



**New Jersey State Legislature
Office of Legislative Services
Office of the State Auditor**

Garden State Preservation Trust

July 1, 1999 to March 31, 2016

**Stephen M. Eells
State Auditor**

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Enclosed is our report on the audit of the Garden State Preservation Trust for the period of July 1, 1999 to March 31, 2016. If you would like a personal briefing, please call me at (609) 847-3470.

A handwritten signature in black ink, appearing to read "Stephen M. Eells".

Stephen M. Eells
State Auditor
May 18, 2016

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Auditee Response..... Agency chose not to respond

Scope

We have completed an audit of bond proceeds of the Garden State Preservation Trust (GSPT) Fund for the period July 1, 1999 to March 31, 2016 to determine they were properly allocated to the Garden State Green Acres Preservation Trust Fund and the Garden State Farmland Preservation Trust Fund and that proper provisions were made to the Garden State Historic Preservation Trust Fund as required by New Jersey Statute. Additionally, we are to report on the status of bonds, the status of projects financed from the proceeds of the bonds, the investment status of unexpended bond proceeds, and to provide a description of any anticipated bond issues. Accordingly, we have included this supplementary data in our report.

New Jersey Statute also requires the State Auditor to audit expenditures from the three aforementioned funds from time to time. Those expenditures were subject to audit in the following audits performed by the Office of the State Auditor.

- Green Acres Program, issued June 9, 2015; Garden State Green Acres Preservation Trust Fund
- Department of Agriculture, issued June 27, 2011; Garden State Farmland Preservation Trust Fund
- New Jersey Historic Trust, issued July 26, 2007; Garden State Historic Preservation Trust Fund

In addition, transactions from these funds are subject to sample testing in our annual audit of the state's Comprehensive Annual Financial Report.

The GSPT was created to provide funding to the Garden State Farmland Preservation Trust Fund, the Garden State Green Acres Preservation Trust Fund, and the Garden State Historic Preservation Trust Fund for the preservation of open space, farmland, and historic properties within the means provided by the 1998 constitutional amendment which dedicated \$98 million annually in Sales and Use Tax revenues for such purposes. In 2003, voters approved a new constitutional amendment that granted the Garden State Preservation Trust the authorization to issue up to \$1.15 billion in bonds.

Objectives

The objectives of our audit were to determine that GSPT bond proceeds were properly allocated to the Garden State Green Acres Preservation Trust Fund and the Garden State Farmland Preservation Trust Fund and that proper provisions were made to the Garden State Historic Preservation Trust Fund as required by New Jersey Statute. In addition, the statute requires that we report on the status of bonds, the status of projects financed from the proceeds of the bonds, the investment status of unexpended bond proceeds, and to provide a description of any anticipated bond issues.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in the "Garden State Preservation Trust Act", Title 13:8C-22b of the New Jersey Statutes; and pursuant to Article VII, Section 1, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

Methodology

Our audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

In preparation for our testing, we studied legislation, the administrative code, circular letters promulgated by, and policies of, the Department of the Treasury. Provisions that we considered significant were documented and compliance with those requirements was verified by interview, observation, and testing. We also read the budget messages, reviewed financial trends, and interviewed department personnel to obtain an understanding of the program and the internal controls, status of bonds, projects financed by the bond proceeds, and the investment status of unexpended bond proceeds.

Conclusions

We determined GSPT bond proceeds were properly allocated to the Garden State Green Acres Preservation Trust Fund and the Garden State Farmland Preservation Trust Fund and proper provisions were made to the Garden State Historic Preservation Trust Fund in accordance with New Jersey Statute. Additionally, information on the status of bonds, the status of projects financed from bond proceeds, the investment status of the unexpended bond proceeds, and any anticipated bond issues is included as supplementary data in this report.

SUPPLEMENTARY DATA

Bonds Issued and Status of Bonds

On March 25, 2003, the Garden State Preservation Trust (GSPT) issued bonds for the purpose of financing open space and farmland preservation projects throughout the state. The 2003 Series A and B bonds were the initial series of bonds issued by the GSPT under the bond resolution. The GSPT has issued new money bonds totaling \$1,149,999,410 as of June 30, 2015. Total debt service at June 30, 2015 was \$1,368,115,329. See Schedule I for the status of bonds issued as of June 30, 2015. This schedule has been adjusted to the debt service information reported by the Department of the Treasury, Office of Public Finance.

Investment Status

Investments consist of State of New Jersey Cash Management Fund deposits. The Garden State Preservation Trust had no investments; however, the related funds had investments and cash and cash equivalents at June 30, 2015 as follows:

Garden State Green Acres Preservation Trust Fund	\$ 19,797,405
Garden State Farmland Preservation Trust Fund	\$ 50,086,366
Garden State Historic Preservation Trust Fund	\$ 5,602,091

Status of Projects Financed by Proceeds

The bond proceeds were distributed to the Garden State Green Acres Preservation Trust Fund and the Garden State Farmland Preservation Trust Fund. These funds were utilized to achieve the state's land preservation goals. The projects financed by proceeds would be subject to audit as part of cyclical larger audits performed by the Office of the State Auditor (see Scope).

Anticipated Bond Issues

N.J.S.A. 13:8C limits the amount of new money bonds to \$1,150,000,000. Currently, the trust has met its statutory annual debt service limit of \$98 million, prohibiting the issuance of any additional new money bonds.

SCHEDULE I
DEPARTMENT OF THE TREASURY
GARDEN STATE PRESERVATION TRUST
SCHEDULE OF BONDS ISSUED AND STATUS OF BONDS
AS OF JUNE 30, 2015

Bond Series	Amount Issued	Outstanding		Total Debt Service
		Principal Balance	Interest	
2003 Series A and B (Current Interest Bonds and Capital Appreciation Bonds)	\$499,999,410	\$131,129,410	\$213,362,458	\$344,491,868
2005 Series A (Forward Delivery Bonds)	500,000,000	239,220,000	159,764,325	398,984,325
2005 Series B (Forward Delivery Bonds)	150,000,000	28,620,000	1,134,750	29,754,750
2005 Series C (Refunding)	209,590,000	209,435,000	43,584,159	253,019,159
2012 Series A (Refunding)	281,140,000	276,230,000	66,262,900	342,492,900
Subtotal	1,640,729,410	884,634,410	484,108,592	1,368,743,002
Less Unamortized Interest on Capital Appreciation Bonds		(627,673)		(627,673)
Total	\$1,640,729,410	\$884,006,737	\$484,108,592	\$1,368,115,329

SCHEDULE II
DEPARTMENT OF THE TREASURY
GARDEN STATE PRESERVATION TRUST
SCHEDULE OF DEBT SERVICE PAYMENTS ON BONDS
AS OF JUNE 30, 2015

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
FY 2016	\$ 58,840,000	\$ 38,797,218	\$ 97,637,218
FY 2017	61,940,000	35,698,938	97,638,938
FY 2018	64,900,000	32,736,628	97,636,628
FY 2019	68,085,000	29,554,106	97,639,106
FY 2020	71,455,000	26,185,100	97,640,100
FY 2021	75,110,000	22,530,657	97,640,657
FY 2022	71,598,069	26,043,237	97,641,306
FY 2023	54,404,202	43,236,098	97,640,300
FY 2024	55,187,302	42,453,473	97,640,775
FY 2025	56,768,579	41,229,552	97,998,131
FY 2026	58,484,523	39,512,264	97,996,787
FY 2027	60,417,055	37,579,464	97,996,519
FY 2028	62,544,814	35,453,598	97,998,412
FY 2029	64,899,866	33,098,259	97,998,125
Total Minimum Payments	\$884,634,410	\$484,108,592	\$1,368,743,002
Less Unamortized Interest on Capital Appreciation Bonds	<u>(627,673)</u>		<u>(627,673)</u>
Total	<u>\$884,006,737</u>	<u>\$484,108,592</u>	<u>\$1,368,115,329</u>