Notes to the Basic Financial Statements

STATE OF NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
INDEX

Note		Page
1	Summary of Significant Accounting Policies	53
2	Other Accounting Disclosures	62
3	Cash and Cash Equivalents	65
4	Investments	66
5	Securities Lending Collateral	72
6	Receivables	73
7	Capital Assets	74
8	Interfund Transactions	76
9	Short-term Debt	77
10	Deferred Outflows/Inflows of Resources	77
11	Long-term Obligations	78
12	Risk Management and Insurance Coverage	83
13	Derivatives	84
14	Net Assets Restricted by Enabling Legislation/Governmental Fund Balances	85
15	Other Financing Sources - Other	86
16	Operating Leases	86
17	Retirement Systems	87
18	Health Benefits and Post-Retirement Medical Benefits	105
19	Component Units	109
20	Contingent Liabilities	114
21	Subsequent Events	116

STATE OF NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Financial Reporting Entity

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

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

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

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

The following organizations comprise the State's component units. The Garden State Preservation Trust, the New Jersey Building Authority, the New Jersey Schools Development Authority, the Tobacco Settlement Financing Corporation, and the New Jersey Transportation Trust Fund Authority are blended component units since they provide services entirely or almost entirely to the State and thus are fiscally dependent upon the State, are substantively the same as the governing body, and the component unit debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. Additional pertinent information related to them is disclosed in the notes of the primary government. All other component units have been discretely presented. Descriptions of the discretely presented component units and addresses from which complete financial statements of the respective component units can be obtained is detailed in Note 19.

COLLEGES AND UNIVERSITIES

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

AUTHORITIES

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

C. Government-wide and Fund Financial Statements

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

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

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

E. Fund Accounting

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

1. Major Funds

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

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

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

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

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

2. Governmental Fund Types

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

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

3. Fiduciary Fund Types

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

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

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

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

F. Appropriations and Outstanding Debt

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

G. Assets

1. Cash and Cash Equivalents

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

2. Investments

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

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

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

3. Securities Lending Collateral

The Pension Trust Funds participate in securities lending programs with their custodian banks, whereby securities are loaned to brokers and, in return, the Pension Trust Funds have rights to the collateral received. All of the securities held in the Common Pension Trust Fund investment pool are eligible for the securities lending program. Collateral received may consist of cash, irrevocable bank letters of credit, or U.S. Treasury obligations having a market value equal to or exceeding 102 percent (U.S. dollar denominated) or 105 percent (non-U.S. dollar denominated) of the value of the loaned securities at the time the loan is made. The contracts with the Common Pension Trust Fund investment pool custodian banks require them to indemnify the investment pool if the brokers fail to return the securities or fail to pay the investment pool for income distributions by the securities' issuers while the securities are on loan. The securities loans can be terminated by notification by either the broker or the investment pool. The term to maturity of the securities loans is generally matched with the term to maturity of the investment of cash collateral. As of June 30, 2015, the Pension Trust Funds have no aggregate credit risk exposure to brokers because the collateral amount held by the Pension Trust Funds exceeded the market value of the securities on loan. See Note 5 for additional details.

4. Receivables

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

5. Capital Assets

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

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

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

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

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

e. Capital assets in the process of construction.

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

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

The State possesses certain capital assets that have not been capitalized and depreciated because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. Examples of these assets include, but are not limited to statues, monuments, forts, lighthouses, and various capitol related furnishings. Collections, such as historical documents, artifacts, works of art, rare library books, and antique furnishings are not capitalized. These assets are exempted from capitalization as the State maintains the collections for reasons other than financial gain; the collections are protected, kept unencumbered, cared for and preserved; and the collections are subject to an organizational policy requiring that the proceeds from sales of collection items be used to acquire other items for collection. See Note 7 for additional details.

6. Interfund/Intrafund Transactions

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

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

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

7. Deferred Outflow of Resources

A deferred outflow of resources is a consumption of new assets by the government that is applicable to a future reporting period. In the government-wide statements, governmental activities column, the deferred outflows of resources represents two items: (1) the unamortized deferral on refundings, and (2) the sources of changes in the pension liability resulting from changes in assumptions and changes in proportion and differences between employer contributions and proportionate share of contributions.

H. Liabilities

1. Unearned Revenue

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

Unearned revenue consists principally of amounts due from the Port Authority of New York and New Jersey as well as tobacco settlement receipts.

2. Long-term Obligations

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

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

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

3. Deferred Inflow of Resources

A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period. In the government-wide statements, governmental activities column, the deferred inflows of resources represent the net differences between projected and actual investment earnings on pension plan investments and changes in proportion and differences between employer contributions and proportionate share of contributions.

I. Net Position

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

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

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

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

J. Fund Balances

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

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

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

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

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

K. Fiscal Year End Differences

The following component units have fiscal years that ended on December 31, 2014:

Component Units – Authorities

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

Special Revenue Funds

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

NOTE 2 - OTHER ACCOUNTING DISCLOSURES

A. Changes in Accounting Policy

In Fiscal Year 2015 the State adopted three new Governmental Accounting Standards Board (GASB) standards as follows:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* These statements establish standards for measuring and recognizing liabilities, assets, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for pensions provided to employees of the primary government and its component units. It requires the State to record the State's proportionate share of the net pension liability in the government-wide financial statements and in the proprietary funds and component unit financial statements.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations.

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

B. Restatement of Net Position

The July 1, 2014 Net Position for the primary government was adjusted for the following:

	Government-wide Net Position
Balance July 1, 2014 - As Reported	$ (49,616,992,674)
Prior Period Adjustments (adoption of GASB standards):	
Elimination of Net Pension Obligations per GASB Statement No. 68	15,949,329,630
Increase in Long-term Obligations and Deferred Outflows of Resources for the adoption of GASB Statement No. 68 and GASB No. 71	(74,020,206,885)
Decrease in Pension Assets for the adoption of GASB Statement No. 68	(599,745)
Prior Period Adjustments (correction of an error):	
Decrease in Capital Assets	(229,883,765)
Decrease in Accumulated Depreciation	62,456,652
Decrease in Long-term Obligations	51,959,040
Balance July 1, 2014 - Restated	$ (107,803,937,747)

As a result of implementing GASB Statements No. 68 and No. 71, the beginning net position for the component units was reduced by $3,388.3 million on the Statement of Activities.

GASB Statements No. 68 and No. 71 were implemented for all component units, except component units which have a fiscal year ending December 31 (See Note 1 section K for a listing of component units which have a fiscal year ending December 31).

C. Reclassifications

The contributory life insurance components have been reclassified from the fiduciary financial statements (Public Employees' Retirement System and Teachers' Pension and Annuity Fund) to the General Fund. The contributory life insurance payable represents assets held on behalf of employees in the plan. The liability consists of $434,958,728 relating to Public Employees' Retirement System and $144,168,498 relating to the Teachers' Pension and Annuity Fund.

D. Deficit Net Position

The Health Benefits Fund-State is on an actuarial basis of accounting, therefore, it has recorded a claims liability of $252.8 million. There are sufficient cash balances to pay claims that are billed to the fund.

E. Deficit Fund Balance

It is anticipated that bond sales during Fiscal Year 2016 will relieve the current deficit fund balance in the Cultural Centers and Historic Preservation Fund.

F. Joint Ventures

The Port Authority of New York and New Jersey
4 World Trade Center
150 Greenwich Street, 23rd Floor
New York, NY 10007
www.panynj.gov

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

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

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

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

Consolidated financial statements for the Port Authority (including the Passenger Facility Charges Program) for the fiscal year ended December 31, 2014 disclosed the following (expressed in millions):

Financial Position

	Combined Total
Total Assets and Deferred Outflows of Resources	$ 41,702.5
Total Liabilities and Deferred Inflow of Resources	26,928.0
Net Position	$ 14,774.5

Operating Results

Operating Revenues	$ 4,715.0
Operating Expenses	(2,923.3)
Depreciation and Amortization	(996.6)
Income from Operations	795.1
Non-operating Revenues (Expense), Net	251.1
Net Income	$ 1,046.2

Changes in Net Position

Balance January 1, 2014	$ 13,728.3
Net Income	1,046.2
Balance December 31, 2014	$ 14,774.5

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, 2014, Port Authority debt consisted of the following (expressed in millions):

Bonds, Notes, and Other Obligations

Consolidated Bonds and Notes	$ 19,707.9
Special Project Bonds	1,530.5
Operating Asset Financing	526.1
Capital Asset Financing	1,821.7
	23,586.2
Less: Unamortized Discount	(16.6)
Total	$ 23,569.6

G. Other

In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, the debt and assets of the New Jersey Building Authority have been reduced for presentation herein in the amount of $538.9 million, the amount of the present value of future lease payments by the State to the New Jersey Building Authority as of December 31, 2014.

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

NOTE 3 - CASH AND CASH EQUIVALENTS

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

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

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

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires that the State disclose bank deposits that are subject to custodial credit risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the State will not be able to recover deposits or will not be able to recover collateral securities that may be in the possession of an outside party. As of June 30, 2015, the State's bank balances amounted to $608.3 million. Of these balances, $241.2 million was exposed to custodial credit risk as uninsured and uncollateralized. Of the $241.2 million, $239.7 million represents uninvested cash in the State of New Jersey Cash Management Fund. The cash is held in the custodian's Institutional Liquid Reserve Fund overnight and invested the following business day.

NOTE 4 – INVESTMENTS

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

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

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

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

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

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

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

Approximately $268.7 million of investments represents deposit fund contracts for future installment payments of lottery prizes. Lottery prizes are funded by the purchase of deposit fund contracts which, when matured, will provide amounts sufficient for future payment of installment prizes. Purchases of deposit fund contracts are recorded as an expenditure in the State Lottery Fund in the year of purchase. Annuity contracts are carried at their current contract values which are based upon their original purchase price adjusted for credited interest and amounts already received. The estimated fair value of annuity contracts approximates the carrying value reflected in the statement of net position. In the event of default in making future payments by the insurance company from which the contracts were purchased, the State Lottery Commission would be liable for such future payments.

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

	Amount Reported As Investments
Domestic equities	$ 24,441.5
Domestic fixed income securities	23,449.5
International equities	14,318.1
Absolute return strategy funds	9,822.9
Private equities	7,473.1
Real estate funds	3,115.7
Global diversified credit funds	2,281.8
International fixed income securities	2,263.1
Real assets	1,594.4
Mortgages	840.1
Mutual funds	279.4
Annuity contracts	268.7
Opportunistic private equity investments	203.2
Put options	5.7
Total investments	90,357.2
Unallocated administrative expenses and transaction exchanges	1,152.7
Net amount recorded as investments	$ 91,509.9

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

	Current Investments	Non-Current Investments	Total
Governmental activities	$ 5,555.1	$ -	$ 5,555.1
Business-type activities	247.5	228.5	476.0
Fiduciary funds	85,478.8	-	85,478.8
Total	$ 91,281.4	$ 228.5	$ 91,509.9

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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's), Standard & Poor's Corporation (S&P), or Fitch Ratings (Fitch). Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. There are no restrictions in the amount that can be invested in United States Treasury and government agency securities. The Common Pension Funds did not hold directly more than 5 percent of net position in any one issuer as of June 30, 2015. State regulations require minimum credit ratings for certain categories of fixed income obligations and limit the amount that can be invested in any one issuer or issue. As of June 30, 2015 the following limits were in effect:

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

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

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

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

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

For securities exposed to credit risk in the fixed income portfolio, the following tables disclose aggregate fair value, by major credit quality rating category at June 30, 2015. The tables include the fixed income securities held directly by the Common Pension Funds, as well as those held by Prudential Retirement. The first table is for fixed income securities rated by Moody's. The second table uses Standard and Poor's ratings for fixed income securities not rated by Moody's (expressed in millions):

	Moody's Rating					
	Aaa	Aa	A	Baa	Ba	P-1
United States Treasury notes	$ 131.0	$ -	$ -	$ -	$ -	$ -
United States Treasury TIPS	1,671.6	-	-	-	-	-
United States Treasury bonds	1,526.8	-	-	-	-	-
United States Government Agency	5,518.1	14.5	274.5	-	-	-
Mortgages/FHLMC/FNMA/GNMA	31.4	-	-	-	-	-
Domestic corporate obligations	1,023.6	895.1	1,543.1	1,439.1	606.4	-
International corporate obligations	25.2	-	242.7	83.7	96.2	-
Foreign government obligations	411.2	1,142.1	90.4	-	-	-
SBA pass through certificates	20.3	-	-	-	-	-
Certificates of deposit	-	-	-	-	-	1,465.9
Commercial paper	-	-	-	-	-	4,574.0
Other	63.7	438.5	190.6	26.8	1.0	-
Bank Loans	-	-	-	-	32.8	-
Total	$ 10,422.9	$ 2,490.2	$ 2,341.3	$ 1,549.6	$ 736.4	$ 6,039.9

	Standard & Poor's Rating					
	AAA	AA	A	BBB	BB	B
Domestic corporate obligations	$ -	$ 10.0	$ -	$ 223.0	$ 30.7	$ 2.6
International corporate obligations	-	-	-	-	12.4	8.8
Other	-	45.2	17.8	-	-	-
Total	$ -	$ 55.2	$ 17.8	$ 223.0	$ 43.1	$ 11.4

The above tables do not include various domestic corporate obligations given a Moody's rating of A1 ($68.1 million), A3 ($45.6 million), Baa1 ($10.0 million), B ($599.4 million), Ca ($1.2 million), Caa ($322.3 million), and Standard and Poor's ratings of CCC ($1.2 million) and D ($3.7 million). They also do not include international corporate obligations given a Moody's rating of B ($79.3 million), and Caa ($18.1 million). Also not included are bank loan investments given a Moody's rating of B ($53.1 million), and Caa ($14.3 million) as well as miscellaneous other types of investments given a Moody's rating of Aa2 ($270.0 million) and B ($0.3 million).

The above tables do not include Police and Firemen's mortgages totaling $840.1 million as well as certain exchange traded funds (ETFs) totaling $289.5 million which invest in an underlying portfolio of fixed income securities.

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

Repurchase agreements must mature within 30 days. State regulations permit the pension funds to enter into foreign exchange contracts for the purpose of hedging the international portfolio. As of June 30, 2015, the credit ratings of the counterparties to the forward currency contracts held by the Common Pension Funds had a Moody's credit rating of no less than A and Aa2, respectively.

The following table summarizes the maturities (or, in the case of Remics, Police and Firemen's mortgages, and mortgage backed securities, the expected average life) of the fixed income portfolio at June 30, 2015 (expressed in millions):

	Total Fair Value	Maturities in Years* Less than 1	1-5	6-10	More than 10
United States Treasury notes	$ 131.0	$ 118.0	$ 13.0	$ -	$ -
United States Treasury TIPS	1,671.6	-	623.7	1,047.9	-
United States Treasury bonds	1,526.8	175.0	716.8	584.4	50.6
United States Government Agency	5,807.1	5,185.9	208.4	373.6	39.2
Mortgages/FHLMC/FNMA/GNMA	31.4	-	0.2	1.7	29.5
Domestic corporate obligations	6,860.6	549.2	2,338.5	2,598.6	1,374.3
International corporate obligations	569.6	58.8	149.9	284.5	76.4
Foreign government obligations	1,643.7	-	636.5	795.3	211.9
Police & Firemen's mortgages	840.1	-	0.9	22.2	817.0
SBA passthrough certificates	20.3	-	20.3	-	-
Certificates of deposit	1,465.9	1,465.9	-	-	-
Commercial paper	4,844.0	4,844.0	-	-	-
Other	882.8	16.5	91.6	142.3	632.4
Bank Loans	102.0	0.5	30.4	71.1	-
Total	$ 26,396.9	$ 12,413.8	$ 4,830.2	$ 5,921.6	$ 3,231.3

* $150.1 million of investments do not have specific maturity dates.

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

At June 30, 2015, the State had the following foreign currency exposure based on exchange rates in effect for such day (expressed in millions of U.S. dollars):

Currency	Total Fair Value	Equities	Fixed Income	Alternative Investments
Australian dollar	$ 512.7	$ 512.7	$ -	$ -
Brazilian real	258.0	258.0	-	-
Canadian dollar	730.6	649.1	81.5	-
Chilean peso	2.3	2.3	-	-
Columbian peso	2.2	0.8	1.4	-
Czech koruna	52.6	52.6	-	-
Danish krone	135.3	135.3	-	-
Egyptian pound	0.3	0.3	-	-
Euro dollar	2,821.8	2,193.3	0.5	628.0
Hong Kong dollar	746.2	746.2	-	-
Hungarian forint	20.3	20.3	-	-
Indonesian rupiah	103.4	103.4	-	-
Japanese yen	1,694.2	1,694.2	-	-
Malaysian ringgit	26.3	26.3	-	-
Mexican peso	87.3	87.3	-	-
Norwegian krone	63.4	63.4	-	-
Pakistan rupee	28.9	28.9	-	-
Philippines peso	58.5	58.5	-	-
Polish zolty	54.9	54.9	-	-
Qutari rial	1.4	1.4	-	-
Singapore dollar	102.9	102.9	-	-
South African rand	256.3	256.3	-	-
South Korean won	410.2	410.2	-	-
Swedish krona	218.6	218.6	-	-
Swiss franc	779.7	779.7	-	-
Taiwan new dollar	22.8	22.8	-	-
Thailand baht	95.9	95.9	-	-
Turkish lira	74.1	74.1	-	-
United Kingdom sterling	1,705.2	1,528.6	-	176.6
UAE dirham	4.6	4.6	-	-
Total	$ 11,070.9	$ 10,182.9	$ 83.4	$ 804.6

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

As of June 30, 2015, the net position of Common Pension Fund E includes receivables of $512 million related to the secondary sale of real estate funds and redemption of hedge funds, of which $161 million is due by July 2015 and the balance due over the course of two years.

NOTE 5 - SECURITIES LENDING COLLATERAL

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

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

For loans of all other types of securities, in the event that the market value of the collateral falls below the collateral requirement of either 102% or 105% (depending on whether the securities are denominated in U.S. dollars or a foreign currency, respectively) of the market value of the outstanding loaned securities to an individual borrower, additional collateral shall be transferred in an amount that will increase the aggregate of the borrower's collateral to meet the collateral requirements. As of June 30, 2015, the Common Pension Funds have no aggregate credit risk exposure to borrowers because the collateral amount held by the Common Pension Funds exceeded the market value of the securities on loan.

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

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

For securities exposed to credit risk in the collateral portfolio, the following table disclosures aggregate fair value, by major credit quality rating category at June 30, 2015 (expressed in millions):

	Rating		
	Aaa/AAA	**Not Rated**	**Total**
Repurchase Agreements	$ 841.0	$ -	$ 841.0
State Street Institutional Liquid Reserves Fund	-	250.0	250.0
Cash Overdraft	-	(31.5)	(31.5)
Totals	$ 841.0	$ 218.5	$ 1,059.5

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

As of June 30, 2015, the Pension Funds had outstanding loaned investment securities with an aggregate fair value of $1,028.1 million and did not hold any noncash collateral. There were no borrowers or lending agent default losses, and no recoveries or prior-period losses during the year.

NOTE 6 - RECEIVABLES

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

A. Federal

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

These Federal receivables are reported in conformance with generally accepted accounting principles as defined by the National Council on Governmental Accounting Statement No. 2 - *Grant, Entitlement and Shared Revenue Accounting and Reporting by State and Local Governments*. Inasmuch as encumbrances do not constitute expenditures, and since recognition of grants and entitlements as revenue is primarily based on expenditures, there is an additional $3.1 billion of Federal government awards consisting of encumbrances which are considered unearned and unrecorded as of June 30, 2015.

B. Departmental

Departmental accounts receivable of $4.4 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, 2015 are deemed to be collectible, and are reflected net of allowances ($593.1 million).

C. Loans

Loans receivable of $2.0 billion are reduced by allowances of $65.1 million and include $1.6 billion due from local units of government and other recipients for environmental projects, $241.5 million loaned to New Jersey Transit Corporation for transportation projects, $33.0 million loaned for economic development within local units of government, and $6.2 million loaned for housing and mortgage assistance.

D. Other

Other receivables totaling $1.5 billion are reduced by allowances of $570.5 million and include tax receivables due of $515.9 million, $133.9 million due from the Port Authority of New York and New Jersey, $110.0 million from the tobacco companies, $6.6 million due from the utility industry, and $19.1 million due from proceeds of Motor Vehicle Commission bonds which are held by the trustee.

NOTE 7 – CAPITAL ASSETS

A summary of capital assets and related accumulated depreciation by category as of June 30, 2015 is as follows (expressed in millions):

	Balance July 1, 2014*	Additions	Deductions	Transfers/ Adjustments	Balance June 30, 2015
Capital assets, not being depreciated:					
Land and easements	$ 5,045.4	$ 109.6	$ 0.1	$ (2.8)	$ 5,152.1
Construction in progress	2,838.3	1,631.2	-	(2,064.5)	2,405.0
Capital assets, being depreciated:					
Land improvements	233.9	-	22.6	1.0	212.3
Buildings and improvements	3,747.6	10.1	21.3	26.6	3,763.0
Equipment and software	1,117.9	65.9	21.5	103.4	1,265.7
Infrastructure	24,830.6	-	-	1,922.3	26,752.9
Total at historical cost	37,813.7	1,816.8	65.5	(14.0)	39,551.0
Less accumulated depreciation:					
Land improvements	157.5	6.7	6.5	(0.7)	157.0
Buildings and improvements	2,037.8	112.0	33.9	(28.2)	2,087.7
Equipment and software	748.8	125.8	19.0	-	855.6
Infrastructure	9,505.0	709.4	-	-	10,214.4
Total accumulated depreciation	12,449.1	953.9	59.4	(28.9)	13,314.7
Governmental activities capital assets, net	$ 25,364.6	$ 862.9	$ 6.1	$ 14.9	$ 26,236.3

* The July 1, 2014 capital asset balance has been restated by $(229.8) million and the accumulated depreciation balance has been restated by $(62.4) million across Construction in Progress, Equipment and Software, and Infrastructure.

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

	Amount
Public safety and criminal justice	$ 89.2
Physical and mental health	14.3
Educational, cultural, and intellectual development	19.1
Community development and environmental management	148.7
Economic planning, development, and security	11.8
Transportation programs	1,484.7
Government direction, management, and control	46.4
Special government services	2.6
Total	$ 1,816.8

A. Items Not Capitalized and Depreciated

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

B. Depreciation and Useful Lives

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

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

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

	Amount
Public safety and criminal justice	$ 92.3
Physical and mental health	19.4
Educational, cultural, and intellectual development	27.9
Community development and environmental management	14.9
Economic planning, development, and security	22.6
Transportation programs	717.5
Government direction, management, and control	50.0
Special government services	9.3
Total	$ 953.9

NOTE 8 - INTERFUND TRANSACTIONS

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

A. Due From/Due To Other Funds

The balances of current interfund receivables and payables at June 30, 2015 are presented below (expressed in millions):

	General Fund	Property Tax Relief Fund	Non-Major Governmental Funds	State Lottery Fund	Unemployment Compensation Fund	Fiduciary Funds	Total
Due from:							
General Fund	$ -	$ 234.7	$ 65.8	$ -	$ 0.4	$ 103.9	$ 404.8
Property Tax Relief Fund	-	-	1.9	-	8.0	-	9.9
Non-Major Governmental Funds	417.8	0.3	176.3	-	1.7	-	596.1
State Lottery Fund	143.0	-	-	-	-	-	143.0
Unemployment Compensation Fund	-	0.3	15.8	-	-	-	16.1
Fiduciary Funds	22.3	9.5	-	-	-	-	31.8
Total Due from	$ 583.1	$ 244.8	$ 259.8	$ -	$ 10.1	$ 103.9	$ 1,201.7
Due to:							
General Fund	$ -	$ -	$ 417.8	$ 143.0	$ -	$ 22.3	$ 583.1
Property Tax Relief Fund	234.7	-	0.3	-	0.3	9.5	244.8
Non-Major Governmental Funds	65.8	1.9	176.3	-	15.8	-	259.8
Unemployment Compensation Fund	0.4	8.0	1.7	-	-	-	10.1
Fiduciary Funds	103.9	-	-	-	-	-	103.9
Total Due to	$ 404.8	$ 9.9	$ 596.1	$ 143.0	$ 16.1	$ 31.8	$ 1,201.7

B. Transfer In/(Out)

Interfund transfers for the fiscal year ended June 30, 2015 are presented below (expressed in millions):

	General Fund	Property Tax Relief Fund	Non-Major Governmental Funds	State Lottery Fund	Unemployment Compensation Fund	Fiduciary Funds	Total
Transfers (out) to:							
General Fund	$ -	$ -	$ (1,340.3)	$ (960.0)	$ -	$ -	$ (2,300.3)
Non-Major Governmental Funds	(2,022.2)	-	(1,302.4)	-	-	-	(3,324.6)
Total Transfers (Out)	$ (2,022.2)	$ -	$ (2,642.7)	$ (960.0)	$ -	$ -	$ (5,624.9)
Transfers in from:							
General Fund	$ -	$ -	$ 2,013.3	$ -	$ -	$ -	$ 2,013.3
Non-Major Governmental Funds	1,340.3	-	1,302.4	-	-	-	2,642.7
State Lottery Fund	960.0	-	-	-	-	-	960.0
Total Transfers In	$ 2,300.3	$ -	$ 3,315.7	$ -	$ -	$ -	$ 5,616.0
Net Transfers	$ 278.1	$ -	$ 673.0	$ (960.0)	$ -	$ -	$ (8.9) *

*The New Jersey Building Authority and the New Jersey Schools Development Authority (blended component units included in the Non-Major Governmental Funds) have fiscal year ends of December 31, 2014. Due to the State having a June 30, 2015 fiscal year end, transactions between the New Jersey Building Authority, the New Jersey Schools Development Authority and the General Fund have created an imbalance within the transfers.

NOTE 9 - SHORT-TERM DEBT

Tax and Revenue Anticipation Notes

The State issues short-term debt instruments in the form of Tax and Revenue Anticipation Notes (TRAN) in advance of income tax and corporation business tax collections, depositing the proceeds in the General Fund. These notes are used to provide effective cash management to fund the imbalances that occur between the collection of revenues and the disbursement of appropriations of the General Fund and Property Tax Relief Fund. For Fiscal Year 2015, the State, under a resolution executed by the Treasurer on July 1, 2014, authorized the issuance of TRAN. On July 1, 2014 the State issued $2.6 billion of TRAN through a private placement. These notes bear interest from their date of issuance through maturity or earlier redemption by the State at an adjustable rate per annum equal to the London Interbank Offered Rate (LIBOR) plus 37 basis points.

Short-term debt activity for the year ended June 30, 2015 was as follows (expressed in millions):

	Outstanding July 1, 2014	Issued	Redeemed	Outstanding June 30, 2015
Tax and Revenue Anticipation Notes - Series 2015 A	$ -	$ 2,600.0	$ (2,600.0)	$ -
Total Tax and Revenue Anticipation Notes	$ -	$ 2,600.0	$ (2,600.0)	$ -

NOTE 10 - DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources in the statement of net position consists of unamortized deferral on refunding of long-term obligations and pension related amounts. The $940.4 million of unamortized deferral on refunding of long-term obligations is in accordance with GASB No. 65, *Items Previously Reported as Assets and Liabilities*, implemented in Fiscal Year 2014. The pension related amounts consist of: 1) changes in assumptions of $2,853.1 million; 2) net difference between projected and actual investment earnings on pension plan investments of $0.3 million; 3) changes in proportion and differences between employer contributions and proportionate share of contributions of $92.1 million; and 4) employer contributions of $861.9 million subsequent to the measurement date.

Deferred inflows of resources in the statement of net position consists of; 1) differences between expected and actual experience of $22.0 million; 2) net difference between projected and actual investment earnings on pension plan investments of $2,489.4 million; and 3) changes in proportion of $106.5 million.

NOTE 11 – LONG-TERM OBLIGATIONS

The State's long-term obligations are divided into bonded and non-bonded categories. Bonded categories include General Obligation Bonds, Revenue Bonds Payable, certain Capital Leases, Installment Obligations, Certificates of Participation, Tobacco Settlement Financing Corporation Bonds (TSFC), Unamortized Interest on Capital Appreciation Bonds, and Unamortized Premium. Non-bonded categories include Compensated Absences, certain Capital Leases, Loans Payable, Net OPEB Obligation, Net Pension Liability, Pollution Remediation Obligation, and Deposit Fund Contracts.

A. Changes in Long-term Obligations

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

	Outstanding July 1, 2014	Additions	Deductions	Outstanding June 30, 2015	Amounts Due Within One Year
Governmental Activities					
Bonded Debt					
General Obligation Bonds	$ 2,157.5	$ 525.0	$ 309.8	$ 2,372.7	$ 379.0
Revenue Bonds Payable	21,956.9	1,359.0	894.8	22,421.1	674.9
Capital Leases	311.1	-	12.7	298.4	13.2
Installment Obligations	18,081.1	1,508.6	1,085.0	18,504.7	1,237.9
Certificates of Participation	84.9	32.6	37.6	79.9	34.7
Tobacco Settlement Financing Corp. Bonds (TSFC)	4,296.7	-	23.8	4,272.9	26.2
Unamortized Premium	2,083.9	194.6	228.3	2,050.2	-
Unamortized Interest on Capital Appreciation Bonds	(7,136.8)	-	(371.7)	(6,765.1)	-
Non-bonded Debt					
Compensated Absences	568.7	320.7	332.6	556.8	320.6
Capital Leases	317.0	20.7	52.5	285.2	35.2
Loans Payable	1,279.4	-	-	1,279.4	-
Net OPEB Obligation	23,573.7	6,045.3	1,645.2	27,973.8	-
Net Pension Liability[1]	74,773.7	7,479.5	3,371.4	78,881.8	-
Pollution Remediation	74.0	6.9	-	80.9	-
Other[2]	1,218.5	431.2	423.6	1,226.1	323.1
Subtotal Governmental Activities - Restated	$ 143,640.3	$ 17,924.1	$ 8,045.6	$ 153,518.8	$ 3,044.8
Business-type Activities					
Compensated Absences	$ 0.7	$ 0.4	$ 0.4	$ 0.7	$ 0.4
Deposit Fund Contracts	296.2	20.8	48.4	268.6	40.2
Subtotal Business-type Activities	296.9	21.2	48.8	269.3	40.6
Total Governmental and Business-type Activities-Restated	$ 143,937.2	$ 17,945.3	$ 8,094.4	$ 153,788.1	$ 3,085.4

1 Restated to reflect the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As a result of implementing GASB Nos. 68 and 71, the July 1, 2014 Net Pension Obligation of $15,949.4 million was removed and replaced with a Net Pension Liability of $74,773.7 million.

2 Restated to reflect a decrease in the July 1, 2014 capitalized software liability of $51.9 million related to the State Lottery resulting from the assignment of the software contract to Northstar.

B. Debt Service Payments

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

Fiscal Year	General Obligation Bonds	Revenue Bonds	Capital Leases	Installment Obligations[1]	Certificates of Participation	TSFC[2]	Total
				Debt Service			
2016	$ 379.0	$ 674.9	$ 48.4	$ 1,237.9	$ 34.7	$ 26.2	$ 2,401.1
2017	251.9	666.0	49.2	1,431.9	25.2	28.7	2,452.9
2018	235.7	693.9	48.8	1,474.5	18.7	34.2	2,505.8
2019	235.1	724.1	50.8	1,102.5	1.3	36.5	2,150.3
2020	267.1	762.7	45.9	1,104.9	-	59.2	2,239.8
2021-2025	504.1	4,383.9	158.9	5,972.8	-	438.2	11,457.9
2026-2030	247.6	4,666.1	100.2	4,811.0	-	554.7	10,379.6
2031-2035	252.2	3,863.8	79.4	1,088.2	-	705.8	5,989.4
2036-2040	-	4,540.4	0.2	281.0	-	902.6	5,724.2
2041-2045	-	1,445.3	0.3	-	-	1,486.8	2,932.4
2046-2063	-	-	1.5	-	-	-	1.5
Total Principal	2,372.7	22,421.1	583.6	18,504.7	79.9	4,272.9	48,234.9
2016	107.4	745.9	40.1	687.6	0.9	145.3	1,727.2
2017	91.0	713.5	35.0	659.0	0.5	144.0	1,643.0
2018	78.6	683.5	30.8	622.7	0.2	142.5	1,558.3
2019	66.7	650.0	26.1	582.5	-	140.8	1,466.1
2020	53.9	619.5	21.6	548.0	-	139.0	1,382.0
2021-2025	153.4	2,448.4	68.8	2,229.2	-	644.0	5,543.8
2026-2030	86.1	1,629.8	27.4	1,011.0	-	530.8	3,285.1
2031-2035	29.1	1,153.0	6.7	217.4	-	382.9	1,789.1
2036-2040	-	677.3	0.2	34.8	-	191.4	903.7
2041-2045	-	94.9	0.2	-	-	10.3	105.4
2046-2063	-	-	0.3	-	-	-	0.3
Total Interest	666.2	9,415.8	257.2	6,592.2	1.6	2,471.0	19,404.0
2016	486.4	1,420.8	88.5	1,925.5	35.6	171.5	4,128.3
2017	342.9	1,379.5	84.2	2,090.9	25.7	172.7	4,095.9
2018	314.3	1,377.4	79.6	2,097.2	18.9	176.7	4,064.1
2019	301.8	1,374.1	76.9	1,685.0	1.3	177.3	3,616.4
2020	321.0	1,382.2	67.5	1,652.9	-	198.2	3,621.8
2021-2025	657.5	6,832.3	227.7	8,202.0	-	1,082.2	17,001.7
2026-2030	333.7	6,295.9	127.6	5,822.0	-	1,085.5	13,664.7
2031-2035	281.3	5,016.8	86.1	1,305.6	-	1,088.7	7,778.5
2036-2040	-	5,217.7	0.4	315.8	-	1,094.0	6,627.9
2041-2045	-	1,540.2	0.5	-	-	1,497.1	3,037.8
2046-2063	-	-	1.8	-	-	-	1.8
Total Principal and Interest	$ 3,038.9	$ 31,836.9	$ 840.8	$ 25,096.9	$ 81.5	$ 6,743.9	$ 67,638.9

[1] Fiscal Years 2016-2018, 2026 and 2028 include maturing Floating Rate Notes that the State anticipates refunding prior to maturity.
[2] The State is not liable for debt issued by the TSFC.

C. General Obligation Bonds

The State is empowered by voters to authorize, issue, and incur debt subject to certain constitutional restrictions. General obligation bond acts are both legislatively and voter-approved and are backed by the State's full faith and credit. As of June 30, 2015, the State had $2.4 billion of State general obligation bonds outstanding with another $768.2 million of bonding authorization remaining from various State general obligation bond acts. The amount provided by the State's General Fund for debt service payments for Fiscal Year 2015 was $408.6 million.

The State has refunded various outstanding general obligation bonds. Refunding bond proceeds are used to purchase and deposit United States Treasury Obligations – State and Local Government Series or open market U.S. Treasury Securities into a separate irrevocable trust fund held by a trustee. The investments and the fixed earnings that accrue are sufficient to fully service the defeased debt until it is called or matures. For financial reporting purposes, the refunded debt is considered defeased at the time the refunding bonds have been issued. Therefore, the refunded debt is removed as a liability from the State's long-term obligations. As of June 30, 2015, the amount of defeased general obligation debt outstanding, but removed from the State's long-term obligations, amounted to $182.7 million.

D. Revenue Bonds Payable

This debt classification represents bond issuances whose segment of debt service is derived solely from legally restricted revenues. Revenue bonds include debt issued by the New Jersey Building Authority (NJBA), the Garden State Preservation Trust (GSPT), and the New Jersey Transportation Trust Fund Authority (TTFA). During Fiscal Year 2015, the TTFA issued $1.4 billion of bonds used to fund transportation system improvements. During Fiscal Year 2015, no NJBA or GSPT debt was issued. Total authorized but unissued revenue bonds equal $626.8 million as of June 30, 2015.

E. Capital Leases (Bonded)

Capital Leases represent long-term contractual debt obligations that the State has with various State authorities, for the purpose of utilizing office space for State operations and program usage. This includes the design, acquisition, and construction or renovation of certain facilities. The New Jersey Health Care Facilities Financing Authority (HCFFA) issued no debt during Fiscal Year 2015.

F. Installment Obligations

Installment Obligations represent agreements between the State and several authorities which have issued bonds for the purpose of purchasing or constructing facilities to be rented by the State or to provide financing for other State projects. The State agrees to make payments equal to the corresponding authority's debt service, subject to and dependent upon appropriations being made from time to time by the State Legislature. At the conclusion of the term of the installment obligation agreement, title to the various facilities is transferred to the State, except in the case of the School Facilities Construction Program. During Fiscal Year 2015, these authorities issued $1.5 billion of bonds, of which $783.7 million were refunding bonds, that were issued in order to defease $438.0 million of existing debt. The liability on these refunded bonds has been removed from the State's long-term obligations. Total debt service payments over the next 20 years were decreased by $24.7 million and resulted in a net present value savings of $8.6 million. The State's installment obligations outstanding as of June 30, 2015 total $18.5 billion. Total authorized but unissued installment obligations equal $3.4 billion as of June 30, 2015.

G. Certificates of Participation

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

H. Tobacco Settlement Financing Corporation (TSFC)

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

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

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

I. Unamortized Interest on Capital Appreciation Bonds

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

J. Unamortized Premium

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

K. Compensated Absences

Pursuant to GASB Statement No. 16, *Accounting for Compensated Absences*, Compensated Absences represents the liability due to employees for unused sick and vacation time.

L. Capital Leases (Non-bonded)

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

M. Loans Payable

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

N. Net OPEB Obligation

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective for periods beginning after December 15, 2006, requires the reporting of future Other Postemployment Benefits (OPEB) as a general long-term obligation of the State. Based upon an actuarial valuation, the OPEB obligation as of June 30, 2015 is estimated to be $28.0 billion.

O. Net Pension Liability

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for fiscal years beginning after June 30, 2014, requires the reporting of net pension liability as a general long-term obligation of the State. GASB Statement No. 68 requires participating employers in cost sharing plans to recognize their proportionate share of the collective net pension liability, collective deferred inflows of resources, collective deferred outflows of resources and collective pension expense, excluding that attributable to employer-paid member contributions. The net pension liability represents the liability of employers and nonemployer contributing entities to employees for defined benefit pensions. The liability is measured as the portion of the present value of projected benefit payments to be provided through the pension plans to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plans' fiduciary net position. The Net Pension Liability as of June 30, 2015 is $78.9 billion.

P. Pollution Remediation Obligation

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

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

The estimated liability as of June 30, 2015 is $80.9 million. The reported amount represents the unexpended balances of those cleanup actions in which the State has obligated itself to commence remediation. The reported amounts represent the prospective outlays for existing remediation activities and not anticipated remediation work that may be addressed by the site's responsible parties at some future time or date.

Q. Other

This obligation represents unamortized long-term claims which are required to be reported under National Council on Governmental Accounting Statement No. 1 as a general long-term obligation of the State. This includes Business Employment Incentive Program (BEIP) grants of $693.7 million which have been incurred but not reported. This also includes Medicaid benefit claims ($301.7 million of which $184.5 million is federally reimbursable) which have been incurred but not reported. This obligation also includes $11.9 million of capitalized software liability which is required to be reported in accordance with GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* Unclaimed property of $44.8 million deemed to be payable to other states, and the South Jersey Port Corporation obligation of $174.0 million is also included. Governmental Accounting Standards Board (GASB) Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* resulted in the inclusion of the State's estimated future obligation relating to the South Jersey Port Corporation bonds.

R. Deposit Fund Contracts

Large Lottery prizes are paid out to winners over a period of multiple years. Current Lottery proceeds are used to purchase deposit fund contracts which will provide sufficient amounts for future payment of installment prizes. Future payments of installment prizes in the present value of $268.6 million are recorded as liabilities in both the fund financial statements and the government-wide statements.

S. Nonexchange Financial Guarantees

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

The State, when necessary, provides the South Jersey Port Corporation with funds to cover all debt service and property tax requirements when the Corporation's earned revenues are anticipated to be insufficient to cover these obligations. On December 1, 2014, the Corporation certified that it would be unable to provide sufficient funds from operations for debt service, and therefore, required a State appropriation for Fiscal Year 2015 in the amount of $18.9 million.

NOTE 12 - 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, 2015 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 2015 and Fiscal Year 2014 are detailed below (expressed in millions):

Type of Claim	Fiscal Year 2015	Fiscal Year 2014
Tort	$ 22.3	$ 13.1
Workers' compensation	86.8	91.4
Automobile	5.2	1.4

Property exposure is handled by a commercial insurance carrier. There were no reductions in commercial insurance coverage during the fiscal year ended June 30, 2015. No settlements exceeded commercial insurance coverage during each of the past three fiscal years. The State does not participate in any risk pools.

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

NOTE 13 – DERIVATIVES

A. Interest Rate Swap Agreements

The State has obtained long-term financing in the form of voter-approved General Obligation Debt and other obligations for which voter approval is not needed and has not otherwise been sought. Non-voter approved long-term financings include debt obligations such as revenue bonds, certificates of participation, and installment obligations. The State pays debt service on these debt obligations pursuant to a State contract or a lease it enters into with the issuer, subject to annual appropriations made by the State Legislature. These debt obligations include, but are not limited to, certain bonds issued through State public authorities such as the New Jersey Building Authority and the New Jersey Economic Development Authority. In connection with certain bonds issued through these public authorities, the State has historically entered into Interest Rate Exchange Agreements (Swap Agreements). As of June 30, 2015 the State has no active swap agreements. The notional amount supported by State appropriations is zero.

B. Interest Rate Swap Agreements – Synthetic Rate

In the past the State, acting through its public authorities, issued bonds bearing interest at a variable rate and simultaneously entered into one or more swap agreements with various swap providers. Under the terms of the swap agreements, the State paid a fixed rate on an agreed upon notional amount while the swap counterparty paid a variable rate on the same notional amount.

On June 24, 2015 the State terminated the outstanding New Jersey Economic Development Authority swap agreements. The notional amount of the terminated swap agreements was $1,146.8 million. The termination payment made to the swap providers was $351.6 million.

C. Interest Rate Swap Agreements - Fair Value

As of June 30, 2015, the State had no active swap agreements. General interest rates have declined since the execution of the swap agreements which were initially executed during Calendar Year 2003. The change in fair value is shown below (expressed in millions):

	Changes in Fair Value		Fair Value at June 30, 2015	
Governmental Activities	**Classification**	**Amount**	**Classification**	**Amount**
Investment Derivatives:				
Pay fixed interest rate swaps				
NJ Economic Development Authority				
School Facilities Construction Program	Investment earnings	$ 326.227	Investment	$ -
Total Investment Derivatives		$ 326.227		$ -

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

A. Net Assets Restricted by Enabling Legislation

As of June 30, 2015, $3.9 billion of restricted net assets are reported in the Statement of Net Position. Net assets are restricted when constraints have been placed upon the use of resources through enabling legislation initiated by voter referendum, constitutional provisions, debt covenants, or other external parties such as the federal government. Unexpended debt proceeds that are recorded as assets and restricted fund balance in the governmental funds ($1.2 billion) have been deducted from the restricted net asset balance.

B. Governmental Fund Balances

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

Nonspendable

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

Restricted

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

Restricted Fund Balance – School Bond Reserve:

Fund for Support of Free Public Schools

New Jersey statutes provide for the establishment of a school bond reserve within this fund. The school bond reserve consists of two accounts, the old school bond reserve account and the new school bond reserve account. The old school bond reserve account shall be funded in an amount equal to at least 1.5 percent of the aggregate issued and outstanding bonded indebtedness of counties, municipalities, or school districts for school purposes for all such indebtedness issued prior to July 1, 2003. The new school bond reserve account shall be funded in an amount equal to at least one percent of the aggregate issued and outstanding bonded indebtedness of counties, municipalities, or school districts for school purposes for all such indebtedness issued on or after July 1, 2003, exclusive of bonds for debt service, which is provided by State appropriations. Accordingly, $70.3 million has been reserved as of June 30, 2015.

Committed

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

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

Unassigned

Unassigned balance is $806.4 million. This classification represents fund balance that has not been restricted or committed to specific purposes within the General Fund.

NOTE 15 – OTHER FINANCING SOURCES – OTHER

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

	General Fund	Non-Major Funds	Total Governmental Funds
Refunding bonds issued	$ 783.7	$ -	$ 783.7
Installment obligations issued	724.9	-	724.9
Revenue bonds remarketing	-	297.5	297.5
Premium related to new debt issuances	130.9	35.7	166.6
Certificates of participation issued	32.7	-	32.7
Premium related to remarketing	-	27.9	27.9
Capital lease acquisitions	20.7	-	20.7
Other Financing Sources - Other	$ 1,692.9	$ 361.1	$ 2,054.0

NOTE 16 – OPERATING LEASES

The State of New Jersey has commitments to lease certain land, buildings, and equipment under arrangements representing operating leases. Future minimum rental commitments for noncancelable operating leases as of June 30, 2015 are as follows (expressed in millions):

Fiscal Year	Amount
2016	$ 58.2
2017	46.7
2018	33.7
2019	26.9
2020	18.4
2021-2025	32.7
2026-2030	1.5
Total Future Minimum Lease Payments	$ 218.1

NOTE 17 – 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.

A. Descriptions of Retirement Systems

Consolidated Police and Firemen's Pension Fund (CPFPF):
The State of New Jersey CPFPF is a single-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits ("the Division"). For additional information about CPFPF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

There are no active members in CPFPF. Additionally, based on the recent actuarial valuation, there was no normal cost or accrued liability contribution required by the State for the fiscal year ended June 30, 2014. The vesting and benefit provisions were set by N.J.S.A. 43:16.

Judicial Retirement System (JRS):
The State of New Jersey JRS is a single-employer defined benefit pension plan administered by the Division. For additional information about JRS, please refer to the Division's CAFR which can be found at www.state.nj.us/treasury/pensions.

The vesting and benefit provisions are set by N.J.S.A. 43:6A. JRS provides retirement benefits as well as death and disability benefits. Retirement is mandatory at age 70. Service retirement benefits are available to members who have reached certain ages and various years of service. Benefits of 75% of final salary are available to members at age 70 with 10 or more years of judicial service; members between ages 65-69 with 15 or more years of judicial service or between ages 60-64 with 20 or more years of judicial service. Benefits of 50% of final salary are available to those with both judicial service and non-judicial service for which five or more consecutive years were judicial service. These benefits are available at age 65 or older with 15 years or more of aggregate service or age 60 or older with 20 or more years of aggregate service. Benefits of 2% of final salary for each year of public service up to 25 years plus 1% of final salary for each year in excess of 25 years are available at age 60 with five consecutive years of judicial service plus 15 years in the aggregate of public service or at age 60 while serving as a judge.

Early retirement benefits of 2% of final salary for each year of service up to 25 years and 1% of final salary for each year over 25 years is available to members who retire before age 60, have 5 or more consecutive years of judicial service, and 25 or more years in aggregate public service. The amount of benefits is actuarially reduced for the number of months remaining until the member reaches age 60.

Police and Firemen's Retirement System (PFRS):
The State of New Jersey PFRS is a cost-sharing multiple-employer defined benefit pension plan administered by the Division. For additional information about PFRS, please refer to the Division's CAFR which can be found at www.state.nj.us/treasury/pensions.

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement benefits as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service.

The following represents the membership tiers for PFRS:

Tier	Definition
1	Members who were enrolled prior to May 22, 2010
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tier 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case, benefits would begin at age 55 equal to 2% of final compensation for each year of service.

Prison Officers' Pension Fund (POPF):
The State of New Jersey POPF is a single-employer defined benefit pension plan administered by the Division. For additional information about POPF, please refer to the Division's CAFR which can be found at www.state.nj.us/treasury/pensions.

There are no active members in POPF. Additionally, based on the recent actuarial valuation, there was no normal cost or accrued liability contribution required by the State for the fiscal year ended June 30, 2014. The vesting and benefit provisions were set by N.J.S.A. 43:7.

Public Employees' Retirement System (PERS):
The State of New Jersey PERS is a cost-sharing multiple-employer defined benefit pension plan administered by the Division. For additional information about PERS, please refer to the Division's CAFR which can be found at www.state.nj.us/treasury/pensions.

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tier 3 and 4 members before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

State Police Retirement System (SPRS):
The State of New Jersey SPRS is a single-employer defined benefit pension plan administered by the Division. For additional information about SPRS, please refer to the Division's CAFR which can be found at www.state.nj.us/treasury/pensions.

The vesting and benefit provisions are set by N.J.S.A. 43:6A. SPRS provides retirement benefits as well as death and disability benefits. All benefits vest after ten years of service, as defined, and members are always fully vested in their contributions. Mandatory retirement is at age 55. Voluntary retirement is prior to age 55 with 20 years of credited service. Benefit is an annual retirement allowance equal to the greater of (a), (b), or (c), as follows: (a) 50% of final compensation; (b) for members retiring with 25 or more years of service, 65% of final compensation, plus 1% for each year of service in excess of 25 years, to a maximum of 70% of final compensation; (c) for members as of August 29, 1985 who would not have 20 years of service by age 55, benefit as defined in (a) above. For members as of August 29, 1985 who would have 20 years of service but would not have 25 years of service at age 55, benefit as defined in (a) above plus 3% for each year of service.

Teachers' Pension and Annuity Fund (TPAF):

The State of New Jersey TPAF is a cost-sharing multiple-employer defined benefit pension plan with a special-funding situation, by which the State is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. TPAF is administered by the Division. For additional information about TPAF, please refer to the Division's CAFR which can be found at www.state.nj.us/treasury/pensions.

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

The following represents the membership tiers for TPAF:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of $1/55^{th}$ of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of $1/60^{th}$ of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tier 3 and 4 members before age 62 with 25 or more years of service credit, and tier 5 members before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Other Pension Funds

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

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

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

Likewise, while the cost-of-living increase for PFRS, PERS, TPAF, SPRS, and JRS is suspended, the cost-of-living adjustment is still funded directly by each of the respective systems.

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.

Single-Employer Plan Membership

Single-employer defined membership pension plans consisted of the following as of June 30, 2014:

Number of Employees Covered By Single-Employer Defined Benefit Plans

	Consolidated Police and Firemen's Pension Fund	Judicial Retirement System	Prison Officers' Pension Fund	State Police Retirement System
Inactive plan members or beneficiaries currently receiving benefits	149	561	110	3,409
Inactive plan members entitled to but not yet receiving benefits	-	4	-	-
Active plan members	-	397	-	2,522
Total	149	962	110	5,931

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

B. Basis of Presentation

TPAF - The schedules of employer and nonemployer allocations and the schedules of pension amounts by employer and nonemployer (collectively, "the Schedules") present amounts that are considered elements of the financial statements of TPAF and the State as an employer/nonemployer entity. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of TPAF or the State.

PERS - The Schedules present amounts that are considered elements of the financial statements of PERS or the participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers.

PFRS - The Schedules present amounts that are considered elements of the financial statements of PFRS, its participating employers, or the State as nonemployer entity. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PFRS, the participating employers, or the State.

POPF, CPFPF, JRS, and SPRS - The Schedules present amounts that are considered elements of the financial statement of each related fund or the State of New Jersey. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of each related fund or the State of New Jersey.

The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of each fund to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

C. Allocation Methodology and Reconciliation to Financial Statements

1. Teachers' Pension Annuity Fund (TPAF)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB No. 68"), requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer and nonemployer allocation percentages presented in the Schedules are based on the ratio of the State's contributions made as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the years ended June 30, 2014 and 2013. Employer and nonemployer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedules of pension amounts by employer and nonemployer may result in immaterial differences.

A reconciliation of total contributions presented in the Schedules for TPAF pursuant to its statements of changes in fiduciary net position for the years ended June 30, 2014 and 2013, respectively, is as follows:

Teachers' Pension and Annuity Fund

	2014	2013
Total contributions per schedules of employer and nonemployer allocations	$ 427,700,146	$ 650,885,004
Reconciling items:		
State early retirement incentive revenue[1]	-	1,734,356
Recoveries from local employers[2]	-	2,819,598
Total employer and nonemployer contributions per audited financial statements	$ 427,700,146	$ 655,438,958

[1] Contributions revenue related to State early retirement incentives recorded in the Division's financial statements for the fiscal year ended June 30, 2013.

[2] Contributions received from local employers that were related to terminations of benefits in prior years for members that were subsequently reinstated.

2. Public Employees' Retirement System (PERS)

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the Schedules. The allocation percentages for each group as of June 30, 2014 and 2013 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2014 and 2013, respectively.

GASB No. 68 requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented in the Schedules are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2014 and 2013. Employer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer may result in immaterial differences.

Changes to Fiduciary Net Position

Based upon updated actuarial information, the Division has adjusted certain information as previously reported in the schedule of changes in net pension liability and related ratios – defined benefit plans as contained in the Division's 2014 CAFR related to adjustments to the local employers' contributions for the 2013 billings as follows:

Public Employees' Retirement System

	State	Local	Total
Plan fiduciary net position - July 1, 2013	$ 8,216,653,950	$ 18,245,501,862	$ 26,462,155,812
Adjustment for local employers' contributions for 2013 billings	-	(85,193,611)	(85,193,611)
Adjusted plan fiduciary net position - July 1, 2013	$ 8,216,653,950	$ 18,160,308,251	$ 26,376,962,201

Employer Contributions

The current year employer contributions for the State and local employers used in the schedule of employer allocations is a component of the PERS pension trust fund financial statements contained in the Division's CAFR. A reconciliation of total contributions presented in the schedule of employer allocations and additions from State and local employer contributions for PERS pursuant to its statements of changes in fiduciary net position for the years ended June 30, 2014 and 2013 is as follows:

Public Employees' Retirement System

	2014		
	State	**Local**	**Total**
Contributions per schedule of employer allocations	$ 171,563,930	$ 824,385,577	$ 995,949,507
Reconciling items:			
Adjustment of 2013 billings[1]	-	(85,193,611)	(85,193,611)
Employer specific contributions/expenses[2]	-	6,389,469	6,389,469
Reclassification of administrative loan revenue[3]	256,069	308,283	564,352
Timing differences for 2014 billings[4]	-	(20,717)	(20,717)
Total contributions per audited financial statements	$ 171,819,999	$ 745,869,001	$ 917,689,000

	2013		
	State	**Local**	**Total**
Contributions per schedule of employer allocations	$ 302,303,217	$ 753,479,575	$ 1,055,782,792
Reconciling items:			
Adjustment of 2013 billings[1]	-	85,193,611	85,193,611
Employer specific contributions/expenses[2]	-	1,437,500	1,437,500
Reclassification of administrative loan revenue[3]	272,219	318,821	591,040
Timing differences for 2013 billings[4]	-	(1,128,236)	(1,128,236)
State early retirement incentive revenue[5]	42,569,570	-	42,569,570
Total contributions per audited financial statements	$ 345,145,006	$ 839,301,271	$ 1,184,446,277

1 In 2014, the Division adjusted the local employers' contributions for the 2013 billings, which resulted in an adjustment in the 2014 audited financial statements of $85,193,611 to reflect the actual amounts billed to employers in December 2013.

2 Certain local employers made specific contributions to PERS of $6,389,469 and $1,437,500 in 2014 and 2013 respectively, related to transfers of members from another pension plan into PERS or for retroactive adjustments.

3 In 2014 and 2013, the Division included certain administrative fees associated with member loans of $564,352 and $591,040 respectively, as part of total employer contributions in the respective audited financial statements.

4 In 2014 and 2013, timing differences arose for the local employer billings, which were finalized upon the issuance of the respective audited financial statements of PERS. Differences between the bills calculated as of the actuarial valuation and the final billings totaled $20,717 and $1,128,236 in 2014 and 2013, respectively.

5 Contribution revenue related to State early retirement incentives recorded in the Division's financial statements for the fiscal year ended June 30, 2013.

3. Police and Firemen's Retirement System (PFRS)

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the Schedules. The allocation percentages for each group as of June 30, 2014 and 2013 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2014 and 2013, respectively.

A special funding situation exists for the local employers of the Police and Fire Retirement System of New Jersey. The State of New Jersey, as a nonemployer, is required to pay the additional costs incurred by local employers under Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The June 30, 2014 and June 30, 2013 State special funding situation net pension liability amounts of $1,354,554,686 and $1,239,171,400, respectively, are the accumulated differences between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The fiscal year ending June 30, 2014 State special funding situation pension expense of $171,628,286 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2014. The pension expense is deemed to be a State administrative expense due to the special funding situation.

GASB No. 68 requires participating employers in PFRS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer and nonemployer allocation percentages presented in the Schedules are based on the ratio of the contributions as an individual employer to total contributions to the PFRS during the years ended June 30, 2014 and 2013. Employer and nonemployer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedules of pension amounts by employer and nonemployer may result in immaterial differences.

Changes to Fiduciary Net Position

Based upon updated actuarial information, the Division has adjusted certain information as previously reported in the schedule of changes in net pension liability and related ratios – defined benefit plans as contained in the Division's 2014 CAFR related to adjustments to the local employers' contributions for the 2013 billings as follows:

Police and Firemen's Retirement System

	State	Local	Total
Plan fiduciary net position - July 1, 2013	$ 1,802,362,643	$ 20,702,574,902	$ 22,504,937,545
Adjustment for local employers' contributions for 2013 billings	-	(50,446,652)	(50,446,652)
Adjusted plan fiduciary net position - July 1, 2013	$ 1,802,362,643	$ 20,652,128,250	$ 22,454,490,893

Employer Contributions

The current year employer contributions for the State and local employers used in the schedule of employer and nonemployer allocations is a component of the PFRS pension trust fund financial statements contained in the Division's CAFR. A reconciliation of total contributions presented in the schedule of employer and nonemployer allocations and additions from State and local employer contributions for PFRS pursuant to its statements of changes in fiduciary net position for the years ended June 30, 2014 and 2013 is as follows:

Police and Firemen's Retirement System

	2014		
	State	Local	Total
Contributions per schedule of employer and nonemployer allocations	$ 70,630,211	$ 824,314,067	$ 894,944,278
Reconciling items:			
Adjustment of 2013 billings[1]	-	(50,446,652)	(50,446,652)
Employer specific contributions/expenses[2]	-	13,373,704	13,373,704
Reclassification of administrative loan revenue[3]	17,066	90,335	107,401
Timing differences for 2014 billings[4]	-	68,897	68,897
Total contributions per audited financial statements	$ 70,647,277	$ 787,400,351	$ 858,047,628

	2013		
	State	Local	Total
Contributions per schedule of employer and nonemployer allocations	$ 70,381,047	$ 778,367,746	$ 848,748,793
Reconciling items:			
Adjustment of 2013 billings[1]	-	50,446,652	50,446,652
Employer specific contributions/expenses[2]	-	1,230,184	1,230,184
Reclassification of administrative loan revenue[3]	16,680	88,360	105,040
Timing differences for 2013 billings[4]	-	(1,999,279)	(1,999,279)
Total contributions per audited financial statements	$ 70,397,727	$ 828,133,663	$ 898,531,390

1 In 2014, the Division adjusted the local employers' contributions for the 2013 billings, which resulted in an adjustment in the 2014 audited financial statements of $50,446,652 to reflect the actual amounts billed to employers in December 2013.

2 Certain local employers made specific contributions to PFRS of $13,373,704 and $1,230,184 in 2014 and 2013 respectively, related to transfers of members from another pension plan into PFRS or for retroactive adjustments.

3 In 2014 and 2013, the Division included certain administrative fees associated with member loans of $107,401 and $105,040 respectively, as part of total employer contributions in the respective audited financial statements.

4 In 2014 and 2013, timing differences arose for the local employer billings, which were finalized upon the issuance of the respective audited financial statements of PFRS. Differences between the bills calculated as of the actuarial valuation and the final billings totaled $68,897 and ($1,999,279) in 2014 and 2013, respectively.

D. Contributions

The contribution policies for TPAF, PERS, and PFRS are set by N.J.S.A. 18A:66, N.J.S.A. 15A, and N.J.S.A. 43:16A, respectively and require contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal years 2014 and 2013, the State's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts for PERS and PFRS are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS and PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments that were due in fiscal year 2012 and will be adjusted by the rate of return on the actuarial value of assets.

E. Special Funding Situations

1. Teachers' Pension Annuity Fund

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

2. Police and Firemen's Retirement System

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State, if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer.

F. Collective Net Pension Liability

1. Components of Net Pension Liability

The components of the net pension liability of the participating employers for PERS as of June 30, 2014 are as follows:

	Public Employees' Retirement System 2014		
	State	**Local**	**Total**
Total pension liability	$ 28,777,950,141	$ 39,071,470,586	$ 67,849,420,727
Plan fiduciary net position	8,650,846,191	20,348,735,583	28,999,581,774
Net pension liability	$ 20,127,103,950	$ 18,722,735,003	$ 38,849,838,953
Plan fiduciary net position as a percentage of the total pension liability	30.06%	52.08%	42.74%

The components of the net pension liability of the participating employers for PFRS as of June 30, 2014 are as follows:

	Police and Firemen's Retirement System 2014		
	State	**Local**	**Total**
Total pension liability	$ 5,440,972,992	$ 37,066,191,411	$ 42,507,164,403
Plan fiduciary net position	1,887,921,552	23,132,564,233	25,020,485,785
Net pension liability	$ 3,553,051,440	$ 13,933,627,178	$ 17,486,678,618
Plan fiduciary net position as a percentage of the total pension liability	34.70%	62.41%	58.86%

The components of the net pension liability of the participating employers for the defined benefit plans at June 30, 2014 are as follows:

Components Net Pension Liability/(Asset)

	JRS	POPF	SPRS	CPFPF
Total pension liability	$ 900,743,760	$ 4,176,636	$ 4,246,118,723	$ 5,053,131
Plan fiduciary net position	231,483,835	7,383,201	1,937,956,394	3,303,631
Net pension liability/(asset)	$ 669,259,925	$ (3,206,565)	$ 2,308,162,329	$ 1,749,500
Plan fiduciary net position as a percentage of the total pension liability (asset)	25.70%	176.77%	45.64%	65.38%

	TPAF	PFRS	PERS
Total pension liability	$ 81,095,320,000	$ 42,507,164,403	$ 67,849,420,727
Plan fiduciary net position	27,282,252,461	25,020,485,785	28,999,581,774
Net pension liability	$ 53,813,067,539	$ 17,486,678,618	$ 38,849,838,953
Plan fiduciary net position as a percentage of the total pension liability (asset)	33.64%	58.86%	42.74%

The total pension liability was determined by actuarial valuations as of July 1, 2013, which was rolled forwarded to June 30, 2014, using the following actuarial assumptions, applied to all periods in the measurement:

Actuarial Assumptions

	JRS	POPF	SPRS	CPFPF
Inflation rate	3.01%	3.01%	3.01%	3.01%
Salary increases: 2012-2021	2.50%	N/A*	3.45%	N/A*
Thereafter	3.50%	N/A*	4.45%	N/A*
Investment rate of return	7.90%	5.00%	7.90%	2.00%
Mortality rate table	RP-2000	RP-2000	RP-2000	RP-2000
Period of actuarial experience study upon which actuarial assumptions were based	July 1, 2008 - June 30, 2011	N/A*	July 1, 2008 - June 30, 2011	N/A*

	TPAF	PFRS	PERS
Inflation rate	2.50%	3.01%	3.01%
Salary increases: 2012-2021	Varies based on Experience	3.95%-8.62% based on age	2.15%-4.40% based on age
Thereafter	Varies based on Experience	4.95%-9.62% based on age	3.15%-5.40% based on age
Investment rate of return	7.90%	7.90%	7.90%
Mortality rate table	RP-2000	RP-2000	RP-2000
Period of actuarial experience study upon which actuarial assumptions were based	July 1, 2009 - June 30, 2012	July 1, 2007 - June 30, 2010	July 1, 2008 - June 30, 2011

* N/A - This is a closed plan. There are no active employees.

Adjustments for mortality improvements are based on Society of Actuaries Scale AA.

2. Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	JRS	POPF	SPRS	CPFPF	TPAF	PFRS	PERS
Cash	0.80%	0.80%	0.80%	0.80%	0.50%	0.80%	0.80%
Core Bonds	2.49%	-	2.49%	-	1.38%	2.49%	2.49%
Intermediate-Term Bonds	2.26%	-	2.26%	-	2.60%	2.26%	2.26%
Mortgages	2.17%	-	2.17%	-	2.84%	2.17%	2.17%
High Yield Bonds	4.82%	-	4.82%	-	4.15%	4.82%	4.82%
Inflation-Indexed Bonds	3.51%	-	3.51%	-	1.30%	3.51%	3.51%
Broad US Equities	8.22%	-	8.22%	-	5.88%	8.22%	8.22%
Developed Foreign Equities	8.12%	-	8.12%	-	6.05%	8.12%	8.12%
Emerging Market Equities	9.91%	-	9.91%	-	8.90%	9.91%	9.91%
Private Equity	13.02%	-	13.02%	-	9.15%	13.02%	13.02%
Hedge Funds / Absolute Return	4.92%	-	4.92%	-	3.85%	4.92%	4.92%
Real Estate (Property)	5.80%	-	5.80%	-	4.43%	5.80%	5.80%
Commodities	5.35%	-	5.35%	-	3.60%	5.35%	5.35%

3. Discount Rate

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. The discount rate used to measure the total pension liabilities of the plans were as follows:

Plan	Discount Rate
Consolidated Police and Firemen's Pension Fund	2.52%
Judiciary Retirement System	4.58%
Public Employees' Retirement System	5.39%
Police and Firemen's Retirement System	6.32%
Prison Officers' Pension Fund	5.00%
State Police Retirement System	5.12%
Teachers' Pension and Annuity Fund	4.68%

The following table represents the crossover period, if applicable, for each defined benefit plan:

	JRS	POPF	SPRS	CPFPF	TPAF	PFRS	PERS
Period of projected benefit payments for which the following rates were applied:							
Long-term expected rate of return	Through June 30, 2021	All Periods	Through June 30, 2032	Through June 30, 2024	Through June 30, 2027	Through June 30, 2045	Through June 30, 2033
Municipal bond rate*	From July 1, 2021 and thereafter	Not applicable	From July 1, 2032 and thereafter	From July 1, 2024 and thereafter	From July 1, 2027 and thereafter	Through July 1, 2045 and thereafter	Through July 1, 2033 and thereafter

* The municipal bond return rate used is 4.29%. The source is the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

4. Sensitivity of Net Pension Liability

The following presents the net pension liability of each plan calculated using the discount rates as disclosed above as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Plan	Rates	At 1% decrease	At current discount rate	At 1% increase
CPFPF	(1.52%, 2.52%, 3.52%)	$ 1,961,528	$ 1,749,500	$ 1,555,945
JRS	(3.58%, 4.58%, 5.58%)	769,235,285	669,259,925	584,383,046
PERS	(4.39%, 5.39%, 6.39%)	47,326,289,075	38,849,838,953	31,735,758,503
PFRS	(5.32%, 6.32%, 7.32%)	23,072,855,582	17,486,678,618	12,872,088,327
POPF	(4.00%, 5.00%, 6.00%)	(3,005,725)	(3,206,565)	(3,388,711)
SPRS	(4.12%, 5.12%, 6.12%)	2,927,246,593	2,308,162,329	1,806,733,074
TPAF	(3.68%, 4.68%, 5.68%)	64,722,984,539	53,813,067,539	44,738,870,539

G. Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2014:

Judicial Retirement System

	Year of deferral	Amortization period	Beginning Balance	Additions	Deductions	Ending Balance
Deferred Outflows of Resources:						
Changes of assumptions	2014	3.84 years	$ -	$ 26,907,821	$ 7,007,245	$ 19,900,576
Total			$ -	$ 26,907,821	$ 7,007,245	$ 19,900,576
Deferred Inflows of Resources:						
Difference between projected and actual earnings on pension plan investments	2014	5 years	$ -	$ 18,338,326	$ 3,667,665	$ 14,670,661
Total			$ -	$ 18,338,326	$ 3,667,665	$ 14,670,661

Public Employees' Retirement System

	Year of deferral	Amortization period	Beginning Balance	Additions	Deductions	Ending Balance
Deferred Outflows of Resources:						
State:						
Changes of assumptions	2014	6.44 years	$ -	$ 525,469,393	$ 81,594,626	$ 443,874,767
Local:						
Changes of assumptions	2014	6.44 years	-	696,968,161	108,224,870	588,743,291
Total			$ -	$ 1,222,437,554	$ 189,819,496	$ 1,032,618,058
Deferred Inflows of Resources:						
State:						
Difference between projected and actual earnings on pension plan investments	2014	5 years	$ -	$ 763,572,817	$ 152,714,563	$ 610,858,254
Local:						
Difference between projected and actual earnings on pension plan investments	2014	5 years	-	1,394,716,598	278,943,320	1,115,773,278
Total			$ -	$ 2,158,289,415	$ 431,657,883	$ 1,726,631,532

Police and Firemen's Retirement System

	Year of deferral	Amortization period	Beginning Balance	Additions	Deductions	Ending Balance
Deferred Outflows of Resources:						
State:						
Changes of assumptions	2014	6.17 years	$ -	$ 86,206,580	$ 13,971,893	$ 72,234,687
Local:						
Changes of assumptions	2014	6.17 years	-	563,607,575	91,346,447	472,261,128
Total			$ -	$ 649,814,155	$ 105,318,340	$ 544,495,815
Deferred Inflows of Resources:						
State:						
Difference between projected and actual earnings on pension plan investments	2014	5 years	$ -	$ 109,737,117	$ 21,947,423	$ 87,789,694
Local:						
Difference between projected and actual earnings on pension plan investments	2014	5 years	-	1,604,565,128	320,913,025	1,283,652,103
Total			$ -	$ 1,714,302,245	$ 342,860,448	$ 1,371,441,797

Prison Officers' Pension Fund

	Year of deferral	Amortization period	Beginning Balance	Additions	Deductions	Ending Balance
Deferred Outflows of Resources:						
Difference between projected and actual earnings on pension plan investments	2014	5 years	$ -	$ 381,569	$ 76,314	$ 305,255
Total			$ -	$ 381,569	$ 76,314	$ 305,255

State Police Retirement System

	Year of deferral	Amortization period	Beginning Balance	Additions	Deductions	Ending Balance
Deferred Outflows of Resources:						
Changes of assumptions	2014	5.14 years	$ -	$ 92,686,900	$ 18,032,471	$ 74,654,429
Total			$ -	$ 92,686,900	$ 18,032,471	$ 74,654,429
Deferred Inflows of Resources:						
Difference between projected and actual earnings on pension plan investments	2014	5 years	$ -	$ 152,547,077	$ 30,509,415	$ 122,037,662
Total			$ -	$ 152,547,077	$ 30,509,415	$ 122,037,662

Teachers' Pension and Annuity Fund

	Year of Deferral	Amortization Period	Beginning Balance	Additions	Deductions	Ending Balance
Deferred Outflows of Resources:						
Changes of assumptions	2014	8.5 years	$ -	$ 2,614,173,709	$ 307,549,848	$ 2,306,623,861
Total			$ -	$ 2,614,173,709	$ 307,549,848	$ 2,306,623,861
Deferred Inflows of Resources:						
Difference between expected and actual experience	2014	8.5 years	$ -	$ 24,898,221	$ 2,929,202	$ 21,969,019
Difference between projected and actual earnings on earnings on pension plan investments	2014	5 years	-	2,176,545,718	435,309,144	1,741,236,574
Total			$ -	$ 2,201,443,939	$ 438,238,346	$ 1,763,205,593

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense excluding that attributable to employer-paid member contributions as follows:

Judicial Retirement System
For the Fiscal Year Ending June 30,

Year	Amount
2015	$ 3,339,580
2016	3,339,580
2017	2,218,421
2018	(3,667,666)
Total	$ 5,229,915

Public Employees' Retirement System
For the Fiscal Year Ending June 30,

Year	State	Local	Total
2015	$ (71,119,937)	$ (170,718,450)	$ (241,838,387)
2016	(71,119,937)	(170,718,450)	(241,838,387)
2017	(71,119,937)	(170,718,450)	(241,838,387)
2018	(71,119,937)	(170,718,450)	(241,838,387)
2019	81,594,626	108,224,870	189,819,496
Thereafter	35,901,635	47,618,943	83,520,578
Total	$ (166,983,487)	$ (527,029,987)	$ (694,013,474)

Police and Firemen's Retirement System
For the Fiscal Year Ending June 30,

Year	State	Local	Total
2015	$ (7,975,530)	$ (229,566,578)	$ (237,542,108)
2016	(7,975,530)	(229,566,578)	(237,542,108)
2017	(7,975,530)	(229,566,578)	(237,542,108)
2018	(7,975,530)	(229,566,578)	(237,542,108)
2019	13,971,893	91,346,447	105,318,340
Thereafter	2,375,220	15,528,890	17,904,110
Total	$ (15,555,007)	$ (811,390,975)	$ (826,945,982)

Prison Officers' Pension Fund
For the Fiscal Year Ending June 30,

Year	Amount
2015	$ 76,314
2016	76,314
2017	76,314
2018	76,313
Total	$ 305,255

State Police Retirement System
For the Fiscal Year Ending June 30,

Year		Amount
2015	$	(12,476,944)
2016		(12,476,944)
2017		(12,476,944)
2018		(12,476,946)
2019		2,524,545
Total	$	(47,383,233)

Teachers' Pension and Annuity Fund
For the Fiscal Year Ending June 30,

Year		Amount
2015	$	(130,688,498)
2016		(130,688,498)
2017		(130,688,498)
2018		(130,688,496)
2019		304,620,646
Thereafter		761,551,612
Total	$	543,418,268

H. Pension Expense

The components of allocable pension expense, which exclude amounts attributable to employer paid member contributions and employer specific pension expense for change in proportion, for the year ending June 30, 2014 are as follows:

Judicial Retirement System

		Amount
Service cost*	$	30,628,662
Interest on total pension liability*		41,826,802
Member contributions		(5,096,577)
Administrative expense		162,372
Expected investment return net of investment expenses		(16,109,710)
Recognition of deferred inflows/outflows of resources:		
Amortization of assumption changes or inputs		7,007,245
Amortization of projected versus actual investment earnings on pension plan investments		(3,667,665)
Pension expense	$	54,751,129

* The service cost and interest cost components have been revised from the amounts previously reported for the fiscal year ending June 30, 2014 GASB Statement No.67 actuary's report to reallocate interest accrued on the service cost of $1,494,679 to the interest on total pension liability component.

Public Employees' Retirement System

	State	Local	Total
Service cost[1]	$ 632,499,148	$ 875,994,297	$ 1,508,493,445
Interest on total pension liability[1]	1,523,365,320	2,066,842,291	3,590,207,611
Member contributions	(318,083,247)	(479,734,978)	(797,818,225)
Administrative expense[2]	6,581,063	14,610,604	21,191,667
Expected investment return net of investment expenses	(606,214,099)	(1,338,461,356)	(1,944,675,455)
Pension expense related to specific liabilities of individual employers	-	(5,948,551)	(5,948,551)
Recognition of deferred inflows/outflows of resources:			
Amortization of assumption changes or inputs	81,594,626	108,224,870	189,819,496
Amortization of projected versus actual investment earnings on pension plan investments	(152,714,563)	(278,943,320)	(431,657,883)
Pension expense	$ 1,167,028,248	$ 962,583,857	$ 2,129,612,105

1 The service cost and interest cost components have been revised from the amounts previously reported for the fiscal year ending June 30, 2014 GASB Statement No. 67 actuary's report to reallocate interest accrued on the service cost of $83,721,386 to the total interest on total pension liability component.

2 Adjusted for total administrative fees associated with member loans of $564,352.

Police and Firemen's Retirement System

	State	Local	Total
Service cost[1]	$ 140,124,495	$ 873,653,030	$ 1,013,777,525
Interest on total pension liability[1]	333,115,715	2,267,892,475	2,601,008,190
Member contributions	(53,618,958)	(332,041,138)	(385,660,096)
Administrative expense[2]	495,670	3,281,271	3,776,941
Expected investment return net of investment expenses	(133,538,382)	(1,533,713,242)	(1,667,251,624)
Pension expense related to specific liabilities of individual employers	-	(13,035,492)	(13,035,492)
Recognition of deferred inflows/outflows of resources:			
Amortization of assumption changes or inputs	13,971,893	91,346,447	105,318,340
Amortization of projected versus actual investment earnings on pension plan investments	(21,947,423)	(320,913,025)	(342,860,448)
Pension expense	$ 278,603,010	$ 1,036,470,326	$ 1,315,073,336

1 The service cost and interest cost components have been revised from the amounts previously reported for the fiscal year ending June 30, 2014 GASB Statement No. 67 actuary's report to reallocate interest accrued on the service cost of $65,388,650 to the total interest on total pension liability component.

2 Adjusted for total administrative fees associated with member loans of $107,401.

Prison Officers' Pension Fund

		Amount
Interest on total pension liability	$	217,931
Administrative expense		5,853
Expected investment return net of investment expenses		(388,936)
Recognition of deferred inflows/outflows of resources:		
Amortization of projected versus actual investment earnings on pension plan investments		76,314
Pension expense	$	(88,838)

State Police Retirement System

		Amount
Service cost*	$	88,919,195
Interest on total pension liability*		213,714,531
Member contributions		(24,034,496)
Administrative expense		280,026
Expected investment return net of investment expenses		(134,551,140)
Recognition of deferred inflows/outflows of resources:		
Amortization of assumption changes or inputs		18,032,471
Amortization of projected versus actual investment earnings on pension plan investments		(30,509,415)
Pension expense	$	131,851,172

* The service cost and interest cost components have been revised from the amounts previously reported for the fiscal year ending June 30, 2014 GASB Statement No.67 actuary's report to reallocate interest accrued on the service cost of $4,703,825 to the interest on total pension liability component.

Teachers' Pension and Annuity Fund

		Amount
Service cost	$	1,870,901,832
Interest on total pension liability		3,794,362,523
Member contributions		(716,183,306)
Administrative expense		12,170,971
Expected investment return net of investment expenses		(1,923,727,736)
Recognition of deferred inflows/outflows of resources:		
Differences between expected and actual experience		(2,929,202)
Amortization of assumption changes or inputs		307,549,848
Amortization of projected versus actual investment earnings on pension plan investments		(435,309,144)
Pension expense	$	2,906,835,786

I. Additional Information

For additional information and supporting documents regarding GASB Statement No. 67, *Financial Reporting for Pension Plans-An Amendment of GASB Statement No.25* and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* please refer to the New Jersey Department of the Treasury, Division of Pensions website at: http://www.state.nj.us/treasury/pensions.

NOTE 18 - HEALTH BENEFITS AND POST-RETIREMENT MEDICAL BENEFITS

As a result of Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for fiscal year 2007, the State Health Benefit Program (SHBP) and the Prescription Drug Program (PDP) and Post-Retirement Medical (PRM) of the Public Employees' Retirement System (PERS) and the Teachers' Pension Annuity Fund (TPAF) are combined and reported as State Health Benefit Program Funds. The post-retirement benefit programs had a total of 590 state and local participating employers for fiscal year 2015.

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

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

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

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

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

Basis of Accounting

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

Investment Valuation

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

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the unfunded actuarial accrued liability for OPEB is $65.0 billion which is made up of $24.4 billion for State active and retired members and $40.6 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

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

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

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

Actuarial Methods and Assumptions

In the July 1, 2014 OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method. The actuarial assumptions included an assumed investment rate of return of 4.50%.

Post-Retirement Medical Benefits Contributions

P.L. 1987, c.384 and P.L. 1990, c.6 required the TPAF and the 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, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed $1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

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

P.L. 1977, c.136, provides for the State's General Fund to pay health benefits on a pay-as-you-go basis for all enrolled retired State employees, regardless of retirement date, under two provisions. The first is for State employees whose pensions are based on 25 years or more of credited service (except those who elect a deferred retirement). The second is for retired State employees who are eligible for a disability retirement regardless of years of service. The State contributed $173.9 million for 10,355 eligible retired members for fiscal year 2015. This benefit covers the Police and Firemen's Retirement System, the Prison Officers' Pension Fund, the Judicial Retirement System, the Central Pension Fund, the State Police Retirement System, and the Alternate Benefit Program.

The State is also responsible for the cost attributable to P.L. 1992 c.126 which provides employer-paid health benefits to members of PERS and ABP who retired from a board of education or county college with 25 years of service. The State paid $214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in fiscal year 2015.

P.L. 1997, c.330 provides State paid post-retirement health benefits to qualified retirees of the Police and Firemen's Retirement System and the Consolidated Police and Firemen's Pension Fund and to dependents of qualified retirees. The State is responsible for 80 percent of the premium for the category of coverage elected by the retiree under the State managed care plan or a health maintenance organization participating in the program, whichever provides the lower charge. The State contributed $44.3 million in the current year to provide benefits under Chapter 330 to qualified retirees.

Annual OPEB Cost (AOC)

The annual OPEB cost for the fiscal year ending June 30, 2015 and related information, including a summary of the significant actuarial methods and assumptions used by OPEB, are presented on the following pages.

The calculation of the employer contributions rates on the following page for OPEB represents the AOC divided by the covered payroll as reflected in the Schedule of Funding Progress per the actuarial valuations as of July 1, 2014.

Other Post-employment Benefit Plans (OPEB)

Annual OPEB Cost (AOC)			
State:	June 30, 2013	$	4,874,600,000
	June 30, 2014		4,951,100,000
	June 30, 2015		6,045,300,000
Contributions Made			
State:	June 30, 2013	$	1,516,200,000
	June 30, 2014		1,554,100,000
	June 30, 2015		1,645,200,000
Percentage of AOC Contributed			
State:	June 30, 2013		31.1%
	June 30, 2014		31.4%
	June 30, 2015		27.2%
Net OPEB Obligation (NOO)			
State:	June 30, 2013	$	20,176,700,000
	June 30, 2014		23,573,700,000
	June 30, 2015		27,973,800,000
Contribution rates			
State			28.8%
Employees			N/A

Significant Actuarial Assumptions and Methods

Date of actuarial valuation	6/30/14
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar, Open
Remaining amortization period	30 years
Actuarial assumptions	
Investment rate of return	4.50% (assuming no prefunding)
Projected salary increases	N/A
Cost-of-Living adjustments	N/A

For pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 7.5% and decreases to a 5.0% long-term trend rate after five years. For post-65 PPO medical benefits, the trend rate is 5.0%. For HMO medical benefits, the trend rate is initially 7.0% and decreases to a 5.0% long–term trend rate after four years. For prescription drug benefits, the initial trend rate is 13.0% and decreases to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. This reflects the known underlying cost of the Part B premium.

The AOC and the NOO for the State-funded post-retirement medical obligations for the fiscal year ending June 30, 2015 are presented below:

Annual Required Contribution, June 30, 2015	$	6,431,700,000
Interest Adjustment on NOO		1,060,800,000
Adjustment to Annual Required Contribution		(1,447,200,000)
AOC as of June 30, 2015		6,045,300,000
Total Fiscal Year 2015 Contribution		1,645,200,000
Increase in NOO		4,400,100,000
NOO as of June 30, 2014		23,573,700,000
NOO as of June 30, 2015	$	27,973,800,000

Additional Information

For additional information and supporting documents regarding health benefits and post-retirement medical coverage, please refer to the New Jersey Department of the Treasury, Division of Pensions website at: http://www.state.nj.us/treasury/pensions.

NOTE 19 – COMPONENT UNITS

A. Authorities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The New Jersey Meadowlands Commission is the planning and zoning agency for the reclaiming, planning, development, redevelopment, and enhancement (including open space acquisition) of the 19,730 acre Meadowlands District. The District consists of waterways, tidal flow lands, woodlands, marsh, and meadows contained within portions of 14 municipalities and two counties (Bergen and Hudson). If needed, the Commission is able to raise funds through the issuance of tax-exempt bonds and notes. Effective February 5, 2015, the New Jersey Meadowlands Commission merged and became part of the New Jersey Sports and Exposition Authority.

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

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

New Jersey Sports and Exposition Authority (N.J.S.A. 5:10-4)
One DeKorte Park Plaza
P.O. Box 640
Lyndhurst, NJ 07071
http://www.njsea.com

The New Jersey Sports and Exposition Authority (NJSEA) owns, operates, and manages a variety of sports, entertainment, wagering, and convention facilities throughout New Jersey; it also has been responsible for the financing, construction, and management of the Meadowlands Racetrack, the IZOD Center, and the MetLife stadium. In addition to being authorized to issue bonds and notes and provide the terms and security thereof, NJSEA is charged with the responsibility to own, operate, and build various facilities for athletic and entertainment events, trade shows, and other expositions located throughout the State. Effective February 5, 2015, the New Jersey Meadowlands Commission merged and became part of the New Jersey Sports and Exposition Authority.

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

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

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

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

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

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

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

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

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

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

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

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

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

B. Colleges and Universities

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

The financial statements of all eleven of the State's Senior Public institutions of higher education (three Public Research universities and the aforementioned eight State colleges and universities) have been prepared in accordance with GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. Due to the significance of their operational or financial relationships and fiscal dependency with the State, these component units are included in the State's reporting entity. State appropriations, tuition, federal grants, and private donations and grants provide funding for these institutions. Based upon the relative size of assets, liabilities, revenues, and expenses in relation to the total, the financial statements of these institutions have been presented discretely in either the major or non-major categories in both the Statement of Net Position and the Statement of Activities. In addition, pursuant to GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the financial statements of all eleven institutions include financial activities related to their foundations and other similar organizations.

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 20 - CONTINGENT LIABILITIES

General Fund

At any given time, there are various numbers of tort, contract, and other claims and cases pending against the State, State agencies, and employees, seeking recovery of monetary damages. The claims filed can represent significant amounts and include, but are not limited to, issues regarding pensions and education funding. The majority of these claims have historically proven to be substantially less value than originally claimed. The State does not formally estimate its reserve representing potential exposure for these claims and cases. As of June 30, 2015, the exact amount involved in these legal proceedings is not fully determinable.

Unapplied overpayments of Corporate Business Tax are recorded when a final determination is made as to the ultimate disposition of the overpayment. These overpayments only become a liability based upon a taxpayer filing a request for the refund. As of June 30, 2015 there was approximately $474.0 million of overpayments.

New Jersey Lawyers' Fund for Client Protection

Claims of approximately $14.7 million have been filed against this Fund by individuals and companies seeking reimbursement for losses resulting from the alleged dishonest conduct by members of the Bar of the State of New Jersey. Under present rules and regulations of the Fund, the total maximum amount that may be awarded from this Fund is $10.5 million. The ultimate disposition of these claims is not determinable at this time.

New Jersey Spill Compensation Fund

Various claims totaling approximately $21.8 million have been filed against this Fund by third parties for damages caused by spills. In addition, there are a number of similar claims for unspecified dollar amounts which are pending. The ultimate disposition of these claims is not determinable at this time.

Property Tax Relief Fund

Unapplied overpayments of Gross Income Tax are recorded when a final determination is made as to the ultimate disposition of the overpayment. These overpayments only become a liability based upon a taxpayer filing a request for the refund. As of June 30, 2015 there were approximately $1,294.0 million of overpayments.

Sanitary Landfill Facility Contingency Fund

One claim totaling approximately $1.5 million has 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 this claim is not determinable at this time.

Tobacco Settlement Financing Corporation

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

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

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

Medical Malpractice Self Insurance Fund

The State has the ultimate liability for tort and malpractice claims in excess of the resources of the Fund. The University of Medicine and Dentistry of New Jersey (UMDNJ) – Self-Insurance Reserve Fund was dissolved as of July 1, 2013. A new fund was established; the Medical Malpractice Self-Insurance Fund, which encompasses three successor entities; University Hospital, Rowan University, which includes UMDNJ's former school of Osteopathic Medicine, and Rutgers University, which now includes all other components of the former UMDNJ. As of June 30, 2015 projected unpaid claims were $162.3 million. Fund management is presently evaluating the claims. There has been no determination as to the ultimate amount for which this Fund will be liable.

Capital Projects Funds

Due to delays in construction and design problems, various claims for damages have been filed with respect to the Special Transportation Fund in the amount of $37.7 million. Fund management is presently evaluating the claims. There has been no determination as to the ultimate amount for which this Fund will be liable.

Federal Programs

Under the terms of various grant awards, expenditures from federal funds are subject to audit. As of June 30, 2015, audits of expenditures for Fiscal Year 2014 and prior years may not be completed. Disallowances which may result from these audits are not determinable at this time. Medicaid disallowances may be issued based on a series of federal Office of the Inspector General program audits of claim documentation and cost allocation methodologies. The Department of Human Services disputes these findings and is taking steps to minimize the final impact of these audits. Fifteen audits are currently in draft or final form, but due to possible revisions or appeals, the final amounts and timing of any repayments are uncertain. The State is unable to estimate its exposure for these disallowances. As of June 30, 2015, based on information provided by the Department of Human Services regarding memorandums, conversations, and other correspondence with the federal Centers for Medicare and Medicaid Services, it is management's opinion that disallowances, if any, would not be material.

NOTE 21 – SUBSEQUENT EVENTS

Short-term Debt

For Fiscal Year 2016, the State authorized the issuance of short-term notes. The short-term note proceeds are to be used to provide effective cash flow management to fund the imbalances that occur in the collection of revenues and the disbursement of appropriations. On July 1, 2015, the State authorized $2.6 billion of Tax and Revenue Anticipation Notes, Series Fiscal 2016A, of which, $1.9 billion was issued on July 6, 2015. The Notes were issued at a rate of LIBOR plus 0.40 percent per annum, adjusting monthly, with accrued interest payable at final maturity on June 28, 2016.

Long-term Obligations

On August 31, 2015, the New Jersey Economic Development Authority issued $500.0 million of School Facilities Construction Bonds, 2015 Series WW, $1.3 billion 2015 Series XX Refunding Bonds, $375.1 million 2015 Series YY Refunding Bonds, and $43.5 million 2015 Series ZZ Refunding Bonds. Interest on the Series WW Bonds ranges from 4.625 to 5.25 percent per annum and is payable June 15 and December 15, commencing on December 15, 2015. Interest on the Series XX Bonds ranges from 3.25 to 5.25 percent per annum and is payable June 15 and December 15, commencing on December 15, 2015. Interest on the Series YY Bonds ranges from 3.375 to 4.447 percent per annum and is payable June 15 and December 15, commencing on December 15, 2015. Interest on the Series ZZ Bonds is 3.802 percent per annum and is payable June 15 and December 15, commencing on December 15, 2015.

On November 24, 2015, the New Jersey Economic Development Authority issued $79.7 million of State Lease Revenue Refunding Bonds (Liberty State Park Project), 2015 Series A. Interest on the bonds ranges from 1.15 to 5.0 percent per annum and is payable June 15 and December 15, commencing on June 15, 2016.

On December 2, 2015, the New Jersey Transportation Trust Fund Authority issued $626.8 million of Transportation Program Bonds Series 2015 AA for the purpose of paying State Transportation System Costs. Interest on the bonds ranges from 3.0 to 5.25 percent per annum and is payable June 15 and December 15, commencing June 15, 2016. Final maturity of the bonds is June 15, 2046. The bonds maturing on or after June 15, 2026 are subject to optional redemption prior to maturity at the option of the Authority, at any time on or after June 15, 2025. The bonds maturing on June 15, 2038, June 15, 2041, and June 15, 2045 are subject to mandatory sinking fund redemption prior to maturity.

Litigation

Lehman Brothers Litigation

In 2009 the Tobacco Settlement Financing Corporation (TSFC) filed a claim against Lehman Brothers Holding Company (LBHI) and Lehman Brothers Special Financing, Inc. (LBSF) for its guaranteed return on investment of $81.6 million from investments held at Lehman Brothers (LB) prior to their Chapter 11 bankruptcy. In August 2015, a settlement was reached in the amount of $53 million for both claims. The Corporation's claim against LBSF is expected to be treated as a Class 4A Claim, while the Corporation's claim against LBHI is expected to be treated as a Class 9A Claim. On October 1, 2015, TSFC received $30.2 million in settlement payments. At this time, it is not known by management if any additional payments will be received.