

FINANCIAL STATEMENTS AND  
SUPPLEMENTAL FINANCIAL INFORMATION

New Jersey Educational Facilities Authority  
(A Component Unit of the State of New Jersey)  
Years Ended December 31, 2009 and 2008  
With Report of Independent Auditors

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

Financial Statements and  
Supplemental Financial Information

December 31, 2009 and 2008

**Contents**

Report of Management .....	1
Report of Independent Auditors.....	2
Management’s Discussion and Analysis .....	4
Basic Financial Statements	
Balance Sheets .....	7
Statements of Revenues, Expenses and Changes in Fund Net Assets.....	8
Statements of Cash Flows.....	9
Notes to Financial Statements.....	10
Required Supplementary Information	
Schedule of Funding Progress for the Retiree Healthcare Plan.....	19
Supplemental Financial Information	
Balance Sheets - Trustee Held Funds .....	20
Statements of Changes in Trustee Held Funds .....	21
Notes to Supplemental Financial Statements.....	22
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 <i>Government Auditing Standards</i> .....	35



103 COLLEGE ROAD EAST • PRINCETON, NEW JERSEY 08540  
PHONE 609-987-0880 • FAX 609-987-0850 • anderson@njefa.com

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

  
\_\_\_\_\_  
Marie P. Mueller  
Controller

March 10, 2010

## 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, 2009 and 2008, 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 audits 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, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2010, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and the schedule of funding progress, on pages 4 to 6, and page 19, respectively are not a required part of the basic 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 audits were 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 10, 2010

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

Management's Discussion and Analysis

Year Ended December 31, 2009

**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, 2009 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.

**Condensed Financial Information**

The following table represents condensed balance sheet information and changes between December 31, 2008 and December 31, 2009 and between December 31, 2007 and December 31, 2009:

	2009	2008	2007	Increase (Decrease) 2008 to 2009	Increase (Decrease) 2007 to 2009
Current assets	\$ 10,332,098	\$ 9,686,984	\$ 10,905,763	6.66%	(5.26%)
Noncurrent assets	168,072	210,313	243,907	(20.08%)	(31.09%)
Total assets	<b>10,500,170</b>	9,897,297	11,149,670	6.09%	(5.83%)
Current liabilities	315,304	334,945	289,182	(5.86%)	9.03%
Noncurrent liabilities	137,740	132,021	2,441,484	4.33%	(94.36%)
Total liabilities	<b>453,044</b>	466,966	2,730,666	(2.98%)	(83.41%)
Total net assets	<b>\$ 10,047,126</b>	\$ 9,430,331	\$ 8,419,004	6.54%	19.34%

The following table represents condensed information from the Statements of Revenues, Expenses, and Changes in Fund Net Assets, and changes between 2008 and 2009 and between 2007 and 2009:

	2009	2008	2007	Increase (Decrease) 2008 to 2009	Increase (Decrease) 2007 to 2009
Operating revenues:					
Administrative fees	\$ 3,360,604	\$ 3,351,932	\$ 3,824,201	0.26%	(12.12%)
Total operating revenues	<b>3,360,604</b>	3,351,932	3,824,201	0.26%	(12.12%)
Operating expenses:					
Salaries and related expenses	<b>1,840,368</b>	1,817,110	1,565,108	1.28%	17.59%
Provision for (benefit from) postemployment benefits	<b>95,554</b>	(220,790)	155,570	N/A	(38.58%)
General expenses	<b>825,642</b>	967,372	972,264	(14.65%)	(15.08%)
Total operating expenses	<b>2,761,564</b>	2,563,692	2,692,942	7.72%	2.55%
Net operating income	<b>599,040</b>	788,240	1,131,259	(24.00%)	(47.05%)
Nonoperating revenues (expenses):					
Investment income	<b>17,755</b>	223,087	439,498	(92.04%)	(95.96%)
Loss on asset disposal	—	—	(4,347)	—	(100.00%)
Change in net assets	<b>616,795</b>	1,011,327	1,566,410	(39.01%)	(60.62)%
Net assets beginning of year	<b>9,430,331</b>	8,419,004	6,852,594	12.01%	37.62%
Net assets end of year	<b>\$ 10,047,126</b>	\$ 9,430,331	\$ 8,419,004	6.54%	19.34%

### Analysis of Overall Financial Position and Results of Operations

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

#### Financial Highlights:

- The Authority issued over \$490 million of conduit debt for educational institutions during 2009.
- Net Assets increased \$616,795, or 6.5% in 2009.
- The Authority's 2009 operating margin (operating income as a percentage of operating revenues) was 17.8%.
- At 12/31/2009, Net Assets represent 3.64 times 2009 Total Operating Expenses.

During 2009, the Authority's financing activity was less than half the record level of 2008 due to a combination of factors: the recession forced some institutions to defer capital projects; low Treasury rates made refundings unattractive, despite relatively low rates in the tax-exempt market; and the normal cyclical nature of capital projects. It can take several years to complete a project after the financing, and some institutions prefer to finish one project before beginning another. Therefore, while financing activity decreased, 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.

### **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. Total revenues for 2009 increased slightly from 2008 and decreased 12% from 2007. The decrease from 2007 levels was the result of the Authority's 20% rate reduction implemented in 2007.

### **Expenses**

Operating expenses in 2009 increased 7.7% and 2.6% from 2008 and 2007, respectively. The increase in operating expenses from 2008 is primarily related to the provisions for postemployment benefits.

### **Assets and Liabilities**

Net assets increased \$0.6 million, or 6.5% from 2008 to 2009 and \$1.6 million, or 19.3% from 2007 to 2009. Additionally, during 2008 the Authority established and funded a trust for postemployment benefits in the amount of \$2.0 million, thus reducing the liability on its balance sheet from 2007.

### **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](http://www.njefa.com).



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

Balance Sheets

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
<b>Assets</b>		
Current assets:		
Cash	\$ 65,486	\$ 59,167
Investments, principally U.S. Government obligations	10,145,780	9,562,562
Fees receivable	79,130	39,772
Prepaid expenses and other assets	41,702	25,483
Total current assets	10,332,098	9,686,984
Noncurrent assets:		
Capital assets, at cost, less accumulated depreciation of \$546,911 and \$476,887 during 2009 and 2008, respectively	168,072	210,313
Total assets	\$ 10,500,170	\$ 9,897,297
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 315,304	\$ 334,945
Noncurrent liabilities:		
Postemployment benefits other than pension	98,480	2,926
Project obligations	39,260	129,095
Total noncurrent liabilities	137,740	132,021
Net assets:		
Unrestricted	9,879,054	9,220,018
Invested in capital assets	168,072	210,313
Total net assets	10,047,126	9,430,331
Total liabilities and net assets	\$ 10,500,170	\$ 9,897,297

*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

	<b>Year Ended December 31</b>	
	<b>2009</b>	<b>2008</b>
Operating revenues:		
Administrative fees	<b>\$ 3,360,604</b>	\$ 3,351,932
Total operating revenues	<b>3,360,604</b>	3,351,932
Operating expenses:		
Salaries and related expenses	<b>1,840,368</b>	1,817,110
General and administrative expenses	<b>716,441</b>	792,909
Provision for (benefit from) postemployment benefits	<b>95,554</b>	(220,790)
Professional fees	<b>109,201</b>	174,463
Total operating expenses	<b>2,761,564</b>	2,563,692
Net operating income	<b>599,040</b>	788,240
Nonoperating revenue:		
Investment income	<b>17,755</b>	223,087
Net changes in net assets	<b>616,795</b>	1,011,327
Net assets at beginning of year	<b>9,430,331</b>	8,419,004
Net assets at end of year	<b>\$ 10,047,126</b>	\$ 9,430,331

*See accompanying notes.*

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

Statements of Cash Flows

	<b>Year Ended December 31</b>	
	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities</b>		
Cash received from administrative fees	\$ 3,297,753	\$ 3,781,451
Cash payments for operating expenses	(2,698,188)	(4,744,442)
Net cash provided by (used in) operating activities	599,565	(962,991)
<b>Cash flows from investing activities</b>		
Purchase of investments	(21,634,090)	(18,412,872)
Sale and maturity of investments	21,026,116	19,146,172
Investment income	42,511	271,887
Net cash (used in) provided by investing activities	(565,463)	1,005,187
<b>Cash flows from capital and related financing activities</b>		
Purchase of capital assets	(27,783)	(45,273)
Net cash used in capital and related financing activities	(27,783)	(45,273)
Net increase (decrease) in cash	6,319	(3,077)
Cash at beginning of year	59,167	62,244
Cash at end of year	\$ 65,486	\$ 59,167
Reconciliation of net operating income to net cash provided by (used in) operating activities:		
Net operating income	\$ 599,040	\$ 788,240
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	70,024	78,867
Changes in assets and liabilities:		
Fees receivable and prepaids	(55,577)	433,602
Accounts payable	(19,641)	45,763
Project obligations	(89,835)	(88,673)
Postemployment benefits obligation	95,554	(2,220,790)
Net cash provided by (used in) operating activities	\$ 599,565	\$ (962,991)
<b>Supplemental schedule of noncash investing activities</b>		
Change in fair value of investments	\$ (24,756)	\$ (48,800)

*See accompanying notes.*

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

Notes to Financial Statements

December 31, 2009

**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). Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed by the Authority to the extent that those standards do not conflict with or contradict guidance of the 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.

**Depreciation**

Furniture and equipment are carried at cost and depreciated over their useful lives using the straight-line method.

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

Notes to Financial Statements (continued)

**3. Cash and Investments**

At year-end, the Authority's bank balance was \$74,040 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:

	<u>2009</u>	<u>2008</u>
Investments:		
U.S. Treasury Bills	<b>\$10,145,355</b>	\$ 9,560,395
Money Market Mutual Fund	<b>425</b>	2,167
Total investments	<u><b>\$10,145,780</b></u>	<u>\$ 9,562,562</u>

In 2009 and 2008, the Authority had \$425 and \$2,167, 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.

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

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

Notes to Financial Statements (continued)

**3. Cash and Investments (continued)**

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, 2009 and 2008, the Authority's bank balances were not exposed to custodial credit risk since the full amount was covered by FDIC insurance.

As of December 31, 2009 and 2008, the Authority's investments consisted of U.S. Treasury Bills in the amount of \$10,145,355 and \$9,560,395, 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 the 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 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 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, 2009 or 2008, 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. In general, the Authority does not have an investment policy regarding credit risk except to the extent previously outlined under the Authority's investment policy. The Authority's Money Market Mutual Fund is not rated.

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

Notes to Financial Statements (continued)

**3. Cash and Investments (continued)**

(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 that lower the cost and risk. As of December 31, 2009, the U.S. Treasury Bills had maturities ranging from January 14, 2010 through June 24, 2010.

For the years ended December 31, 2009 and 2008, investment income comprised the following:

	<u>2009</u>	<u>2008</u>
Interest earnings	\$ 42,511	\$ 271,887
Net decrease in fair value of investments	(24,756)	(48,800)
	<u>\$ 17,755</u>	<u>\$ 223,087</u>

**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 Authority's contribution is determined by State statute and is based upon an actuarial computation performed by the PERS. All benefits are established by State statute. The Authority's required contribution and pension expense for the years ended December 31, 2009, 2008 and 2007 was \$93,726, \$77,042 and \$40,057, respectively. 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 5.5% for 2009, 5.5% for 2008 and 5.0% to 5.5% for 2007.

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. That report may be obtained by writing to: State of New Jersey, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employees hired after July 1, 2007 participate in PERS, the defined benefit plan, up to the annual maximum wage for social security. The employee contributions based on wages in excess of the

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

Notes to Financial Statements (continued)

**4. Retirement Plans (continued)**

annual maximum wage are contributed to the Defined Contribution Retirement Program (DCRP). The Authority contributes 3% to the participants' accounts on wages in excess of the social security limit.

In addition to the Plans noted above, employees may elect to make tax-deferred contributions to a 457 deferred compensation plan.

**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



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

Notes to Financial Statements (continued)

**5. Postemployment Benefits Other Than Pension (continued)**

funding excess) over a period not to exceed thirty years. The Authority's annual OPEB cost for the year ended December 31, 2009 and 2008 and the related information for the plan are as follows (dollar amounts in thousands):

	2009	2008
Annual required contribution (benefit)	\$ 95	\$ (221)
Contributions made	–	(2,000)
Increase (decrease) in net OPEB obligation	95	(2,221)
Net OPEB obligation – beginning of year	3	2,224
Net OPEB obligation – end of year	\$ 98	\$ 3

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligations for fiscal years 2006 through 2009 were as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost (Benefit)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2009	\$ 95	0.00%	\$ 98
December 31, 2008	\$ (221)	N/A	\$ 3
December 31, 2007	\$ 156	14.20%	\$ 2,224

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, 2009 and 2008, the fair value of this trust fund was \$1,993,464 and \$2,007,536, respectively. As of December 31, 2009 and 2008, the actuarial liability for benefits was \$2,098,480 and \$2,002,926, respectively, which, due to the establishment of the trust, is now approximately 95% funded. The difference of 5% is reported as a liability on the Authority's books.

The most recent actuarial valuation date is January 1, 2008. 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

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

Notes to Financial Statements (continued)

**5. Postemployment Benefits Other Than Pension (continued)**

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, 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 method 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 ended December 31, 2006. The Authority 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. For the January 1, 2008 actuarial valuation, the Authority continued to use the actuarial assumptions of a 4% discount rate and an annual healthcare cost trend rate of 9% grading down to an ultimate rate of 5% in 2012.

At December 31, 2009, the Plan had 20 participants of which 17 were active employees and 3 were retirees. Of the Plan participants, 3 retirees and 2 active employees were eligible to receive benefits.

**6. 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

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

Notes to Financial Statements (continued)

**6. Conduit Debt (continued)**

financing transaction, the financing transaction is given no accounting recognition in the accompanying financial statements. At December 31, 2009, the amount of conduit debt outstanding totaled \$5,184,511,177.

**7. Commitments and Contingencies**

The Authority has an operating lease commitment for its offices at an annual rental of approximately \$227,700 through December 31, 2016.

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. On February 27, 2008, the Authority's Members passed a resolution to increase by \$1,000,000 (to \$5,500,000) the amount designated for this purpose.

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

Notes to Financial Statements (continued)

**8. Net Assets (continued)**

**Changes in Net Assets**

The changes in net assets are as follows:

	<b>Invested in Capital Assets</b>	<b>Unrestricted</b>	<b>Total</b>
Net assets at December 31, 2007	\$ 243,907	\$ 8,175,097	\$ 8,419,004
Net asset change	–	1,011,327	1,011,327
Capital asset additions	45,273	(45,273)	–
Depreciation	(78,867)	78,867	–
Net assets at December 31, 2008	210,313	9,220,018	9,430,331
Net asset change	–	616,795	616,795
Capital asset additions	27,783	(27,783)	–
Depreciation	(70,024)	70,024	–
Net assets at December 31, 2009	<u>\$ 168,072</u>	<u>\$ 9,879,054</u>	<u>\$ 10,047,126</u>

## Required Supplementary Information

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

Required Supplementary Information

Schedule of Funding Progress for the Retiree Healthcare Plan  
(Dollars 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, 2008	\$ –	\$ 1,826	\$ 1,826	0%	\$ 1,415	129%
January 1, 2006	–	2,090	2,090	0	1,269	165

Note: In April 2008, the Authority established and funded an irrevocable trust in the amount of \$2 million. At December 31, 2009, the fair value of this trust was \$1,993,464.

## Supplemental Financial Information

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

Balance Sheets – Trustee Held Funds

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
<b>Assets</b>		
Cash	\$ 729	\$ 111,367
Investments, principally U.S. Government obligations	574,625,825	1,112,379,745
Accrued interest receivable	288,997	2,653,234
Due from colleges and universities	213,255	362,576
Loans and leases receivable	5,147,581,178	5,095,051,447
U.S. Government debt service subsidies receivable	45,375	48,013
	<b>\$ 5,722,755,359</b>	<b>\$ 6,210,606,382</b>
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 33,757,726	\$ 72,917,749
Accrued interest payable	106,499,525	98,006,340
Bonds and notes payable	5,184,511,177	5,128,518,947
Funds held in trust	397,986,931	911,163,346
	<b>\$ 5,722,755,359</b>	<b>\$ 6,210,606,382</b>

*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

	<b>Year Ended December 31</b>	
	<b>2009</b>	<b>2008</b>
Funds held in trust at beginning of year	\$ 911,163,346	\$ 961,291,010
Additions:		
Proceeds from sale of bonds and issuance of notes:		
Par amount	492,188,943	1,213,270,268
Bond premium (discount), net	(8,803,828)	27,918,544
Annual loan and rental requirements	380,033,459	372,063,734
Investment income	9,505,358	54,492,149
College and university contributions (returned)	(663,547)	(2,801,255)
U.S. Government debt service subsidies	276,713	763,965
Change in investment valuation reserve	(4,146,948)	1,622,622
Total additions	868,390,150	1,667,330,027
Deductions:		
Debt service:		
Interest	244,643,639	264,038,179
Principal	157,599,212	167,036,240
Project costs	542,918,314	498,132,908
Issuance costs	20,764,312	14,859,088
Administrative fees	3,093,025	3,016,399
Transfers to escrow accounts for defeasance of refunded issues	412,548,063	770,374,877
Total deductions	1,381,566,565	1,717,457,691
Decrease in funds held in trust	(513,176,415)	(50,127,664)
Funds held in trust at end of year	\$ 397,986,931	\$ 911,163,346

*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)

Notes to Supplemental Financial Statements

December 31, 2009

**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.

**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 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, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Construction funds	\$ 276,160,776	\$ 796,466,300
Debt service funds	8,859,617	12,096,384
Debt service reserve funds	95,513,276	84,446,763
Renewal and replacement accounts	17,453,262	18,153,899
	<u>\$ 397,986,931</u>	<u>\$ 911,163,346</u>

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

Notes to Supplemental Financial Statements (continued)

**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>2009</u>	<u>2008</u>
Investments:		
Collateralized investment agreements	\$ 1,364,000	\$ 80,207,230
U.S. Treasury and agency obligations*	573,261,825	1,032,172,515
Total investments	<u>\$ 574,625,825</u>	<u>\$ 1,112,379,745</u>

\* Includes \$123,909,347 and \$250,028,040 of investments in pooled U.S. Treasury funds at December 31, 2009 and 2008, respectively, which are uncategorized.

**5. Loans and Leases Receivable**

Since its inception, the Authority has issued obligations of \$12,143,510,327 and \$11,651,321,384 as of December 31, 2009 and 2008, 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.

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

Notes to Supplemental Financial Statements (continued)

**5. Loans and Leases Receivable (continued)**

Restricted fund receivables comprise the following:

	December 31	
	2009	2008
Loans:		
Institute for Advanced Study	\$ 60,310,000	\$ 62,735,000
Princeton University	1,403,557,500	1,441,817,500
Mortgages:		
Caldwell College	19,700,000	20,340,000
Centenary College	24,694,521	25,332,881
College of Saint Elizabeth	23,590,000	24,090,000
Drew University	60,225,943	60,326,807
Fairleigh Dickinson University	101,465,292	105,189,263
Felician College	9,570,000	10,110,000
Georgian Court University	30,282,199	31,257,577
Institute for Defense Analyses	14,135,000	14,585,000
Monmouth University	15,145,000	16,815,000
New Jersey Institute of Technology	131,580,000	136,237,500
Princeton Theological Seminary	39,432,500	41,525,000
Rider University	51,825,000	54,320,000
Saint Peter's College	43,792,428	44,509,428
Seton Hall University	129,486,553	131,737,500
Stevens Institute of Technology	77,192,500	77,490,000
University of Medicine and Dentistry of New Jersey	258,075,000	102,710,000
Leases:		
Kean University	340,206,833	318,909,610
Montclair State University	355,250,000	331,877,500
New Jersey City University (formerly Jersey City State College)	106,345,000	109,555,000
Ramapo College of New Jersey	233,241,219	239,843,496
Rider University	-	125,000
Rowan University (formerly Glassboro State College)	328,775,000	334,790,000
Thomas Edison State College	2,307,190	3,013,385
The College of New Jersey (formerly Trenton State College)	324,832,500	328,460,000
The Richard Stockton College of New Jersey	251,741,500	254,659,000
The William Paterson University of New Jersey	170,417,500	176,755,000
Equipment Leasing Fund	940,000	4,745,000
Higher Education Capital Improvement Fund	432,680,000	455,105,000
Higher Education Facilities Trust Fund	20,460,000	39,920,000
County College Capital Projects Fund	10,485,000	12,670,000
Dormitory Safety Trust Fund	40,170,000	45,830,000
Library Grant Program	35,670,000	37,665,000
	<b>\$ 5,147,581,178</b>	<b>\$ 5,095,051,447</b>

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

Notes to Supplemental Financial Statements (continued)

**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	
				2009	2008
<b>Bonds Payable</b>					
Caldwell College:					
2006 Series F	\$ 21,400,000	7/1/2032	Variable	\$ 19,700,000	\$ 20,340,000
Centenary College:					
2003 Series A	14,775,000	10/1/2033	Variable	10,990,000	11,470,000
2006 Series J	9,154,113	11/1/2036	Variable	9,040,363	9,127,863
2007 Series B	4,784,617	11/1/2036	Variable	4,664,158	4,735,018
Drew University:					
2003 Series C	20,855,000	7/1/2021	3.888%	18,110,000	18,835,000
2007 Series D	29,135,000	7/1/2037	4.601%	28,530,000	28,985,000
2008 Series B	10,765,000	7/1/2017	4.234%	10,765,000	10,765,000
2008 Series I	40,000,000	6/25/2018	Variable	3,603,443	2,331,807
Dormitory Safety Trust Fund:					
Series 2001 A	67,970,000	3/1/2016	4.239%	33,985,000	38,840,000
Series 2001 B - taxable	5,800,000	3/1/2016	6.117%	2,895,000	3,310,000
Series 2003 A	5,440,000	3/1/2018	3.752%	3,290,000	3,680,000
Equipment Leasing Fund:					
Series 2001 A	87,385,000	9/1/2009	3.089%	—	1,755,000
Series 2003 A	12,620,000	9/1/2011	2.517%	940,000	2,990,000
Fairleigh Dickinson University:					
2002 Series D	63,650,000	7/1/2032	6.114%	58,100,000	59,320,000
2004 Series C	35,285,000	7/1/2023	5.534%	30,355,000	31,825,000
2006 Series G	14,505,000	7/1/2028	4.954%	13,665,000	14,095,000
2006 Series H	2,147,554	7/1/2027	4.954%	972,792	1,509,263
Felician College:					
2006 Series I	11,445,000	11/1/2022	4.749%	9,615,000	10,155,000
Georgian Court University:					
1998 Series, Project B	6,455,000	7/1/2015	4.198%	2,170,000	2,785,000
2003 Series, Project C	15,215,000	7/1/2033	5.991%	905,000	905,000
2007 Series D	26,980,000	7/1/2037	5.022%	26,780,000	26,980,000
2007 Series H	1,050,000	10/1/2022	5.296%	944,699	995,077

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

Notes to Supplemental Financial Statements (continued)

**6. Bonds, Notes and Leases Payable (continued)**

Issue	Original Issue Amount	Final Maturity Date	Net Effective Interest Rate	Amount Outstanding December 31	
				2009	2008
<b>Bonds Payable (continued)</b>					
Higher Education Facilities					
Trust Fund:					
Series 2005 A	\$ 90,980,000	9/1/2010	3.286%	\$ 20,460,000	\$ 39,920,000
Higher Education Capital					
Improvement Fund:					
Series 2000 A	132,800,000	9/1/2020	5.242%	<b>19,375,000</b>	25,200,000
Series 2000 B	145,295,000	9/1/2020	5.003%	<b>21,540,000</b>	27,975,000
Series 2002 A	194,590,000	9/1/2022	4.599%	<b>25,560,000</b>	32,105,000
Series 2004 A	76,725,000	9/1/2024	4.352%	<b>43,390,000</b>	46,245,000
Series 2005 A	169,790,000	9/1/2019	4.121%	<b>168,840,000</b>	169,090,000
Series 2006 A	155,460,000	9/1/2024	4.421%	<b>153,975,000</b>	154,490,000
Institute for Advanced Study:					
2001 Series A	11,000,000	7/1/2031	5.101%	<b>2,735,000</b>	2,980,000
2006 Series B	29,600,000	7/1/2031	3.990%	<b>28,800,000</b>	28,900,000
2006 Series C	20,000,000	7/1/2036	Variable	<b>19,200,000</b>	19,600,000
2008 Series C	11,255,000	7/1/2021	3.619%	<b>9,575,000</b>	11,255,000
Institute for Defense Analyses:					
2000 Series D	16,695,000	10/1/2030	Variable	<b>14,135,000</b>	14,585,000
Kean University:					
Series 1998 B	25,995,000	7/1/2027	4.872%	<b>6,665,000</b>	7,065,000
Series 2003 D	75,000,000	7/1/2033	4.811%	<b>13,290,000</b>	13,290,000
Series 2005 B	101,915,000	7/1/2037	4.681%	<b>23,890,000</b>	24,240,000
Series 2007 D	117,795,000	7/1/2039	4.553%	<b>117,795,000</b>	117,795,000
Series 2007 E	156,240,000	7/1/2037	Variable	–	156,240,000
Series 2009 A	179,380,000	9/1/2036	6.404%	<b>179,380,000</b>	–
Library Grant Program:					
Series 2002 A	45,000,000	9/1/2022	4.560%	<b>35,670,000</b>	37,665,000
Monmouth University:					
1993 Series A	14,365,000	7/1/2013	5.538%	<b>4,295,000</b>	5,220,000
1997 Series C	12,910,000	7/1/2022	5.732%	<b>7,365,000</b>	7,740,000
1998 Series D	8,815,000	7/1/2024	5.225%	<b>4,265,000</b>	4,745,000

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

Notes to Supplemental Financial Statements (continued)

**6. Bonds, Notes and Leases Payable (continued)**

Issue	Original Issue Amount	Final Maturity Date	Net Effective Interest Rate	Amount Outstanding December 31	
				2009	2008
<b>Bonds Payable (continued)</b>					
Montclair State University:					
Series 2002 F	\$ 78,500,000	7/1/2032	4.489%	\$ 22,375,000	\$ 22,375,000
Series 2003 E	23,425,000	7/1/2033	4.445%	<b>18,625,000</b>	18,825,000
Series 2003 L	94,540,000	7/1/2034	4.541%	<b>28,110,000</b>	28,255,000
Series 2006 A	98,090,000	7/1/2036	4.816%	<b>94,290,000</b>	96,005,000
Series 2006 B	9,970,000	7/1/2012	4.133%	<b>6,235,000</b>	8,140,000
Series 2006 J	154,110,000	7/1/2034	4.300%	<b>154,110,000</b>	154,110,000
Series 2007 A	6,150,000	7/1/2021	4.022%	<b>6,150,000</b>	6,150,000
Series 2008 J	27,545,000	7/01/2038	5.100%	<b>27,545,000</b>	–
New Jersey City University (formerly Jersey City State College):					
Series 1977 C	8,570,000	7/1/2010	6.290%	<b>580,000</b>	1,120,000
Series 1999 B	17,795,000	7/1/2025	4.807%	<b>12,320,000</b>	13,005,000
Series 2002 A	15,115,000	7/1/2032	4.949%	<b>2,215,000</b>	2,215,000
Series 2003 B	2,300,000	7/1/2018	5.659%	<b>2,000,000</b>	2,150,000
Series 2007 F	17,910,000	7/1/2032	4.337%	<b>17,725,000</b>	17,910,000
Series 2008 E	68,445,000	7/1/2035	4.763%	<b>67,075,000</b>	68,445,000
Series 2008 F	6,175,000	7/1/2036	7.039%	<b>6,175,000</b>	6,175,000
New Jersey Institute of Technology:					
Series 2001 G	62,335,000	7/1/2031	4.932%	<b>57,085,000</b>	57,830,000
Series 2001 H – taxable	12,570,000	7/1/2016	6.259%	<b>7,290,000</b>	8,110,000
Series 2004 B	73,530,000	7/1/2025	4.016%	<b>69,590,000</b>	72,570,000
Princeton Theological Seminary:					
1997 Series A	22,485,000	7/1/2022	4.988%	–	16,330,000
2002 Series G	26,125,000	7/1/2032	4.824%	<b>25,565,000</b>	25,665,000
2009 Series B	14,435,000	12/1/2032	2.878%	<b>14,330,000</b>	–
Princeton University:					
1999 Series A	45,500,000	7/1/2029	4.798%	<b>3,575,000</b>	4,675,000
1999 Series B	50,000,000	7/1/2019	4.980%	–	2,335,000
2000 Series E	50,000,000	7/1/2020	5.355%	<b>2,330,000</b>	4,535,000
2000 Series H	100,000,000	7/1/2030	5.336%	<b>2,285,000</b>	4,460,000
2003 Series D	114,495,000	7/1/2019	3.727%	<b>84,345,000</b>	85,205,000
2003 Series E	112,510,000	7/1/2028	3.944%	<b>61,085,000</b>	64,120,000
2004 Series D	175,000,000	7/1/2029	4.497%	<b>37,970,000</b>	42,325,000
2005 Series A	139,590,000	7/1/2030	4.405%	<b>134,570,000</b>	135,160,000
2005 Series B	114,645,000	7/1/2035	4.236%	<b>81,015,000</b>	83,220,000
2006 Series D	74,290,000	7/1/2031	4.391%	<b>70,720,000</b>	72,550,000
2006 Series E	93,285,000	7/1/2027	4.504%	<b>92,500,000</b>	92,620,000
2007 Series E	325,000,000	7/1/2037	4.534%	<b>313,885,000</b>	319,550,000

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

Notes to Supplemental Financial Statements (continued)

**6. Bonds, Notes and Leases Payable (continued)**

Issue	Original Issue Amount	Final Maturity Date	Net Effective Interest Rate	Amount Outstanding December 31	
				2009	2008
<b>Bonds Payable (continued)</b>					
Princeton University (continued):					
2007 Series F	\$ 67,620,000	7/1/2030	4.392%	\$ 67,500,000	\$ 67,610,000
2008 Series J	250,000,000	7/1/2038	4.391%	<b>250,000,000</b>	250,000,000
2008 Series K	208,805,000	7/1/2023	4.356%	<b>197,535,000</b>	208,805,000
Ramapo College of New Jersey:					
Series 1998 G	16,845,000	7/1/2028	4.832%	<b>13,220,000</b>	13,635,000
Series 1998 H	2,000,000	7/1/2013	4.309%	<b>685,000</b>	835,000
Series 1999 E	19,900,000	7/1/2029	5.774%	—	455,000
Series 2001 D	40,480,000	7/1/2031	5.105%	<b>5,135,000</b>	6,040,000
Series 2002 H	28,655,000	7/1/2032	4.485%	<b>17,585,000</b>	18,230,000
Series 2002 I	2,145,000	7/1/2032	4.485%	<b>1,255,000</b>	1,300,000
Series 2002 J	29,620,000	7/1/2032	4.485%	<b>18,185,000</b>	18,850,000
Series 2003 F	1,820,000	7/1/2013	3.257%	<b>960,000</b>	1,185,000
Series 2003 G	9,300,000	7/1/2013	3.110%	<b>3,775,000</b>	5,175,000
Series 2003 H	18,930,000	7/1/2029	4.346%	<b>18,635,000</b>	18,775,000
Series 2004 E	53,980,000	7/1/2034	4.630%	<b>13,680,000</b>	13,680,000
Series 2006 D	49,085,000	7/1/2036	4.521%	<b>36,970,000</b>	37,940,000
Series 2006 I	106,820,000	7/1/2036	4.417%	<b>106,485,000</b>	106,790,000
Rider University:					
1971 Series A	3,700,000	7/1/2009	6.895%	—	250,000
2002 Series A	27,560,000	7/1/2017	4.709%	<b>17,810,000</b>	19,595,000
2004 Series A	14,735,000	7/1/2034	5.301%	<b>13,665,000</b>	13,940,000
2007 Series C	22,000,000	7/1/2037	5.172%	<b>21,630,000</b>	22,000,000
Rowan University (formerly Glassboro State College):					
Series 1974 E	6,080,000	7/1/2009	6.944%	—	415,000
Series 1983 D	3,500,000	7/1/2013	3.000%	<b>690,000</b>	850,000
Series 2000 B	51,620,000	7/1/2030	5.566%	<b>1,210,000</b>	2,360,000
Series 2001 B	8,790,000	7/1/2031	5.025%	<b>210,000</b>	210,000
Series 2001 C	60,930,000	7/1/2031	4.943%	<b>38,850,000</b>	40,470,000
Series 2002 K	14,920,000	7/1/2033	4.866%	<b>665,000</b>	665,000
Series 2003 I	64,910,000	7/1/2030	4.714%	<b>6,880,000</b>	7,820,000
Series 2004 C	61,275,000	7/1/2034	4.697%	<b>8,680,000</b>	8,680,000
Series 2005 D	51,840,000	7/1/2030	4.532%	<b>51,360,000</b>	51,655,000
Series 2006 G	69,405,000	7/1/2031	4.362%	<b>67,915,000</b>	69,250,000
Series 2007 B	121,355,000	7/1/2034	4.266%	<b>119,500,000</b>	119,500,000
Series 2008 B	35,205,000	7/1/2027	4.839%	<b>35,205,000</b>	35,205,000



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

Notes to Supplemental Financial Statements (continued)

**6. Bonds, Notes and Leases Payable (continued)**

Issue	Original Issue Amount	Final Maturity Date	Net Effective Interest Rate	Amount Outstanding December 31	
				2009	2008
<b>Bonds Payable (continued)</b>					
Saint Peter's College:					
2007 Series G	\$ 36,053,465	7/1/2027	4.217%	\$ <b>36,053,466</b>	\$ 36,053,466
2007 Series I	3,848,462	1/1/2013	3.925%	<b>3,333,462</b>	3,628,462
2008 Series H	5,000,000	7/1/2018	3.925%	<b>4,405,500</b>	4,827,500
Seton Hall University:					
1998 Series, Project F	7,620,000	7/1/2021	5.189%	–	7,620,000
1999 Refunding Series	50,450,000	7/1/2018	5.122%	<b>26,905,000</b>	30,355,000
2001 Refunding Series A	22,840,000	7/1/2016	4.314%	<b>5,845,000</b>	6,485,000
2001 Refunding Series B	11,600,000	7/1/2016	4.314%	<b>6,090,000</b>	6,875,000
2001 Series Project G	8,740,000	7/1/2026	4.598%	<b>8,740,000</b>	8,740,000
2008 Series D	49,760,000	7/1/2037	Variable	<b>49,760,000</b>	49,760,000
2008 Series E	24,340,000	7/1/2037	6.127%	<b>24,340,000</b>	24,340,000
2009 Series C	7,955,000	9/1/2036	6.404%	<b>7,955,000</b>	–
Stevens Institute of Technology:					
1998 Series I	17,000,000	7/1/2028	5.109%	<b>6,285,000</b>	6,575,000
2007 Series A	71,060,000	7/1/2034	4.977%	<b>71,060,000</b>	71,060,000
The College of New Jersey:					
Series 2002 C	53,155,000	7/1/2019	4.480%	<b>38,965,000</b>	42,375,000
Series 2008 D	287,790,000	7/1/2035	5.086%	<b>287,790,000</b>	287,790,000
The College of Saint Elizabeth:					
2008 Series F	24,090,000	7/1/2036	Variable	<b>23,590,000</b>	24,090,000
The Richard Stockton College of New Jersey:					
Series 1988 A	3,294,000	7/1/2016	3.000%	<b>969,000</b>	1,104,000
Series 2002 B	8,340,000	7/1/2010	3.482%	<b>820,000</b>	1,690,000
Series 2005 F	28,180,000	7/1/2028	4.458%	<b>24,595,000</b>	25,445,000
Series 2006 F	50,365,000	7/1/2036	4.460%	<b>50,365,000</b>	50,365,000
Series 2007 G	40,250,000	7/1/2037	4.500%	<b>39,895,000</b>	40,250,000
Series 2008 A	136,910,000	7/1/2038	5.309%	<b>136,910,000</b>	136,910,000
University of Medicine and Dentistry of New Jersey:					
Series 1995 B	143,645,000	12/1/2025	5.319%	–	89,565,000
Series 1999 C	15,720,000	12/1/2029	5.321%	–	13,145,000
Series 2009 B	258,075,000	12/1/2032	7.472%	<b>258,075,000</b>	–

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

Notes to Supplemental Financial Statements (continued)

**6. Bonds, Notes and Leases Payable (continued)**

Issue	Original Issue Amount	Final Maturity Date	Net Effective Interest Rate	Amount Outstanding December 31	
				2009	2008
<b>Bonds Payable (continued)</b>					
The William Paterson University of New Jersey:					
Series 1976 A	\$ 5,685,000	7/1/2009	7.644%	\$ —	\$ 445,000
Series 1981 B	5,000,000	7/1/2011	3.000%	<b>520,000</b>	765,000
Series 1999 D	12,785,000	7/1/2019	5.162%	—	615,000
Series 2000 A	26,425,000	7/1/2030	5.515%	<b>570,000</b>	1,105,000
Series 2002 E	42,125,000	7/1/2027	4.714%	<b>19,660,000</b>	21,605,000
Series 2004 A	30,035,000	7/1/2028	4.131%	<b>24,320,000</b>	25,475,000
Series 2005 E	42,295,000	7/1/2030	4.546%	<b>41,170,000</b>	41,270,000
Series 2008 C	88,670,000	7/1/2038	4.724%	<b>87,320,000</b>	88,670,000
<b>Notes Payable</b>					
Princeton University:					
Various Commercial Paper	120,000,000*	N/A	Variable	<b>12,680,000</b>	12,680,000
<b>Leases Payable</b>					
Kean University	916,666	6/1/2014	4.064%	<b>499,333</b>	654,610
Ramapo College of New Jersey	1,377,090	10/1/2010	Various	<b>58,719</b>	113,496
Seton Hall University	3,371,289	5/27/2011	3.040%	<b>2,409,053</b>	—
Thomas Edison State College	1,800,000	3/8/2012	3.647%	<b>381,496</b>	700,538
Thomas Edison State College Treasurer, State of New Jersey,	2,700,000	9/28/2022	Variable	<b>1,925,694</b>	2,312,847
Series 1999 A	19,295,000	9/1/2014	4.705%	<b>1,955,000</b>	2,290,000
Atlantic County, Series 1999 B	3,045,000	9/1/2009	4.799%	—	370,000
Essex County, Series 1999 C	4,570,000	9/1/2014	5.177%	<b>1,880,000</b>	2,205,000
Hudson County, Series 1999 D	7,750,000	9/1/2014	5.177%	<b>3,190,000</b>	3,745,000
Middlesex County, Series 1999 E	4,370,000	9/1/2014	5.053%	<b>1,795,000</b>	2,105,000
Passaic County, Series 1999 F	2,015,000	9/1/2014	5.125%	<b>825,000</b>	970,000
Hudson County Community College (Chapter 78), Series 1999 G	2,035,000	9/1/2014	5.177%	<b>840,000</b>	985,000
				<b>\$ 5,184,511,177</b>	<b>\$ 5,128,518,947</b>

\* Maximum authorized amount.

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

Notes to Supplemental Financial Statements (continued)

**6. Bonds, Notes and Leases Payable (continued)**

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

2010 – 2014	\$ 854,995,312
2015 – 2019	1,088,723,337
2020 – 2024	1,139,919,802
2025 – 2029	971,579,637
2030 – 2034	799,702,706
2035 – 2039	329,590,383
	<u>\$ 5,184,511,177</u>

**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.

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

Notes to Supplemental Financial Statements (continued)

**7. Refunded Bond Issues (continued)**

Refunded bonds outstanding at December 31, 2009 comprise the following:

Issue	Principal Amount Outstanding December 31, 2009	Refunded Issues		Debt Service Savings	Refunding Issues		
		Principal Amount Refunded	Call Date		Date of Issuance	Issue	Original Amount of Issue
Princeton University							
1999 Series B	\$ —	\$ 25,440,000	7/1/2009	\$ 5,434,717	10/23/2003	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				
Ramapo College of New Jersey							
Series 1999 E	—	16,825,000	7/1/2009	554,426	1/29/2004	Series 2003 H	18,930,000
Higher Educational Capital Improvement Fund							
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				
Rowan University							
Series 2000 B	43,405,000	45,445,000	7/1/2010	1,912,380	4/13/2005	Series 2005 D	51,840,000
Princeton University							
1999 Series A	—	10,400,000	7/1/2009	4,243,735	4/12/2005	2005 Series A	139,590,000
1999 Series B	—	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				
The William Paterson University of New Jersey							
Series 1999 D	—	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				
New Jersey City University							
Series 1999 B	—	450,000	7/1/2009	-	2/16/2006	Series 2006 C	5,950,000
Institute for Advanced Study							
2001 Series A	6,730,000	7,190,000	7/1/2000	2,100,572	7/19/2006	2006 Series B	11,000,000
Princeton University							
1999 Series A	—	16,815,000	7/1/2009	2,755,549	8/10/2006	2006 Series E	45,500,000
2000 Series H	10,615,000	10,615,000	7/1/2010				100,000,000
2003 Series E	5,950,000	5,950,000	7/1/2013				112,510,000
2004 Series D	49,045,000	49,045,000	7/1/2014				175,000,000
2005 Series B	7,820,000	7,820,000	7/1/2015				114,645,000

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

Notes to Supplemental Financial Statements (continued)

**7. Refunded Bond Issues (continued)**

Issue	Principal Amount	Refunded Issues		Debt Service Savings	Refunding Issues		
	Outstanding December 31, 2009	Principal Amount Refunded	Call Date		Date of Issuance	Issue	Original Amount of Issue
Rowan University							
Series 2002 K	\$ 4,805,000	\$ 4,805,000	7/1/2012	\$ 738,003	11/16/2006	Series 2006 G	\$ 14,920,000
Series 2003 I	17,225,000	17,385,000	7/1/2013				64,910,000
Higher Education Capital Improvement Fund							
Series 2000 A	10,545,000	10,545,000	9/1/2010	4,438,363	10/26/2006	Series 2006 A	132,800,000
Series 2000 B	11,405,000	11,405,000	9/1/2010				145,295,000
Series 2002 A	102,810,000	102,810,000	9/1/2012				194,590,000
Series 2004 A	22,760,000	22,760,000	9/1/2014				76,725,000
Ramapo College of New Jersey							
Series 2001 D	30,435,000	32,130,000	7/1/2011	3,510,943	11/28/2006	Series 2006 I	40,480,000
Series 2002 H	7,930,000	8,795,000	7/1/2012				28,655,000
Series 2002 I	570,000	615,000	7/1/2012				2,145,000
Series 2002 J	8,205,000	8,835,000	7/1/2012				29,620,000
Series 2004 E	40,300,000	40,300,000	7/1/2014				53,980,000
Series 2006 D	11,145,000	11,145,000	7/1/2016				49,085,000
Montclair State University							
Series 2001 F	18,695,000	18,695,000	7/1/2011	6,194,157	12/14/2006	Series 2006 J	18,695,000
Series 2002 F	56,125,000	56,125,000	7/1/2010				78,500,000
Series 2003 E	4,600,000	4,600,000	7/1/2010				23,425,000
Series 2003 L	59,260,000	64,290,000	7/1/2014				94,540,000
New Jersey City University							
Series 2002 A	10,855,000	11,785,000	7/1/2012	696,503	4/4/2007	Series 2007 F	15,115,000
Kean University							
Series 2001 A	3,565,000	4,790,000	7/1/2011	14,985,307	4/13/2007	Series 2007 E	156,240,000
Series 2003 D	56,025,000	60,395,000	7/1/2013				
Series 2005 B	74,410,000	77,530,000	7/1/2016				
Stevens Institute of Technology							
1998 Series I	5,390,000	6,050,000	No Call	N/A*	8/2/2007	2007 Series A	71,060,000
2002 Series C	47,270,000	49,355,000	7/1/2013				
2004 Series B	12,345,000	12,825,000	7/1/2014				
Princeton University							
1999 Series A	—	5,305,000	7/1/2009	2,361,004	6/19/2007	2007 Series F	67,620,000
2003 Series E	4,270,000	4,270,000	7/1/2013				
2004 Series D	36,805,000	36,805,000	7/1/2014				
2005 Series A	2,095,000	2,095,000	7/1/2015				
2005 Series B	17,625,000	17,625,000	7/1/2015				

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

Notes to Supplemental Financial Statements (continued)

**7. Refunded Bond Issues (continued)**

Issue	Principal Amount	Refunded Issues		Debt Service Savings	Refunding Issues		
	Outstanding December 31, 2009	Principal Amount Refunded	Call Date		Date of Issuance	Issue	Original Amount of Issue
Rowan University							
Series 2001 B	\$ 7,235,000	\$ 7,610,000	7/1/2011	\$ 4,465,765	4/5/2007	Series 2007 B	\$ 121,355,000
Series 2001 C	7,245,000	7,850,000	7/1/2011				
Series 2002 K	7,745,000	8,340,000	7/1/2012				
Series 2003 I	33,355,000	35,615,000	7/1/2013				
Series 2004 C	49,795,000	51,595,000	7/1/2014				
Georgian Court University							
2003 Series, Project C	13,065,000	13,585,000	7/1/2013	1,034,788	7/19/2007	2007 Series D	26,980,000
Seton Hall University							
2005 Series C	—	21,737,500	1/8/2009	N/A*	12/11/2008	2008 Series D	24,340,000
Seton Hall University							
2005 Series C	—	28,287,500	1/8/2009	N/A*	12/11/2008	2008 Series D	49,760,000
2006 Series A	—	20,200,000	1/8/2009				
Beth Medrash Govoha							
2000 Series G	7,285,000	7,450,000	7/1/2010	N/A*	N/A	N/A	N/A
Princeton Theological Seminary							
1977 Series A	—	16,330,000	7/1/2009	1,927,085	4/30/2009	2009 Series B	14,435,000
Seton Hall University							
1988 Series F	—	7,620,000	12/16/2009	N/A*	11/13/2009	2009 Series C	7,955,000
The University of Medicine and Dentistry Issues							
Series 1995 B	—	89,565,000	5/15/2009	N/A*	4/15/2009	Series 2009 B	258,075,000
Series 1999 C	—	13,145,000	12/1/2009				

\* Debt restructuring

## 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*

To the Members of the  
New Jersey Educational Facilities Authority

We have audited the financial statements of the New Jersey Educational Facilities Authority as of and for the year ended December 31, 2009, and have issued our report thereon dated March 10, 2010. We conducted our audit 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.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, 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*.

This report is intended solely for the information and use of management, Members of the New Jersey Educational Facilities Authority, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

*Ernst + Young LLP*

March 10, 2010