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SHERYL A. STITT
Deputy Executive Director

**MINUTES OF THE MEETING OF THE
NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
HELD AT 103 COLLEGE ROAD EAST, PRINCETON, NEW JERSEY
ON TUESDAY, JUNE 26, 2018**

The meeting was called to order at 10:14 a.m. by Chairman Hodes. The New Jersey Educational Facilities Authority gave notice of the time, place and date of this meeting via fax and email on June 11, 2018, to The Star Ledger, The Times of Trenton and the Secretary of State and by posting the notice at the offices of the Authority in Princeton, New Jersey. Pursuant to the New Jersey Open Public Meetings Act, a resolution must be passed by the New Jersey Educational Facilities Authority in order to hold a session from which the public is excluded.

AUTHORITY MEMBERS PRESENT:

Joshua Hodes, Chair (via phone)
Elizabeth Maher Muoio, State Treasurer, Treasurer (represented by David Moore) (via phone)
Zakiya Smith Ellis, Secretary of Higher Education (represented by Diana Gonzalez) (via phone)
Louis Rodriguez (via phone)

AUTHORITY MEMBERS ABSENT:

Ridgeley Hutchinson, Vice Chair

STAFF PRESENT:

Sheryl A. Stitt, Acting Executive Director
Brian Sootkoos, Director of Finance-Controller
Ellen Yang, Director of Compliance Management
Zachary Barby, Communications/Special Projects Assistant
Rebecca Clark, Project Management Assistant
Matthew Curtis, Information Technology Manager
Carl MacDonald, Project Manager
Jacqueline McFadyen, Associate Project Manager
Jamie O'Donnell, Senior Communications Manager

Sheila Toles, Exec. Assistant/Human Resources Manager
Gary Vencius, Accounting Manager
Lisa Walker, Accountant

ALSO PRESENT:

Brian McGarry, Esq., Deputy Attorney General
Adam Sternbach, Esq., Governor's Authorities Unit

ITEMS OF DISCUSSION

1. Resolution of the New Jersey Educational Facilities Authority Accepting and Adopting the Financial Statements and Independent Auditors' Report for 2017

Mr. Moore reported that the Audit Committee consisting of himself, Assistant State Treasurer Dini Ajmani and Mr. Hutchinson met on June 12, 2018 with CliftonLarsonAllen's partner Nancy Gunza and manager Andrew Lee to discuss the annual audit. Mr. Moore then invited Ms. Gunza to provide an overview of the audit to the Members. Ms. Gunza reported that the results were an unmodified opinion and that CLA had identified no items of material weakness or significant deficiencies as it relates to internal control. She reported that in regard to bond compliance there were no areas of non-compliance. Ms. Gunza stated that it was a pleasure working with staff.

Mr. Rodriguez moved the adoption of the following entitled resolution:

RESOLUTION OF THE NEW JERSEY EDUCATIONAL
FACILITIES AUTHORITY ACCEPTING AND ADOPTING THE
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'
REPORT FOR 2017

The motion was seconded by Mr. Moore and passed unanimously.

The adopted resolution is appended as Exhibit I.

2. Report on Operating and Construction Fund Statements and Disbursements

Mr. Sootkoos reviewed the Results of Operations and Budget Variance Analysis and reported on the status of construction funds and related investments for May 31, 2018.

Mr. Moore moved that the reports be accepted as presented; the motion was seconded by Ms. Gonzalez and passed unanimously.

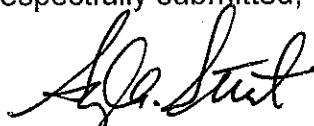
The reports are appended as Exhibit II.

3. Next Meeting Date

Mr. Hodes reminded everyone that the next meeting is scheduled for Tuesday, July 24th at 10:00 a.m. at the Authority offices and requested a motion to adjourn.

Mr. Rodriguez moved that the meeting be adjourned at 10:22 a.m. The motion was seconded by Ms. Gonzalez and passed unanimously.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "S. A. Stitt", written in a cursive style.

Sheryl A. Stitt
Acting Secretary

**RESOLUTION OF THE NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
ACCEPTING AND ADOPTING THE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT FOR 2017**

Adopted: June 26, 2018

- WHEREAS:** The New Jersey Educational Facilities Authority (the "Authority") was duly created and now exists under the New Jersey Educational Facilities Authority Law, Public Laws of 1967, Chapter 271, N.J.S.A. 18A:72A-1 et seq., as amended (the "Act"); and
- WHEREAS:** The Authority annually prepares financial statements and this year engaged the independent auditing firm of CliftonLarsonAllen LLP (the "Independent Auditors") to perform an audit of the Authority's financial statements for the year ended December 31, 2017 (the "2017 Financial Statements"); and
- WHEREAS:** The members of the Authority's Audit Committee have received and reviewed the 2017 Financial Statements and the unmodified Report of the Independent Auditors thereon dated June 12, 2018 (the "Independent Auditors' Report"); and
- WHEREAS:** The members of the Authority's Audit Committee have met with representatives of the Independent Auditors and have discussed with them the 2017 Financial Statements and the Independent Auditors' Report; and
- WHEREAS:** The members of the Authority have received the 2017 Financial Statements and the Independent Auditors' Report; and
- WHEREAS:** The members of the Authority's Audit Committee have recommended that the members of the Authority accept the 2017 Financial Statements and the Independent Auditors' Report, attached hereto as **EXHIBIT A**; and
- WHEREAS:** The members of the Authority wish to accept and approve the 2017 Financial Statements and the Independent Auditors' Report.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY AS FOLLOWS:

SECTION 1. The Authority hereby accepts and approves the 2017 Financial Statements and the Independent Auditors' Report, as attached hereto as **EXHIBIT A** and incorporated by reference as if set forth in full herein.

SECTION 2. This resolution shall take effect in accordance with the Act.

_____ Mr. Rodriguez _____ moved that the foregoing resolution be adopted as introduced and read, which motion was seconded by _____ Mr. Moore _____ and upon roll call the following members voted:

AYE: Joshua Hodes
Louis Rodriguez
Zakiya Smith Ellis (represented by Diana Gonzalez)
Elizabeth Maher Muoio (represented by David Moore)

NAY: None

ABSTAIN: None

ABSENT: Ridgeley Hutchinson

The Chair thereupon declared said motion carried and said resolution adopted.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2017 AND 2016

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
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REPORT OF MANAGEMENT

Management of the Authority is responsible for the preparation, integrity, and fair presentation of these financial statements. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, consequently, they reflect certain amounts based upon the best estimates and judgment of management.

The financial statements have been audited by the independent firm of CliftonLarsonAllen LLP, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Authority. The independent auditors' opinion is presented on page 2.

The Authority maintains a system of internal controls to provide reasonable assurance that transactions are executed in accordance with management's authorization, that financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, that assets of the Authority are properly safeguarded, and that the covenants of all financing agreements are honored. There are, however, inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention of controls. Accordingly, even an effective internal control system can provide only reasonable assurance that its goals are achieved.

Consistent with Executive Order No. 122, the Authority, through its Audit and Evaluation Committees, engages the independent auditors. The Audit and Evaluation Committees comprise individuals who are not employees of the Authority, and who meet certain standards of independence and financial expertise. The Audit Committee periodically meets with the independent auditors, and is responsible for assisting the Members of the Authority in overseeing the Authority's compliance with legal, regulatory and ethical requirements, as well as overseeing the integrity and quality of the Authority's financial statements. The independent auditors have unrestricted access to the Audit Committee.



Sheryl Stitt
Acting Executive Director



Brian Sootkoos
Director of Finance

June 12, 2018



CliftonLarsonAllen

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INDEPENDENT AUDITORS' REPORT

Management and Members
New Jersey Educational Facilities Authority
Princeton, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the New Jersey Educational Facilities Authority (the Authority), a component unit of the state of New Jersey, which comprise the statements of net position as of December 31, 2017 and 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

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 of material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of the Authority as of December 31, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 – 9, the schedule of funding progress and the schedule of employer contributions to the OPEB plan on page 28, and the schedule of proportionate share of net pension liability and schedule of employer contributions to PERS on page 29, 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 Information

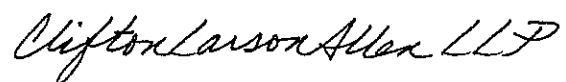
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplemental financial information on pages 30 – 41, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental financial information has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Management and Members
New Jersey Educational Facilities Authority

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 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 grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
June 12, 2018

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2017**

Introduction

This section of the New Jersey Educational Facilities Authority's ("NJEFA" or the "Authority") annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year ended December 31, 2017 and the two immediately preceding years. It should be read in conjunction with the Authority's financial statements and accompanying notes.

Background

The New Jersey Educational Facilities Authority ("NJEFA" or "Authority"), is an independent and self-supporting state entity created pursuant to Chapter 271 of the Public Laws of 1966, N.J.S.A. 18A:72A-1 et seq., as amended and supplemented (the "Act"), to provide a means for New Jersey public and private colleges and universities ("Institutions") to construct educational facilities through the financial resources of a public fiduciary empowered to sell tax-exempt and taxable bonds, notes and other obligations. NJEFA is New Jersey's primary issuer of higher education purpose municipal bonds to finance and refinance the construction and development of campus facilities at Institutions throughout the State.

The Authority finances and refinances various types of projects for approximately 50 public and private institutions of higher education in New Jersey. Projects include, but are not limited to, the construction, renovation and acquisition of residential, academic, and research facilities; libraries; technology infrastructures; student life and athletic facilities; parking structures; utilities-related projects; and refinancing of existing debt.

In conjunction with the Office of the Secretary of Higher Education, the Authority also administers the State of New Jersey's higher education capital facilities grant programs and from time to time, issues state-backed bonds under these programs to fund grants for their various purposes. These state-backed bonds are secured by a contract with the State Treasurer to pay principal of and interest on such bonds subject to appropriations being made, from time to time, by the New Jersey State Legislature (the "Legislature").

The obligations issued by the Authority are special and limited obligations of the Authority and are not a debt or liability of the State of New Jersey or of any political subdivision thereof other than the Authority, and are not a pledge of the faith and credit of the State of New Jersey or of any such political subdivision thereof. The Authority has no taxing power. The obligations issued by the Authority are payable solely from amounts received from the borrower's by the Authority under the transaction documents and amounts on deposit in certain funds established under the transaction documents.

The Authority is governed by a seven-member board composed of five public, unsalaried members appointed by the Governor with confirmation by the New Jersey Senate. The State Treasurer and the Secretary of Higher Education serve as ex-officio members and by statute, the Governor has veto authority over all actions of the Authority members.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2017**

Business Overview

Today, the NJEFA offers colleges and universities a range of services and products to meet institution's financing objectives, including tax-exempt and taxable bond financings, direct bank placement/purchase transactions, and tax-exempt equipment leasing. Financing options include new money transactions, refunding transactions or a combination of the two. More than just financing a transaction, NJEFA remains involved with their clients from concept to closing and beyond. NJEFA provides its clients with in-house expertise in the financial markets, tax and securities law, and post-issuance matters, among others. In addition, the Authority assists in the processing of all requisitioning and bond fund accounting for college borrowers; manages the investment and reinvestment of bond funds; and manages all arbitrage compliance.

The Authority's operating revenue is derived from initial and annual fees related to the issuance and administration of stand-alone bond transactions, as well as the issuance and administration of state-backed bonds under the State's higher education capital facilities grant programs.

Stand-Alone Debt Transactions

The Authority's operating revenues primarily result from initial and annual financing fees related to stand-alone financing transactions. Generally, upon the closing of a transaction, higher education institutions pay an initial financing fee to cover the services provided by NJEFA to manage and complete the desired financing. The fee is calculated using a percentage of the total issuance amount. Annual financing fees are calculated using a percentage of the total outstanding par amount on the bonds. The annual financing fee, typically referred to as the annual administrative fee, covers ongoing bond fund administration and post issuance debt compliance, including: investment of bond funds; requisition review and payment; audit support as requested; arbitrage monitoring; real estate matters; and assisting institutions with continuing post-issuance compliance matters.

State Grant Administration

The Authority, in partnership with the Office of the Secretary of Higher Education and the Department of Treasury, administers the New Jersey Higher Education Capital Grant Programs. Through NJEFA's issuance of state-backed bonds and the State's issuance of General Obligation bonds, New Jersey's institutions of higher education are able to increase capacity, modernize facilities and equipment, expand access to and provide state-of-the-art academic opportunity for New Jersey's students.

The Authority is highly involved in every aspect of the grant process and post issuance administration. During the solicitation process, the Authority assists in the development, distribution and review of applications for conformity to solicitation requirements. In consultation with the Office of the Secretary of Higher Education and the Attorney General's Office, the Authority develops grant and lease agreements in accordance with state law and regulations, reviews financing documents, and corresponds with institutions needing assistance throughout the process. The Authority receives and reviews all requisitions for approved projects. Requisitions are reviewed to ensure grant proceeds are expended only for costs of an approved project, that the institution has satisfied any obligation to match grant funding, and that reimbursement is permissible per the grant agreement and applicable IRS rules and regulations. The Authority assists the Secretary of Higher Education in fulfilling obligations under the post-issuance compliance tax procedures and in addressing any tax issues that may arise when a contract or arrangement might create "private business use" of bond-financed facilities.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2017**

The Authority's operating revenues related to the administration of the Higher Education Capital Grant Programs are derived from initial fees on NJEFA issued State-backed bonds and annual fees for ongoing bond fund and grant management and debt compliance. Generally, The Authority collects an initial fee for each completed State-backed financing and annual fees for each grant, funded throughout the term of the bonds. Both the initial fee and the annual fee are based on a contracted amount as defined in the grant or lease agreements.

Overview of Financial Statements

The Authority is a self-supporting, special purpose government entity supported entirely by fees charged for the services it provides. Accordingly, the Authority is considered an Enterprise Fund and utilizes the accrual basis of accounting. The basic financial statements provide information about the Authority's overall financial condition and operations. The notes provide explanations and more details about the content of the basic financial statements.

This report consists of three parts: management's discussion and analysis, financial statements and the accompanying notes and the required supplementary information. The three financial statements presented are as follows:

Statement of Net Position – The statement of net position presents information reflecting the Authority's assets, deferred outflow of resources, liabilities, deferred inflows of resources and net position. The Authority's net position represents the amount of total assets and deferred outflows of resources less liabilities and deferred inflows of resources and is one way to measure the Authority's financial position and operational solvency.

Statement of Revenues, Expenses and Changes in Net Position – The statement reflects the Authority's operating and nonoperating revenues and expense for the fiscal year. Nonoperating activity primarily relates to investment income.

Statement of Cash Flows – The statement of cash flows is presented using the direct method which reflects cash flows from operating, investing and capital financing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash for each year. The statement also includes a reconciliation between operating income or loss for the period per the Statement of Revenues, Expenses and Changes in Net Position to net cash provided or used from operating activities per the Statement of Cash Flows.

Financial Highlights 2017:

- The Authority issued \$1.42 billion of conduit debt for educational institutions during 2017.
- Cash and Investments represent approximately 83% of Total Assets at the end of 2017.
- The Authority's 2017 operating margin (net operating income as a percentage of operating revenues) was 3%.
- At December 31, 2017, Net Position represents 2 times 2017 total operating expenses.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2017**

During 2017, the Authority's volume of financing activity, excluding the state-backed bond programs was approximately \$70 million more than 2016. The increased volume was due primarily to the result of market conditions and increased year end activity due to proposed tax legislation. The Authority continued to work with the State's public and private institutions on their multi-year plans to invest in the upgrading of their capital facilities, technology infrastructures and capital equipment to accommodate growing demand for higher education. The Authority also helped New Jersey colleges and universities restructure outstanding issues for the greatest benefit to the institutions.

Condensed Financial Information

The following table represents condensed balance sheet information and changes between December 31, 2016 and December 31, 2017 and between December 31, 2015 and December 31, 2016:

	2017	2016	2015	Increase (Decrease) 2016 to 2017	Increase (Decrease) 2015 to 2016
Current Assets	\$ 10,541,445	\$ 9,945,170	\$ 8,672,794	6.00%	14.67%
Capital Assets, Net	104,493	78,791	50,814	32.62%	55.06%
Security Deposit	21,505	21,505	21,505	0.00%	0.00%
Deferred Outflows of Resources	1,998,397	1,238,555	779,818	61.35%	58.83%
Total Assets and Def Outflows	<u>12,665,840</u>	<u>11,284,021</u>	<u>9,524,931</u>	12.25%	18.47%
Current Liabilities	238,399	203,485	188,828	17.16%	7.76%
Noncurrent Liabilities	5,080,020	4,684,567	3,999,098	8.44%	17.14%
Total Liabilities	<u>5,318,419</u>	<u>4,888,052</u>	<u>4,187,926</u>	8.80%	16.72%
Deferred Inflows of Resources	1,198,727	400,351	160,991	199.42%	148.68%
Total Net Position	<u>\$ 6,148,694</u>	<u>\$ 5,995,618</u>	<u>\$ 5,176,014</u>	2.55%	15.83%

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2017**

The following table represents condensed information from the Statements of Revenues, Expenses, and Changes in Net Position, and changes between 2016 and 2017 and between 2015 and 2016:

	2017	2016	2015	Increase (Decrease) 2016 to 2017	Increase (Decrease) 2015 to 2016
Operating Revenues:					
Administrative Fees	\$ 3,166,792	\$ 4,011,165	\$ 3,486,547	-21.05%	15.05%
Total Operating Revenues	3,166,792	4,011,165	3,486,547	-21.05%	15.05%
Operating Expenses:					
Salaries and Related Expenses	2,167,707	2,210,933	1,519,776	-1.96%	45.48%
Provision for Postemployment Benefits	214,200	203,600	133,800	5.21%	52.17%
General Expenses	699,882	809,661	686,059	-13.56%	18.02%
Total Operating Expenses	3,081,789	3,224,194	2,339,635	-4.42%	37.81%
Net Operating Income	85,003	786,971	1,146,912	-89.20%	-31.38%
Nonoperating Revenues (Expenses):					
Loss of Asset Disposal	(1,860)	-	-	0.00%	0.00%
Investment Income	69,933	32,633	5,777	114.30%	464.88%
Change in Net Position	153,076	819,604	1,152,689	-81.32%	-28.90%
Net Position - Beginning of Year	5,995,618	5,176,014	4,023,325	15.83%	28.65%
Net Position - End of Year	\$ 6,148,694	\$ 5,995,618	\$ 5,176,014	2.55%	15.83%

Analysis of Overall Financial Position and Results of Operations

The Authority's solid financial position and strong operating results continued.

Revenues

The Authority's revenues are derived primarily from two fees; annual fees charged with respect to existing bond issues, and initial fees charged with respect to the issuance of new debt. Total revenues for 2017 decreased approximately \$844,000 from 2016 and total revenues for 2016 increased approximately \$525,000 from 2015.

Expenses

Operating expenses decreased in 2017 by 4.4% from 2016 and 2016 increased 37.8% from 2015.

Assets and Liabilities

Net position increased \$153,076, or 2.5% from 2016 to 2017 and increased \$819,604, or 15.8% from 2015 to 2016. Net position increase as a result of an increase in assets. The increase in assets is primarily related to increased investments.

Contacting the Authority's Financial Management

If you have questions about this report or need additional financial information, contact the Office of the Chief Finance Officer, New Jersey Educational Facilities Authority, 103 College Road East, Princeton, New Jersey 08540-6612. Readers are invited to visit the Authority's website at www.njefa.com.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
STATEMENTS OF NET POSITION
DECEMBER 31, 2017 AND 2016**

	2017	2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash	\$ 885,954	\$ 92,212
Investments, Principally U.S. Government Obligations	9,598,796	9,826,650
Fees Receivable	28,976	-
Prepaid Expenses and Other Assets	27,719	26,308
Total Current Assets	10,541,445	9,945,170
NONCURRENT ASSETS		
Capital Assets, at Cost, Less Accumulated Depreciation of \$543,420 and \$537,609 During 2017 and 2016, Respectively	104,493	78,791
Security Deposit	21,505	21,505
DEFERRED OUTFLOWS OF RESOURCES	1,998,397	1,238,555
Total Assets and Deferred Outflows of Resources	\$ 12,665,840	\$ 11,284,021
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 238,399	\$ 203,485
NONCURRENT LIABILITIES		
Net Pension Liability	4,442,353	4,200,640
Postemployment Benefits Other than Pension	624,737	467,762
Project Obligations	12,930	16,165
Total Noncurrent Liabilities	5,080,020	4,684,567
Total Liabilities	5,318,419	4,888,052
DEFERRED INFLOWS OF RESOURCES	1,198,727	400,351
NET POSITION		
Investment in Capital Assets	125,998	100,296
Unrestricted	6,022,696	5,895,322
Total Net Position	6,148,694	5,995,618
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 12,665,840	\$ 11,284,021

See accompanying Notes to Financial Statements.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Administrative Fees	\$ 3,166,792	\$ 4,011,165
OPERATING EXPENSES		
Salaries and Related Expenses	2,167,707	2,210,933
General and Administrative Expenses	578,309	625,782
Provision for Postemployment Benefits	214,200	203,600
Professional Fees	121,573	183,879
Total Operating Expenses	<u>3,081,789</u>	<u>3,224,194</u>
NET OPERATING INCOME	85,003	786,971
NONOPERATING REVENUE		
Loss on Asset Disposal	(1,860)	-
Investment Income	<u>69,933</u>	<u>32,633</u>
CHANGES IN NET POSITION	153,076	819,604
Net Position - Beginning of Year	<u>5,995,618</u>	<u>5,176,014</u>
NET POSITION - END OF YEAR	<u>\$ 6,148,694</u>	<u>\$ 5,995,618</u>

See accompanying Notes to Financial Statements.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Administrative Fees	\$ 3,137,816	\$ 4,002,300
Payments to Employees	(1,972,778)	(1,407,902)
Payments to Suppliers	(612,720)	(1,317,764)
Net Cash Provided by Operating Activities	552,318	1,276,634
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(15,479,213)	(10,880,412)
Sale and Maturity of Investments	15,720,193	9,651,426
Investment Income	54,947	17,818
Net Cash Provided (Used) by Investing Activities	295,927	(1,211,168)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(70,163)	(45,755)
Proceeds from Sale of Capital Assets	15,660	-
Net Cash Used by Capital and Related Financing Activities	(54,503)	(45,755)
NET INCREASE IN CASH	793,742	19,711
Cash - Beginning of Year	92,212	72,501
CASH - END OF YEAR	\$ 885,954	\$ 92,212
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net Operating Income	\$ 85,003	\$ 786,971
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	28,801	17,778
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:		
Fees Receivable	(28,976)	-
Prepaid Expenses and Other Assets	(1,411)	(8,865)
Accounts Payable and Accrued Expenses	34,914	14,658
Project Obligations	(3,235)	(3,233)
Postemployment Benefits Other than Pension	156,975	132,881
Net Pension Liability and Related Deferred Items	280,247	336,444
Net Cash Provided by Operating Activities	\$ 552,318	\$ 1,276,634
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTMENT ACTIVITIES		
Change in Fair Value of Investments	\$ 13,126	\$ 14,815

See accompanying Notes to Financial Statements.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 ORGANIZATION AND FUNCTION OF THE AUTHORITY

The New Jersey Educational Facilities Authority (the Authority), a component unit of the State of New Jersey, was created under the provisions of Chapter 106 of New Jersey Public Laws of 1966 as a public body corporate and politic. The powers of the Authority permit the sale of notes, bonds and other obligations to support the construction, acquisition and equipping of educational facilities for public and private institutions of higher education in the State of New Jersey. The Authority is also authorized, pursuant to statutory amendments, to issue State supported bonds to fund matching grants to qualified public libraries for capital improvements. The obligations issued by the Authority are conduit debt and are not guaranteed by, nor do they constitute a debt or obligation of, the State of New Jersey.

The Authority is exempt from both federal and state taxes.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

The accounts are maintained on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

In its accounting and financial reporting, the Authority follows the pronouncements of the Governmental Accounting Standards Board (GASB):

Administrative Fees

The Authority charges administrative fees to its client institutions for which bond and note sales have been completed. Such fees are considered operating revenue and are charged for services related to the structuring and administration of Authority financings, investment management of bond proceeds, monitoring of financial performance and other project costs and services. These fees are recognized as earned. The fees are used to provide sufficient funds to ensure that the Authority's operating expenses will be met, and that sufficient reserves will be available to provide for the Authority's needs.

Capital Assets

Capital assets, which consist of furniture and equipment, are carried at cost and depreciated over their useful lives using the straight-line method.

Conduit Debt

Due to the fact that the bonds and notes issued by the Authority are nonrecourse conduit debt obligations of the Authority, the Authority has, in effect, none of the risks and rewards of the related financings. Accordingly, with the exception of certain fees generated as a result of the financing transaction, the financing transaction is given no accounting recognition in the accompanying financial statements. At December 31, 2017, the amount of conduit debt outstanding totaled \$5,208,774,561.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows and Outflows of Resources

In addition to assets and liabilities, the statements of net position report separate sections of deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period which will not be recognized as an outflow of resources until that time. Deferred inflows of resources represent an acquisition of net position that applies to a future period which will not be recognized as an inflow of resources until that time.

Deferred outflows and inflows of resources for defined benefit plans result from 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 contributions and its proportionate share of contributions, and the Authority's pension contributions subsequent to the pension valuation measurement date.

Recent Accounting Standards

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74). This statement establishes financial reporting for state and local governmental other postemployment benefit (OPEB) plans and defined contribution OPEB plans that are administered through trusts or equivalent arrangements. This Statement also establishes financial reporting standards for governments that hold assets accumulated for purposes of providing OPEB through defined benefit OPEB plans that are not administered through trusts or equivalent arrangements. The provisions of this Statement are effective for financial statements in periods beginning after June 15, 2016. The Authority has determined that Statement No. 74 will have no effect on its financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). This statement establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local government employers through OPEB plans that are administered through trusts or equivalent arrangements. This Statement also establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local governmental employees through OPEB plans that are not administered through trusts or equivalent arrangements. The provisions of this Statement are effective for financial statements in periods beginning after June 15, 2017. This Statement will become effective for December 31, 2018 year-end. The Authority has not yet completed the process of evaluating the impact of GASB 75 on its financial statements.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Standards (Continued)

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The provisions in Statement No. 80 are effective for reporting periods beginning after June 15, 2016. The Authority has determined that Statement No. 80 had no effect on its financial statements.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions in Statement No. 81 are effective for reporting periods beginning after December 15, 2016. The Authority has determined that Statement No. 81 had no effect on its financial statements.

In March 2016, GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 14, No. 68, and No. 73*. Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions in Statement No. 82 are effective for reporting periods beginning after June 15, 2016. The Authority has determined that Statement No. 82 had no effect on its financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. Statement 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The provisions in Statement No.83 are effective for reporting periods beginning after June 15, 2018. The Authority has not yet completed the process of evaluating the impact of GASB 83 on its financial statements.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Standards (Continued)

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The provisions in Statement No 84 are effective for reporting periods beginning after December 15, 2018. The Authority has not yet completed the process of evaluating the impact of GASB 84 on its financial statements.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions in Statement No.85 are effective for reporting periods beginning after June 15, 2017. The Authority has not yet completed the process of evaluating the impact of GASB 85 on its financial statements.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, which is effective for fiscal years beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The Authority has not yet completed the process of evaluating the impact of GASB 86 on its financial statements.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Standards (Continued)

In June 2017, the GASB issued Statement No. 87, *Leases*, which is effective for fiscal years beginning after December 15, 2019. The primary objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Authority has not yet completed the process of evaluating the impact of GASB 87 on its financial statements.

In March 2018 the GASB issued Statement No. 88, *Certain Disclosures Related to Debt*, including Debt Borrowings and Direct Placements, which is effective for fiscal years beginning after June 15, 2018. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Authority has not yet completed the process of evaluating the impact of GASB 88 on its financial statements.

NOTE 3 DEPOSITS AND INVESTMENTS

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The types of securities which are permitted investments for Authority funds are established by New Jersey Statutes and the Authority's approved investment policy that was ratified by the Authority's board in 2017. All funds of the Authority may be invested in obligations of, or guaranteed by, the United States Government. In addition, certain funds of the Authority may be invested in: obligations of agencies of the U.S. government; obligations of, or guaranteed by, the State of New Jersey; collateralized certificates of deposit and repurchase agreements; commercial paper; corporate bonds and other securities which are authorized for investment per the Authority's investment policy.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

As of December 31, 2017 and 2016, the Authority had the following recurring fair value measurements using current sale prices or sale prices of comparable securities for U.S. Treasury Bills (Level 2 inputs) and using net asset value (NAV) per share valuation for Money Market Mutual Funds for investments and cash equivalents, and maturities:

	2017	2016
Investments:		
U.S. Treasury Bills	\$ 9,438,279	\$ 9,667,224
Money Market Mutual Fund	160,517	159,426
Total Investments	\$ 9,598,796	\$ 9,826,650

In 2017 and 2016, the Authority had \$160,517 and \$159,426, respectively, invested in a money market mutual fund, which invests in short-term and other obligations of the U.S. Treasury.

In accordance with Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures* (GASB 40), the Authority has assessed the Custodial Credit Risk, the Concentration of Credit Risk, Credit Risk and Interest Rate Risk of its Cash and Investments.

- (a) Custodial Credit Risk – The Authority’s deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the depositor-government’s name. The deposit risk is that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority’s investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority and are held by either: the counterparty or the counterparty’s trust department or agent but not in the Authority’s name. The risk is that, in the event of the failure of the counterparty to a transaction, the Authority will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

At December 31, 2017 and 2016, the Authority’s bank balance excluding payments and deposits in transit was \$931,143 and \$99,708, with \$681,143 and \$0 held in uncollateralized accounts in excess of federal depository insurance limits, respectively.

As of December 31, 2017 and 2016, the Authority’s investments consisted of U.S. Treasury Bills in the amount of \$9,438,279 and \$9,667,224, respectively, and Money Market Mutual Funds in the amount of \$160,517 and \$159,426, respectively. Since the investments are registered in the Authority’s name they are not exposed to custodial credit risk.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

- (b) Concentration of Credit Risk – This is the risk associated with the amount of investments the Authority has with any one issuer that exceed five percent of its total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The Authority’s investment policy places a five percent limit on the amount it may invest in any one issuer except U.S. Treasury securities which does not have a limit. At December 31, 2017 and 2016, the Authority was not exposed to a concentration of credit risk.
- (c) Credit Risk – GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority’s Money Market Mutual Fund is not rated.
- (d) Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority has a written investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations, additionally the Authority from time to time evaluate its investment portfolio to determine if, based on the interest rate environment, other investment vehicles would provide higher yields that lower the cost and risk. As of December 31, 2017, the U.S. Treasury Bills had maturities ranging from January 4, 2018 through May 24, 2018.

For the years ended December 31, investment income comprised the following:

	2017	2016
Interest Earnings	\$ 56,807	\$ 17,818
Net Increase in Fair Value of Investments	13,126	14,815
Total Investment Income	\$ 69,933	\$ 32,633

NOTE 4 RETIREMENT PLANS

The Authority’s employees participate in the Public Employees Retirement System of New Jersey (PERS), a cost sharing multiple-employer defined benefit plan. The PERS is administered by the New Jersey Division of Pensions and Benefits. The Division issues a publicly available financial report that includes financial statements and required supplementary information and can be found at:

www.state.nj.us/treasury/pensions/annrpts.shtml.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 4 RETIREMENT PLANS (CONTINUED)

The PERS provides retirement, death and disability benefits to qualified members. Membership is open to most state, county, municipal, authority, school board employees and elected officials who are not required to become members of any other NJ state retirement system and is mandatory in most cases given the requirements for eligibility are met. Vesting and benefit provisions are established by N.J.S.A. 43:15A. All benefits vest after ten years of service, except for medical benefits which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to 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.

The PERS is maintained on an actuarial reserve basis with contribution requirements of plan members determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members enrolled in the Public Employees' Retirement System were required to contribute 5.5% of their annual base salary. Effective October 1, 2011, in accordance with Chapter 78, P.L. 2011, employee contributions to the PERS were increased to 6.5% of base salary. For employees enrolled in the retirement system prior to October 1, 2011, the increase was effective with the first payroll amount to be paid on or immediately after October 1, 2011. Subsequent increases are scheduled to be phased in on July 1st of each year over a seven year period bringing the total pension contribution rate to 7.5% of base salary as of July 1, 2018. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 4 RETIREMENT PLANS (CONTINUED)

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

- Actuarial cost method is entry age normal, level percent of pay.
- Straight-line amortization of investments over five years and amortization of assumption changes and noninvestment gains/losses over the average expected remaining service lives of all employees that are provided benefits.
- Inflation of 2.25%.
- Investment return of 7.00%, including inflation.
- Salary increases of 1.65 – 4.15% based on ages subsequent years through 2026, 2.65 – 5.15% thereafter.
- Asset Valuation using fair (market) value.
- Mortality rates based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2013 base on Projection Scale AA.

In accordance with State statute, the long-term expected rate of return on pension plan investments was determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table below.

PERS' policy in regard to the allocation of invested plan assets is established and may be amended by the PERS Board of Trustees. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

Asset Class	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	3.00	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 Asset	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%
	<u>100.00 %</u>	

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 4 RETIREMENT PLANS (CONTINUED)

The discount rate used to measure the total PERS pension liability was 5.00% and 3.98% as of June 30, 2017 and 2016, respectively. This 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 contribution rate and that contributions from employers will be based on the average of the last five years of contributions made in relation to the last five years of recommended 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 to determine the total pension liability.

The following presents the Authority's proportionate share of the PERS net pension liability calculated using the discount rate of 5.00% and 3.98%, as of June 30, 2017 and 2016, respectively, as well as what the collective net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

Sensitivity of the Authority's Proportionate Share of the PERS Net Pension
Liability to Changes in the Discount Rate

	1% Decrease 4.00%	Current Rate 5.00%	1% Increase 6.00%
2017	\$5,511,040	\$4,442,353	\$3,552,004
<hr/>			
	1% Decrease 2.98%	Current Rate 3.98%	1% Increase 4.98%
2016	\$5,147,394	\$4,200,640	\$3,419,012

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, the fiduciary net position of PERS and additions to or deductions from PERS's fiduciary net position have been determined on the same basis as they are reported in the PERS's financial statements. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Detailed information about PERS' fiduciary net position is available in the PERS Comprehensive Annual Financial Report, which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 4 RETIREMENT PLANS (CONTINUED)

PERS measured the net pension liability as of June 30, 2017. The total PERS pension liability used to calculate the net pension liability was determined by rolling forward the total pension liability calculated as of July 1, 2016, to June 30, 2017. PERS calculated the employer's proportion of the net pension liability using the ratio of each employer's one-year contributions to total participating employers' contributions for the group. At June 30, 2017, the Authority's proportion was .01908%, an increase of .0049% from its proportion calculated as of June 30, 2016.

For the year ended December 31, 2017, the Authority recognized PERS' pension expense of \$457,036. At December 31, 2017, deferred outflows of resources and deferred inflows of resources related to the PERS pension are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of Assumptions	\$ 894,981	\$ 891,700
Changes in Proportions	968,565	307,027
Net Difference Between Projected and Actual Investment Earnings	30,249	-
Difference Between Expected and Actual Experience	104,602	-
	<u>\$ 1,998,397</u>	<u>\$ 1,198,727</u>

For the year ended December 31, 2016, the Authority recognized PERS' pension expense of \$476,498. At December 31, 2016, deferred outflows of resources and deferred inflows of resources related to the PERS pension were as follows.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of Assumptions	\$ 870,148	\$ -
Changes in Proportions	130,114	400,351
Net Difference Between Projected and Actual Investment Earnings	160,174	-
Difference Between Expected and Actual Experience	78,119	-
	<u>\$ 1,238,555</u>	<u>\$ 400,351</u>

Deferred outflows of resources and deferred inflows of resources related to pensions as of December 31, 2017 will be recognized as PERS pension expense as follows.

Year Ending December 31,	Amortization
2018	\$ 241,192
2019	284,248
2020	245,576
2021	27,770
2022	884
Total	<u>\$ 799,670</u>

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
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NOTE 5 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

The Authority, as permitted by Chapter 88, P.L. 1974 as amended by Chapter 436, P.L. 1981, provides postemployment medical benefits for eligible retired employees through participation in the New Jersey Health Benefits Program as sponsored and administered by the state of New Jersey. The Authority does not issue a publicly available financial report for the plan which for financial reporting purposes is considered a single employer defined benefit health care plan. Employees become eligible for these benefits upon retirement after 25 years of creditable service in the PERS.

Benefit provisions for the plan are established and amended by the Authority's Members, and there is no statutory requirement for the Authority to continue this plan for future Authority employees. The Plan is a non-contributory plan with all payments for plan benefits being funded by the Authority.

The Authority applies the accounting provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes guidelines for reporting costs associated with "other postemployment benefits" (OPEB). OPEB costs are actuarially calculated based on benefits (other than pensions), that current and retired employees have accrued as a result of their respective years of employment service.

The Authority's annual OPEB cost for the plan is calculated based on the annual required contribution "ARC," an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Authority's annual OPEB cost for the years ended December 31, 2017 and 2016 and the related information for the plan are as follows (dollar amounts in thousands):

	2017	2016
Annual Required Contribution	\$ 259	\$ 232
Interest on the Net OPEB Obligation	22	13
Amortization of the Net OPEB Obligation	(67)	(41)
Annual OPEB Cost	214	204
Contributions Made	(57)	(71)
Change in Net OPEB Obligation	157	133
Net OPEB Obligation - Beginning of Year	468	335
Net OPEB Obligation - End of Year	<u>\$ 625</u>	<u>\$ 468</u>

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 5 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligations for fiscal years 2015 through 2017 were as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2017	\$ 214	26.64%	\$ 625
December 31, 2016	204	34.98%	468
December 31, 2015	134	397.23%	335

In April 2008, the Authority established and funded an irrevocable trust in the amount of \$2,000,000 to pay for the employee postemployment medical benefits. At December 31, 2017 and 2016, the fair value of this trust fund was \$2,736,965 and \$2,714,533, respectively.

As of January 1, 2016, the most recent actuarial valuation date, the New Jersey Educational Facilities Authority OPEB Plan was 78% funded. The actuarial accrued liability for benefits was \$3,462,400 and the actuarial value of assets was \$2,700,100, resulting in an unfunded actuarial accrued liability (UAAL) of \$762,300. The covered payroll (annual payroll of active employees covered by the plan) was \$1,180,100, and the ratio of the UAAL to the covered payroll was 65%. During 2017 and 2016, the Authority contributed approximately \$57,000 and \$71,200, respectively.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on the substantive plan (the plan understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Authority and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

For the January 1, 2016 actuarial valuation, the Authority used the actuarial assumptions of a 4% discount rate and an annual healthcare trend rate of 8% grading down to an ultimate rate of 5% in 2020.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
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NOTE 5 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

At December 31, 2017, the Plan had 20 participants of which 16 were active employees and 4 were retirees. Of the Plan participants, 4 retirees and 2 active employees were eligible to receive benefits.

NOTE 6 COMMITMENTS AND CONTINGENCIES

The Authority has an operating lease commitment for its offices at an annual rental of approximately \$190,834 through December 31, 2023.

The Authority, in the normal course of business, is involved in various legal matters. Under the terms of the agreements between the Authority and the public and private institutions of higher education, and costs associated with litigation are the obligation of the institution involved. It is the opinion of the Authority after consultation with legal counsel that its financial position will not be adversely affected by the ultimate outcome of any existing legal proceedings.

NOTE 7 NET POSITION

The Authority's net position represents the excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources and is categorized as follows:

- **Investment in Capital Assets** are the amounts expended by the Authority for the acquisition of capital assets, net of accumulated depreciation.
- **Unrestricted** is the remaining net position, which can be further categorized as designated or undesignated. The designated position is not governed by statute or contract but is committed for specific purposes pursuant to Authority policy and/or directives. The designated position includes funds and assets committed to working capital.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 8 CHANGES IN NET POSITION

The changes in net position are as follows:

	Net Investment in		Total
	Capital Assets	Unrestricted	
Net Position at December 31, 2015	\$ 72,319	\$ 5,103,695	\$ 5,176,014
Net Position Change	-	819,604	819,604
Capital Asset Additions	45,755	(45,755)	-
Depreciation	(17,778)	17,778	-
Net Position at December 31, 2016	100,296	5,895,322	5,995,618
Net Position Change	-	153,076	153,076
Capital Asset Additions/Disposal	54,503	(54,503)	-
Depreciation	(28,801)	28,801	-
Net Position at December 31, 2017	<u>\$ 125,998</u>	<u>\$ 6,022,696</u>	<u>\$ 6,148,694</u>

NOTE 9 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Authority maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this commercial coverage in any of the last three years.

REQUIRED SUPPLEMENTARY INFORMATION

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
REQUIRED SUPPLEMENTARY INFORMATION**

Schedule 1

**SCHEDULE OF FUNDING PROGRESS FOR THE OPEB PLAN
(in thousands)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Level Dollar (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
January 1, 2016	\$ 2,700	\$ 3,462	\$ 762	78%	\$ 1,180	65%
January 1, 2014	1,786	2,581	795	69%	1,077	74%
January 1, 2011	1,966	2,591	625	76%	1,110	56%
January 1, 2008	-	1,826	1,826	0%	1,415	129%

Note: In April 2008, the Authority established and funded an irrevocable trust in the amount of \$2 million. During 2017 and 2016, the Authority contributed approximately \$57,000 and \$71,200, respectively, the fair value of this trust was \$2,736,965 and \$2,714,553, respectively.

Schedule 2

**SCHEDULE OF EMPLOYER CONTRIBUTIONS TO THE OPEB PLAN
(in thousands)**

Year Ended December 31,	Annual OPEB Cost (Benefit)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	214.2	26.64%	625.0
2016	203.6	34.98%	468.0
2015	133.8	397.23%	334.9
2014	119.8	431.98%	732.6
2013	181.7	0.00%	1129.8
2012	168.1	0.00%	948.1
2011	562.0	0.00%	780.0
2010	120.0	0.00%	218.0
2009	95.0	0.00%	98.0

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
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REQUIRED SUPPLEMENTARY INFORMATION**

Schedule 3

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (NPL)
Determined as of June 30, Measurement Date**

Year Ended December 31,	Authority's Proportion	Authority's Proportion Share	Authority's Covered Payroll	Authority's Proportionate Share of NPL as a % of Covered Payroll	PERS Fiduciary Net Position as a % of Total Pension Liability
2017	0.019083581%	\$ 4,442,353	\$ 985,985	450.55%	48.10%
2016	0.014183141%	4,200,640	1,020,822	411.50%	40.14%
2015	0.016151549%	3,644,819	1,074,192	339.31%	47.93%
2014	0.015112225%	2,834,265	1,059,504	267.51%	52.08%

Schedule 4

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PERS

Year Ended December 31,	Contractually Required Contributions	Contributions Recognized by PERS	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2017	\$ 176,789	\$ 176,789	-	\$ 985,985	17.93%
2016	126,001	126,001	-	1,020,822	12.34%
2015	138,860	138,860	-	1,074,192	12.93%
2014	124,583	124,583	-	1,059,504	11.76%

SUPPLEMENTARY FINANCIAL INFORMATION

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
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BALANCE SHEETS – TRUSTEE HELD FUNDS
DECEMBER 31, 2017 AND 2016**

	2017	2016
ASSETS		
Cash	\$ 7,536,855	\$ -
Investments, Principally U.S. Government Obligations	623,501,661	655,812,246
Accrued Interest Receivable	564,247	276,079
Due from Colleges and Universities	86,816	3,052,714
Loans and Leases Receivable	5,168,969,561	5,453,531,050
Total Assets	\$ 5,800,659,140	\$ 6,112,672,089
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 24,913,042	\$ 35,281,561
Accrued Interest Payable	89,193,357	99,998,542
Bonds, Notes, and Leases Payable	5,208,774,561	5,497,961,050
Funds Held in Trust	477,778,180	479,430,936
Total Liabilities	\$ 5,800,659,140	\$ 6,112,672,089

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
STATEMENTS OF CHANGES IN TRUSTEE HELD FUNDS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
Funds Held in Trust - Beginning of Year	\$ 479,430,936	\$ 507,807,757
Additions:		
Proceeds from Sale of Bonds and Issuance of Notes:		
Par Amount	1,500,570,000	1,650,950,000
Bond Premium, Net	174,990,317	154,120,257
Annual Loan and Rental Requirements	610,137,051	806,602,311
College and University Contributions (Returned)	1,137,304	204,308
Investment Income	4,716,146	1,887,462
U.S. Government Debt Service Subsidies	1,724,720	1,738,878
Change in Investment Valuation Reserve	(237,727)	420,250
Total Additions	2,293,037,811	2,615,923,466
Deductions:		
Debt Service:		
Interest	222,355,084	233,889,027
Principal	381,829,908	575,065,704
Project Costs	421,118,608	668,246,769
Issuance Costs	6,009,467	6,628,859
Administrative Fees	3,166,792	4,011,165
Transfers to Escrow Accounts for Defeasance of Refunded Issues	1,260,210,708	1,156,458,763
Total Deductions	2,294,690,567	2,644,300,287
Decrease in Funds Held in Trust	(1,652,756)	(28,376,821)
Funds Held in Trust - End of Year	\$ 477,778,180	\$ 479,430,936

See accompanying Notes to Supplementary Financial Information.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO SUPPLEMENTARY FINANCIAL INFORMATION
DECEMBER 31, 2017**

NOTE 1 INTRODUCTION

Under the terms of the Authority's enabling legislation, the Authority has the power to issue bonds and notes on behalf of public and private institutions of higher education in the state of New Jersey. The obligations issued by the Authority are conduit debt and are not guaranteed by, nor do they constitute a debt or obligation of, the state of New Jersey.

Because the bonds and notes issued by the Authority are nonrecourse conduit debt obligations of the Authority, the Authority has, in effect, none of the risks and rewards of the related financings. The supplemental financial statements presented herein include information pertaining to funds held by Trustees of the various bond and note issuances of the Authority.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

The Trustee Held Funds are presented as fiduciary funds and are held by outside trustees and as such are not intended to present the financial position or results of operations of the Authority. The Trustee Held Funds utilize the accrual basis of accounting.

NOTE 3 FUNDS HELD IN TRUST

Funds held in trust include amounts in the construction, debt service and debt service reserve funds and the renewal and replacement accounts established for each bond issue. Balances maintained in the construction funds represent unexpended proceeds allocated for specific projects; the debt service fund, debt service reserve fund, and renewal and replacement account balances represent amounts reserved for payment of debt service and the renewal and replacement of major components of projects as required by the provisions of the various series resolutions. The following is a schedule of the aggregate funds held in trust as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Construction Funds	\$ 467,362,820	\$ 457,153,750
Debt Service Funds	1,571,456	303,673
Debt Service Reserve Funds	7,865,738	20,858,917
Renewal and Replacement Accounts	978,166	1,114,596
Total Funds Held in Trust	<u>\$ 477,778,180</u>	<u>\$ 479,430,936</u>

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO SUPPLEMENTARY FINANCIAL INFORMATION
DECEMBER 31, 2017**

NOTE 4 CASH AND INVESTMENTS

Investments permitted in the Trustee Held Funds are authorized by the respective Bond Resolutions. All funds held by the trustees may be invested in obligations of, or guaranteed by, the United States Government. In addition, certain funds may be invested in: obligations of agencies of the U.S. government; obligations of, or guaranteed by, the state of New Jersey; collateralized certificates of deposit and repurchase agreements; commercial paper; and other securities which shall be authorized for the investment of funds in the custody of the Treasurer of the state of New Jersey.

Investments held by trustees are carried at fair value and comprise the following:

	<u>2017</u>	<u>2016</u>
Investments:		
Collateralized Investment Agreements	\$ 145,892,481	\$ 102,066,366
U.S. Treasury and Agency Obligations*	477,609,180	553,745,880
Total Investments	<u>\$ 623,501,661</u>	<u>\$ 655,812,246</u>

* Includes \$291,747,416 and \$367,016,188 of investments in pooled U.S. Treasury funds at December 31, 2017 and 2016, respectively, which are uncategorized.

NOTE 5 LOANS AND LEASES RECEIVABLE

Since its inception, the Authority has issued obligations of \$17,981,383,125 and \$16,554,013,125 as of December 31, 2017 and 2016, respectively, for the benefit of various public and private institutions of higher education. The obligations are secured by loans, mortgages, leases and other agreements, the terms of which generally correspond to the amortization of the related bond issues.

The loans and mortgages are secured by revenues produced by the facilities and by other legally available funds of the institutions. For projects under lease agreements, the Authority is the owner of those projects. It is the intention of the Authority to transfer title in the projects at the expiration of the leases. Accordingly, the leases are being accounted for as financing transactions.

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO SUPPLEMENTARY FINANCIAL INFORMATION
DECEMBER 31, 2017**

NOTE 5 LOANS AND LEASES RECEIVABLE (CONTINUED)

Loans and leases receivable comprise the following:

	2017	2016
Loans:		
Institute for Advanced Study	\$ 40,530,000	\$ 42,735,000
New Jersey Institute of Technology	49,790,000	68,060,000
Princeton Theological Seminary	1,852,500	57,895,000
Princeton University	1,829,930,000	1,902,945,000
Mortgages:		
Bloomfield College	30,217,555	30,927,928
Caldwell University (Formerly Caldwell College)	17,600,161	18,174,165
Centenary University (Formerly Centenary College)	-	31,518,682
College of Saint Elizabeth	21,020,000	21,297,500
Drew University	-	56,711,715
Fairleigh Dickinson University	66,330,513	71,470,920
Georgian Court University	27,420,000	23,325,558
Institute for Defense Analyses	8,395,000	8,900,000
Rider University	74,340,000	35,222,500
Saint Peter's University (Formerly Saint Peter's College)	26,986,912	29,638,194
Seton Hall University	174,242,500	143,187,500
Stevens Institute of Technology	118,515,000	63,727,500
Leases:		
Kean University	315,949,849	298,472,303
Montclair State University	394,870,000	405,492,500
New Jersey City University	143,090,000	147,777,500
Passaic County Community College	12,210,000	12,485,000
Ramapo College of New Jersey	219,690,000	223,742,500
Rowan University	62,380,000	158,240,000
Thomas Edison State University (Formerly Thomas Edison State College)	10,693,474	11,958,078
The College of New Jersey	341,770,000	350,870,000
Stockton University (Formerly The Richard Stockton College of New Jersey)	216,861,097	220,008,507
The William Paterson University of New Jersey	175,095,000	155,857,500
Higher Education Capital Improvement Fund	508,265,000	552,620,000
Higher Education Facilities Trust Fund	178,895,000	189,630,000
Higher Education Equipment Leasing Fund	52,840,000	66,100,000
Higher Education Technology Infrastructure Fund	32,390,000	34,580,000
Dormitory Safety Trust Fund	350,000	710,000
Library Grant Program	16,450,000	19,250,000
Total	\$ 5,168,969,561	\$ 5,453,531,050

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO SUPPLEMENTARY FINANCIAL INFORMATION
DECEMBER 31, 2017**

NOTE 6 BONDS, NOTES, AND LEASES PAYABLE

Bonds, notes, and leases payable comprise the following:

Issue	Original Issue Amount	Final Maturity Date	Net Effective Interest Rate	Amount Outstanding December 31,	
				2017	2016
Bonds Payable					
Bloomfield College 2013 Series A	\$ 32,267,000	5/13/2043	Variable	\$ 30,217,555	\$ 30,927,928
Caldwell University (formerly Caldwell College): 2013 Series E	20,000,000	5/31/2038	3.829%	17,600,161	18,174,165
Centenary University (formerly Centenary College): 2003 Series A	14,775,000	10/1/2033	Variable	-	7,115,000
2006 Series J	9,154,113	11/1/2036	Variable	-	7,995,363
2007 Series B	4,784,617	11/1/2036	Variable	-	4,043,319
2010 Series D	13,974,000	1/1/2041	Variable	-	12,365,000
Drew University: 2003 Series C	20,855,000	7/1/2021	3.888%	-	12,325,000
2007 Series D	29,135,000	7/1/2037	4.601%	-	25,050,000
2008 Series B	10,765,000	7/1/2017	4.234%	-	1,695,000
2008 Series I	40,000,000	6/25/2018	Variable	-	10,869,215
2010 Series C	15,580,000	6/1/2024	Variable	-	8,405,000
Dormitory Safety Trust Fund: Series 2003 A	5,440,000	3/1/2018	3.752%	350,000	710,000
Fairleigh Dickinson University: 2006 Series G	14,505,000	7/1/2028	4.954%	9,385,000	10,015,000
2006 Series H	2,147,554	7/1/2027	4.954%	630,513	680,920
2014 Series B	51,925,000	2/1/2029	3.678%	43,720,000	45,955,000
2015 Series B	19,675,000	7/1/2045	3.932%	13,300,000	15,500,000
Georgian Court University: 2007 Series D	26,980,000	7/1/2037	5.022%	-	23,215,000
2007 Series H	1,050,000	10/1/2022	5.296%	-	508,058
2017 Series G	13,325,000	7/1/2037	3.818%	13,325,000	-
2017 Series H	14,095,000	7/1/2033	4.196%	14,095,000	-
Higher Education Capital Improvement Fund: Series 2002 A	194,590,000	9/1/2022	4.599%	1,640,000	1,640,000
Series 2014 A	164,245,000	9/1/2033	3.669%	146,940,000	152,940,000
Series 2014 B	14,345,000	9/1/2033	3.671%	12,830,000	13,355,000
Series 2014 C	21,230,000	9/1/2020	1.696%	11,325,000	14,755,000
Series 2014 D	3,490,000	9/1/2020	1.712%	1,865,000	2,430,000
Series 2016 A	252,270,000	9/1/2024	2.841%	193,975,000	224,785,000
Series 2016 B	142,715,000	9/1/2036	4.733%	139,690,000	142,715,000

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NOTES TO SUPPLEMENTARY FINANCIAL INFORMATION
DECEMBER 31, 2017**

NOTE 6 BONDS, NOTES, AND LEASES PAYABLE (CONTINUED)

Issue	Original Issue Amount	Final Maturity Date	Net Effective Interest Rate	Amount Outstanding December 31,	
				2017	2016
Higher Education Equipment					
Leasing Fund:					
Series 2014 A	\$ 82,235,000	6/1/2023	1.894%	\$ 48,150,000	\$ 60,530,000
Series 2014 B	7,105,000	8/1/2023	1.894%	4,690,000	5,570,000
Higher Education Facilities					
Trust Fund:					
Series 2014	199,855,000	6/15/2029	3.246%	178,895,000	189,630,000
Higher Education Technology					
Infrastructure Fund:					
Series 2014	38,110,000	6/1/2028	3.039%	32,390,000	34,580,000
Institute for Advanced Study:					
2006 Series B	29,600,000	7/1/2031	3.990%	22,300,000	23,400,000
2006 Series C	20,000,000	7/1/2036	Variable	15,500,000	16,000,000
2008 Series C	11,255,000	7/1/2021	3.819%	2,730,000	3,335,000
Institute for Defense Analysis:					
2000 Series D	16,695,000	10/1/2030	Variable	8,395,000	8,900,000
Kean University:					
Series 2003 D	75,000,000	7/1/2033	4.811%	-	2,150,000
Series 2007 D	117,795,000	7/1/2039	4.553%	-	2,495,000
Series 2009 A	179,380,000	9/1/2036	6.404%	3,465,000	176,705,000
Series 2015 H	117,175,000	7/1/2039	3.762%	109,535,000	112,930,000
Series 2017 C	184,230,000	9/1/2036	3.626%	184,230,000	-
Series 2017 D	15,655,000	9/1/2039	3.310%	15,655,000	-
Library Grant Program:					
Series 2002 A	45,000,000	9/1/2022	4.560%	16,450,000	19,250,000
Montclair State University:					
Series 2006 J	154,110,000	7/1/2034	4.300%	24,160,000	30,315,000
Series 2007 A	6,150,000	7/1/2021	4.022%	2,540,000	3,095,000
Series 2008 J	27,545,000	7/1/2038	5.100%	675,000	1,335,000
Series 2014 A	189,365,000	7/1/2044	4.212%	185,250,000	186,015,000
Series 2015 D	73,770,000	7/1/2036	3.757%	69,520,000	71,700,000
Series 2016 B	118,190,000	7/1/2038	2.875%	118,190,000	118,190,000
New Jersey City University:					
Series 2003 B	2,300,000	7/1/2018	5.659%	250,000	500,000
Series 2007 F	17,910,000	7/1/2032	4.337%	14,580,000	15,355,000
Series 2008 E	68,445,000	7/1/2035	4.763%	1,950,000	3,710,000
Series 2008 F	6,175,000	7/1/2036	7.039%	6,175,000	6,175,000
Series 2010 F	24,065,000	7/1/2028	3.313%	16,860,000	18,670,000
Series 2010 G	18,310,000	7/1/2040	4.062%**	18,310,000	18,310,000
Series 2015 A	35,340,000	7/1/2045	3.932%	35,340,000	35,340,000
Series 2016 D	52,075,000	7/1/2035	2.886%	52,075,000	52,075,000

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
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NOTES TO SUPPLEMENTARY FINANCIAL INFORMATION
DECEMBER 31, 2017**

NOTE 6 BONDS, NOTES, AND LEASES PAYABLE (CONTINUED)

Issue	Original Issue Amount	Final Maturity Date	Net Effective Interest Rate	Amount Outstanding December 31,	
				2017	2016
New Jersey Institute of Technology:					
Series 2010 H	\$ 50,965,000	7/1/2031	4.280%	\$ 29,340,000	\$ 48,885,000
Series 2010 I	20,450,000	7/1/2040	4.304%**	20,450,000	20,450,000
Passaic County Community College:					
Series 2010 C	13,635,000	7/1/2041	5.355%	12,350,000	12,620,000
Princeton Theological Seminary:					
2009 Series B	14,435,000	12/1/2032	2.878%	2,450,000	7,715,000
2010 Series A	68,785,000	7/1/2030	3.745%	-	52,295,000
Princeton University:					
2003 Series D	114,495,000	7/1/2019	3.727%	21,680,000	32,310,000
2007 Series E	325,000,000	7/1/2037	4.534%	-	267,665,000
2007 Series F	67,620,000	7/1/2030	4.392%	-	62,345,000
2008 Series J	250,000,000	7/1/2038	4.391%	6,215,000	215,100,000
2008 Series K	208,805,000	7/1/2023	4.356%	16,655,000	105,765,000
2010 Series B	250,000,000	7/1/2040	4.034%	11,350,000	225,925,000
2011 Series B	250,000,000	7/1/2041	4.087%	226,805,000	231,900,000
2014 Series A	200,000,000	7/1/2044	3.773%	194,725,000	197,415,000
2015 Series A	156,790,000	7/1/2035	2.317%	144,670,000	153,515,000
2015 Series D	150,000,000	7/1/2045	3.403%	147,275,000	150,000,000
2016 Series A	109,500,000	7/1/2035	2.525%	109,500,000	109,500,000
2016 Series B	117,820,000	7/1/2027	1.769%	115,890,000	117,820,000
2017 Series B	342,240,000	7/1/2036	2.911%	342,240,000	-
2017 Series C	141,095,000	7/1/2047	3.505%	141,095,000	-
2017 Series I	357,105,000	7/1/2040	2.968%	357,105,000	-
Ramapo College of New Jersey:					
Series 2006 I	106,820,000	7/1/2036	4.417%	-	99,810,000
Series 2011 A	19,090,000	7/1/2021	3.325%	5,505,000	7,075,000
Series 2012 B	80,670,000	7/1/2042	3.689%	75,045,000	75,945,000
Series 2015 B	45,180,000	7/1/2040	3.585%	43,240,000	44,595,000
Series 2017 A	99,450,000	7/1/2047	3.505%	99,450,000	-
Rider University:					
2012 Series A	52,020,000	7/1/2037	3.741%	33,340,000	37,105,000
2017 Series F	41,770,000	7/1/2047	4.187%	41,770,000	-
Rowan University:					
Series 2007 B	121,355,000	7/1/2034	4.266%	4,125,000	96,705,000
Series 2011 C	30,045,000	7/1/2025	3.705%	17,580,000	19,930,000
Series 2016 C	45,300,000	7/1/2031	2.129%	44,735,000	45,300,000

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO SUPPLEMENTARY FINANCIAL INFORMATION
DECEMBER 31, 2017**

NOTE 6 BONDS, NOTES, AND LEASES PAYABLE (CONTINUED)

Issue	Original Issue Amount	Final Maturity Date	Net Effective Interest Rate	Amount Outstanding December 31,	
				2017	2016
Saint Peter's University (Formerly Saint Peter's College):					
2007 Series G	\$ 36,053,465	7/1/2027	4.217%	\$ 26,641,612	\$ 28,713,894
2008 Series H	5,000,000	7/1/2018	3.925%	345,300	924,300
Seton Hall University:					
2008 Series D	49,760,000	7/1/2037	Variable	-	36,580,000
2011 Series A	35,470,000	7/1/2026	2.997%	7,985,000	10,330,000
2013 Series D	41,910,000	7/1/2043	2.707%	39,620,000	40,360,000
2015 Series C	22,205,000	7/1/2037	3.819%	20,870,000	21,520,000
2016 Series C	36,265,000	7/1/2046	3.198%	36,265,000	36,265,000
2017 Series D	39,520,000	7/1/2047	3.853%	39,520,000	-
2017 Series E	31,915,000	7/1/2039	3.914%	31,915,000	-
Stevens Institute of Technology:					
1998 Series I	17,000,000	7/1/2028	5.109%	-	3,820,000
2007 Series A	71,060,000	7/1/2034	4.977%	-	61,475,000
2017 Series A	119,905,000	7/1/2047	3.976%	119,905,000	-
The College of New Jersey:					
Series 2008 D	287,790,000	7/1/2035	5.086%	2,465,000	6,010,000
Series 2010 B	41,090,000	7/1/2040	4.748%**	2,055,000	3,030,000
Series 2012 A	26,255,000	7/1/2019	1.637%	9,855,000	14,385,000
Series 2013 A	24,950,000	7/1/2043	4.561%	24,030,000	24,500,000
Series 2015 G	114,525,000	7/1/2031	3.301%	114,525,000	114,525,000
Series 2016 F	87,925,000	7/1/2040	2.928%	87,925,000	87,925,000
Series 2016 G	105,255,000	7/1/2034	3.323%	105,255,000	105,255,000
The College of Saint Elizabeth:					
2016 Series D	21,435,000	7/1/2046	4.566%	21,160,000	21,435,000
Stockton University (Formerly The Richard Stockton College of New Jersey):					
Series 2015 E	18,830,826	7/1/2028	2.830%	16,233,597	17,563,507
Series 2016 A	202,445,000	7/1/2041	3.175%	202,445,000	202,445,000
Thomas Edison State University (Formerly Thomas Edison State College):					
Series 2011 D	8,000,000	10/1/2031	3.516%	5,079,111	5,500,163
Series 2014 B	7,000,000	12/1/2024	2.500%	5,040,000	5,690,000

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO SUPPLEMENTARY FINANCIAL INFORMATION
DECEMBER 31, 2017**

NOTE 6 BONDS, NOTES, AND LEASES PAYABLE (CONTINUED)

Issue	Original Issue Amount	Final Maturity Date	Net Effective Interest Rate	Amount Outstanding December 31,	
				2017	2016
The William Paterson University of New Jersey:					
Series 2008 C	\$ 88,670,000	7/1/2038	4.724%	\$ 7,620,000	\$ 9,960,000
Series 2012 C	33,815,000	7/1/2042	2.955%	31,255,000	31,745,000
Series 2012 D	21,860,000	7/1/2028	2.489%	14,075,000	15,115,000
Series 2015 C	45,695,000	7/1/2040	3.538%	38,400,000	42,035,000
Series 2016 E	60,755,000	7/1/2038	2.877%	60,755,000	60,755,000
Series 2017 B	27,065,000	7/1/2047	3.796%	27,065,000	-
Notes Payable					
Princeton University:					
Various Commercial Paper	120,000,000 *	N/A	Variable	-	39,000,000
Leases Payable					
Kean University	10,000,000	7/1/2020	3.140%	2,750,000	3,750,000
Kean University	15,000,000	2/15/2021	2.820%	3,412,349	4,462,303
Thomas Edison State University	2,700,000	9/28/2022	Variable	351,287	421,544
Thomas Edison State University	948,000	7/1/2019	2.427%	223,076	346,371
				<u>\$ 5,208,774,561</u>	<u>\$ 5,497,981,050</u>

* Maximum authorized amount

** Build America Bond

The minimum aggregate principal maturities for each of the following five-year periods are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018 - 2021	\$ 911,221,055
2022 - 2026	1,232,025,103
2027 - 2031	1,201,547,187
2032 - 2036	1,023,322,615
2037 - 2041	497,789,500
2042 - 2047	342,869,101
Total	<u>\$ 5,208,774,561</u>

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO SUPPLEMENTARY FINANCIAL INFORMATION
DECEMBER 31, 2017**

NOTE 7 REFUNDED BOND ISSUES

When conditions have warranted, the Authority has sold various issues of bonds to provide for the refunding of previously issued obligations.

The proceeds received from the sales of the bond issues were used to refund currently the outstanding bond issues or to deposit in an irrevocable escrow fund held by the Escrow Agent, an amount which, when combined with interest earnings thereon, is at least equal to the sum of the outstanding principal amount of the bonds, the interest to accrue thereon to and including the first optional redemption date thereof, and the premium required to redeem the bonds outstanding on such date. Accordingly, the trust account assets and the liability for defeased bonds are not included in the Authority's financial statements.

Certain transactions defeased the outstanding bond issues with a resultant reduction in annual debt service during the term of the issues. The debt service savings, together with any accounting gain or loss that will be deferred, accrue to the respective institutions.

Refunded bonds outstanding at December 31, 2017 comprise the following:

Issue	Principal Amount Outstanding December 31, 2017	Refunded Issues		Debt Service Savings	Refunding Issues		
		Principal Amount Refunded	Call Date		Date of Issuance	Issue	Original Amount of Issue
Stevens Institute of Technology 1998 Series I	\$ 2,895,000	\$ 6,050,000	No Call	N/A*	8/2/2007	2007 Series A	\$ 71,060,000
University of Medicine & Dentistry of New Jersey Series 2009 B	86,199,427	109,794,495	6/1/2019	N/A**		Rutgers TE	
	82,506,495	105,090,709	6/1/2019	N/A**		Rutgers Taxable	
	27,763,150	35,362,659	6/1/2019	N/A**		Rowan	
	1,410,928	2,341,867	6/1/2019	N/A**		Univ Hospital	
Seton Hall University 2008 Series E	20,935,000	22,030,000	7/1/2019	\$ 1,329,496	7/14/2015	2015 Series C	22,205,000
Kean University Series 2005 B	-	13,645,000	7/1/2016	5,835,842	8/27/2015	Series 2015 H	117,175,000
Series 2007 D	-	100,715,000	7/1/2017				
The College of New Jersey Series 2008 D	112,665,000	112,665,000	7/1/2018	3,781,458	9/17/2015	Series 2015 G	114,525,000
Stockton University		42,420,000	8/16/2016	24,571,139	7/13/2016	Series 2016 A	202,445,000
Series 2007 G	-	33,705,000	7/1/2017				
Series 2008 A	118,030,000	121,360,000	7/1/2018				
Montclair State University Series 2008 J	22,770,000	115,475,000 22,770,000	7/1/2016 7/1/2018	18,337,553	5/4/2016	Series 2016 B	118,190,000
Rowan University Series 2008 B	34,505,000	17,930,000 34,760,000	8/16/2016 7/1/2018	6,962,589	7/14/2016	Series 2016 C	45,300,000
Rowan University Series 2007 B	265,000	6,230,000	8/3/2017	N/A**		Rowan University	
New Jersey City University Series 2008 E	51,980,000	52,100,000	7/1/2018	5,990,447	6/1/2016	Series 2016 D	52,075,000

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
NOTES TO SUPPLEMENTARY FINANCIAL INFORMATION
DECEMBER 31, 2017**

NOTE 7 REFUNDED BOND ISSUES (CONTINUED)

Issue	Principal Amount Outstanding December 31, 2017	Refunded Issues		Debt Service Savings	Refunding Issues		
		Principal Amount Refunded	Call Date		Date of Issuance	Issue	Original Amount of Issue
William Paterson University of NJ Series 2008 C	\$ 63,780,000	\$ 63,780,000	7/1/2018	\$ 8,747,602	8/9/2016	Series 2016 E	\$ 60,755,000
The College of New Jersey Series 2008 D Series 2010 B	146,810,000 37,115,000	150,810,000 37,115,000	7/1/2018 7/1/2019	21,608,201	9/29/2016	Series 2016 F&G	193,180,000
Stevens Institute of Technology 1998 Series I 2007 Series A	- -	3,820,000 61,475,000	4/4/2017 7/1/2017	385,756 6,946,323	4/4/2017 4/4/2017	Series 2017 A Series 2017 A	119,905,000 119,905,000
Princeton University 2007 Series E 2007 Series F 2008 Series K 2008 Series J 2010 Series B	- - 73,280,000 202,965,000 209,225,000	259,875,000 55,595,000 73,280,000 202,965,000 209,225,000	7/1/2017 7/1/2017 7/1/2018 7/1/2018 7/1/2019	39,960,908 7,532,814 5,471,921 30,596,653 24,365,484	4/4/2017 4/4/2017 4/4/2017 12/27/2017 12/27/2017	Series 2017 B Series 2017 B Series 2017 B Series 2017 I Series 2017 I	342,240,000 342,240,000 342,240,000 357,105,000 357,105,000
Ramapo College 2006 Series I	-	96,270,000	7/1/2017	4,021,116	4/5/2017	Series 2017 A	99,450,000
Seton Hall University 2008 Series D	-	36,580,000	6/29/2017	N/A*	6/29/2017	Series 2017 D	39,520,000
Kean University Series 2009 A Series 2010 A	170,380,000 -	170,380,000 16,690,000	9/1/2019 12/1/2020	15,938,924 2,123,054	12/14/2017 12/14/2017	Series 2017 C Series 2017 D	184,230,000 15,655,000
Georgian Court University Series 2007 D Series 2007 D Series 2007 H	9,730,000 12,690,000 -	9,730,000 12,690,000 431,552	4/24/2018 4/24/2018 12/21/2017	1,157,989 1,387,081	12/21/2017 12/21/2017 12/21/2017	Series 2017 G Series 2017 H Series 2017 G	13,325,000 14,095,000 13,325,000
Centenary College Series 2003 A Series 2006 J Series 2007 B Series 2010 D	- - - -	11,385,000 24,420,000 8,761,589 8,292,441	5/11/2017 5/11/2017 5/11/2017 5/11/2017	N/A** N/A** N/A** N/A**			
Princeton Theological Seminary Series 2009 B Series 2010 A	4,125,000 49,205,000	4,125,000 49,205,000	7/1/2019 7/1/2020	N/A** N/A**			
New Jersey Institute of Technology Series 2010 H	16,995,000	19,545,000	7/1/2020	N/A**			
Drew University Series 2003 C Series 2007 D Series 2008 I Series 2010 C	11,385,000 24,420,000 - -	11,385,000 24,420,000 8,761,589 8,030,000	7/1/2021 1/19/2018 12/19/2017 12/19/2017	N/A** N/A** N/A** N/A**			

* Debt Restructuring

** Not NJEFA Refunding Bonds



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

Management and Members
New Jersey Educational Facilities Authority
Princeton, New Jersey

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 business type activities of the New Jersey Educational Facilities 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 12, 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 purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 entity'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.

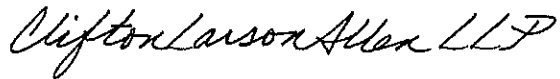
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, contracts, and grant agreements, 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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
June 12, 2018

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
2018 BUDGET VARIANCE ANALYSIS
FOR THE FIVE MONTHS ENDED MAY 31, 2018**

EXECUTIVE SUMMARY

Net Operating Income

The NJEFA concluded May with a year-to-date net operating loss in the amount of \$87,249, based on revenues of \$1,143,665 and expenses of \$1,230,914.

Revenues

Year-to-date revenues were \$58,441 less than budgeted due to no transactions closing during the first five months of the year.

Expenses

Operating expenditures for the first five months of the year were under budget by \$220,307 primarily due to staff vacancies and timing of expenditures.

Exhibits

<u>Report</u>	<u>Page</u>
Actual vs. Budget Report	1
Operating Account – Vendor Payments	2
Summary of Construction Funds	3

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
ACTUAL vs. BUDGET REPORT
MAY 2018

	Month Ended May 31, 2018			Year-To-Date May 31, 2018		
	Actual	Budget	Variance	Actual	Budget	Variance
<u>Operating Revenues</u>						
Annual Administrative Fees	\$215,730	\$220,005	\$ (4,275)	\$ 1,091,475	\$ 1,100,025	\$ (8,550)
Initial Fees	-	-	-	-	81,250	(81,250)
Investment Income	11,258	4,167	7,091	52,190	20,831	31,359
	<u>\$ 226,988</u>	<u>\$ 224,172</u>	<u>\$ 2,816</u>	<u>\$ 1,143,665</u>	<u>\$ 1,202,106</u>	<u>\$ (58,441)</u>
<u>Operating Expenses</u>						
Salaries	\$136,184	\$140,862	\$ 4,678	\$ 558,570	\$ 604,305	\$ 45,735
Employee Benefits	45,172	72,422	27,250	193,298	325,783	132,485
Provision for Post Ret. Health Benefits	29,166	29,167	1	145,833	145,831	(2)
Office of The Governor	2,072	2,083	11	10,496	10,419	(77)
Office of The Attorney General	61,391	4,667	(56,724)	86,601	23,331	(63,270)
Sponsored Programs & Meetings	607	750	143	953	3,750	2,797
Telecom & Data	1,733	2,142	409	8,492	10,706	2,214
Rent	15,903	16,667	764	79,514	83,331	3,817
Utilities	1,977	2,000	23	8,724	10,000	1,276
Office Supplies & Postage Expense	1,547	3,542	1,995	7,155	17,706	10,551
Travel & Expense Reimbursement	601	1,042	441	890	5,206	4,316
Staff Training & Conferences	7,400	3,563	(3,837)	8,435	17,809	9,374
Insurance	4,620	5,833	1,213	23,100	29,169	6,069
Publications & Public Relations	-	2,187	2,187	-	10,941	10,941
Professional Services	13,655	19,417	5,762	64,085	97,081	32,996
Dues & Subscriptions	2,243	5,458	3,215	14,187	27,294	13,107
Maintenance Expense	2,185	2,546	361	8,472	12,728	4,256
Depreciation	2,422	3,167	745	12,109	15,831	3,722
Contingency	-	-	-	-	-	-
	<u>328,878</u>	<u>317,515</u>	<u>(11,363)</u>	<u>1,230,914</u>	<u>1,451,221</u>	<u>220,307</u>
Net Operating Income	<u>\$ (101,890)</u>	<u>\$ (93,343)</u>	<u>\$ (8,547)</u>	<u>\$ (87,249)</u>	<u>\$ (249,115)</u>	<u>\$ 161,866</u>
Gain/Loss on Disposal of Fixed Assets	\$ (100)			\$ (100)		
Net Income	<u>\$ (101,990)</u>			<u>\$ (87,349)</u>		

NJEFA
Vendor Payments
May 2018

4:40 PM
06/06/2018

Accrual Basis
Amount

Type	Date	Num	Name	Memo	Split	Amount
Bill Pmt -Check	05/08/2018	11988	20/20 Business Solutions, Inc.	Inv 496302	Accounts Payable	899.99
Bill Pmt -Check	05/08/2018	11989	Arkadin Inc.	Inv 1142245-0418	Accounts Payable	44.93
Bill Pmt -Check	05/08/2018	11990	Cash	Replenish Petty Cash	Accounts Payable	25.64
Bill Pmt -Check	05/08/2018	11991	CDW Government, Inc.	MKN7850, MMM8227	Accounts Payable	217.00
Bill Pmt -Check	05/08/2018	11992	Dell Marketing L.P.	10212768806, 10229223935, 10238602312, 10240360461	Accounts Payable	3,174.78
Bill Pmt -Check	05/08/2018	11993	Government News Network	Inv 80537-G	Accounts Payable	325.00
Bill Pmt -Check	05/08/2018	11994	ICFNU	Annual Spring Dinner 6/6/18 (SS, SN)	Accounts Payable	160.00
Bill Pmt -Check	05/08/2018	11995	Lamont Financial Services Inc.	Inv 455-0418Q2	Accounts Payable	11,131.25
Bill Pmt -Check	05/08/2018	11996	MCS	Inv 53440	Accounts Payable	235.08
Bill Pmt -Check	05/08/2018	11997	Nelson, Steven	Expense Reimbursement - Travel 4/23/18 - 5/8/18	Accounts Payable	167.53
Bill Pmt -Check	05/08/2018	11998	Panera Bread	4/24/18 Board Meeting Inv 607011211452732	Accounts Payable	127.03
Bill Pmt -Check	05/08/2018	11999	Polar Inc.	Inv 030563	Accounts Payable	71.00
Bill Pmt -Check	05/08/2018	12000	The Bank of New York Mellon	Inv 111-1770141	Accounts Payable	500.00
Bill Pmt -Check	05/08/2018	12001	The Municipal Forum Youth Education Fund	Muni Forum 5/10/18 - Steven Nelson	Accounts Payable	195.00
Bill Pmt -Check	05/08/2018	12002	Thomson Reuters Global Markets Inc.	Inv 95394170	Accounts Payable	735.00
Bill Pmt -Check	05/08/2018	12003	UPS	2Y687X178, 2Y687X168	Accounts Payable	50.09
Bill Pmt -Check	05/08/2018	12004	Yang, Ellen	Expense Reimbursement - Travel 2/21/18	Accounts Payable	17.43
Bill Pmt -Check	05/08/2018	EFT	NJSHBP	05/18	Employee Benefits	-24,908.30
Bill Pmt -Check	05/08/2018	EFT	NJSHBP	05/18	Post Retirement Benefits	2,939.28
Bill Pmt -Check	05/09/2018	12005	DocuSafe	Inv 106902	Accounts Payable	165.80
Bill Pmt -Check	05/09/2018	12006	Lexis Nexis	Inv 1804211889	Accounts Payable	292.00
Bill Pmt -Check	05/09/2018	12007	Nelson, Steven	Expense Reimb. - PFM Conference 5/7/18 - 5/8/18	Accounts Payable	416.37
Bill Pmt -Check	05/09/2018	12008	NJ Economic Development Authority	May Coverage	Accounts Payable	1,680.59
Bill Pmt -Check	05/09/2018	12009	W.B. Mason Company, Inc.	Inv IS0779625	Accounts Payable	496.93
Bill Pmt -Check	05/17/2018	12010	100 & RW CRA, LLC	Inv 003431	Accounts Payable	12,097.67
Bill Pmt -Check	05/17/2018	12011	20/20 Business Solutions, Inc.	Inv 497019	Accounts Payable	511.11
Bill Pmt -Check	05/17/2018	12012	Bank of America - Acct Analysis	Inv 18040004891	Accounts Payable	24.29
Bill Pmt -Check	05/17/2018	12013	Block Line Systems	Inv 66054180515	Accounts Payable	1,426.71
Bill Pmt -Check	05/17/2018	12014	Clark, Rebecca	Expense Reimbursement Tuition	Accounts Payable	7,399.85
Bill Pmt -Check	05/17/2018	12015	Curtis, Matthew J.	Expense Reimbursement	Accounts Payable	52.25
Bill Pmt -Check	05/17/2018	12016	MacDonald, Carl J.	Employee Benefits	Accounts Payable	258.00
Bill Pmt -Check	05/17/2018	12017	PFM Financial Advisors LLC	Inv 502399 - Higher Education Roundtable 5/7/18 - 5/8/18	Accounts Payable	125.00
Bill Pmt -Check	05/17/2018	12018	Polar Inc.	029497, 031283, 029651, 028334	Accounts Payable	183.30
Bill Pmt -Check	05/17/2018	12019	Thomson Reuters - West	Inv 838199027	Accounts Payable	260.00
Bill Pmt -Check	05/17/2018	12020	UPS	Inv 2Y687X158	Accounts Payable	7.55
Bill Pmt -Check	05/17/2018	12021	Verizon Wireless	Inv 9806433165	Accounts Payable	261.41
						71,583.16

New Jersey Educational Facilities Authority
Summary of Construction Funds
As of May 31, 2018

<u>Institution</u>	<u>Issue</u>	<u>Description</u>	<u>Bond Proceeds</u>	<u>Net Disbursed</u>	<u>Balance</u>	<u>% Complete</u>
<u>Private</u>						
Seton Hall University	2016 Series C	Welcome Center, Bishop Dougherty Univ Center	\$ 38,059,002.20	\$ (33,348,464.11)	\$ 4,710,538.09	88%
The College of Saint Elizabeth	2016 Series D	Renov of O'Connor Hall & Improv, Refund 2008 F	2,627,671.74	(2,176,431.34)	451,240.40	83%
Stevens Institute of Technology	2017 Series A	Various Renov & Improvements, Refund 1998 I, 2007 A	76,911,558.14	(31,324,828.33)	45,586,729.81	41%
Princeton University	2017 Series C	Renov, Maint & Partial Refund Commercial Paper	162,455,632.40	(139,920,367.62)	22,535,264.78	86%
Seton Hall University	2017 Series E	Medical & Non-Medical Bldgs, Res & Clinical Admin Offices	31,915,000.00	(7,762,366.07)	24,152,633.93	24%
Rider University	2017 Series F	Academic & Residential Facilities, Science & Technology Bldg	44,228,160.45	(607,162.97)	43,620,997.48	1%
Georgian Court University	2017 Series G&H	Various Capital Improvements & Renovations, Refund 07 D, H	7,874,383.16	(421,160.87)	7,453,222.29	5%
Sub Total			\$ 364,071,408.09	\$(215,560,781.31)	\$ 148,510,626.78	
<u>Public</u>						
Montclair State University	Series 2014 A	Various Refundings and Capital Projects	\$ 156,675,111.09	\$(127,812,700.26)	\$ 28,862,410.83	82%
New Jersey City University	Series 2015 A	Various Renovations & Improv, Refund 02 A, 08 E	37,869,656.10	(29,167,861.72)	8,701,794.38	77%
Stockton University	Series 2016 A	Science Center, Academic Bldg, Quad Project	26,207,528.53	(20,146,008.77)	6,061,519.76	77%
Ramapo College of New Jersey	Series 2017 A	Refund 06 I, Renov Library, Learning Center	11,278,830.75	(1,070,471.42)	10,208,359.33	9%
William Paterson University of New Jersey	Series 2017 B	New Residence Hall	30,427,779.25	(10,941,235.78)	19,486,543.47	36%
Sub Total			\$ 262,458,905.72	\$(189,138,277.95)	\$ 73,320,627.77	
<u>Other Programs</u>						
Equipment Leasing Fund	Series 2014 A&B	Acquisition and Installation of Equipment	\$ 101,266,893.00	\$ (90,035,328.95)	\$ 11,231,564.05	89%
Technology Infrastructure Fund	Series 2014	Development of Technology Infrastructure	41,313,667.00	(36,708,875.82)	4,604,791.18	89%
Capital Improvement Fund	Series 2014 A-D	Capital Improvements	191,905,596.00	(183,258,836.00)	8,646,760.00	95%
Facilities Trust Fund	Series 2014	Construct, Reconstruct, Develop & Improve Facilities	219,977,164.00	(172,975,492.52)	47,001,671.48	79%
Capital Improvement Fund	Series 2016 B	Capital Improvements	146,700,261.19	(59,079,512.90)	87,620,748.29	40%
Sub Total			\$ 701,163,581.19	\$(542,058,046.19)	\$ 159,105,535.00	
Grand Total			\$1,327,693,895.00	\$(946,757,105.45)	\$ 380,936,789.55	