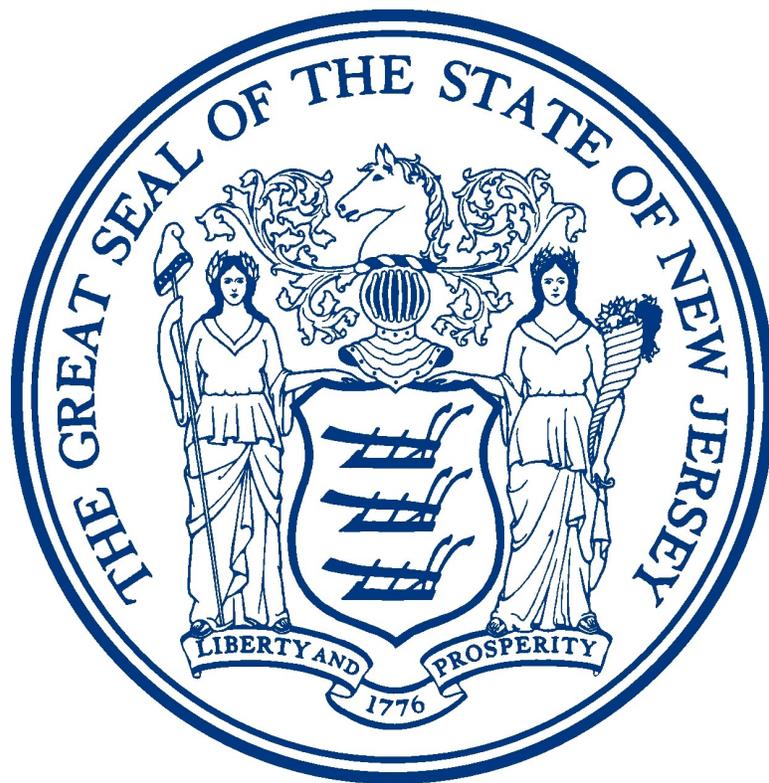

NEW JERSEY BUILDING AUTHORITY



2017
ANNUAL REPORT



State of New Jersey
New Jersey Building Authority
50 West State Street, 2nd Floor
Trenton, NJ 08625

Phil Murphy
Governor

Sheila Oliver
Lt. Governor

John H. Fisher III
Chairman

The Honorable Philip D. Murphy
Governor of the State of New Jersey

The Honorable Sheila D. Oliver
Lt. Governor of the State of New Jersey

The Honorable Stephen M. Sweeney
President, New Jersey Senate

The Honorable Craig Coughlin
Speaker, New Jersey General Assembly

The Honorable Elizabeth Maher Muoio
State Treasurer

Consistent with N.J.S.A 52:18A-78.26, I am pleased to report on the activities of the New Jersey Building Authority for calendar year 2017.

Respectfully,

A handwritten signature in black ink that reads "John H. Fisher III".

John H. Fisher III
Chairman



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Chairman



Executive Director

***Report from the
Chairman and Executive Director
of the New Jersey Building Authority***

We are pleased to submit the 2017 Annual Report of the New Jersey Building Authority (NJBA). This report provides the history of the NJBA, the status of our projects, financial activity, and audited financial statements. As evident in this report, with each new project, our work scope has grown in complexity. We are certainly proud of our achievements. Our portfolio continues to expand resulting in successful projects that include a wide range of new work including the renovation and repairs of State office buildings; the restoration of historical structures; and the construction of correctional facilities, and state-of-the-art technology campuses.

The NJBA in partnership with Treasury's Division of Property Management and Construction, are involved with the Comprehensive Renovation and Restoration of the Executive State House. The State of New Jersey's Executive State House is one of the oldest State Capitols in the country and preserving this historical structure also preserves the history of the City of Trenton, New Jersey. In 2017 and with the support of the Governor and others, the project received new bond financing combining both exterior and interior restorations and renovations dollars respectively. The NJBA remains prepared for future projects anticipated by the State.

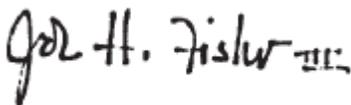
Whether we are preserving New Jersey's history through restorations; renovating museums for New Jersey families to enjoy; or constructing high-tech laboratories to ensure the protection and well-being of the citizens of New Jersey, we never lose sight of our core values:

- A clear understanding of the client's needs, objectives and expectations;
- A strong professional commitment to achieve the client's objectives;
- An on-going, productive working relationship with the client characterized by an open line of communication throughout the process, and;
- A continuous focus on the philosophy that the client is the purpose of our work.

Our gratitude goes out to the NJBA board members and staff. The New Jersey Building Authority's success is built on their knowledge, professionalism, and dedication.

This year we would like to thank our Lawmakers, and the Department of the Treasury's: Office of Public Finance, Division of Property Management and Construction, and the Division of Administration. We rely on their expertise from the early planning stages of our projects, and well after the close-out phases.

We are proud to be part of a winning team that will continue to strive for excellence as we build New Jersey's future.



John H. Fisher III
Chairman



Raymond A. Arcario
Executive Director

Board of Directors



John H. Fisher III, Chairman
Governmental Affairs Specialist
Archer & Greiner



Prentis C. Nolan, III
President
PC Nolan & Associates, Incorporated



Dennis McNerney
Bergen County Executive



William T. Mullen
President
NJ Building & Construction Trades Council

Board of Directors



William C. Sproule
NJ Regional Manager
New Jersey Regional Council of Carpenters



Sean Earlen
Director
Silvi Group Companies



Kurt R. Krueger Jr.
Business Manager/Finance Secretary -Treasurer
Local Union #322 Plumbers & Pipefitters

Ex-Officio Board of Directors



Elizabeth Maher Muoio
State Treasurer

*Michael Kanef serves on behalf of the State Treasurer.
Ryan Feeney served on behalf of the former State
Treasurer—Ford M. Scudder for 2017.*



David Ridolfino
Director, OMB

*Michael Griffin serves on behalf of
the Director.
Brian Francz served on behalf of the
Director for 2017.*



B. Carol Molnar, Esquire
**Chair, Commission on Capital
Budgeting and Planning**

A Brief History of the New Jersey Building Authority

The New Jersey Building Authority (the “Authority”), a body corporate and politic and an instrumentality of the State of New Jersey, was created in 1981 by the State Legislature for the purpose of financing, acquiring, constructing, reconstructing, rehabilitating, or improving office buildings and related facilities to meet the needs of State agencies.

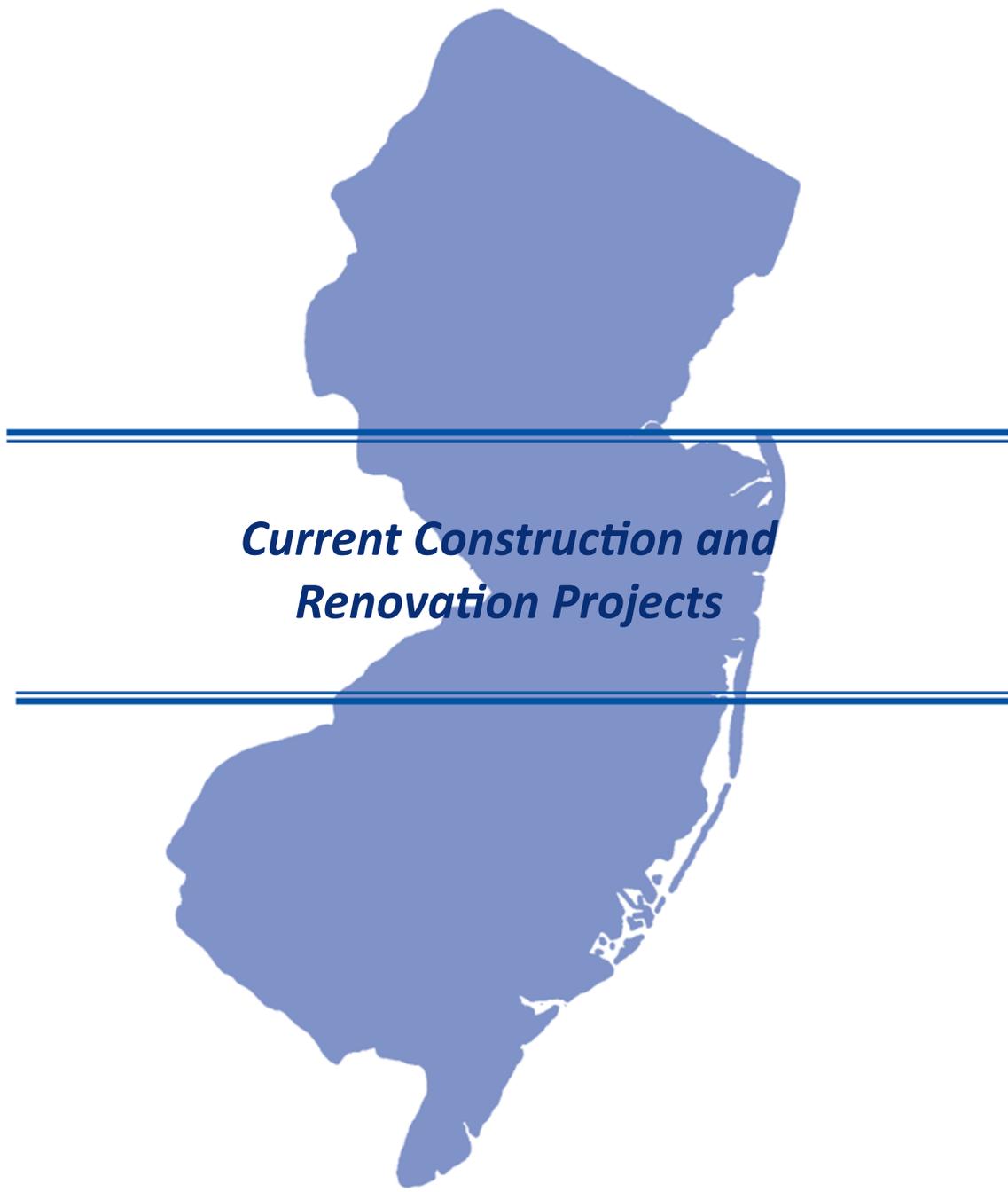
In 1992, the State Legislature amended the Authority’s statute to expand the types of projects the Authority can undertake. In addition to office buildings and related facilities, the Authority can now construct or renovate State correctional facilities and restore historic public buildings. The amendment also removed the \$250 million bond principal limitation.

The Authority, under a master lease with amendments for individual properties, has leased to the State the buildings constructed or renovated with the funds provided from various bond offerings made by the Authority. The State is required to pay rent to the Authority at times and in amounts sufficient to pay: (1) debt service on the bonds outstanding (to the extent such debt service is not funded from bond proceeds); 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 the award and monitoring of all contracts for the design, acquisition and construction of projects as well as supervision of construction work and acceptance of 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 State is 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 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.

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. Through December 31, 2017, the Authority has undertaken projects totaling in excess of \$1.4 billion.



***Current Construction and
Renovation Projects***

Executive State House Comprehensive Renovation & Restoration



The Executive Statehouse is a historic structure that was developed over multiple distinct building campaigns beginning in 1792, representing different periods of construction, structural systems and building materials that were connected to form the State House Complex as is known today. Understanding the historic development requires the systematic analysis of these areas to delineate limits of construction, connections and transitions, use of materials and assemblies used to better define the necessary restoration of the building.

The original New Jersey Executive State House Comprehensive Exterior and Interior Renovation was intended to be an exclusively exterior renovation project with a new HVAC system including replacement of rooftop HVAC units; and electrical upgrades as required to support improvements. In late 2013, it was determined, if only the original project was executed, significant deficiencies would remain unaddressed in spite of a considerable outlay of funds and services. This outlay would have required significant disturbance to the building occupants, that is, the business of government. In addition, chronic building deficiencies would have remained. After a long and careful consideration, in 2016 the decision was reached that a comprehensive exterior and interior renovation should be undertaken. As a result, the Design Consultant was directed to prepare a Comprehensive Plan and Program Report for the long-term use of the building, with an overview of the needs of the building inside and out.

In the Spring of 2017, the comprehensive renovation and historic restoration of the entire Executive Statehouse received the Governor's Office support and new funding was secured. In June 2017, the Design Consultant commenced new design efforts with the schematic design documents issued in December 2017. Concurrently, early bid packages were developed and work completed to inform the Design Consultant during the design phase.

Project Budget: \$283,000,000

New Jersey State House Mechanical Equipment Room Relocation



The objective of this project is to relocate the existing State House Parking Garage (Garage) mechanical room, electrical substation located on Level 1 and the elevator mechanical room to the existing Power House adjacent to the Garage. The State House Garage was constructed in 1994. Since 2004, severe or moderate flooding, or the threat thereof, has occurred sixteen times requiring the temporary relocation of mechanical and electrical equipment to an area less prone to flooding. Significant costs are incurred in temporarily relocating the equipment and restoring it to operational status after each flood event. Additionally, the garage is closed for days at a time while equipment is moved and not operational.

The project scope will include and is not limited to the installation of new HVAC equipment, motor controls centers and associated electrical equipment in the Power House and removing and disposing of the existing equipment located in the Garage mechanical and electrical substation rooms. Additionally, the existing hydraulic elevator mechanical equipment for elevators 1, 2, and 3 located in the Garage on Level 1 shall be relocated to the Power House. The existing hydraulic elevator mechanical equipment for elevator 4 location in the Garage on Level 1 shall be relocated to Level 3 of the Garage.

A scope of work was developed and made available to randomly selected Design Consultant firms for submission of proposals for design of this project. Technical and fee proposals were received during January 2013 and a design contract was awarded during March 2013. Design development followed and construction plans were finalized and put out to bid. A contract was awarded for construction in May 2014, and the project was substantially complete in September 2016 and is currently in closeout. There is extended preventative maintenance agreement in effect through September 2017 for the newly modernized elevators.

Project Budget: \$6,300,000



***Recently Completed Construction and
Renovation Projects***

NJ State House Annex Archives

This project scope will address the humidity levels in the State House Annex Archive Library to mitigate health, safety and environmental concerns that evolved from employee complaints of odors and respiratory discomfort. It also addresses the required humidity levels for Archival storage of books to prevent mold growth. The work consists of evaluating existing air handling unit (AHU) #4; installation of hard ducted connections from the return air transfer, installation of a new return fan, mixed air damper and exhaust damper. Testing, balancing and system certification are also to be done.

A scope of work was developed and made available Design Consultant firms for submission of proposals for design of this project. The selected Design Consultant presented their investigation report to the New Jersey Building Authority and the Office of Legislative Services (OLS) and began design development. Plans and specifications were approved in October 2013. and put out to bid. The scope included renovations to Annex Rooms 101 and 103 for a new library and work space for the Office of Public Information and converting room B63A into an Archival Storage area for the State House historic book collections. A construction contract was awarded in December 2013. New library shelving and renovations to Rooms 101 and 103 were completed; the archival storage shelving in B63a and the installation of a new HVAC system were completed and the HVAC controls tied into a new building automation system. The project was completed within budget and is currently in Engineering closeout.

Project Budget: \$415,000

NJ State House Annex East Wing Basement Water Infiltration

The objective of this project will address exterior and interior conditions that cause elevated humidity and mold growth in the State House Annex Library. Exterior waterproofing will occur around the electrical and mechanical rooms, the Legislative library and Legislative computer rooms in order to prevent water seepage which compromises the day-to-day legislative operations. The interior spaces and use of the State House Annex East Wing basement are sensitive to moisture and humidity levels, and has resulted in the closing of the library and relocation of most library staff in response to health complaints from staff in some sections of the Annex East Wing basement. The work includes repair of damaged concrete and re-pointing of stone wall joints exterior perimeter surface drains a plastic impermeable sheet under landscaping areas.

During the design phase the Design Consultant made a recommendation to install two underground monitoring wells in the Annex Courtyard to check existing water table levels in order to determine if ground water is the cause of the water infiltration. In August 2012 the two monitoring wells were installed and were monitored for a year until August 2013. The Design Consultant determined ground water likely not the cause of the water infiltration and water infiltration resulted from other sources which include poor grading and surface water runoff. Based on the Design Consultant's findings an amendment was approved to revise the original project scope resulting in project savings.

The originally scope was revised during the design phase to no longer included deep excavation to apply full height exterior waterproofing at the north and west foundation walls. The current project scope includes re-pointing of stone wall joints, rubberized waterproof membrane repair at select height along the north foundation wall and northwest corner only, plastic impermeable sheet under the landscape stone and new subsurface underdrainage piping to collect any passage of surface water run-off from advancing toward the north and west foundation walls.

The project was bid in June 2014, construction started in September 2014, substantial completion in the Spring 2015 and closeout in December 2015.



Project Budget \$400,000

Richard J. Hughes Justice Complex Elevator Modernization



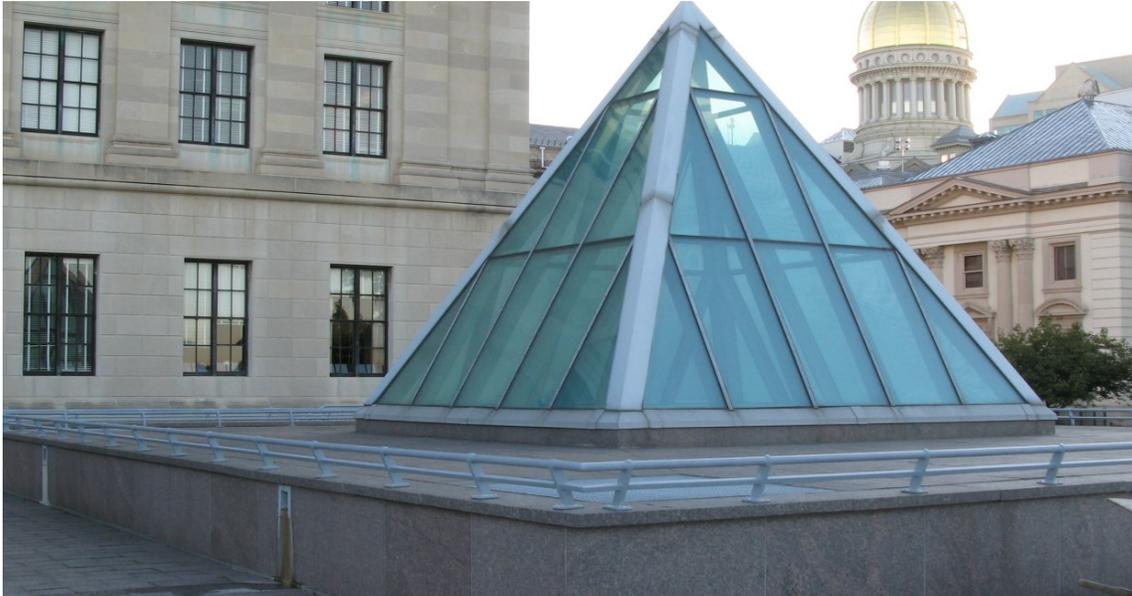
The objective of this project is to perform necessary repairs and modernization to fourteen (14) elevators at the Richard J. Hughes Justice Complex which were originally installed in 1979. The elevators were upgraded in 1994 with the exception of Elevator #13 which is a hydraulic lift. An elevator consulting firm assessed the current condition of the elevators at the Justice Complex to be in fair condition, but noted that none of the elevators comply with current American with Disabilities Act (ADA) requirements or Firefighter’s Service codes.

The project scope will include a partial modernization and upgrades to the elevators at the Justice Complex in accordance with current safety code standards. The upgrades will include installation of new controllers, repairs to hoist machines with new variable frequency drives, car controls, platforms, buffers, new entrances, fire control operations, car and floor operating and signal fixtures, hoist way and machine room wiring, complete new door controls in order to make ADA compliant. Since it is probable that the elevator project will disrupt normal Justice Complex building operations, the elevator modernization project will occur in accordance with a phased restoration plan.

Technical and fee proposals were received from randomly selected Design Consultant firms. A contract was awarded in July 2011 for design consultant services. With construction documents approved, the project was bid in December of 2012 and a construction contract was awarded in January 2013. The modernization of the elevators continued through the end of October 2013 with substantial completion achieved. The project included an extended two year preventative maintenance period which ended in December 2015.

Project Budget: \$2,000,000

NJ Statehouse Welcome Center Atrium



This project will address water infiltration in the State House Welcome Center Atrium Lobby located below the State House Plaza Park. This raised Plaza Park area is directly above the State House Atrium Welcome Center lobby. It consists of granite paved surfaces above drainage and waterproofing systems. Some areas of the waterproofing membrane have been leaking since 2002, causing water infiltration into the State House Atrium. Water is frequently found on the floor of level 3 of the State House Atrium creating hazardous conditions at one of the main entrances to the Capitol Complex. The project scope will consist of the removal of the overburden at this raised Plaza Park area above the Welcome Center Atrium to include railings and granite pavers in order to allow access for the replacement of the drainage and waterproofing systems and the reinstallation of salvaged pavers and exterior caulking.

A scope of work was developed and made available to randomly selected Design Consultant firms for submission of proposals for design of this project. Technical and fee proposals were received and a design contract was awarded during July 2011. Design development followed and construction plans were finalized. A construction contract was awarded in May 2012 and the work was substantially complete in October 2012. Contractor closeout is complete. Additional work was performed by a separate contractor at the skylight during 2014 to mitigate water infiltration by removing flashings and re-caulking the glazing panels.

Project Budget: \$400,000

New Jersey State Auditorium
HVAC Upgrades– New Digital Controls for HVAC System



The objective of this project at the NJ State Auditorium will include the replacement of the existing automatic temperature control system with a new digital control system and HVAC improvements. The New Jersey State Museum Auditorium was built in 1964; the Auditorium still has much of the original HVAC systems in place and has only received minor ductwork modifications during its operational history. The HVAC systems within the Auditorium facility were originally equipped with a pneumatic automatic temperature control system and are in various states of failure and disrepair.

A scope of work was developed and made available to randomly selected Architectural firms for submission of proposals for design of this project. Technical and fee proposals were received and a design contract was awarded during May 2011. Design development followed and construction plans were finalized and the project was put out to bid. A construction contract was awarded during August 2012 and construction followed and was completed during February 2013.

The project's proposed substantial completion certificated is dated February 28, 2013. Contract issues between the Contractor and the State were reviewed and resolved late 2014. Project closeout occurred in 2015.

Project Budget: \$500,000

NJ Public Health, Environmental and Agriculture Laboratory Facility

The objective of this project is to construct a new 200,000 square foot Public Health, Environmental and Agriculture Laboratory (NJPHEAL) in the NJ State Police Headquarters Complex in West Trenton. The laboratory will consolidate operations in a highly secure state-of-the-art facility, eliminate duplicative processes, and allow State departments to share resources.

Approximately 165,000 square feet will be dedicated to specialized laboratories and 35,000 square feet will be utilized for administrative and support services. Included in the design are a biological lab to safely handle dangerous pathogens and toxic chemicals; a necropsy lab for the detection of animal-borne diseases; a greenhouse for the evaluation and prevention of threats to the state's agricultural resources; and training facilities for personnel.

By August 2005, contracts for design and for construction management services were awarded. Early analysis determined that the original building size was more than the budget could accommodate so the design was reconfigured to reduce the overall exterior square footage without compromising the integrity of the structure or jeopardizing necessary program functions. To curb costs further, the project was separated into general construction and structural steel packages, and some elements such as site irrigation, greenhouse construction, kitchen equipment and the paging system were bid as add alternatives.

To safeguard the laboratory facility, the campus security scope includes hardened security checkpoints, a closed circuit TV system, perimeter fencing, and a command center. The perimeter fence technology and additional check points will be incorporated as add alternatives.

The early bid package for structural steel was awarded by the end of 2007.

The site, civil engineering and foundation contract, and the general construction contract were both awarded early in 2008.



By February 2008, upgrades to the permanent perimeter security fencing were completed. These enhancements will serve to secure the site during construction, and be incorporated into the overall campus security plan. Site excavation began in April along with the installation of storm-water piping. During the summer, parking lot curbing was positioned. Early that fall, elevator jack holes were drilled, and the first structural steel columns were set. By the end of the year, the site excavation phase was completed, and underground utilities were positioned within the building footprint. Metal decks were installed, and concrete deck slabs were poured.

NJ Public Health, continued

During 2009, with the structure complete, the pace of construction ramped up significantly. Spray on fire-proofing was applied to the structural steel and exterior wall framing commenced. Simultaneously, HVAC piping and ductwork installations began on the second through fifth floors while underground plumbing was completed on the first floor. As the year progressed, above ceiling MEP installations were underway and by late summer the main switchgear had been installed, tested and activated so that the building was now on permanent power. Interior drywall partition installation activity was significant by mid-year and finishes started to be installed by late 2009. Laboratory overhead service carriers were being installed and laboratory casework deliveries had commenced. The exterior wall systems were completed by year end with the exception of the Administrative Wing area. Also during 2009, construction of the Pre-Screening Building and the Greenhouse commenced.



By the end of 2010, the construction of the Administration Wing, Pre-Screening Building and the Greenhouse was completed and the Department of Community Affairs issued a Temporary Certificate of Occupancy. Both the Department of Health and Senior Services and the Department of Agriculture were finalizing their relocation planning. During 2011, the departments began relocation of its employees into the new Facility. By the end of 2012, the Facility had become fully operational.



Project Budget: \$154,884,000

NJ State Police Security Command Center and Security Upgrades



As part of the NJ Public Health, Environmental and Agriculture Laboratory Facility there is a need to make improvements to the security systems in place at the State Police Division Headquarters Campus in West Trenton.

The scope of this project will address Security upgrades for Trooper Drive entrance and renovation to the recently acquired Wilburtha Station which will become the Security Command Center. The roadway entrance reconstruction will consist of new guard booth, road upgrades, security gate arms, anti-ram barriers, card readers and closed circuit TV cameras. The renovations to the existing Wilburtha Station include and are not limited to new roof, soffits, ADA compliant visitor bathroom, lighting, ceilings, wall finishes, new security systems, card readers, closed circuit TV cameras, and new fiber optic data lines. The remodeled building will house site Security Guards and will serve as the main badging building for visitors to the Campus.

During 2013 design development was completed and the project was put out to bid. A construction contract was awarded during September 2013 and renovations for the Security Command Center commenced. Project closeout was completed in 2015.

Project Budget: \$4,566,000

NJ Department of Treasury Taxation Building



The exterior joint sealants throughout the façade of the Taxation Building are in poor condition and allow water to enter the building envelope. Exterior joint sealants are the primary seal for window and spandrel panel frames and between granite and concrete panels. The fourth floor bridge from the Taxation Building to 33 West State Street is no longer utilized and is leaking and is recommended that it be removed and the wall and fenestration be reconstructed at both buildings. The project scope is to include replacement of joint sealants and glazing sealants throughout the exterior; cutting of glazing gaskets, removal of repair sealants and the installation of new structural glazing sealants at the third through tenth floors; investigate the feasibility for the removal of the bridge to 33 West State Street and reconstruction of the exterior walls; re-pointing of the brick veneer and the replacement of cracked brick at the south end of the east façades.

Technical and fee proposals were received April 14, 2011 from randomly selected Design Consultant firms that submitted proposals for design of this project. The submitted technical proposals were evaluated and rated by the project team along with respective fee proposals a contract was awarded for design services. A scope of work was developed and put out to bid in January 2012 and bids received in April 2012. A contract was awarded to the successful low bidder in May 2012.

This project was substantially completed by December 2012 and all contracts have been closed.

Project Budget: \$1,100,000

Richard J. Hughes Justice Complex Skylight Replacement



The objective of this project is to mitigate water infiltration from the skylight system glazing and framework. The skylight system was integrated in the original design of the Justice Complex when it was constructed nearly 30 years ago. The normal life expectancy of the skylight system is approximately 15 years. The skylight system has been reported to be leaking for the past several years and water infiltration is evident in many areas of the building.

The project scope will include replacement of 256 insulated glass units along with removal of the entire extruded aluminum crossbar framework of the skylight system. Other work includes removal of all caulking within the extruded aluminum compression bars and mullions and replaced with new structural sealants. Repairs and replacement of the flashings at the ridge and eave of the skylight system are also needed and included in this project.

Technical and fee proposals were received from randomly selected Design Consultant firms that submitted proposals for design of this project and were evaluated and rated by the project team. A contract was awarded for design services in July 2011 and construction documents were put out to bid. Bids were received in July 2012 and a construction contract was awarded to the successful low bidder in August 2012.

This skylight system was successfully replaced and all contracts were closed during the first quarter of 2013.

Project Budget: \$782,460

NJ Statehouse Visitors Complex and Parking Garage



The State House Parking Garage, which is part of the Capitol Complex, was adversely affected by three 50-year flood events which resulted in millions of dollars of restoration costs to equipment and materials. A 2007 structural investigation of the State House Parking Garage prompted by the flood events identified structural damage to State House Parking Garage that needs to be repaired in order to avoid future, more serious level of repairs to the State House Parking Garage. The project scope will include the repair of open column base and wall cracks, overhead concrete cracking, CMU spalling, unsealed concrete floors, open slab and retaining wall cracking, concrete spalling and corroded reinforcing steel at column bases, missing or deteriorated joint sealants at expansion joints and repairs to localized patching failures.

Technical proposals were received from interested structural engineering consultants during October 2011 and a design contract was awarded during January 2012. Design development followed and construction documents were submitted to and approved by the Department of Property Management and Construction Plan Review Unit at the end of 2012. Bids for the construction were received in May 2013 and a construction contract was awarded in June 2013. Construction work was completed during the first quarter of 2014.

Project Budget \$2,000,000

New Jersey State Museum

The objective of this project is to address the aging infrastructure of the New Jersey State Museum located in Trenton; to protect the health and safety of the State Museum's constituency; and to secure its collections. The project includes enhancements to the HVAC and electrical systems; upgrades to the security structure; installation of a fire suppression system; asbestos remediation; and renovation of vestibules, windows, walls, ceilings and roof. These improvements will bring the State Museum up to code so that collections may be borrowed from other museums providing greater cultural opportunities for the citizens of New Jersey.

The scope of work for design was completed in May 2003 and the contract was awarded by the end of October. The project team evaluated options for relocating and storing the existing museum collection during renovations. It was decided that most of the collection could be stored securely within the museum. The items that were too large to move safely were protected by metal stud frames and fire rated plywood.

In early fall 2004, the museum collection was relocated; a comprehensive fire safety plan was established and implemented; and a temporary security system was installed. The system permitted the monitoring of the museum collection while in storage and during renovations. Components of the temporary system were utilized in the permanent installation. Due to its complexity, the remaining project was put out to bid in four separate packages: general construction, HVAC, electrical and plumbing. Bids were awarded in the summer of 2005.

Asbestos abatement, installation of new ductwork for the HVAC system and electrical upgrades in the mezzanine and storage area were completed by November 2006. By January 2007, first floor demolition was completed enabling the start of framing and ductwork. In March, the general contractor abandoned the project, and that contract was terminated by the State. Work continued with the surety. Eventually, however, the surety was also terminated for default of its contractual obligations. Once a new contractor was secured, work steadily progressed toward completion.

Construction of the walls and ceilings, electrical installation, and renovation of the bathrooms quickly proceeded. By mid December 2007, most interior construction was completed, and a partial Certificate of Acceptance was approved. Staff moved into the 2nd and 3rd floors offices.

In 2008, installation of the plumbing, electrical, lighting, and security systems were completed, and all systems were tested. New vestibules were constructed, and the museum exterior was painted. Final inspections were conducted in May 2008 and the Museum was turned over to the Department of State for reopening.

Project Cost: \$16,000,000



NJ State Police Emergency Operations Center

The final component of the 2002 Series A Additional Project consisted of the construction of a facility to accommodate the State Police Emergency Management Section and Emergency Operations Center in Ewing, New Jersey. The Emergency Operations Center includes (i) a 47,500 square foot building with office space and crisis management centers for State Police and Governor’s Office personnel, as well as bunk and shower facilities, pre-packaged meal cafeteria, and back-up water, power and communications provisions and (ii) a 120-space parking area. Construction on this component of the 2002 Series A Additional Project began in May, 2004 with a majority of construction being completed by summer 2006. A second story shell addition, and its interior fit-out were funded directly by the Department of Law and Public Safety and completed in October 2009. A Certificate of Occupancy was received November 2009 and became fully operational in 2010.



Project Cost: \$ 31,043,963

New Jersey State Richard J. Hughes Justice Complex

The objective of this project is to ensure that the integrity of the safety, HVAC, electrical, structural and operational components of the facility is maintained. The original project included replacement of the atrium glass, installation of a new roofing system and repairs to the first and second levels of the parking garage. The majority of those projects were completed by 2004.



As the initial renovations progressed, additional projects were added to the scope of work and were addressed as funding permitted. Considerable renovations to the lobby area were completed during the course of 2004. These included installation of safety film, the construction of entrance and exit vestibules, and the replacement spline ceilings. Throughout the building, walls were repaired and painted, and carpeting was replaced as needed.

Extensive upgrades were made to the existing security structure and include a central monitoring system, card readers, package scanners and magnetometers at all entrances, additional lighting throughout the parking garages, and closed circuit surveillance equipment to monitor activity in and around the building. Guard booths were relocated and anti-ram barriers, roll-up doors, gate arms and stop lights were installed. External renovations included refurbishing the loading dock area, replacing the snow melting system and resurfacing the parking areas. Emergency egress walks, plaza waterproofing, and roofing on the north and west wings were replaced. The day care center playground was resurfaced, and new equipment was installed.

In December 2005, a construction contract to remodel thirty-four bathrooms was awarded. Demolition began in early 2006 and all public restrooms were completed by June. After major renovations were completed, new furniture was placed in public areas and was completed by end of 2006.

Project Cost: \$21,000,000

Select Past NJBA Project Highlights

<u>Project Description</u>	<u>Project Period</u>	<u>Project Cost</u>
Dept. of Corrections, Southwoods State Prison The Bridgeton Prison Project was comprised of the construction of a 1,355,000 square foot medium security prison including a poultry processing plant and a central kitchen which services prison facilities throughout the State. The project added approximately 3,000 beds to the State prison system. This facility is fully operational and has been occupied since 1997.	1993—2000	\$234,455,586
Dept. of State, Cultural Campus Renovation (Phase 1) This project involved the total demolition and renovation of the buildings mechanical systems and equipment.	1997—2001	\$ 16,058,298
Taxation Building Renovations This project included upgrades to the air handler units, energy management and fire safety systems and to make the building ADA compliant.	1997– 1998	\$ 6,513,297
Dept. of Transportation Engineering & Operations Building Improvements Upgrades to communications and data cabling. Bringing HVAC systems up to current building codes and ensure fire safety compliance.	2000—2004	\$ 8,400,340
Dept. of Law & Public Safety State Police Troop C Headquarters Firing Range & Technology Complex The new headquarters includes barracks and a firearms range, fueling station, emergency generator, transformer, heliport, communications tower, surface parking and other amenities. These projects have been completed and were within budget.	2001—2003	\$ 83,049,000
Dept. of Transportation Upgrade fire alarm systems in all DOT main campus buildings. Repair damaged flooring and complete modernization of elevators in three DOT campus buildings.	2004—2009	\$ 3,655,749
Labor Building Renovation Extensive renovation, asbestos abatement Total interior and exterior refurbishing and replacement of materials and finishes. Make building ADA compliant. Upgrade HVAC and plumbing systems, replace sidewalks.	2002—2007	\$ 18,357,371

Select Past NJBA Project Highlights

<u>Project Description</u>	<u>Project Period</u>	<u>Project Cost</u>
<p>Old Barracks Museum Complete historic restoration of Old Barracks entailing archaeological research. Restoration of roof, porches and parade ground. Installation of a perimeter stockade fence. Complete assessment of the structural integrity of the buildings and the development of a building maintenance program.</p>	<p>1998—2001</p>	<p>\$ 6,623,237</p>
<p>War Memorial Renovate and historically restore the interior and exterior of the building to its original 1920's appearance. Install new railings and sound system. Upgrade lighting and make the building ADA compliant and handicapped accessible.</p>	<p>1996—2004</p>	<p>\$33,586,014</p>
<p>Thomas Edison College Restoration and renovation of six historic townhouses located at 105-115 W. State Street. The building exteriors were restored to reflect the original 19th Century appearance and the interiors were converted to modern office space for Thomas Edison State College personnel. A new addition connects the townhouses and the Kelsey Building. Restoration of antique exterior clock, refinishing exterior windows and remediation and repair of damage by water and ice. Install new gutters, downspouts and sewer lines.</p>	<p>1998—2006</p>	<p>\$ 14,294,056</p>
<p>Pinelands Commission Headquarters Renovate existing farm buildings for office use. The farmhouse was completely renovated. The exterior of the building, including windows, were restored to state historic specifications the old roof was replaced. The carriage house was structurally reinforced and painted. The windows were restored and a new bathroom was added. The barn was converted into office space which required the installation of a bathroom, heating and air conditioning systems, a security access system, and a telecommunication system. The barn roof was also replaced during the renovation.</p>	<p>2004—2006</p>	<p>\$ 2,002,646</p>
<p>TOTAL COST OF THESE PAST RENOVATION/RESTORATION PROJECTS:</p>		<p>\$426,995,594</p>

Acquisition of State Office Building

Richard J. Hughes Justice Complex, Acquisition Cost: \$80,682,136

Up until 1999, all of the Building Authority’s financing activities involved the construction, renovation and restoration of various office buildings, historical structures and correctional facilities. In late 1999, the Building Authority financed the acquisition of an existing building, the Richard J. Hughes Justice Complex.

The cost of acquisition and construction of the complex was financed through the issuance of bonds by the MCIA consisting of \$50 million State Justice Complex Revenue Bonds, 1978 Series A, \$60.2 million State Justice Complex Revenue Bonds, 1979 Series A, and \$2.175 million State Justice Complex Revenue Bonds, 1985 Series A. The MCIA Bonds were defeased to maturity with proceeds from the secondary offering of the Custody Receipts. Pursuant to the MCIA Lease, the State paid the MCIA an amount of rent equal to the sum of (1) the debt service on the Custody Receipts outstanding; (2) payments in lieu of taxes due to the City of Trenton; and (3) the administrative fees and expenses of the MCIA, the Custodian and the MCIA Lease Trustee. The State’s payment obligations under the MCIA Lease were subject to, and dependent upon, appropriations being made by the State Legislature, from time to time, for such purpose. During the term of the MCIA Lease, the State was responsible for, and paid all costs of, operating the Justice Complex and making all necessary repairs and replacements to the Justice Complex.

On October 1, 1999, the Building Authority issued \$134.9 million of New Jersey Building Authority Revenue Bonds, 1999 Series. From the proceeds, \$80.7 million was used to acquire the Richard J. Hughes Justice Complex. Upon defeasance of the Custody Receipts, the MCIA Lease was terminated and the MCIA conveyed the Justice Complex to the State which then ground leased it to the Authority pursuant to an amendment to the Ground Lease.





***Financial History of the
New Jersey Building Authority***

Initial Project Financing

Construction of the Environmental Protection Building, Mary Roebling Building, Community Affairs Building, Department of Transportation Annex, Pest Control Laboratory, and Bank Street Garage

To maximize investment earnings during the construction period, the Authority designed a two and one-half year temporary bond issue with interest capitalized for the life of the loan. On December 23, 1981, the Authority sold \$129 million of Revenue Bonds, secured by a lease agreement with the State and rated "Aa" by Moody's and "AA-" by Standard and Poor's, at a coupon rate of 10.5%. The bonds were due on August 1, 1984. The reinvestment of proceeds, according to a projected cash draw-down schedule, was made at a very favorable average return of approximately 14 percent.

Preparation for the long-term financing of the initial project began in September of 1982 but a planned November bond sale was postponed when interest rates moved upward. The sale was eventually consummated on January 13, 1983 when an issue of \$157.1 million refunding bonds was underwritten at a net interest cost of 9.83%. In December 1985, the Authority refinanced its outstanding debt at an interest cost of 9.39%. In May, 1987, the Authority refinanced a portion of the 1985 bonds to achieve debt service savings of \$13 million over the life of the bonds. In September, 1997, a portion of the 1987 bonds were refunded with the 1997 Bond Series.

State House Complex Improvements Financing

*Restoration and Renovation of the State House and State House Annex
Construction of the State House Garage, State House Plaza and Stacy Park*

The Authority issued \$49.7 million of Revenue Bonds, 1989 Series to finance the first phase of the project. The bonds were issued at an interest cost of 7.518%. In January, 1994, a portion of these bonds were refunded with the 1994 Series Bonds. In September, 1991, the Authority issued \$74.9 million of bonds to finance the second phase of the improvements. The 1991 Series Bonds were issued as capital appreciation bonds (CABS). These bonds are also a series of Garden State Savings Bonds. During 1990 and 1993 the Authority applied for and received two Historic Preservation Grants from the New Jersey Historic Trust. The grants, which were \$530,450 and \$64,000 respectively, were used to help fund the State House improvements.

1994 Project Financing

*Construction of South Woods State Prison, Renovation of the Education, Labor and Taxation Buildings,
Restoration and Renovation of the Old Barracks, War Memorial, and Edison Townhouses
Completion financing for the State House Complex Improvements.*

On January 13, 1994, the Building Authority issued \$314.9 million of New Jersey Building Authority Building Revenue Bonds, 1994 Series. A portion of these bonds were issued as capital appreciation bonds (CABS).

From the proceeds, \$38.8 million was used to advance refund certain outstanding debt; \$249.2 million was used to pay project construction costs. The balance of the proceeds were used to fund accrued and capitalized interest and pay the costs of issuance. The 1994 Series bonds were issued at a yield of 5.0326%.

1995 Financing

The Authority issued no new bonds in 1995.

On July 20, 1995, the Authority entered into a collateralized flexible repurchase agreement.

1996 Financing

The Authority issued no new bonds in 1996.

1997 Project Financing

*Completion financing for the 1994 Projects
Replacement of Labor Building Exterior Panel
Repair and Restoration of the State House Dome*

On September 17, 1997, the Building Authority issued \$224.6 million of New Jersey Building Authority Revenue Bonds, 1997 Series. \$103.2 million of the proceeds were used to refund a portion of the 1987 Series; \$102.5 million was used to complete the costs of the 1994 projects; \$12.3 million was used to finance the Labor Building Exterior Panel Replacement project; and \$9 million was used to pay for the cost of the repair and restoration of the State House Dome. The balance of the proceeds were used to fund accrued and capitalized interest and pay the costs of issuance. The bonds were issued at a yield of 5.0286%.

Additional funding for the State House Dome project was provided through other sources. \$1 million in State appropriations were made available through the Joint Management Commission and approximately \$2 million through private donations and fundraising initiatives. One such fundraising initiative was "Dimes for the Dome". During the week of May 5 - 9 1997, New Jersey school children voluntarily participated in a week-long fundraising drive to raise money for the dome repair and restoration. These students collected dimes and other coins by hosting varied events. They raised over \$48,000, the exact amount needed to gold leaf the dome.

1998 Financing

The Authority issued no new bonds in 1998.

1999 Project Financing

*Acquisition of the Richard J. Hughes Justice Complex
Construction of the Division of Revenue/State Police Facility*

On October 1, 1999, the Building Authority issued \$134.9 million of New Jersey Building Authority Revenue Bonds, 1999 Series.

From the proceeds, \$80.7 million was used to acquire the Richard J. Hughes Justice Complex; \$55 million will be used to pay for the construction of a new State Police Multi-Purpose Building and Troop C Headquarters. The balance of the proceeds will be used to fund accrued and capitalized interest and pay the costs of issuance. The bonds were issued at a yield of 5.3150%.

2000 Project Financing

Renovation of the Richard J. Hughes Justice Complex

Construction of the Improvements to the Department of Transportation E & O Building

On August 1, 2000, the Building Authority issued \$29.0 million of New Jersey Building Authority Revenue Bonds, 2000 Series A.

From the proceeds, \$21.0 million will be used to finance the renovations of the Richard J. Hughes Justice Complex; \$7.5 million will be used to finance the construction of the improvements to the Department of Transportation Engineering & Operations Building. The balance of the proceeds will be used to fund accrued and capitalized interest and pay the costs of issuance. The bonds were issued at a yield of 5.1023%.

2001 Financing

The Authority issued no new bonds in 2001.

2002 Project Financing

Construction of the State Police Office of Emergency Management and Emergency Operations Center

Renovation of the State Museum and the Pinelands Commission Headquarters,

Completion Funding for the State Police Technology/Multi-Purpose Building and Troop C Headquarters

On November 15, 2002, the Building Authority issued \$65 million of NJBA Revenue Bonds, 2002 series A.

From the proceeds, \$26.8 million was used to finance the construction of the State Police Emergency Management and Emergency Operations Center; \$14.1 million was used to finance the renovation of the State Museum; \$23.2 million was used to finance the completion of the construction of the State Police Technology/Multi-Purpose Building and Troop C Headquarters; \$1 million of existing Building Authority proceeds was used to finance the renovations of the Pinelands Commission Headquarters. The balance of the 2002 A proceeds was used to fund accrued and capitalized interest and pay the costs of issuance. The bonds were issued at a variable rate yield.

On November 15, 2002, the Building Authority issued \$210 million of NJBA Revenue and Refunding Bonds, 2002 series B. Those bonds represent a partial refunding of previous issues. The bonds were issued at a variable rate yield.

2003 Project Financing

On August 15, 2003, the Building Authority issued \$190 million of NJBA Revenue Bonds, 2003 Series A.

The 2003 Bonds were issued by the Authority to provide proceeds to refund all or a portion of the 1994 Series Bonds, the 1999 Series Bonds, the 2000 Series A Bonds and the 2002 Series A Bonds (the "Bonds to be Refunded") and to pay for costs of issuance of the 2003 Bonds.

2004 Project Financing

*New Jersey Department of Transportation
Elevator Renovations, Limited Floor Re-Tiling and Fire Alarm System Upgrade*

On December 1, 2004, the Authority issued \$4.08 million of New Jersey Building Authority Revenue Bonds, 2004 Series A.

The 2004 Series A proceeds are being used to finance the (i) renovation of the elevators in the New Jersey Department of Transportation Engineering and Operations Building, the New Jersey Department of Transportation Main Office Building and the New Jersey Department of Transportation Finance and Administration Building, (ii) re-tiling work in the main lobby and one stairway of the New Jersey Department of Transportation Engineering and Operations Building and (iii) upgrading the fire alarm systems in the New Jersey Department of Transportation Engineering and Operations Building, the New Jersey Department of Transportation Main Office Building and the New Jersey Department of Transportation Finance and Administration Building.

On December 7, 2004, the Authority issued \$48.8 million of New Jersey Building Authority Revenue Bonds, 2004 Series B.

The 2004 Series B Bonds were issued to refund certain maturities of the Outstanding 1991 Series Bonds, 1999 Series Bonds, 2000 Series A Bonds and 2002 Series A Bonds of the Authority in the aggregate original principal amount of \$34,629,816.60 and to pay costs of issuance of the 2004 Series B Bonds.

2005 Project Financing

The Authority issued no new bonds in 2005.

2006 Project Financing

New Jersey Public Health, Environmental and Agriculture Laboratory Project

On August 17, 2006, the Authority issued \$48.7 million of New Jersey Building Authority Revenue Bonds, 2006 Series A. The 2006 Series A was used to finance the initial construction phase of an approximately 200,000 square feet public health, agriculture and environmental laboratory, located in Ewing Township, New Jersey. Construction began in 2008 and completed in 2010.

2007 Project Financing

New Jersey Public Health, Environmental and Agriculture Laboratory Project

On November 7, 2007, the Authority issued \$96.67 million of New Jersey Building Authority State Building Revenue Bonds 2007 Series A and \$119.68 million of New Jersey Building Authority State Building Refunding Bonds 2007 Series B.

2009 Project Financing

On June 2, 2009, the Authority issued \$90.47 million of New Jersey Building Authority Revenue Refunding Bonds, 2009 series A. The 2009 Series A Bonds were issued to refund a portion of the 1991 Series Bonds, the 1999 Series Bonds, the 2000 Series A Bonds, the 2002 Series A Bonds, the 2004 Series A Bonds, the 2006 Series A Bonds, the 2007 Series A Bonds, and the 2007 Series B Bonds. On December 1, 2009, the Authority issued \$30.9 million of New Jersey Building Authority Revenue Refunding Bonds, 2009 Series B. The 2009 Series B Bonds were issued to refund a portion of the 2002 Series B Bonds. Both refunding issues provided the State short-term debt service savings.

2010 Project Financing
The Authority issued no new bonds in 2010.

2011 Project Financing

In November 2011, the Authority issued \$54.4 million of New Jersey Building Authority Refunding Bonds, 2011 Series A Bonds. The 2011 Series A Bonds were issued to refund a portion of the 2002 Series A Bonds, the 2002 Series B Bonds, the 2004 Series B Bonds, the 2006 Series A Bonds, the 2007 Series A Bonds and the 2009 Series A Bonds. This refunding provided the State with short-term debt service savings.

2012 Project Financing

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 will be used to begin the State House Exterior Restoration Project and the Mechanical and Electrical Equipment Relocation Project.

2013 Project Financing

On November 22, 2013, the Authority issued \$47.62 million of State Building Revenue Bond Anticipation Notes, Series 2013; \$258.58 million of State Revenue Refunding Bonds, Series A and \$21.625 million of State Building Revenue Refunding Bonds, Series B. The 2013 Series Notes were issued to fund completion of the two 2012 projects mentioned above and fund the payment of the maturing Bond Anticipation Notes, Series 2012. The 2013 Series A&B Refunding Bonds were issued to refund the remaining outstanding 2003 Series A Bonds and pay the termination costs attributable to the Swaps associated with the 2003 Bond Issuance. Additionally, 2013 Series A&B Bonds were issued to refund portions of the 2011A, 2009A&B, 2007A&B, 2006A and 2004B State Building Revenue Bonds.

2014 & 2015 Project Financing

The Authority issued no new bonds in 2014 and 2015.

2016 Project Financing

In March 2016, the Authority issued \$97.585 million of New Jersey Building Authority 2016 Series A Refunding Bonds. The 2016 Series A Bonds were issued to partially refund the remaining portion of the 2006 Series A Bonds, and fully refund the remaining portion of the 2007 Series A Bonds and the 2013 Series Notes. This refunding provided the State with short-term debt service savings.

2017 Project Financing

The Authority issued no new bonds. However, both The Authority's 2012 and 2013 State Building Revenue Bond Anticipation Notes respectively were defeased and replaced by alternative State Bond Funding to address to Executive State House Project.

Financial Statements

See Appendix A for the combined financial statements for the year ended December 31, 2017 along with the report of the independent public accountants.

Past and Present Members of the Board of Directors

<u>Name</u>	<u>Affiliation</u>	<u>Years Served</u>
Nancy Beer	Program Associate, The Woodrow Wilson School, Princeton University	1981-1985
William I. Blanchard	Assistant Treasurer, Wm. Blanchard Co.	1996-2004
Jerry Della Salla	Business Manager, Bricklayers and Allied Craftworkers	2004
Sean Earlen	Silvi Group Companies	2012-present
Stephen R. Ehrlich	President, Windemere Associates	1996-2005 <i>Chairman 1996-2001</i>
Bernard Ekelchick	School Teacher, Edison, New Jersey	1981-1982
Alfred L. Faiella	Executive Director, Newark Economic Development Corporation	1981-1982
John H. Fisher III	Governmental Affairs Specialist Archer & Greiner	1991-present <i>Chairman 1991-1994</i> <i>Chairman 2002-Present</i>
Dale Florio	Partner, Princeton Public Affairs Group	1991-1994
Michael Hartsough	Attorney, Hartsough, Kenny & Chase	1986-1994 <i>Chairman 1994</i>
William Hering, Jr., Esquire	Attorney, Hering, Hoffman & Gannon Law Firm	1996-2001
Edward L. Hoffman	Publisher, The Trentonian	1981-1988
James Kearney	President, BCC Construction LLSC	2004-2007
Donald J. Kennedy	Business Manager, IBEW, Local 269	1986-1995
Karen Kominsky	Associate, Policy Management & Communications, Inc.	1993-1996 <i>Acting Chairwoman 1995</i>

Past and Present Members of the Board of Directors

<u>Name</u>	<u>Affiliation</u>	<u>Years Served</u>
<i>Aladar G. Komjathy</i>	<i>Director, The Stewart Agency</i>	<i>1989-1998</i>
<i>Kurt R. Krueger Jr.</i>	<i>Bus. Mgr./Finance Secretary/Treasurer Local Union #322 Plumbers & Pipefitters</i>	<i>2018-present</i>
<i>John R. Lacy, Jr.</i>	<i>Publisher</i>	<i>1986-1988</i>
<i>Joseph Lazur</i>	<i>President, National Siding Co.</i>	<i>1984-1985</i>
<i>William Maer</i>	<i>Partner, Public Strategy Impact</i>	<i>2005-2012</i>
<i>Charles Marciante</i>	<i>Business Manager, IBEW, Local 269</i>	<i>1996-2008</i>
<i>Arthur Maurice</i>	<i>Associate, New Jersey Business and Industry Association</i>	<i>1994-1995</i>
<i>Edward F. Meara, III</i>	<i>Chairman Executive Director, Mercer County Chamber of Commerce</i>	<i>1981-1992</i> <i>Chairman 1981-1982</i>
<i>Peter J. McDonough, Jr.</i>	<i>Partner, Princeton Public Affairs Group</i>	<i>1989-1990</i>
<i>Dennis McNerney</i>	<i>Bergen County Executive</i>	<i>2004-present</i>
<i>William T. Mullen</i>	<i>President, NJ Building and Construction Trades Council</i>	<i>2008-present</i>
<i>Dean Munley</i>	<i>Howard Savings Bank</i>	<i>1983-1985</i>
<i>Frank Nero</i>		<i>1990 Chairman</i>
<i>Prentis C. Nolan, III</i>	<i>President, PC Nolan & Associates, Inc.</i>	<i>1999-present</i>
<i>John S. Pehlivanian, Esquire</i>	<i>Attorney, Pehlivanian & Braaten, LLC</i>	<i>1996-2007</i>
<i>Maurice T. Perilli</i>	<i>Executive Vice President and Board Chairman, Roma Savings Bank</i>	<i>1992-1994</i>
<i>Edward Pulver</i>	<i>Secretary/Treasurer, New Jersey AFL-CIO</i>	<i>1981-1985</i>

Past and Present Members of the Board of Directors

<u>Name</u>	<u>Affiliation</u>	<u>Years Served</u>
<i>Ramon Rivera</i>	<i>Executive Director, La Casa de Don Pedro</i>	<i>1981-1983</i>
<i>Richard Rowson</i>	<i>Business Agent, IBEW, Local 351</i>	<i>1997-2002</i>
<i>Morris Rubino</i>	<i>Manger/Financial Secretary and Treasurer Ironworkers Local Union No. 68</i>	<i>2005-2015</i>
<i>W. Harry Sayen</i>	<i>Board Chairman Emeritus, Mercer Rubber Co.</i>	<i>1981-1992</i>
<i>Leonard Sendelsky</i>	<i>Builder</i>	<i>1986-1991</i>
<i>Morton A. Siegler</i>	<i>President, Morton A. Siegler Associates</i>	<i>1983-1987 Chairman 1983-1987</i>
<i>William C. Sproule</i>	<i>NJ Regional Council of Carpenters</i>	<i>2008-present</i>
<i>Charles E. Stapleton</i>	<i>President, Impact Government Relations</i>	<i>1986-1990</i>
<i>John H. Walther</i>	<i>Board Chairman, New Jersey National Bank</i>	<i>1981-1985</i>
<i>Kim Whelan</i>	<i>Managing Director, Public Financial Mgmt.</i>	<i>1998-2005</i>

Past and Present Ex-Officio Members of the Board Directors

<u>Name</u>	<u>State Office Held</u>	<u>Years Served</u>
<i>Bradley I. Abelow</i>	<i>State Treasurer</i>	<i>2006-2007</i>
<i>Douglas Berman</i>	<i>State Treasurer</i>	<i>1989-1990</i>
<i>Kenneth R. Biederman</i>	<i>State Treasurer</i>	<i>1981-1982</i>
<i>Brian W. Clymer</i>	<i>State Treasurer</i>	<i>1993-1997</i>
<i>Samuel Crane</i>	<i>State Treasurer</i>	<i>1991-1992</i>
<i>Michellene Davis</i>	<i>Acting State Treasurer</i>	<i>2007</i>
<i>William R. DeLorenzo, Jr.</i>	<i>Chairman, Commission on Capital Budgeting & Planning</i>	<i>1989-1993</i>
<i>James A. DiEleuterio, Jr.</i>	<i>State Treasurer</i>	<i>1997-1999</i>
<i>Michael Ferrara</i>	<i>Acting Comptroller of the Department of the Treasury</i>	<i>1993</i>
<i>Edward G. Hofgesang</i>	<i>Comptroller of the Department of the Treasury</i>	<i>1981-1982</i>
<i>Charlene Holzbaur</i>	<i>Director, Division of Budget & Accounting Department of the Treasury</i>	<i>1999-2015</i>
<i>Michael Horn</i>	<i>State Treasurer</i>	<i>1983-1985</i>
<i>Eugene Jacobson</i>	<i>Chairman, Commission on Capital Budgeting & Planning</i>	<i>1981-1985</i>
<i>Richard Keevey</i>	<i>Comptroller, Department of the Treasury</i>	<i>1989-1992</i>
<i>Peter R. Lawrance</i>	<i>Acting State Treasurer</i>	<i>2001</i>
<i>Roland M. Machold</i>	<i>State Treasurer</i>	<i>1999-2001</i>
<i>John McCormac</i>	<i>State Treasurer</i>	<i>2002-2005</i>
<i>Benedict T. Marino</i>	<i>Chairman, Commission on Capital Budgeting & Planning</i>	<i>1986-1988</i>
<i>B. Carol Molnar Esq.</i>	<i>Chair, Commission on Capital Budgeting & Planning</i>	<i>1994-present</i>
<i>Elizabeth Maher Muoio</i>	<i>State Treasurer</i>	<i>2018-present</i>
<i>Feather O'Connor</i>	<i>State Treasurer</i>	<i>1986-1988</i>
<i>Elizabeth Pugh</i>	<i>Department of the Treasury</i>	<i>1994-1999</i>
<i>David Ridolfino</i>	<i>Dir., Division of Budget & Accounting Department of Treasury</i>	<i>2015-present</i>
<i>R. David Rousseau</i>	<i>State Treasurer</i>	<i>2008-2010</i>
<i>Andrew P. Sidamon-Eristoff</i>	<i>State Treasurer</i>	<i>2010 -2015</i>
<i>Ford M. Scudder</i>	<i>State Treasurer</i>	<i>2015-2018</i>
<i>Richard Standiford, III</i>	<i>Comptroller, Dept . Of Treasury</i>	<i>1983-1988</i>

***Past and Present Executive Directors
1981—2017***

<u>Name</u>	<u>Years Served</u>
David T. Beale	1981—1995
Charles Chianese	1995—2010
Raymond A. Arcario	2011—Present



State of New Jersey
New Jersey Building Authority
PO Box 292
Trenton, NJ 08625-0292

CHRIS CHRISTIE
Governor
KIM GUADAGNO
Lt. Governor

John H. Fisher III
Chairman

CERTIFICATION

I, Raymond A. Arcario – Executive Director of the New Jersey Building Authority, certify that during the preceding year the Authority has, to the best of my knowledge, followed all of the Authority's standards, procedures, and internal controls.

A handwritten signature in black ink, appearing to read "Ray", followed by a horizontal line.

Raymond A. Arcario

Executive Director – New Jersey Building Authority



***Appendix A
New Jersey Building Authority
Financial Statements***

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULE**

December 31, 2017

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, 2017 and 2016, 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 audits 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.

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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, 2017 and 2016, 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, the financial statements have been reissued and restated to correct an error. 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 three through six and schedule of proportionate share of net pension liability and contributions on page thirty 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 report dated June 11, 2018, except for Note J as to which the date is November 26, 2018, 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 audit 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

June 11, 2018, except for Note J as to which the date is November 26, 2018

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the New Jersey Building Authority's (the "Authority") annual financial report represents our discussion of the Authority's financial performance and provides an overview of the Authority's activities for the years ended December 31, 2017 and 2016. 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

- \$59,875,000 of outstanding bonds payable for 2007 Series B, 2009 Series A, 2009 Series B, 2013 Series A, 2013 Series B, and 2016 Series A were paid off by \$36,676,734 of unused Building Authority reserves and \$23,198,266 from a transfer from the State of New Jersey as part of the New Jersey Economic Development Authority ("NJEDA") State Lease Revenue Bonds 2017 Series A issuance.

Construction

- Construction-In-Progress outlays totaled \$1,713,233.
- The Executive State House Renovation and Restoration project was financed through the NJEDA. The project is being managed by the NJBA on behalf of the Division of Property Management and Construction ("DPMC") and the Department of the Treasury ("Treasury").

Overview of the Financial Statements

The annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include the Statements of Net Position and Governmental Funds Balance Sheet and the Statements of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balance/Net Position. The required supplementary information includes schedule of proportionate share of net pension liability and contributions.

With regard to the State of New Jersey, the Authority is a component unit which provides services 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the Authority's finances. The Statements 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 Statements 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) - Statements of Net Position

	December 31,			Change 2017-2016
	2017	2016	2015	
Current assets	\$ 89,077	\$ 119,170	\$ 132,039	(25.25)%
Non-current assets and deferred outflows of resources	<u>197,380</u>	<u>307,907</u>	<u>382,753</u>	(35.90)%
Total assets and deferred outflows of resources	<u>286,457</u>	<u>427,077</u>	<u>514,792</u>	(32.93)%
Current liabilities	80,448	72,768	131,936	10.55 %
Non-current liabilities and deferred inflows of resources	<u>199,459</u>	<u>340,889</u>	<u>362,214</u>	(41.49)%
Total liabilities and deferred inflows of resources	<u>279,907</u>	<u>413,657</u>	<u>494,150</u>	(32.33)%
Fund balance/net position	<u>\$ 6,550</u>	<u>\$ 13,420</u>	<u>\$ 20,642</u>	(51.19)%

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Changes in Net Position (in thousands) - Statements of Activities

	Year Ended December 31,			Percentage Change 2017-2016
	2017	2016	2015	
Revenues				
Investment income	\$ 151	\$ 182	\$ 51	(17.03)%
State rental payments	13,529	18,126	23,965	(25.36)%
State appropriation for administrative costs	602	556	511	8.27 %
Total revenues	<u>14,282</u>	<u>18,864</u>	<u>24,527</u>	(24.29)%
Expenditures				
Debt Service:				
Interest	9,985	19,633	21,155	(49.14)%
Construction expense	-	6,596	-	100.00 %
Other administrative expenses	686	652	623	5.21 %
Total expenditures	<u>10,671</u>	<u>26,881</u>	<u>21,778</u>	(60.30)%
Other financing uses	<u>10,481</u>	-	-	100.00 %
Changes in fund balance/net position	(6,870)	(8,017)	2,749	(14.31)%
Fund balance/net position, beginning of year	13,420	20,642	17,893	(34.99)%
Cumulative effect of prior period adjustment	-	795	-	- %
Net position, end of year	<u>\$ 6,550</u>	<u>\$ 13,420</u>	<u>\$ 20,642</u>	(51.19)%

Cash Receipts

State debt service receipts of \$77.5 million, of which \$13.5 million was associated with 2017 interest payments and \$64 million with principal payments was received in 2017. Additional transfers from the State of \$23.2 million were also received for additional debt service payments made during the year. State debt service receipts of \$96.5 million, of which \$18.1 million was associated with 2016 interest payments and \$78.4 million with principal payments was received in 2016.

The Authority received a state appropriation of \$0.602 and \$0.556 million to cover its 2017 and 2016, Administrative Budget, respectively, the majority of which was used for salary and payroll related expenses of its four full-time and one part-time employees. The NJBA also provides management for projects funded by other Authorities or Agencies and procured through DPMC. Particularly, large scale projects that benefit from the expertise resident in the NJBA.

Construction Contract Payments

Construction expenditures in 2017 and 2016 totaled \$1.7 and \$3.2 million, respectively, and are detailed in Table 1.

Table 1

Construction Contract Payments	2017 (in thousands)	2016 (in thousands)
State House Exterior	\$ 1,611	\$ 2,049
Health Lab	(29)	170
State House Garage	2	-
M&E Equipment Relocation	109	977
State House Air Handler	21	7
State Museum	-	1
Total	<u>\$ 1,713</u>	<u>\$ 3,203</u>

NEW JERSEY BUILDING AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of December 31, 2017, the design phase of the Executive State House renovation and restoration project is on-going.

Debt Service

During 2017, the Authority made principal payments of \$64.0 million. In addition to these payments \$59.8 million of debt service was paid off through payment of \$36.6 million from excess Authority reserves and \$23.2 million from the State of New Jersey related to the issuance of NJEDA State Lease Revenue Bonds 2017 Series A. Table 2 summarized these changes in debt service between the calendar years 2017 and 2016.

Table 2 (in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	Percentage Change <u>2017-2016</u>
Bonds payable	<u>\$ 251,865</u>	<u>\$ 375,760</u>	<u>\$ 410,840</u>	<u>(32.97)%</u>
	<u>2017</u>	<u>2016</u>	<u>2015</u>	Percentage Change <u>2017-2016</u>
Bond Anticipation Note Payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,620</u>	<u>- %</u>

The Authority Bond Ratings as of December 31, 2017 and 2016, were as follows:

	<u>2017</u>	<u>2016</u>
Fitch Ratings	A-	A-
Moody's Investor Service, Inc.	A3	A3
Standard & Poor's Rating Services	BBB+	BBB+

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.

<u>Investment Grade</u>	<u>Fitch</u>	<u>Moody's</u>	<u>Standard & Poor's</u>
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.

BASIC 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, 2017

	<u>Governmental Funds</u>	<u>Adjustments (Note F)</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and equivalents- restricted	\$ 10,256,851	\$ -	\$ 10,256,851
Current minimum lease payments receivable	-	78,820,000	78,820,000
Long-term minimum lease payments receivable	-	<u>173,045,000</u>	<u>173,045,000</u>
Total assets	<u>\$ 10,256,851</u>	<u>\$ 251,865,000</u>	<u>\$ 262,121,851</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	\$ -	\$ 275,160	\$ 275,160
Loss on advanced refunding of bonds	-	<u>24,060,321</u>	<u>24,060,321</u>
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ 24,335,481</u>	<u>\$ 24,335,481</u>
LIABILITIES			
Accounts payable			
Other	\$ 147,234	\$ (34,658)	\$ 112,576
Contractor retainage payable	125,156	-	125,156
Net pension liability	-	868,976	868,976
Accrued bond interest payable	-	520,940	520,940
Current bonds payable	-	78,820,000	78,820,000
Long-term bonds payable	-	173,045,000	173,045,000
Unamortized bond premiums, net of discounts	-	<u>26,041,656</u>	<u>26,041,656</u>
Total liabilities	<u>\$ 272,390</u>	<u>\$ 279,261,914</u>	<u>\$ 279,534,304</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	\$ -	<u>372,989</u>	<u>\$ 372,989</u>
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ 372,989</u>	<u>\$ 372,989</u>
FUND BALANCE/NET POSITION			
Restricted	\$ 9,984,461	\$ -	\$ 9,984,461
Deficit	-	<u>(3,434,422)</u>	<u>(3,434,422)</u>
Total fund balance/net position	<u>\$ 9,984,461</u>	<u>\$ (3,434,422)</u>	<u>\$ 6,550,039</u>

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

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
December 31, 2016

	<u>Governmental Funds</u>	<u>Adjustments (Note F)</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and equivalents- restricted	\$ 49,305,081	\$ -	\$ 49,305,081
Current minimum lease payments receivable	-	69,865,000	69,865,000
Long-term minimum lease payments receivable	-	264,146,259	264,146,259
Construction in progress	-	13,969,797	13,969,797
Total assets	<u>\$ 49,305,081</u>	<u>\$ 347,981,056</u>	<u>\$ 397,286,137</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	\$ -	\$ 397,551	\$ 397,551
Loss on advanced refunding of bonds	-	29,393,640	29,393,640
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ 29,791,191</u>	<u>\$ 29,791,191</u>
LIABILITIES			
Accounts payable			
Other	\$ 794,569	\$ -	\$ 794,569
Contractor retainage payable	223,658	-	223,658
Net pension liability	-	1,113,394	1,113,394
Accrued bond interest payable	-	771,331	771,331
Current bonds payable	-	69,865,000	69,865,000
Long-term bonds payable	-	305,895,000	305,895,000
Unamortized bond premiums, net of discounts	-	34,729,068	34,729,068
Total liabilities	<u>\$ 1,018,227</u>	<u>\$ 412,373,793</u>	<u>\$ 413,392,020</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	\$ -	\$ 265,148	\$ 265,148
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ 265,148</u>	<u>\$ 265,148</u>
FUND BALANCE/NET POSITION			
Restricted	\$ 48,286,854	\$ -	\$ 48,286,854
Deficit	-	(34,866,694)	(34,866,694)
Total fund balance/net position	<u>\$ 48,286,854</u>	<u>\$ (34,866,694)</u>	<u>\$ 13,420,160</u>

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, 2017

	Governmental Funds	Adjustments (Note F)	Statement of Activities
REVENUES			
Investment income	\$ 151,412	\$ -	\$ 151,412
State rental payments	13,529,224	-	13,529,224
State principal payments	64,020,000	(64,020,000)	-
State appropriation for administrative costs	<u>602,168</u>	<u>-</u>	<u>602,168</u>
Total revenues	<u>78,302,804</u>	<u>(64,020,000)</u>	<u>14,282,804</u>
EXPENDITURES			
Capital outlay	1,713,233	(1,713,233)	-
Debt service			
Principal	64,020,000	(64,020,000)	-
Interest	13,529,224	(3,544,370)	9,984,854
Other administrative expenses	<u>666,006</u>	<u>20,395</u>	<u>686,401</u>
Total expenditures	<u>79,928,463</u>	<u>(69,257,208)</u>	<u>10,671,255</u>
(Deficiency)/excess of revenues over expenditures	<u>(1,625,659)</u>	<u>5,237,208</u>	<u>3,611,549</u>
OTHER FINANCING SOURCES/(USES)			
Transfer from State	23,198,266	(23,198,266)	-
Minimum Lease Receivable Write-off	-	(10,481,670)	(10,481,670)
Payment to bond refunding escrow agent	<u>(59,875,000)</u>	<u>59,875,000</u>	<u>-</u>
Total other financing uses	<u>(36,676,734)</u>	<u>26,195,064</u>	<u>(10,481,670)</u>
Changes in fund balance/net position	(38,302,393)	31,432,272	(6,870,121)
Fund balance/net position			
Beginning of year	<u>48,286,854</u>	<u>(34,866,694)</u>	<u>13,420,160</u>
End of year	<u>\$ 9,984,461</u>	<u>\$ (3,434,422)</u>	<u>\$ 6,550,039</u>

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, 2016

	Governmental Funds	Adjustments (Note F)	Statement of Activities
REVENUES			
Investment income	\$ 181,895	\$ -	\$ 181,895
State rental payments	18,126,530	-	18,126,530
State principal payments	78,420,000	(78,420,000)	-
State appropriation for administrative costs	<u>556,275</u>	<u>-</u>	<u>556,275</u>
Total revenues	<u>97,284,700</u>	<u>(78,420,000)</u>	<u>18,864,700</u>
EXPENDITURES			
Capital outlay	3,203,692	(3,203,692)	-
Debt service			
Principal	78,420,000	(78,420,000)	-
Interest	20,597,764	(965,129)	19,632,635
Construction expense	-	6,596,713	6,596,713
Other administrative expenses	<u>587,902</u>	<u>63,898</u>	<u>651,800</u>
Total expenditures	<u>102,809,358</u>	<u>(75,928,210)</u>	<u>26,881,148</u>
Deficiency of revenues over expenditures	<u>(5,524,658)</u>	<u>(2,491,790)</u>	<u>(8,016,448)</u>
OTHER FINANCING SOURCES/(USES)			
Long-term debt issued	97,585,000	(97,585,000)	-
Bond issuance costs	8,506,206	(8,506,206)	-
Payment to bond refunding escrow agent	<u>(103,619,972)</u>	<u>103,619,972</u>	<u>-</u>
Total other financing sources (uses)	<u>2,471,234</u>	<u>(2,471,234)</u>	<u>-</u>
Changes in fund balance/net position	<u>(3,053,424)</u>	<u>(4,963,024)</u>	<u>(8,016,448)</u>
Fund balance/net position			
Beginning of year	29,089,502	(8,447,914)	20,641,588
Prior period adjustment	<u>22,250,776</u>	<u>(21,455,756)</u>	<u>795,020</u>
Beginning of year, as restated	<u>51,340,278</u>	<u>(29,903,670)</u>	<u>21,436,608</u>
End of year	<u>\$ 48,286,854</u>	<u>\$ (34,866,694)</u>	<u>\$ 13,420,160</u>

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

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.

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.

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

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

<u>Fund Accounts</u>	<u>Amount</u>	<u>Use for Which Restricted</u>
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.

Cash and cash equivalents include amounts on deposit and are restricted to construction project purposes. The following sets forth the cash and cash equivalent balances in the above funds:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Construction fund	\$ 9,909,928	\$ 48,900,269
Debt service	88,340	54,204
Rebate and other	258,583	350,608
	<u>\$ 10,256,851</u>	<u>\$ 49,305,081</u>

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

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Minimum Lease Payments Receivable

Minimum lease payments receivable are due from the State as the lessee and are equal to the annual debt service of the outstanding bonds. The leases are accounted for as direct financing leases.

Deferred Outflows and Inflows of Resources

The Statement of Net Position and Governmental Funds Balance Sheet reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

The Authority is required to report the following as deferred outflows of resources and deferred inflows of resources:

Pension Plan - The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the Authority's proportion of expenses and liabilities to the pension as a whole, differences between the Authority's pension contribution and its proportionate share of contributions, and the Authority's pension contributions subsequent to the pension valuation measurement date.

Gain/Loss on Advance Refunding of Bonds - The Authority has performed advance refundings, material differences between the reacquisition price and net carrying amounts of the old debt are deferred and amortized over the life of the new debt, whichever is shorter.

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.

Fund Balance/Net Position

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

Unrestricted (deficit) net position consists of the Authority's net activity.

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.

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

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

New Pronouncements

GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

Statement 75 provides guidance for reporting by state and local governments that provide other postemployment benefits ("OPEB"), such as retiree health insurance, to their employees and for governments that finance OPEB for employees of other governments. Statement 75 is effective for fiscal years beginning after June 15, 2017. The Authority will implement Statement 75 for the year ending December 31, 2018.

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, 2017 and 2016. 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, 2017 and 2016, the Authority's cash balances were as follows:

	<u>December 31, 2017</u>		<u>December 31, 2016</u>	
	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.	\$ 254,405	\$ 254,405	\$ 346,463	\$ 346,463
Amount collateralized with securities held by the pledging financial institution's trust department in the Authority's name.	<u>5,392,070</u>	<u>5,392,070</u>	<u>5,398,876</u>	<u>5,398,876</u>
Total	<u>\$ 5,646,475</u>	<u>\$ 5,646,475</u>	<u>\$ 5,745,339</u>	<u>\$ 5,745,339</u>

Cash equivalents are stated at fair market value. Original cost basis and fair market value at December 31, 2017 and 2016, are summarized as follows:

	<u>December 31, 2017</u>		<u>December 31, 2016</u>	
	<u>Original Cost</u>	Fair Market Value	<u>Original Cost</u>	Fair Market Value
New Jersey Cash Management Fund (Level 1 Investments)	<u>\$ 4,610,378</u>	<u>\$ 4,610,378</u>	<u>\$43,559,741</u>	<u>\$ 43,559,741</u>

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NOTES TO FINANCIAL STATEMENTS

C. MINIMUM LEASE PAYMENTS RECEIVABLE

Future minimum lease payments receivable from the State as of December 31, 2017, are as follows:

2018	\$ 89,365,585
2019	55,868,975
2020	23,377,125
2021	19,194,450
2022	24,874,300
2023-2027	58,425,850
2028-2030	<u>25,431,625</u>
	296,537,910
Less amounts representing interest	<u>(44,672,910)</u>
	<u>\$ 251,865,000</u>

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, 2017 and 2016, was as follows:

Balance, December 31, 2016	\$ 375,760,000
Reductions	<u>(123,895,000)</u>
Balance, December 31, 2017	<u>\$ 251,865,000</u>
Balance, December 31, 2015	\$ 410,840,000
Additions	97,585,000
Reductions	<u>(132,665,000)</u>
Balance, December 31, 2016	<u>\$ 375,760,000</u>

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, 2017, the amount of defeased general obligation debt outstanding but removed from the Authority's long-term debt amounted to \$335,820,000.

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NOTES TO FINANCIAL STATEMENTS

D. BONDS PAYABLE (CONTINUED)

Defeased Bonds (Continued)

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

2018	\$ 96,165,000
2019	74,120,000
2020	24,580,000
2021	21,455,000
2022	22,795,000
2023-2027	80,905,000
2028-2030	15,800,000
Total	<u>\$ 335,820,000</u>

E. FUTURE DEBT SERVICE PAYMENTS

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

	Principal	Interest	Total
2018	\$ 78,820,000	\$ 10,545,585	\$ 89,365,585
2019	48,810,000	7,058,975	55,868,975
2020	17,990,000	5,387,125	23,377,125
2021	14,555,000	4,639,450	19,194,450
2022	20,925,000	3,949,300	24,874,300
2023-2027	46,950,000	11,475,850	58,425,850
2028-2030	23,815,000	1,616,625	25,431,625
	<u>\$ 251,865,000</u>	<u>\$ 44,672,910</u>	<u>\$ 296,537,910</u>

F. 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.

Loss on advance refunding net of amortization:

	December 31,	
	2017	2016
2002 refunding	\$ 135,585	\$ 162,927
2007 refunding	572,596	801,456
2009 refunding	1,362,435	1,609,486
2013 refunding	21,718,241	26,332,719
2016 refunding	271,464	487,052
	<u>\$ 24,060,321</u>	<u>\$ 29,393,640</u>

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NOTES TO FINANCIAL STATEMENTS

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

(2) When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are 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,	
	2017	2016
Cost of property and equipment	\$ 74,350	\$ 74,350
Accumulated depreciation	(74,350)	(74,350)
Property and equipment, net	<u>\$ -</u>	<u>\$ -</u>
Construction in progress	<u>\$ -</u>	<u>\$ 13,969,797</u>
Capital outlay	<u>\$ 1,713,233</u>	<u>\$ 3,203,692</u>

(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,	
	2017	2016
Minimum lease receivable	<u>\$251,865,000</u>	<u>\$334,011,259</u>

(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,	
	2017	2016
Accrued bond interest payable	<u>\$ 520,940</u>	<u>\$ 771,331</u>
Related adjustment to interest expense, net of amortization	<u>\$ (3,544,370)</u>	<u>\$ (965,129)</u>
Bonds payable	<u>\$251,865,000</u>	<u>\$ 375,760,000</u>
Unamortized bond premiums, net of discounts	<u>\$ 26,041,656</u>	<u>\$ 34,729,068</u>

Amortization expense included in interest expense in the governmental funds differs from amortization expense in the statement of activities (\$5,339,367 in 2017 and \$3,422,836 in 2016, 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.

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NOTES TO FINANCIAL STATEMENTS

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

- (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.

	<u>Year Ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Principal payments made	<u>\$123,895,000</u>	<u>\$ 78,420,000</u>

- (6) The amounts received from the State for debt service principal payments of \$64,020,000 and \$78,420,000 during 2017 and 2016, respectively, constitute governmental fund revenues and thus are not included in the Authority's statements of activities. An additional \$59,875,000 of outstanding bonds payable for 2007 Series B, 2009 Series A, 2009 Series B, 2013 Series A, 2013 Series B, and 2016 Series A were paid off by \$36,676,734 of unused Building Authority reserves and \$23,198,266 from a transfer from the State of New Jersey as part of the New Jersey Economic Development Authority ("NJEDA") State Lease Revenue Bonds 2017 Series A issuance.
- (7) The Authority had an arbitrage rebate calculation performed at December 31, 2017, that resulted in no liability due to the Internal Revenue Service.

G. 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.

H. PENSION PLAN

The Authority's permanent full-time 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

NEW JERSEY BUILDING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

H. PENSION PLAN (CONTINUED)

Plan Description

PERS is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions established by N.J.S.A. 43:15A to provide coverage to all full-time employees of the State of New Jersey or any municipality, county, school district, or public agency within the State, provided the employee is not a member of another State administered retirement system. Membership is mandatory. 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/annrpts.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.

<u>Tier</u>	<u>Definition</u>
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 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 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 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.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. The local employers' contribution amounts 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 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 due in the fiscal year ended June 30, 2012, and will be adjusted by the rate of return on the actuarial value of assets.

NEW JERSEY BUILDING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

H. PENSION PLAN (CONTINUED)

Contributions (Continued)

Authority employees are required to contribute a percentage of their salary toward their pension benefits. P.L. 2011, c78, effective June 28, 2011, increased the active member contribution rate from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years. The payment of automatic cost-of-living adjustment ("COLA") additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law. The percentage of employee's contribution rate as a percentage of covered payroll for 2017 and 2016 was 7.27% and 7.13%, respectively. The payroll subject to pension for the Authority's employees was \$383,017 and 225,351 for the years ended December 31, 2017 and 2016, respectively.

The Authority is required by statute to contribute to the employee's pension benefits based on an annual actuarial calculation. The valuation is a determination of the financial condition of the retirement system. The PERS employer pension contribution rates were 12.46% and 11.92% for the years ended December 31, 2017 and 2016, respectively. The Authority's required annual contributions were \$34,582 and \$33,397 for the years ended December 31, 2017 and 2016, respectively.

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

The Authority pension expense recognized in accordance with the requirements of GASB 68 was \$20,395 and \$63,898 at December 31, 2017 and 2016, respectively. At December 31, 2017 and 2016, the Authority had a liability of \$868,976 and \$1,113,394, respectively, for its proportionate share of the net pension liability in PERS. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. For purposes of measuring the net pension liability, the plan's fiduciary net position has been determined on the same basis as they are reported for PERS. Benefit payments are recognized when due and payable in accordance with the benefit terms and investments are measured at their fair value. 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, 2017 and 2016, the Authority's proportion was .0037329721% and .0037592905%, respectively, which was a decrease of .00002% from its proportion measured as of June 30, 2016, and a decrease of 0.000016% from its proportion measured as of June 30, 2015, respectively. The employer allocation percentages are based on the ratio of the contributions of an individual employer to the total contributions to PERS during the measurement period. At December 31, 2017 and 2016, respectively, the Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

NEW JERSEY BUILDING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

H. PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

	PERS			
	2017		2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,461	\$ -	\$ 20,706	\$ -
Changes in assumptions	175,069	174,427	230,636	-
Net difference between projected and actual investment earnings on pension plan investments	5,917	-	42,455	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	73,713	198,562	103,754	265,148
Authority contributions subsequent to the measurement date	-	-	-	-
	<u>\$ 275,160</u>	<u>\$ 372,989</u>	<u>\$ 397,551</u>	<u>\$ 265,148</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending December 31,</u>	
2018	\$ 20,457
2019	30,869
2020	18,705
2021	(24,878)
2022	(142,982)
	<u>\$ (97,829)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases: through 2026 (based on age)	1.65-4.15%
Salary increases: thereafter (based on age)	2.65-5.15%
Investment rate of return	7.00%

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.08%
Salary increases: through 2026 (based on age)	1.65-4.15%
Salary increases: thereafter (based on age)	2.65-5.15%
Investment rate of return	7.65%

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

NOTES TO FINANCIAL STATEMENTS

H. PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

For PERS, pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back two years for males and seven years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back one year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back three years for males and set forward one year for females).

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) 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. The long-term expected rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates 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 of each major asset class included in PERS's target asset allocation as of June 30, 2017, are summarized in the following table:

Asset Class	2017	
	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash	5.50%	1.00%
U.S. Treasuries	8.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

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NOTES TO FINANCIAL STATEMENTS

H. PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

Asset Class	2016	
	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Intermediate-Term Bonds	0.00%	0.00%
Mortgages	2.00%	1.67%
High-Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

The discount rate used to measure the total pension liability was 5.00% and 3.98% as of June 30, 2017 and 2016, respectively. The single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.65%, and a municipal bond rate of 3.58% and 2.85% as of June 30, 2017 and 2016, 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 contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2017, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% point lower or 1% point high than the current rate:

	At 1% Decrease (4.00%)	At Current Discount Rate (5.00%)	At 1% Increase (6.00%)
2017	\$ 1,078,024	\$ 868,976	\$ 694,814
	At 1% Decrease (2.98%)	At Current Discount Rate (3.98%)	At 1% Increase (4.98%)
2016	\$ 1,364,334	\$ 1,113,394	\$ 906,221

NEW JERSEY BUILDING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

I. COMMITMENTS AND CONTINGENCIES

The Authority has contract commitments totaling approximately \$0 and \$41,740,000 as of December 31, 2017 and 2016, respectively. Such commitments relate to various architectural and construction contracts under various projects.

J. PRIOR YEAR RESTATEMENT - CORRECTION OF AN ERROR

During the year 2016, \$22.3 million previously recorded as accounts payable on the governmental funds balance sheet was reduced to zero. The transition of the State House project to NJEDA made those amounts to no longer be liabilities of the Authority. As a result, the 2016 year financial statements were restated to correct for this matter. In addition, a prior period adjustment as of January 1, 2016 was required for a deferred revenue item of \$795,020 that was to be recognized as revenue.

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 year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 11, 2018, except for Note J as to which the date is November 26, 2018.

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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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

June 11, 2018, except for Note J as to which the date is November 26, 2018

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

SCHEDULE OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None reported.

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

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

None reported.

REQUIRED SUPPLEMENTARY SCHEDULE

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

PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS

	PERS - Last 10 Fiscal Years			
	2017	2016	2015	2014
Authority's proportion of the net pension liability	0.0037329721 %	0.0037592905 %	0.0037490761 %	0.0058670362 %
Authority's proportionate share of net pension liability	\$ 868,976	\$ 1,113,394	\$ 841,592	\$ 1,098,470
Authority's covered-employee payroll	383,017	225,351	258,611	318,789
Authority's proportionate share of net pension liability as a % of payroll	227%	494%	310%	344.58%
Total pension liability	1,674,326	1,859,898	1,616,211	2,292,337
Plan fiduciary net position	805,350	746,504	774,619	1,193,868
Plan fiduciary net position as a % of total pension liability	48.10%	40.14%	47.93%	52.08%

	PERS - Last 10 Fiscal Years			
	2017	2016	2015	2014
Contractually required contribution	\$ 34,582	\$ 33,397	\$ 32,232	\$ 48,367
Contributions in relation to the contractually required contribution	34,582	33,397	48,367	40,834
Authority's covered employee payroll	383,017	225,351	271,899	318,789
Contributions as a % of covered employee payroll	9.03%	14.82%	17.79%	12.81%