Financial Statements and Supplemental Financial Information

New Jersey Educational Facilities Authority
(A Component Unit of the State of New Jersey)

December 31, 2006

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Supplemental Financial Information

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Contents

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Roger L. Anderson
Executive Director

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, 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 Ernst & Young LLP, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Authority. The independent auditor's 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, 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 both the independent auditors and the internal 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. Both the independent auditors and the internal auditors have unrestricted access to the Audit Committee.

Roger L. Anderson
Executive Director

Donald D. Uyhazi
Controller

March 9, 2007

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Report of Independent Auditors

To the Members of the
New Jersey Educational Facilities Authority

We have audited the accompanying balance sheets of the New Jersey Educational Facilities Authority, a component unit of the State of New Jersey, as of December 31, 2006 and 2005, and the related statements of revenues, expenses and changes in fund net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. 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 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. We were not engaged to perform an audit of the Authority's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New Jersey Educational Facilities Authority as of December 31, 2006 and 2005, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

As discussed in Note 5, during 2006, the Authority adopted Governmental Accounting Standards Board Statement No. 45 "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*."

Management's discussion and analysis and the schedule of funding progress, on pages 4 to 7, and page 20, respectively, are not a required part of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of this required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental financial information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Ernst + Young LLP

March 9, 2007

Introduction

This section of the New Jersey Educational Facilities Authority's (the "Authority's") annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year ended December 31, 2006 and the two immediately preceding years. It should be read in conjunction with the Authority's financial statements and accompanying notes.

Overview of the Financial Statements

The Authority is 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 for an Enterprise Fund include: Balance Sheets; Statements of Revenues, Expenses and Changes in Fund Net Assets; and Statements of Cash Flows. These statements provide, respectively, a view of the Authority's financial position as of the end of the year, a description of the financial activity during the year, and a description of the cash activity during the year.

Reimbursement to State of New Jersey

In 2005, the Authority paid $2,500,000 to the State of New Jersey as reimbursement for a portion of the State's support of several programs benefiting New Jersey's institutions of higher education.

Consequently, the Authority's change in net assets for 2005 was a negative $1,092,226. The change in net assets excluding that reimbursement would have been a positive $1,407,774.

Adoption of GASB No. 45

In 2006, as more fully described in Note 5, the Authority adopted the accounting provisions of GASB Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*." This change and the related actuarial assumptions and elections resulted in an increase in the actuarial accrued liability of $874,641 and a 2006 provision for postemployment benefits in the amount of $1,069,835. The Authority conservatively elected to amortize the increase in the actuarial accrued liability in the current year.

Consequently, the Authority's operating income and change in net assets for 2006 were $346,746 and $681,455, respectively. Operating income and change in net assets excluding this provision would have been $1,416,581 and $1,751,290, respectively.

Condensed Financial Information

The following table represents condensed balance sheet information and shows the changes between December 31, 2005 and December 31, 2006 and between December 31, 2004 and December 31, 2006:

	2006	2005	2004	Increase (Decrease) 2005 to 2006	Increase (Decrease) 2004 to 2006
Current assets	**$ 9,242,534**	$ 7,527,476	$8,132,885	22.78%	13.64%
Noncurrent assets	**274,089**	326,813	300,177	(16.13%)	(8.69%)
Total assets	**9,516,623**	7,854,289	8,433,062	21.16%	12.85%
Current liabilities	**273,500**	250,367	147,837	9.24%	85.00%
Noncurrent liabilities	**2,390,529**	1,432,783	1,021,860	66.85%	133.94%
Total liabilities	**2,664,029**	1,683,150	1,169,697	58.28%	127.75%
Total net assets	**$ 6,852,594**	$ 6,171,139	$7,263,365	11.04%	(5.66%)

The following table represents condensed information from the Statements of Revenues, Expenses, and Changes in Fund Net Assets, and shows the changes between 2005 and 2006 and between 2004 and 2006:

	2006	2005	2004	Increase (Decrease) 2005 to 2006	Increase (Decrease) 2004 to 2006
Operating revenues:					
Administrative fees	**$ 4,037,789**	$ 3,763,905	$3,435,571	7.28%	17.53%
Total operating revenues	**4,037,789**	3,763,905	3,435,571	7.28%	17.53%
Operating expenses:					
Salaries and related expenses	**1,585,051**	1,479,837	1,337,167	7.11%	18.54%
Provision for postemployment benefits	**1,069,835**	97,332	395,000	999.16%	170.84%
General expenses	**1,036,157**	964,425	980,372	7.44%	5.69%
Total operating expenses	**3,691,043**	2,541,594	2,712,539	45.23%	36.07%
Operating income	**346,746**	1,222,311	723,032	(71.63%)	(52.04%)
Nonoperating revenues (expenses):					
State of New Jersey reimbursement	**-**	(2,500,000)	–	N/A	N/A
Investment income	**334,709**	185,341	72,759	80.59%	360.02%
Gain on asset disposal	**-**	122	–	N/A	N/A
Change in net assets	**681,455**	(1,092,226)	795,791	162.39%	(14.37%)
Net assets beginning of year	**6,171,139**	7,263,365	6,467,574	(15.04%)	(4.58%)
Net assets end of year	**$ 6,852,594**	$ 6,171,139	$7,263,365	11.04%	(5.66%)

Analysis of Overall Financial Position and Results of Operations

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

Financial Highlights:

- 2006 financing activity set a new record of $1.03 billion of debt issued.
- 2006 operating revenues were 7% above 2005 levels and 18% over 2004 levels.
- Following amortization of 100% of the increase in the actuarial accrued liability for postemployment benefits noted above, the Authority achieved operating margins (operating income as a percentage of operating revenues) of 9% in 2006, 32% in 2005, and 21% in 2004. Excluding the provision for postemployment benefits, the operating margins would have been 35% in 2006, 35% in 2005 and 33% in 2004.

During 2006 and 2005, demand for the Authority's services remained strong and its financing activity continued at record levels. Against the backdrop of rising enrollments and increasing need for space in New Jersey's colleges and universities, the State's public and private institutions have continued to invest in the upgrading of their capital facilities, technology infrastructures and capital equipment. Favorable interest rates in the capital markets have fostered an economically advantageous environment for borrowing new capital, as well as opportunities for refinancing higher-cost outstanding debt.

Revenues

The Authority's revenues are derived primarily from two fees; annual fees charged to existing bond issues, and initial fees charged with respect to the issuance of new debt. Due to the continued high level of demand for the Authority's services, total revenues increased $273,884, or 7%, in 2006, following an increase of $328,334, or 10%, in 2005.

Expenses

To accommodate this increased demand, the Authority's operating expenses also increased over the past two years, but, with the exception of the provision for postemployment benefits, at a rate about 25% below the rate of revenue increases.

Assets and Liabilities

Following the payment of $2.5 million to the State of New Jersey in 2005 and recognition of $1 million of postemployment costs in 2006, as described above, net assets decreased by $410,771, or 6%, over the past two years. At the end of 2006, net assets equaled approximately 1.9 times operating expenses, and current assets were 2.5 times operating expenses.

Contacting the Authority's Financial Management

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

Basic Financial Statements

New Jersey Educational Facilities Authority
(A Component Unit of the State of New Jersey)

Balance Sheets

	December 31	
	2006	**2005**
Assets		
Current assets:		
Cash	**$ 53,147**	$ 56,260
Investments, principally U.S. Government obligations	**9,026,229**	6,874,253
Fees receivable	**133,677**	532,857
Prepaid expenses	**29,481**	64,106
Total current assets	**9,242,534**	7,527,476
Noncurrent assets:		
Capital assets, at cost, less accumulated depreciation of $410,555 and $328,139 during 2006 and 2005, respectively	**274,089**	326,813
Total assets	**$ 9,516,623**	$ 7,854,289
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 273,500**	$ 250,367
Noncurrent liabilities:		
Postemployment benefits other than pension	**2,089,601**	1,041,000
Project obligations	**300,928**	391,783
Total noncurrent liabilities	**2,390,529**	1,432,783
Net assets:		
Unrestricted	**6,578,505**	5,844,326
Invested in capital assets	**274,089**	326,813
Total net assets	**6,852,594**	6,171,139
Total liabilities and net assets	**$ 9,516,623**	$ 7,854,289

See accompanying notes.

New Jersey Educational Facilities Authority
(A Component Unit of the State of New Jersey)

Statements of Revenues, Expenses and Changes in Fund Net Assets

	Year ended December 31	
	2006	**2005**
Operating revenues:		
Administrative fees	**$4,037,789**	$3,763,905
Total operating revenues	**4,037,789**	3,763,905
Operating expenses:		
Salaries and related expenses	**1,585,051**	1,479,837
General and administrative expenses	**850,120**	792,887
Provision for postemployment benefits	**1,069,835**	97,332
Professional fees	**186,037**	171,538
Total operating expenses	**3,691,043**	2,541,594
Operating income	**346,746**	1,222,311
Nonoperating revenue (expense):		
State of New Jersey reimbursement	**–**	(2,500,000)
Investment income	**334,709**	185,341
Gain on asset disposal	**–**	122
Net changes in net assets	**681,455**	(1,092,226)
Net assets at beginning of year	**6,171,139**	7,263,365
Net assets at end of year	**$6,852,594**	$6,171,139

See accompanying notes.

New Jersey Educational Facilities Authority
(A Component Unit of the State of New Jersey)

Statements of Cash Flows

	Year ended December 31 2006	2005
Cash flows from operating activities		
Cash received from administrative fees	**$ 3,324,206**	$ 2,444,254
Cash payments for operating expenses	**(1,478,865)**	(1,024,125)
Net cash provided by operating activities	**1,845,341**	1,420,129
Cash flows from investing activities		
Purchase of investments	**(16,658,689)**	(13,899,480)
Sale and maturity of investments	**14,539,890**	14,937,980
Investment income	**301,532**	159,776
Net cash (used in) provided by investing activities	**(1,817,267)**	1,198,276
Cash flows from noncapital financing activities		
State of New Jersey reimbursement	**–**	(2,500,000)
Net cash used in noncapital financing activities	**–**	(2,500,000)
Cash flows from capital and related financing activities		
Purchase of capital assets	**(31,187)**	(108,732)
Net cash used in capital and related financing activities	**(31,187)**	(108,732)
Net increase (decrease) in cash	**(3,113)**	9,673
Cash at beginning of year	**56,260**	46,587
Cash at end of year	**$ 53,147**	$ 56,260
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	**$ 346,746**	$ 1,222,311
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	**83,911**	82,218
Changes in assets and liabilities:		
Fees receivable and prepaids	**433,805**	(397,853)
Accounts payable	**23,133**	102,530
Public library project obligation	**(90,855)**	334,923
Postemployment benefits obligation	**1,048,601**	76,000
Net cash provided by operating activities	**$ 1,845,341**	$ 1,420,129
Supplemental schedule of noncash investing activities		
Change in fair value of investments	**$ 33,177**	$ 25,565

See accompanying notes.

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 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.

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.

In its accounting and financial reporting, the Authority follows the pronouncements of the Governmental Accounting Standards Board (GASB). In addition, the Authority follows the pronouncements of only applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

Administrative Fees

The Authority charges administrative fees to its constituent 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. 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.

Depreciation

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

2. Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. Cash and Investments

At year-end, the Authority's bank balance was $82,301 all of which was covered by FDIC insurance.

The types of securities which are permitted investments for Authority funds are established by New Jersey Statutes. 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; 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 of the Authority comprise the following:

	2006	**2005**
Investments:		
U.S. Treasury Bills	**$9,005,095**	$6,871,425
Money Market Mutual Fund	**21,134**	2,828
Total investments	**$9,026,229**	$6,874,253

In 2006 and 2005, the Authority had $21,134 and $2,828, respectively, invested in a money market mutual fund, which invests in short-term and other obligations of the U.S. Treasury. All investments are carried at fair value.

3. Cash and Investments (continued)

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 as follows:

(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 investment 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, 2006, the Authority's bank balance was not exposed to custodial credit risk since the full amount was covered by FDIC insurance.

As of December 31, 2006 and 2005, the Authority's investments comprised U.S. Treasury Bills in the amount of $9,005,095 and $6,871,425, respectively. Since the investments are registered in the Authority's name they are not exposed to custodial credit risk. The Authority does not have a written policy for investment securities custodial credit risk but its practice has been to maintain a safekeeping account for its securities at a financial institution.

(b) Concentration of Credit Risk – This is the risk associated with the amount of investments the Authority has with any one issuer that exceed 5 percent or more 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 places no limit on the amount it may invest in any one issuer, but its practice has been to invest, almost exclusively, in U.S. Treasury Securities. At December 31, 2006 and 2005, the Authority was not exposed to a concentration of credit risk.

3. Cash and Investments (continued)

(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. In general, the Authority does not have an investment policy regarding credit risk except to the extent previously outlined with respect to the Authority's permitted investments. 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 does not have a written policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations, but the Authority does from time to time evaluate its investment portfolio to determine if, based on the interest rate environment, other investment vehicles would provide higher yields at similar levels of cost and risk. As of December 31, 2006, the U.S. Treasury Bills held by the Authority had maturities ranging from January 4, 2007 through June 28, 2007.

For the years ended December 31, 2006 and 2005, investment income comprised the following:

	2006	**2005**
Interest earnings	**$301,532**	$159,776
Net increase in fair value of investments	**33,177**	25,565
	$334,709	$185,341

4. Pension Plan

The Authority's employees participate in the Public Employees Retirement System of New Jersey (PERS), a cost sharing multiple-employer defined benefit plan. The Authority's contribution is based upon an actuarial computation performed by the PERS. The Authority's required contribution and pension expense for each of the years ended December 31, 2006 and 2005 was $19,112 and $6,927. Employees of the Authority also contribute a percentage of their wages to the pension system; the percentage range of contributions, as determined by PERS, was 5% for 2006 and 2005.

5. Postemployment Benefits Other Than Pensions

The Authority, as permitted by Chapter 88, P.L. 1974 as amended by Chapter 436, P.L. 1981, provides postemployment medical benefits for eligible active and 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 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 through the Authority's Board and there is no statutory requirement for the Authority to continue this plan for future Authority employees. The plan, which is funded on a pay-as-you-go basis, is a non-contributory plan with all payments for plan benefits being funded by the Authority.

During 2006, the Authority adopted 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 had previously implemented FASB Statement No. 106, "*Employer's Accounting for Post-Retirement Benefits Other Than Pensions*."

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

5. Postemployment Benefits Other Than Pensions (continued)

for the year ended December 31, 2006 and 2005 and the related information for the plan are as follows (dollar amounts in thousands):

	2006	**2005**
Annual required contribution	**$ 1,070**	$ 97
Contributions made (payment for benefits during year)	**(21)**	(21)
Increase in net OPEB obligation	**1,049**	76
Net OPEB obligation—beginning of year	**1,041**	965
Net OPEB obligation—end of year	**$ 2,090**	$1,041

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2006 were as follows (dollar amounts in thousands):

Fiscal Year Ended	**Annual OPEB Cost**	**Percentage of Annual OPEB Cost Contributed**	**Net OPEB Obligation**
December 31, 2006	$ 1,070	1.96%	$ 2,090

As of December 31, 2006 and 2005, the actuarial accrued liability for benefits was $2,090,000 and $1,041,000, respectively, all of which was unfunded, although the Authority's unrestricted, undesignated net assets on such dates exceeded such liabilities. The covered payroll (annual payroll of active employees covered by the plan) was $1,268,805 for the year ended December 31, 2006, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 165%.

The actuarial valuation date is December 31, 2006. 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.

5. Postemployment Benefits Other Than Pensions (continued)

Projections of benefits are based on the substantive plan (the plan as 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 accrued liabilities and the actuarial value of assets.

For the December 31, 2006 actuarial valuation, the Authority adopted the provisions of GASB 45 and, accordingly, changed the method used to calculate its expected liability for OPEB under the plan from the projected unit credit methods to the entry age method. In addition, the Authority decreased the discount rate used from 5.75% to 4%. Each of these changes caused the accrued actuarial liability for benefits under the plan to increase. As a result of implementing GASB 45, the Authority experienced an overall increase in the actuarial accrued liability of $875,000 during the year. The Authority has elected to amortize the increase in the actuarial accrued liability that resulted from the implementation of GASB 45 over one year. This amount when combined with 2006 normal cost of $73,000 and interest on the Net OPEB obligation of $122,000 resulted in the 2006 annual required contribution of $1,070,000. The actuarial assumptions included a 4% discount rate and an annual healthcare cost trend rate of 9% grading down to an ultimate rate of 5%.

At December 31, 2006, the Plan had 15 participants of which 13 were active employees and 2 were retirees. Of the Plan participants, 2 retirees and 2 active employees were eligible to receive benefits.

6. Conduit Debt

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. 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, 2006, the amount of conduit debt outstanding totaled $4,445,057,663.

7. Commitments and Contingencies

The Authority has an operating lease commitment for its offices at an annual rental of approximately $258,000 through November 16, 2010.

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, any 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.

8. Net Assets

The Authority's net assets represent the excess of assets over liabilities and are categorized as follows:

- Invested in Capital Assets are the amounts expended by the Authority for the acquisition of capital assets, net of accumulated depreciation.

- Unrestricted Net Assets are the remaining net assets, which can be further categorized as designated or undesignated. Designated assets are not governed by statute or contract but are committed for specific purposes pursuant to Authority policy and/or directives. Designated assets include funds and assets committed to working capital.

On December 21, 2005, the Members of the Authority passed a resolution to designate $4,500,000 of the Authority's operating fund balance as a reserve to facilitate the normal operations of the Authority and for counsel and consultants, if needed, in the event of difficulties experienced by the Authority or any of its client colleges.

8. Net Assets (continued)

Changes in Net Assets

The changes in net assets are as follows:

	Invested in Capital Assets	Unrestricted	Total
Net assets at December 31, 2004	$ 300,177	$ 6,963,188	$ 7,263,365
Net asset change	–	(1,092,226)	(1,092,226)
Capital asset additions	108,732	(108,732)	–
Gain on disposal of fixed assets	122	(122)	–
Depreciation	(82,218)	82,218	
Net assets at December 31, 2005	326,813	5,844,326	6,171,139
Net asset change	–	681,455	681,455
Capital asset net additions	31,187	(31,187)	–
Depreciation	(83,911)	83,911	–
Net assets at December 31, 2006	$ 274,089	$ 6,578,505	$ 6,852,594

Required Supplemental Information

New Jersey Educational Facilities Authority
(A Component Unit of the State of New Jersey)

Schedule of Funding Progress for the
Retiree Healthcare Plan
(in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Level Dollar (b)	Unfunded AAL (UAAL) (b-a)	Funded Ration (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
December 31, 2006	$ –	$2,090	$2,090	0%	$1,269	165%

Supplemental Financial Information

New Jersey Educational Facilities Authority
(A Component Unit of the State of New Jersey)

Balance Sheets – Trustee Held Funds

	December 31	
	2006	**2005**
Assets		
Cash	**$ 1,579,562**	$ 1,852
Investments, principally U.S. Government obligations	**871,317,917**	821,334,228
Accrued interest receivable	**1,478,458**	570,421
Due from colleges and universities	**9,578,567**	7,718,149
Loans and leases receivable	**4,410,005,163**	4,166,716,486
U.S. Government debt service subsidies receivable	**299,759**	82,137
	$ 5,294,259,426	$4,996,423,273
Liabilities		
Accounts payable and accrued expenses	**$ 21,751,990**	$ 31,700,929
Accrued interest payable	**73,875,522**	72,571,057
Bonds and notes payable	**4,445,057,663**	4,206,243,986
Funds held in trust	**753,574,251**	685,907,301
	$ 5,294,259,426	$4,996,423,273

The accompanying notes to supplemental financial statements are an integral part of this statement.

New Jersey Educational Facilities Authority
(A Component Unit of the State of New Jersey)

Statements of Changes in Trustee Held Funds

	Year ended December 31	
	2006	**2005**
Funds held in trust at beginning of year	**$ 685,907,301**	$ 860,527,210
Additions:		
Proceeds from sale of bonds and issuance of notes:		
Par amount	**1,028,331,657**	959,935,000
Bond premium, net	**8,247,298**	39,374,900
Interest accrued to date of delivery	**–**	207,673
Annual loan and rental requirements	**319,422,285**	302,058,564
Investment income	**26,214,110**	17,046,725
College and university contributions (returned)	**5,462,788**	(702,566)
U.S. Government debt service subsidies	**1,277,225**	1,309,676
Change in investment valuation reserve	**2,472,409**	(354,865)
Total additions	**1,391,427,772**	1,318,875,107
Deductions:		
Debt service:		
Interest	**193,939,717**	185,422,515
Principal	**171,129,981**	150,632,483
Project costs	**300,264,242**	474,664,499
Issuance costs	**13,572,548**	11,255,474
Administrative fees	**2,792,487**	2,832,141
Transfers to escrow accounts for defeasance of refunded issues	**642,061,847**	668,687,904
Total deductions	**1,323,760,822**	1,493,495,016
Increase (Decrease) in funds held in trust	**67,666,950**	(174,619,909)
Funds held in trust at end of year	**$ 753,574,251**	$ 685,907,301

The accompanying notes to supplemental financial statements are an integral part of this statement.

1. Introduction

Under the terms of the Authority's enabling legislation, the Authority has the power to issue bonds 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.

2. Significant Accounting Policies

The Trustee Held Funds as presented is an agency fund and as such is custodial in nature and does not present results of operations and utilizes the accrual basis of accounting.

3. Funds Held in Trust

Funds held in trust include amounts in the construction, debt service and debt service reserve funds and any 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, 2006 and 2005:

	2006	**2005**
Construction funds	**$604,171,820**	$522,122,958
Debt service funds	**16,488,910**	15,576,578
Debt service reserve funds	**109,545,311**	123,336,925
Renewal and replacement accounts	**23,368,210**	24,870,840
	$753,574,251	$685,907,301

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:

	2006	**2005**
Investments:		
Collateralized investment agreements	**$385,065,711**	$476,553,662
U.S. Treasury and agency obligations*	**486,252,206**	344,780,566
Total investments	**$871,317,917**	$821,334,228

* Includes $143,924,809 and $173,494,148 of investments in pooled U.S. Treasury funds at December 31, 2006 and 2005, respectively, which are uncategorized.

5. Loans and Leases Receivable

Since its inception, the Authority has issued obligations of $9,358,302,406 and $8,329,970,749 as of December 31, 2006 and 2005, 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. The Authority is the owner of those projects under lease agreements. 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.

5. Loans and Leases Receivable (continued)

Restricted fund receivables comprise the following:

	December 31 2006	December 31 2005
Loans:		
Institute for Advanced Study	**$ 45,715,000**	$ 46,040,000
Princeton University	**969,700,000**	911,105,000
Mortgages:		
Beth Medrash Govoha	**7,685,000**	7,830,000
Bloomfield College	**–**	5,892,500
Caldwell College	**21,400,000**	12,200,000
Centenary College	**21,664,113**	12,955,000
College of Saint Elizabeth	**25,500,000**	10,810,000
Drew University	**39,025,000**	41,030,000
Fairleigh Dickinson University	**111,590,044**	111,172,500
Felician College	**11,220,000**	10,788,000
Georgian Court University	**18,262,500**	19,050,000
Institute for Defense Analyses	**15,430,000**	15,830,000
Monmouth University	**20,237,500**	21,822,500
New Jersey Institute of Technology	**141,672,500**	143,065,000
Princeton Theological Seminary	**43,327,500**	44,175,000
Rider University	**37,045,000**	39,110,000
Saint Peter's College	**29,317,500**	30,542,500
Seton Hall University	**146,607,500**	152,105,000
Stevens Institute of Technology	**76,302,500**	78,307,500
University of Medicine and Dentistry of New Jersey	**111,560,000**	120,050,000
Leases:		
Bloomfield College	**59,370**	96,150
Kean University	**196,620,000**	200,322,500
Montclair State University	**339,760,000**	247,410,000
New Jersey City University (formerly Jersey City State College)	**112,652,500**	109,660,000
Ramapo College of New Jersey	**249,080,053**	199,131,180
Richard Stockton College of New Jersey	**112,934,000**	64,804,000
Rider University	**319,793**	929,184
Rowan University (formerly Glassboro State College)	**342,337,500**	280,780,000
Rutgers, The State University	**640,000**	1,040,000
Saint Peter's College	**–**	111,194
Thomas Edison State College	**1,305,290**	1,591,778
The College of New Jersey (formerly Trenton State College)	**330,442,500**	333,255,000
William Paterson University of New Jersey	**104,027,500**	109,400,000
Equipment Leasing Fund	**26,270,000**	43,085,000
Higher Education Capital Improvement Fund	**496,830,000**	507,815,000
Higher Education Facilities Trust Fund	**76,045,000**	90,980,000
Higher Education Technology Infrastructure Fund	**12,055,000**	17,680,000
County College Capital Projects Fund	**16,750,000**	18,655,000
Dormitory Safety Trust Fund	**57,155,000**	62,830,000
Library Grant Program	**41,460,000**	43,260,000
	$ 4,410,005,163	$ 4,166,716,486

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 2006	2005
Bonds Payable					
Beth Medrash Govoha:					
2000 Series G	$ 8,505,000	7/1/2030	6.720%	**$ 7,760,000**	$ 7,900,000
Bloomfield College:					
2000 Series A	6,270,000	7/1/2030	6.978%	–	5,940,000
Caldwell College:					
1995 Series A	4,800,000	7/1/2025	7.385%	–	4,165,000
2000 Series B	9,235,000	7/1/2025	Variable	–	8,085,000
2006 Series F	21,400,000	7/1/2032	Variable	**21,400,000**	–
Centenary College:					
2003 Series A	14,775,000	10/1/2033	Variable	**12,510,000**	12,955,000
2006 Series J	9,154,113	11/1/2036	Variable	**9,154,113**	–
Drew University:					
1998 Series C	27,935,000	7/1/2017	4.936%	**19,845,000**	21,160,000
2003 Series C	20,855,000	7/1/2021	3.888%	**20,200,000**	20,855,000
Dormitory Safety Trust Fund:					
Series 2001 A	67,970,000	3/1/2016	4.239%	**48,550,000**	53,405,000
Series 2001 B - taxable	5,800,000	3/1/2016	6.117%	**4,140,000**	4,555,000
Series 2003 A	5,440,000	3/1/2018	3.752%	**4,465,000**	4,870,000
Equipment Leasing Fund:					
Series 2001 A	87,385,000	9/1/2009	3.089%	**19,280,000**	34,180,000
Series 2003 A	12,620,000	9/1/2011	2.517%	**6,990,000**	8,905,000
Fairleigh Dickinson University:					
1998 Series G	16,615,000	7/1/2028	5.796%	–	14,285,000
2002 Series D	63,650,000	7/1/2032	6.114%	**61,590,000**	62,645,000
2004 Series C	35,285,000	7/1/2023	5.534%	**34,570,000**	35,285,000
2006 Series G	14,505,000	7/1/2028	4.954%	**14,505,000**	–
2006 Series H	2,147,544	7/1/2027	4.954%	**2,147,544**	–

6. Bonds, Notes and Leases Payable (continued)

Issue	Original Issue Amount	Final Maturity Date	Net Effective Interest Rate	Amount Outstanding December 31 2006	2005
Bonds Payable (continued)					
Felician College:					
1997 Series D	$ 10,550,000	11/1/2022	7.375%	$ –	$ 9,384,000
1997 Series D - taxable	2,000,000	11/1/2017	Variable	–	1,404,000
2006 Series I	11,445,000	11/1/2022	4.749%	**11,220,000**	–
Georgian Court University:					
1998 Series, Project B	6,455,000	7/1/2015	4.198%	**3,925,000**	4,455,000
2003 Series, Project C	15,215,000	7/1/2033	5.991%	**14,740,000**	14,980,000
Higher Education Facilities Trust Fund:					
Series 2005 A	90,980,000	9/1/2010	3.286%	**76,045,000**	90,980,000
Higher Education Technology Infrastructure Fund:					
Series 1998 A	55,000,000	9/1/2008	4.518%	**12,055,000**	17,680,000
Higher Education Capital Improvement Fund:					
Series 2000 A	132,800,000	9/1/2020	5.242%	**36,020,000**	51,585,000
Series 2000 B	145,295,000	9/1/2020	5.003%	**39,990,000**	56,975,000
Series 2002 A	194,590,000	9/1/2022	4.599%	**44,270,000**	152,740,000
Series 2004 A	76,725,000	9/1/2024	4.352%	**51,525,000**	76,725,000
Series 2005 A	169,790,000	9/1/2019	4.121%	**169,565,000**	169,790,000
Series 2006 A	155,460,000	9/1/2024	4.421%	**155,460,000**	–
Institute for Advanced Study:					
1997 Series F	16,310,000	7/1/2021	5.111%	**11,090,000**	11,970,000
1997 Series G	26,565,000	7/1/2028	5.111%	**2,045,000**	23,680,000
2001 Series A	11,000,000	7/1/2031	5.101%	**2,980,000**	10,390,000
2006 Series B	29,600,000	7/1/2031	3.990%	**29,600,000**	–
Institute for Defense Analyses:					
2000 Series D	16,695,000	10/1/2030	Variable	**15,430,000**	15,830,000

6. Bonds, Notes and Leases Payable (continued)

Issue	Original Issue Amount	Final Maturity Date	Net Effective Interest Rate	Amount Outstanding December 31 2006	2005
Bonds Payable (continued)					
New Jersey City University (formerly Jersey City State College):					
Series 1977 C	$ 8,570,000	7/1/2010	6.290%	**$ 2,105,000**	$ 2,555,000
Series 1995 C	2,175,000	7/1/2007	4.671%	**–**	505,000
Series 1998 E	6,945,000	7/1/2028	5.165%	**6,020,000**	6,170,000
Series 1999 B	17,795,000	7/1/2025	4.807%	**14,280,000**	15,335,000
Series 2002 A	15,115,000	7/1/2032	4.949%	**14,000,000**	14,290,000
Series 2003 A	47,850,000	7/1/2032	Variable	**47,750,000**	47,800,000
Series 2003 B	2,300,000	7/1/2018	5.659%	**2,300,000**	2,300,000
Series 2005 A	21,575,000	7/1/2035	3.726%	**21,025,000**	21,575,000
Series 2006 C	5,950,000	7/1/2036	Variable	**5,950,000**	–
Kean University:					
Series 1974 B	7,960,000	7/1/2008	6.272%	**1,000,000**	1,460,000
Series 1998 A & B	25,995,000	7/1/2027	4.872%	**17,125,000**	18,585,000
Series 2001 A	6,465,000	7/1/2016	4.474%	**4,790,000**	5,170,000
Series 2003 D	75,000,000	7/1/2033	4.811%	**73,685,000**	75,000,000
Series 2005 B	101,915,000	7/1/2037	4.681%	**101,915,000**	101,915,000
Library Grant Program:					
Series 2002 A	45,000,000	9/1/2022	4.560%	**41,460,000**	43,260,000
Monmouth University:					
1993 Series A	14,365,000	7/1/2013	5.538%	**6,910,000**	7,685,000
1997 Series C	12,910,000	7/1/2022	5.732%	**8,430,000**	8,750,000
1998 Series D	8,815,000	7/1/2024	5.225%	**5,710,000**	6,160,000
Montclair State University:					
Series 1972 B	5,415,000	7/1/2007	5.926%	**360,000**	700,000
Series 1974 D	6,425,000	7/1/2008	6.173%	**860,000**	1,250,000
Series 1996 C	18,845,000	7/1/2012	5.356%	**–**	10,265,000
Series 1996 D	9,575,000	7/1/2012	5.358%	**–**	5,225,000
Series 1997 D	10,960,000	7/1/2027	5.007%	**–**	9,435,000
Series 1997 E	9,965,000	7/1/2021	5.007%	**7,490,000**	7,830,000
Series 2001 F	18,695,000	7/1/2031	5.072%	**–**	18,695,000
Series 2002 F	78,500,000	7/1/2032	4.489%	**22,375,000**	78,500,000
Series 2003 E	23,425,000	7/1/2033	4.445%	**18,825,000**	23,425,000
Series 2003 L	94,540,000	7/1/2034	4.541%	**28,530,000**	94,540,000
Series 2006 A	98,090,000	7/1/2036	4.816%	**98,090,000**	–
Series 2006 B	9,970,000	7/1/2012	4.133%	**9,970,000**	–
Series 2006 J	154,110,000	7/1/2034	4.300%	**154,110,000**	–

6. Bonds, Notes and Leases Payable (continued)

Issue	Original Issue Amount	Final Maturity Date	Net Effective Interest Rate	Amount Outstanding December 31 2006	2005
Bonds Payable (continued)					
New Jersey Institute of Technology:					
Series 2001 G	$ 62,335,000	7/1/2031	4.932%	**$ 59,250,000**	$ 59,925,000
Series 2001 H – taxable	12,570,000	7/1/2016	6.259%	**9,605,000**	10,290,000
Series 2004 B	73,530,000	7/1/2025	4.016%	**73,530,000**	73,530,000
Princeton Theological Seminary:					
1997 Series A	22,485,000	7/1/2022	4.988%	**17,905,000**	18,645,000
2002 Series G	26,125,000	7/1/2032	4.824%	**25,855,000**	25,945,000
Princeton University:					
1998 Series E	19,010,000	7/1/2024	4.873%	**560,000**	1,020,000
1998 Series F	40,000,000	7/1/2018	4.438%	–	3,950,000
1999 Series A	45,500,000	7/1/2029	4.798%	**12,035,000**	29,815,000
1999 Series B	50,000,000	7/1/2019	4.980%	**6,695,000**	8,730,000
2000 Series E	50,000,000	7/1/2020	5.355%	**8,600,000**	10,475,000
2000 Series H	100,000,000	7/1/2030	5.336%	**8,485,000**	20,965,000
2001 Series B	100,000,000	7/1/2021	Variable	**83,200,000**	87,000,000
2002 Series B	100,000,000	7/1/2031	Variable	**86,965,000**	90,465,000
2003 Series D	114,495,000	7/1/2019	3.727%	**98,080,000**	106,875,000
2003 Series E	112,510,000	7/1/2028	3.944%	**74,085,000**	82,760,000
2003 Series F	75,000,000	7/1/2023	Variable	**66,375,000**	69,335,000
2004 Series D	175,000,000	7/1/2029	4.497%	**87,175,000**	139,930,000
2005 Series A	139,590,000	7/1/2030	4.405%	**137,830,000**	137,830,000
2005 Series B	114,645,000	7/1/2035	4.236%	**105,045,000**	114,645,000
2006 Series D	74,290,000	7/1/2031	4.391%	**74,290,000**	–
2006 Series E	93,285,000	7/1/2027	4.504%	**93,285,000**	–
Ramapo College of New Jersey:					
Series 1998 G	16,845,000	7/1/2028	4.832%	**14,420,000**	14,790,000
Series 1998 H	2,000,000	7/1/2013	4.309%	**1,120,000**	1,255,000
Series 1998 I	955,000	7/1/2008	4.044%	**235,000**	345,000
Series 1999 E	19,900,000	7/1/2029	5.774%	**1,300,000**	1,690,000
Series 2001 D	40,480,000	7/1/2031	5.105%	**6,040,000**	38,965,000
Series 2001 E	2,535,000	7/1/2008	4.037%	**795,000**	1,170,000
Series 2002 H	28,655,000	7/1/2032	4.485%	**18,610,000**	28,000,000
Series 2002 I	2,145,000	7/1/2032	4.485%	**1,345,000**	2,005,000
Series 2002 J	29,620,000	7/1/2032	4.485%	**19,495,000**	28,945,000
Series 2003 F	1,820,000	7/1/2013	3.257%	**1,615,000**	1,810,000
Series 2003 G	9,300,000	7/1/2013	3.110%	**7,875,000**	9,185,000
Series 2003 H	18,930,000	7/1/2029	4.346%	**18,930,000**	18,930,000

6. Bonds, Notes and Leases Payable (continued)

Issue	Original Issue Amount	Final Maturity Date	Net Effective Interest Rate	Amount Outstanding December 31 2006	Amount Outstanding December 31 2005
Bonds Payable (continued)					
Ramapo College of New Jersey (continued):					
Series 2004 E	$ 53,980,000	7/1/2034	4.630%	**$ 13,680,000**	$ 53,980,000
Series 2006 D	49,085,000	7/1/2036	4.521%	**37,940,000**	–
Series 2006 I	106,820,000	7/1/2036	4.417%	**106,820,000**	–
Richard Stockton College of New Jersey:					
Series 1973 D	5,700,000	7/1/2008	5.885%	**710,000**	1,035,000
Series 1988 A	3,294,000	7/1/2016	3.000%	**1,364,000**	1,489,000
Series 2002 B	8,340,000	7/1/2010	3.482%	**3,350,000**	4,145,000
Series 2005 C	31,150,000	7/1/2035	3.870%	**31,150,000**	31,150,000
Series 2005 F	28,180,000	7/1/2028	4.458%	**27,035,000**	28,180,000
Series 2006 F	50,365,000	7/1/2036	4.460%	**50,365,000**	–
Rider University:					
1971 Series A	3,700,000	7/1/2009	6.895%	**705,000**	910,000
2002 Series A	27,560,000	7/1/2017	4.709%	**22,920,000**	24,475,000
2004 Series A	14,735,000	7/1/2034	5.301%	**14,475,000**	14,735,000
Rowan University (formerly Glassboro State College):					
Series 1974 E	6,080,000	7/1/2009	6.944%	**1,170,000**	1,515,000
Series 1983 D	3,500,000	7/1/2013	3.000%	**1,155,000**	1,305,000
Series 1997 C	9,035,000	7/1/2021	5.524%	**7,155,000**	7,455,000
Series 2000 B	51,620,000	7/1/2030	5.566%	**3,460,000**	3,460,000
Series 2001 B	8,790,000	7/1/2031	5.025%	**7,995,000**	8,165,000
Series 2001 C	60,930,000	7/1/2031	4.943%	**51,340,000**	52,740,000
Series 2002 K	14,920,000	7/1/2033	4.866%	**9,290,000**	14,375,000
Series 2003 I	64,910,000	7/1/2030	4.714%	**44,760,000**	63,560,000
Series 2003 J	4,555,000	7/1/2008	2.258%	**1,995,000**	3,175,000
Series 2003 K	14,700,000	7/1/2033	Variable	**14,700,000**	14,700,000
Series 2004 C	61,275,000	7/1/2034	4.697%	**60,945,000**	61,275,000
Series 2005 D	51,840,000	7/1/2030	4.532%	**51,840,000**	51,840,000
Series 2006 G	69,405,000	7/1/2031	4.362%	**69,405,000**	–
Series 2006 H	20,000,000	7/1/2036	Variable	**20,000,000**	–
Rutgers, The State University:					
Series 1974 A	6,725,000	7/1/2008	5.945%	**845,000**	1,235,000

6. Bonds, Notes and Leases Payable (continued)

Issue	Original Issue Amount	Final Maturity Date	Net Effective Interest Rate	Amount Outstanding December 31 2006	2005
Bonds Payable (continued)					
Saint Peter's College:					
1998 Series B	$ 36,815,000	7/1/2027	5.514%	**$ 29,945,000**	$ 31,140,000
Seton Hall University:					
1996 Series, Project E	20,800,000	7/1/2019	5.804%	–	19,690,000
1998 Series, Project F	7,620,000	7/1/2021	5.189%	**7,620,000**	7,620,000
1999 Refunding Series	50,450,000	7/1/2018	5.122%	**36,740,000**	39,695,000
2001 Refunding Series A	22,840,000	7/1/2016	4.314%	**10,030,000**	12,840,000
2001 Refunding Series B	11,600,000	7/1/2016	4.314%	**8,360,000**	9,060,000
2001 Series Project G	8,740,000	7/1/2026	4.598%	**8,740,000**	8,740,000
2005 Series Project C	57,750,000	7/1/2037	Variable	**57,750,000**	57,750,000
2006 Series A	20,750,000	7/1/2019	Variable	**20,750,000**	–
Stevens Institute of Technology:					
1998 Series I	17,000,000	7/1/2028	5.109%	**13,945,000**	14,755,000
2002 Series C	59,585,000	7/1/2032	5.228%	**50,330,000**	51,270,000
2004 Series B	13,265,000	7/1/2034	5.55%	**13,050,000**	13,265,000
The College of New Jersey (formerly Trenton State College):					
Series 1972 A	9,270,000	7/1/2007	5.952%	**615,000**	1,195,000
Series 1976 D	5,580,000	7/1/2008	6.853%	**805,000**	1,165,000
Series 1999 A	146,455,000	7/1/2029	4.948%	**144,855,000**	144,855,000
Series 2002 C	53,155,000	7/1/2019	4.480%	**47,100,000**	48,820,000
Series 2002 D	138,550,000	7/1/2035	4.167%	**138,550,000**	138,550,000
The College of Saint Elizabeth:					
2000 Series C	12,000,000	7/1/2030	Variable	**10,600,000**	10,900,000
2006 Series K	15,000,000	7/1/2036	Variable	**15,000,000**	–
University of Medicine and Dentistry of New Jersey:					
Series 1995 B	143,645,000	12/1/2025	5.319%	**97,750,000**	105,930,000
Series 1999 C	15,720,000	12/1/2029	5.321%	**13,810,000**	14,120,000
William Paterson University of New Jersey:					
Series 1974 C	4,025,000	7/1/2008	6.272%	**505,000**	735,000
Series 1976 A	5,685,000	7/1/2009	7.644%	**1,240,000**	1,595,000
Series 1981 B	5,000,000	7/1/2011	3.000%	**1,230,000**	1,455,000
Series 1998 D	6,575,000	7/1/2021	4.994%	**5,335,000**	5,565,000
Series 1999 D	12,785,000	7/1/2019	5.162%	**1,765,000**	2,305,000

6. Bonds, Notes and Leases Payable (continued)

Issue	Original Issue Amount	Final Maturity Date	Net Effective Interest Rate	Amount Outstanding December 31 2006	2005
Bonds Payable (continued)					
William Paterson University of New Jersey (continued):					
Series 2000 A	$ 26,425,000	7/1/2030	5.515%	**$ 2,075,000**	$ 2,515,000
Series 2002 E	42,125,000	7/1/2027	4.714%	**25,250,000**	26,935,000
Series 2004 A	30,035,000	7/1/2028	4.131%	**27,720,000**	28,815,000
Series 2005 E	42,295,000	7/1/2030	4.546%	**41,465,000**	42,295,000
Treasurer, State of New Jersey, Series 1999 A	19,295,000	9/1/2014	4.705%	**2,920,000**	3,210,000
Atlantic County, Series 1999 B	3,045,000	9/1/2009	4.799%	**1,055,000**	1,375,000
Essex County, Series 1999 C	4,570,000	9/1/2014	5.177%	**2,820,000**	3,105,000
Hudson County, Series 1999 D	7,750,000	9/1/2014	5.177%	**4,780,000**	5,260,000
Middlesex County, Series 1999 E	4,370,000	9/1/2014	5.053%	**2,685,000**	2,955,000
Passaic County, Series 1999 F	2,015,000	9/1/2014	5.125%	**1,235,000**	1,365,000
Hudson County Community College (Chapter 78), Series 1999 G	2,035,000	9/1/2014	5.177%	**1,255,000**	1,385,000
Notes Payable					
Princeton University:					
Various Commercial Paper	120,000,000*	N/A	Various	**38,000,000**	20,500,000
Leases Payable					
Bloomfield College	315,000	4/1/2008	5.900%	**59,370**	96,150
Ramapo College	1,377,090	10/1/2010	Various	**362,553**	528,680
Rider University	4,819,851	3/15/2007	6.221%	**319,793**	929,184
St. Peter's College	663,000	8/3/2006	5.630%	**–**	111,194
Thomas Edison State College	1,800,000	3/8/2012	3.647%	**1,305,290**	1,591,778
				$4,445,057,663	$4,206,243,986

* Maximum authorized amount.

6. Bonds, Notes and Leases Payable (continued)

The minimum aggregate principal maturities for each of the next five years and thereafter are as follows:

2007	$ 163,640,482
2008	169,936,527
2009	169,295,256
2010	163,897,911
2011	166,159,125
Thereafter	3,612,128,362
	$4,445,057,663

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.

7. Refunded Bond Issues (continued)

Refunded bonds outstanding at December 31, 2006 comprise the following:

Issue	Principal Amount Outstanding December 31, 2006	Refunded Issues Principal Amount Refunded	Refunded Issues Call Date	Debt Service Savings	Refunding Issues Date of Issuance	Refunding Issues Issue	Refunding Issues Original Amount of Issue
Fairleigh Dickinson University Issue							
1998 Series G	$ 13,970,000	$ 13,970,000	7/1/2008	$ 551,612	6/29/2006	2006 Series G	$ 14,505,000
Felician College Issue							
1997 Series D	10,411,000	10,788,000	11/1/2007	1,073,796	6/30/2006	2006 Series I	11,445,000
Higher Education Capital Improvement Fund Issues							
Series 2000 A	10,545,000	10,545,000	9/1/2010	4,438,363	10/26/2006	Series 2006 A	155,460,000
Series 2000 B	11,405,000	11,405,000	9/1/2010				
Series 2002 A	102,810,000	102,810,000	9/1/2012				
Series 2004 A	22,760,000	22,760,000	9/1/2014				
Higher Educational Capital Improvement Fund Issues							
Series 2000 A	59,405,000	59,405,000	9/1/2010	5,080,385	8/10/2005	Series 2005 A	169,790,000
Series 2000 B	65,675,000	65,675,000	9/1/2010				
Series 2002 A	41,850,000	41,850,000	9/1/2012				
Institute for Advanced Study Issues							
1997 Series G	21,070,000	21,070,000	7/1/2008	2,100,571	7/19/2006	2006 Series B	29,600,000
2001 Series A	7,190,000	7,190,000	7/1/2010				
Montclair State University Issues							
Series 1997 D	9,190,000	9,190,000	7/1/2007	6,194,157	12/14/2006	Series 2006 J	154,110,000
Series 2001 F	18,695,000	18,695,000	7/1/2011				
Series 2002 F	56,125,000	56,125,000	7/1/2015				
Series 2003 E	4,600,000	4,600,000	7/1/2015				
Series 2003 L	64,290,000	64,290,000	7/1/2014				
New Jersey City University Issue							
Series 1999 B	450,000	450,000	7/1/2009	–	2/16/2006	Series 2006 C	5,950,000
Princeton University Issues							
1999 Series B	25,440,000	25,440,000	7/1/2009	5,434,717	10/23/03	2003 Series D	114,495,000
2000 Series E	27,615,000	27,615,000	7/1/2010				
2000 Series H	26,700,000	26,700,000	7/1/2010				

7. Refunded Bond Issues (continued)

Issue	Principal Amount Outstanding December 31, 2006	Refunded Issues Principal Amount Refunded	Call Date	Debt Service Savings	Refunding Issues Date of Issuance	Issue	Original Amount of Issue
Princeton University Issues							
1999 Series A	$ 10,400,000	$ 10,400,000	7/1/2009	$ 4,243,735	4/12/2005	2005 Series A	$ 139,590,000
1999 Series B	5,535,000	5,535,000	7/1/2009				
2000 Series E	3,935,000	3,935,000	7/1/2010				
2000 Series H	45,435,000	45,435,000	7/1/2010				
2003 Series E	25,000,000	25,000,000	7/1/2013				
2004 Series D	31,470,000	31,470,000	7/1/2014				
Princeton University Issues							
1999 Series A	16,815,000	16,815,000	7/1/2009	2,755,549	8/10/2006	2006 Series E	93,285,000
2000 Series H	10,615,000	10,615,000	7/1/2010				
2003 Series E	5,950,000	5,950,000	7/1/2013				
2004 Series D	49,045,000	49,045,000	7/1/2014				
2005 Series B	7,820,000	7,820,000	7/1/2015				
Ramapo College of New Jersey Issue							
Series 1999 E	16,825,000	16,825,000	7/1/2009	554,426	1/29/04	Series 2003 H	18,930,000
Ramapo College of New Jersey Issues							
Series 2001 D	32,130,000	32,130,000	7/1/2011	3,510,943	11/28/2006	Series 2006 I	106,820,000
Series 2002 H	8,795,000	8,795,000	7/1/2012				
Series 2002 I	615,000	615,000	7/1/2012				
Series 2002 J	8,835,000	8,835,000	7/1/2012				
Series 2004 E	40,300,000	40,300,000	7/1/2014				
Series 2006 D	11,145,000	11,145,000	7/1/2016				
Richard Stockton College of New Jersey Issues							
Series 1996 F	–	17,750,000	7/1/2006	1,452,794	10/27/2005	Series 2005 F	28,180,000
Series 1998 C	11,590,000	11,875,000	7/1/2008				
Rowan University Issues							
Series 1997 B	5,475,000	5,665,000	7/1/2007	1,912,380	4/13/2005	Series 2005D	51,840,000
Series 2000 B	44,450,000	45,445,000	7/1/2010				
Rowan University Issues							
Series 2002 K	4,805,000	4,805,000	7/1/2012	738,003	11/16/2006	Series 2006 G	69,405,000
Series 2003 I	17,385,000	17,385,000	7/1/2013				
The William Paterson University of New Jersey Issues							
Series 1999 D	8,125,000	8,125,000	7/1/2009	1,420,584	11/10/2005	Series 2005 E	42,295,000
Series 2000 A	22,395,000	22,395,000	7/1/2010				
Series 2002 E	11,305,000	11,305,000	7/1/2012				