.7	-	-	-	-	-
Exchange traded securities	-	-	131.8	-	-	-
Commercial paper	-	-	-	-	-	3,661.4
Certificates of deposit	-	-	-	-	-	8,115.5
Other	12.6	3.7	1.9	-	0.1	1.1
	$ 21,410.7	$ 1,630.8	$ 4,450.5	$ 3,322.4	$ 91.5	$ 11,778.0

The table does not include domestic corporate obligations of $42.1 million, finance company debt of $86.6 million and exchange traded securities of $4.7 million, which were given a Moody rating of (B). Other items not reflected in the above table include domestic corporate obligations of $84.8 million and finance company debt of $64.3 million, which were both given a Moody rating of (Caa).

In addition, the Police and Firemen's Mortgages of $1,288.0 million, exchange traded securities of $39.8 million, Federal home loan mortgage corporation notes of $10.4 million, U.S. Government agency obligations of $1.0 million, and domestic corporate obligations of $0.7 million are unrated.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Commercial paper must mature within 270 days. Certificates of deposits and bankers acceptances are limited to a term of one year or less. The maturity of repurchase agreements was 15 days through September 4, 2006. This was revised to 30 days effective September 5, 2006. The investment in guaranteed income contracts and funding agreements is limited to a term of ten years or less.

The following table summarizes the maturities of the fixed income portfolio at June 30, 2008 (expressed in millions):

		Maturities in Years			
	Total Fair Value	Less than 1	1-5	6-10	More than 10
United States Treasury bills	$ 4,897.1	$ 4,897.1	$ -	$ -	$ -
United States Treasury notes	450.5	290.9	120.7	9.8	29.1
United States Treasury TIPS	3,573.8	-	-	369.2	3,204.6
United States Treasury bonds	3,914.4	-	-	-	3,914.4
United States Treasury strips	622.3	-	-	-	622.3
United States Government Agency	156.2	3.2	57.7	7.6	87.7
Title XI merchant marine notes	2.6	-	-	-	2.6
Federal farm credit bank bonds	19.5	19.5	-	-	-
Federal home loan bank bonds	850.5	729.7	-	38.5	82.3
Federal home loan bank discounted notes	6.7	-	-	-	6.7
Federal home loan mortgage corporation notes	973.8	759.5	45.8	130.9	37.6
Federal national mortgage association notes	578.1	578.1	-	-	-
Housing Urban Development	23.0	23.0	-	-	
Tennessee Valley Authority strips	166.9	-	-	-	166.9
Floating rate notes	28.1	-	18.1	10.0	-
Domestic corporate obligations	7,230.8	116.0	823.0	1,698.9	4,592.9
Domestic corporate discounted obligations	110.1	-	8.3	-	101.8
International corporate obligations	399.2	-	-	69.6	329.6
Real estate investment trust obligations	19.4	-	19.4	-	-
Finance company debt	2,065.2	194.3	183.3	989.8	697.8
International bonds and notes	406.7	-	25.8	196.1	184.8
Foreign government obligations	1,227.9	70.5	230.4	45.0	882.0
Foreign government discounted obligations	879.3	879.3	-	-	-
Adjustable rate municipal bonds	301.7	-	-	-	301.7
Remic/FHLMC	546.4	-	-	19.7	526.7
Remic/FNMA	50.3	-	-	-	50.3
Police and firemen's mortgages	1,288.0	-	-	-	1,288.0
GNMA mortgage backed certificates	148.3	-	-	-	148.3
FHLM mortgage backed certificates	440.1	-	0.2	1.8	438.1
FNMA mortgage backed	448.6	0.3	2.1	12.0	434.2
SBA passthrough certificates	100.4	-	-	100.4	-
Asset backed obligations	322.1	-	31.1	14.6	276.4
Private export obligations	85.7	12.5	21.2	52.0	-
Commercial paper	3,661.4	3,661.4	-	-	-
Certificates of deposit	8,115.5	8,115.5	-	-	-
Other	18.1	7.7	-	5.8	4.6
	$ 44,128.7	$ 20,358.5	$ 1,587.1	$ 3,771.7	$ 18,411.4

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. As mentioned previously, the State's Pension Trust Funds participate in the Common Pension Trust Fund pool. The Common Pension Fund D account within this investment pool reflects the State's investments in global markets. Effective August 20, 2007, the fair value of international preferred and common stocks and issues convertible into common stocks, when combined with the fair value of international government and agency obligations, cannot exceed 30 percent of the fair value of the Common Pension Fund D account. Previously, this limitation was 22 percent. Effective September 5, 2006, the market value of emerging market securities cannot exceed more than 1.5 times the percentage derived by dividing the total market capitalization of the companies included in the MSCI All-Country World Ex-United States Index by the total market value of the assets held by Common Pension Fund D account. Prior to September 5, 2006, not more than 5 percent of the value of the assets held by Common Pension Fund D account could be invested in companies incorporated in emerging market countries. Not more than 10 percent of the market value of the emerging market securities can be invested in the common and preferred stock of any one corporation. The total amount of stock purchased in any one corporation cannot exceed 5 percent of its stock classes eligible to vote. State regulations permit entering into foreign exchange contracts for the purpose of hedging the international portfolio. The State held forward contracts at June 30, 2008 totaling approximately $1.4 billion (with a $5.3 million net exposure). At June 30, 2008, the State had the following foreign currency exposure based on exchange rates in effect for such day (expressed in millions of U.S. dollars):

Currency	Total Fair Value	Equities	Government Obligations	Alternative Investments
Australian dollar	$ 614.6	$ 456.8	$ 157.8	$ -
Brazilian Real	118.3	118.3	-	-
British pound sterling	1,970.7	1,916.9	-	53.8
Canadian dollar	546.5	546.5	-	-
Chilean peso	1.3	1.3	-	-
Czech koruna	4.5	4.5	-	-
Danish krone	205.5	205.5	-	-
Euro dollar	6,983.2	5,829.7	1,005.1	148.4
Egyptian pound	20.4	20.4	-	-
Hong Kong dollar	263.3	263.3	-	-
Hungarian forint	6.5	6.5	-	-
Indonesian rupiah	22.8	22.8	-	-
Israeli shekel	14.7	14.7	-	-
Japanese yen	2,822.7	1,943.4	879.3	-
Malaysian ringgit	18.6	18.6	-	-
Mexican peso	19.4	19.4	-	-
New Taiwan dollar	14.0	14.0	-	-
New Zealand dollar	18.1	18.1	-	-
Norwegian krone	451.1	451.1	-	-
Omani rial	2.0	2.0	-	-
Pakistan rupee	2.7	2.7	-	-
Philippines peso	1.1	1.1	-	-
Polish peso	9.9	9.9	-	-
Qatar rial	4.5	4.5	-	-
Singapore dollar	135.6	135.6	-	-
South African rand	69.7	69.7	-	-
South Korean won	110.4	110.4	-	-
Swedish krona	521.6	521.6	-	-
Swiss franc	1,460.3	1,460.3	-	-
Thailand baht	17.0	17.0	-	-
Turkish lira	27.8	27.8	-	-
	$ 16,478.8	$ 14,234.4	$ 2,042.2	$ 202.2

The State's interests in alternative investments may contain elements of credit, currency, and market risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence upon key individuals, emphasis on speculative investments (both derivatives and non-marketable investments), and nondisclosure of portfolio composition. Effective September 5, 2006, State regulations require that not more than 18 percent of the market value of the Pension Fund can be invested in alternative investments, with the individual categories of real estate, real assets, private equities, and absolute return strategy investments limited to 7 percent. On August 18, 2008 the overall limitation was revised to 28 percent. The Common Pension Fund E account within the Common Pension Trust Fund pool reflects the State's alternative investments. Not more that 5 percent of the market value of Common Pension Fund E plus outstanding commitments may be committed to any one partnership or investment, without the prior written approval of the State Investment Council. The investments in Common Pension Fund E cannot comprise more than 20 percent of any one investment manager's total assets.

NOTE 5 - SECURITIES LENDING COLLATERAL

The securities lending collateral is subject to various risks. Among these risks are credit risk, concentration of credit risk, and interest rate risk. Agreements with the lending agents require minimum credit ratings for certain categories of fixed income obligations and limit the amount that can be invested in any one issuer or issue. The following limits were in place from July 1, 2006 through September 4, 2006.

Category	Minimum Rating Moody's	Minimum Rating S&P	Limitation of Issuers Outstanding Debt	Limitation of Issue	Other Limitations
Certificates of deposit and bankers acceptances	Aa3/P-1	-	-	-	Uncollateralized certificates of deposit and bankers acceptances cannot exceed 10% of issuers primary capital
Guaranteed income contracts	P-1	-	-	-	Limited to 5% of the assets of the collateral portfolio
Money market funds	-	-	-	-	Limited to 10% of the assets of the collateral portfolio

As of September 5, 2006 the following limits became effective:

Category	Minimum Rating Moody's	Minimum Rating S&P	Minimum Rating Fitch	Limitation of Issuers Outstanding Debt	Limitation of Issue	Other Limitations
Corporate obligations	Baa3	BBB-	BBB-	10%	25%	-
U.S. finance company debt and bank debentures	Baa3	BBB-	BBB-	10%	25%	-
Collateralized notes and mortgages	Baa3	BBB-	BBB-	-	25%	Limited to not more than 10% of the assets of the collateral portfolio
Commercial paper	P-1	A-1	F1	-	-	-
Certificates of deposit and bankers acceptances:						Uncollateralized certificates of deposit and bankers acceptances cannot exceed 10% of issuers primary capital
Domestic	A3/P-1	A-/A-1	A-/F1	-	-	
International	Aa3/P-1	AA-/A-1	AA-/F1	-	-	
Guaranteed income contracts	A3	A-	A-	-	-	Limited to 5% of the assets of the collateral portfolio
Money market funds	-	-	-	-	-	Limited to 10% of the assets of the collateral portfolio

All investments in the collateral portfolio must mature or are to be redeemed within one year, except that up to 25% of the portfolio may be invested in eligible securities which mature within 25 months; provided, however, that the average maturity of all investments shall not exceed one year.

Maturities of corporate obligations, U.S. finance company debt, bank debentures, collateralized notes and mortgages, and guaranteed income contracts must be less than 25 months. Commercial paper maturities cannot exceed 270 days. Repurchase agreement maturities cannot exceed 30 days. Certificates of deposit and bankers acceptances must mature in one year or less.

The collateral for repurchase agreements is limited to obligations of the U.S. Government or certain U.S. Government agencies, collateralized notes and mortgages, and corporate obligations meeting certain minimum rating criteria.

Total exposure to any individual issuer is limited, except for U.S. Treasury and Government Agency Obligations. For money market funds, the total amount of shares or units purchased or acquired of any money market fund shall not exceed five percent of the shares or units outstanding of said money market fund. For Collateralized Notes and Mortgages, not more than two percent of the assets of the collateral portfolio shall be invested in the obligations of any one issuer. For Guaranteed Income Contracts, and funding agreements, the total investment in any one issuer shall be limited to 2.5 percent of the collateral portfolio. The State sets individual issuer limits for Commercial Paper and Certificates of Deposit. For Corporate Obligations, U.S. Finance Company Debt, Bank Debentures and Bankers Acceptances, exposure to any one issuer shall be limited to the following percentages of the collateral portfolio in accordance with the issuer's rating from Moody's: Aaa (4 percent), Aa (3 percent), A (2 percent), and Baa (1 percent).

For securities exposed to credit risk in the collateral portfolio, the following table disclosures aggregate market value, by major credit quality rating category at June 30, 2008 (expressed in millions). In those cases where an issuer and/or security have both a long-term and short-term rating, the short-term rating is presented:

	Moody's Rating									
	Aaa/AAA	Aaa/AA	Aa/AAA	Aa/AA	Aa/A	A/A	AA/A	A/Baa	Baa/BBB	Not rated
Corporate obligations	$ 711.2	$ 269.3	$ 224.5	$ 2,835.8	$ 570.5	$ 1,796.6	$ 10.0	$ 142.2	$ 139.7	$ -
Commercial paper	-	-	-	-	200.0	-	-	-	-	-
Certificates of deposit	-	-	-	608.7	753.7	-	-	-	-	-
Repurchase agreements	-	-	-	-	35.0	-	-	-	-	3,110.5
Asset backed securities	431.5	-	-	104.0	-	-	-	-	-	-
Money market funds	510.9	-	-	-	-	-	-	-	-	378.0
Cash	-	-	-	-	-	-	-	-	-	0.3
	$ 1,653.6	$ 269.3	$ 224.5	$ 3,548.5	$ 1,559.2	$ 1,796.6	$ 10.0	$ 142.2	$ 139.7	$ 3,488.8

The following table summarizes the maturities of the collateral portfolio at June 30, 2008 (expressed in millions):

		Maturities	
	Total Market Value	Less than One Year	One year to 25 Months
Corporate obligations	$ 6,699.8	$ 5,115.3	$ 1,584.5
Commercial paper	200.0	200.0	-
Certificates of deposit	1,362.4	1,362.4	-
Repurchase agreements	3,145.5	3,145.5	-
Money market funds	888.9	888.9	-
Asset backed securities	535.5	535.5	
Cash	0.3	0.3	-
	$ 12,832.4	$ 11,247.9	$ 1,584.5

As of June 30, 2008, the Pension Funds had received cash collateral of $12.8 billion and non-cash collateral of $70.4 million for outstanding loaned investment securities having market values of $12.6 billion.

NOTE 6 - RECEIVABLES

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

A. Federal

Federal government grant awards are established against State appropriations. Most Federal government receivables are comprised of amounts expended against grant awards, the expenditure of which is the basis of reimbursement. Since all amounts due from the Federal government are considered to be collectible, no allowance has been established for doubtful collections. Also see Note 20 – Contingent Liabilities.

These Federal receivables are reported in conformance with generally accepted accounting principles as defined in Statement No. 2 - *Grant, Entitlement and Shared Revenue Accounting and Reporting by State and Local Governments* published by the National Council on Governmental Accounting. Inasmuch as encumbrances do not constitute expenditures, and since recognition of grants and entitlements as revenue is primarily based on expenditures, there is an additional $2.8 billion of Federal government awards consisting of encumbrances and appropriation balances which are considered unearned and unrecorded as of June 30, 2008.

Federal receivable balances in the Unemployment Compensation Fund ($849.0 million) 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 $3.6 billion include amounts which were substantially collected within the one month period subsequent to June 30 and include most major tax revenues. Amounts included in these receivables but not collected within the one month period subsequent to June 30 are deemed to be collectible, and are reflected net of allowances ($360.1 million).

C. Loans

Loans receivable of $1.3 billion are reduced by allowances of $68.9 million and include $1.2 billion due from local units of government and other recipients for environmental projects, $43.2 million loaned for economic development within local units of government, and $11.8 million loaned for housing and mortgage assistance.

D. Other

Other receivables totaling $1.7 billion are reduced by allowances of $720.2 million and include tax receivables due of $410.7 million, $200.3 million due from the Port Authority of New York and New Jersey, $144.1 million due from tobacco companies, and $97.5 million due from proceeds of Motor Vehicle Commission bonds which are held by the trustee.

NOTE 7 - CAPITAL ASSETS

A summary of capital assets and related accumulated depreciation by category as of June 30, 2008 is as follows (expressed in millions):

	Balance July 1, 2007*	Additions	Deductions	Transfers/ Adjustments	Balance June 30, 2008
Capital assets, not being depreciated:					
Land and easements	$ 4,184.0	$ 153.7	$ --	$ 2.7	$ 4,340.4
Construction in progress**	3,110.3	1,536.0	0.8	(1,497.9)	3,147.6
Capital assets, being depreciated:					
Land improvements	203.5	--	0.1	4.6	208.0
Buildings and improvements	2,833.9	73.3	89.9	51.1	2,868.4
Machinery, equipment, and software	432.4	61.2	7.1	78.6	565.1
Infrastructure	14,897.6	--	--	1,368.3	16,265.9
Total at historical cost	25,661.7	1,824.2	97.9	7.4	27,395.4
Less accumulated depreciation:					
Land improvements	109.5	6.5	--	--	116.0
Buildings and improvements	1,535.5	107.9	80.8	--	1,562.6
Machinery, equipment, and software	239.9	57.1	5.8	--	291.2
Infrastructure	5,799.5	399.9	--	--	6,199.4
Total accumulated depreciation	7,684.4	571.4	86.6	--	8,169.2
Governmental activities capital assets, net	$ 17,977.3	$ 1,252.8	$ 11.3	$ 7.4	$ 19,226.2

* The July 1, 2007 capital asset balance has been restated by a net $143.7 million and the accumulated depreciation balance has been increased by $39.2 million to reflect the revised land improvements, software, and building improvements.

** Construction in progress includes infrastructure projects and software in development.

A. Items Not Capitalized and Depreciated

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

B. Depreciation and Useful Lives

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

Asset	Years
Land improvements	10-50
Building and improvements	12-60
Machinery and equipment	4-30
Infrastructure	4-70

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

	Amount
Public safety and criminal justice	$ 61.3
Physical and mental health	14.8
Educational, cultural, and intellectual development	15.1
Community development and environmental management	13.6
Economic planning, development, and security	21.0
Transportation programs	409.6
Government direction, management, and control	29.7
Special government services	6.3
	$ 571.4

NOTE 8 - INTERFUND TRANSACTIONS

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

A. Due From/Due To Other Funds

The balances of current interfund receivables and payables at June 30, 2008 are presented below (expressed in millions):

	General Fund	Property Tax Relief Fund	Non-Major Governmental Funds	State Lottery Fund	Unemployment Compensation Fund	Fiduciary Funds	Total
Due from:							
General Fund	$ --	$ --	$ 291.7	$ --	$ --	$ 83.8	$ 375.5
Property Tax Relief Fund	366.8	--	7.4	--	21.8	--	396.0
Non-Major Governmental Funds	871.4	0.8	254.9	--	1.2	--	1,128.3
State Lottery Fund	89.3	--	--	--	--	--	89.3
Unemployment Compensation Fund	5.3	0.7	16.1	--	--	--	22.1
Fiduciary Funds	13.9	9.4	--	--	--	1.5	24.8
Total Due from	**$** 1,346.7	$ 10.9	$ 570.1	$ --	$ 23.0	$ 85.3	$ 2,036.0
Due to:							
General Fund	$ --	$ 366.8	$ 871.4	$ 89.3	$ 5.3	$ 13.9	$ 1,346.7
Property Tax Relief Fund	--	--	0.8	--	0.7	9.4	10.9
Non-Major Governmental Funds	291.7	7.4	254.9	--	16.1	--	570.1
State Lottery Fund	--	--	--	--	--	--	--
Unemployment Compensation Fund	--	21.8	1.2	--	--	--	23.0
Fiduciary Funds	83.8	--	--	--	--	1.5	85.3
Total Due to	**$** 375.5	$ 396.0	$ 1,128.3	$ 89.3	$ 22.1	$ 24.8	$ 2,036.0

B. Transfer In/(Out)

Interfund transfers for the fiscal year ended June 30, 2008 are presented below (expressed in millions):

	General Fund	Non-Major Governmental Funds	State Lottery Fund	Unemployment Compensation Fund	Total
Transfers (out) to:					
General Fund	$ --	$ (1,292.3)	$ (905.0)	$ (25.3)	$ (2,222.6)
Non-Major Governmental Funds	(2,565.6) *	(1,484.0)	--	--	(4,049.6)
State Lottery Fund	--	--	--	--	--
Unemployment Compensation Fund	(260.0)	--	--	--	(260.0)
Total Transfers (Out)	$ (2,825.6)	$ (2,776.3)	$ (905.0)	$ (25.3)	$ (6,532.2)
Transfers in from:					
General Fund	$ --	$ 2,115.6 *	$ --	$ 260.0	$ 2,375.6
Non-Major Governmental Funds	1,292.3	1,484.0	--	--	2,776.3
State Lottery Fund	905.0	--	--	--	905.0
Unemployment Compensation Fund	25.3	--	--	--	25.3
Total Transfers In	$ 2,222.6	$ 3,599.6	$ --	$ 260.0	$ 6,082.2
Net Transfers	$ (603.0)	$ 823.3	$ (905.0)	$ 234.7	$ (450.0)

* The New Jersey Schools Development Authority (a blended component unit included in the Non-Major Governmental Funds) has a fiscal year end of December 31, 2007. Due to the State having a June 30, 2008 fiscal year end, transactions between the New Jersey Schools Development Authority and the General Fund have created an imbalance within the transfers.

NOTE 9 - SHORT-TERM DEBT

Tax and Revenue Anticipation Notes

The State issues short-term debt instruments in the form of tax and revenue anticipation notes in advance of income tax and corporation business tax collections, depositing the proceeds in the General Fund. These notes are used to provide effective cash management to fund the imbalances that occur between the collection of revenues and the disbursement of appropriations of the General Fund and Property Tax Relief Fund. The $2.0 billion of borrowings was repaid in full prior to the end of the fiscal year. Short term debt activity for the year ended June 30, 2008 was as follows (expressed in millions):

	Outstanding July 1, 2007	Issued	Redeemed	Outstanding June 30, 2008
Tax and Revenue Anticipation Notes	$ --	$ 2,000.0	$ (2,000.0)	$ –

NOTE 10 – LONG-TERM OBLIGATIONS

The State's long-term debt is divided into bonded and non-bonded categories. Bonded categories include General Obligation Bonds, Revenue Bonds Payable, certain Capital Leases, Installment Obligations, Certificates of Participation, Unamortized Premium, Tobacco Settlement Financing Corporation, Inc. Bonds ("TSFC"), Unamortized Deferral on Refunding, and Unamortized Interest on Capital Appreciation Bonds. Non-bonded categories include Accumulated Sick and Vacation Payable, certain Capital Leases, Loans Payable, Net Pension Obligation, Other Postemployment Benefits, Other, and Deposit Fund Contracts.

A. Changes in Long-term Debt

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

	Outstanding July 1, 2007	Additions	Deductions	Outstanding June 30, 2008	Amounts Due Within One Year
Governmental Activities					
Bonded Debt					
General Obligation Bonds	$ 2,864.7	$ 240.0	$ 286.2	$ 2,818.5	$ 272.7
Revenue Bonds Payable	12,739.6	1,387.4	424.6	13,702.4	334.5
Capital Leases	297.8	--	11.3	286.5	17.1
Installment Obligations	17,185.2	3,368.7	2,335.9	18,218.0	528.7
Certificates of Participation	58.8	23.8	27.9	54.7	25.9
Unamortized Premium	1,397.4	120.1	104.7	1,412.8	--
Tobacco Settlement Financing Corporation, Inc.	4,643.7	--	52.3	4,591.4	10.5
Unamortized Deferral on Refunding	(924.2)	(9.6)	(68.1)	(865.7)	--
Unamortized Interest on Capital Appreciation Bonds	(6,522.6)	(89.2)	(264.2)	(6,347.6)	--
Non-Bonded Debt					
Accumulated Sick and Vacation Payable	578.5	326.4	309.0	595.9	326.4
Capital Leases	384.9	97.9	72.2	410.6	50.3
Loans Payable	1,279.4	--	--	1,279.4	--
Net Pension Obligation	3,761.3	998.0	--	4,759.3	--
Other Postemployment Benefits	--	3,177.4	--	3,177.4	--
Other	251.1 *	276.7	251.1	276.7	273.5
Subtotal Governmental Activities	37,995.6	9,917.6	3,542.9	44,370.3	1,839.6
Business-type Activities					
Accumulated Sick and Vacation Payable	1.1	0.6	0.7	1.0	0.6
Deposit Fund Contracts	739.4	59.6	135.3	663.7	138.4
Subtotal Business-type Activities	740.5	60.2	136.0	664.7	139.0
Total Governmental and Business-type	$ 38,736.1	$ 9,977.8	$ 3,678.9	$ 45,035.0	$ 1,978.6

* Restated to exclude $146.5 million in Other Health Benefits.

B. Debt Service Payments

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

	Debt Service						
Fiscal Year	General Obligation Bonds	Revenue Bonds	Capital Leases	Installment Obligations	Certificates of Participation	TSFC *	Total
2009	$ 430.5	$ 819.2	$ 120.6	$ 1,147.4	$ 27.9	$ 171.5	$ 2,717.1
2010	408.6	849.6	114.3	1,196.0	17.3	172.4	2,758.2
2011	392.5	868.5	104.5	1,203.7	9.0	176.4	2,754.6
2012	378.0	848.6	96.5	1,176.8	2.2	195.2	2,697.3
2013	364.5	849.1	78.3	1,182.5	1.1	197.4	2,672.9
2014-2018	1,203.0	4,225.6	273.2	6,071.9	1.1	1,026.6	12,801.4
2019-2023	431.1	4,383.5	180.0	6,382.6	--	1,081.3	12,458.5
2024-2028	94.4	2,414.7	109.1	5,805.3	--	1,084.1	9,507.6
2029-2033	--	1,949.8	20.7	2,290.0	--	1,087.2	5,347.7
2034-2038	--	1,561.7	5.3	552.4	--	1,091.8	3,211.2
2039-2043	--	--	--	--	--	1,935.5	1,935.5
Total Minimum Payments	3,702.6	18,770.3	1,102.5	27,008.6	58.6	8,219.4	58,862.0
Interest	(884.1)	(5,067.9)	(405.4)	(8,790.6)	(3.9)	(3,628.0)	(18,779.9)
Principal	2,818.5	13,702.4	697.1	18,218.0	54.7	4,591.4	40,082.1
Unamortized Premium	151.0	783.0	--	478.8	--	--	1,412.8
Unamortized Deferral on Refunding	(73.7)	(311.6)	--	(113.4)	--	(367.0)	(865.7)
Unamortized Interest on Capital Appreciation Bonds	(1.0)	(2,658.7)	--	(2,608.5)	--	(1,079.4)	(6,347.6)
Total	$ 2,894.8	$ 11,515.1	$ 697.1	$ 15,974.9	$ 54.7	$ 3,145.0	$ 34,281.6

* The State is not liable for debt issued by the TSFC.

C. General Obligation Bonds

The State is empowered by voters to authorize, issue, and incur debt subject to certain constitutional restrictions. General obligation bond acts are both legislatively and voter-approved and are backed by the State's full faith and credit. As of June 30, 2008, the State had $2.8 billion of State general obligation bonds outstanding with another $702.5 million of bonding authorization remaining from various State general obligation bond acts. During the fiscal year, $240.0 million of General Obligation debt was issued for various purposes, and the amount provided by the State's General Fund for debt service payments for Fiscal Year 2008 was $428.7 million.

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

During Fiscal Year 2008, the State did not refund any general obligation debt. As of June 30, 2008, the amount of defeased general obligation debt outstanding, but removed from the State's long-term obligations amounted to $680.5 million.

D. Revenue Bonds Payable

This debt classification represents bond issuances whose segment of debt service is derived solely from legally restricted revenues. Revenue bonds include debt issued by the New Jersey Building Authority (NJBA), the Garden State Preservation Trust, and the New Jersey Transportation Trust Fund Authority (TTFA). During Fiscal Year 2008, the TTFA issued $1.2 billion of bonds, used to fund transportation system improvements, while the NJBA issued $216.3 million of bonds, of which $96.7 million were used to finance the completion of project building costs. The remaining $119.6 million were issued as refunding bonds in order to defease $120.1 million of existing debt. As a result, the refunded bonds' liability has been removed from the State's long-term obligations. Total debt service payments over the next 10 years were reduced by $3.7 million which resulted in

$3.0 million in present value savings. Due to the nation's credit crisis, inefficiencies in the auction rate market resulted in NJBA having to remarket $180.9 million of bonds during the fiscal year.

E. Capital Leases (Bonded)

Capital Leases represent long-term contractual debt obligations that the State has with various State authorities, for the purpose of utilizing office space for State operations and program usage. This includes the design, acquisition, and construction or renovation of facilities such as the Trenton Office Complex and Greystone Psychiatric Hospital.

F. Installment Obligations

Installment obligations represent agreements between the State and several authorities which have issued bonds for the purpose of purchasing or constructing facilities to be rented by the State or to provide financing for other State projects. The State agrees to make payments equal to the corresponding authority's debt service, subject to and dependent upon appropriations being made from time to time by the State Legislature. At the conclusion of the term of the installment obligation agreement, title to the various facilities is transferred to the State, except in the case of the School Facilities Construction Program. During Fiscal Year 2008, these authorities issued $3.4 billion of bonds, of which, $1.5 billion was mostly used to finance school facilities projects and fund other capital costs. The remaining $1.9 billion were refunding bonds that were issued in order to defease $1.8 billion of existing debt. The liability on these refunded bonds has been removed from the State's long-term obligations. Total debt service payments over the next 23 years were reduced by $459.9 million and resulted in a net present value savings of $304.6 million. The State's installment obligations outstanding as of June 30, 2008 total $18.2 billion. Total authorized but unissued installment obligations equal $1.6 billion as of June 30, 2008. Due to the nation's credit crisis, inefficiencies in the auction rate market resulted in the Schools Development Authority (SDA) having to remarket $616.7 million of bonds during the fiscal year. Additionally, $62.7 million of Business Employment Incentive Program (BEIP) bonds were also remarketed.

G. Certificates of Participation

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

H. Unamortized Premium

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

I. Tobacco Settlement Financing Corporation, Inc. (TSFC)

In November 1998, the State entered into a Master Settlement Agreement with participating cigarette manufacturers, 46 states, and six other United States jurisdictions in the settlement of certain smoking-related litigation. During Fiscal Year 2003, the State sold to the newly established TSFC, the State's right, title, and beneficial ownership interest in the State's right to receive tobacco settlement rights under the Master Settlement Agreement and decree of Final Judgment. In return, the TSFC issued $3.46 billion of bonds to pay for the tobacco settlement rights. Proceeds of the two bond issuances were used to fund General Fund expenditures during Fiscal Year 2003 and Fiscal Year 2004. During Fiscal Year 2007, $4.7 billion of refunding bonds were issued, of which $1.1 billion were capital appreciation bonds.

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

J. Unamortized Deferral on Refunding

Under GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, unamortized deferral on refunding shows the actual gain or loss on refunding transactions. Gains are shown as an asset and amortized over the shorter of the life of the refunding bonds or the bonds that were refunded. As of June 30, 2008, the State has issued $2.0 billion of refunding bonds that are to be amortized over a time period of 3 years to 34 years. GASB Statement No. 23 defines a gain/loss as the total outstanding amount of the old bonds minus the new refunding bonds issued minus the cost of issuance on the new refunding bonds. The refunding bonds have a total loss of $865.7 million.

K. Unamortized Interest on Capital Appreciation Bonds

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

L. Accumulated Sick and Vacation Payable

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

M. Capital Leases (Non-Bonded)

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

N. Loans Payable

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

O. Net Pension Obligation

Net Pension Obligation (NPO) represents a $4.8 billion pension fund liability due to the Judicial Retirement System, the State Police Retirement System, the Consolidated Police and Firemen's Retirement System, and the Teachers' Pension and Annuity Fund. Financial reporting requirements for net pension fund obligations fall under the purview of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers.*

P. Other Postemployment Benefits

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective for periods beginning after December 15, 2006, requires the reporting of future Other Postemployment Benefits (OPEB) as a general long-term obligation of the State. Based upon an actuarial valuation, the OPEB obligation as of June 30, 2008 is estimated to be $3.2 billion.

Q. Other

This obligation represents unamortized long-term claims which are required to be reported under National Council on Governmental Accounting Statement No. 1 as a general long-term liability of the State. This includes Medicaid benefit claims ($268.9 million of which $121.7 million is federally reimbursable) which have been incurred but not reported. This obligation also includes $7.8 million of capitalized software liability which is required to be reported in accordance with GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.*

The beginning balance has been restated to exclude $146.5 million of debt related to Other Health Benefits which should not have been reported as a long-term obligation of the State in Fiscal Year 2007 due to the implementation of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

R. Proprietary Funds/Business-type Activities

Large Lottery prizes are paid out to winners over a period of multiple years. Current Lottery proceeds are used to purchase deposit fund contracts which will provide sufficient amounts for future payment of installment prizes. Future payments of installment prizes in the present value of $663.7 million are recorded as non-current liabilities in both the fund financial statements and the government-wide statements.

S. Moral Obligation Bonds

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

The State 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, 2007, the Corporation certified that it would be unable to provide sufficient funds from operations for debt service, and therefore, required a State appropriation for Fiscal Year 2008 in the amount of $6.9 million.

NOTE 11 - RISK MANAGEMENT AND INSURANCE COVERAGE

The State is self-insured and self-administered for tort, workers' compensation, and automobile liability claims. As of June 30, 2008 no liability for unpaid claims has been established since the amount of loss cannot be reasonably estimated, however, any unpaid claims are not expected to be material. Claims are reported as expenditures in the General Fund in the year they are paid. Amounts expended for tort, workers' compensation, and automobile liability claims for Fiscal Year 2008 and Fiscal Year 2007 are detailed below (expressed in millions):

Type of Claim	Fiscal Year 2008	Fiscal Year 2007
Tort	$ 10.2	$ 15.7
Workers' compensation	28.8	27.0
Automobile	4.4	3.7

Property exposure is handled by a commercial insurance carrier. There were no reductions in commercial insurance coverage during the fiscal year ended June 30, 2008. No settlements exceeded commercial insurance coverage during each of the past three fiscal years. The State does not participate in any risk pools.

The State has obtained a financial guaranty policy insurance commitment to cover potential permanent losses on investments by non-state participants in the State of New Jersey Cash Management Fund-External Portion (Investment Trust Fund). The State is liable for reimbursement to the issuer of the financial guaranty policy insurance commitment for any payments made. This financial guaranty policy insurance commitment expires on July 1, 2016.

NOTE 12 – DERIVATIVES

A. Interest Rate Swap Agreements

The State has obtained long-term financing in the form of voter-approved General Obligation Debt and other obligations for which voter approval is not needed and has not otherwise been sought. Non-voter approved long-term financings include debt obligations such as revenue bonds, certificates of participation, and installment obligations. The State pays debt service on these debt obligations pursuant to a State contract it enters into with the issuer, subject to annual appropriations made by the State Legislature. These debt obligations include, but are not limited to, certain bonds issued through State public authorities such as the New Jersey Building Authority, the New Jersey Economic Development Authority, the New Jersey Sports and Exposition Authority, and the New Jersey Transportation Trust Fund Authority. In connection with certain bonds issued, or anticipated, through these public authorities, the State has entered into Interest Rate Exchange Agreements (Swap Agreements). As of June 30, 2008 the State has 28 active swap agreements with 12 swap providers for a combined, original notional amount of $5.0 billion.

Significant problems developed in both the taxable and tax-exempt variable rate demand bond market and the auction rate bond market during Fiscal Year 2008. Exposure to the sub-prime mortgage crisis negatively impacted "AAA" rated bond insurers and the bonds that they insured. Several bond insurers experienced rating downgrades by some or all three rating agencies. A limited number of bond insurers kept their "AAA" rating, while others were downgraded below "BBB-" (non-investment grade). The "AAA" ratings were an essential part of the operation of the variable rate demand and auction rate bond markets. Many investors generally require a "AAA" rating as a minimum requirement for their purchase.

As Fiscal Year 2008 progressed, interest rates increased on both variable rate and auction rate bonds due to rating downgrades of certain bond insurers. Broker-dealers conducting these auctions responded to these actions and stopped purchasing auction rate bonds for their own accounts. Consequently, the interest rates on these bonds increased substantially versus interest rates that were in effect as of June 30, 2007. In response, the State and its independent authorities have taken action to mitigate the increase in interest rates. Almost all of the auction rate bonds that were affected have been restructured or refunded as either letter of credit-backed variable rate demand bonds or fixed rate bonds by June 30, 2008. The remaining $345.0 million of bonds were remarketed on September 2, 2008. There is no assurance that variable rate interest rates will not rise.

B. Interest Rate Swap Agreements – Synthetic Rate

The State acting through its public authorities entered into 23 swap agreements in connection with the issuance of $1,995.5 million in variable rate bonds. In each case, the State, acting through its public authorities, issued bonds bearing interest at a variable rate and simultaneously entered into one or more swap agreements with various swap providers. Under the terms of the swap agreements, the State will pay a fixed rate on a notional amount of bonds outstanding while the swap counterparty pays a variable rate on the same notional amount which is anticipated to, over time, match the variable interest rate on the bonds. For one executed swap agreement, the State, acting through its public authorities remarketed $380.5 million of bonds from auction rate mode to term interest rate mode while simultaneously entering into the swap agreement. While in term interest mode, the bonds pay a fixed rate of interest until either September 1, 2014 or 2015, at which date they can be remarketed as fixed or variable rate bonds. Under the terms of the swap agreement the State will pay a variable rate of interest while receiving a fixed rate of interest until September 1, 2014 or 2015. The variable rate of interest from the pre-existing swap agreements associated with the auction rate bonds is intended to offset the variable rate of interest paid under the terms of the new swap agreement. This leaves the State with a fixed rate of interest on the bonds and swap agreements through September 1, 2014 or 2015.

Issuer/Series	Notional Amounts ($ Millions)	Effective Date	Synthetic Rate	Rate Received
NJ Sports and Exposition Authority				
1992 Series C	$ 167.370	11/12/92	5.860 %	92% of the SIFMA Index
NJ Transportation Trust Fund Authority				
2003 Series B-1	85.000	1/30/03	3.565	67% of the 1-month USD-LIBOR
2003 Series B-2	85.000	1/30/03	3.537	67% of the 1-week USD-LIBOR
2003 Series B-3	50.000	1/30/03	3.630	67% of the 1-month USD-LIBOR
2003 Series B-4	62.500	1/30/03	3.675	67% of the 1-week USD-LIBOR
2003 Series B-5	62.500	1/30/03	3.675	67% of the 1-week USD-LIBOR
NJ Economic Development Authority				
School Facilities Construction Program				
2004 Series R (3 swap agreements)	402.920	9/1/06	4.407	71.98% of 1-month USD-LIBOR
	97.080	11/1/06	4.324	75% of 1-month USD-LIBOR + 5.25 Basis Points
2008 Series V (9 swap agreements)	344.620	9/1/04	4.063	71.13% of 1-month USD-LIBOR
	446.835	3/1/05	4.176	74.24% of 1-month USD-LIBOR
	358.085	3/1/06	4.296	70.80% of 1-month USD-LIBOR
	391.165	9/1/07	4.399	71.57% of 1-month USD-LIBOR
	380.515	5/1/08	75% of 1-Month USD-LIBOR	3.036% fixed rate
NJ Building Authority				
2003 Series A (6 swap agreements)	178.525	8/20/03	3.640	62% of 1-month USD-LIBOR + 20 Basis Points

The bonds and the related swap agreements listed above have final maturities ranging from September 1, 2015 through March 1, 2035. The swap agreements total current notional amount is $3,112.1 million. The amount of associated bonds that are outstanding as of June 30, 2008 total $2,322.9 million. Under the swap agreements, the State pays the counterparties a fixed payment ranging from 3.537 percent to 5.860 percent and receives a variable payment as computed for each associated variable rate transaction as shown above. In regards to the one fixed rate transaction, the State pays a counterparty a variable rate payment equal to 75% of the 1-month USD-LIBOR while receiving a fixed payment at a rate of 3.036 percent. The swap provider calculates the variable rate, as well as the dollar amount that is owed by the swap counterparty. The remarketing agent determines the variable interest rate that is applied to the bonds.

C. Interest Rate Swap Agreements – Forward Strategy

The State of New Jersey has entered into four swap agreements in association with $1.3 billion of future bond transactions involving the New Jersey Economic Development Authority's School Facilities Construction Program. The purpose of entering into the swap agreements was to take advantage of "locking in" historically low fixed interest rates for bonds that are to be issued in the future. The swap agreements have allowed the State the opportunity to limit its interest rate exposure.

A description of each current forward strategy swap agreement is as follows:

New Jersey Economic Development Authority

Issuer/Series	Notional Amounts ($ Millions)	Effective Date	Synthetic Fixed Rate	Variable Rate Received
School Facilities Construction Program	$ 250.000	11/1/08	4.489 %	62% of 1-Month USD-LIBOR+ 40 Basis Points
School Facilities Construction Program	250.000	5/1/09	4.513	62% of 1-Month USD-LIBOR+ 40 Basis Points
School Facilities Construction Program	250.000	11/1/09	4.549	62% of 1-Month USD-LIBOR+ 40 Basis Points
School Facilities Construction Program	500.000	5/1/10	4.251	62% of 1-Month USD-LIBOR+ 40 Basis Points

D. Interest Rate Swap Agreements - Fair Value

Between November 12, 1992 and June 30, 2008, the State, acting through its public authorities, has entered into 28 existing swap agreements. During this time, general interest rates have declined since the execution of the swap agreements. As a result, the projected net present value of the State's entire portfolio as of June 30, 2008 is negative $348.9 million. A breakdown of this amount is shown below:

Authority/Isssuer	Net Present Value ($ Millions)
NJ Building Authority	$ (7.715)
NJ Economic Development Authority	
School Facilities Construction Program	(305.260)
NJ Sports and Exposition Authority	(34.061)
NJ Transportation Trust Fund Authority	(1.862)
Total	$ (348.898)

The amounts shown above are the amounts that the State would pay to swap counterparties in the event that all the State's swap agreements were terminated on June 30, 2008. The swap agreements could only be terminated for certain events of default listed in each swap agreement document, including a swap counterparty default. In the event of a swap counterparty default, it is likely that this event would be remedied through the assignment to an alternate swap counterparty.

E. Interest Rate Swap Agreements - Credit Risk

The swap agreement contracts require that each swap counterparty shall have a credit rating from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories. Ratings, which are obtained from any other nationally recognized statistical rating agencies for such swap counterparty shall also be within the three highest investment rated categories, or the payment obligations of the swap counterparty shall also be unconditionally guaranteed by an entity with such credit ratings. The swap agreements also require that should the credit rating of a swap counterparty fall below the rating required, that the obligations of such swap counterparty shall be fully and continuously collateralized by direct obligations of, or obligations the principal and interest on which are guaranteed by, the United States of America, at the agreed upon collateral threshold levels pursuant to the Credit Support Agreement. The collateral threshold levels are adjusted based on counterparty ratings as set forth in the Credit Support Agreement. Even though some of the mark to market values of the swap agreements have in the past, become positive, no collateral posting is required as of June 30, 2008.

F. Interest Rate Swap Agreements - Basis Risk

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

G. Interest Rate Swap Agreements - Termination Risk

Each swap agreement contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The schedule to the Master Agreement includes "additional termination events", providing that the swap agreements may be terminated if either the State's or a swap counterparty's credit quality rating falls below certain levels. The State or the swap counterparties may terminate the swap agreements if the other party fails to perform under the terms of the contract. If one or more of the swap agreements is terminated, the related variable rate bonds would no longer be hedged and the State would no longer be effectively paying a synthetic fixed rate with respect to those bonds. Also, if at the time of termination the swap agreement has a negative fair value, the State would incur a loss and would be required to settle with the swap counterparty at the swap agreement's fair value.

NOTE 13 - OTHER LIABILITIES

Other liabilities presented in the statement of net assets consist principally of revenue refunds payable to taxpayers of $297.8 million.

In addition, the New Jersey Schools Development Authority reflects other liabilities of $51.0 million which represent deposits received from local school districts to fund the local share portion of non-Abbott school facility projects, or to cover certain ineligible costs pertaining to projects in the Abbott school districts.

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

A. Reserved - Other

In the fund financial statements, reservations of fund balance classified as "reserved - other" consist principally of legally mandated escrow balances and long-term loans and receivables due from individuals, municipalities, and authorities that are considered not currently available for expenditure in subsequent accounting periods. In addition, balances have been reserved in the following funds for purposes described below.

General Fund

The $65.8 million reservation in the General Fund that is considered not currently available for appropriations consists principally of long-term advances and receivables due from individuals, estates, and other funds ($24.2 million), a portion of bond receipts which is earmarked to pay debt service in the next fiscal year ($13.8 million), a portion of the 4 percent constitutionally dedicated Corporation Business Tax revenues reserved for environmental cleanup projects in excess of allowable expenditures ($17.2 million), and other items ($10.6 million).

Fund for Support of Free Public Schools

New Jersey statutes provide for the establishment of a school bond reserve within this fund. The school bond reserve consists of two accounts, the old school bond reserve account and the new school bond reserve account. The old school bond reserve account shall be funded in an amount equal to at least 1.5 percent of the aggregate issued and outstanding bonded indebtedness of counties, municipalities, or school districts for school purposes for all such indebtedness issued prior to July 1, 2003. The new school bond reserve account shall be funded in an amount equal to at least 1 percent of the aggregate issued and outstanding bonded indebtedness of counties, municipalities, or school districts for school purposes for all such indebtedness issued on or after July 1, 2003, exclusive of bonds for debt service, which is provided by State appropriations. Accordingly, $98.5 million has been reserved as of June 30, 2008.

New Jersey Schools Development Authority

In this fund, $3.7 million has been reserved for Qualified Zone Academies and prepayments.

New Jersey Transportation Trust Fund Authority

An amount of $0.3 million has been reserved for future debt service payments.

Tobacco Settlement Financing Corporation, Inc.

The $264.6 million reservation represents money reserved for future debt service payments on outstanding bonds payable.

B. Unreserved

In the fund financial statements, unreserved consists of designated for continuing appropriations, designated for unrealized gains, and undesignated.

General Fund

The $2.8 billion unreserved balance consists of $2,347.1 million designated for continuing appropriations and $469.8 million undesignated.

Property Tax Relief Fund

The $116.8 million unreserved balance consists of $17.8 million designated for continuing appropriations and $99.0 million undesignated.

C. Net Assets Restricted by Enabling Legislation

As of June 30, 2008, the Statement of Net Assets reported $5.5 billion of restricted net assets. Net assets are restricted when constraints from external parties can compel the State to comply with legally enforceable enabling legislation requiring that resources be used for a specific purpose.

NOTE 15 – OTHER FINANCING SOURCES/USES-OTHER

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

	General Fund	Non-Major Funds	Total Governmental Funds
Refunding debt issued	$ 1,901.3	$ 119.7	$ 2,021.0
Installment obligations issued	1,405.1	--	1,405.1
Capital lease acquisitions	97.9	--	97.9
Premium related to refunding debt issued	41.7	6.0	47.7
Premium related to revenue bonds	--	30.2	30.2
Certificates of participation issued	23.9	--	23.9
Premium related to general obligation bonds	--	12.6	12.6
Premium related to Business Employment Incentive Program remarketing	2.6	--	2.6
Payments to escrow agents on refunding bonds	(1,931.2)	(125.7)	(2,056.9)
Other Financing Sources (Uses) - Other	$ 1,541.3	$ 42.8	$ 1,584.1

NOTE 16 – OPERATING LEASES

The State of New Jersey has commitments to lease certain land, buildings, and equipment under arrangements representing operating leases. Future minimum rental commitments for noncancelable operating leases as of June 30, 2008 are as follows (expressed in millions):

Fiscal Year	Amount
2009	$ 34.0
2010	23.9
2011	18.4
2012	14.3
2013	9.9
2014-2018	28.3
2019-2022	2.3
Total Future Minimum Lease Payments	$ 131.1

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

A. RETIREMENT SYSTEMS

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

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

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

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

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

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

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

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

Other Pension Funds

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

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

The State also administers the Pensions 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 some State-sponsored pension systems which are the CPFPF, POPF, and CPF. This benefit is funded by the State as benefit allowances become payable.

The cost of living increase for PFRS, PERS, TPAF, SPRS, and JRS are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required State contribution for the system.

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

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

Basis of Accounting

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

Significant Legislation

P.L. 2007, c.92, implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform: established a Defined Contribution Retirement Program (DCRP) for elected and certain appointed officials, effective July 1, 2007; closed the Workers' Compensation Judges part of PERS to new members, effective July 1, 2007; eliminated the four percent fixed rate of interest for loans from the defined benefit plans and provided that the rate of interest will be set by the State Treasurer at a commercially reasonable rate as required by the Internal Revenue Code and permitted that an administrative processing fee may be charged for such loans. It also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the system when excess assets are available.

P.L. 2007, c.103, certain parts effective July 1, 2007, provided for the following: changed employee contribution rates of TPAF, PERS, and DCRP to 5.5 percent of annual compensation; imposed an annual maximum wage contribution base and a new retirement age to new employees; implemented changes to State Health Benefits Program (SHBP) and established an employee contribution of 1.5 percent of the employee's base salary.

Investment Valuation

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

The State of New Jersey, Department of the Treasury, Division of Investment, issues 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, Common Pension Fund D, and Common Pension Fund E. 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.

Funded Status and Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the aggregate funded ratio for the retirement systems (TPAF, PERS, PFRS, POPF, CPFPF, JRS, and SPRS) is 76.0 percent with an unfunded actuarial accrued liability of $28.4 billion.

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

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

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

Actuarial Methods and Assumptions

In the June 30, 2007 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate of return for all the retirement systems except POPF (5 percent) and CPFPF (2 percent) and (2) 5.45 percent for projected salary increases for all the retirement systems except TPAF (5.74 percent) and PFRS (7.2 percent).

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on percentages ranging from 3.00 percent to 8.50 percent of employees' annual compensation.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2008 for CPFPF and TPAF, which are cost sharing plans with special funding situations, and for JRS, POPF, and SPRS, which are single employer plans, the annual pension cost differs from the annual required contribution. For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. The annual pension cost for the fiscal year ending June 30, 2008 and related information, including a summary of the significant actuarial methods and assumptions used by the retirement systems, are presented on the following pages.

The calculation of the employer contribution rates on the following pages, for State and Local, for all the retirement systems except PFRS, is the APC divided by the covered payroll in the Schedule of Funding Progress per the actuarial valuations as of June 30, 2006. PFRS used the covered payroll per the actuarial valuation as of June 30, 2005 for this calculation.

		CPFPF	JRS	PFRS
Annual Pension Cost (APC)				
State:	**06/30/06**	$ 6,571,593	$ 22,849,429	$ 73,541,000
	06/30/07	1,015,627	25,134,303	127,404,777
	06/30/08	(4,301,717)	26,974,918	135,324,000
Local:	**06/30/06**	--	--	260,986,583
	06/30/07	--	--	422,743,218
	06/30/08	--	--	639,755,622
Contributions Made				
State:	**06/30/06**	6,396,222	7,972,000	73,541,000
	06/30/07	1,783,902	13,355,587	127,404,777
	06/30/08	522,176	11,957,000	135,324,000
Local:	**06/30/06**	--	--	260,986,583
	06/30/07	--	--	422,743,218
	06/30/08	--	--	639,755,622
Percentage of APC Contributed				
State:	**06/30/06**	97.3%	34.9%	100.0%
	06/30/07	175.6%	53.1%	100.0%
	06/30/08	-12.1%	44.3%	100.0%
Local:	**06/30/06**	--	--	100.0%
	06/30/07	--	--	100.0%
	06/30/08	--	--	100.0%
Net Pension Obligation				
State:	**06/30/06**	7,458,583	(1,836,212)	--
	06/30/07	6,690,308	9,942,504	--
	06/30/08	1,866,415	24,960,422	--
Local:	**06/30/06**	--	--	--
	06/30/07	--	--	--
	06/30/08	--	--	--
Contribution rates				
State		N/A	43.2%	28.0%
State-related employers		N/A	N/A	24.4%
Employees		N/A	3.0%	8.5%

Significant Actuarial Assumptions and Methods	CPFPF	JRS	PFRS
Date of actuarial valuation	6/30/07	6/30/07	6/30/07
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level Dollar Closed	Level Percent Open	Level Percent Open
Remaining amortization period	1 year	30 years	30 years
Asset valuation method	Five Year Average of Market Value	Five Year Average of Market Value	Five Year Average of Market Value
Actuarial assumptions			
Investment rate of return	2.00%	8.25%	8.25%
Projected salary increases	N/A	5.45%	7.20%
Cost-of-Living adjustments	N/A	1.80%	1.80%

		POPF	PERS	SPRS	TPAF
Annual Pension Cost (APC)					
State:	**06/30/06**	$ 801,063	$ 568,139	$ 51,525,290	$ 1,212,219,609
	06/30/07	129,444	215,629,964	61,668,569	1,466,081,478
	06/30/08	(79,506)	206,828,570	83,383,337	1,626,177,420
Local:	**06/30/06**	--	141,498,069	--	--
	06/30/07	--	242,230,174	--	--
	06/30/08	--	382,819,987	--	--
Contributions Made					
State:	**06/30/06**	--	568,139	12,941,000	94,226,363
	06/30/07	--	215,629,964	29,875,748	690,794,259 *
	06/30/08	--	206,828,570	34,918,000	695,275,811
Local:	**06/30/06**	--	141,498,069	--	--
	06/30/07	--	242,230,174	--	--
	06/30/08	--	382,819,987	--	--
Percentage of APC Contributed					
State:	**06/30/06**	0.0%	100.0%	25.1%	7.8%
	06/30/07	0.0%	100.0%	48.4%	47.1% *
	06/30/08	0.0%	100.0%	41.9%	42.8%
Local:	**06/30/06**	--	100.0%	--	--
	06/30/07	--	100.0%	--	--
	06/30/08	--	100.0%	--	--
Net Pension Obligation					
State:	**06/30/06**	(6,420,649)	--	237,836,641	2,708,257,157
	06/30/07	(6,291,205)	--	269,629,462	3,483,544,376 *
	06/30/08	(6,370,711)	--	318,094,799	4,414,445,985
Local:	**06/30/06**	--	--	--	--
	06/30/07	--	--	--	--
	06/30/08	--	--	--	--
Contribution rates					
State		N/A	4.9%	31.7%	18.6%
State-related employers		N/A	5.7%	N/A	N/A
Employees		N/A	5.5% for State; 5% for Local (7.5% for County Prosecutors)	7.5%	5.5%
Significant Actuarial Assumptions and Methods					
Date of actuarial valuation		6/30/07	6/30/07	6/30/07	6/30/07
Actuarial cost method		Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method		Level Dollar Closed	Level Percent Open	Level Percent Open	Level Percent Open
Remaining amortization period		1 year	30 years	30 years	30 years
Asset valuation method		Market Value	Five Year Average Market Value	Five Year Average Market Value	Five Year Average Market Value
Actuarial assumptions					
Investment rate of return		5.00%	8.25%	8.25%	8.25%
Projected salary increases		N/A	5.45%	5.45%	5.74%
Cost-of-Living adjustments		N/A	1.80%	1.80%	1.80%

* Restated

The Annual Pension Cost (APC) and Net Pension Obligation (NPO) for the single employer plans and cost sharing plans with special funding situations, which are administered by the State of New Jersey for the fiscal year ending June 30, 2008, are presented below:

	SINGLE EMPLOYER PLANS		
	JRS	**POPF**	**SPRS**
Annual Required Contribution, 6/30/08	$ 26,758,935	$ (6,370,711)	$ 77,526,133
Interest adjustment on NPO	820,257	(314,560)	22,244,431
Adjustment to Annual Required Contribution	(604,274)	6,605,765	(16,387,227)
APC as of June 30, 2008	26,974,918	(79,506)	83,383,337
Total Fiscal Year 2008 Contributions	11,957,000	--	34,918,000
Increase (Decrease) in NPO	15,017,918	(79,506)	48,465,337
NPO as of June 30, 2007	9,942,504	(6,291,205)	269,629,462
NPO as of June 30, 2008	$ 24,960,422	$ (6,370,711)	$ 318,094,799

	COST SHARING PLANS WITH SPECIAL FUNDING SITUATIONS		
	CPFPF	**TPAF**	**TOTAL ALL PLANS**
Annual Required Contribution, 6/30/08	$ 2,388,591	$ 1,550,503,835	$ 1,650,806,783
Interest adjustment on NPO	133,806	287,392,411	310,276,345
Adjustment to Annual Required Contribution	(6,824,114)	(211,718,826)	(228,928,676)
APC as of June 30, 2008	(4,301,717)	1,626,177,420	1,732,154,452
Total Fiscal Year 2008 Contributions	522,176	695,275,811	742,672,987
Increase (Decrease) in NPO	(4,823,893)	930,901,609	989,481,465
NPO as of June 30, 2007	6,690,308	3,483,544,376 *	3,763,515,445 *
NPO as of June 30, 2008	$ 1,866,415	$ 4,414,445,985	$ 4,752,996,910

* Restated

B. HEALTH BENEFITS AND POST-RETIREMENT MEDICAL BENEFITS

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other Employee Benefit Trust Funds. Specifically, the SHBP-State, the PDP-State, and the PRM of the PERS are combined and reported as Health Benefits Program Fund-State classified as a single employer plan. The SHBP-Local, the PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund-Local classified as a cost-sharing multiple-employer plan. The health benefit programs had a total of 452 state and local participating employers and contributing entities for Fiscal Year 2008.

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

Health Benefits Program Fund (HBPF)-Local (including Prescription Drug Program Fund) – The State of New Jersey provides free coverage to members of the Public Employees' Retirement System, Teachers' Pension and Annuity Fund, and the Alternate Benefit Program who retire from a board of education or county college with 25 years of service or on a disability retirement. Partially funded benefits are also provided to local police officers and firefighters who retire with 25 years of service (or on disability) from an employer who does not provide coverage. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program by paying the cost of the insurance for themselves and their covered dependents. Also, local employees are eligible for the PDP coverage after 60 days of employment.

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

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

Basis of Accounting

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

Investment Valuation

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

Funded Status and Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the State had a $50.6 billion unfunded actuarial accrued liability for other postemployment benefits (OPEB) which is made up of $18.4 billion for state active and retired members and $32.2 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

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

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

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

Actuarial Methods and Assumptions

In the June 30, 2007, actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 4.50 percent for investment rate of return for the OPEB.

Post-Retirement Medical Benefits Contribution

P.L. 1987, c.384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2008, there were 80,181 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

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

P.L. 1977, c.136, provides for the State's General Fund to pay health benefits on a pay-as-you-go basis for all enrolled retired State employees, regardless of retirement date, under two provisions. The first is for State employees whose pensions are based on 25 years or more of credited service (except those who elect a deferred retirement). The second is for retired State employees who are eligible for a disability retirement regardless of years of service. The State contributed $86.5 million for 6,817 eligible retired members for Fiscal Year 2008. This benefit covers the Police and Firemen's Retirement System, the Prison Officers Pension Fund, the Judicial Retirement System, the Central Pension Fund, the State Police Retirement System, and the Alternate Benefit Program.

The State is also responsible for the cost attributable to P.L. 1992 c.126 which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid $116.0 million toward Chapter 126 benefits for 12,545 eligible retired members in Fiscal Year 2008.

P.L. 1997, c.330 provides State paid post-retirement health benefits to qualified retirees of the Police and Firemen's Retirement System and the Consolidated Police and Firemen's Pension Fund and to dependents of qualified retirees. The State is responsible for 80 percent of the premium for the category of coverage elected by the retiree under the State managed care plan or a health maintenance organization participating in the program, whichever provides the lower charge. The State contributed $22.3 million in the current year to provide benefits under Chapter 330 to qualified retirees.

The Annual OPEB Cost (AOC) and Net OPEB Obligation (NOO) for the Health Benefit Program – State, which is administered by the State of New Jersey for the fiscal year ending June 30, 2008, is presented below:

AOC as of 6/30/08	$ 4,247,000,000
Total Fiscal Year 2008 Contributions	1,069,600,000
Increase in NOO	3,177,400,000
NOO as of June 30, 2007	--
NOO as of June 30, 2008	$ 3,177,400,000

NOTE 18 - COMPONENT UNITS

A. 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 Garden State Preservation Trust, the New Jersey Building Authority, the New Jersey Schools Development Authority, the New Jersey Transportation Trust Fund Authority, and the Tobacco Settlement Financing Corporation have been blended into the financial activities of the State as special revenue funds. All other Authorities have been discretely presented as major and nonmajor component units in the State's financial statements in accordance with GASB Statement No. 14, *The Financial Reporting Entity.*

The Authorities are managed independently, outside the appropriated budget process, and their powers generally are vested in a governing board. Authorities are established for a variety of purposes for the benefit of the State's citizenry, such as financing economic development, public transportation, low cost housing, environmental protection, and capital development for health and education. 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 State Legislature, and the Director, Division of Budget and Accounting on their operations and finances accompanied by an independent auditor's report thereon. Authorities also submit to the Governor and the State Legislature annual budget information on operations and capital construction. The Governor has from time to time exercised the statutory power to veto actions.

These component units are included in the State's reporting entity because of the significance of their operational or financial relationship with the State. Descriptions of the discretely presented Authorities and addresses from which separately issued audited financial statements and accompanying notes may be obtained are provided below:

Casino Reinvestment Development Authority (N.J.S.A. 5:12-153)
1014 Atlantic Avenue, P.O. Box 749
Atlantic City, New Jersey 08401
www.njcrda.com

The Authority was created 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.

Higher Education Student Assistance Authority (N.J.S.A. 18A:71A-1 et. seq.)
4 Quakerbridge Plaza, P.O. Box 547
Trenton, New Jersey 08625-0547
www.hesaa.org

This Authority was established to provide a single agency for the coordination and delivery of student financial assistance in the State. The Authority serves as the Guaranty Agency for the Federal Family Education Loan (FFEL) Program and the issuer of State of New Jersey College Loans to Assist State Students (NJCLASS) supplementary loan program. The authority also administers the State Tuition Aid Grants (TAG), scholarship programs, and the State College Savings Program, known as the New Jersey Better Educational Savings Trust (NJBEST).

New Jersey Commerce Commission
36 West State Street, P.O. Box 990
Trenton, New Jersey 08625-0990
www.njeda.com

The New Jersey Commerce Commission's mission is to promote job growth, business growth, and economic development in New Jersey.

New Jersey Development Authority for Small Businesses, Minorities and Women's Enterprises (P.L. 1985, c.386)
36 West State Street, P.O. Box 990
Trenton, New Jersey 08625
www.fieldus.org/directory/records/335.htm

The New Jersey Development Authority for Small Businesses, Minorities and Women's Enterprises 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)
36 West State Street, P.O. Box 990
Trenton, New Jersey 08625
www.njeda.com

The New Jersey Economic Development Authority 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 state and local government's tax base.

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

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

New Jersey Environmental Infrastructure Trust (N.J.S.A. 58:11B-4)
3131 Princeton Pike - Building 6, Suite 201
Lawrenceville, New Jersey 08648
www.njeit.org

The New Jersey Environmental Infrastructure Trust loans and guarantees debt incurred by local government units in financing 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 statutory purpose.

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

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

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
www.state.nj.us/dca/hmfa

The Housing and Mortgage Finance Agency 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. Its 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 Meadowlands Commission (N.J.S.A. 13:17-5)
1 De Korte Park Plaza
Lyndhurst, New Jersey 07071
www.njmeadowlands.gov

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

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

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

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

The New Jersey Sports and Exposition Authority is engaged in the business of owning, operating, and managing sports, entertainment, wagering, and convention facilities throughout the State. It 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, including the Atlantic City Convention and Visitors 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
www.njtransit.com

New Jersey Transit Corporation (NJ TRANSIT) is empowered to acquire, own, operate, and contract for the operation of public transportation services. NJ TRANSIT receives operating subsidies principally from the State by legislative appropriation and the Federal Government by defined formula grants under the Federal Transit Administration. 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 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)
581 Main Street, P. O. Box 5042
Woodbridge, New Jersey 07095-5042
www.state.nj.us/turnpike

The New Jersey Turnpike Authority is authorized to construct, maintain, repair, and operate turnpike projects at locations established by law. 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 Director, Division of Budget and Accounting, payable solely from tolls and other revenues of the Authority. Effective July 9, 2003, the New Jersey Highway Authority merged and became part of the New Jersey Turnpike Authority.

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

The New Jersey Water Supply Authority is authorized to acquire, finance, construct, and operate water supply systems. The Authority currently operates and maintains the Delaware and Raritan Canal 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 Beckett Streets
Camden, New Jersey 08103
www.southjerseyport.com

The South Jersey Port Corporation is empowered to establish, acquire, construct, rehabilitate, improve, operate, and maintain marine terminals in the South Jersey Port District, 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 its Marine Terminal Bond Resolution, which mandates the distribution of funds to various Port Corporation funds.

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

The South Jersey Transportation Authority is authorized and empowered to acquire, construct, maintain, operate, and support transportation projects including the Atlantic City Expressway and 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 Director, Division of Budget and Accounting, payable solely from tolls and other revenues of the Authority.

B. Colleges and Universities

As a result of P.L. 1986, c.42 and c.43, State colleges, whose revenues and expenditures were previously accounted for in the General Fund of the State of New Jersey, were given autonomous status effective July 1, 1987.

The financial statements of the colleges and universities have been prepared in accordance with GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. These component units are included in the State's reporting entity due to the significance of their operational or financial relationships and fiscal dependency with the State. The colleges and universities are funded through State appropriations, tuition, federal grants, and private donations and grants. Since the colleges and universities are similar in nature and function, their statements have been discretely presented in the statement of net assets and the statement of activities. They are presented in two categories, major and nonmajor. This distinction is determined by the relative size of an entity's assets, liabilities, revenues, and expenditures in relation to the total of all the colleges and universities. Pursuant to GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, all of the State colleges and universities' financial statements include the financial activity related to foundations and other similar organization within the colleges and universities.

Separately issued independent audited financial statements and accompanying notes may be directly obtained from the colleges and universities. Addresses and websites of the colleges and universities are presented below:

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

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

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

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

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

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

The William Paterson University of New Jersey
(<u>N.J.S.A.</u> 18A:62-1)
358 Hamburg Turnpike
Wayne, New Jersey 07470
www.wpunj.edu

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

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

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

The Richard Stockton College of New Jersey
(<u>N.J.S.A.</u> 18A:62-1)
P.O. Box 195
Pomona, New Jersey 08420
www2.stockton.edu

University of Medicine and Dentistry of New Jersey
(<u>N.J.S.A.</u> 18A:64G-4)
335 George Street, 4th Floor
New Brunswick, New Jersey 08903
www.umdnj.edu

NOTE 19 - CONTINGENT LIABILITIES

General Fund

At any given time, there are various numbers of tort, contract, and other claims and cases pending against the State, State agencies, and employees, seeking recovery of monetary damages. The claims filed can represent significant amounts and include, but are not limited to, issues regarding pensions and education funding. The majority of these claims have historically proven to be substantially less value than originally claimed. The State does not formally estimate its reserve representing potential exposure for these claims and cases. As of June 30, 2008, the exact amount involved in these legal proceedings is not fully determinable.

Unapplied overpayments of Corporate Business Tax are recorded when a final determination is made as to the ultimate disposition of the overpayment. These overpayments only become a liability based upon a taxpayer filing a request for the refund. As of June 30, 2008 there was approximately $197.0 million of overpayments.

New Jersey Lawyers' Fund for Client Protection

Claims of approximately $16.1 million have been filed against this Fund by individuals and companies seeking reimbursement for losses resulting from the alleged dishonest conduct by members of the Bar of the State of New Jersey. Under present rules and regulations of the Fund, the total maximum amount that may be awarded from this Fund is $4.4 million. The ultimate disposition of these claims is not determinable at this time.

New Jersey Spill Compensation Fund

Various claims totaling approximately $35.2 million have been filed against this Fund by third parties for damages caused by spills. In addition, there are a number of similar claims for unspecified dollar amounts which are pending. The ultimate disposition of these claims is not determinable at this time.

Property Tax Relief Fund

Unapplied overpayments of Gross Income Tax are recorded when a final determination is made as to the ultimate disposition of the overpayment. These overpayments only become a liability based upon a taxpayer filing a request for the refund. As of June 30, 2008 there were approximately $649.0 million of overpayments.

Sanitary Landfill Facility Contingency Fund

Various claims totaling approximately $23.0 million have been filed against this Fund by individuals, local municipalities, and school districts. In addition, there are a number of similar claims for unspecified dollar amounts which are pending. The ultimate disposition of these claims is not determinable at this time.

Tobacco Settlement Financing Corporation, Inc.

In 2006, 2007, and 2008 certain of the tobacco companies withheld a portion of their annual payment claiming that the settling states, of which the State is one, did not diligently enforce a statute (the "Model Statute") in 2003, 2004, and 2005 which requires tobacco companies that did not enter into the settlement to make certain payments for in-state tobacco product sales. In the event that the State is determined to not have diligently enforced the Model Statute in any year, the State faces a reduction in the amount of annual payments it receives in the subsequent years. In no event can the reduction exceed the amount of the payment due in the year that it failed to diligently enforce the Model Statute. This puts New Jersey's 2004 and 2005 MSA payments at risk, with a potential liability for years 2003 through 2005 of $700 million. Ultimately, New Jersey expects to be able to prove that it diligently enforced its Model Statute.

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

The State has the ultimate liability for tort and malpractice claims in excess of the resources of the Fund.

Capital Projects Funds

Due to delays in construction and design problems, various claims for damages have been filed with respect to the Special Transportation Fund in the amount of $96.1 million. Fund management is presently evaluating the claims. There has been no determination as to the ultimate amount for which this Fund will be liable.

Federal Programs

Under the terms of various grant awards, expenditures from Federal funds are subject to audit. As of June 30, 2008, audits of expenditures for Fiscal Year 2008 and prior years may not be completed. Disallowances which may result from these audits are not determinable at this time. As of June 30, 2008, it is management's opinion that disallowances, if any, would not be material.

NOTE 20 – SUBSEQUENT EVENTS

The Economy

The nation's economy has been in recession since 2007. Recent measures of Gross Domestic Product, consumer spending, and consumer confidence indicate the nation's economic downturn is accelerating. Housing, credit, and stock market values have created a financial crisis in the United States and throughout the global financial system. Volatility in the financial markets, as well as economic events, has led to significant declines in investment value. Investments held by the governmental and enterprise funds primarily consist of United States Treasury bills and notes and the State's Cash Management Fund. There have been no major fluctuations in the market value for these securities. As of the date of this Comprehensive Annual Financial Report, New Jersey's fiduciary funds, which include the pension and other employee benefits trust funds, have incurred a significant decline in the values reported as of June 30, 2008. Because the values of the individual investments fluctuate with market conditions, the amount of investment losses that the New Jersey pension systems will recognize in its future financial statements, if any, cannot be determined at this time.

Debt Authorization

On July 9, 2008 Governor Corzine signed legislation that provides $3.9 billion in State financing to replace or rebuild dozens of substandard schools across the State. The legislation designates $2.9 billion for Schools Development Authority district school facilities projects located in Abbott districts and $1.0 billion to finance the State share of all other school district facilities projects. Of the total, $50.0 million has also been directed toward county vocational school district projects. In addition, the Schools Development Authority will conduct a study to determine potential cost savings in the school construction program through the possible use of standardized design elements, components, and construction materials. Any school facilities project that has a State share that exceeds $10.0 million will be subject to an audit determined by the Schools Development Authority and the State Comptroller.

Short-term Debt

For Fiscal Year 2009, the State authorized the issuance of $2.25 billion in short-term debt. The aggregate principal is to be used to provide effective cash flow management to fund the imbalances that occur in the collection of revenues and the disbursement of appropriations. On September 11, 2008 the State issued $1.8 billion of tax and revenue anticipation notes that bear an interest rate of 3.0 percent per annum. The notes have a June 25, 2009 final maturity. The State has another $450.0 million remaining in Fiscal Year 2009 borrowing authorization, should the State need additional funds in order to manage its cash flow more effectively.

Long-term Obligations

On July 31, 2008 the New Jersey Health Care Facilities Financing Authority, in accordance with the Hospital Asset Transformation Act, issued $252.5 million of Hospital Asset Transformation Program Bonds, Series 2008A. Proceeds from the bond issue are to be used by the New Jersey Health Care Facilities Financing Authority for the purpose of providing financial assistance in connection with the consolidation of inpatient acute care services in the City of Newark pursuant to the Hospital Asset Transformation Act from three inpatient acute care facilities to one such facility. Interest on the bonds is payable semi-annually on April 1 and October 1, commencing on October 1, 2008. The final maturity on the bonds is October 1, 2038.

On November 21, 2008 the New Jersey Transportation Trust Fund Authority issued $1.1 billion of its Transportation System Bonds, 2008 Series A to provide funds for various transportation system improvements undertaken by the New Jersey Department of Transportation and the New Jersey Transit Corporation. Interest on the bonds is payable semi-annually on June 15 and December 15, commencing on June 15, 2009. The final maturity on the 2008 Series A Bonds is December 15, 2038.

On January 21, 2009 the New Jersey Economic Development Authority, in accordance with the Educational Facilities Construction and Financing Act, issued $175.0 million in School Facilities Construction Bonds 2009 Series Z. Proceeds are to be used for the purpose of partially funding the school facilities construction program. The 2009 Series Z Bonds were issued as serial bonds. Interest on the bonds is payable semi-annually on June 15 and December 15, commencing on December 15, 2009. The final maturity on the 2009 Series Z Bonds is December 15, 2034.

Unemployment Compensation Trust Fund

During Fiscal Year 2009, the State entered into a $1.0 billion line of credit with the United States Department of Labor in order to have cash available to effectuate the payment of unemployment claims. In March of 2009, cash balances in the State's Unemployment Compensation Trust Fund required a draw down from the existing line of credit. The borrowed money is expected to be repaid before the end of Fiscal Year 2009. Interest on the line of credit is zero percent through December 31, 2010.

Component Units

P.L. 2008, c.27 provides for greater coordination of the State's economic development efforts. The Act provides for the abolishment of the New Jersey Commerce Commission. It also establishes the Division of Business Assistance, Marketing, and International Trade within the New Jersey Economic Development Authority. Tourism-related functions that were performed by the New Jersey Commerce Commission have been transferred and are now performed by the Department of State. Further, the New Jersey Development Authority for Small Businesses, Minorities' and Women's Enterprises has been abolished and the existing functions have been transferred to the New Jersey Economic Development Authority. This reorganization effort allows the State to have a more effective opportunity to classify businesses that are small or minority-or-women-owned since both the New Jersey Economic Development Authority and the State's Division of Purchase and Property reside within the Department of the Treasury. This act became effective on July 1, 2008.

On July 18, 2008 Governor Corzine signed legislation moving the Atlantic City Convention Center project from the auspices of the New Jersey Sports and Exposition Authority to the control of the Atlantic City Convention and Visitors Authority. The Atlantic City Convention Center project includes the Convention Center, historic Boardwalk Hall and its West Hall expansion. The Convention Center is comprised of approximately 500,000 square feet of exhibition space, 45 meeting rooms, and a 1,500 space parking facility. The historic Boardwalk Hall and its West Hall expansion host family shows, concerts, and sporting events. With some $15 billion in development investments that are expected to transform Atlantic City into a global resort destination, incorporating the Convention Center and Boardwalk Hall is critical to that resurgence. Like the New Jersey Sports and Exposition Authority, the Atlantic City Convention Center and Visitors Authority is a component unit of the State of New Jersey.