

**STATE OF NEW JERSEY  
STATEMENT OF NET ASSETS  
JUNE 30, 2002**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 95,700,922	\$ 4,671,909	\$ 100,372,831	\$ 463,951,006
Investments	3,473,142,537	377,996,102	3,851,138,639	7,918,377,200
Receivables, net of allowances for uncollectibles				
Federal government	932,401,442	2,959,964,966	3,892,366,408	99,663,857
Departmental accounts	2,558,752,186	227,281,987	2,786,034,173	--
Loans	889,071,761	--	889,071,761	954,251,117
Mortgages	--	--	--	97,924,518
Other	672,140,713	119,515,422	791,656,135	1,778,980,530
Internal balances	14,210,853	(14,210,853)	--	--
Due from external parties	16,532,629	--	16,532,629	31,972,572
Due from primary government	--	--	--	163,362,884
Inventories	--	--	--	78,215,674
Other	41,982,228	12,412,233	54,394,461	2,208,882,760
<b>Noncurrent Assets</b>				
Investments	--	944,904,513	944,904,513	--
Capital assets, net	12,259,772,784	--	12,259,772,784	13,564,998,176
<b>Total Assets</b>	<b>20,953,708,055</b>	<b>4,632,536,279</b>	<b>25,586,244,334</b>	<b>27,360,580,294</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued expenses	2,026,678,409	552,938,974	2,579,617,383	855,777,273
Due to external parties	19,674,170	--	19,674,170	37,737,227
Due to primary government	--	--	--	4,665,506
Interest payable	182,133,935	--	182,133,935	166,531,401
Deferred revenue	884,637,301	21,217	884,658,518	153,473,501
Other	693,135,215	53,198,232	746,333,447	318,109,700
<b>Noncurrent Liabilities:</b>				
Due within one year	1,141,558,415	165,708,704	1,307,267,119	770,369,190
Due in more than one year	16,042,887,221	945,776,602	16,988,663,823	14,521,290,959
<b>Total Liabilities</b>	<b>20,990,704,666</b>	<b>1,717,643,729</b>	<b>22,708,348,395</b>	<b>16,827,954,757</b>
<b>NET ASSETS</b>				
<b>Invested in capital assets, net of related debt</b>	<b>4,781,838,571</b>	<b>--</b>	<b>4,781,838,571</b>	<b>6,646,487,139</b>
<b>Restricted for:</b>				
Capital projects	--	--	--	124,968,011
Community development and environmental management	1,216,406,131	--	1,216,406,131	--
Debt service	--	--	--	571,352,605
Economic planning, development, and security	1,119,826,196	--	1,119,826,196	--
Transportation programs	577,790,915	--	577,790,915	--
Unemployment	--	2,940,258,435	2,940,258,435	--
Other	539,429,327	34,334,131	573,763,458	1,137,359,951
<b>Unrestricted</b>	<b>(8,272,287,751)</b>	<b>(59,700,016)</b>	<b>(8,331,987,767)</b>	<b>2,052,457,831</b>
<b>Total Net Assets</b>	<b>\$ (36,996,611)</b>	<b>\$ 2,914,892,550</b>	<b>\$ 2,877,895,939</b>	<b>\$ 10,532,625,537</b>

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

**STATE OF NEW JERSEY  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions - Programs</b>				
<b>Primary Government:</b>				
Governmental activities:				
Public safety and criminal justice	\$ 2,484,999,774	\$ 1,004,455,779	\$ 316,908,728	\$ 2,184,570
Physical and mental health	8,952,410,734	599,747,311	1,800,031,529	--
Educational, cultural, and intellectual development	10,117,786,305	85,898,797	698,236,252	324,417
Community development and environmental management	2,207,556,480	208,038,509	426,880,012	12,481,632
Economic planning, development, and security	3,577,105,235	522,316,860	342,039,316	--
Transportation programs	1,541,608,811	6,498,736	723,906,702	7,683,913
Government direction, management, and control	4,954,874,113	551,470,175	4,922,813,026	--
Special government services	227,157,998	73,884,463	2,198,656	1,060,678
Interest expense	427,084,150	--	--	--
Total governmental activities	<u>34,490,583,600</u>	<u>3,052,310,630</u>	<u>9,233,014,221</u>	<u>23,735,210</u>
Business-type activities:				
State Lottery Fund	1,304,707,746	2,098,253,341	3,200,150	--
Unemployment Compensation Fund	2,497,068,657	823,652,941	842,202,863	--
Other	1,217,566,845	1,110,179,159	2,484,915	--
Total business-type activities	<u>5,019,343,248</u>	<u>4,032,085,441</u>	<u>847,887,928</u>	<u>--</u>
Total primary government	<u>\$ 39,509,926,848</u>	<u>\$ 7,084,396,071</u>	<u>\$ 10,080,902,149</u>	<u>\$ 23,735,210</u>
<b>Component units:</b>				
Authorities	2,932,050,880	1,653,919,095	824,354,074	830,072,028
Colleges and Universities	3,756,033,040	1,809,910,270	850,945,972	126,073,677
Total Component units	<u>\$ 6,688,083,920</u>	<u>\$ 3,463,829,365</u>	<u>\$ 1,675,300,046</u>	<u>\$ 956,145,705</u>
General Revenues:				
Taxes:				
Gross Income Tax				
Sales and Use Tax				
Corporate Business Tax				
Other taxes				
Investment earnings				
Payments from State				
Governmental subsidies and grants				
Miscellaneous				
Transfers				
Total general revenue and transfers				
Change in Net Assets				
Net assets - July 1, 2001 (Restated)				
Net assets - June 20, 2002				

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

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

**Primary Government**

<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>		<b>Component Units</b>	
\$	(1,161,450,697)	\$	--	\$	(1,161,450,697)	\$	--
	(6,552,631,894)		--		(6,552,631,894)		--
	(9,333,326,839)		--		(9,333,326,839)		--
	(1,560,156,327)		--		(1,560,156,327)		--
	(2,712,749,059)		--		(2,712,749,059)		--
	(803,519,460)		--		(803,519,460)		--
	519,409,088		--		519,409,088		--
	(150,014,201)		--		(150,014,201)		--
	(427,084,150)		--		(427,084,150)		--
	<u>(22,181,523,539)</u>		<u>--</u>		<u>(22,181,523,539)</u>		<u>--</u>
	--		796,745,745		796,745,745		--
	--		(831,212,853)		(831,212,853)		--
	--		(104,902,771)		(104,902,771)		--
	--		<u>(139,369,879)</u>		<u>(139,369,879)</u>		<u>--</u>
	<u>(22,181,523,539)</u>		<u>(139,369,879)</u>		<u>(22,320,893,418)</u>		<u>--</u>
	--		--		--		376,294,317
	--		--		--		(969,103,121)
	--		--		--		<u>(592,808,804)</u>
	6,665,784,402		--		6,665,784,402		--
	6,028,095,034		--		6,028,095,034		--
	1,203,845,334		--		1,203,845,334		--
	4,152,043,876		--		4,152,043,876		--
	42,777,077		--		42,777,077		--
	--		--		--		2,023,642,346
	--		246,766,801		246,766,801		--
	1,565,226,550		--		1,565,226,550		--
	725,280,740		<u>(725,280,740)</u>		--		--
	<u>20,383,053,013</u>		<u>(478,513,939)</u>		<u>19,904,539,074</u>		<u>2,023,642,346</u>
	(1,798,470,526)		(617,883,818)		(2,416,354,344)		1,430,833,542
	1,761,473,915		3,532,776,368		5,294,250,283		9,101,791,995
<u>\$</u>	<u>(36,996,611)</u>	<u>\$</u>	<u>2,914,892,550</u>	<u>\$</u>	<u>2,877,895,939</u>	<u>\$</u>	<u>10,532,625,537</u>

**STATE OF NEW JERSEY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2002**

	<u>General Fund</u>	<u>Property Tax Relief Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
<b>Cash and cash equivalents</b>	\$ 77,166,944	\$ --	\$ 18,533,978	\$ 95,700,922
<b>Investments</b>	584,550,972	--	2,888,591,565	3,473,142,537
<b>Receivables, net of allowances for uncollectibles</b>				
Federal government	735,812,618	--	93,163,488	828,976,106
Departmental accounts	1,370,961,440	407,640,408	780,150,338	2,558,752,186
Loans	14,577,663	--	874,494,098	889,071,761
Other	211,428,607	--	41,161,135	252,589,742
<b>Due from other funds</b>	681,050,532	9,792,087	300,131,542	990,974,161
<b>Other</b>				
Deferred charges	2,940,000	--	--	2,940,000
Other	21,783,514	--	9,138,012	30,921,526
<b>Total Assets</b>	<u>\$ 3,700,272,290</u>	<u>\$ 417,432,495</u>	<u>\$ 5,005,364,156</u>	<u>\$ 9,123,068,941</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 1,387,691,370	\$ 34,268,025	\$ 604,719,014	\$ 2,026,678,409
Deferred revenue	224,694,055	--	17,349,410	242,043,465
Due to other funds	99,648,765	166,167,610	714,088,475	979,904,850
Other	59,537,109	209,700,213	11,897,893	281,135,215
Interest payable	--	--	13,049,487	13,049,487
<b>Total Liabilities</b>	<u>1,771,571,299</u>	<u>410,135,848</u>	<u>1,361,104,279</u>	<u>3,542,811,426</u>
<b>Fund Balances</b>				
Reserved for:				
Encumbrances	584,572,772	7,296,647	739,006,298	1,330,875,717
Other	103,790,054	--	1,571,140,447	1,674,930,501
Unreserved:				
General Fund	1,240,338,165	--	--	1,240,338,165
Special Revenue Funds	--	--	1,534,553,435	1,534,553,435
Debt Service Fund	--	--	25,180,399	25,180,399
Capital Projects Funds	--	--	(225,620,702)	(225,620,702)
<b>Total Fund Balances</b>	<u>1,928,700,991</u>	<u>7,296,647</u>	<u>3,644,259,877</u>	<u>5,580,257,515</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 3,700,272,290</u>	<u>\$ 417,432,495</u>	<u>\$ 5,005,364,156</u>	<u>\$ 9,123,068,941</u>

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, 2002**

**Total fund balances-governmental funds** \$ 5,580,257,515

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. 522,976,307

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. 8,120,703

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	\$ 14,046,375,615	
Land and land improvements	609,833,522	
Other capital assets	2,947,341,065	
Accumulated depreciation	<u>(5,343,777,418)</u>	12,259,772,784

In the government-wide statements certain revenues are deferred based on the period in which they are earned, but are reported as revenue in the fund perspective. (642,593,836)

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:		
Refunds due to taxpayers	\$ (412,000,000)	
Accrued interest	<u>(169,084,448)</u>	(581,084,448)

Noncurrent Liabilities:		
Bonds and notes payable	(8,971,673,176)	
Installment obligations	(5,316,435,310)	
Loans payable	(1,279,358,087)	
Capital leases	(548,280,047)	
Compensated absences	(477,003,216)	
Unamortized deferral on refunding bonds	104,984,599	
Unamortized premium	(193,960,649)	
Other noncurrent liabilities	<u>(502,719,750)</u>	(17,184,445,636)

**Net assets of governmental activities** \$ (36,996,611)

**STATE OF NEW JERSEY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>General Fund</u>	<u>Property Tax Relief Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 9,615,364,634	\$ 6,836,992,402	\$ 1,743,949,244	\$ 18,196,306,280
Federal and other grants	6,864,935,878	--	793,547,219	7,658,483,097
Licenses and fees	778,060,921	--	96,999,869	875,060,790
Services and assessments	1,286,395,369	--	419,105,209	1,705,500,578
Investment earnings	13,811,240	--	87,267,579	101,078,819
Contributions	231,238,095	--	110,322	231,348,417
Other	3,149,451,463	--	411,201,981	3,560,653,444
<b>Total Revenues</b>	<u>21,939,257,600</u>	<u>6,836,992,402</u>	<u>3,552,181,423</u>	<u>32,328,431,425</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Public safety and criminal justice	2,459,593,193	--	87,615,156	2,547,208,349
Physical and mental health	8,458,213,719	--	405,352,300	8,863,566,019
Educational, cultural, and intellectual development	3,980,212,984	6,232,280,764	37,399,486	10,249,893,234
Community development and environmental management	947,822,637	946,298,817	366,421,881	2,260,543,335
Economic planning, development, and security	2,826,119,681	--	798,119,278	3,624,238,959
Transportation programs	392,590,253	--	1,859,795,875	2,252,386,128
Government direction, management, and control	3,658,003,389	1,317,360,739	223,609,100	5,198,973,228
Special government services	230,226,473	--	425,765	230,652,238
<b>Capital Outlay</b>	1,122,317,050	--	--	1,122,317,050
<b>Debt Service:</b>				
Principal	--	--	399,414,047	399,414,047
Interest	--	--	439,159,398	439,159,398
<b>Total Expenditures</b>	<u>24,075,099,379</u>	<u>8,495,940,320</u>	<u>4,617,312,286</u>	<u>37,188,351,985</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(2,135,841,779)</u>	<u>(1,658,947,918)</u>	<u>(1,065,130,863)</u>	<u>(4,859,920,560)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of bonds	--	--	1,014,615,383	1,014,615,383
Transfers from (to) other funds	(547,234,081)	1,484,681,492	(212,102,245)	725,345,166
Other	1,122,317,050	--	--	1,122,317,050
<b>Total other financing sources (uses)</b>	<u>575,082,969</u>	<u>1,484,681,492</u>	<u>802,513,138</u>	<u>2,862,277,599</u>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	<u>(1,560,758,810)</u>	<u>(174,266,426)</u>	<u>(262,617,725)</u>	<u>(1,997,642,961)</u>
<b>Fund balances - July 1, 2001 (Restated)</b>	<u>3,489,459,801</u>	<u>181,563,073</u>	<u>3,906,877,602</u>	<u>7,577,900,476</u>
<b>Fund balances - June 30, 2002</b>	<u>\$ 1,928,700,991</u>	<u>\$ 7,296,647</u>	<u>\$ 3,644,259,877</u>	<u>\$ 5,580,257,515</u>

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

**STATE OF NEW JERSEY  
RECONCILIATION OF THE CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2002**

**Net change in fund balance - total governmental funds** \$ (1,997,642,961)

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	\$ 1,564,243,650	
Depreciation expense	(395,779,596)	
Excess of capital outlay over depreciation expense		1,168,464,054

Bond proceeds provide current financial resources to governmental funds. However, issuing debt increases long-term liabilities in the statement of net assets. In the current period, proceeds were received from revenue bonds. (1,015,000,000)

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 a liability. (566,137,050)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year these amounts consist of:

Bond principal retirement	522,148,129	
Capital lease payments	47,423,428	
Installment obligation retirement	236,784,838	
Certificates of participation retirement	43,516,155	
Total long-term debt repayment		849,872,550

Because some revenues will not be collected for several months after the State's fiscal year ends, they are not considered "available" revenues and are not accrued in the governmental funds. The Fiscal Year 2002 receivable balances declined by this amount. (62,271,873)

In the government-wide statements certain revenues are deferred based on the period in which they are earned, but are reported as revenue in the fund perspective. The Fiscal Year 2002 deferred revenue balance increased by this amount. (21,320,424)

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 decrease in accrued interest	12,075,248	
Increase in compensated absences and other	(108,992,070)	
Increase in revenue refunds payable	(57,518,000)	
Total additional expenditures and revenue reductions		(154,434,822)

**Change in net assets of governmental activities** \$ (1,798,470,526)

**STATE OF NEW JERSEY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2002**

	<u>State Lottery Fund</u>	<u>Unemployment Compensation Fund</u>	<u>Total Non-Major Proprietary Funds</u>	<u>Total Proprietary Funds</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 513,498	\$ 30,566	\$ 4,127,845	\$ 4,671,909
Investments	264,993,171	53,047,591	59,955,340	377,996,102
Receivables, net of allowances for uncollectibles				
Federal government	--	2,959,964,966	--	2,959,964,966
Departmental accounts	--	227,281,987	--	227,281,987
Other	19,519,003	22,894,469	77,101,950	119,515,422
Due from other funds	--	45,957,959	2,461,253	48,419,212
Other	12,412,233	--	--	12,412,233
<b>Noncurrent Assets</b>				
Investments	944,904,513	--	--	944,904,513
<b>Total Assets</b>	<u>1,242,342,418</u>	<u>3,309,177,538</u>	<u>143,646,388</u>	<u>4,695,166,344</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable	74,636,186	280,629,458	197,673,330	552,938,974
Deferred revenue	--	--	21,217	21,217
Due to other funds	27,091,643	35,091,413	447,009	62,630,065
Other	--	53,198,232	--	53,198,232
<b>Noncurrent Liabilities</b>				
Due within one year	165,708,704	--	--	165,708,704
Due in more than one year	945,776,602	--	--	945,776,602
<b>Total Liabilities</b>	<u>1,213,213,135</u>	<u>368,919,103</u>	<u>198,141,556</u>	<u>1,780,273,794</u>
<b>NET ASSETS</b>				
<b>Restricted for:</b>				
Unemployment compensation	--	2,940,258,435	--	2,940,258,435
Other purposes	29,129,283	--	5,204,848	34,334,131
<b>Unrestricted</b>	<u>--</u>	<u>--</u>	<u>(59,700,016)</u>	<u>(59,700,016)</u>
<b>Total Net Assets</b>	<u>\$ 29,129,283</u>	<u>\$ 2,940,258,435</u>	<u>\$ (54,495,168)</u>	<u>\$ 2,914,892,550</u>

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, 2002**

	State Lottery Fund	Unemployment Compensation Fund	Non-Major Proprietary Funds	Total Proprietary Funds
<b>OPERATING REVENUES</b>				
Sales and charges for services	\$ 2,068,506,868	\$ --	\$ --	\$ 2,068,506,868
Assessments	--	1,069,775,456	--	1,069,775,456
Contributions	--	--	1,092,263,726	1,092,263,726
From federal agencies	--	398,053,061	--	398,053,061
Other	29,746,473	644,286	17,915,433	48,306,192
<b>Total Operating Revenues</b>	<b>2,098,253,341</b>	<b>1,468,472,803</b>	<b>1,110,179,159</b>	<b>4,676,905,303</b>
<b>OPERATING EXPENSES</b>				
Unemployment compensation	--	2,493,118,166	--	2,493,118,166
Benefit payments	--	--	1,217,566,845	1,217,566,845
Lottery prize awards	1,144,736,660	--	--	1,144,736,660
Other	159,971,086	--	--	159,971,086
<b>Total Operating Expenses</b>	<b>1,304,707,746</b>	<b>2,493,118,166</b>	<b>1,217,566,845</b>	<b>5,015,392,757</b>
<b>Operating Income (Loss)</b>	<b>793,545,595</b>	<b>(1,024,645,363)</b>	<b>(107,387,686)</b>	<b>(338,487,454)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	3,200,150	197,383,001	2,484,915	203,068,066
Governmental subsidies and grants	--	246,766,801	--	246,766,801
Miscellaneous revenue (expense)	--	(3,950,491)	--	(3,950,491)
<b>Total nonoperating revenue (expenses)</b>	<b>3,200,150</b>	<b>440,199,311</b>	<b>2,484,915</b>	<b>445,884,376</b>
<b>Income (loss) before transfers</b>	<b>796,745,745</b>	<b>(584,446,052)</b>	<b>(104,902,771)</b>	<b>107,396,922</b>
Transfers in (out)	(776,091,643)	--	50,810,903	(725,280,740)
<b>Change in net assets</b>	<b>20,654,102</b>	<b>(584,446,052)</b>	<b>(54,091,868)</b>	<b>(617,883,818)</b>
<b>Total Net Assets - July 1, 2001 (Restated)</b>	<b>8,475,181</b>	<b>3,524,704,487</b>	<b>(403,300)</b>	<b>3,532,776,368</b>
<b>Total Net Assets - June 30, 2002</b>	<b>\$ 29,129,283</b>	<b>\$ 2,940,258,435</b>	<b>\$ (54,495,168)</b>	<b>\$ 2,914,892,550</b>

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, 2002**

	<b>State Lottery Fund</b>	<b>Unemployment Compensation Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts received from customers	\$ 1,155,641,151	\$ --
Receipts from federal and local agencies	--	322,883,412
Receipts from assessments	--	1,465,666,752
Payments to suppliers	(48,036,558)	--
Payments to prize winners	(452,933,976)	--
Claims paid	--	(2,228,718,909)
Other receipts (payments)	144,510,367	--
Receipts from contributions	--	--
	<b>799,180,984</b>	<b>(440,168,745)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Operating subsidies and transfers to other funds	(831,516,487)	242,816,310
	<b>(831,516,487)</b>	<b>242,816,310</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	1,118,893,000	--
Interest and dividends	--	197,383,001
Purchase of investments	(1,087,455,000)	--
Other	--	--
	<b>31,438,000</b>	<b>197,383,001</b>
<b>Net cash provided (used) by investing activities</b>	<b>31,438,000</b>	<b>197,383,001</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(897,503)</b>	<b>30,566</b>
<b>Cash and cash equivalents - July 1, 2001 (Restated)</b>	<b>1,411,001</b>	<b>--</b>
<b>Cash and cash equivalents - June 30, 2002</b>	<b>\$ 513,498</b>	<b>\$ 30,566</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 793,545,595	\$ (1,024,645,363)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Net changes in assets and liabilities:		
Other assets	54,751,060	457,433,453
Current liabilities	(562,053)	--
Prize awards payable	(48,934,023)	--
Other liabilities	380,405	127,043,165
	<b>799,180,984</b>	<b>(440,168,745)</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 799,180,984</b>	<b>\$ (440,168,745)</b>

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

<b>Non-Major Proprietary Funds</b>	<b>Total Proprietary Funds</b>
\$ --	\$ 1,155,641,151
--	322,883,412
--	1,465,666,752
--	(48,036,558)
--	(452,933,976)
(1,202,128,130)	(3,430,847,039)
(5,427,110)	139,083,257
1,091,154,502	1,091,154,502
<u>(116,400,738)</u>	<u>242,611,501</u>
50,810,903	(537,889,274)
<u>50,810,903</u>	<u>(537,889,274)</u>
--	1,118,893,000
2,390,174	199,773,175
65,472,040	(1,021,982,960)
94,741	94,741
<u>67,956,955</u>	<u>296,777,956</u>
2,367,120	1,500,183
1,760,725	3,171,726
<u>\$ 4,127,845</u>	<u>\$ 4,671,909</u>
\$ (107,387,686)	\$ (338,487,454)
(19,024,657)	493,159,856
10,011,605	9,449,552
--	(48,934,023)
--	127,423,570
<u>\$ (116,400,738)</u>	<u>\$ 242,611,501</u>

**STATE OF NEW JERSEY  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2002**

	<b>Agency Funds</b>	<b>Investment Trust Fund</b>
<b>ASSETS</b>		
<b>Cash and cash equivalents</b>	\$ 3,782,649	\$ 1,334,149,964
<b>Investments</b>	94,901,592	3,514,425,841
<b>Receivables, net of allowances for uncollectibles</b>		
Members	--	--
Employers	--	--
Other	5,876,285	17,883,594
<b>Due from other funds</b>	9,962,833	--
<b>Total Assets</b>	114,523,359	4,866,459,399
<b>LIABILITIES</b>		
<b>Accounts payable</b>	108,184,673	18
<b>Benefits payable</b>	--	--
<b>Due to other funds</b>	6,338,686	1,511,081
<b>Total Liabilities</b>	114,523,359	1,511,099
<b>NET ASSETS</b>		
<b>Held in Trust for Pension Benefits and Other Purposes</b>	\$ --	\$ 4,864,948,300

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

<u>Pension and Other Employee Benefits Trust Funds</u>	<u>Private Purpose Trust Funds</u>	<u>Total Fiduciary Funds</u>
\$ 344,606	\$ 46,478	\$ 1,338,323,697
64,796,684,286	7,730,677	68,413,742,396
1,254,806,439	--	1,254,806,439
940,510,702	--	940,510,702
519,597,377	--	543,357,256
15,486,205	--	25,449,038
<u>67,527,429,615</u>	<u>7,777,155</u>	<u>72,516,189,528</u>
70,282,241	1,213,289	179,680,221
322,367,469	--	322,367,469
<u>13,109,906</u>	<u>1,347,824</u>	<u>22,307,497</u>
<u>405,759,616</u>	<u>2,561,113</u>	<u>524,355,187</u>
<u>\$ 67,121,669,999</u>	<u>\$ 5,216,042</u>	<u>\$ 71,991,834,341</u>

**STATE OF NEW JERSEY  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<b>Investment Trust Fund</b>	<b>Pension and Other Employee Benefit Trust Funds</b>
<b>ADDITIONS</b>		
Contributions:		
Members	\$ --	\$ 1,057,608,080
Employers	--	295,410,822
Other	14,408,499,508	13,582,036
	<u>14,408,499,508</u>	<u>1,366,600,938</u>
Total Contributions		
Investment Income:		
Net increase (decrease) in fair value of investments	--	(8,158,872,935)
Interest and dividends	148,067,067	2,207,120,310
	<u>148,067,067</u>	<u>(5,951,752,625)</u>
Total Investment Income		
Less investment expense	--	9,826,076
	<u>148,067,067</u>	<u>(5,961,578,701)</u>
Net Investment Income		
Miscellaneous	--	--
	<u>14,556,566,575</u>	<u>(4,594,977,763)</u>
<b>Total Additions</b>		
<b>DEDUCTIONS</b>		
Benefit payments	--	4,183,973,500
Refunds of contributions	--	117,479,435
Refunds and transfers to other systems	--	--
Administrative expense	--	34,602,649
Payments in accordance with trust agreements	--	--
Distributions to shareholders	14,266,533,734	--
	<u>14,266,533,734</u>	<u>4,336,055,584</u>
<b>Total Deductions</b>		
Total Changes in Net Assets Held In Trust	290,032,841	(8,931,033,347)
<b>Net Assets - July 1, 2001 (Restated)</b>	<u>4,574,915,459</u>	<u>76,052,703,346</u>
<b>Net Assets - June 30, 2002</b>	<u>\$ 4,864,948,300</u>	<u>\$ 67,121,669,999</u>

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

<u>Private Purpose Trust Funds</u>	<u>Total Fiduciary Funds</u>
\$ --	\$ 1,057,608,080
--	295,410,822
--	14,422,081,544
<u>--</u>	<u>15,775,100,446</u>
--	(8,158,872,935)
199,991	2,355,387,368
<u>199,991</u>	<u>(5,803,485,567)</u>
--	9,826,076
199,991	(5,813,311,643)
<u>242,967</u>	<u>242,967</u>
<u>442,958</u>	<u>9,962,031,770</u>
--	4,183,973,500
--	117,479,435
64,426	64,426
--	34,602,649
72,499	72,499
--	14,266,533,734
<u>136,925</u>	<u>18,602,726,243</u>
306,033	(8,640,694,473)
4,910,009	80,632,528,814
<u>\$ 5,216,042</u>	<u>\$ 71,991,834,341</u>

**STATE OF NEW JERSEY  
STATEMENT OF NET ASSETS  
COMPONENT UNITS  
JUNE 30, 2002**

	<u>New Jersey Transit Corporation</u>	<u>New Jersey Turnpike Authority</u>	<u>Rutgers, The State University of New Jersey</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 173,570,997	\$ 36,884,649	\$ 31,601,000
Investments	2,330,677,442	1,297,689,079	631,406,000
Receivables, net of allowances for uncollectibles			
Federal government	59,076,112	--	--
Loans	--	--	8,121,000
Mortgages	--	--	--
Other	--	8,831,837	107,392,000
Due from external parties	--	--	--
Due from primary government	80,018,293	129,182	--
Inventories	69,364,421	--	4,015,000
Other	88,377,845	967,941,452	154,850,000
<b>Noncurrent Assets</b>			
Fixed assets, net	<u>5,758,661,103</u>	<u>1,622,379,532</u>	<u>1,396,470,000</u>
<b>Total Assets</b>	<u>8,559,746,213</u>	<u>3,933,855,731</u>	<u>2,333,855,000</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	300,819,828	7,895,028	74,361,000
Due to external parties	--	9,460,249	--
Due to primary government	--	3,702,582	--
Interest payable	--	80,542,481	--
Deferred revenue	--	--	32,325,000
Other	41,777,442	31,088,667	2,122,000
<b>Noncurrent</b>			
Due within one year	263,528,272	84,226,617	49,192,000
Due in more than one year	<u>3,955,580,032</u>	<u>3,390,155,337</u>	<u>488,548,000</u>
<b>Total Liabilities</b>	<u>4,561,705,574</u>	<u>3,607,070,961</u>	<u>646,548,000</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	4,079,109,397	--	955,648,000
<b>Restricted for:</b>			
Capital projects	--	--	29,480,000
Debt service	--	96,932,600	5,243,000
Other purposes	13,009,578	--	427,642,000
<b>Unrestricted</b>	<u>(94,078,336)</u>	<u>229,852,170</u>	<u>269,294,000</u>
<b>Total Net Assets</b>	<u>\$ 3,998,040,639</u>	<u>\$ 326,784,770</u>	<u>\$ 1,687,307,000</u>

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



University of Medicine and Dentistry of New Jersey	Non-Major Authorities	Non-Major Colleges and Universities	Total Component Units
\$ --	\$ 190,995,280	\$ 30,899,080	\$ 463,951,006
467,091,000	2,901,803,012	289,710,667	7,918,377,200
11,451,000	11,158,183	17,978,562	99,663,857
27,430,000	905,802,025	12,898,092	954,251,117
--	97,924,518	--	97,924,518
162,512,000	1,460,715,249	39,529,444	1,778,980,530
--	31,972,572	--	31,972,572
47,955,000	22,929,899	12,330,510	163,362,884
2,282,000	1,613,463	940,790	78,215,674
366,309,000	146,025,781	485,378,682	2,208,882,760
<u>699,558,000</u>	<u>2,646,845,376</u>	<u>1,441,084,165</u>	<u>13,564,998,176</u>
<u>1,784,588,000</u>	<u>8,417,785,358</u>	<u>2,330,749,992</u>	<u>27,360,580,294</u>
187,511,000	184,443,937	100,746,480	855,777,273
--	26,560,638	1,716,340	37,737,227
--	522,870	440,054	4,665,506
1,306,000	75,634,022	9,048,898	166,531,401
34,512,000	39,139,265	47,497,236	153,473,501
76,615,000	165,336,744	1,169,847	318,109,700
49,816,000	273,150,326	50,455,975	770,369,190
<u>625,505,000</u>	<u>4,992,976,913</u>	<u>1,068,525,677</u>	<u>14,521,290,959</u>
<u>975,265,000</u>	<u>5,757,764,715</u>	<u>1,279,600,507</u>	<u>16,827,954,757</u>
403,063,000	523,678,030	684,988,712	6,646,487,139
50,469,000	24,638,671	20,380,340	124,968,011
39,676,000	364,419,115	65,081,890	571,352,605
211,124,000	421,649,694	63,934,679	1,137,359,951
<u>104,991,000</u>	<u>1,325,635,133</u>	<u>216,763,864</u>	<u>2,052,457,831</u>
<u>\$ 809,323,000</u>	<u>\$ 2,660,020,643</u>	<u>\$ 1,051,149,485</u>	<u>\$ 10,532,625,537</u>

**STATE OF NEW JERSEY  
STATEMENT OF ACTIVITIES  
COMPONENT UNITS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<b>Expenses</b>	<b>Charges for Services</b>
<b>Programs</b>		
New Jersey Transit Corporation	\$ 1,367,746,957	\$ 542,886,307
New Jersey Turnpike Authority	569,269,385	433,868,929
Rutgers, The State University of New Jersey	1,205,652,000	427,835,000
University of Medicine and Dentistry of New Jersey	1,402,351,000	897,277,000
Non-major component units	2,143,064,578	1,161,962,129
	<b>\$ 6,688,083,920</b>	<b>\$ 3,463,829,365</b>

**General Revenue**

Payments from state - major

Payments from state - non-major

**Total General Revenue**

**Change in Net Assets**

**Net Assets - Beginning of Year (Restated)**

**Net Assets - End of Year**

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

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

**Program Revenues**

<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
\$ 371,011,175	\$ 556,650,589	\$ 102,801,114
106,990,193	--	(28,410,263)
372,334,000	73,104,000	(332,379,000)
249,942,000	28,624,000	(226,508,000)
<u>575,022,678</u>	<u>297,767,116</u>	<u>(108,312,655)</u>
<u>\$ 1,675,300,046</u>	<u>\$ 956,145,705</u>	<u>(592,808,804)</u>

944,674,045
<u>1,078,968,301</u>
2,023,642,346
<u>1,430,833,542</u>
9,101,791,995
<u>\$ 10,532,625,537</u>



**STATE OF NEW JERSEY**  
**Index**  
**Notes to the Financial Statements**

<b>Notes</b>	<b>Page</b>
1 Summary of Significant Accounting Policies.....	54
2 Other Accounting Disclosures .....	63
3 Cash and Cash Equivalents .....	67
4 Investments .....	68
5 Receivables .....	70
6 Capital Assets .....	71
7 Interfund Transactions .....	72
8 Short-Term Debt .....	74
9 Long-Term Obligations .....	74
10 Other Liabilities .....	78
11 Fund Balances .....	78
12 Other Financing Sources/Uses-Other .....	79
13 Operating Leases .....	79
14 Retirement Systems .....	79
15 Post-Retirement Medical Benefits.....	85
16 Component Units.....	86
17 Contingent Liabilities .....	92
18 Subsequent Events .....	93

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). In 1999 the GASB issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, and Statement No. 35, Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities. These Statements establish new financial reporting requirements for state and local governments and public colleges and universities throughout the United States. They require new information and restructure much of the information that governments have presented in the past. The State has implemented these standards for the fiscal year ending June 30, 2002.

Other GASB Statements are required to be implemented in conjunction with GASB Statements No. 34 and No. 35. Therefore, the State has implemented, in the current fiscal year, Statement No. 37 – Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus, and Statement No. 38 – Certain Financial Statement Note Disclosures.

The financial statements have been prepared primarily from accounts and records maintained by the State Comptroller. The financial data for the various public benefit corporations, authorities, commissions, colleges and universities has been derived from reports prepared by those organizations based on 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 New Jersey Building Authority and the New Jersey Transportation Trust Fund Authority are blended component units since they provide services entirely, or almost entirely to the State. 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 16.

## AUTHORITIES

Casino Reinvestment Development Authority  
Higher Education Student Assistance Authority  
New Jersey Building Authority  
New Jersey Commerce and Economic Growth 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 Highway Authority  
New Jersey Housing and Mortgage Finance Agency  
New Jersey Meadowlands Development Commission  
(formerly Hackensack Meadowlands Development Commission)  
New Jersey Redevelopment Authority  
New Jersey Sports and Exposition Authority  
New Jersey Transit Corporation  
New Jersey Transportation Trust Fund Authority  
New Jersey Turnpike Authority  
New Jersey Water Supply Authority  
South Jersey Port Corporation  
South Jersey Transportation Authority

## 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

### C. Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information of 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 general 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. 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.

**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. These revenues which are considered to be susceptible to accrual include amounts received during the twelve month period subsequent to June 30 that were earned as of 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 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 largest enterprise funds are the Unemployment Compensation Fund and the State Lottery Fund.

The Unemployment Compensation Fund's principle ongoing operations consist of collecting contributions 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.

In addition, the State records two other enterprise funds, the Health Benefits Local Government Employers Program Fund and the Prescription Drug Local Government Employers Program Fund. For these funds, the principle ongoing operations, classified as operating revenues and expenditures, consist of member and employer contributions which are used to pay health care and prescription costs on behalf of eligible employees and their dependents.

## **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, equity, 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 Unemployment Compensation Fund, and the State Lottery Fund as major enterprise funds. Descriptions are as follows:

- a. General Fund - The 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. 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. Annual appropriations are made from the fund, pursuant to formulas established by the Legislature, to counties, municipalities, and school districts.

- c. Unemployment Compensation Fund – This fund accounts for monies deposited from contributions of 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.
- d. 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.

## **2. Governmental Fund Types**

- a. Special Revenue 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. Debt Service Fund - Accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Amounts provided by the General Fund are deposited with banks that serve as paying agents.
- c. Capital Projects Funds - Account for financial resources, usually general obligation bonds, to be 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. Budgetary Process**

Annual budgets are adopted for the General Fund and certain special revenue funds (Casino Control, Casino Revenue, Gubernatorial Elections, and Property Tax Relief Funds). The Legislature enacts the Budget through passage of specific departmental appropriations, the sum of which may not exceed estimated resources. It is a constitutional requirement that the Budget be balanced. The Governor certifies the revenues. Before signing the Appropriations Act, the Governor may veto or reduce any specific appropriation, subject to Legislative override. Once passed and signed, the Appropriations Act becomes the State's financial plan for the coming year. During the year, the spending authority contained in the Appropriations Act may be revised by supplemental appropriations approved by both the Legislature and the Governor. Expenditures are presented on the accompanying budgetary basis financial statements by statewide program classifications, not by the legal level of budgetary control. Detail at the departmental level is presented on the accompanying Schedules of Appropriations and Expenditures.

For the General Fund and budgeted special revenue funds, budgetary control (legal control) is maintained within the department (as indicated on the organization chart) at the appropriation line item level. Appropriations Act revisions during the year, reflecting program changes or interdepartmental transfers of an administrative nature, may be effected with certain executive and legislative branch approvals. Under the “General Provisions” section of the State’s Annual Appropriation Act, management may amend the budget within a department with the approval of the Director of the Office of Management and Budget. Items in excess of \$300,000 must be further approved by the Office of Legislative Services. Only the Legislature, however, may transfer appropriations between departments. Transfers within a department are permitted within certain guidelines and management approval.

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

The State's budgetary basis of accounting differs from that utilized to present fund financial statements in conformance with generally accepted accounting principles (GAAP). The main differences between the budgetary basis and the GAAP basis used to present fund financial statements, are that under the budgetary basis encumbrances are recognized as expenditures, the federal revenue related to such encumbrances is also recognized, and the budgetary basis reflects transactions only for the current fiscal year. In addition, under the GAAP basis used to present fund financial statements, certain grants and other financial assistance are required to be recorded as revenues and expenditures.

## **G. 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.

## **H. 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 State of New Jersey Cash Management Fund-External Portion.

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. 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 5 for details.

### **4. 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 and forests.
- 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, and motor vehicles used in general operations, with unit costs above \$25,000, \$20,000, and \$30,000 respectively.
- 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 works of art, historical treasures, and similar assets. Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements.

### **5. 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.

## **I. 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 and food stamp inventory (in accordance with the provisions of GASB Statement No. 24, Accounting and Financial Reporting for Certain Grants and Other Financial Assistance).

### **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.

### **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.

Bond and note premiums and discounts are amortized to interest expense based on the straight-line method. 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.

## **J. 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: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of the other governments, or (2) 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 Employees’ Pension Benefits and Other Purposes - 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.

## **K. Fund Balances**

1. Reserved Encumbrances - Used to segregate a portion of fund balance to provide for expenditure upon vendor performance of purchase agreements.
2. Reserved Other - Used to earmark a portion of the fund balance to indicate it is either a resource currently unavailable for appropriation or expenditure, or a statutory restriction on current fund balance.
3. Unreserved - General Fund, Special Revenue Funds, Debt Service Fund, 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 - Debt Service - Used to identify that portion of the fund balance of the New Jersey Transportation Trust Fund which is made available to satisfy the debt service requirements of the subsequent period.
  - c. 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.
  - d. Unreserved Undesignated – Used to represent that portion of fund balance resources available for appropriation.

## **L. Fiscal Year End Differences**

The following component units have fiscal years that ended on December 31, 2001:

### **Special Revenue Funds**

New Jersey Building Authority (blended component unit)

### **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 Highway Authority  
New Jersey Meadowlands Development Commission  
(formerly Hackensack Meadowlands Development Commission)  
New Jersey Redevelopment Authority  
New Jersey Sports and Exposition Authority  
New Jersey Turnpike Authority  
South Jersey Port Corporation  
South Jersey Transportation Authority

## NOTE 2 - OTHER ACCOUNTING DISCLOSURES

### A. Reclassifications

The State has implemented GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis - for State and Local Governments for the fiscal year ended June 30, 2002. GASB Statement No. 34, as amended by GASB Statement No. 37 and GASB Statement No. 38, establishes new financial reporting standards for state and local governments, including changes in fund types and account groups. The General Fixed Asset Account Group and the General Long-term Debt Account Group are no longer required. Capital assets and long-term debt balances are now reflected in the Government-wide Statement of Net Assets. Changes in fund types are detailed below.

	<b>Fund Classification</b> <b>June 30, 2001</b>	<b>Fund Classification</b> <b>June 30, 2002</b>
Atlantic City Parking Fees Fund	Agency Fund	Special Revenue Fund
Atlantic City Tourism Promotion Fund	Agency Fund	Special Revenue Fund
Capital City Redevelopment Loan and Grant Fund	Agency Fund	Special Revenue Fund
Judiciary Superior Court-Miscellaneous Fund	Agency Fund	General Fund Account
Luxury Tax Fund	Agency Fund	Special Revenue Fund
Unclaimed Insurance Payments on Deposit Accounts Fund	Agency Fund	Private Purpose Trust Fund
Alternate Benefit Long-term Disability Fund	Expendable Trust Fund	Pension and Other Employee Benefit
Community Development Bond Fund	Expendable Trust Fund	Special Revenue Fund
Emergency Services Fund	Expendable Trust Fund	Special Revenue Fund
Fund for the Support of Free Public Schools	Expendable Trust Fund	Special Revenue Fund
Health Benefits Local Government Employers Program Fund	Expendable Trust Fund	Enterprise Fund
Horse Racing Injury Compensation Fund	Expendable Trust Fund	Special Revenue Fund
Insurance Annuity Trust Fund	Expendable Trust Fund	Private Purpose Trust Fund
Motor Vehicle Security Responsibility Fund	Expendable Trust Fund	Private Purpose Trust Fund
Mutual Workers' Compensation Security Fund	Expendable Trust Fund	Special Revenue Fund
New Home Warranty Security Fund	Expendable Trust Fund	Special Revenue Fund
New Jersey Federal - State Rural Rehabilitation Fund	Expendable Trust Fund	General Fund Account
New Jersey Insurance Development Fund	Expendable Trust Fund	Special Revenue Fund
New Jersey State Employees' Deferred Compensation Plan	Expendable Trust Fund	Pension and Other Employee Benefit
Prescription Drug Local Government Employers Program Fund	Expendable Trust Fund	Enterprise Fund
Real Estate Guaranty Fund	Expendable Trust Fund	Special Revenue Fund
State Disability Benefit Fund	Expendable Trust Fund	Special Revenue Fund

Stock Workers' Compensation Security Fund	Expendable Trust Fund	Special Revenue Fund
Unclaimed Child Support Trust Fund	Expendable Trust Fund	Special Revenue Fund
Unclaimed County Deposits Trust Fund	Expendable Trust Fund	Private Purpose Trust Fund
Unclaimed Personal Property Trust Fund	Expendable Trust Fund	General Fund Account
Unclaimed Utility Deposits Trust Fund	Expendable Trust Fund	Special Revenue Fund
Unemployment Compensation Fund	Expendable Trust Fund	Major Proprietary Fund
University of Medicine and Dentistry of New Jersey - Self Insurance Reserve Fund	Expendable Trust Fund	Special Revenue Fund
Unsatisfied Claim and Judgment Fund	Expendable Trust Fund	Special Revenue Fund
State of New Jersey - Tischler Memorial Fund	Non-Expendable Trust Fund	General Fund Account
Central Pension Fund	Pension Trust Fund	Pension and Other Employee Benefit
Consolidated Police and Firemen's Pension Fund	Pension Trust Fund	Pension and Other Employee Benefit
Judicial Retirement System	Pension Trust Fund	Pension and Other Employee Benefit
Police and Fireman's Retirement System	Pension Trust Fund	Pension and Other Employee Benefit
Prison Officers' Pension Fund	Pension Trust Fund	Pension and Other Employee Benefit
Public Employees' Retirement System	Pension Trust Fund	Pension and Other Employee Benefit
State Police Retirement System	Pension Trust Fund	Pension and Other Employee Benefit
Supplemental Annuity Collective Trust	Pension Trust Fund	Pension and Other Employee Benefit
Teachers' Pension and Annuity Fund	Pension Trust Fund	Pension and Other Employee Benefit
State Lottery Fund	Special Revenue/Agency Funds	Major Proprietary Fund
Property Tax Relief Fund	Special Revenue	Major Governmental Fund

## B. Restatement of Fund Balance

### 1. Fund Financial Statements

The following schedule details the effect of fund type reclassifications on fund balances due to the adoption of GASB Statement No. 34 (expressed in millions).

<u>Fund</u>	<u>As Previously Reported June 30, 2001</u>	<u>Adjustment</u>	<u>As Restated June 30, 2001</u>
Atlantic City Parking Fees Fund	\$ --	\$ 1.6	\$ 1.6
Atlantic City Tourism Promotion Fund	--	0.3	0.3
Capital City Redevelopment Loan and Grant Fund	--	2.0	2.0
Luxury Tax Fund	--	0.9	0.9
Unclaimed Insurance Payments on Deposit Accounts Fund	--	2.0	2.0

In addition, the opening fund balance of the New Jersey Building Authority of \$135.4 million has been reduced by \$23.1 million to reflect corrections of prior year amounts related to net assets. The adjusted balance is \$112.2 million.

### 2. Government-wide Statements

The implementation of GASB Statement No. 34 requires the presentation of two new financial statements, a statement of net assets and a statement of activities, prepared using the economic resources measurement focus and the accrual basis of accounting. As a result, the net assets of governmental activities as of July 1, 2001 has been restated to \$1.8 billion in order to show the cumulative effect of applying GASB Statement No. 34.



**C. Deficit Fund Balances**

It is anticipated that bond sales during Fiscal Year 2003 will relieve deficit fund balances in the following funds (expressed in millions).

Energy Conservation Fund	\$	0.1
Resources Recovery and Solid Waste Disposal Facility Fund		31.8
State Land Acquisition and Development Fund		1.0
1999 Statewide Transportation and Local Bridge Fund		135.7

In addition, deficit fund balances exist in the Health Benefits Local Government Employers Program Fund (\$59.7 million) and the Korean Veteran’s Memorial Fund (\$1.1 million). It is anticipated that private and public charitable donations during Fiscal Year 2003 will relieve the deficit in the Korean Veteran’s Memorial Fund. Calendar year 2003 contribution rates were increased in order to offset the deficit in the Health Benefits Local Government Employers Program Fund.

**D. Joint Ventures**

**The Port Authority of New York and New Jersey  
225 Park Avenue South  
New York, NY 10003-1604**

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 for the fiscal year ended December 31, 2001 disclosed the following (expressed in millions):

	<b>Financial Position</b>		
	<u>Port Authority</u>	<u>PFC Program</u>	<u>Combined Total</u>
Total Assets	\$ 14,603.8	\$ 1,028.4	\$ 15,632.2
Total Liabilities	10,452.8	--	10,452.8
Net Assets	<u>\$ 4,151.0</u>	<u>\$ 1,028.4</u>	<u>\$ 5,179.4</u>
	<b>Operating Results</b>		
Operating Revenues	\$ 2,714.8	\$ 113.5	\$ 2,828.3
Operating Expenses	(1,745.8)	--	(1,745.8)
Depreciation and Amortization	(705.2)	(7.9)	(713.1)
Income from Operations	263.8	105.6	369.4
Financial Income (Expense), Net	(154.6)	0.9	(153.7)
Net Income	<u>\$ 109.2</u>	<u>\$ 106.5</u>	<u>\$ 215.7</u>
	<b>Changes in Net Assets</b>		
Balance January 1, 2001	\$ 3,630.0	\$ 921.8	\$ 4,551.8
Net Income	109.2	106.5	215.7
Government Contributions in Aid of Construction	411.7	--	411.7
Balance December 31, 2001	<u>\$ 4,150.9</u>	<u>\$ 1,028.3</u>	<u>\$ 5,179.2</u>

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, 2001, Port Authority debt consisted of the following (expressed in millions):

**Bonds, Notes and Other Obligations**

Consolidated Bonds and Notes	\$ 6,092.7
Special Project Bonds	1,457.7
Operating Asset Financing	537.7
Capital Asset Financing	<u>1,137.9</u>
	9,226.0
Less: Unamortized Discount and Premium	<u>(166.7)</u>
<b>Total</b>	<u>\$ 9,059.3</u>

**E. 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, 2002 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 2002 and Fiscal Year 2001 are detailed below (expressed in millions):

<u>Type of Claim</u>	<u>Fiscal Year 2002</u>	<u>Fiscal Year 2001</u>
Tort	\$ 8.3	\$ 24.9
Workers' compensation	17.4	18.7
Automobile	1.5	2.8

Property exposure is handled by a commercial insurance carrier. There were no reductions in commercial insurance coverage during the fiscal year ended June 30, 2002. 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 December 1, 2012.

**F. Other**

In accordance with Governmental Accounting and Financial Reporting Standards (GASB) Codification L20.126, "Leases between State and Local Governments and Public Authorities", the debt and assets of the New Jersey Building Authority have been reduced for presentation herein in the amount of \$641.8 million, the amount of the present value of future lease payments by the State to the New Jersey Building Authority as of December 31, 2001.

In accordance with GASB Statement 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," an additional \$314.8 million in federal grant revenues and economic planning, development, and security expenditures and \$0.8 million in other assets and deferred revenues relating to the State's food stamp program have 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 statments.

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% 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% 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.

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

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

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Bank Balance</u>	<u>Total Carrying Amount</u>
Cash	\$ 124.7	\$ --	\$ 3.4	\$ 128.1	\$ 92.8
Certificates of deposit and related items	<u>--</u>	<u>--</u>	<u>1,345.9</u>	<u>1,345.9</u>	<u>1,345.9</u>
<b>Totals</b>	<u>\$ 124.7</u>	<u>\$ --</u>	<u>\$ 1,349.3</u>	<u>\$ 1,474.0</u>	<u>\$ 1,438.7</u>

Negative book balances representing a managed overdraft have been reclassified as accounts payable. Carrying amount balances and negative book balances for all fund types excluding discretely presented component units are reported on the Government-wide Statement of Net Assets and Statement of Fiduciary Net Assets as follows (expressed in millions):

	<u>Total Carrying Amount</u>	<u>Negative Book Balances</u>
Governmental activities	\$ 95.7	\$ 303.4
Business-type activities	4.7	78.3
Fiduciary funds	<u>1,338.3</u>	<u>31.8</u>
<b>Total</b>	<u>\$ 1,438.7</u>	<u>\$ 413.5</u>

#### NOTE 4 - INVESTMENTS

Statutes of the State of New Jersey and regulations of the State Investment Council authorize the Division of Investment to invest in obligations of the U.S. Treasury, foreign governments, agencies, municipal or political subdivisions of the State, commercial paper, bankers acceptances, revenue obligations of public authorities, debt instruments of banks, collateralized notes and mortgages, certificates of deposit, repurchase agreements, equity and convertible equity securities, and other common types of investment securities. Investee institutions and organizations are prescribed by the statutes and regulations based on such 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 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 \$1.1 billion of investments represents deposit fund contracts for future installment payments of lottery prizes due beyond one year from the balance sheet date. Lottery prizes are funded by the purchase of deposit fund contracts which, when matured, will provide amounts sufficient for future payment of installment prizes. Purchases of deposit fund contracts are recorded as an expenditure in the State Lottery Fund in the year of purchase. 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. The projected future costs of installment prize obligations amount to \$1.7 billion which are due in installments ranging from ten years to the lifetime of the recipient.

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

	<b>Amount Reported As Investments</b>
Common stock	\$ 29,386.9
Finance companies - senior debt	1,856.3
Foreign government bonds and notes	1,638.3
Foreign stock	9,867.3
Gas, electric, and water bonds	409.5
Government bonds and obligations	11,991.4
Industrial bonds and commercial paper	11,400.4
Mortgage - backed certificates	4,764.4
Repurchase agreements	26.1
Telephone bonds	742.1
Investments subject to risk categorization	72,082.7
Annuity contracts	1,110.6
Miscellaneous	8.6
Mutual funds	7.9
<b>Total</b>	<b>\$ 73,209.8</b>

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

	<b>Current Investments</b>		<b>Non-Current Investments</b>		<b>Total</b>
Governmental activities	\$ 3,473.1	\$	--	\$	3,473.1
Business-type activities	372.6		950.3		1,322.9
Fiduciary funds	68,413.8		--		68,413.8
	\$ 72,259.5	\$	950.3	\$	73,209.8

## NOTE 5 - RECEIVABLES

Fiduciary funds' receivables are not disclosed in the statement of net assets. However, these receivables are disclosed in the fund financial statements and consists 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 17 - 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 \$2.6 billion of Federal government awards consisting of encumbrances and appropriation balances which are considered unearned and unrecorded as of June 30, 2002.

Federal receivable balances in the Unemployment Compensation Fund (\$2.8 billion) represent unemployment contributions transferred to the Federal Reserve Bank for deposit in the Federal Unemployment Trust Fund. All monies are invested by the Federal Government and interest earnings are credited to the Unemployment Compensation Fund.

## B. Departmental

Departmental accounts receivable of \$2.8 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 (\$258.0 million).

## C. Loans

Loans receivable of \$901.7 million are reduced by allowances of \$12.6 million and include \$810.6 million due from local units of government and other recipients for environmental projects, \$38.3 million loaned for economic development within local units of government, and \$15.0 million loaned for housing and mortgage assistance.

## D. Other

Other receivables totaling \$1,185.5 million are reduced by allowances of \$393.8 million and include tax receivables due of \$419.6 million, \$210.2 million due from the Port Authority of New York and New Jersey, contributions due from employers and members to the Health Benefits Local Government Employers Program Fund of \$72.6 million and \$25.4 million of accrued earnings on investments and accrued interest on loans to third parties.

## NOTE 6 - CAPITAL ASSETS

A summary of capital assets and related accumulated depreciation by category as of June 30, 2002 is as follows (expressed in millions):

	<u>Balance</u> <u>July 1, 2001*</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2002</u>
Land	\$ 515.0	\$ 15.1	\$ --	\$ 530.1
Land improvements	75.7	4.1	--	79.8
Buildings and improvements	1,989.9	508.3	4.9	2,493.3
Machinery and equipment	258.8	45.0	16.7	287.1
Construction in progress	146.5	67.6	47.2	166.9
Infrastructure	<u>13,075.0</u>	<u>971.4</u>	<u>--</u>	<u>14,046.4</u>
Total at historical cost	<u>16,060.9</u>	<u>1,611.5</u>	<u>68.8</u>	<u>17,603.6</u>
Less accumulated depreciation:				
Land improvements	49.2	3.2	--	52.4
Buildings and improvements	993.5	76.5	--	1,070.0
Machinery and equipment	172.9	21.1	--	194.0
Infrastructure	<u>3,732.4</u>	<u>295.0</u>	<u>--</u>	<u>4,027.4</u>
Total accumulated depreciation	<u>4,948.0</u>	<u>395.8</u>	<u>--</u>	<u>5,343.8</u>
Governmental activities capital assets, net	<u>\$ 11,112.9</u>	<u>\$ 1,215.7</u>	<u>\$ 68.8</u>	<u>\$ 12,259.8</u>

\*The opening balance has been restated to reflect the infrastructure assets and the accumulated depreciation on all capital assets, in conformity with GASB Statement No. 34.

## 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. These assets include works of art and historical treasures; such as statues; monuments; historical documents; paintings; forts and lighthouses; rare library books; various capitol-related artifacts and furnishings; and the like.

## B. Depreciation and Useful Lives

Capital assets are depreciated using the straight line method, with one half of the year's depreciation charged in the year of acquisition and in the year of disposal. The State assigned useful lives that were most suitable for the particular assets. Estimated useful lives were assigned as follows:

<u>Asset</u>	<u>Years</u>
Land improvements	10-25
Building and improvements	12-45
Machinery and equipment	5-15
Infrastructure	8-70

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

	<u>Amount</u>
Public safety and criminal justice	\$ 29.6
Physical and mental health	7.8
Educational, cultural, and intellectual development	4.1
Community development and environmental management	5.8
Economic planning, development, and security	2.5
Transportation programs	303.7
Government direction, management, and control	42.2
Special government services	0.1
	<u>\$ 395.8</u>

## NOTE 7 - 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 balance of current interfund receivables and payables at June 30, 2002 are presented below (expressed in millions):

Due From	Due To							Total
	General Fund	Property Tax Relief Fund	Non-Major Governmental Funds	Unemployment Compensation Fund	State Lottery Fund	Non-Major Proprietary Funds	Fiduciary Funds	
General Fund	\$ --	\$ 132.3	\$ 509.6	\$ --	\$ 27.1	\$ 0.4	\$ 11.7	\$ 681.1
Property Tax Relief Fund	--	--	3.7	1.3	--	--	4.8	9.8
Non-Major Governmental Funds	76.5	19.0	170.7	33.8	--	--	--	300.0
Unemployment Compensation Fund	1.0	14.9	30.1	--	--	--	--	46.0
State Lottery Fund	--	--	--	--	--	--	--	--
Non-Major Proprietary Funds	2.4	--	--	--	--	--	--	2.4
Fiduciary Funds	19.7	--	--	--	--	--	5.8	25.5
<b>Total</b>	<b>\$ 99.6</b>	<b>\$ 166.2</b>	<b>\$ 714.1</b>	<b>\$ 35.1</b>	<b>\$ 27.1</b>	<b>\$ 0.4</b>	<b>\$ 22.3</b>	<b>\$ 1,064.8</b>

## B. Transfer In/(Out)

Interfund transfers for the fiscal year ended June 30, 2002 are presented below (expressed in millions):

	General Fund	Property Tax Relief Fund	Non-Major Governmental Funds	State Lottery Fund	Non-Major Proprietary Funds	Fiduciary Funds	Total
<b>Transfers (out) to:</b>							
General Fund	\$ --	\$ --	\$ (1,509.6)	\$ (776.1)	\$ --	\$ (0.1)	\$ (2,285.8)
Property Tax Relief Fund	(1,531.2)	--	--	--	--	--	(1,531.2)
Non-Major Governmental Funds	(1,297.5)	--	(1,334.8)	--	--	--	(2,632.3)
State Lottery Fund	--	--	--	--	--	--	--
Non-Major Proprietary Funds	(4.3)	(46.5)	--	--	--	--	(50.8)
Fiduciary Funds	--	--	--	--	--	--	--
<b>Total Transfers (Out)</b>	<b>\$ (2,833.0)</b>	<b>\$ (46.5)</b>	<b>\$ (2,844.4)</b>	<b>\$ (776.1)</b>	<b>\$ --</b>	<b>\$ (0.1)</b>	<b>\$ (6,500.1)</b>
<b>Transfers in from:</b>							
General Fund	\$ --	\$ 1,531.2	\$ 1,297.5	\$ --	\$ 4.3	\$ --	\$ 2,833.0
Property Tax Relief Fund	--	--	--	--	46.5	--	46.5
Non-Major Governmental Funds	1,509.6	--	1,334.8	--	--	--	2,844.4
State Lottery Fund	--	--	--	--	--	--	--
Non-Major Proprietary Funds	776.1	--	--	--	--	--	776.1
Fiduciary Funds	0.1	--	--	--	--	--	0.1
<b>Total Transfers In</b>	<b>2,285.8</b>	<b>1,531.2</b>	<b>2,632.3</b>	<b>--</b>	<b>50.8</b>	<b>--</b>	<b>6,500.1</b>
<b>Net Transfers In (Out)</b>	<b>\$ (547.2)</b>	<b>\$ 1,484.7</b>	<b>\$ (212.1)</b>	<b>\$ (776.1)</b>	<b>\$ 50.8</b>	<b>\$ (0.1)</b>	<b>\$ --</b>

## NOTE 8 - SHORT-TERM DEBT

### Tax and Revenue Anticipation Notes

The State issues short-term notes 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 in the collection and disbursement of the General Fund and Property Tax Relief Fund revenues. The \$1.3 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, 2002 was as follows (expressed in millions):

	Outstanding July 1, 2001	Issued	Redeemed	Outstanding June 30, 2002
Tax And Revenue Anticipation Notes	\$ --	\$ 1,300.0	\$ (1,300.0)	\$ --

## NOTE 9 – LONG-TERM OBLIGATIONS (A. – F. Denotes Governmental Funds)

### A. Changes in Long-term Debt

The following schedule represents the changes in the Long-term Debt (expressed in millions):

	Outstanding July 1, 2001 *	Additions	Deductions	Outstanding June 30, 2002
General obligation bonds	\$ 3,470.9	\$ 608.3	\$ 908.3	\$ 3,170.9
Revenue bonds	5,026.3	2,206.4	1,432.0	5,800.7
Accumulated sick and vacation payable	449.0	28.0	--	477.0
Capital leases	264.8	330.9	47.4	548.3
Installment obligations	5,323.9	794.1	801.6	5,316.4
Certificates of participation	138.6	5.9	43.5	101.0
Loans payable	1,279.4	--	--	1,279.4
Net pension obligation	54.6	27.1	--	81.7
Other	229.0	108.0	16.9	320.1
Unamortized premium	--	202.5	8.5	194.0
Unamortized deferral on refunding	--	(109.0)	(4.0)	(105.0)
<b>Total</b>	<u>\$ 16,236.5</u>	<u>\$ 4,202.2</u>	<u>\$ 3,254.2</u>	<u>\$ 17,184.5</u>

\*The opening balance has been restated to reflect net pension obligation unrecorded at June 30, 2001.

## B. Debt Service Payments

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

<u>Fiscal Year</u>	<u>Long-term Debt</u>		
	<u>State</u>	<u>Revenue</u>	<u>Total</u>
	<u>Bonded</u>	<u>Bonds</u>	
	<u>Debt</u>		
2003	\$ 292.0	\$ 185.2	\$ 477.2
2004	270.9	253.2	524.1
2005	252.1	265.4	517.5
2006	234.3	279.4	513.7
2007	229.7	297.0	526.7
2008-2012	1,090.2	1,727.5	2,817.7
2013-2017	612.6	1,921.4	2,534.0
2018-2022	189.1	871.6	1,060.7
Unamortized premium	51.2	134.6	185.8
Unamortized deferral on refunding	(45.6)	(59.4)	(105.0)
<b>Total</b>	<b>\$ 3,176.5</b>	<b>\$ 5,875.9</b>	<b>\$ 9,052.4</b>

The general obligation bonded debt outstanding as of June 30, 2002 is \$3.2 billion which is secured by the State's (the General Fund) full faith and credit.

The New Jersey Transportation Trust Fund issued \$2.2 billion in bonds during fiscal year 2002.

The amount provided by the General Fund to the Debt Service Fund for interest and principal payments for the fiscal year ended June 30, 2002 was \$451.2 million. This is reflected in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, as a transfer between the General Fund and Non-major Funds (Debt Service Fund).

In prior years, the State has refunded various bond issuances by creating separate irrevocable trust funds. Refunding debt has been issued and the proceeds have been used to purchase United States Treasury Obligations--State and Local Government Series that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the State's long-term debt. As of June 30, 2002, the amount of defeased general obligation debt outstanding, but removed from the long-term debt amounted to \$1.1 billion.

During Fiscal Year 2002, the State advance refunded various general obligation bond issues. The State issued \$608.3 million of general obligation refunding bonds to provide resources to purchase securities that were placed in escrow for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next 18 years by \$33.4 million and to obtain an economic gain of \$7.7 million.

During Fiscal Year 2002, the State advance refunded revenue bonds with a revenue bond refunding. The State issued \$1.191 billion of revenue refunding bonds to provide resources to purchase securities that were placed in escrow for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next 18 years by \$51.3 million and to obtain an economic gain of \$26.0 million.

In addition, the State (the General Fund) has assisted the New Jersey Sports and Exposition Authority with two types of debt. The first involves use of the State's guarantee on certain bonds issued by the New Jersey Sports and Exposition Authority. The State's liability is contingent upon the Authority's inability to meet such debt service requirements through derived revenues. The State believes that the revenue of the Authority will be sufficient to provide for the payment of debt service on these obligations without recourse to the State's guarantee. The amount outstanding on these bonds as of December 31, 2001, is \$71.5 million. The State has never had to make any State guaranteed debt service payments. The second type of debt involves the issuance of State Contract Bonds. The State has contracted with the New Jersey Sports and Exposition Authority to provide annual appropriations to the Authority in amounts sufficient to provide for the debt service on the bonds. During the year, the New Jersey Sports and Exposition Authority issued \$136.8 million in variable-rate, State Contract Bonds that were used for refunding purposes. While the bonds bear a weekly interest rate mode, the State converted the bonds by entering into a fixed-rate option. As of June 30, 2002, the amount outstanding on New Jersey Sports and Exposition Authority State Contract Bonds was \$699.5 million.

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

The State provides the South Jersey Port Corporation with funds to cover all debt service and property tax requirements when the Corporation's earned revenues are anticipated to be insufficient to cover these obligations. On December 1, 2001, the Corporation certified that it would be unable to provide sufficient funds from operations for debt reserve and, therefore, required a State appropriation for Fiscal Year 2002 in the amount of \$5.2 million.

### C. Capital Lease and Installment Obligations

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

The following is a schedule, by fiscal year, of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2002 (expressed in millions):

<u>Fiscal Year</u>	<u>Amount</u>
2003	\$ 82.9
2004	82.7
2005	82.9
2006	79.7
2007	78.6
2008-2012	316.2
2013-2017	127.7
2018-2022	63.0
2023-2027	25.6
	<hr/>
Total minimum lease payments	939.3
Less: Amount representing interest	391.0
	<hr/>
Present value of lease principal payments	<u>\$ 548.3</u>

Installment obligations represent agreements between the State and several authorities which have issued their obligations to purchase or construct facilities to be rented by the State or to provide financing for other State projects. The State agrees to make payments equal to the debt service of the respective authorities' funds, subject to and dependent upon appropriations being made by the State Legislature for such purchases. At the conclusion of the term of the installment agreements, title to the various facilities is to be transferred to the State. The following is a schedule, by fiscal year, of future installment payments together with the present value of net minimum installment payments, as of June 30, 2002 (expressed in millions) for both installment purchases as well as various other installment obligations of the State:

<u>Fiscal Year</u>	<u>Amount</u>
2003	\$ 410.9
2004	431.2
2005	417.4
2006	430.4
2007	449.0
2008-2012	2,400.5
2013-2017	2,414.3
2018-2022	2,938.4
2023-2027	2,619.6
2028-2033	1,015.9
	<hr/>
Total minimum installment payments	13,527.6
Less: Amount representing interest	8,211.2
Add: Unamortized premium	8.2
	<hr/>
Total principal payments	<u>\$ 5,324.6</u>

Those obligations identified as certificates of participation represent a series of master lease agreements with a trustee from the sale of certificates of participation. The State is required to make payments that approximate the principal and interest payments to be made by the trustee to certified holders. The following is a schedule, by fiscal year, of future payments together with the present value of net minimum payments, as of June 30, 2002 (expressed in millions):

<u>Fiscal Year</u>	<u>Amount</u>
2003	\$ 43.8
2004	36.3
2005	19.4
2006	4.9
2007	2.6
2008-2012	5.8
2013-2017	2.3
	<hr/>
Total minimum certificates of participation payments	115.1
Less: Amount representing interest	14.1
	<hr/>
Total principal payments	<u>\$ 101.0</u>

#### **D. Loans Payable**

The New Jersey Automobile Insurance Guaranty Fund has received a loan of \$1.3 billion from the New Jersey Property-Liability Insurance Guaranty Association. This loan will be repaid to the Association when the financial obligations of the Joint Underwriters Association (JUA) have been fully satisfied.

## **E. Net Pension Obligation**

As of June 30, 2002, the net pension obligation (NPO) for the State Police Retirement System and the Consolidated Police and Firemen's Retirement System amounted to \$81.7 million.

## **F. Other**

This obligation is claims that represent unmatured long-term indebtedness which is required (NCGA Statement 1) to be reported as general long-term liabilities of the government. This includes health (\$92.5 million), dental (\$3.3 million), and medicaid benefit claims (\$224.3 million of which \$103.4 million is federally reimbursable) which have been incurred but not been reported.

## **G. Proprietary Funds/Business-type Activities**

Lottery prizes are funded by the purchase of deposit fund contracts which, when matured, will provide amounts sufficient for future payment of installment prizes. Future payment of installment prizes in the amount of \$1.1 billion are recorded as noncurrent liabilities in both the fund financial statements and the government-wide statements.

## **NOTE 10 - OTHER LIABILITIES**

Other liabilities presented in the statement of net assets consists principally of revenue refunds payable to taxpayers (\$712.8 million).

## **NOTE 11 - FUND BALANCES**

### **A. Reserved - Other**

In the fund financial statements, reservations of fund balance classified as "reserved - other" consists 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 \$103.8 million reservation in the General Fund that is considered not currently available for appropriations consists principally of monies set aside to pay claimants whose property has been previously escheated to the State (\$68.6 million), long-term advances, receivables due from individuals, estates, municipalities, railroads and other funds (\$20.4 million), and a portion of bond receipts which is earmarked to pay debt service in the next fiscal year (\$14.8 million).

#### **Fund for Support of Free Public Schools**

New Jersey Statutes provide for the establishment of a School Bond Reserve within this fund, in an amount equal to at least one and one-half percent of the aggregate issued and outstanding bonded indebtedness of counties, municipalities, or school districts for school purposes, exclusive of the debt service for bonds as provided by State appropriations. Accordingly, \$84.6 million of this fund balance has been reserved at June 30, 2002.

#### **New Jersey Transportation Trust Fund Authority**

In this fund, \$577.8 million has been reserved for the payment of future State transportation system costs.

## B. Unreserved

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

### General Fund

The \$1.2 billion unreserved balance consists of \$944.7 million designated for continuing appropriations, \$3.4 million designated for unrealized gains, and \$292.3 million undesignated.

## NOTE 12 - OTHER FINANCING SOURCES/USES – OTHER

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

	<u>General Fund</u>	<u>Non-Major Funds</u>
Refunding bonds issued	\$ 608.3	\$ 1,191.5
Premium related to refunding bonds	51.6	103.8
Proceeds from sale of swaption	9.1	--
Installment obligations issued	794.1	--
Capital lease acquisitions	330.9	--
Certificates of participation issued	5.9	--
Payment to escrow agent on refunding bonds	(659.9)	(1,295.3)
QZAB bond proceeds disbursed to component unit	(8.6)	--
Swaption proceeds disbursed to component unit	(9.1)	--
<b>Other Financing Sources (Uses) - Other</b>	<u>\$ 1,122.3</u>	<u>\$ --</u>

## NOTE 13 - OPERATING LEASES

The State of New Jersey has commitments to lease certain buildings and equipment under arrangements representing operating leases. Future minimum rental commitments for noncancelable operating leases as of June 30, 2002 are as follows (expressed in millions):

<u>Fiscal Year</u>	<u>Amount</u>
2003	\$ 27.1
2004	21.2
2005	18.2
2006	15.7
2007	12.4
2008-2012	<u>34.0</u>
Total Future Minimum Lease Payments	<u>\$ 128.6</u>

## NOTE 14 - 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 five years of successive service as a judge and 10 years in the aggregate of public service.

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

**Prison Officers' Pension 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. There are no employees covered by CPF.

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



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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

## **Basis of Accounting**

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

## **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, and Common Pension Fund D. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

## **Significant Legislation**

Legislation was passed during the year (P.L.2001, c.353) that provides for an increase in the special veterans' retirement allowance and the ordinary and accidental disability retirement allowances for members of the TPAF and PERS. The special veterans retirement allowance increased from 50% to 54.5% of the member's compensation during the highest-paid year of service. The minimum ordinary disability retirement allowance increased from 40% to 43.6% of final average compensation, and the accidental disability retirement allowance increased from 66.66% to 72.7% of the actual annual compensation at the time of the accident. Existing retirees and beneficiaries are eligible for the increases which were effective October 2001.

Chapter 23, Public Law of 2002 provides early retirement incentive benefits to State employees enrolled in the PERS and TPAF who meet specified age and service requirements and who retire within a specified time period that generally extends from February 1, 2002 to July 1, 2002. The incentive benefits include an additional three years of service credit to employees who are at least 50 years of age with at least 25 years of service credit; State paid health care benefits to employees who are at least 60 years of age with a at least 20 but less than 25 years of service credit; an additional monthly benefit of \$500 per month for 24 months following the date of retirement to employees who are at least 60 years of age with at least 10, but not more than 20 years of service credit; and an additional pension benefit of 3/55 of the compensation upon which the retirement benefit is based to employees who are at least 55 years of age with 25 or more years of service credit and who retire on a veteran's retirement.

Chapter 259, Public Law of 2001 amends the PERS statutes and creates special retirement benefits for members employed as workers compensation judges. PERS members entitled to the new benefits are the Chief Judge, the administrative supervisory judges, the supervisory judges, and the judges of compensation of the Division of Workers' Compensation of the Department of Labor. Those in eligible titles would receive retirement benefits comparable to those provided to members of the Judicial Retirement System. The effective date of this legislation was December 6, 2001.

Chapter 133, Public Law 2001 increased the retirement benefits under service, deferred and early retirement by changing the formula from 1/60 to 1/55 of final compensation for each year of service. This legislation also increased the retirement benefit for veteran members with 35 or more years of service and reduced the age qualification from 60 to 55. Existing retirees and beneficiaries received a comparable percentage increase in their retirement allowances. This benefit enhancement was effective with the November 1, 2001 benefit payments.

Due to the enactment of 1997 legislation, Chapter 114, P.L. 1997 and Chapter 115, P.L. 1997, the State of New Jersey's portion of the unfunded accrued liability under each retirement system was eliminated. In addition, excess valuation assets have been available to fund, in full or in part, the State of New Jersey's normal contribution from 1997 to 2002, excluding the contribution for post-retirement medical benefits in the PERS and TPAF.

## **Contribution Requirements**

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

During the year ended June 30, 2002 for CPFPF and TPAF, which are cost sharing plans with special funding situations, and for JRS, POPF, and SPRS, which are single employer plans, annual pension cost equals annual required contribution. For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, the annual pension cost differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997.

The annual pension cost for the fiscal year ending June 30, 2002 and related information, including a summary of the significant actuarial methods and assumptions used by the Funds, are presented on the following pages. Note that the assumption regarding post-retirement benefit increases has not been disclosed because post-retirement health care benefits are currently being funded on a modified pay-as-you-go basis and not on an actuarial reserve basis.

	CPFPF	JRS	PFRS
<b>Annual Pension Cost (APC)</b>			
<b>State:</b>			
<b>06/30/00</b>	\$ 12,468,727	\$ 10,010,428	\$ 60,521,749
<b>06/30/01</b>	1,347,945	9,886,598	--
<b>06/30/02</b>	2,670,718	13,093,605	--
<b>Local:</b>			
<b>06/30/00</b>	--	--	214,164,848
<b>06/30/01</b>	--	--	75,670,018
<b>06/30/02</b>	--	--	185,415
<b>Contributions Made</b>			
<b>State:</b>			
<b>06/30/00</b>	--	--	60,521,749
<b>06/30/01</b>	--	--	--
<b>06/30/02</b>	506,541	--	--
<b>Local:</b>			
<b>06/30/00</b>	--	--	214,164,848
<b>06/30/01</b>	--	--	75,670,018
<b>06/30/02</b>	--	--	185,415
<b>Percentage of APC Contributed</b>			
<b>State:</b>			
<b>06/30/00</b>	0.0%	0.0%	100.0%
<b>06/30/01</b>	0.0%	0.0%	100.0%
<b>06/30/02</b>	19.0%	0.0%	100.0%
<b>Local:</b>			
<b>06/30/00</b>	--	--	100.0%
<b>06/30/01</b>	--	--	100.0%
<b>06/30/02</b>	--	--	100.0%
<b>Net Pension Obligation</b>			
<b>State:</b>			
<b>06/30/00</b>	(3,467,799)	(75,151,395)	--
<b>06/30/01</b>	(2,119,854)	(65,264,797)	--
<b>06/30/02</b>	44,323	(52,171,192)	--
<b>Local:</b>			
<b>06/30/00</b>	--	--	--
<b>06/30/01</b>	--	--	--
<b>06/30/02</b>	--	--	--
<b>Contribution rates</b>			
<b>State</b>	N/A	23.6%	0.0%
<b>State -related employers</b>	N/A	N/A	0.0%
<b>Employees</b>	N/A	3.0%	8.5%
<b>Significant Actuarial Assumptions and Methods</b>			
<b>Date of actuarial valuation</b>	6/30/01	6/30/01	6/30/01
<b>Actuarial cost method</b>	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
<b>Amortization method</b>	Level Dollar Closed	Level Dollar Closed	Level Percent Closed
<b>Remaining amortization period</b>	1 year	31 years	30 years
<b>Asset valuation method</b>	Five Year Average of Market Value	Five Year Average of Market Value	Five Year Average of Market Value
<b>Actuarial assumptions</b>			
<b>Investment rate of return</b>	8.75%	8.75%	8.75%
<b>Projected salary increases</b>	N/A	5.95%	5.95%
<b>Cost-of-Living Adjustments</b>	N/A	2.40%	2.40%

	POPF	PERS	SPRS	TPAF
<b>Annual Pension Cost (APC)</b>				
<b>State:</b>				
<b>06/30/00</b>	\$ 2,148,604	\$ --	\$ 33,020,226	\$ 361,722,446
<b>06/30/01</b>	2,257,482	--	36,063,044	77,627,755
<b>06/30/02</b>	2,362,253	--	27,066,170	35,021,527
<b>Local:</b>				
<b>06/30/00</b>	--	20,541,177	--	--
<b>06/30/01</b>	--	21,670,774	--	--
<b>06/30/02</b>	--	16,174,534	--	--
<b>Contributions Made</b>				
<b>State:</b>				
<b>06/30/00</b>	--	--	--	--
<b>06/30/01</b>	--	--	--	--
<b>06/30/02</b>	--	--	--	--
<b>Local:</b>				
<b>06/30/00</b>	--	20,541,177	--	--
<b>06/30/01</b>	--	21,670,774	--	--
<b>06/30/02</b>	--	16,174,534	--	--
<b>Percentage of APC Contributed</b>				
<b>State:</b>				
<b>06/30/00</b>	0.0%	100.0%	0.0%	0.0%
<b>06/30/01</b>	0.0%	100.0%	0.0%	0.0%
<b>06/30/02</b>	0.0%	100.0%	0.0%	0.0%
<b>Local:</b>				
<b>06/30/00</b>	--	100.0%	--	--
<b>06/30/01</b>	--	100.0%	--	--
<b>06/30/02</b>	--	100.0%	--	--
<b>Net Pension Obligation</b>				
<b>State:</b>				
<b>06/30/00</b>	(11,790,683)	--	18,513,293	(534,410,986)
<b>06/30/01</b>	(9,533,201)	--	54,576,337	(456,783,231)
<b>06/30/02</b>	(7,170,948)	--	81,642,507	(421,761,704)
<b>Local:</b>				
<b>06/30/00</b>	--	--	--	--
<b>06/30/01</b>	--	--	--	--
<b>06/30/02</b>	--	--	--	--
<b>Contribution rates</b>				
<b>State</b>	N/A	0.0%	14.4%	0.5%
<b>State-related employers</b>	N/A	0.3%	N/A	N/A
<b>Employees</b>	N/A	3.0%	7.5%	4.5% (till 12/31/01) 3.0% (since 1/01/02)
<b>Significant Actuarial Assumptions and Methods</b>				
<b>Date of actuarial valuation</b>	6/30/01	6/30/01	6/30/01	6/30/01
<b>Actuarial cost method</b>	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
<b>Amortization method</b>	Level Dollar Closed	Level Percent Closed	Level Dollar Closed	Level Percent Closed
<b>Remaining amortization period</b>	1 year	40 years for UAAL 10 years for Asset Method Change	31 years	40 years for UAAL 10 years for Asset Method Change
<b>Asset valuation method</b>	Market Value	Five Year Average Market Value	Five Year Average Market Value	Five Year Average Market Value
<b>Actuarial assumptions</b>				
<b>Investment rate of return</b>	5.00%	8.75%	8.75%	8.75%
<b>Projected salary increases</b>	N/A	5.95%	5.95%	5.95%
<b>Cost-of-Living Adjustments</b>	N/A	2.40%	2.40%	2.40%

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, 2002 are presented below:

	<b>SINGLE EMPLOYER PLANS</b>		
	<b>JRS</b>	<b>POPF</b>	<b>SPRS</b>
Annual Required Contribution, 6/30/02	\$ 15,575,602	\$ (2,288,089)	\$ 24,990,652
Interest adjustment on NPO	(5,710,670)	(476,660)	4,775,429
Adjustment to Annual Required Contribution	3,228,673	5,127,002	(2,699,911)
APC as of 6/30/02	<u>13,093,605</u>	<u>2,362,253</u>	<u>27,066,170</u>
Total Fiscal Year 2002 Contributions	--	--	--
Increase in NPO	<u>13,093,605</u>	<u>2,362,253</u>	<u>27,066,170</u>
NPO as of June 30, 2001	(65,264,797)	(9,533,201)	54,576,337
NPO as of June 30, 2002	<u>\$ (52,171,192)</u>	<u>\$ (7,170,948)</u>	<u>\$ 81,642,507</u>

	<b>COST SHARING PLANS WITH SPECIAL FUNDING SITUATIONS</b>		
	<b>CPFPF</b>	<b>TPAF</b>	<b>TOTAL ALL PLANS</b>
Annual Required Contribution, 6/30/02	\$ 550,864	\$ --	\$ 38,829,029
Interest adjustment on NPO	(185,487)	(39,968,533)	(41,565,921)
Adjustment to Annual Required Contribution	2,305,341	74,990,060	82,951,165
APC as of 6/30/02	<u>2,670,718</u>	<u>35,021,527</u>	<u>80,214,273</u>
Total Fiscal Year 2002 Contributions	506,541	--	506,541
Increase in NPO	<u>2,164,177</u>	<u>35,021,527</u>	<u>79,707,732</u>
NPO as of June 30, 2001	(2,119,854)	(456,783,231)	(479,124,746))
NPO as of June 30, 2002	<u>\$ 44,323</u>	<u>\$ (421,761,704)</u>	<u>\$ (399,417,014)</u>

## **NOTE 15 - POST-RETIREMENT MEDICAL BENEFITS**

P.L. 1987, c.384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2002, there were 54,493 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 with an additional contribution beginning in Fiscal Year 1996 to maintain a medical reserve that increases by one half of one percent of the active State payroll each year.

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.

The State did not make a contribution to the PERS and TPAF in Fiscal Year 2002 toward the cost of post-retirement medical benefits in accordance with P.L. 2002, c.11; which allowed the State to use available reserves in the Post-Retirement Medical Reserve Funds to cover required pay-as-you-go medical premiums. This legislation also suspends in Fiscal Years 2002 and 2003 the additional post retirement medical contribution to increase the fund balance by one half of one percent of active member salaries for the valuation period. State law provides that post retirement medical contributions resume in Fiscal Year 2004 and will be computed to provide an increase in the reserve fund of three fifths of one percent of active member salaries for the valuation period.

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. PERS and TPAF retirees are excluded from the provisions set forth in P.L. 1977, c.136 since their health benefits coverage is funded through each of their respective pension fund systems. The State contributed \$34.7 million for 4,567 eligible retired members for Fiscal Year 2002.

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 \$42.8 million toward Chapter 126 benefits for 7,604 eligible retired members in Fiscal Year 2002.

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% 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 \$10.5 million in the current year to provide benefits under Chapter 330 to qualified retirees.

## **NOTE 16 - 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 New Jersey Building Authority and the New Jersey Transportation Trust Fund Authority have been blended into the financial activities of the State as special revenue and debt service funds. All other Authorities have been discretely presented as component units in the State's financial statements in accordance with GASB Statement 14.

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 economic development, financing, 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 Legislature, and the State Comptroller on their operations and finances accompanied by an independent auditor's report thereon. Authorities also submit to the Governor and the Legislature annual budget information on operations and capital construction. The Governor has from time to time exercised the statutory power to veto actions.

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 complete financial statements may be obtained are provided below:

**Casino Reinvestment Development Authority (N.J.S.A. 5:12-153)**  
**1014 Atlantic Avenue**  
**Atlantic City, New Jersey 08401**  
**Fiscal Year Ending December 31, 2001**

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

residents. The Authority is also responsible for promoting the tourist industry in New Jersey, especially in Atlantic County.

**New Jersey Meadowlands Commission (N.J.S.A. 13:17-5)  
(Formerly Known as Hackensack Meadowlands Development Commission)  
1 De Korte Park Plaza  
Lyndhurst, New Jersey 07071  
Fiscal Year Ending December 31, 2001**

The New Jersey Meadowlands Commission is a body corporate and politic established within the Department of Community Affairs under the provisions of the Hackensack Meadowlands Reclamation and Development Act of 1968. Pursuant to the Act, the Commission is authorized and empowered to be the planning and zoning agency for the reclaiming, planning, development, 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 fourteen 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 Commerce and Economic Growth Commission (P.L. 1998, c.44)  
20 West State Street  
P.O. Box 820  
Trenton, New Jersey 08625-0820  
Fiscal Year Ending June 30, 2002**

In accordance with P.L. 1998, c.44 the Department of Commerce and Economic Development, the principal economic development department in the Executive Branch of State Government, was abolished and the New Jersey Commerce and Economic Growth Commission was created. Its mission is to serve as the lead agency for promoting job growth, business growth, and economic development in New Jersey.

**New Jersey Development Authority for Small Businesses, Minorities' and Women's  
Enterprises (N.J.S.A. 34:1B-49)  
36 West State Street  
P.O. Box 990  
Trenton, New Jersey 08625  
Fiscal Year Ending December 31, 2001**

The New Jersey Development Authority for Small Businesses, Minorities' and Women's Enterprise was established as a public body corporate and politic of the State, pursuant to Chapter 386 of P.L. 1985. The Authority was established to provide financial assistance to small businesses and businesses owned by minorities and women in order to encourage entrepreneurship within these groups.

**New Jersey Economic Development Authority (N.J.S.A. 34:1B-4)  
36 West State Street  
P.O. Box 990  
Trenton, New Jersey 08625  
Fiscal Year Ending December 31, 2001**

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

**New Jersey Educational Facilities Authority (N.J.S.A. 18A:72A-4)  
101 College Road East  
Princeton, New Jersey 08540-6601  
Fiscal Year Ending December 31, 2001**

The New Jersey Educational Facilities Authority was established in 1966 to provide a means for New Jersey public and independent colleges and universities to construct additional facilities through the financial resources of a public authority empowered to sell its debt instruments (bonds, notes, and other obligations). The Authority may finance academic and auxiliary facilities for the public and independent institutions of higher education.

**New Jersey Environmental Infrastructure Trust (N.J.S.A. 58:11B-4)**  
**3131 Princeton Pike - Building 6**  
**P. O. Box 440**  
**Trenton, New Jersey 08625**  
**Fiscal Year Ending June 30, 2002**

The New Jersey Environmental Infrastructure Trust established in, but not of, the Department of Environmental Protection in 1985, is a body corporate and politic, with corporate succession. The purpose of the Trust is to make loans and guarantee 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 purpose.

**New Jersey Health Care Facilities Financing Authority (N.J.S.A. 26:2I-4)**  
**Station Plaza Bldg. #4**  
**South Clinton and Yard Avenues**  
**P.O. Box 366**  
**Trenton, New Jersey 08625**  
**Fiscal Year Ending December 31, 2001**

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

**New Jersey Higher Education Student Assistance Authority (N.J.S.A. 18A:71A-1 et. seq.)**  
**P.O. Box 540**  
**Trenton, New Jersey 08625-0540**  
**Fiscal Year Ending June 30, 2002**

This Authority was established to provide a single agency for the coordination and delivery of student financial assistance in the State of New Jersey. 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 Trust (NJBEST).

**New Jersey Highway Authority (N.J.S.A. 27:12B-4)**  
**Executive Offices**  
**Garden State Parkway**  
**Woodbridge, New Jersey 07095**  
**Fiscal Year Ending December 31, 2001**

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

**New Jersey Housing and Mortgage Finance Agency (N.J.S.A. 55:14K-4)**  
**637 South Clinton Avenue**  
**P. O. Box 18550**  
**Trenton, New Jersey 08650-2085**  
**Fiscal Year Ending June 30, 2002**

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



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

**New Jersey Redevelopment Authority (N.J.S.A 55:19-1)**  
**225 East State Street**  
**P. O. Box 790**  
**Trenton, New Jersey 08625**  
**Fiscal Year Ending December 31, 2001**

The New Jersey Redevelopment Authority was created pursuant to Chapter 62 of P.L. 1996, effective July 13, 1996, to provide assistance in the redevelopment and revitalization of New Jersey cities. The Authority is to provide financial, managerial, and technical assistance to persons, firms, or corporations that wish to undertake industrial, commercial, or civic projects within qualified municipalities.

**New Jersey Sports and Exposition Authority (N.J.S.A. 5:10-4)**  
**50 Route 120**  
**East Rutherford, New Jersey 07073**  
**Fiscal Year Ending December 31, 2001**

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

**New Jersey Transit Corporation (N.J.S.A. 27:25-1)**  
**One Penn Plaza East**  
**Newark, New Jersey 07105**  
**Fiscal Year Ending June 30, 2002**

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

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

NJ TRANSIT provides these services through the operation of bus and commuter rail subsidiaries. NJ TRANSIT also contracts with several motor bus carriers for certain transportation services. Under these contracts, NJ TRANSIT has the right to set fares and coordinate service levels and schedules. In addition, NJ TRANSIT contracts with the National Railroad Passenger Corporation (Amtrak) for the maintenance of certain NJ TRANSIT rolling stock and the use of Amtrak's northeast corridor, including propulsion costs and the cost of maintaining right-of-way.

**New Jersey Turnpike Authority (N.J.S.A. 27:23-3)**  
**P. O. Box 1121**  
**New Brunswick, New Jersey 08903**  
**Fiscal Year Ending December 31, 2001**

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

**New Jersey Water Supply Authority (N.J.S.A. 58:1B-4)**  
**P. O. Box 5196**  
**Clinton, New Jersey 08809**  
**Fiscal Year Ending June 30, 2002**

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

The Authority may, upon the request of a municipality, county, the State, or agencies thereof, enter into a contract to provide services for any water system project. All projects undertaken by the Authority shall conform to the recommendations of the New Jersey Statewide Water Supply Plan. Bonds of the Authority may be issued to finance these projects and the debt service on the bonds is payable from the revenues and other funds of the Authority.

**South Jersey Port Corporation (N.J.S.A. 12:11A-1)**  
**Second and Beck Streets**  
**Camden, New Jersey 08104**  
**Fiscal Year Ending December 31, 2001**

The South Jersey Port Corporation, established as a public body corporate and politic of the State, was created in 1968 by the South Jersey Port Corporation Act. The Act conferred upon the Corporation the powers to establish, acquire, construct, rehabilitate, improve, operate, and maintain marine terminals in the South Jersey Port District, including Mercer, Burlington, Camden, Gloucester, Salem, Cumberland, and Cape May counties. To this end, the Corporation may issue tax-exempt revenue bonds subject to the provisions and restrictions of the Marine Terminal Revenue Bond Resolution adopted November 30, 1970, which mandates the distribution of funds to various Port Corporation funds.

**South Jersey Transportation Authority (P.L. 1991, c.252)**  
**Farley Service Plaza**  
**P. O. Box 351**  
**Hammonton, New Jersey 08037**  
**Fiscal Year Ending December 31, 2001**

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

### **C. Colleges and Universities**

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

The financial statements of the colleges and universities have been prepared in accordance with Governmental Accounting Standards Board 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 because of the significance of their operational or financial relationships with the State and fiscal dependency on the State. The colleges and universities are funded through State appropriations, tuition, federal grants, and private donations and grants. Because 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. Except for New Jersey Institute of Technology (NJIT) and Rutgers, The State University of New Jersey (Rutgers), the financial statements do not include the financial activity related to foundations and similar organizations within the colleges and universities. Because of their significant operational and fiscal relationship with the universities, these foundations of NJIT and Rutgers are presented as component units of these universities.

Separately issued independent audited financial statements may be directly obtained from the colleges and universities. Addresses and web-sites of the colleges and universities are presented below:

The College of New Jersey (N.J.S.A. 18A:62-1)  
Office of Budget and Finance  
Administrative Services Building  
2000 Pennington Road  
Ewing, New Jersey 08628-0718  
[www.tcnj.edu/](http://www.tcnj.edu/)

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

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

Montclair State University (N.J.S.A. 18A:62-1)  
Vice President for Finance  
One Normal Avenue  
Upper Montclair, New Jersey 07043  
[www.montclair.edu/](http://www.montclair.edu/)

New Jersey City University (N.J.S.A. 18A:62-1)  
Controller's Office  
2039 Kennedy Boulevard  
Jersey City, New Jersey 07305  
[www.njcu.edu](http://www.njcu.edu)

New Jersey Institute of Technology (N.J.S.A. 18A:64E-4)  
Vice President for Finance and Controller  
323 Martin Luther King Jr. Boulevard  
University Heights  
Newark, New Jersey 07102-1982  
[www.njit.edu/](http://www.njit.edu/)

The William Paterson University of New Jersey (N.J.S.A. 18A:62-1)  
University Controller  
College Hall  
358 Hamburg Turnpike  
Wayne, New Jersey 07470  
[ww2.wpunj.edu/](http://ww2.wpunj.edu/)

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

Rowan University (N.J.S.A. 18A:62-1)  
Controller's Office  
Bole Administration Building  
201 Mullica Hill Road  
Glassboro, New Jersey 08028  
[www.rowan.edu/](http://www.rowan.edu/)

Rutgers, The State University of New Jersey (N.J.S.A. 18A:65-12)  
Division of University Accounting  
65 Davidson Road  
Piscataway, New Jersey 08854-5603  
[www.rutgers.edu/](http://www.rutgers.edu/)

The Richard Stockton College of New Jersey (N.J.S.A. 18A:62-1)  
Office of Fiscal Affairs, J210  
P.O. Box 195  
Pomona, New Jersey 08240-195  
[www2.stockton.edu/](http://www2.stockton.edu/)

University of Medicine and Dentistry of New Jersey (N.J.S.A. 18A:64G-4)  
Liberty Plaza – Fourth Floor, Suite 4200  
335 George Street  
New Brunswick, New Jersey 08903-2688  
[www.umdnj.edu/](http://www.umdnj.edu/)

## **NOTE 17 - 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 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, 2002, the exact amount involved in these legal proceedings is not fully determinable.

### **Special Revenue Funds**

#### **New Jersey Lawyers Fund for Client Protection**

Claims of approximately \$16.6 million have been filed against this Fund by individuals and companies seeking reimbursement for losses resulting from the alleged dishonest conduct by members of the Bar of the State of New Jersey. Under present rules and regulations of the Fund, the total maximum amount that may be awarded is \$11.2 million. The ultimate disposition of these claims is not determinable at this time.

#### **New Jersey Spill Compensation Fund**

As of June 30, 2002, various claims have been filed against the Fund by third parties for damages caused by spills. These claims have not reached the stage in the judicial process where reasonable amounts have been established, and therefore, are not classified as liabilities under generally accepted accounting principles.

#### **Real Estate Guaranty Fund**

Claim payments, as certified by court orders, are made to persons aggrieved by the unlawful practices of real estate brokers or salesmen. As of June 30, 2002, there were various cases pending with a maximum possible exposure to the Fund of approximately \$0.6 million. The ultimate disposition of these claims is not determinable at this time.

#### **Sanitary Landfill Facility Contingency Fund**

Various claims totaling approximately \$30.6 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.

## **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 \$15.9 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.

## **Pension and Other Employee Benefits Trust Funds**

### **Police and Firemen’s Retirement System (PFRS)**

In this suit, plaintiff seeks to represent a class of persons who applied for and received accidental disability retirement benefits under PFRS prior to April 1, 1991. The class would challenge their omission from recent legislation that provided enhanced retirement benefits only to those people who retired after April 1, 1991. The State is unable at this time to estimate its exposure for this claim.

## **Federal Programs**

Under the terms of various grant awards, expenditures from Federal funds are subject to audit. As of June 30, 2002, audits of expenditures for Fiscal Year 2002 and prior years may not be completed. Disallowances which may result from these audits are not determinable at this time. As of June 30, 2002, it is management's opinion that disallowances, if any, would not be material.

## **NOTE 18 – SUBSEQUENT EVENTS**

### **Short-term Debt**

On July 16, 2002, the State issued \$1.9 billion of a \$2.6 billion authorization in tax and revenue anticipation notes, the aggregate principal to be used to provide effective cash flow management to fund the imbalances that occur in the collection and disbursement of various governmental purposes. The final maturity of these notes is June 12, 2003.

### **Long-term Debt**

On July 30, 2002 the State issued \$395.0 million of general obligation bonds for various, voter-approved purposes which included a tax-exempt series totaling \$367.3 million and a taxable series totaling \$27.7 million. Interest is payable semi-annually on August 1 and February 1 commencing on February 1, 2003. Final maturity for the bonds is August 1, 2022.

On October 2, 2002 the New Jersey Economic Development Authority, in accordance with the Educational Facilities Construction and Financing Act, issued \$600.0 million in school construction bonds for the purpose of partially funding the school facilities construction program. Interest is payable semi-annually on June 15 and December 15, commencing on June 15, 2003. Final maturity on the bonds is June 15, 2027.

On November 20, 2002 the State issued \$300.4 million of state general obligation bonds, refunding bonds, Series J in order to refund various general obligation bonds of the State. Interest is payable semi-annually on January 15 and July 15, commencing on January 15, 2003. Final maturity on the bonds is July 15, 2011.

On November 21, 2002 the New Jersey Educational Facilities Authority, in accordance with the Higher Education Capital Improvement Fund Act, issued \$194.6 million of bonds for the purpose of partially funding building and equipment needs of the State’s public and private higher education institutions. Interest is payable semi-annually on March 1 and September 1, commencing on March 1, 2003. Final maturity on the bonds is September 1, 2022.

On November 26, 2002 the New Jersey Building Authority issued \$275.9 million in bonds, which included \$210.5 million to refund a portion of its 1997 Series bonds. The remainder, \$65.4 million were issued to help construct State Museum projects, the multipurpose State Police facility Troop "C" headquarters and communications center project, and the Ewing Township State Police Office of Emergency Management and emergency operations center project. Interest is payable semi-annually on June 15 and December 15, commencing June 15, 2003. Final maturity on the bonds is December 15, 2022.