NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

December 31, 2022

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

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
New Jersey Building Authority

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Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the New Jersey Building Authority (the "Authority"), a component unit of the State of New Jersey, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of December 31, 2022 and 2021, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

P.O. Box 7648 | Princeton, NJ 08543-7648 | 609.689.9700 | Fax 609.689.9720

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of PERS net pension liability and schedule of contributions, and the schedule of proportionate share of the total OPEB liability state health benefit state retired employees plan, as listed in table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2024, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mercadien, P.C.
Certified Public Accountants

January 18, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the New Jersey Building Authority's (the "Authority") annual financial report represents our discussion of the Authority's financial performance and provides an overview of the Authority's activities for the years ended December 31, 2022 and 2021. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read it in conjunction with the Authority's basic financial statements.

Overview of the Financial Statements

The annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include the statements of net position and governmental funds balance sheet and the statements of activities and governmental funds revenues, expenditures and changes in fund balance/net position. The required supplementary information includes the schedule of proportionate share of PERS net pension liability and schedule of contributions, and the schedule of proportionate share of the total OPEB liability state health benefit state retired employees plan.

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

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

Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the Authority's finances. The statements of net position and governmental funds balance sheet present information on all of the Authority's assets and liabilities, with the difference between the two reported as Fund Balance/Net Position. Fund Balance/Net Position increases when revenues exceed expenditures.

The statements of activities and governmental funds revenues, expenditures and changes in fund balance/net position present information showing how the Authority's Fund Balance/Net Position changed during the year. All changes in Net Position are reported as the underlying events occur, regardless of the timing of the related cash flows. Therefore, revenues and expenditures are reported in these statements for some items, such as accrued bond interest, that will result in cash flows in future calendar years.

Notes to the Basic Financial Statements.

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

Financial Analysis

Net Position (in thousands) - Statements of Net Position

	December 31,			2022-2021	2022-2021
	2022	2021	2020	$ Change	% Change
Current assets	$ 30,921	$ 33,751	$ 25,009	$ (2,830)	-8.39%
Non-current assets and deferred outflows of resources	33,768	83,511	109,881	(49,743)	-59.56%
Total assets and deferred outflows of resources	64,688	117,262	134,890	(52,574)	-44.83%
Current liabilities	20,318	23,239	15,009	(2,921)	-12.57%
Non-current liabilities and deferred inflows of resources	37,442	87,964	113,717	(50,522)	-57.43%
Total liabilities and deferred inflows of resources	57,760	111,202	128,726	(53,442)	-48.06%
Net position	$ 6,928	$ 6,060	$ 6,163	$ 868	14.32%

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

	Year Ended December 31,			2022-2021	2022-2021
	2022	2021	2020	$ Change	% Change
Revenues					
Investment income	$ 71	$ 3	$ 50	$ 68	2258.47%
State rental payments	3,142	4,639	5,387	(1,497)	-32.27%
State appropriation for administrative costs	897	932	1,070	(35)	-3.73%
Total revenues	4,110	5,574	6,507	(1,464)	-26.27%
Expenditures					
Interest	2,344	4,467	5,210	(2,123)	-47.52%
Other administrative expenses	897	932	1,171	(35)	-3.72%
Miscellaneous expense	-	278	-	(278)	100.00%
Total expenditures	3,242	5,678	6,381	(2,436)	-42.91%
Changes in net position	868	(104)	126	18,157	
Net position, beginning of year	6,060	6,163	6,037	(103)	-1.67%
Net position, end of year	$ 6,928	$ 6,060	$ 6,163	868	14.33%

Cash Receipts

State debt service receipts of $16.7 million, of which $1.6 million was associated with 2022 interest payments and $15.1 million with principal payments was received in 2022. An additional $37.1 million, of which $34 million was for principal, was received from the New Jersey Debt Defeasance and Prevention Fund to advance pay the remaining $17.7 million of 2009 Series A principal due and $16.3 million of the 2016 Series A refunding principal due.

The Authority received a state appropriation of $1,133,340 which was received in two payments of $566,670 to cover its 2022 administrative budget expenses, the majority of which was used for salary and payroll related expenses of its four full-time and one part-time employees. The Authority also provides management for projects funded by other authorities or agencies and procured through the New Jersey Division of Property Management and Construction. Particularly, large scale projects that benefit from the expertise reside with the Authority.

Debt Service

During 2022, the Authority made principal payments of $15.1 million and defeased an additional $34 million of principal due in future periods. The Debt Service Table below summarized these changes in debt service between the calendar years 2022, 2021 and 2020.

Debt Service Table (in thousands)

	2022	2021	2020	\$ Change 2022-2021	% Change 2022-2021
Bonds payable	\$ 42,320	\$ 91,430	\$ 106,245	\$ (49,110)	-53.71%

The Authority Bond Ratings as of December 31, 2022 and 2021, were as follows:

	2022	2021
Fitch Ratings	A+	A-
Moody's Investor Service, Inc.	A1	A3
Standard & Poor's Rating Services	AA+	BBB+

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

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

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

Contacting Financial Management
This financial report is designed to provide citizens, vendors and creditors with a general overview of the Authority's finances. If you have any questions about this report or need additional financial information, contact the Authority’s Fiscal Office at 609-943-4830 or P.O. Box 219, Trenton, New Jersey 08625-0219.

BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
December 31, 2022

	Governmental Funds	Adjustments (Note F)	Statement of Net Position
ASSETS			
Cash and equivalents-restricted	$ 10,960,508	$ -	$ 10,960,508
Current minimum lease payments receivable	-	19,960,000	19,960,000
Long-term minimum lease payments receivable	-	22,360,000	22,360,000
Total assets	$ 10,960,508	$ 42,320,000	$ 53,280,508
DEFERRED OUTFLOWS OF RESOURCES			
Pension	$ -	$ 349,494	$ 349,494
OPEB	-	704,492	704,492
Loss on advanced refunding of bonds	-	10,353,795	10,353,795
Total deferred outflows of resources	$ -	$ 11,407,781	$ 11,407,781
LIABILITIES			
Accounts payable			
Other	$ -	$ 240,003	$ 240,003
Unearned appropriation of administrative costs	-	84,497	84,497
Net pension liability	-	1,242,544	1,242,544
Total OPEB liability	-	1,175,267	1,175,267
Accrued bond interest payable	-	117,932	117,932
Current bonds payable	-	19,960,000	19,960,000
Long-term bonds payable	-	22,360,000	22,360,000
Unamortized bond premiums, net of discounts	-	11,505,894	11,505,894
Total liabilities	$ -	$ 56,686,137	$ 56,686,137
DEFERRED INFLOWS OF RESOURCES			
Pension	$ -	$ 215,044	$ 215,044
OPEB	-	859,125	859,125
Total deferred inflows of resources	$ -	$ 1,074,169	$ 1,074,169
FUND BALANCE/NET POSITION			
Restricted	$ 10,960,508	$ (496,750)	$ 10,463,758
Deficit	-	(3,535,775)	(3,535,775)
Total fund balance/net position	$ 10,960,508	$ (4,032,525)	$ 6,927,983

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

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
December 31, 2021

	Governmental Funds	Adjustments (Note F)	Statement of Net Position
ASSETS			
Cash and equivalents-restricted	$ 10,956,320	$ -	$ 10,956,320
Current minimum lease payments receivable	-	22,795,000	22,795,000
Long-term minimum lease payments receivable	-	68,635,000	68,635,000
Total assets	$ 10,956,320	$ 91,430,000	$ 102,386,320
DEFERRED OUTFLOWS OF RESOURCES			
Pension	$ -	$ 529,766	$ 529,766
OPEB	-	819,567	819,567
Loss on advanced refunding of bonds	-	13,526,277	13,526,277
Total deferred outflows of resources	$ -	$ 14,875,610	$ 14,875,610
LIABILITIES			
Accounts payable			
Other	$ 203,540	$ 54,172	$ 257,712
Unearned appropriation of administrative costs	-	180,505	180,505
Net pension liability	-	980,896	980,896
Total OPEB liability	-	1,385,699	1,385,699
Accrued bond interest payable	-	185,866	185,866
Current Bonds payable	-	22,795,000	22,795,000
Long-term bonds payable	-	68,635,000	68,635,000
Unamortized bond premiums, net of discounts	-	15,408,111	15,408,111
Total liabilities	$ 203,540	$ 109,625,249	$ 109,828,789
DEFERRED INFLOWS OF RESOURCES			
Pension	$ -	$ 635,568	$ 635,568
OPEB	-	737,912	737,912
Total deferred inflows of resources	$ -	$ 1,373,480	$ 1,373,480
FUND BALANCE/NET POSITION			
Restricted	$ 10,752,780	$ (496,750)	$ 10,256,030
Deficit	-	(4,196,369)	(4,196,369)
Total fund balance/net position	$ 10,752,780	$ (4,693,119)	$ 6,059,661

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

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/NET POSITION
Year Ended December 31, 2022

	Governmental Funds	Adjustments (Note F)	Statement of Net Position
REVENUES			
Investment income	$ 70,754	$ -	$ 70,754
State rental payments	3,141,857	-	3,141,857
State principal payments	49,110,000	(49,110,000)	-
State appropriation for administrative costs	1,133,340	(236,084)	897,256
Total revenues	53,455,951	(49,346,084)	4,109,867
EXPENDITURES			
Debt service			
Principal	49,110,000	(49,110,000)	-
Interest	3,240,866	(896,678)	2,344,188
Other administrative expenses	897,357	-	897,357
Total expenditures	53,248,223	(50,006,678)	3,241,545
Excess of revenues over expenditures	207,728	660,594	868,322
Fund balance/net position			
Beginning of year	10,752,780	(4,693,119)	6,059,661
End of year	$ 10,960,508	$ (4,032,525)	$ 6,927,983

NEW JERSEY BUILDING AUTHORITY
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STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/NET POSITION
Year Ended December 31, 2021

	Governmental Funds	Adjustments (Note F)	Statement of Net Position
REVENUES			
Investment income	$ 2,518	$ -	$ 2,518
State rental payments	4,639,450	-	4,639,450
State principal payments	14,815,000	(14,815,000)	-
State appropriation for administrative costs	556,302	375,798	932,100
Total revenues	20,013,270	(14,439,202)	5,574,068
EXPENDITURES			
Debt service			
Principal	14,815,000	(14,815,000)	-
Interest	4,294,934	172,258	4,467,192
Other administrative expenses	770,831	161,269	932,100
Miscellaneous Expense	278,281	-	278,281
Total expenditures	20,159,046	(14,481,473)	5,677,573
Excess of revenues over expenditures	(145,776)	42,271	(103,505)
Fund balance/net position			
Beginning of year	10,898,556	(4,735,390)	6,163,166
End of year	$ 10,752,780	$ (4,693,119)	$ 6,059,661

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Authority

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

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

Reporting Entity

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

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

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

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

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

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

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

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

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

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

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Funds Required by Bond Resolutions

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

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

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

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

	December 31,	
	2022	2021
Construction	$ 10,258,600	$ 10,138,818
Debt service	34,210	405,570
Rebate	667,698	411,932
	$ 10,960,508	$ 10,956,320

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Minimum Lease Payments Receivable

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

Deferred Outflows and Inflows of Resources

The statements of net position and governmental funds balance sheet reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

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

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

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

Bond Premiums/Discounts

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

Fund Balance/Net Position

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

Unrestricted (deficit) net position consists of the cumulative net effect of the Authority's state principal payment revenue against debt service and other administrative expenses.

Income Taxes

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

Administrative Expense

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Risk

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

B. CASH AND EQUIVALENTS

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires uncollateralized deposits exposed to custodial credit risk to be disclosed. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits that are in the possession of an outside party. The following is a summary of the Authority's cash deposits and the amount exposed to custodial credit risk at December 31, 2022 and 2021. The New Jersey Cash Management Fund (the "Fund") is a pooled investment fund and is guaranteed by the State. Thus, deposits in the Fund are not subject to credit risk or custodial credit risk. U.S. Treasury notes are explicitly guaranteed by the U.S. government and are not subject to credit risk or custodial credit risk. As of December 31, 2022 and 2021, the Authority's cash balances were as follows:

	December 31, 2022		December 31, 2021	
	Financial Statement Balance	Bank Balance	Financial Statement Balance	Bank Balance
Amount insured by the FDIC or collateralized with securities held in its name by the Authority.	$ 250,000	$ 250,000	$ 411,931	$ 411,931
Amount collateralized with securities held by the pledging financial institution's trust department in the Authority's name.	10,710,508	10,710,508	5,716,435	5,716,435
Total	$ 10,960,508	$ 10,960,508	$ 6,128,366	$ 6,128,366

Cash equivalents are stated at fair market value. Original cost basis and fair market value at December 31, 2022 and 2021, are summarized as follows:

	December 31, 2022		December 31, 2021	
	Original Cost	Fair Market Value	Original Cost	Fair Market Value
New Jersey Cash Management Fund (Level 2 Investments)	$ -	$ -	$ 4,827,954	$ 4,825,938

C. MINIMUM LEASE PAYMENTS RECEIVABLE

Future minimum lease payments receivable from the State as of December 31, 2022, are as follows:

Years Ending December 31,	
2023	$ 12,685,075
2024	8,527,450
2025	8,515,075
2026	8,778,875
2027	5,366,375
2028-2030	9,171,625
	53,044,475
Less amounts representing interest	(10,724,475)
	$ 42,320,000

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

D. BONDS PAYABLE

Bond activity for the years ended December 31, 2022 and 2021, was as follows:

Balance, December 31, 2021	$ 91,430,000
Reductions	(49,110,000)
Balance, December 31, 2022	$ 42,320,000
Balance, December 31, 2020	$ 106,245,000
Reductions	(14,815,000)
Balance, December 31, 2021	$ 91,430,000

Defeased Bonds

The Authority has refunded various general obligation bond issuances by creating separate irrevocable trust funds. State of New Jersey Debt Defeasance funds have been provided or Authority refunding bonds have been issued, the proceeds from which are used to purchase U.S. Treasury Obligations - State and Local Government Series. These funds and securities are deposited into an irrevocable trust fund and then held by the trustee. The investments themselves and the fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded debt has been considered defeased and has therefore, been removed as a liability from the Authority's long-term debt. As of December 31, 2022, the amount of defeased general obligation debt outstanding but removed from the Authority's long-term debt amounted to $113,510,000.

D. BONDS PAYABLE (CONTINUED)

Defeased Bonds (Continued)

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

Years Ending December 31,	
2023	$ 19,960,000
2024	14,930,000
2025	15,655,000
2026	27,760,000
2027	13,935,000
2028-2030	21,270,000
	$113,510,000

E. FUTURE DEBT SERVICE PAYMENTS

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

Years Ending December 31,	Principal	Interest	Total
2023	$ 10,195,000	$ 2,490,075	$ 12,685,075
2024	6,390,000	2,137,450	8,527,450
2025	6,705,000	1,810,075	8,515,075
2026	7,310,000	1,468,875	8,778,875
2027	4,165,000	1,201,375	5,366,375
2028-2030	7,555,000	1,616,625	9,171,625
	$ 42,320,000	$ 10,724,475	$ 53,044,475

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

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

Loss on advance refunding net of amortization:

	December 31,	
	2022	2021
2009 refunding	$ -	$ 823,368
2013 refunding	10,224,762	12,518,578
2016 refunding	129,033	184,331
	$ 10,353,795	$ 13,526,277

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

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

	December 31, 2022	December 31, 2021
Cost of property and equipment	$ 74,350	$ 74,350
Accumulated depreciation	(74,350)	(74,350)
Property and equipment, net	$ -	$ -
Capital outlay	$ -	$ -

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

	December 31, 2022	December 31, 2021
Minimum lease payment receivable	$ 42,320,000	$ 91,430,000

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

	December 31, 2022	December 31, 2021
Accrued bond interest payable	$ 117,932	$ 185,866
Related adjustment to interest expense, net of amortization	$ (896,678)	$ 172,258
Bonds payable	$ 42,320,000	$ 91,430,000
Unamortized bond premiums, net of discounts	$ 11,505,894	$ 15,408,111

Amortization expense included in interest expense in the governmental funds differs from amortization expense in the statement of activities ($3,902,217 and $2,592,475 in 2022 and 2021, respectively). The difference is a result of the long-term economic focus of the statement of activities versus the current financial resources measurement focus of the governmental funds.

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

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

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

	Year Ended December 31,	
	2022	2021
Principal payments made	$ 49,110,000	$ 14,815,000

(6) The amounts received from the State for debt service principal payments of $49,110,000 and $14,815,000 during 2022 and 2021, respectively, constitute governmental fund revenues and thus are not included in the Authority's statements of activities.

(7) The Authority had an arbitrage rebate calculation performed at December 31, 2022, that resulted in no liability due to the Internal Revenue Service.

G. PENSION PLAN

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

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

G. PENSION PLAN (CONTINUED)

Plan Description

PERS is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions established by N.J.S.A. 43:15A to provide coverage to all full-time employees of the State or any municipality, county, school district, or public agency within the State, provided the employee is not a member of another State administered retirement system. Membership is mandatory. For additional information about PERS, please refer to Division's Annual Comprehensive Financial Report (ACFR) which can be found at:
https://www.state.nj.us/treasury/pensions/financial-reports.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits are vested after ten years of service.

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

Service retirement benefits of 1/55th of final average salary for each year of service credit are available to Tiers 1 and 2 members upon reaching age 60, and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit are available to Tier 4 members upon reaching age 62, and Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, Tiers 3 and 4 before age 62 with 25 or more years of service credit, and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for their respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012, and will be adjusted by the rate of return on the actuarial value of assets.

G. PENSION PLAN (CONTINUED)

Contributions (Continued)
Authority employees are required to contribute a percentage of their salary toward their pension benefits. P.L. 2011, c78, effective June 28, 2011, increased the active member contribution rate from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years. The payment of automatic cost-of-living adjustment ("COLA") additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law. The percentage of an employee's contribution rate as a percentage of covered payroll for 2022 and 2021 was 19.84% and 15.55%, respectively. The payroll subject to pension for the Authority's employees was $623,755 and $606,796 for the years ended December 31, 2022 and 2021, respectively. The Authority's required annual contributions were $103,828 and $96,969 for the years ended December 31, 2022 and 2021, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
The Authority’s pension expense recognized in accordance with the requirements of GASB 68 was $98,610 and $56,069 at December 31, 2022 and 2021, respectively. At December 31, 2022 and 2021, the Authority had a liability of $1,242,544 and $980,896, respectively, for its proportionate share of the net pension liability in PERS. The total and net pension liability for the December 31, 2022, year end was determined based on the June 30, 2022, measurement date that was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to the June 30, 2022, measurement date. The total and net pension liability for the December 31, 2021, year end was determined based on the June 30, 2021, measurement date that was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to the June 30, 2021, measurement date.

For purposes of measuring the net pension liability, the plan's fiduciary net position has been determined on the same basis as it is reported for PERS. Benefit payments are recognized when due and payable in accordance with the benefit terms and investments are measured at their fair value. The Authority’s proportion of the net pension liability was based on a projection of the Authority’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members of the plan, actuarial determined.

At plan year ended June 30, 2022, the Authority’s proportion was 0.008233% which was a decrease of 0.0000466% from its proportion of 0.008280%, as of plan year ended December 31, 2021. At June 30, 2021, the Authority’s proportion was 0.008280% which was an increase of 0.000177% from its proportion of 0.008103%, as of June 30, 2020. The employer allocation percentages are based on the ratio of the contributions of an individual employer to the total contributions to PERS during the measurement period.

At December 31, 2022 and 2021, respectively, the Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

G. PENSION PLAN (CONTINUED)

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

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 8,968	$ 7,909	$ 15,470	$ 7,022
Net difference between projected and actual investment earnings on pension plan investments	51,428	-	-	258,394
Changes in assumptions	3,850	186,058	5,108	349,205
Changes in proportion	208,034	21,077	405,360	20,947
Authority contributions subsequent to the measurement date	77,214	-	103,828	-
	$ 349,494	$ 215,044	$ 529,766	$ 635,568

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

Years Ending December 31,	PERS
2023	$ 134,459
2024	(70,462)
2025	(49,869)
2026	43,668
2027	(559)
	$ 57,236

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which are 8.29, 8.52, 8.52, 8.58, 8.80 and 8.66 years for 2022, 2021, 2020, 2019, 2018 and 2017, respectively.

G. PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability in the plan years ended June 30, 2022 and 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2022	2021
Inflation		
Price	2.75%	2.75%
Wage	3.25%	3.25%
Salary increases (based on years of service)	2.75-6.55%	
Salary increases through 2026 (based on years of service)		2.00-6.00%
Salary increases thereafter (based on years of service)		3.00-7.00%
Investment rate of return	7.00%	7.00%

For PERS, pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021. The actuarial assumptions used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at plan years ended June 30, 2022 and 2021), is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees, and the actuaries. The long-term expected rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return of each major asset class included in PERS's target asset allocation as of plan years ended June 30, 2022 and 2021, are summarized in the following tables:

G. PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

	2022	
	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	27.00%	8.12%
Non-U.S. Developed Markets Equity	13.50%	8.38%
Emerging Markets Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real Assets	3.00%	7.60%
Real Estate	8.00%	11.19%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%
	100.00%	

	2021	
	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	27.00%	8.09%
Non-U.S. Developed Markets Equity	13.50%	8.71%
Emerging Markets Equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Assets	3.00%	7.40%
Real Estate	8.00%	9.15%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk Mitigation Strategies	3.00%	3.35%
	100.00%	

G. PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)
The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022 and 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate
The following presents the collective net pension liability of the participating employers as of plan years ended June 30, 2022 and 2021, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
2022	$ 1,609,824	$ 1,242,544	$ 949,452

	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
2021	$ 1,350,021	$ 980,896	$ 686,971

H. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION

General Information About the OPEB Plan

The Authority participates in a cost sharing multiple-employer defined benefit other post-employment benefit plan (the "State Plan"), which is administered by the State. The State Plan is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Post-employment Benefits Other Than Pensions* ("GASB Statement No. 75"). The State Plan provides continued medical, prescription drug and Medicare Part B health care benefits to retirees and their covered dependents of the participating employers. Benefits, contributions, funding and the manner of administration are determined by the State Legislature. The Division charges the Authority for its contributions. The total number of retired participants eligible for benefits was seven and eight for December 31, 2022 and 2021, respectively.

In accordance with N.J.S.A. 52:14-17.32, the State is required to pay the premiums or periodic charges for health benefits of State employees who retire with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Judicial Retirement System ("JRS"), the State Police Retirement System ("SPRS"), the Teachers' Pension and Annuity Fund ("TPAF"), the Public Employees' Retirement System ("PERS"), the Police and Firemen's Retirement System ("PFRS"), or the Alternate Benefit Program ("ABP"). In addition, N.J.S.A. 52:14-17.26 provides that for purposes of the State Plan, the State is legally obligated to pay the premiums for employees of the State. The State shall also reimburse such retired employees for the premium charges under Part B of the federal Medicare program covering the retired employee and the employee's spouse. Pursuant to Chapter 78, P.L. 2011, future retirees eligible for post-retirement medical coverage who have less than 20 years of creditable service on June 28, 2011, will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

The Authority employees are not considered State employees for the purposes of contributions and, therefore, do not have a special funding situation. The Authority contributed annual premiums to the State Plan for the years ended December 31, 2022 and 2021. The Authority contributed $17,699 and $25,489 to the State Plan for the years ended December 31, 2022 and 2021, respectively.

Please refer to the State website for more information regarding the State Plan. The State Plan's financial report may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective total OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The employer allocation percentages presented in the required supplemental schedules are based on the ratio of the plan members (active and retired) of an individual employer to the total members of the State Plan during the measurement period July 1, 2021 through June 30, 2022. Allocation percentages have been rounded for presentation purposes; therefore, amounts presented may result in immaterial rounding differences.

H. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

Total OPEB Liability

GASB Statement No. 75 requires participating employers recognize their proportionate share of the collective total OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The Authority's proportionate share of the collective total OPEB liability as of December 31, 2022 and 2021, was 0.005627% and 0.005553%, respectively.

The Authority's total OPEB liability as of December 31, 2022 and 2021, was $1,175,267 and $1,385,699, respectively. Since the plan is administered on a pay-as-you-go basis the plan does not accumulate assets in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75. For the years ended December 31, 2022 and 2021, the Authority recognized OPEB expense in accordance with the requirements of GASB 75 of $61,430 and $103,517, respectively.

Actuarial Assumptions

The total OPEB liability as of December 31, 2022, was determined by an actuarial valuation as of June 30, 2021, which was rolled forward to June 30, 2022. The total OPEB liability as of December 31, 2021, was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2021. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. The actuarial valuations for PERS members in the plan years ended June 30, 2022 and 2021, used the following actuarial assumptions, applied to all periods in the measurement:

2022	
Salary increases*	
All future years	2.75-6.55%

*Salary increases are based on years of service.

2021	
Salary increases*	
Through 2026	2.00-6.00%
Thereafter	3.00-7.00%

*Salary increases are based on years of service.

H. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 Healthy “Teachers” (TPAF/ABP), “General” (PERS/JRS), and “Safety” (PFRS/SPRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Post-retirement mortality rates were based on the Pub-2010 “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Future disability mortality was based on the Pub-2010 “Safety” (PFRS/SPRS), “Teachers” (TPAF/ABP), and “General” (PERS/JRS) classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Current disabled retirees mortality was based on the Pub-2010 “General” classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Certain actuarial assumptions used in the June 30, 2021, valuation used for the Authority's December 31, 2022, total OPEB liability and in the June 30, 2020, valuation used for the Authority's December 31, 2021, total OPEB liability were based on the results of actuarial experience studies of the State's defined benefit pension plans for which the members are eligible for coverage. The Authority employees are eligible for coverage under the PERS plan. For the plan year ended June 30, 2022, valuation, the PERS experience studies were prepared for the periods July 1, 2018 to June 30, 2021. For the plan year ended June 30, 2021 valuation, the PERS experience studies were prepared for the periods July 1, 2014 to June 30, 2018.

One-hundred percent of active members are considered to participate in the Plan upon retirement.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend is initially 6.25% and decreases to a 4.5% long-term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2023 through 2024 are reflected. For PPO the trend is initially 6.36% in fiscal year 2025, increasing to 14.35% in fiscal year 2026 and decreases to 4.5% after 8 years. For HMO the trend is initially 6.53% in fiscal year 2025, increasing to 15.47% in fiscal year 2026 and decreases to 4.5% after 8 years. For prescription drug benefits, the initial trend rate is 8.00% and decreases to a 4.5% long-term trend rate after seven years.

Discount Rate

The discount rate for the valuation measured as of plan years ended June 30, 2022 and 2021, was 3.54% and 2.16%, respectively. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

H. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

The following presents the collective total OPEB liability of the participating employers as of December 31, 2022 and 2021, calculated using the plan years ended June 30, 2022 and 2021, valuation date discount rate as disclosed above as well as what the collective total OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	At 1% Decrease (2.54%)	At Current Discount Rate (3.54%)	At 1% Increase (4.54%)
2022	$ 1,361,542	$ 1,175,267	$ 1,024,473

	At 1% Decrease (1.16%)	At Current Discount Rate (2.16%)	At 1% Increase (3.16%)
2021	$ 1,631,416	$ 1,385,699	$ 1,189,787

Sensitivity of Total OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the collective total OPEB liability of the participating employers as of December 31, 2022 and 2021, calculated using the plan years ended June 30, 2022 and 2021, valuation date healthcare trend rate as disclosed above as well as what the total OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
2022	$ 990,995	$ 1,175,267	$ 1,410,729

	At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
2021	$ 1,145,460	$ 1,385,699	$ 1,698,970

H. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 166,553	$ 477,446	$ 194,146	$ 512,703
Changes in assumptions	191,591	378,359	222,879	221,164
Changes in proportion	346,348	3,320	402,542	4,045
	$ 704,492	$ 859,125	$ 819,567	$ 737,912

The amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending December 31,	OPEB
2023	$ (104,541)
2024	(104,541)
2025	(96,852)
2026	(74,464)
2027	(26,613)
2028-2030	(90,651)
	$ (497,661)

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULE OF PROPORTIONATE SHARE OF PERS NET PENSION LIABILITY AND SCHEDULE OF CONTRIBUTIONS (UNAUDITED)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Authority's proportion of the net pension liability	0.008233%	0.008280%	0.008103%	0.008251%	0.005678%	0.003733%	0.003759%	0.003749%	0.005867%	0.004867%
Authority's proportionate share of net pension liability	$ 1,242,544	$ 980,896	$ 1,321,362	$ 1,486,725	$ 1,117,955	$ 868,976	$ 1,113,394	$ 841,592	$ 1,098,470	$ 930,184
Authority's covered-employee payroll	623,755	606,796	591,463	566,390	383,017	225,351	258,611	271,899	318,789	318,789
Authority's proportionate share of net pension liability as a percentage of payroll	199.20%	161.65%	223.41%	262.49%	291.88%	385.61%	430.53%	309.52%	344.58%	291.79%
Total pension liability	3,378,132	3,341,792	3,195,177	3,423,507	2,409,231	1,674,326	1,859,898	1,616,211	2,292,323	1,814,043
Plan fiduciary net position	2,135,588	2,360,896	1,873,815	1,936,782	1,291,277	805,350	746,504	774,619	1,193,860	883,862
Plan fiduciary net position as a percentage of the total pension liability	63.22%	70.65%	58.65%	56.57%	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ 103,828	$ 96,969	$ 88,641	$ 80,259	$ 56,477	$ 34,582	$ 33,397	$ 32,232	$ 48,367	$ 36,672
Contributions in relation to the contractually required amount required contribution	103,828	96,969	88,641	80,259	56,477	34,582	33,397	32,232	48,367	36,672
Authority's covered-employee payroll	523,262	623,755	606,796	591,463	566,390	383,017	225,351	258,611	271,899	318,789
Contributions as a percentage of covered-employee payroll	19.84%	15.55%	14.61%	13.57%	9.97%	9.03%	14.82%	17.79%	12.81%	11.50%

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

SCHEDULE OF PROPORTIONATE SHARE OF THE TOTAL OPEB LIABILITY STATE HEALTH BENEFIT STATE RETIRED EMPLOYEES PLAN (UNAUDITED)

	2022	2021	2020	2019	2018	2017	2016
Authority's proportion of the total OPEB liability	0.005627%	0.005553%	0.005415%	0.004615%	0.005678%	0.004083%	0.003433%
Authority's proportionate share of total OPEB liability	$ 1,175,267	$ 1,385,699	$ 1,532,357	$ 840,280	$ 1,093,972	$ 1,147,519	$ 1,036,766
Authority's covered payroll	540,637	623,755	606,796	591,463	566,390	383,017	225,351
Authority's proportionate share of the total OPEB liability as a percentage of its covered payroll	217.39%	222.15%	252.53%	142.07%	193.15%	299.60%	460.07%
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%	0%	0%	0%

The OPEB schedules are intended to show information for ten years. The State of New Jersey has issued seven years of OPEB information to the Authority. Additional years' information will be displayed as it becomes available.

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

To the Board of Directors of
New Jersey Building Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the New Jersey Building Authority (the "Authority"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents and have issued our report thereon dated January 18, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of current year findings and recommendations as finding 2022-001 that we consider to be a material weakness.

P.O. Box 7648 | Princeton, NJ 08543-7648 | 609.689.9700 | Fax 609.689.9720
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the financial statements. 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*.

Authority's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the finding identified in our audit and described in the accompanying schedule of current year findings and recommendations. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Mercadien, P.C.
Certified Public Accountants

January 18, 2024

Finding 2022-001

Criteria
Management is responsible for timely and accurate financial reporting.

Condition
Financial reporting procedures were not completed and reviewed in a consistent and timely manner resulting in a delayed year-end close process and correcting audit adjusting journal entries. These procedures included year-end closing entries, adjusting and reclass entries not reviewed and/or posted timely, and non-cash activity for debt and other operations not properly recorded or posted to incorrect accounts resulting in misstatements and correcting adjusting entries.

Cause
The policies and procedures over the financial reporting process were not consistently followed due to turnover in the Finance Department.

Effect
Delays in completing the year-end close process and audit and various material adjustments to the year-end account balances.

Recommendation
We recommend that the Authority review existing policies and internal controls to ensure that procedures are in place and operating so that all transactions are properly recorded on a timely basis and reviewed by appropriate levels of the Authority personnel and that related general ledger accounts and reconciliations are timely and accurate.

Management's Response to Finding
The Authority is in agreement with this finding and is in the process of completing corrective actions.

Finding 2021-001

Condition
Financial reporting procedures were not completed and reviewed in a consistent and timely manner resulting in a delayed year-end close process and correcting audit adjusting journal entries. These procedures included year-end closing entries, adjusting and reclass entries not reviewed and/or posted timely, and non-cash activity for debt and other operations not properly recorded or posted to incorrect accounts resulting in misstatements and correcting adjusting entries.

Status
The finding is recurring in the current year. See finding 2022-001.