NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

FINANCIAL STATEMENTS

December 31, 2015

NEW JERSEY BUILDING AUTHORITY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
New Jersey Building Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the New Jersey Building Authority (the "Authority"), a component unit of the State of New Jersey, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibility (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority, as of December 31, 2015 and 2014, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note J to the financial statements, during the year ended December 31, 2015, the Authority adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 71-Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages five through eight be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our reports dated May 27, 2016 and April 27, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of our audits performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mercadien, P.C.
Certified Public Accountants

May 27, 2016

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
New Jersey Building Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund, of the New Jersey Building Authority (the "Authority"), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 27, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)

Internal Control Over Financial Reporting (continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses, or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and recommendations that we consider to be a material weakness, 2015-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mercadien, P.C.
Certified Public Accountants

May 27, 2016

This section of the New Jersey Building Authority's annual financial report represents our discussion of the New Jersey Building Authority's (the "Authority") financial performance and provides an overview of the Authority's activities for the years ended December 31, 2015 and 2014. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read it in conjunction with the Authority's basic financial statements.

Financial and Construction Highlights

Financial

- There was no new bond activity during 2015.

Construction

- Construction-In-Progress outlays totaled $4,210,470.
- Significant progress on the State House Exterior and Mechanical & Electrical Equipment Relocation Project.

Overview of the Financial Statements

The annual report consists of two parts – management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include the Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balance/Net Position.

With regard to the State of New Jersey, the Authority is a component unit which provides services entirely or almost entirely to the State. Per Governmental Accounting Standards Board ("GASB") Statement No. 14 requirements, the Authority is thus considered a blended component unit for inclusion in the New Jersey Comprehensive Annual Financial Report. Blending requires the component unit's balances and transactions to be recorded in a manner similar to the balances and transactions of the State, i.e., a governmental fund type.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when measurable and available. Expenditures, and the related liabilities, are accrued when they are normally expected to be paid out of revenues recognized during the current period. The exception to this rule is that principal and interest on long term debt is recognized when due.

Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the Authority's finances. The Statement of Net Position and Governmental Funds Balance Sheet presents information on all of the Authority's assets and liabilities, with the difference between the two reported as Fund Balance/Net Position. Fund Balance/Net Position increases when revenues exceed expenditures.

The Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balance/Net Position presents information showing how the Authority's Fund Balance/Net Position changed during the year. All changes in Net Position are reported as the underlying events occur, regardless of the timing of the related cash flows. Therefore, revenues and expenditures are reported in this statement for some items, such as accrued bond interest, that will result in cash flows in future calendar years.

Notes to the Basic Financial Statements.

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

Net Position (in thousands) - Statement of Net Position

	December 31,			Change
	2015	2014	2013	2014-2015
Current assets	$ 132,039	$ 133,063	$ 77,020	(0.77)%
Non-current assets and deferred outflows of resources	382,753	461,853	526,830	(17.13)%
Total assets and deferred outflows of resources	514,792	594,916	603,850	(13.47)%
Current liabilities	131,936	82,000	13,903	60.90 %
Non-current liabilities and deferred inflows of resources	362,214	495,023	574,554	(26.83)%
Total liabilities and deferred inflows of resources	494,150	577,023	588,457	(14.36)%
Net position	$ 20,642	$ 17,893	$ 15,393	15.36 %

Change in Net Position (in thousands) - Statement of Activities

	Year Ended December 31,			Percentage Change
	2015	2014	2013	2014-2015
Revenues				
Investment income	$ 51	$ 28	$ 15	82.14 %
State rental payments	23,965	23,511	20,519	1.93 %
State appropriation for administrative costs	511	753	800	(32.14)%
Total revenues	24,527	24,292	21,334	0.97 %
Expenditures				
Debt Service:				
Interest	21,155	20,979	20,000	0.84 %
Other administrative expenses	623	813	3,743	(23.37)%
Total expenditures	21,778	21,792	23,743	(0.06)%
Change in fund balance/net position	2,749	2,500	(2,409)	(9.96)%
Fund balance/net position, beginning of year	17,893	15,393	18,900	16.24 %
Cumulative effect of change in accounting principal	-	-	(1,098)	- %
Net position, end of year	$ 20,642	$ 17,893	$ 15,393	15.36 %

Cash Receipts

State debt service receipts of $99.6 million, of which $22.3 million was associated with 2015 interest payments and $77.3 million with principal payments. State debt service receipts of $30.2 million, of which $25.0 million was associated with 2014 interest payments and $6.6 million with principal payments. Additional $1.4 million was made available from cash reserves for 2014.

The Authority received a State appropriation of $0.512 and $0.753 million to cover its 2015 and 2014, Administrative Budget, respectively, the majority of which was used for salary and payroll related expenses of its three full time and one part time employees.

Construction Contract Payments
Construction expenditures in 2015 and 2014 totaled $4.2 and $5.2 million, respectively, and are detailed in Table 1.

Table 1

Construction Contract Payments	2015 (in thousands)	2014 (in thousands)
State House Exterior	$ 271	$ 548
Justice Complex Elevator	82	211
Security Command Center	838	1,403
Health Lab	302	-
State House Garage	-	510
M&E Equipment Relocation	2,636	2,271
Welcome Center Plaza	-	18
State House Air Handler	3	238
State Museum	17	1
State House Water Infiltration	62	15
Total	$ 4,210	$ 5,214

As of December 31, 2015, the design phase of the executive state house exterior repairs and the state house annex garage mechanical equipment room relocation is in progress.

Debt Service

During 2015 the Authority made principal payments of $77.3 million. Table 2 summarized the change in debt service between the calendar years 2015 and 2014.

Table 2 (in thousands)

	2015	2014	2013	Percentage Change 2014-2015
Bonds payable	$ 410,840	$ 488,165	$ 494,805	(15.84)%

	2015	2014	2013	Percentage Change 2014-2015
Bond Anticipation Note Payable	$ 47,620	$ 47,620	$ 47,620	- %

The Authority Bond Ratings as of December 31, 2015 and 2014, were as follows:

	2015	2014
Fitch Ratings	A-	A-
Moody's Investor Service, Inc.	A2	A2
Standard & Poor's Rating Services	A-	A-

To provide the reader with a better understanding of the above ratings, included below is a schedule explaining the various ratings utilized by three rating companies.

Investment Grade	Fitch	Moody's	Standard & Poor's
Highest Quality	AAA+	Aaa1	AAA+
Highest Quality	AAA	Aaa2	AAA
Highest Quality	AAA-	Aaa3	AAA-
High Quality	AA+	Aa1	AA+
High Quality	AA	Aa2	AA
High Quality	AA-	Aa3	AA-
Upper Medium	A+	A1	A+
Upper Medium	A	A2	A
Upper Medium	A-	A3	A-

Moody’s uses a modifier of 1, 2 or 3 to show relative standing in a category (1 higher than 2, 2 higher than 3). Standard & Poor’s and Fitch use a modifier of plus or minus.

Contacting Financial Management

This financial report is designed to provide citizens, vendors and creditors with a general overview of the Authority's finances. If you have any questions about this report or need additional financial information, contact the Authority’s Fiscal Office at P.O. Box 219, Trenton, New Jersey 08625-0219.

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
December 31, 2015

	Governmental Funds	Adjustments (Note G)	Statement of Net Position
ASSETS			
Cash and equivalents- restricted	$ 51,383,910	$ -	$ 51,383,910
Current minimum lease payments receivable	-	78,420,000	78,420,000
Long term minimum lease payments receivable	-	334,011,259	334,011,259
Construction in progress	-	18,401,565	18,401,565
Total assets	$ 51,383,910	$ 430,832,824	$ 482,216,734
DEFERRED OUTFLOWS OF RESOURCES			
Pension	$ -	$ 274,455	$ 274,455
Loss on advanced refunding of bonds	-	32,301,368	32,301,368
Total deferred outflows of resources	$ -	$ 32,575,823	$ 32,575,823
LIABILITIES			
Accounts payable			
Other	$ 21,996,918	$ (20,377,614)	$ 1,619,304
Contractor retainage payable	297,490	-	297,490
Net pension liability	-	841,592	841,592
Accrued bond interest payable	-	902,496	902,496
Bond anticipation notes payable	-	47,620,000	47,620,000
Current bonds payable	-	78,420,000	78,420,000
Long term bonds payable	-	332,420,000	332,420,000
Unamortized bond premiums, net of discounts	-	31,680,131	31,680,131
Total liabilities	$ 22,294,408	$ 471,506,605	$ 493,801,013
DEFERRED INFLOWS OF RESOURCES			
Pension	$ -	$ 349,956	$ 349,956
Total deferred inflows of resources	$ -	$ 349,956	$ 349,956
FUND BALANCE/NET POSITION			
Restricted	$ 29,089,502	$ (7,525,601)	$ 21,563,901
Unrestricted	-	(922,313)	(922,313)
Total fund balance/net position	$ 29,089,502	$ (8,447,914)	$ 20,641,588

See notes to financial statements.

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
December 31, 2014

	Governmental Funds	Adjustments (Note G)	Statement of Net Position (Restated)
ASSETS			
Cash and equivalents- restricted	$ 55,738,066	$ -	$ 55,738,066
Current minimum lease payments receivable	-	77,325,000	77,325,000
Long term minimum lease payments receivable	-	412,431,259	412,431,259
Property and equipment	-	41	41
Construction in progress	-	13,068,982	13,068,982
Total assets	$ 55,738,066	$ 502,825,282	$558,563,348
DEFERRED OUTFLOWS OF RESOURCES			
Pension	$ -	$ 244,365	$ 244,365
Loss on advanced refunding of bonds	-	36,108,812	36,108,812
Total deferred outflows of resources	$ -	$ 36,353,177	$ 36,353,177
LIABILITIES			
Accounts payable			
Other	$ 21,967,221	$ (19,844,974)	$ 2,122,247
Contractor retainage payable	407,712	-	407,712
Net pension liability	-	1,098,470	1,098,470
Accrued bond interest payable	-	1,047,612	1,047,612
Bond anticipation notes payable	-	47,620,000	47,620,000
Current bonds payable	-	77,325,000	77,325,000
Long term bonds payable	-	410,840,000	410,840,000
Unamortized bond premiums, net of discounts	-	36,497,731	36,497,731
Total liabilities	$ 22,374,933	$ 554,583,839	$576,958,772
DEFERRED INFLOWS OF RESOURCES			
Pension	$ -	$ 65,463	$ 65,463
Total deferred inflows of resources	$ -	$ 65,463	$ 65,463
FUND BALANCE/NET POSITION			
Restricted	$ 33,363,133	$ (14,551,275)	$ 18,811,858
Unrestricted	-	(919,568)	(919,568)
Total fund balance/net position	$ 33,363,133	$ (15,470,843)	$ 17,892,290

See notes to financial statements.

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/NET POSITION
Year Ended December 31, 2015

	Governmental Funds	Adjustments (Note G)	Statement of Activities
REVENUES			
Investment income	$ 50,693	$ -	$ 50,693
State rental payments	22,310,094	1,654,712	23,964,806
State principal payments	77,325,000	(77,325,000)	-
State appropriation for administrative costs	511,775	-	511,775
Total revenues	100,197,562	(75,670,288)	24,527,274
EXPENDITURES			
Capital outlay	4,210,470	(4,210,470)	-
Debt service			
Principal	77,325,000	(77,325,000)	-
Interest	22,310,094	(1,155,272)	21,154,822
Other administrative expenses	625,629	(2,475)	623,154
Total expenditures	104,471,193	(82,693,217)	21,777,976
(Deficiency) excess of revenues over expenditures	(4,273,631)	7,022,929	2,749,298
Fund balance/net position			
Beginning of year	33,363,133	(15,470,843)	17,892,290
End of year	$ 29,089,502	$ (8,447,914)	$ 20,641,588

See notes to financial statements.

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/NET POSITION
Year Ended December 31, 2014

	Governmental Funds	Adjustments (Note G)	Statement of Activities
REVENUES			
Investment income	$ 27,687	$ -	$ 27,687
State rental payments	25,229,976	(1,719,050)	23,510,926
State principal payments	6,640,000	(6,640,000)	-
State appropriation for administrative costs	753,250	-	753,250
Total revenues	32,650,913	(8,359,050)	24,291,863
EXPENDITURES			
Capital outlay	5,213,698	(5,213,698)	-
Debt service			
Principal	6,640,000	(6,640,000)	-
Interest	25,047,148	(4,068,184)	20,978,964
Other administrative expenses	992,056	(178,902)	813,154
Total expenditures	37,892,902	(16,100,784)	21,792,118
(Deficiency) excess of revenues over expenditures	(5,241,989)	7,741,734	2,499,745
Fund balance/net position			
Beginning of year	38,605,122	(22,114,107)	16,491,015
Prior period adjustment	-	(1,098,470)	(1,098,470)
Beginning of year, as restated	38,605,122	(23,212,577)	15,392,545
End of year	$ 33,363,133	$ (15,470,843)	$ 17,892,290

See notes to financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Authority

The New Jersey Building Authority (the "Authority"), a component unit of the State of New Jersey (the "State"), a body corporate and politic and an instrumentality of the State, was created in 1981 by the state legislature for the purpose of providing the capital resources (through the sale of bonds, notes and other obligations) necessary to acquire, construct, reconstruct, rehabilitate or improve office buildings or related facilities necessary or convenient to the operation of any State agency.

In Chapter 174 of the Pamphlet Laws of 1992, the state legislature amended the Authority's statute to expand the types of projects the Authority can undertake. The Authority can also now construct or rehabilitate correctional facilities and renovate and preserve historic public buildings. The amendment also removed the $250 million bond principal limitation.

Reporting Entity

The decision to include a potential component unit in the Authority's reporting entity is based on several criteria, including legal standing, fiscal dependency and financial accountability. Based on the application of these criteria, the Authority has no component units.

Under a master lease with amendments for individual properties, the Authority has leased to the State the buildings constructed or renovated with funds provided from various bond offerings made by the Authority. The State is required to pay rent to the Authority in amounts sufficient to pay (1) debt service on the bonds outstanding (to the extent such debt service is not funded from other monies available in the debt service account of the debt service fund, as provided for in the master lease agreement), and (2) administrative expenses of the Authority. The lease transactions with the State are accounted for as direct financing leases.

The State is responsible for awarding and monitoring all contracts for the design, acquisition and construction of projects, as well as supervising construction work and accepting the completed projects. Project costs incurred by the State are paid by the Authority's bond trustee out of the construction fund after approval by an authorized Authority representative. Pursuant to the terms of the master lease, the Authority is not liable or responsible for the adequacy, sufficiency and suitability of the plans and specifications of any contracts or agreements with respect to the acquisition or construction of these projects. During the master lease term, the State is responsible for all costs relating to the operation, maintenance and repair of the projects. In addition, the State pays for all utilities, taxes and governmental charges during the lease term.

At any time prior to the expiration of the master lease term, the State has the option to purchase the projects for a price of $1 plus an amount sufficient to provide the full payment of the bonds and accrued interest in conformity with the bond resolution. If such option has not been exercised prior to the end of the lease term, the title to the projects will be transferred by the Authority to the State at that time.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

The obligation of the State to make rental payments is subject to and depends upon yearly appropriations being made by the State legislature for such purposes. In the event the State fails to make the necessary lease payments, the Authority may take possession of the projects and either lease or sell them to another party. In either case, the State is obligated to reimburse the Authority for any deficiency between the lease payments called for by the master lease and amounts paid by other parties.

Basis of Accounting

The Authority is a component unit of the State of New Jersey and is included in the general purpose financial statements of the State.

The accompanying basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB").

In its accounting and financial reporting, the Authority follows the pronouncements of the Governmental Accounting Standards Board ("GASB") and other entities that promulgate accounting principles. GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply. Per the Statement, the sources of authoritative generally accepted accounting principles (“GAAP”) are categorized in descending order of authority as follows: GASB Statements and Interpretations, GASB Technical Bulletins, GASB Implementation Guides, and literature of the American Institute of Certified Public Accountants (“AICPA”) cleared by the GASB. Authoritative GAAP is incorporated periodically into the *Codification of Governmental Accounting and Financial Reporting Standards* (Codification), and when presented in the Codification, it retains its authoritative status. If the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP described above, a governmental entity should first consider accounting principles for similar transactions or other events within a source of authoritative GAAP described above and then may consider nonauthoritative accounting literature from other sources. These include GASB Concepts Statements; pronouncements and other literature of the Financial Accounting Standards Board (“FASB”), Federal Accounting Standards Advisory Board, International Public Sector Accounting Standards Board, and International Accounting Standards Board, and AICPA literature not cleared by the GASB; practices that are widely recognized and prevalent in state and local government; literature of other professional associations or regulatory agencies; and accounting textbooks, handbooks, and articles.

The basic financial statements consist of government-wide and governmental fund financial statements.

The Authority, as a single-program government, combines government-wide and governmental fund financial statements, which are linked together by a reconciliation.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenditures are recognized when incurred. The primary sources of revenues are rental payments received from the State of New Jersey, in accordance with the Authority's master lease agreement with the State.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

The governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when measurable and available. Expenditures, and the related liabilities, are accrued when they are normally expected to be paid out of revenues recognized during the current period. The exception to this rule is that principal and interest on long-term debt are recognized when payment is due.

Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America for governmental units requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Funds Required by Bond Resolutions

In accordance with certain bond resolutions, the Authority has established the following restricted funds (accounts) to be held by US Bank, as trustee, to account for all revenue received by the Authority:

Fund Accounts	Amount	Use for Which Restricted
Construction	Any amount determined by the Authority after meeting requirements under the bond resolution for all of the other funds.	Payment of construction costs of any authorized projects.
Debt Service	Amounts needed to pay principal and interest on or before each interest payment date and principal installment date on the bonds.	Payment of principal and interest on the bonds.
Rebate	Estimated amount needed to pay arbitrage earnings.	Payment of arbitrage earnings to the federal government.

For financial reporting purposes, the assets, liabilities and fund balance/net position and related revenues, expenditures and other financing sources and uses of these funds have been combined.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Funds Required by Bond Resolutions (Continued)

The following sets forth the cash and equivalent balances in the above funds:

	December 31,	
	2015	2014
Construction fund	$ 50,985,887	$ 55,221,752
Rebate and other	398,023	516,314
	$ 51,383,910	$ 55,738,066

Construction in Progress

In the government-wide financial statements, construction in progress is stated at cost, which includes direct construction costs and other expenditures related to construction, including capitalized net interest. All construction costs related to projects which are not yet completed are charged to construction in progress until such time as the projects are completed and put into operation. Construction in progress is reduced when assets are put into operation and an offsetting minimum lease payment receivable is established. The State is obligated to make payments to the Authority for the construction in progress funded by bonds issued by the Authority.

In the governmental fund financial statements, construction costs are recorded as capital outlay expenditures as expended.

Bond Premiums/Discounts

Bond premiums, net of discounts, are recorded as a liability in the statement of net position and are amortized over the life of the debt. In the governmental fund financial statements bond premiums are recognized as revenue as received.

Deferred Loss on Advanced Refunding of Bonds

Loss on advanced refunding of bonds is recorded as a deferred outflow of resources in the statement of net position and is amortized over the life of old debt or the life of new debt, whichever is shorter.

Fund Balance/Net Position

Fund balance/net position is classified as restricted and can only be utilized upon approval by the State Treasurer.

Income Taxes

As an instrumentality of the State, under existing statute, the Authority is exempt from both federal and state income taxes.

Administrative Expense

The Authority receives an appropriation from the State for salaries, fringe benefits, related costs for overhead, and other expenses that support the operations of the Authority.

Concentration of Risk

The Authority maintains cash and equivalent balances which may exceed federally insured limits. They historically have not experienced any credit-related losses.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Pronouncements

The GASB issued Statement No. 72, "Fair Value Measurement and Application" effective for financial statements for periods beginning after June 15, 2015. This standard describes how fair value should be defined and measured, the use of various valuation techniques, and which information about fair value should be disclosed in the notes to the financial statements. The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard also states that investments generally should be measured at fair value. An investment is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. However, certain investments, such as money market investments, continue to be excluded from measurement at fair value. A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value per share (or its equivalent) of the investment. Statement No. 72 requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets and capital assets received in a service concession arrangement. These assets previously were required to be measured at fair value. Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). The Authority is currently evaluating the impact of this statement on the financial statements.

B. CASH AND EQUIVALENTS

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires uncollateralized deposits exposed to custodial risk to be disclosed. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits that are in the possession of an outside party. The following is a summary of the Authority's cash deposits and the amount exposed to custodial credit risk at December 31, 2015 and 2014. The New Jersey Cash Management Fund (the "Fund") is a pooled investment fund and is guaranteed by the State of New Jersey. Thus, deposits in the Fund are not subject to credit risk or custodial credit risk. U.S. Treasury notes are explicitly guaranteed by the U.S. government and are not subject to credit risk or custodial credit risk. As of December 31, 2015 and 2014, the Authority's cash balances were as follows:

	December 31, 2015		December 31, 2014	
	Financial Statement Balance	Bank Balance	Financial Statement Balance	Bank Balance
Amount insured by the FDIC or collateralized with securities held in its name by the Authority.	$ 22,179	$ 22,179	$ 47,648	$ 47,648
Amount collateralized with securities held by the pledging financial institution's trust department in the Authority's name.	4,426,187	4,426,187	5,582,386	5,582,386
Total	$ 4,448,366	$ 4,448,366	$ 5,630,034	$ 5,630,034

B. CASH AND EQUIVALENTS (CONTINUED)

Cash equivalents are stated at fair market value. Original cost basis and fair market value at December 31, 2015 and 2014, are summarized as follows:

	December 31, 2015		December 31, 2014	
	Original Cost	Fair Market Value	Original Cost	Fair Market Value
New Jersey Cash Management Fund	$ 46,935,544	$ 46,935,544	$ 50,108,032	$ 50,108,032

C. MINIMUM LEASE PAYMENTS RECEIVABLE

Future minimum lease payments receivable from the State as of December 31, 2015, are as follows:

2016	$ 98,121,101
2017	84,398,390
2018	96,603,684
2019	61,128,881
2020	24,701,281
2021-2025	90,424,678
2026-2027	25,374,575
	480,752,590
Less amounts representing interest	(68,321,331)
	$ 412,431,259

The State is obligated to make payments to the Authority against the minimum lease payments receivable for the completed portions of projects funded by bonds issued by the Authority, plus any administrative expenses of the Authority as defined in the master lease agreement with the State of New Jersey which include any fees and costs associated with swap agreements.

D. BONDS PAYABLE

Bond activity for the years ended December 31, 2015 and 2014, was as follows:

Balance, December 31, 2014	$ 488,165,000
Reductions	(77,325,000)
Balance, December 31, 2015	$ 410,840,000
Balance, December 31, 2013	$ 494,805,000
Reductions	(6,640,000)
Balance, December 31, 2014	$ 488,165,000

Defeased Bonds

The Authority has refunded various general obligation bond issuances by creating separate irrevocable trust funds. Refunding bonds have been issued, the proceeds from which are used to purchase U.S. Treasury Obligations - State and Local Government Series. The securities are deposited into an irrevocable trust fund and then held by the trustee. The investments themselves and the fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded debt has been considered defeased and has therefore been removed as a liability from the Authority's long-term debt. As of December 31, 2015, the amount of defeased general obligation debt outstanding but removed from the Authority's long-term debt amounted to $322,805,000.

D. BONDS PAYABLE (CONTINUED)

The following table reflects the Authority's annual principal obligation for defeased general obligation debt outstanding:

2016	$ 51,535,000
2017	77,015,000
2018	80,935,000
2019	60,220,000
2020	14,055,000
2021-2023	39,045,000
Total	$ 322,805,000

E. FUTURE DEBT SERVICE PAYMENTS

The following table reflects the debt service by year for the various Series Bonds issued by the Authority:

Year	Principal	Interest	Total
2016	$ 78,420,000	$ 17,466,101	$ 95,886,101
2017	72,480,000	14,153,390	86,633,390
2018	85,715,000	10,888,684	96,603,684
2019	54,035,000	7,093,881	61,128,881
2020	19,435,000	5,266,281	24,701,281
2021-2025	76,505,000	13,919,678	90,424,678
2026-2027	24,250,000	1,124,575	25,374,575
	$ 410,840,000	$ 69,912,590	$ 480,752,590

F. BOND ANTICIPATION NOTES

On December 11, 2012, the Authority issued the State Building Revenue Bond Anticipation Notes, Series 2012 with an interest rate of 1.5%, payable at maturity on December 18, 2013. The funds were used to begin the State House Exterior Restoration Project and the Mechanical and Electrical Equipment Relocation Project.

In November 2013, the Authority issued a $47,620,000 million Bond Anticipation Note which refunded the note issued on December 11, 2012, and included an additional $27.62 million to fund upcoming construction projects. This note was issued at a premium of $1,745,749 and is set to mature on June 15, 2016. In March 2016, these notes were refunded as part of 2016 Series A State Building Revenue Refunding Bonds. See Note L for details.

G. ADJUSTMENTS - RECONCILIATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUNDS AND GOVERNMENT-WIDE FINANCIAL STATEMENTS

(1) A loss on an advance refunding of bonds is recorded as a deferred outflow of resources and is amortized over the shorter of the remaining amortization period that was used or the life of the newly issued debt.

G. ADJUSTMENTS - RECONCILIATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUNDS AND GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

Loss on advance refunding net of amortization:

	December 31,	
	2015	2014
2003 refunding	$ 190,269	$ 217,612
2004 refunding	64,405	131,763
2007 refunding	1,060,310	1,319,164
2009 refunding	1,755,292	1,901,099
2011 refunding	341,768	1,093,247
2013 refunding	28,889,323	31,445,928
	$ 32,301,367	$ 36,108,813

(2) When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets is reported as an expenditure in governmental funds. However, the statement of net position includes those capital assets among the assets of the Authority as a whole.

	December 31,	
	2015	2014
Cost of property and equipment	$ 74,350	$ 74,350
Accumulated depreciation	(74,350)	(74,309)
Property and equipment, net	$ -	$ 41
Construction in progress	$ 18,401,565	$ 13,068,982
Capital outlay	$ 4,210,470	$ 5,213,698

(3) Minimum lease payments receivable are not part of the Authority's governmental fund activities because no portion of this balance is available to finance liabilities at year end.

	December 31,	
	2015	2014
Minimum lease receivable	$412,431,259	$489,756,259

(4) Unmatured principal and accrued interest applicable to the Authority's governmental activities are not shown as liabilities or expenses until they are due and payable. Unamortized bond premiums, net of discounts, are recorded as liabilities in the statement of net position and are amortized over the life of the debt. Amortization revenue is recorded in the statement of activities. In governmental fund financial statements, net bond premiums are recognized as revenue when received. All liabilities - both current and long-term - are reported in the statement of net position.

	December 31,	
	2015	2014
Accrued bond interest payable	$ 902,496	$ 1,047,612
Related adjustment to interest expense, net of amortization	$ (1,155,272)	$ (4,068,184)
Bonds payable	$410,840,000	$ 488,165,000
Unamortized bond premiums, net of discounts	$ 31,680,131	$ 36,497,731

G. ADJUSTMENTS - RECONCILIATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUNDS AND GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

Amortization expense included in interest expense in the governmental funds differs from amortization expense in the statement of activities ($3,807,443 in 2015 and $3,816,424 in 2014, respectively). The difference is a result of the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds.

(5) Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities.

Repayment of bond principal is reported as an expenditure in governmental funds and thus has the effect of reducing fund balance because current financial resources have been used. For the Authority as a whole, however, the principal payments reduce the liabilities in the statement of net position and do not result in an expense in the statement of activities. The Authority's bond debt was reduced by principal payments made to bondholders.

	Year Ended December 31,	
	2015	2014
Principal payments made	$ 77,325,000	$ 6,640,000

(6) The amounts received from the State for debt service principal payments of $77,325,000 during 2015 and $6,640,000 during 2014, respectively, constitute governmental fund revenues and thus are not included in the Authority's statements of activities.

(7) The Authority had an arbitrage rebate calculation performed at December 31, 2015, that resulted in no liability due to the Internal Revenue Service.

H. GASB STATEMENT NUMBER 45 - ACCOUNTING AND FINANCIAL REPORTING BY EMPLOYERS FOR POST-RETIREMENT BENEFITS OTHER THAN PENSION

The Authority is a member of the State of New Jersey's cost sharing multiple-employer plan for health and post-retirement medical benefits. Thus, the Authority's portion of this liability and cost is included in the State of New Jersey's Comprehensive Annual Financial Report, as such, the liability of Authority's employees is covered under the State plan on an annual basis.

Please refer to State website www.state.nj.us for more information regarding the plan.

I. PENSION PLAN

The Authority’s employees participate in the following defined benefit pension plans: the Public Employees' Retirement System (“PERS”), which is administered by the State of New Jersey, Division of Pensions and Benefits (the “Division”). The plan has a board of trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295

I. PENSION PLAN (CONTINUED)

Plan Description

PERS is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955. For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits are vested after ten years of service, except for medical benefits, which are vested after 25 years of service or under the disability provisions of 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 Tiers 1 and 2 members upon reaching age 60, and to Tier 3 members upon reaching age 62. Service retirements 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 Tiers 1 and 2 members before reaching age 60, Tiers 3 and 4 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 received 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.

Contributions

The contribution requirements of PERS plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the PERS were required to contribute 5.00% of their annual covered salary. Effective July 1, 2008, however, in accordance with Chapter 92, P .L. 2007 and Chapter 103, P .L. 2007, plan members are required to contribute 5.50% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2008, the increase is effective with the payroll period that begins immediately after July 1, 2008. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased to 6.5% plus an additional 1.00% phased-in over seven years. The phase-in of the additional incremental member contribution amount began July 1, 2012, and increases each subsequent July 1. The active member effective contribution rates were July 1, 2014, 6.92%, July 1, 2013, 6.78%, and July 1, 2012, 6.64%. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The Authority is billed annually for its normal contribution plus any accrued liability. Contributions to PERS from the Authority were $48,367 and $40,834 for the years ended June 30, 2015 and 2014, respectively.

I. PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015 and 2014, the Authority had a liability of $841,592 and $1,098,470, respectively, for its proportionate share of the net pension liability in PERS. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members of the plan, actuarial determined. At June 30, 2015 and 2014, the Authority's proportion was .0037490761% and 0.0058670362%, respectively, which was a decrease of .002% from its proportion measured as of June 30, 2014, and an increase of 0.001% from its proportion measured as of June 30, 2013, respectively.

	PERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 20,077	$ -
Changes in assumptions	90,380	-
Net difference between projected and actual investment earnings on pension plan investments	-	13,531
Changes in proportion and differences between Authority contributions and proportionate share of contributions	131,766	336,425
Authority contributions subsequent to the measurement date	32,232	-
	$ 274,455	$ 349,956

$32,232 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows or resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2016	$ 17,646
2017	17,646
2018	17,646
2019	28,103
2020	15,887
	$ 96,928

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.04%
Salary increases: 2012-2021 (based on age)	2.15-4.40%
Salary increases: thereafter (based on page)	3.15-5.40%
Investment rate of return	7.90%

I. PENSION PLAN (CONTINUED)

For PERS, mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

In accordance with State statute, the long term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return of each major asset class included in PERS's target asset allocation as of June 30, 2015 and 2014, are summarized in the following table:

	2015		2014	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%	6.00%	0.80%
U.S. Treasuries	1.75%	1.64%	1.00%	2.49%
Investment Grade Credit	10.00%	1.79%	0.00%	00.00%
Intermediate-Term Bonds	0.00%	0.00%	11.20%	2.26%
Mortgages	2.10%	1.62%	2.50%	2.17%
High Yield Bonds	2.00%	4.03%	5.50%	4.82%
Inflation-Indexed Bonds	1.50%	3.25%	2.50%	3.51%
Broad US Equities	27.25%	8.25%	25.90%	8.22%
Developed Foreign Equities	12.00%	4.72%	12.25%	4.92%
Emerging Market Equities	6.40%	10.00%	6.50%	9.91%
Hedge Funds/Absolute Return	12.00%	4.72%	12.25%	4.92%
Real Estate (Property)	2.00%	6.83%	3.20%	5.80%
Commodities	1.00%	5.32%	2.50%	5.35%
Global Debt ex US	3.50%	-0.40%	0.00%	0.00%
REIT	4.25%	5.12%	0.00%	0.00%

The discount rate used to measure the total pension liability for was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. The single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on 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. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers 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. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

I. PENSION PLAN (CONTINUED)

PERS - Last 10 Fiscal Years

	2015	2014	2013
Authority's proportion of the net pension liability	0.0037490761%	0.0058670362%	0.0048670198%
Authority's proportionate share of net pension liability	$ 841,592	$ 1,098,470	$ 930,184
Authority's covered-employee payroll	258,611	318,789	400,933
Authority's proportionate share of net pension liability as a % of payroll	310%	344.58%	231.97%
Total pension liability	1,616,211	2,292,337	1,814,050
Plan fiduciary net position	774,619	1,193,868	833,866
Plan fiduciary net position as a % of total pension liability	47.93%	52.08%	48.72%

PERS - Last 10 Fiscal Years

	2015	2014	2013
Contractually required contribution	$ 32,232	$ 48,367	$ 36,672
Contributions in relation to the contractually required contribution	48,367	40,834	44,275
Authority's covered employee payroll	271,899	318,789	400,993
Contributions as a % of covered employee payroll	17.79%	12.81%	11.04%

J. PRIOR PERIOD ADJUSTMENT

During fiscal year ended December 31, 2015, there was a change in accounting and financial reporting as a result of GASB Statement No. 68 Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27 and Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68. This Statement establishes accounting and financial reporting standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expenses/expenditures. GASB Statement No. 68 and 71 are retroactive to the prior reporting period. The adjustment is detailed as follows:

J. PRIOR PERIOD ADJUSTMENT (CONTINUED)

Summary Statement of Net Position and Governmental Funds Balance Sheet
December 31, 2014

	Previously Reported	Prior Period Adjustment	Restated
Assets			
Cash and cash equivalents	$ 55,738,066	$ -	$ 55,738,066
Minimum lease receivable	489,756,259	-	489,756,259
Construction in progress	13,068,982	-	13,068,982
Capital assets, net of accumulated depreciation	41	-	41
Total assets	$ 558,563,348	$ -	$ 558,563,348
Deferred outflows of resources			
Pension	$ -	$ 244,365	$ 244,365
Loss on refunding of bonds	36,108,812	-	36,108,812
Total deferred outflows of resources	$ 36,108,812	$ 244,365	$ 36,353,177
Liabilities			
Accounts payable and accrued expenses	$ 2,122,247	$ -	$ 2,122,247
Net pension liability	-	1,098,470	1,098,470
Other liabilities	407,712	-	407,712
Accrued interest payable	1,047,612	-	1,047,612
Bonds payable	535,785,000	-	535,785,000
Unamortized bond premiums, net of discounts	36,497,731	-	36,497,731
Total liabilities	575,860,302	1,098,470	576,958,772
Deferred inflows of resources			
Pension	$ -	$ 65,463	$ 65,463
Fund balance/net position	$ 18,811,858	$ (919,568)	$ 17,892,290

Summary Statement of Activities and Governmental Funds/Revenues, Expenditures and Changes in Fund Balance/Net Position
Year Ended December 31, 2014

	Previously Reported	Prior Period Adjustment	Restated
Revenues			
Investment income	$ 27,687	$ -	$ 27,687
State rental payments	23,510,926	-	23,510,926
State appropriation for administrative costs	753,250	-	753,250
Total revenues	24,291,863	-	24,291,863
Expenses	-	-	-
Interest expense	20,978,964	-	20,978,964
Other administrative expenses	992,056	(178,902)	813,154
Total expenses	21,971,020	(178,902)	21,792,118
Change in net position	2,320,843	178,902	2,499,745
Fund balance/net position - December 31, 2013	16,491,015	(1,098,470)	15,392,545
Fund balance/net position - December 31, 2014	$ 18,811,858	$ (919,568)	$ 17,892,290

K. COMMITMENTS AND CONTINGENCIES

The Authority has contract commitments totaling approximately $37,675,000 and $41,000,000 as of December 31, 2015 and 2014, respectively. Such commitments relate to various architectural and construction contracts under various projects.

The Authority is engaged in certain legal proceedings relating to vendor claims. Management of the Authority believes the outcome of these proceedings will not have a material or adverse effect on the Authority's financial statements.

L. SUBSEQUENT EVENTS

In March 2016, the Authority issued $97,585,000 in State Building Revenue Refunding Bonds, 2016 Series A at interest rates ranging from 3.00-5.00%. This refunding bond refunded outstanding $47,620,000 State Building Revenue Bond Anticipation Notes, 2013 Series; $31,510,000 State Building Revenue Bonds, 2006 Series A Bonds and $22,735,000 State Building Revenue Bonds, 2007 Series A Bonds.

Finding No. 2015-001

Criteria
Management is responsible for maintaining an accurate general ledger system.

Condition
Post-closing entries from prior year were not posted appropriately.

Cause
Inadequate supervision of staff responsible for maintaining the general ledger system.

Effect
General ledger and trial balance information presented for current year audit needed various adjustments to reflect prior year and current year activity correctly.

Recommendation
All post-closing entries should be posted timely to the general ledger. All general ledger accounts should be reviewed periodically throughout the year to ensure accuracy of balances.

Managements Response
Management is in agreement with the finding. As a result of personnel turnover and the conversion of the Authority's general ledger from excel spreadsheets to Exact Macola Software, the general ledger and trial balance information presented for the current year needed various adjustments. Consistent with the recommendation, appropriate procedures have been implemented to ensure all post-closing entries are posted timely to the general ledger. Also, general ledger accounts will be reviewed periodically throughout the year to ensure accuracy of balances.