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**New Jersey Schools  
Development Authority**

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**Annual Report  
2022**



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NEW JERSEY  
SCHOOLS DEVELOPMENT AUTHORITY

# About the Annual Report

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The 2022 Annual Report on the operations of the New Jersey Schools Development Authority (SDA) is presented pursuant to the provisions of Executive Order No. 37 (Corzine), issued on September 26, 2006. The report provides a comprehensive overview of the SDA's operations, highlighting significant actions taken in 2022.

The SDA operates under the Educational Facilities Construction and Financing Act (EFCFA) of 2000 and subsequent August 2007 legislative amendments.

For more information, please refer to the SDA website at [www.njsda.gov](http://www.njsda.gov) or the most recent Biannual Report on the School Construction Program at:

[https://www.njsda.gov/Content/public/Biannual\\_Report/2023\\_1.PDF](https://www.njsda.gov/Content/public/Biannual_Report/2023_1.PDF)

## Mission Statement

Our mission is to deliver high-quality educational facilities that best meet the needs of the students of the State of New Jersey. We promote fiscal responsibility in the management of taxpayers' resources, while providing efficiently designed facilities that enhance the academic environment.

## SDA Executive Staff

**Manuel M. Da Silva**  
Chief Executive Officer

**Donald R. Guarriello**  
Vice President and Chief Financial Officer

**Jane F. Kelly**  
Vice President – Corporate Governance and Legal Affairs

# Board Members

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## Public Members

Robert Nixon

SDA Chairman

*Director of Government Affairs, NJ State Policeman's Benevolent Association*

John Capo

*Director, Bricklayers and Allied Craftworkers*

*Administrative District Council of NJ, Locals 4 & 5*

Daniel Gumble

*Business Representative, I.B.E.W. Local 164*

Lester Lewis-Powder

*Executive Director, Let's Celebrate, Inc.*

Michael Maloney

*Business Manager/ Financial Secretary*

*Plumbers & Pipefitters Local Union No. 9*

*President, Mercer County Central Labor Council*

Mario S. Vargas

*Broker/Owner, Senior Health Navigators, LLC*

## Ex-Officio Members

Angelica Allen-McMillan, Ph. D.

*Acting Commissioner, New Jersey Department of Education*

Lieutenant Governor Sheila Oliver

*Commissioner, New Jersey Department of Community Affairs*

Tim Sullivan

*Chief Executive Officer, New Jersey Economic Development Authority*

Elizabeth Maher Muoio

*State Treasurer, New Jersey Department of the Treasury*

# Table of Contents

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<b>Board Members</b> .....	3
<b>Project Accomplishments</b> .....	7
PROJECT DELIVERIES .....	7
CAPITAL CONSTRUCTION PROJECTS PROGRESS STATEWIDE .....	9
NEW PROJECTS APPROVED FOR ADVANCEMENT .....	11
SUPPORTING NEW JERSEY’S CONSTRUCTION INDUSTRY THROUGH SCHOOL FACILITY PROJECTS .....	12
EMERGENT PROJECTS IN SDA DISTRICTS.....	13
REGULAR OPERATING DISTRICT GRANTS .....	14
\$75 MILLION FY 2023 GRANT FUNDING .....	15
ADDRESSING POTENTIAL FLOORING CONCERNS .....	16
<b>Commitment to New Jersey Businesses</b> .....	17
TRAINING NEW JERSEY’S SMALL BUSINESSES TO WORK WITH THE SDA.....	17
SMALL BUSINESS PARTICIPATION .....	18
SCHOLARSHIPS TO ENCOURAGE INCREASED PARTICIPATION IN CONSTRUCTION JOBS	19
<b>Financial Information</b> .....	20
FUNDING SUPPORTING SCHOOL CONSTRUCTION.....	20
BUDGETARY AND FINANCIAL CONTROLS .....	21
<b>Certifications Pursuant to Section 22C of Executive Order 37 (2006)</b> .....	23
<b>Certification Pursuant to Section 2 of Executive Order 37 (2006)</b> .....	24
<b>Financial Statements and Required Supplementary Information</b> .....	25

## Message from the CEO

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The New Jersey Schools Development Authority has repeatedly demonstrated its staunch commitment to improving educational facilities for New Jersey’s schoolchildren, even while encountering unprecedented challenges. The accomplishments of the Authority in 2022 further exemplify the expertise and professionalism of its staff and contracting partners to effectuate the enhancement of school facilities in New Jersey’s disadvantaged communities.

The essential work of the SDA received a significant investment in 2022, thanks to funding allocated by the Governor and Legislature through the New Jersey Debt Defeasance and Prevention Fund. SDA is gratified by the ongoing commitment of the Administration and the Legislature to entrust the SDA with the resources needed to further improve school facilities throughout New Jersey. As a result of the \$1.9 billion in funding, the SDA was able to move forward with the approval of additional capital projects in SDA Districts as well as provide new grant funding for Regular Operating Districts (ROD).

In 2022, the SDA Board of Directors approved 19 additional capital projects to address both capacity deficiencies and aged facilities in 13 school districts throughout the State. These projects will provide thousands of new seats for students, enhancing their learning environments. The SDA already advanced preliminary project charters for three of those projects in 2022, allowing pre-design work to commence.

In addition, the SDA worked with the New Jersey Department of Education (DOE) to ready applications for a new round of ROD Grant funding. In late 2022, a broadcast communication was sent to school districts so that they would have time to contemplate potential projects prior to the opening of application submissions in January 2023.

In 2022, the SDA opened four new schools within one combined educational campus that benefits 3,000 students in Passaic, New Jersey. In addition, this past fall new and renovated spaces opened to students in Keansburg, Millville and Orange, New Jersey.

Work also continued on several other large projects in construction, including the Charles and Anna Booker School which will open to students in 2023. SDA also celebrated a significant milestone on the largest project undertaken to date -- a beam signing ceremony for the new 576,000 square-foot Perth Amboy High School. While some of SDA’s active project portfolio experienced project challenges, including nationwide supply-chain shortages that have

plagued the industry as a whole, SDA and its contracting partners forged ahead with construction activities.

Throughout the year, SDA continued executing work related to ROD grants approved through previous funding allocations. While no new grants were executed in 2022, SDA staff did close-out 24 grant projects that represent more than \$47.6 million in total project costs.

There remains much work to be done to effectuate the changes needed in New Jersey's educational infrastructure and the staff of the SDA remains ready to address those needs. The accomplishments achieved by the Authority this year are due to the commitment and dedication of SDA's staff, Board of Directors and its contracting partners.

We look forward to our continued partnership with the program's stakeholders including the Legislature, school districts, community members, and the construction community as we move forward with our important work to impact educational opportunities for New Jersey students.



Manuel Da Silva  
Chief Executive Officer

# Project Accomplishments

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## PROJECT DELIVERIES

The SDA is committed to the construction, modernization, and renovation of schools in some of the most underserved school districts. Each year we see this mission come to fruition through the opening of new and renovated schools throughout the state, benefitting thousands of students.

The completion of the projects that opened to students in 2022 is a testament to the professionalism and commitment of SDA staff and its contracting partners. The lasting impacts of the pandemic continued to present challenges during 2022, specifically with supply-chain delays of certain construction materials. In 2022, the SDA opened its largest project completed to date – an educational campus in Passaic that encompasses four separate schools within one structure. The SDA also delivered renovated spaces at high schools in Orange and Millville. The completion of these projects has provided more than 3,300 new student seats and more than 475,000 square-feet of new construction.

These state-of-the-art facilities, delivered by SDA, are turned over to Districts fully furnished and with 1:1 student-device technology. The technology SDA provides can include a combination of tablets, chromebooks, desktops, and/or laptops as deemed appropriate within each school district’s educational program.

### Educational Campus for 3,000 Students Opens



In January 2022, the SDA delivered the Passaic Dayton Avenue Educational campus, months ahead of schedule. This 448,000 square-foot facility marks the largest project ever completed by the SDA. Benefitting approximately 3,000 students, the \$241 million Dayton Avenue Educational Campus includes

four new schools in one unified structure.

The schools include the following:

- Abraham Lincoln School (pre-k program) - 28 classrooms, three specialized rooms, and a courtyard play area.
- Mahatma Gandhi Elementary School - 33 general classrooms, five self-contained special education classrooms, three science labs, media center, music room, and gym.
- Ellen Ochoa Gifted and Talented Academy (Magnet School program) - 28 general classrooms, three self-contained special educational classrooms, three science labs, art room, dance studio, vocal music room, media center, two “Teach to One” learning areas, and cafeteria.
- Muhammad Ali Middle School - 27 general classrooms, six self-contained special education classrooms, three science labs, four project labs, three “Teach to One” learning areas, gym, cafeteria as well as classrooms dedicated to the arts.

The early completion of the facility allowed the school district to employ a soft opening in January 2022 with students attending the Abraham Lincoln School for several months. SDA’s Chief Executive Officer, Mr. Da Silva had the opportunity to visit Passaic’s youngest learners in March. The excitement and love of their new educational spaces was palpable. Students demonstrated how they use some of the new technology available to them with the class participating in an activity utilizing the interactive white board. Their laughter and smiles displayed the joy that can accompany learning.

Governor Murphy, Senate President Teresa Ruiz, Senator Paul Sarlo, Assemblyman Gary Schaer, and Acting DOE Commissioner Angelica Allen-McMillan were on hand for the ribbon cutting celebration in August, prior to the start of the first full school year in this new facility. Of the ribbon cutting, Assemblyman Schaer said “this state-of-the-art complex represents transformational changes made to public schools to ensure that every child receives the quality education they deserve. I am incredibly thankful to Governor Murphy, as well as our State and local partners; the Dayton Avenue Educational Campus is an unprecedented investment in Passaic’s future.”

This facility significantly reduces the capacity shortages experienced in the school district.



## **Second Phase of Orange High School Project Completed**

The SDA also delivered the second phase of the addition/renovation project to the Orange High School in 2022. A 50,000 square-foot addition previously opened in 2021. The renovations completed in 2022 included a two-story cafeteria, a connector bridge between Orange High School and Orange Preparatory Academy, and science labs in the existing building. Additional work at the Orange Preparatory Academy included the replacement of HVAC units in the locker rooms and renovations of two classrooms continued into 2023. In total, both phases of this project represent a \$56.1 million investment.

## **Renovations to Millville Senior High School**

In fall 2022, the SDA delivered renovated spaces as part of the final phase of the Millville Senior High School's multi-year, multi-phase project. Spaces that opened to students in the fall included renovated classrooms in the B and C wings as well as a renovated music room.

At the end of the year, SDA continued work on the construction of a new 26,000 square-foot auditorium. This portion of the project continued into 2023 due to supply chain issues as well as SDA's agreement to perform additional work requested by the Millville School District. This work is anticipated for completion in 1st Quarter of 2023.

Previously the SDA delivered the first phase of the project in 2020, a 90,000 square-foot addition that included classrooms, student cafeteria, faculty cafeteria and kitchen. In 2021, the SDA delivered the second phase of the project which included a 100,000 square-foot addition that provided a new gymnasium, locker rooms, a dance studio, classrooms and science labs. Overall, this project will represent a \$145 investment when complete.

## **CAPITAL CONSTRUCTION PROJECTS PROGRESS STATEWIDE**

At the end of 2022, the SDA was finalizing construction activities for three school projects that were already occupied. In addition, significant construction activities were ongoing on two major capital construction projects in Plainfield and Perth Amboy.

The SDA also projected advertisement of general construction services for the addition/renovation project at Cleveland Street Elementary School in Orange, in the first quarter of 2023. The remaining project in the SDA’s previous Capital portfolio – the Hoboken Connors Elementary School – was in discussions for rescission as the building was no longer in use by the school district and the district currently has excess student capacity available throughout its existing occupied school buildings.

<b>SDA Capital Projects in Construction (As of December 31, 2022)</b>				
<b>District</b>	<b>Project Name</b>	<b>Project Type</b>	<b>Total Estimated Project Costs</b>	<b>Max Student Capacity</b>
Keansburg	Port Monmouth Rd. School	Addition/Renovation	\$28.4 M	315
Millville	Millville Senior H.S.	Addition/Renovation	\$137.5 M	2,384
Orange	High School	Addition/Renovation	\$51.9 M	1,694
Plainfield	Charles and Anna Booker School	New Construction	\$59.4 M	840
Perth Amboy	High School	New Construction	\$283.8 M	3,300
<b>5 Schools in construction</b>			<b>\$561.0 M</b>	<b>8,533</b>

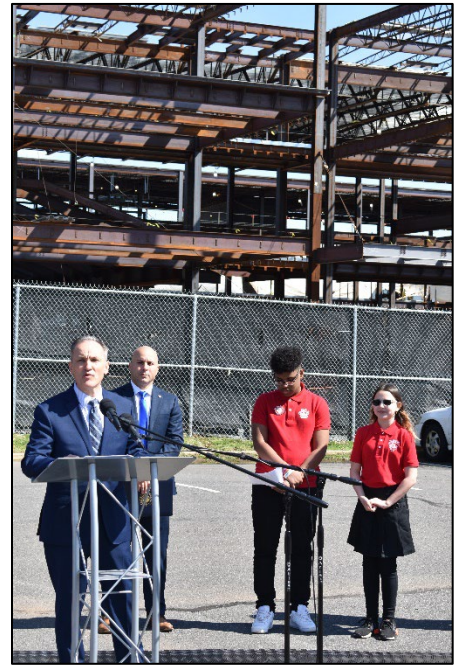
*Note: a projects is considered in construction until a Temporary Certificate of Occupancy is obtained.*

In **Keansburg**, the SDA continued work on renovations to the Port Monmouth Road School. While the one-story, 27,500 square-foot addition to the school opened to students in September, renovation work continued on 19,000 square-feet of existing educational spaces, including eight pre-kindergarten classrooms and a gross motor skills area. This work continued to progress into 2023. Two new playgrounds also will be provided for student use.

In **Plainfield**, SDA continued construction of the new Charles and Anna Booker School in preparation for its September 2023 opening. This 120,000 square-foot facility includes classrooms as well as an art room, a vocal/music room, an instrumental lesson room, a technology lab, a science demo room, a computer lab, a gymnasium, a cafeteria, a media center, a playground, and a basketball court.

As detailed above, final work on projects in Millville and Orange continued at the end of 2022. In **Millville**, work on the new auditorium at the Millville Senior High School was progressing. In **Orange**, replacement of HVAC units in the locker rooms and renovations of two classrooms continued at the Orange Preparatory Academy (connected to the Orange High School).

The new **Perth Amboy High School** celebrated a significant milestone in 2022. In April, SDA was joined by students, state and local officials, and District personnel to celebrate a beam signing ceremony marking the end of steel erection for the new facility. The new Perth Amboy High School will be the largest project ever completed by SDA once construction concludes in 2024. This approximately 576,000 square-foot, three-story facility is designed to educate a maximum of 3,300 students in ninth to twelfth grades. In addition to general classrooms and science labs, the school will include specialized educational spaces such as an automotive lab, culinary arts lab, black box studio, dance studio, ROTC Classroom, world languages classroom, and a life skills lab.



## NEW PROJECTS APPROVED FOR ADVANCEMENT

Among its most significant accomplishments in 2022, was SDA’s approval of the 2022 Capital Plan that authorized an additional 19 school facilities projects for advancement. In April 2022, the SDA Board of Directors authorized the advancement three capital projects, and then in September 2022, authorized the advancement of 16 additional capital projects.

### Projects to Address Overcrowding:

County	District	Grades Served	Project Type
Cumberland	Bridgeton	PK, 6 - 8	Addition/Renovation
Cumberland	Bridgeton	6 - 8	Addition/Renovation
Cumberland	Bridgeton	9-12	Addition/Renovation
Union	Elizabeth	PK-8	New School (Replacement)
Bergen	Garfield	PK - 5	New School (Replacement)

County	District	Grades Served	Project Type
Bergen	Garfield	PK-5	New School (Replacement)
Hudson	Jersey City	PK	New School
Middlesex	New Brunswick	6 - 8	Addition/Renovation
Essex	Newark	PK - 8	New School (Replacement)
Essex	Newark	PK - 8	New School (Replacement)
Passaic	Passaic City	9 - 12	TBD
Passaic	Paterson	9 - 12	New School or Addition/Renovation
Middlesex	Perth Amboy	K - 5	New School
Atlantic	Pleasantville	PK - 5	New School (Replacement)
Mercer	Trenton	K - 5	New School
Hudson	West New York	PK - 8	New School

**Projects to Address Serious Facilities Deficiencies through Replacement Facilities:**

County	District	Grades Served	Project Type
Camden	Camden City	PK – 8	New School (Replacement)
Camden	Camden City	PK – 8	New School (Replacement)
Salem	Salem City	PK – 8	New School (Replacement)

Importantly, in November 2022, preliminary project charters were approved by the Authority’s Board of Directors for projects in Bridgeton, Elizabeth, and Garfield. This allows preliminary design activities to begin for these projects.

For more information on the 2022 Statewide Strategic Plan Update and Capital Plan, please visit: [https://www.njsda.gov/Content/Projects/2022\\_Statewide\\_Strategic\\_Plan.pdf](https://www.njsda.gov/Content/Projects/2022_Statewide_Strategic_Plan.pdf).

## **SUPPORTING NEW JERSEY’S CONSTRUCTION INDUSTRY THROUGH SCHOOL FACILITY PROJECTS**

The work of the SDA continues to benefit both communities and the State’s construction industry. SDA construction projects are responsible for creating thousands of family-wage construction jobs. This continued to be true throughout 2022 with a contractor workforce of

552,602 total workforce hours on SDA projects for the period January 1, 2022 through December 31, 2022. Investment in SDA construction projects has a direct correlation to the creation of additional infrastructure jobs.

During 2022, the SDA issued contracts for work related to one capital, three emergent, three safety and security projects, two floor replacement projects, and one demolition of footings project. This included the design-build and construction management contracts for the new grade seven to nine school in Union City. The SDA also engaged six firms in a bridging design consultant services contract that is valid for three years.

The SDA's construction forecast is available on our website at:

[https://www.njsda.gov/Content/Business/PDFs/Procurement\\_Forecast.pdf](https://www.njsda.gov/Content/Business/PDFs/Procurement_Forecast.pdf)

Information on past and current advertisements and awards is available on our website at:

<https://www.njsda.gov/Business/CurrentBiddingOpportunitiesAwards>.

## **EMERGENT PROJECTS IN SDA DISTRICTS**

The SDA's Emergent Project Program addresses SDA District school facilities in need of repair and rehabilitation. Examples of such projects include roof repair or replacement, windows, exterior masonry, and plumbing, electrical, mechanical and security systems and water infiltration issues.

At the end of 2022, the SDA was managing 13 emergent projects. The status of these projects was as follows: one project in construction, four projects in design, six projects in Procurement (General Construction Task Order (GCTO) with Design), and two projects in scope development. These projects represent an approximately \$44 million state investment. There are also two projects in construction that were delegated to the local school districts for management.

In 2022, the SDA completed two emergent projects in Newark. One of the emergent projects involved making structural repairs at the Malcolm X. Shabazz High School. The second addressed basement water infiltration at Roberto Clemente Elementary School. These two projects represented more than \$3.5 million in emergent repairs.

As of December 2022, 190 emergent projects (both SDA-managed and district-delegated) have been completed since the program’s inception.

## REGULAR OPERATING DISTRICT GRANTS

The SDA’s ROD grant program continues to favorably impact learning environments across the State. ROD grants fund at least 40 percent of eligible costs for projects in New Jersey’s ROD Districts, addressing health and safety issues and other critical needs.

During the year, the SDA Grants Department closed out 24 grants in ten school districts in seven counties throughout the State. These completed grant projects represent more than \$47.6 million in total project costs.

The SDA continued to favorably impact RODs throughout the state by disbursing a total of over \$7.1 million during 2022 to address facility needs. At the end of 2022, there were 194 active ROD grants in 51 school districts from previous allocations. Those active grants represent \$72 million in state share.

Although there were no new grant executions in 2022, in June, Governor Murphy signed Senate Bill No. 2944 into law as P.L.2022, c.18. This legislation allocated \$350 million in ROD grant funding for high-priority capital projects in school districts throughout the state. This additional funding is provided through the New Jersey Debt Defeasance and Prevention Fund. Subsequently, the SDA and DOE issued an initial joint broadcast announcing the upcoming grant program so that school districts would have ample time to prepare and plan their proposed projects in advance of the application cycle beginning in January 2023.

<b>REGULAR OPERATING DISTRICT GRANTS</b>	
<b>Grant Executions Since Inception</b>	
No. of Grants Executed	5,404
State Share	\$3.0 billion
Local Share	\$5.9 billion
Total Est. Costs	\$8.9 billion
No. of Districts Impacted	524
No. of Counties Impacted	21

## **\$75 MILLION FY 2023 GRANT FUNDING**

As previously stated in prior Annual reports, the SDA provides grant funding to ROD and SDA Districts for capital maintenance and emergent needs as detailed in the State Budget. The New Jersey State FY 2023 budget once again included a direct appropriation of \$75 million to the SDA to provide funding for projects related to emergent and capital maintenance needs. This funding allows both ROD and SDA Districts throughout the state to invest in infrastructure projects that will make New Jersey's school facilities healthier and safer for students. The SDA provided funding is intended to offset a district's costs incurred during FY 2023 associated with addressing those important and necessary measures.

The process remains the same, with school districts able to submit to SDA a duly-executed certification and listing of eligible emergent and/or capital maintenance project(s). The SDA then reviews the submission for completeness and provides the identified funds to the district through electronic transfer.

The amount of funds allocated to each district is determined by the DOE's formula. The formula utilized in connection with the FY 2023 funding was employed this year as well, but the allocation was adjusted based upon updated enrollment data. The complete list of all districts and their allocations is available [here](#).

In order for school districts to receive their allocated funding, they must submit to SDA a duly-executed certification and listing of an eligible emergent and/or capital maintenance project(s). At the end of 2022, the SDA had disbursed \$71.1 million of the FY 2022 funding and \$11.1 of the FY 2023 funding. SDA will continue to disburse grant funding as districts submit the required certifications.

SDA has analyzed a sampling of the projects funded in FY 2022 and FY 2023 to date, and determined that the majority of the available funding has been used to address HVAC, building envelope, life safety, and security needs.

## ADDRESSING POTENTIAL FLOORING CONCERNS

As previously reported, SDA developed and advanced a multi-step initiative to evaluate flooring materials installed in SDA-delivered school facilities. This was done in consultation with the DOH, utilizing the important guidance provided. As part of that effort, the SDA initiated an approach for the identification and testing of flooring in previously delivered school construction projects. This included site visits to 163 school facilities in ROD and SDA districts.

During 2022, the SDA successfully completed the replacement of flooring at two facilities where corrective measures were deemed necessary. These included polyurethane flooring at the Thurgood Marshall Primary School in Asbury Park and the Green Grove Elementary School in Neptune.

In 2023, the SDA anticipates this multi-step initiative will be completed as seasonal air testing culminates for those school facilities where ongoing testing is underway. All of SDA's testing and corrective measures are performed in accordance with DOH guidance.



# Commitment to New Jersey Businesses

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## TRAINING NEW JERSEY'S SMALL BUSINESSES TO WORK WITH THE SDA

The SDA's training program returned for its twelfth year in December 2022. Providing in-person sessions to small, minority, women, veteran, and disabled veteran-owned business enterprise participants for the first time since the pandemic.



Consisting of instructional classes that are largely taught by SDA employees who are subject matter experts; the program utilized a new and abbreviated schedule, by condensing the previous eight-weekly sessions into two full-day sessions.

In doing so, the SDA was able to continue providing valuable instruction on business basics, management practices and educated participants regarding how to do business with the SDA and other State agencies, without sacrificing program content.

Once again, the SDA was pleased to welcome instructors from the New Jersey Department of Treasury's Division of Property Management and Construction, New Jersey Department of Labor's Division of Wage and Hour Compliance, and New Jersey Economic Development Authority. Program graduates were also given an opportunity to participate in a networking session following the graduation with large firms such as Epic Management, Gilbane Building Company, Hall Construction, and Terminal Construction. Each of these firms had previously obtained general contracting and design-build contracts for the State's school construction program.

Graduate Helena Van Der Merwe stated "the program helped us to understand all aspects of the construction contractor requirements to do business with the SDA and other State agencies in New Jersey. Industry experts provided training and were highly skilled in the functional areas."

This year's 20 graduate firms stem from various construction trades and add to the growing number of firms who now have the knowledge on how to do business with the State of New Jersey.

To date, the SDA has trained more than 240 firms through its in-house Contractor Training Program. The Program has provided these minority, women, veteran and disabled veteran-owned business enterprise firms with the specific knowledge and opportunities they need to obtain school construction work and grow their businesses. At the same time, the Training Program enables SDA to expand its network of small businesses who contribute to the success of our projects.

The SDA intends to continue annual offerings of this training program in 2023.

## **SMALL BUSINESS PARTICIPATION**

Small Businesses are vital to New Jersey's economy and play a substantial role in the construction of school facility projects throughout the State in both ROD and SDA Districts. At the end of 2022, the SDA had 1,370 firms pre-qualified to do business on school projects in ROD and SDA districts. The New Jersey Department of the Treasury has certified 644 of these firms (or 47% of all firms) as SBE firms.

SDA's commitment to the participation of small businesses in the school construction program is evident in the percentage of contract dollars awarded to these firms. The SDA requires consultants and prime contractors to make good-faith efforts to identify and hire available small business enterprise (SBE) subconsultants and subcontractors in order to meet the State's SBE goal to award at least 25 percent of the total contract value to them. Total contracts awarded during 2022 was \$72,994,600.36.

In order for the SDA to track the SBE participation on projects, contract dollars are only tracked when specific phases of the contract are fully subcontracted or "bought out". The total SDA contract dollars awarded through December 31, 2022, in which the specific portion of the contract commenced, was \$13,749,716. The total contract dollars awarded to all SBE contractors for the commenced portion through December 31, 2022, was \$4,690,386 (including minorities and females). This represents 34.11 percent of all SDA contracts awarded in 2022.

In May 2019, the New Jersey Department of the Treasury promulgated regulations that require firms to make a good faith effort to ensure that at least 3% of the total dollar value of all publicly advertised contracts awarded by the SDA during a fiscal year are awarded to Disabled Veteran-owned businesses (DVOB). Since that time, the SDA has added this good faith effort goal to our construction contracts. This is similar to the SBE goals for school construction projects. With few prequalified firms registered as DVOBs (five at the end of 2022), the SDA is committed to increasing the participation of DVOBs in the school construction program to meet the 3% goal in the coming years, and continues to make progress toward achieving it adding two new firms this year. Toward this end the SDA attended the New Jersey Veteran's Chamber of Commerce Disabled Veteran/Veteran Business Summit in May 2022

## **SCHOLARSHIPS TO ENCOURAGE INCREASED PARTICIPATION IN CONSTRUCTION JOBS**

During 2022, the SDA continued to provide funding for the Governor's Industry Vocations Scholarship for Women and Minorities (NJ-GIVS). The program supports SDA's effort to fund on-the-job or off-the-job outreach and training programs for minority groups and women seeking construction trade occupations or other related occupations – including engineering and management. Specifically, this scholarship benefits women and minority students pursuing a postsecondary certificate or degree program in a construction-related field. The scholarship pays up to \$2,000 per academic year to women and minority students who reside in New Jersey and are enrolled in a NJ-GIVS eligible program at one of New Jersey's approved county colleges, county vocational, technical or trade schools. NJ-GIVS is administered by the New Jersey Higher Education Student Assistance Authority.

During the 2021-2022 academic school year, SDA provided \$45,125 to 27 qualifying students throughout New Jersey. Grant recipients are attending programs at Bergen County Community College, Eastwick College, Essex County College, HoHoKus School/Rets, Hunterdon Polytech, Ocean County Vocational, and Union County College. Some of the programs of study include computer technology, engineering, HVAC, plumbing, and welding.

## Financial Information

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2022 PROJECT EXPENDITURES	
SDA District Capital Projects	\$182.9 M
SDA District Emergent Projects	\$8.5 M
ROD Grant Projects	\$7.1 M
Capital Maintenance and Emergent Needs Grants	\$82.2 M
Other Project Costs – Program	\$6.6 M
<b>TOTAL PROJECT EXPENDITURES</b>	<b>\$287.3 M</b>

### FUNDING SUPPORTING SCHOOL CONSTRUCTION

In total, the New Jersey State Legislature has authorized \$14.75 billion in funding for SDA projects (\$10.75 billion for SDA Districts, \$4 billion for RODs and vocational schools). As of the end of 2022, New Jersey Economic Development Authority (EDA) had issued \$11.85 billion of School Facilities Construction Bonds and Notes to fund the program. This leaves approximately \$650 million remaining under the current bonding authority. No new bonds were issued in 2022.

In June 2022, the Governor signed the Fiscal Year 2023 Budget and Appropriations Act and S2944, dedicating additional funding for school construction in both SDA and ROD districts. This most recent appropriation of funds provides \$1.55 billion to pay for capital school construction projects in the state's 31 SDA districts as well as \$350 million for grant projects in RODs through the New Jersey Debt Defeasance and Prevention Fund. The Budget and Appropriations Act once again included \$75 million to be allocated to every school district (SDA and ROD) for capital maintenance and emergent projects.

Funds transferred or disbursed to SDA generally coincide with forecasted cash flow requirements for already committed projects in SDA's portfolio, enabling SDA to pay its vendors promptly as well as cover its operating expenses.

The SDA has sufficient funds available and/or authorized to complete its current project portfolio while maintaining adequate reserves for unexpected cost increases.

## **BUDGETARY AND FINANCIAL CONTROLS**

The Authority maintains a system of internal controls to provide reasonable assurance that: transactions are executed in accordance with management's requirements and authority; responsibilities are appropriately segregated; financial statements are prepared in accordance with accounting principles generally accepted in the United States; and the assets of the Authority are properly safeguarded. Since internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met, there are inherent limitations in the effectiveness of any system of internal controls. The concept of reasonable assurance generally recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. These internal controls are subject to continuous evaluation by SDA management.

### ***Budgetary Controls***

The Authority maintains budgetary controls to ensure operating expenditures do not exceed the annual levels approved by the Board of Directors in the Authority's annual operating budget. A variance analysis of accounts is performed monthly and the results are summarized and presented to the SDA Audit Committee in a monthly report. As appropriate, the Authority may also allocate expenditures in its operating budget for various internal capital projects including amounts for the acquisition of equipment, computer software, furniture and fixtures and leasehold improvements. The Authority's Capitalization & Depreciation policy prescribes when capitalization of an asset is appropriate.

In addition, the Authority develops and maintains comprehensive project budgets, approved by the Board of Directors, for each of the school facilities projects that it manages. The Authority uses project management software for planning, recording and monitoring project budgets and schedules. Other software and tools are used by the Authority for cost estimating and financial analyses. The data obtained from regular monthly re-forecasting sessions is used to monitor the status of projects and to review and analyze costs in comparison to approved

budgets. The information obtained from these sessions is summarized and presented to the Audit Committee in a monthly report.

### *Financial Controls*

The Authority maintains effective financial controls in part with an integrated accounting and budgeting system, which enables the Authority to view, analyze and report on various financial data. The Authority utilizes separate financial reporting software to: (1) efficiently and effectively monitor the Authority's financial performance; (2) identify financial trends; and (3) generate accurate and timely financial data and reports.

Additionally, the Authority has implemented effective financial controls in key risk areas as documented in numerous written policies, procedures, standard operating procedures (SOPs), processes, guidelines, checklists and standards. The Authority has implemented policies and procedures (or other analogous documents) in the areas of accounting, accounts payable, procurement, information technology, corporate governance and program operations. The Board of Directors has also adopted an Ethics Code for all employees, which is intended to foster a strong ethical climate at the Authority. Together, these policies and procedures (or other analogous documents) provide a system of internal controls and accountability designed to safeguard the Authority's assets. The Authority's internal auditors conduct periodic reviews to ensure the Authority's adherence to internal control policies and procedures.

The Board of Directors periodically reviews and approves modifications to the SDA's Operating Authority policy. The Operating Authority designates those persons at the Authority who are authorized by the Board (either generally or in specific transactions) to: (1) approve contracts and contract changes (i.e., change orders and amendments), (2) execute documents legally binding on the Authority, and (3) sign checks and approve disbursements on behalf of the Authority. The approval levels established in this policy are designed to ensure that financial transactions for all business operations are authorized in an appropriate and responsible manner. Furthermore, co-approvals are required for nearly every transaction including all commitments, expenditures, contract changes, among others.

## Certifications Pursuant to Section 22C of Executive Order 37 (2006)

I certify that, to the best of my knowledge, the financial information provided to the Authority's independent auditors in connection with their audit of the 2022 financial statements is accurate, and that such information fairly presents the financial condition and operational results of the Authority as of December 31, 2022 and for the year then ended.



Donald Guarriello, Jr.  
Chief Financial Officer

I certify that, to the best of my knowledge, the financial information provided to the Authority's independent auditors in connection with their audit of the 2022 financial statements is accurate, and that such information fairly presents the financial condition and operational results of the Authority as of December 31, 2022 and for the year then ended.



Manuel M. Da Silva  
Chief Executive Officer

## Certification Pursuant to Section 2 of Executive Order 37 (2006)

In accordance with Executive Order 37 (2006), please find enclosed the New Jersey Schools Development Authority's (the "Authority") 2022 comprehensive report of Authority operations, (the "2022 Annual Report"). This report highlights the significant actions of the Authority for the year ending December 31, 2022, including the degree of success the SDA had in promoting the State's economic growth strategies and other policies during the year.

The report of independent auditors, issued by Ernst & Young LLP, is included within the financial statements section of the 2022 Annual Report. With the issuance of the audit report, the Authority is in compliance with the requirements of Executive Order 122 (2004).

Executive Order 37 Section 2 Certification:

I, Manuel M. Da Silva, certify that, from January 1, 2022, to December 31, 2022, the Authority has, to the best of my knowledge, followed all of its standards, procedures and internal controls.



Manuel M. Da Silva  
Chief Executive Officer



**STATE OF NEW JERSEY**  
**SCHOOLS DEVELOPMENT AUTHORITY**  
(a component unit of the State of New Jersey)



**FINANCIAL STATEMENTS**  
**AND REQUIRED SUPPLEMENTARY INFORMATION**

For the Year Ended December 31, 2022

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Financial Statements and Required Supplementary Information

For the Year Ended December 31, 2022

**Contents**

**I. Financial Section**

Report of Independent Auditors.....	1
Management’s Discussion and Analysis .....	4
Statement of Net Position and General Fund Balance Sheet .....	11
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance .....	12
Notes to Financial Statements.....	13

**Required Supplementary Information**

Schedule of the Authority’s Proportionate Share of the Net Pension Liability .....	42
Schedule of the Authority’s Contributions to the Public Employees’ Retirement System.....	43
Schedule of Changes in the Total Postemployment Benefits Other Than Pensions (OPEB) Liability and Related Ratios.....	45

**II. Government Auditing Standards Section**

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	47
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## Report of Independent Auditors

Management and Members of the Authority  
New Jersey Schools Development Authority

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities and the general fund of the New Jersey Schools Development Authority, a component unit of the State of New Jersey, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Authority at December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's 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 audit. 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 of 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 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



### ***Auditor's 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 auditor's 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 the Authority's proportionate share of the net pension liability, the schedule of the Authority's contributions to the Public Employees' Retirement System and the schedule of changes in the total postemployment benefits other than pensions (OPEB) liability and related ratios 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have



applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2023 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 Authority's internal control over financial reporting and compliance.

*Ernst + Young LLP*

August 18, 2023

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Management's Discussion and Analysis

For the Year ended December 31, 2022

This section of the New Jersey Schools Development Authority's (the "Authority" or "SDA") annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended December 31, 2022. This management discussion and analysis should be read in conjunction with the Authority's financial statements and accompanying notes.

**2022 Financial Highlights**

- At year end, the Authority's net position is \$273.5 million.
- At year end, cash and cash equivalents total \$402.8 million.
- For the year, revenues total \$81.4 million, consisting primarily of budget appropriations from the State (92.1%).
- For the year, expenses total \$291.1 million, \$283.7 million (97.5%) of which is for school facilities project costs.
- For the year, general fund expenditures exceed general fund revenues by \$212.2 million.

**Overview of the Financial Statements**

The financial section of this annual report consists of three parts: Management's Discussion and Analysis; the basic financial statements; and required supplementary information. The Authority's basic financial statements consist of three components: 1) government-wide financial statements; 2) governmental fund financial statements (these are also referred to as the "general fund" financial statements); and 3) notes to financial statements. Because the Authority operates a single governmental program, its government-wide and governmental fund financial statements have been combined using a columnar format that reconciles individual line items of general fund financial data to government-wide data in a separate column on the face of the financial statement.

Government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private sector business. The statement of net position presents information on all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the residual balance reported as net position. Over time, an increase or decrease in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of activities presents information showing how the Authority's net position changed during the most recent period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal period.

Governmental fund financial statements are designed to provide the reader information about an entity's various funds. A fund is a grouping of related accounts that is used to maintain control over the resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority operates a single governmental fund for financial reporting purposes and this fund is considered a general fund.

The focus of governmental fund financial statements is on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Authority's near-term financing requirements.

Because the focus of the governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental fund with similar information presented in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Authority's near-term financing decisions. Both the fund balance sheet and the statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison.

### **Financial Analysis of the Authority**

The Authority's net position decreased to \$273.5 million at year-end, primarily due to expenditures for school facilities projects (\$283.7 million) and administrative and general expenses (\$7.4 million) exceeding total revenues (\$81.4 million).

The following table summarizes the Authority's net position as of December 31, 2022 and 2021.

	<b>\$ In thousands</b>			
	<b>2022</b>	<b>2021</b>	<b>\$ Increase/ (Decrease)</b>	<b>% Increase/ (Decrease)</b>
Current assets	\$ 402,959	\$ 621,321	\$ (218,362)	(35.1)%
Capital assets-net	3,280	1,556	1,724	110.8%
Total assets	<u>406,239</u>	<u>622,877</u>	<u>(216,638)</u>	<u>(34.8)%</u>
Deferred outflows of resources	9,951	10,362	(411)	(4.0)%
<b>Total assets and deferred outflows of resources</b>	<b><u>\$ 416,190</u></b>	<b><u>\$ 633,239</u></b>	<b><u>\$ (217,049)</u></b>	<b><u>(34.3)%</u></b>
Current liabilities	\$ 56,039	\$ 60,377	\$ (4,338)	(7.2)%
Non-current liabilities	61,418	58,040	3,378	5.8%
Total liabilities	<u>117,457</u>	<u>118,417</u>	<u>(960)</u>	<u>(0.8)%</u>
Deferred inflows of resources	25,265	31,719	(6,454)	(20.3)%
Net position:				
Net investment in capital assets	3,280	1,556	1,724	110.8%
Restricted for schools construction	270,188	481,547	(211,359)	(43.9)%
Total net position	<u>273,468</u>	<u>483,103</u>	<u>(209,635)</u>	<u>(43.4)%</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b><u>\$ 416,190</u></b>	<b><u>\$ 633,239</u></b>	<b><u>\$ (217,049)</u></b>	<b><u>(34.3)%</u></b>

*Note: All percentages are calculated using unrounded figures.*

#### *Significant Account Variances for Net Position*

*Current assets:* The decrease is due to lower cash and cash equivalents as a result of spending in school facilities projects being considerably higher than the budget appropriations received during the year.

*Capital assets-net:* The increase is due primarily to the capitalization of leases as of January 1, 2022 as a result of the implementation of GASB 87.

*Current liabilities:* The decrease is due to lower accrued school facilities project costs offset by an increase in local share deposits received from school districts to fund ineligible project costs.

*Deferred inflows of resources:* The decrease is due mainly to lower deferred inflows of resources associated with pensions, primarily from the difference between the projected and actual earnings on pension plan investments.



The following table summarizes the change in net position for the years ended December 31, 2022 and 2021.

	<b>\$ In thousands</b>			
	<b>2022</b>	<b>2021</b>	<b>\$ Increase/ (Decrease)</b>	<b>% Increase/ (Decrease)</b>
<b>Revenues</b>				
EFCFA funding received from State	\$ -	\$ 350,000	\$ (350,000)	(100.0)%
Appropriation from State	75,000	275,000	(200,000)	(72.7)%
Investment earnings	6,353	230	6,123	2,664.7%
Rental property income	14	12	2	17.3%
Other revenue	77	7	70	921.0%
Total revenues	<u>81,444</u>	<u>625,249</u>	<u>(543,805)</u>	<u>(87.0)%</u>
<b>Expenses</b>				
Administrative and general expenses	7,406	7,108	298	4.2%
School facilities project costs	283,673	267,533	16,140	6.0%
Total expenses	<u>291,079</u>	<u>274,641</u>	<u>16,438</u>	<u>6.0%</u>
Change in net position	<u>(209,635)</u>	<u>350,608</u>	<u>(560,243)</u>	<u>(159.8)%</u>
Beginning net position	<u>483,103</u>	<u>132,495</u>	<u>350,608</u>	<u>264.6%</u>
Ending net position	<u>\$ 273,468</u>	<u>\$ 483,103</u>	<u>\$ (209,635)</u>	<u>(43.4)%</u>

*Note: All percentages are calculated using unrounded figures.*

*Significant Account Variances for the Change in Net Position*

*EFCFA funding received from State:* The Authority did not receive any revenue from bond sales during the year as it had sufficient funds to meet its current obligations.

*Appropriation from State:* The Authority received a \$75 million budget appropriation from the State during the current year as compared to \$275 million in the prior year.

*Investment earnings:* The increase is due to significantly higher investment return rates during the year.

*Other revenue:* The increase is mainly due to the pension credit-special funding in the current year.

*Administrative and general expenses:* The increase is due primarily to higher depreciation expenses as a result of the deployment of PM Web, a new project management software.

*School facilities project costs:* The increase is due mainly to higher spending for Regular Operating District grants offset, by decreases in SDA-managed construction projects, school furniture and fixture expenses, construction management services, and project insurance.

## School Construction Program Authorized Funding and Disbursements

The Authority does not have an economic interest in any school facility project. With the exception of interest income on invested funds, the Authority does not generate substantial operating revenues, yet it incurs significant operating expenses to administer the School Construction Program. Costs related to school facilities projects are reported as school facilities project costs in the statement of activities. Program administrative and general expenses not identifiable specifically to school facilities projects are considered eligible project costs under EFCFA and are therefore eligible to be paid from EFCFA funding.

Through December 31, 2022, the Authority has received \$11.8 billion of the \$12.5 billion principal amount of bond proceeds authorized for the School Construction Program. An additional \$2.25 billion of non-debt funding has similarly been authorized for the School Construction Program, including \$1.9 billion appropriated on June 30, 2022 from the State of New Jersey Debt Debt Defeasance and Prevention Fund, and \$350 million approved in various state budgets. The annual distribution of funds to SDA from the Debt Defeasance and Prevention Fund is stipulated in a grant agreement between the New Jersey State Treasurer and the Authority. In accordance with the grant agreement, the first annual distribution to the Authority will be in state fiscal year 2024 (July 1, 2023 to June 30, 2024) with annual distributions continuing through state fiscal year 2029. The schedule of grant payments may be adjusted as mutually agreed upon by the parties to ensure the Authority has sufficient funds to meet its current obligations.

To date, the Authority has disbursed 80.3% of the currently authorized program funding, as follows:

	<u>All Sources</u>	<u>Program Funding</u> <sup>1</sup>	<u>Disbursements</u>	<u>% Paid</u>
SDA Districts	\$ 10,750,000,000	\$ 10,881,798,363	\$ 8,567,516,744	78.7%
RODs Including Vo-Tech Schools	4,000,000,000	4,053,948,545	3,421,087,835	84.4%
Totals	<u>\$ 14,750,000,000</u>	<u>\$ 14,935,746,908</u>	<u>\$ 11,988,604,579</u>	80.3%

<sup>1</sup> Program funding includes the amounts authorized under the respective bonding caps in addition to approximately \$186 million of interest income and miscellaneous revenue earned through December 31, 2022.

The 31 SDA Districts are located in 14 Counties throughout the State, as follows:

<u>County</u>	<u>School District</u>	<u>County</u>	<u>School District</u>
Atlantic	Pleasantville	Hudson	Union City
Bergen	Garfield	Hudson	West New York
Burlington	Burlington City	Mercer	Trenton
Burlington	Pemberton Township	Middlesex	New Brunswick
Camden	Camden	Middlesex	Perth Amboy
Camden	Gloucester City	Monmouth	Asbury Park
Cumberland	Bridgeton	Monmouth	Keansburg
Cumberland	Millville	Monmouth	Long Branch
Cumberland	Vineland	Monmouth	Neptune Township
Essex	East Orange	Passaic	Passaic City
Essex	Irvington	Passaic	Paterson
Essex	Newark	Salem	Salem City
Essex	Orange	Union	Elizabeth
Hudson	Harrison	Union	Plainfield
Hudson	Hoboken	Warren	Phillipsburg
Hudson	Jersey City		

In 2022, the SDA celebrated the completion of one capital plan school facilities project, in an SDA District providing 318 new student seats. The total State investment in this project was more than \$28 million.

As of December 31, 2022, the SDA has 6 active construction projects in the SDA Districts. In addition, pre-construction activity has commenced on several other projects. Furthermore, the Authority is currently in construction on 6 emergent need projects in the SDA Districts. Emergent need projects most often address roof repairs or replacements; deteriorating façades; water infiltration; heating and cooling system issues; and plumbing, electrical, mechanical and security systems. The Authority maintains separate program reserves to address such emergent conditions as well as unforeseen events.

From inception through December 31, 2022, the School Construction Program has completed 706 projects in the SDA Districts. The completed projects consist of: 93 new schools, including 6 demonstration projects; 48 extensive addition, renovation and/or rehabilitation projects; 31 rehabilitation projects; 354 health and safety projects; and 180 Section 13 Grants for SDA District-managed projects. In addition, in the Regular Operating Districts, the Authority has completed 26 projects that it partially funded and managed for the districts, including 8 new schools. Also, State funding was provided through Section 15 Grants for 5,215 school projects throughout the 21 counties of New Jersey.

The following information provides insight into the activities of the School Construction Program during the last five years and is not intended to be presented in accordance with generally accepted accounting principles.

	<b>\$ In thousands</b>				
	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
EFCFA funding received from State	\$ -	\$ 350,000	\$ -	\$ 350,000	\$ 350,000
Appropriation from State	75,000	275,000	-	-	-
Investment earnings, net	6,353	230	2,696	9,341	7,204
Administrative and general expenses	7,406	6,984	13,143	15,910	18,466
Capital expenditures	6	182	577	628	312
School facilities project costs	283,673	267,533	291,279	306,967	333,271
Employee count at end of year	127	152	174	183	222

### **Contacting the Authority's Financial Management**

This financial report is designed to provide New Jersey citizens and taxpayers, and the Authority's customers, clients and creditors, with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the funds it receives from the State. If you have questions about this report or need additional financial information, contact the Office of the Chief Financial Officer, New Jersey Schools Development Authority, P.O. Box 991, Trenton, NJ 08625-0991, or visit our web site at [www.njsda.gov](http://www.njsda.gov).

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Statement of Net Position and General Fund Balance Sheet

December 31, 2022

	<b>General Fund Total</b>	<b>Adjustments (Note 8)</b>	<b>Statement of Net Position</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 402,831,389	\$ -	\$ 402,831,389
Receivables	739	-	739
Prepaid expenses	127,272	-	127,272
Capital assets-net	-	3,280,015	3,280,015
<b>Total assets</b>	<b>402,959,400</b>	<b>3,280,015</b>	<b>406,239,415</b>
<b>Deferred Outflows of Resources</b>			
Deferred amount for pensions	-	5,466,854	5,466,854
Deferred amount for other postemployment benefits	-	4,483,630	4,483,630
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>9,950,484</b>	<b>9,950,484</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 402,959,400</b>	<b>\$ 13,230,499</b>	<b>\$ 416,189,899</b>
<b>Current Liabilities</b>			
Accrued school facilities project costs	\$ 43,144,201	\$ 722,034	\$ 43,866,235
Other accrued liabilities	574,009	3,611,557	4,185,566
Escrow deposits	7,986,412	-	7,986,412
<b>Total current liabilities</b>	<b>51,704,622</b>	<b>4,333,591</b>	<b>56,038,213</b>
<b>Non-Current Liabilities</b>			
Accrued school facilities project costs	-	6,447,360	6,447,360
Net pension liability	-	29,428,895	29,428,895
Total postemployment benefits liability	-	24,317,811	24,317,811
Other accrued liabilities	-	1,224,189	1,224,189
<b>Total non-current liabilities</b>	<b>-</b>	<b>61,418,255</b>	<b>61,418,255</b>
<b>Deferred Inflows of Resources</b>			
Deferred amount for pensions	-	14,157,430	14,157,430
Deferred amount for other postemployment benefits	-	11,107,338	11,107,338
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>25,264,768</b>	<b>25,264,768</b>
<b>Fund Balance/Net Position</b>			
Net investment in capital assets	-	3,280,015	3,280,015
Nonspendable:			
Prepaid expenses	127,272	(127,272)	-
Restricted for schools construction	351,127,506	(80,938,858)	270,188,648
<b>Total fund balance/net position</b>	<b>351,254,778</b>	<b>(77,786,115)</b>	<b>273,468,663</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position</b>	<b>\$ 402,959,400</b>	<b>\$ 13,230,499</b>	<b>\$ 416,189,899</b>

See accompanying notes.

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Statement of Activities and General Fund Revenues,  
Expenditures and Changes in Fund Balance

For the Year Ended December 31, 2022

	<b>General Fund Total</b>	<b>Adjustments (Note 8)</b>	<b>Statement of Activities</b>
<b>Revenues</b>			
School Construction Program:			
Appropriation from State	\$ 75,000,000	\$ -	\$ 75,000,000
General:			
Investment earnings	6,353,568	-	6,353,568
Rental property income	14,070	-	14,070
Other revenue	14,583	61,920	76,503
Total revenues	81,382,221	61,920	81,444,141
<b>Expenditures/Expenses</b>			
Administrative and general expenses	13,414,078	\$ (6,008,075)	7,406,003
Capital expenditures	6,169	(6,169)	-
School facilities project costs	280,122,842	3,550,280	283,673,122
Total expenditures/expenses	293,543,089	(2,463,964)	291,079,125
Deficiency of revenues over expenditures/Change in net position	(212,160,868)	2,525,884	(209,634,984)
<b>Fund Balance/Net Position</b>			
Beginning of year, January 1, 2022	563,415,646	(80,311,999)	483,103,647
End of year, December 31, 2022	\$ 351,254,778	\$ (77,786,115)	\$ 273,468,663

*See accompanying notes.*

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements

**1. Nature of the Authority**

The New Jersey Schools Development Authority (the “Authority” or “SDA”) was established on August 6, 2007 to replace the New Jersey Schools Construction Corporation (“SCC”) pursuant to reform legislation (P.L.2007, c.137). As of the date of the legislation, the SCC was dissolved and all its functions, powers, duties and employees were transferred to the SDA. The Authority is governed by its own Board of Directors and is fiscally dependent upon the State of New Jersey (the “State”) for funding. Organizationally, the Authority is situated in, but not of, the New Jersey Department of the Treasury.

The School Construction Program was initiated in response to the New Jersey Supreme Court’s decision in Raymond Abbott et al. v. Fred G. Burke, 153 N.J. 480 (1998), which eventually led to the Legislature’s adoption of the Educational Facilities Construction and Financing Act, P.L.2000, c.72 (“EFCFA”) on July 18, 2000. The EFCFA, as amended in P.L.2008, c.39, provides for an aggregate \$12.5 billion principal amount of bond proceeds (“EFCFA funding”) to be issued by the New Jersey Economic Development Authority (“EDA”) and transferred to the Authority. Of this amount, \$8.9 billion is allocated to 31 urban school districts referred to as the “SDA Districts” (formerly Abbott Districts), \$3.45 billion is for non-SDA districts (“Regular Operating Districts”) and \$150 million is reserved for vocational schools. On June 30, 2022, an additional \$1.9 billion was appropriated to the Authority from the State of New Jersey Debt Defeasance and Prevention Fund, and \$350 million has been approved in recent state budgets. As for these non-debt funding sources, \$1.85 billion is allocated to the SDA Districts, and \$400 million is for Regular Operating Districts, including vocational schools.

**2. Summary of Significant Accounting Policies**

**(a) Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the activities of the Authority.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include (1) EFCFA and budget appropriations funding received from the State which monies are restricted to meeting either the operational or capital requirements of the School Construction Program, and (2) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.

Separate financial statements are provided for the Authority’s governmental fund (these are also referred to as the “general fund” financial statements). Because the Authority operates a single governmental program, its government-wide and governmental fund financial statements have been combined using a columnar format that reconciles individual line items

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

of general fund financial data to government-wide data in a separate column on the face of the financial statement.

**(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The Authority's governmental fund is classified as a general fund and its financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual basis accounting; however, expenditures related to compensated absences and certain other accruals are recorded only when payment is due. With regard to the Authority's general fund, restricted amounts are considered to have been spent only after the expenditure is incurred for which there is available restricted fund balance.

**(c) Revenue Recognition**

Rental property income is received by the Authority under various lease occupancy agreements. Additionally, properties acquired for the construction of school facilities projects may generate rental revenue prior to the relocation of the occupants. Rental property income is generally recognized when received.

**(d) Allocation of Employee Salaries and Benefits Costs**

The Authority allocates employee salaries and benefits costs between operating expense (i.e., administrative and general expenses) and school facilities project costs on the Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance. The allocation of employee salaries to school facilities project costs is supported by timekeeping records; employee benefits costs are allocated to projects based on a projected annual fringe benefit rate determined by the Authority. The fringe benefit rate utilized for 2022 is 42.54%

For the year ended December 31, 2022, employee salary and benefit costs are allocated as follows:



New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

Employee salary and fringe benefits costs:	
Charged to administrative and general expenses	\$ 2,528,691
Charged to school facilities project costs	<u>9,466,189</u>
Total employee salary and benefits costs	<u>\$ 11,994,880</u>

**(e) Rebate Arbitrage**

Rebate arbitrage is defined by Internal Revenue Code (“IRC”) Section 148 as earnings on investments purchased with the gross proceeds of a bond issue in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue. The amount of rebates due the federal government is determined and payable during each five-year period and upon final payment of the tax-exempt bonds. The Authority, the EDA and the New Jersey Department of the Treasury, Office of Public Finance have determined that any rebate arbitrage liability associated with an issue of School Facilities Construction Bonds shall be recorded on the Authority’s books since the Authority retains the income on the investment of bond proceeds.

It is the Authority’s policy to record rebate arbitrage liabilities only when it is probable that any excess investment income, as defined above, will not be retained by the Authority. The Authority does not record rebate liabilities in cases where it is projected that the liability will be negated by the 24-month spending exception in accordance with the IRC.

Rebate arbitrage calculations have been performed for all series of School Facilities Construction Bonds up through 2021 Series QQQ, including Bond Series GGG taxable bonds, which were converted to tax-exempt bonds. As of December 31, 2022, no rebate arbitrage liabilities exist.

**(f) Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand and highly liquid short-term investments with original maturities of three months or less, and participation in the State of New Jersey Cash Management Fund (“NJCMF”), a fund managed by the Division of Investment under the Department of the Treasury. It consists of U.S. Treasury Notes and Bills; short-term commercial paper; U.S. Agency Bonds; corporate bonds; and certificates of deposit. NJCMF is stated at fair value, which is measured based on the units of ownership at a value per unit of \$1.

**(g) Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

**(h) Capital Assets**

Capital assets are reported in the governmental activity column in the government-wide financial statements and are recorded at historical cost or estimated historical cost if purchased and constructed. The Authority's current capitalization threshold is as follows: \$5,000 for office furniture and equipment; \$30,000 for automobiles; \$100,000 for computer software; \$5,000 for right-to-use assets; and \$50,000 for leasehold improvements for individual items meeting all other capitalization criterion. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets.

Leasehold improvements – lesser of 10 years or the lease term

Office furniture and equipment – 7 years

Automobiles – 5 years

Computer software – 3 years

Right-to-use assets – lease term

The Authority does not have an economic interest in any school facility project that it finances. Therefore, apart from certain right-to-use assets accounted for under Governmental Accounting Standards Board ("GASB") Statement No. 87, *Leases*, costs related to school facilities projects are reported as school facilities project costs in the statement of activities.

**(i) Leases**

The Authority is a lessee for non-cancelable leases of equipment, buildings and land. The Authority recognizes a lease liability and a corresponding intangible right-to-use lease asset (lease asset) in the financial statements for items meeting the capitalization criteria. The Authority recognizes lease liabilities with an initial, individual value of \$5,000 or more.

Lease liabilities are initially recognized at the lease commencement date based on the present value of future lease payments to be made by the Authority over the lease term. The estimated payments are discounted using the Authority's estimated incremental borrowing rate. The lease term includes the non-cancelable period of the lease. The lease liability is subsequently reduced by the principal portion of lease payments made. Lease liabilities are reported on the statement of net position.

Lease assets are recognized at the lease commencement date and represent the Authority's right to use an underlying asset for the lease term. Lease assets are initially measured at the initial value of the lease liability, adjusted for lease payments made at or before the lease commencement date and initial direct costs. The lease asset is subsequently amortized on a straight-line basis over its useful life. Lease assets are reported with capital assets on the statement of net position.

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

The Authority monitors changes in circumstances that would require a remeasurement of its lease and remeasures its lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

The Authority does not have any leases as a lessor.

**(j) Taxes**

The Authority is exempt from all federal and state income taxes and real estate taxes under Internal Revenue Code Section 115.

**(k) Use of Estimates**

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

**(l) Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Jersey Public Employee Retirement System (“PERS”) and additions to/deductions from PERS’s fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan asset investments are reported at fair value.

**(m) New Accounting Standards Adopted**

GASB Statement No. 87, *Leases* was issued in June 2017. The primary objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this statement, as amended by GASB 95, is effective for reporting periods beginning after June 30, 2021. The Authority has adopted GASB 87 as of January 1, 2022. See note 7 for the impact of adopting this statement on the Authority's financial statements.

GASB Statement No. 91, *Conduit Debt Obligations*, was issued in May 2019. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The statement, as amended by GASB 95, is effective for reporting periods beginning after December 15, 2021. The Authority's adoption of this statement on January 1, 2022 did not have an impact on the financial statements.

GASB Statement No. 92, *Omnibus 2020*, was issued in January 2020. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports.
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit ("OPEB") plan.
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits.
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements.
- Measurement of liabilities (and assets, if any) related to asset retirement obligations ("AROs") in a government acquisition.

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.
- Terminology used to refer to derivative instruments.

The requirements related to all other items, as amended by GASB 95, are effective for fiscal years beginning after June 15, 2021. The Authority's adoption of this statement on January 1, 2022 did not have an impact on the financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, was issued in March 2020. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate ("IBOR")—most notably, the London Interbank Offered Rate ("LIBOR"). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ended after December 31, 2021. Amendments to modify the provisions of lease contracts are effective for reporting periods beginning after June 15, 2021. All other requirements of this statement, as amended by GASB 95, are effective for reporting periods beginning after June 15, 2020. The Authority's adoption of this statement on January 1, 2022 did not have an impact on the financial statements.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, was issued in June 2020. The primary objective of GASB 97 is to require that Internal Revenue Code ("IRC") Section 457 deferred compensation plans ("Section 457 plans") be classified as either a pension plan or another employee benefit plan, depending on whether the plan meets the definition of a pension plan. It also clarifies that GASB 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of GASB 97 are effective for either fiscal years or reporting periods beginning after June 15, 2021. Earlier application is encouraged. The Authority's adoption of this statement on January 1, 2022 did not have an impact on the financial statements.

**(n) Accounting Standards Issued But Not Yet Adopted**

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, was issued in March 2020. The primary objective of this statement

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (“PPPs”). As used in this statement, a PPP is an arrangement in which a government (the “transferor”) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (“SCA”), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This statement also provides guidance for accounting and financial reporting for availability payment arrangements (“APAs”). As defined in this statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The Authority is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued in May 2020. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (“SBITAs”) for government end users. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The Authority is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 99, *Omnibus 2022*, was issued on April 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)
- Disclosures related to nonmonetary transactions
- Pledges of future revenues when resources are not received by the pledging government
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management’s Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
- Terminology used in Statement 53 to refer to resource flows Statements. The Authority is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 101, *Compensated Absences*, was issued on June 2022. This Statement requires that liabilities for compensated absences be recognized for (1) leave

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee’s pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. The Authority is in the process of evaluating the impact of its adoption on the financial statements.

**3. Deposits and Investments**

**(a) Cash Flows**

Cash and cash equivalents decreased during the year by \$218.4 million to \$402.8 million, as follows:

Cash and cash equivalents, beginning of year	\$ 621,160,163
Changes in cash:	
Appropriation from State	75,000,000
Investment and interest income	6,353,568
Miscellaneous revenue	28,653
School facilities project costs	(287,363,759)
Administrative and general expenses	(13,704,110)
Capital expenditures	(6,169)
Escrow deposits	1,363,043
Cash and cash equivalents, end of year	<u>\$ 402,831,389</u>



New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

**(b) Cash and Cash Equivalents**

Operating cash, in the form of Negotiable Order of Withdrawal (“NOW”) accounts, is held in the Authority’s name by two commercial banking institutions. As of December 31, 2022, the carrying amount of operating cash is \$1,748,702 and the bank balance is \$1,893,974. Deposits of up to \$250,000 at each commercial banking institution are insured with Federal Deposit Insurance.

Pursuant to GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, NOW accounts are profiled in order to determine exposure, if any, to custodial credit risk (risk that in the event of failure of the counterparty the account owner would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to custodial credit risk if they are: uninsured and uncollateralized (securities not pledged to the depositor); collateralized with securities held by the pledging financial institution; or collateralized with securities held by the financial institution’s trust department or agent but not in the government’s name. As of December 31, 2022, all of the Authority’s deposits were insured or collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The Authority does not have a policy for custodial credit risk.

**(c) Investments**

In order to maximize liquidity, the Authority utilizes the NJCMF as its sole investment. Participation in the NJCMF is voluntary. All investments in the NJCMF are governed by the regulations of the State of New Jersey, Department of the Treasury, Division of Investment, which prescribes specific standards designed to ensure the quality of investments and to minimize the risks related to investments. The NJCMF invests pooled monies from various State and non-State agencies in primarily short-term investments. These investments include: U.S. Treasury Notes and Bills; short-term commercial paper; U.S. Agency Bonds; corporate bonds; and certificates of deposit. Agencies that participate in the NJCMF typically earn returns that mirror short-term investment rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty. As of December 31, 2022, the Authority’s investments in the NJCMF total \$401,082,687. Of this amount, \$7,986,412 relates to district local share funding requirements (see Note 5).

*Custodial Credit Risk:* Pursuant to GASB Statement No. 40, the NJCMF, which is a pooled investment, is exempt from custodial credit risk disclosure. As previously stated, the Authority does not have a policy for custodial credit risk.

*Credit Risk:* The Authority does not have an investment policy regarding the management of credit risk. GASB Statement No. 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 investments guaranteed by the U.S. government. The NJCMF is not rated by a rating agency.

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

*Interest Rate Risk:* The Authority does not have a policy to limit interest rate risk. The average maturity of the Authority's sole investment, the NJCMF, is less than one year.

**4. Prepaid Expenses**

As of December 31, 2022, the Authority's prepaid expenses are as follows:

Service contracts	\$ 69,143
Other	58,129
Total prepaid expenses	<u>\$ 127,272</u>

**5. Escrow Deposits**

The Authority has received funds from several local school districts as required by Local Share Agreements for the funding of certain ineligible costs relating to projects in the SDA Districts. These deposits, including investment earnings, are reflected as liabilities in the accompanying financial statements. As of December 31, 2022, deposits held in SDA bank accounts, inclusive of interest earned but not yet refunded to the district, are as follows:

Harrison	\$ 27,276
Keansburg	9,738
Millville	723,041
Newark	486,842
Orange	63,091
Passaic City	486,087
Pemberton	66,282
Perth Amboy	5,180,067
Plainfield	110,523
Union City	833,465
Total escrow deposits	<u>\$ 7,986,412</u>

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

**6. Capital Assets**

Capital asset activity for the year ended December 31, 2022 is as follows:

	(as Restated)			
	Beginning Balance	Additions	Retirements	Ending Balance
Depreciable Capital assets:				
Leasehold improvements	\$ 134,149	\$ -	\$ -	\$ 134,149
Office furniture and Equipment	3,764,034	6,169	-	3,770,203
Computer software	2,033,521	-	-	2,033,521
Automobiles	302,804	-	(78,409)	224,395
Right-to-use assets	4,098,943	33,464		4,132,407
Capital assets-gross	10,333,451	39,633	(78,409)	10,294,675
Less: Accumulated depreciation/amortization	(4,678,208)	(2,414,861)	78,409	(7,014,660)
Capital assets-net	<u>\$ 5,655,243</u>	<u>\$ (2,375,228)</u>	<u>\$ -</u>	<u>\$ 3,280,015</u>

Depreciation/amortization expense for the year ended December 31, 2022 was charged to activities and programs of government, as follows:

Administrative and general expenses	\$ 1,683,157
School facilities project costs	<u>731,704</u>
Total depreciation/amortization expense	<u><u>\$ 2,414,861</u></u>

**7. Leases**

The Authority recognized lease assets of \$2,262,367 (net of accumulated amortization of \$1,870,040) in the Statement of Net Position as of December 31, 2022, with corresponding lease liabilities of \$2,307,724. Lease liabilities related to school facilities projects are included in the statement of net position in accrued school facilities project costs (current \$720,499; and non-current \$409,688), and lease liabilities unrelated to projects are included in other accrued liabilities (current \$1,150,812; and non-current \$26,725).

Additionally, the Authority recognized lease expense of \$1,921,171 in the statement of activities for the year ended December 31, 2022, consisting of lease amortization expense of \$1,870,040, and lease interest expense of \$51,131. Lease expense related to school facilities projects is included in the statement of activities in school facilities project costs in the amount of \$755,432, and lease expense unrelated to projects is included in administrative and general expenses in the amount of \$1,165,739. Cash lease payments for the year totaling \$1,872,637 are recognized in the general fund revenues, expenditures and changes in fund balance.

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

Except for one equipment lease, the Authority’s current lease liabilities and lease assets were recognized and measured using the facts and circumstances that existed at the beginning of the period of implementation, without restatement of prior periods. The above-mentioned equipment lease did not commence until September 1, 2022 and was measured as of that date.

Since the Authority is unable to determine the interest rates lessors have factored into in each respective lease, and the Authority’s 2007 enabling legislation precludes it from incurring indebtedness, the SDA’s policy is to use the U.S. Treasury Daily 10-Year Yield for its estimated incremental borrowing rate (IBR) to determine the initial lease liability and corresponding right of use asset.

The future principal and interest lease payments as of December 31, 2022, are as follows:

Years	Principal	Interest	Total
2023	\$ 1,871,311	\$ 24,090	\$ 1,895,401
2024	421,978	2,831	424,809
2025	8,567	344	8,911
2026	5,868	72	5,940
Totals	\$ 2,307,724	\$ 27,337	\$ 2,335,061

As of December 31, 2022, the Authority’s does not have any lease obligations extending beyond the year 2026.

**8. Reconciliation of Government-Wide and Fund Financial Statements**

**(a) Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**

“Total fund balances” for the Authority’s general fund (\$351,254,778) differs from the “net position” reported on the statement of net position (\$273,468,663). This difference results from the long-term economic focus of the statement of net position versus the current financial resources focus of the fund balance sheet. When capital assets that are to be used in the Authority’s activities are constructed or acquired, the costs of those assets are reported as expenditures in the fund financial statements. However, the statement of net position includes those capital assets among the assets of the Authority as a whole. In addition, expenses associated with depreciation, accrued school facilities project costs not currently due for payment and non-current other postemployment benefits and compensated absences are not recorded in the fund financial statements until paid.

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

A summary of these differences as of December 31, 2022 is as follows:

Fund balances	\$ 351,254,778
Capital assets, net of accumulated depreciation of \$ (7,014,660)	3,280,015
Deferred outflows of resources for pensions and other postemployment benefits	9,950,484
Net pension liability	(29,428,895)
Total other postemployment benefits liability	(24,317,811)
Accrued compensated absences	(1,197,465)
Accrued pension payable	(2,459,103)
Lease liabilities-internal SDA operations	(1,179,178)
Lease liabilities-school facilities projects	(1,131,723)
Other school facilities project costs	(6,037,671)
Deferred inflows of resources for pensions and other postemployment benefits	<u>(25,264,768)</u>
Net position	<u><u>\$ 273,468,663</u></u>

**(b) Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between excess of revenues over expenditures and changes in net position as reported in the government-wide statement of activities. Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. A summary of these differences for the year ended December 31, 2021 is as follows:

Deficiency of Revenues Over Expenditures	\$ (212,160,868)
Pension (expense)/credit (GASB 68)	6,853,705
Pension (expense)/credit-special funding situation	61,920
Other postemployment benefits expense (GASB 75)	(412,114)
Compensated absences (expense)/credit	129,013
Lease (expense)/credit-internal SDA operations	(17,708)
Lease (expense)/credit-school facilities projects	(30,827)
Other school facilities project (costs)/credits	(3,519,453)
Capital expenditures	6,169
Depreciation expense	<u>(544,821)</u>
Changes in net position	<u><u>\$ (209,634,984)</u></u>

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

**9. Pollution Remediation Obligations**

In accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, the Authority has recorded in the statement of net position a pollution remediation obligation (“PRO”) liability (net of environmental cost recoveries not yet realized) in the amount of \$2,436,159 as of December 31, 2022. This liability is included in accrued school facilities project costs reported on the statement of net position. The Authority’s PRO liability and asset are charged or credited to school facilities project costs in the statement of activities. The Authority’s PRO liability is measured based on the current cost of future activities. Also, the PRO liability was estimated using “the expected cash flow technique,” which measures the liability as the sum of probability weighted amounts in a range of possible estimated outcomes.

The Authority owns properties with environmental issues that meet the criteria for “obligating events” and disclosure under GASB Statement No. 49. All of the properties meeting the criteria were acquired by the Authority for the purpose of constructing a school facilities project on behalf of an SDA District and, at the present, the Authority believes it has obligated itself to commence clean-up activities. The Authority will continue to evaluate the applicability of this Statement relating to specific project sites as adjustments are made to its portfolio of school facilities projects. The Authority’s remediation activities generally include: pre-cleanup activities including preliminary assessment and site investigation; asbestos and lead based paint removal; underground storage tank removal; neutralization, containment, removal and disposal of ground pollutants; site restoration; and post-remediation monitoring and oversight. The following table summarizes the Authority’s expected cash outlays (estimated costs) and payments related to numerous SDA-owned properties associated with school facilities projects in various stages of pre-development and construction.

	<b>Estimated Cost</b>	<b>Payments to Date</b>	<b>PRO at 12-31-2022</b>
Pre-cleanup activities	\$ 1,089,185	\$ 935,502	\$ 153,683
Site remediation work	5,980,325	3,825,678	2,154,647
Post-remediation monitoring	166,675	38,846	127,829
Asbestos and lead based paint removal	4,245,258	4,245,258	-
Liability for pollution remediation Obligations	<u>\$ 11,481,443</u>	<u>\$ 9,045,284</u>	<u>\$ 2,436,159</u>

The following table summarizes the changes in the Authority’s PRO liability during the year ended December 31, 2022:

<b>PRO at 12-31-2021</b>	<b>Increase in Expected Cash Outlays</b>	<b>PRO Payments</b>	<b>PRO at 12-31-2022</b>
\$2,125,587	\$499,778	\$(189,206)	\$2,436,159

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

**10. Commitments and Contingencies**

**(a) Contractual Commitments**

As of December 31, 2022, the Authority has approximately \$353 million of unaccrued contractual commitments relating to future expenditures associated with school facilities projects.

**(b) Contractor and Other Claims**

Numerous contractor and other claims, the vast majority of which are not in litigation, have been filed with the Authority by design consultants, general contractors, project management firms and school districts relating to disputes concerning school construction matters (e.g., delays, labor and material price increases). The Authority resolves contractor claims by following the administrative process noted in the relevant contract. As of December 31, 2022, the Authority's potential loss from all claims has been estimated at approximately \$3.6 million, which represents an increase of \$3.2 million from the prior year end accrual. Accordingly, as of December 31, 2022, an accrued liability of \$3.6 million is reflected in the statement of net position as a component of accrued school facilities project costs and, for the year then ended, \$3.2 million is charged to school facilities project costs on the statement of activities.

**(c) Insurance**

The Authority maintains commercial insurance coverage for, among other things, workers' compensation, tort liability (including public liability and automobile) and property damage. Additionally, in support of its construction operations the Authority has implemented an Owner Controlled Insurance Program ("OCIP") and has also purchased Builders Risk and Owner's Protective Professional Indemnity Insurance ("OPPI"), all of which are discussed below. As of December 31, 2022, management is not aware of any insurable claim that is expected to exceed its commercial insurance coverage.

The Authority has implemented an OCIP that "wraps up" multiple types of insurance coverage into one program. The Authority initially implemented a three-year OCIP, effective December 31, 2003 ("OCIP I"), to provide workers' compensation, commercial general liability and umbrella/excess liability insurance for all eligible contractors performing labor on school facilities projects. OCIP I was subsequently extended to March 31, 2009. Policy limits for OCIP I vary depending upon, among other things, the type of insurance coverage; a \$300 million umbrella/excess liability program provides additional protection against potentially catastrophic losses resulting from workers' compensation and commercial general liability claims. Losses are subject to a \$250,000 per claim deductible. Although OCIP I is no longer enrolling new projects into the program since its expiration, completed operations coverage continues for 10 years for claims that arise after the completion of construction.

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

In 2009, the Authority approved the purchase of a succeeding five-year OCIP (“OCIP II”) program to coincide with the expiration of the OCIP I enrollment period for new projects. OCIP II, as originally purchased, provided coverage for projects commencing construction between March 31, 2009 and March 31, 2012. The OCIP II enrollment period was extended to March 31, 2014 at no additional cost to the Authority. The extension also provided an additional two years for the completion of enrolled projects. Subsequently, the Authority authorized the purchase of a new three-year OCIP (“OCIP III”) with an effective date of March 1, 2015 and an OCIP IV with an effective date of March 1, 2018. Similar to OCIP I, policy limits for OCIP II, III and IV vary depending upon, among other things, the type of insurance coverage; a \$200 million umbrella/excess liability program provides additional protection against potentially catastrophic losses resulting from workers’ compensation and commercial general liability claims. Losses are subject to either a \$250,000 per claim deductible or a \$350,000 “clash” deductible in the event that both a workers’ compensation and general liability claim occur from the same incident. Additionally, OCIPs II, III and IV each provide 10 years of completed operations coverage for claims that arise after the completion of construction. Premiums for each OCIP are adjustable based upon actual construction values for enrolled contractors (not all trades are eligible for enrollment) on insured projects.

In connection with OCIP I, the Authority executed a Funded Multi-Line Deductible Program Agreement which, among other things, required the Authority to fund a Deductible Reimbursement Fund (“DRF”) to collateralize the Authority’s estimated deductible obligations under certain OCIP I policies. The DRF, which was established at \$37 million, consists of cash payments by the Authority totaling \$34.9 million, and a one-time credit of \$2.1 million received at inception for estimated interest. The cash portion of the DRF was funded by the Authority in installments during the period from December 2003 through December 2006 and expensed as paid as school facilities project costs on the statement of activities and general fund revenues, expenditures and changes in fund balance.

Concurrent with the Authority’s purchase of OCIP II, the insurer agreed to transfer a portion of the remaining available funds from the Authority’s DRF to a new Loss Reimbursement Fund (“LRF”). The LRF for OCIP II was initially established at approximately \$18.9 million to partially fund a maximum deductible obligation of \$26 million. At that time, approximately \$9.9 million remained in the LRF for OCIP I. In connection with the OCIP II extension, discussed above, the maximum deductible obligation was reduced to \$16 million. In 2015, concurrent with the purchase of OCIP III with a new insurer, the Authority was required to fund a new LRF in the amount of approximately \$4.5 million to partially fund a maximum deductible obligation of \$12.4 million. Likewise, the purchase of OCIP IV with a new insurer required the Authority to partially fund a new LRF in the amount of \$4.5 million with a maximum obligation of \$10.9 million. All monies deposited in the respective LRFs are available to pay claim costs arising from construction projects enrolled in a specific OCIP.



New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

As of December 31, 2022, the Authority has open reserves for general liability and workers' compensation claims totaling approximately \$64,415, \$31,874, \$231,420 and \$790,587, under OCIPs I, II, III and IV, respectively. All monies deposited in the LRF and not used to pay claims will be refunded to the Authority along with accrued interest, as applicable. Under the terms of the contract, the Authority has no claim or interest in the LRF until six (6) months after the expiration of the program. Since their respective enrollment periods have expired, the DRF for OCIP I and the LRF for OCIPs II and III are reviewed annually and the deductible obligation re-determined; if the respective deductible fund is determined to be overfunded based on the annual re-determination, the Authority is entitled to a refund of the difference.

Since the inception of OCIP I, the Authority has purchased and maintained Builders Risk property insurance that protects the Authority from unexpected losses due to fire, vandalism, lightning, wind and similar forces during construction of a school facilities project. The current insurance policy expiration date is July 15, 2023, however, coverage will continue on active insured projects, until each project's construction substantial completion date. Builders Risk insurance provides a limit of \$250 million for any one project.

In October 2009, the Authority purchased a 5-year, \$25 million limit of liability OPPI policy designed to provide additional protection in excess of the professional liability insurance maintained by the Authority's contracted design professionals. The policy is subject to a \$500,000 self-insured retention and provides coverage for construction projects. The policy also provides an Extended Reporting Period ("ERP") of up to 10 years to report claims, commencing on the earlier of project substantial completion or the policy expiration date of October 1, 2014.

In December 2014, the Authority approved the purchase of a new 5-year OPPI policy, including excess Contractors Pollution Liability ("CPL"), for SDA construction projects commencing construction on or after December 31, 2014 and prior to December 31, 2019. The policy provides a \$25 million limit of liability subject to a \$500,000 self-insured retention for OPPI, and a \$500,000 self-insured retention for CPL. Additionally, the policy provides an ERP of up to 8 years to report claims, commencing on the earlier of project substantial completion or the policy expiration date of December 31, 2019. This policy was extended to expire June 30, 2025 to allow for all projects in the Authority's current portfolio to reach substantial completion.

## **11. Employee Benefits**

### **(a.1) Public Employees' Retirement System of New Jersey**

*Plan description and benefits provided.* All active, full-time employees of the Authority are required as a condition of employment to participate in the Public Employees' Retirement

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

System of New Jersey (“PERS” or “Plan”), a cost-sharing, and multiple-employer defined benefit plan administered by the State. The contribution policy is established by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Currently as of July 1, 2020, employees are required to contribute 7.50% of their annual compensation to the Plan. All Plan participants are categorized within membership Tiers in accordance with their enrollment date in the PERS, as follows: Tier 1 includes those members enrolled in the PERS prior to July 1, 2007; Tier 2 includes those members enrolled in the PERS on or after July 1, 2007 and prior to November 2, 2008; Tier 3 includes those members enrolled in the PERS on or after November 2, 2008 and on or before May 22, 2010; Tier 4 includes those members enrolled in the PERS after May 22, 2010 and prior to June 28, 2011; and Tier 5 includes those members enrolled in the PERS on or after June 28, 2011. Depending on the Tier, other factors including minimum base salary amounts and/or minimum hours worked, among other things, may impact an employee’s eligibility in the PERS. As discussed below, members enrolled in the PERS on or after July 1, 2007, and who earn an annual salary in excess of established limits, are eligible to participate in a Defined Contribution Retirement Program (“DCRP”) administered by Prudential Financial on behalf of the State.

The general formula for annual retirement benefits for Tier 1, Tier 2, and Tier 3 members is the final 3-year average salary divided by 55, times the employee’s years of service. The formula for Tier 4 and Tier 5 members is the final 5-year average salary divided by 60, times the employee’s years of service. Pension benefits for all members fully vest upon reaching 10 years of credited service. Tier 1 and Tier 2 members are eligible for normal retirement at age 60, while Tier 3 and Tier 4 members are eligible for normal retirement at age 62. Tier 5 members are eligible for normal retirement at age 65. No minimum years of service is required once an employee reaches the applicable retirement age.

Tier 1 members who have 25 years or more of credited service may elect early retirement without penalty at or after age 55, and receive full retirement benefits; however, the retirement allowance is reduced by 3% per year (1/4 of 1% per month) for each year the member is under age 55. For Tier 2 members with 25 years or more of credited service the retirement allowance is reduced by 1% per year (1/12 of 1% per month) for each year the member is under age 60 (until age 55) and 3% per year (1/4 of 1% per month) for each year the member is under age 55. For Tier 3 and Tier 4 members the retirement allowance is reduced by 1% per year (1/12 of 1% per month) for each year the member is under age 62 (until age 55) and 3% per year (1/4 of 1% per month) for each year the member is under age 55. Lastly, for Tier 5 members the retirement allowance is reduced by 3% per year (1/4 of 1% per month) for each year the member is under age 65.

The PERS also provides death and disability benefits. The State of New Jersey, as established by N.J.S.A. 43:15A, has the authority to establish and/or amend any of the benefit provisions and contribution requirements.

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

**(a.2) Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources**

In accordance with GASB 68, the Authority recognized a net pension liability for the difference between the present value of the projected benefits for past service known as the Total Pension Liability (“TPL”) and the restricted resources held in trust for the payment of pension benefits, known as the Fiduciary Net Position (“FNP”).

As of December 31, 2022, the Authority reported a liability of \$29.4 million in the statement of net position for its proportionate share of the net pension liability for the PERS. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The actuarial valuation was rolled forward to June 30, 2022 using update procedures. 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 Plan relative to the projected contributions of all participating State agencies, actuarially determined. As of June 30, 2022, the Authority’s proportionate share was estimated to be 0.19500%. The change in proportion since the prior measurement date was a decrease of 0.01608%.

For the year ended December 31, 2022, the Authority recognized pension income in the amount of \$4,381,623 in the Statement of Activities, of which pension expense in the amount of \$2,472,082 (the Authority’s 2022 contractually required pension contribution to the PERS) was recorded in the General Fund Revenues, Expenditures and Changes in Fund Balance. The amount of the Authority’s pension contribution due on April 1, 2023 is \$2,459,103. Pension expense or income is reported in the Authority’s financial statements as a component of administrative and general expenses.

As stated above, the Authority’s contractually required contribution to the PERS for the year ended December 31, 2022 was \$2,472,082, which is 17.0% of annual covered payroll. Based on the recommendation of the State of New Jersey Department of the Treasury, the investment rate of return used to calculate the actuarially determined contribution effective with the July 1, 2019 valuation was 7.30% per annum. The Department of the Treasury recommendation also calls for the rate to be reduced further to 7.00% per annum effective with the July 1, 2021 valuation. The actuarially determined employer contribution amount, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

As of December 31, 2022, the Authority’s reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ 1,218,035	\$ -
Differences between expected and actual experience	212,404	187,310
Changes in assumptions or other inputs	91,180	4,406,671
Changes in proportion	1,486,132	9,563,449
Contributions subsequent to the measurement date	2,459,103	-
Total deferred outflows and inflows of resources	\$ 5,466,854	\$ 14,157,430

Deferred outflows of resources of \$2,459,103 resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year 1 (2023)	\$ (5,385,492)
Year 2 (2024)	(3,419,545)
Year 3 (2025)	(2,923,875)
Year 4 (2026)	608,383
Year 5 (2027)	(29,150)
Total	\$ (11,149,679)

***Actuarial methods and assumptions***

The collective total pension liability in the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. The key actuarial assumptions are summarized as follows:

Rate of inflation	
Price	2.75%
Wage	3.25%
Salary increases:	2.75% to 6.55% based on years of service
Investment rate of return	7.00%
Cost of living adjustment	None assumed

Mortality rates were based on the SOA's Scale MP-2021 mortality improvement scale.

***Discount rate***

The discount rate used to measure the total pension liability as of June 30, 2022 was 7.00%. The projection of cash flows used to determine the discount rate assumes that contributions

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer 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 benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

***Expected rate of return on investments***

The long-term expected rate of return on Plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges 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.

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
U.S. equity	27.00%	8.12%
Non-U.S. developed market equity	13.50%	8.38%
Emerging market 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%

***Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate***

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.00% as well as the proportionate share of the net pension liability using a 1.00% increase or decrease from the current discount rate:

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
PERS	\$38,127,700	\$29,428,895	\$22,487,200

***Pension plan fiduciary net position***

Detailed information about the Plan’s fiduciary net position is available in a separately issued financial report. The State of New Jersey, Department of the Treasury, Division of Pension and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information for the PERS. Information on the total Plan funding status and progress, required contributions and trend information is available on the State’s web site at [www.state.nj.us/treasury/pensions/annrprts.shtml](http://www.state.nj.us/treasury/pensions/annrprts.shtml) in the Comprehensive Annual Financial Report of the State of New Jersey, Division of Pensions and Benefits.

**(b) Defined Contribution Retirement Program and Early Retirement Changes for Employees Enrolled in the PERS on or after July 1, 2007**

The DCRP was established on July 1, 2007 under the provisions of P.L.2007, c.92 and P.L.2007, c.103. The DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with death and disability benefits. A PERS member who becomes eligible and is enrolled in the DCRP is immediately vested in the DCRP. To be eligible for the DCRP, an employee is required to have enrolled in the PERS on or after July 1, 2007 (Tiers 2 through 5), and they must earn an annual salary in excess of established “maximum compensation” limits. The maximum compensation is based on the annual maximum wage for Social Security and is subject to change at the start of each calendar year. A PERS member who is eligible for the DCRP may voluntarily choose to waive participation in the DCRP for a reduced retirement benefit from the State. If a member waives DCRP participation and later wishes to participate, the member may apply for DCRP enrollment, with membership to be effective January 1 of the following calendar year. PERS members who participate in the DCRP continue to receive service credit and are eligible to retire under the rules of the PERS, with their final salary at retirement limited to the maximum compensation amounts in effect when the salary was earned. The participating member would also be entitled to a supplementary benefit at retirement based on both the employee (above the maximum compensation limit) and employer contributions to the DCRP. For the direct benefit of those participating in the DCRP, the Authority would be required to contribute 3% to the DCRP (“employer matching”) based on the member’s annual compensation (base salary) in excess of the maximum compensation limit.

For the year ended December 31, 2022, the Authority had three active employees enrolled in the DCRP and made matching contributions totaling \$3,198. Employer matching contributions relating to 2021, 2020 and 2019 totaled \$3,311, \$3,876, and \$3,896, respectively.

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

**(c) Deferred Compensation**

The Authority has established an Employees Deferred Compensation Plan under section 457 of the Internal Revenue Code. All active, full-time employees are eligible to participate in the plan, which permits participants to defer a portion of their pay in accordance with the contribution limits established in section 457(b) of the Internal Revenue Code. The Authority does not make any contributions to the plan.

**(d) Other Postemployment Benefits**

*Plan description and benefits provided.* The Authority provides postemployment healthcare benefits (including Medicare Part B reimbursement) and prescription drug coverage through participation in the New Jersey State Health Benefits Program, as sponsored and administered by the State of New Jersey, to eligible retirees having either: (1) 25 years or more of service in the PERS if hired on or prior to June 28, 2011, or; (2) 30 years or more of service in the PERS if hired after June 28, 2011, or (3) to those individuals approved for disability retirement. These postemployment benefits also extend to the retirees' covered dependents. Health benefits and prescription drug benefits provided by the plan are at no cost to eligible retirees who had accumulated at least 20 years of service credit as of June 30, 2010; all other eligible retirees must contribute a portion of the premium costs based on the applicable percentage of premium as determined by the annual retirement allowance. A minimum contribution of 1.5% of the monthly retirement allowance is required. Upon turning 65 years of age, a retiree must opt for Medicare as their primary coverage, with State benefits providing supplemental coverage. In addition, life insurance is provided at no cost to the Authority and the retiree in an amount equal to 3/16 of their average salary during the final 12 months of active employment. The State pays the cost of this benefit. The State has the authority to establish and amend the benefit provisions offered and contribution requirements. The plan is considered a single employer defined benefit plan for financial reporting purposes. The Authority has elected to fund postretirement health benefits on a pay-as-you-go basis since it is not authorized to pre-fund an OPEB trust from the proceeds of tax-exempt bonds (nor from the income earned on the investment of those proceeds) from which it presently derives essentially all of its revenue. Therefore, no plan assets exist in a trust that meets the specified criteria in paragraph 4 of GASB 75.

***Retirees and employees covered by OPEB Plan***

As of December 31, 2022, the following employees were covered by the benefit terms:

Retired employees and/or beneficiaries currently receiving benefit payments	30
Active employees	127
Total	<u>157</u>

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

***Total OPEB liability***

The Authority's total OPEB liability of \$24,317,811 was measured as of January 1, 2022, and was based upon an actuarial valuation as of January 1, 2022. The Authority has fully recognized this liability in the statement of net position as of December 31, 2022 in accordance with GASB 75.

***Actuarial methods and assumptions***

The total OPEB liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Rate of inflation	2.75%
Annual salary increases	3.00%
Discount rate	2.04%
Retirees' share of benefit related premium costs	None for retirees with at least 20 years of service credit as of June 30, 2010. All other retirees to contribute based on the applicable percentage of premium as determined by the annual retirement allowance. A minimum contribution of 1.5% of the retirement allowance is required.

The entry age normal - level percent-of-pay actuarial cost method was used. No investment return was assumed in the current valuation since there are no OPEB plan assets. The discount rate was based on the average of the published yields from the S&P Municipal Bond 20 Year High Grade and Fidelity GO AA-20 Year indexes.

The mortality tables used for this valuation is based on the Society of Actuaries Pub-2010 Public Retirement Plans Headcount-Weighted General Mortality Tables using Scale MP-2021 Full Generational Improvement.

The annual healthcare cost inflation (trend) rate for all retiree health benefits is 7.5% beginning in 2023. The trend assumption will decrease by 0.5% per year until 2025 and by 0.25% per year from 2026 until an ultimate annual trend rate assumption of 4.5% in 2033 and later.

The decrement assumptions (i.e., retirement, turnover and disability) and age-based costs for the Authority are based on those reflected in the New Jersey Public Employees Retirement System ("PERS") actuarial valuation report dated April 13, 2022.

As required for any actuarial valuation with a measurement date on or after March 31, 2015, Actuarial Standard of Practice No. 6, *Measuring Retiree Group Benefits Obligations*



New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

*and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions*, was used in performing the Authority's actuarial valuation for OPEB.

***Changes in total OPEB liability***

Service cost	\$	756,811
Interest cost		602,754
Difference between actual and expected experience		(88,963)
Changes in assumptions		(5,929,408)
Benefit payments		(211,788)
Net change in total OPEB liability		(4,870,594)
Total OPEB liability – beginning of year		29,188,405
Total OPEB liability – end of year		\$ 24,317,811

The schedule of changes in the Authority's total OPEB liability and related ratios are presented for multiple years as required supplementary information following the notes to financial statements.

***Sensitivity of the total OPEB liability to changes in the discount rate***

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the discount rate assumed for the current valuation:

	1% Decrease (1.04%)	Discount Rate (2.04%)	1% Increase (3.04%)
Total OPEB liability	\$29,664,279	\$24,317,811	\$20,131,926

***Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates***

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than assumed for the current valuation:

	1% Decrease (6.5% decreasing to 3.5%)	Healthcare Cost Trend Rates (7.5% decreasing to 4.5%)	1% Increase (8.5% decreasing to 5.5%)
Total OPEB liability	\$19,437,447	\$24,317,811	\$30,846,089

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

***OPEB expense and deferred outflows of resources and deferred inflows of resources***

For the year ended December 31, 2022, the Authority recognized OPEB expense of \$659,915, of which \$247,801 (the amount of Authority contributions for retiree health insurance in 2022) was recorded in the General Fund Revenues, Expenditures and Changes in Fund Balance. The accumulated amount of deferred outflows of resources and deferred inflows of resources are as follows:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual Experience	\$ 94,476	\$ 80,875
Changes in assumptions	4,389,154	11,026,463
Total deferred outflows and inflows of resources	\$ 4,483,630	\$ 11,107,338

Deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year 1 (2023)	\$ (735,662)
Year 2 (2024)	(735,662)
Year 3 (2025)	(735,662)
Year 4 (2026)	(735,662)
Year 5 (2027)	(735,662)
Year 6 (2028) and thereafter	(2,945,398)
Total	\$ (6,623,708)

**12. Compensated Absences**

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the Authority has recorded a liability in the amount of \$1,197,465 as of December 31, 2022 in the statement of net position. The liability is the value of employee accrued vacation time as of the statement of net position date and vested sick leave benefits that are probable of payment to employees upon retirement. The vested sick leave benefit to future retirees for unused accumulated sick leave is calculated at the lesser of ½ the value of earned time or \$15,000. The payment of sick leave benefits, prior to retirement, is dependent on the occurrence of sickness as defined by the Authority’s policy; therefore, such unvested benefits are not accrued.

**13. Long-Term Liabilities**

During the year, the following changes in long-term liabilities are reflected in the statement of net position:

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Notes to Financial Statements (Continued)

	(as Restated) Beginning Balance	Additions	Deductions	Ending Balance
Lease liabilities-school facilities project costs	\$ 1,130,188	\$ -	\$ (720,499)	409,689
Other school facilities project costs	2,518,217	3,519,454	-	6,037,671
Net pension liability	25,006,500	4,422,395	-	29,428,895
Total other postemployment benefits liability	29,188,405	-	(4,870,594)	24,317,811
Lease liabilities-internal SDA operations	1,146,781	25,433	(1,145,490)	26,724
Compensated absences	1,326,478	-	(129,013)	1,197,465
<b>Total long-term liabilities</b>	<b>\$ 60,316,569</b>	<b>\$ 7,967,282</b>	<b>\$ (6,865,596)</b>	<b>\$ 61,418,255</b>

For further information, see Notes 11 and 12.

#### 14. Net Position

The Authority's net position is categorized as either invested in capital assets or restricted for schools construction. As of December 31, 2022, the Authority's net position is \$273.5 million. Net investment in capital assets includes leasehold improvements, automobiles, furniture and fixtures, equipment and computer software used in the Authority's operations, net of accumulated depreciation.

The changes in net position during 2021 and 2022 are as follows:

	Net Investment in Capital Assets	Restricted for Schools Construction	Totals
Net position, January 1, 2021	\$ 1,497,713	\$ 130,997,629	\$ 132,495,342
Loss before receipt of EFCFA funding and transfers	(123,562)	(6,735,068)	(6,858,630)
Capital expenditures	182,149	(182,149)	-
EFCFA funding received from State	-	350,000,000	350,000,000
Appropriation from State	-	275,000,000	275,000,000
School facilities project costs	-	(267,533,065)	(267,533,065)
Net position, December 31, 2021	1,556,300	481,547,347	483,103,647
Loss before receipt of EFCFA funding and transfers	(544,821)	(417,041)	(961,862)
Capital expenditures	6,169	(6,169)	-
Right-to-use assets	2,262,367	(2,262,367)	-
Appropriation from State	-	75,000,000	75,000,000
School facilities project costs	-	(283,673,122)	(283,673,122)
<b>Net position, December 31, 2022</b>	<b>\$ 3,280,015</b>	<b>\$ 270,188,648</b>	<b>\$ 273,468,663</b>

**STATE OF NEW JERSEY**  
**SCHOOLS DEVELOPMENT AUTHORITY**  
(a component unit of the State of New Jersey)

**REQUIRED SUPPLEMENTARY INFORMATION**

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Schedule of Authority's Proportionate  
Share of the Net Pension Liability

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Authority's proportion of the net pension liability	0.19500%	0.21109%	0.26021%	0.24445%
Authority's proportionate share of the net pension liability	\$ 29,428,895	\$ 25,006,500	\$ 42,434,159	\$ 44,045,377
Authority's covered payroll	\$ 13,540,271	\$ 15,303,041	\$ 16,333,372	\$ 19,098,021
Authority's proportionate share of the net pension liability as a percentage of covered payroll	217.3%	163.4%	259.8%	230.6%
Plan fiduciary net position as a percentage of the total pension liability	23.2%	51.5%	42.9%	42.0%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability	0.25282%	0.25811%	0.24459%	0.26024%
Authority's proportionate share of the net pension liability	\$ 49,778,974	\$ 60,083,669	\$ 72,439,355	\$ 58,417,776
Authority's covered payroll	\$ 17,849,263	\$ 18,573,489	\$ 18,574,888	\$ 18,072,739
Authority's proportionate share of the net pension liability as a percentage of covered payroll	278.9%	323.5%	390.0%	323.2%
Plan fiduciary net position as a percentage of the total pension liability	40.4%	36.8%	31.2%	38.2%

**Notes to Schedule:**

The amounts presented in the table above were determined as of the June measurement date.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Schedule of Authority’s Contributions  
to the Public Employees’ Retirement System

<u>Year</u>	<u>Contractually Required Contribution (CRC)</u>	<u>Contributions in Relation to the CRC</u>	<u>Contribution Deficiency (Excess)</u>	<u>Authority’s Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2022	\$2,459,103	\$2,459,103	\$ -	\$12,923,176	19.0%
2021	\$2,472,082	\$2,472,082	\$ -	\$14,521,363	17.0%
2020	\$2,846,614	\$2,846,614	\$ -	\$15,803,029	18.0%
2019	\$2,377,735	\$2,377,735	\$ -	\$18,055,097	13.2%
2018	\$2,514,741	\$2,514,741	\$ -	\$18,394,015	13.7%
2017	\$2,391,105	\$2,391,105	\$ -	\$18,157,354	13.2%
2016	\$2,172,867	\$2,172,867	\$ -	\$18,666,335	11.6%
2015	\$2,237,332	\$2,237,332	\$ -	\$18,078,345	12.4%
2014	\$2,102,418	\$2,102,418	\$ -	\$18,549,600	11.3%
2013	\$1,960,286	\$1,960,286	\$ -	\$18,329,051	10.7%

**Notes to Schedule:**

Valuation Date Actuarially determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine the actuarially determined employer contributions are as follows:

Actuarial Cost Method	Projected Unit Credit Cost Method
Amortization Method	Level Dollar Amortization
Amortization Period	30 years
Asset Valuation Method	A five-year average of market values
Investment Rate of Return	7.00% for 2022 through 2021, 7.30% for 2020 through 2019, 7.50% for 2018 through 2017, 7.65% for 2016, 7.90% for 2015 through 2013, 7.95% for 2012, 8.25% for 2011 through 2008
Inflation	2.75% for 2022 through 2019, 2.25% for 2018 through 2017, 3.08% for 2016, 3.01% for 2015 through 2008
Salary Increases	2.75% - 6.55% for 2022, 2.00% - 6.00% for 2021 through 2019, 1.65% - 4.15% for 2018 through 2016, 2.15% - 5.40% for 2015 through 2013, 4.52% for 2012, 5.45% for 2011

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Schedule of Authority's Contributions  
to the Public Employees' Retirement System (Continued)

Mortality

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.

New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Schedule of Changes in the Total Postemployment Benefits  
Other Than Pensions (OPEB) Liability and Related Ratios

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Service cost	\$ 756,811	\$ 562,188	\$ 409,654	\$ 449,157
Interest cost	602,754	793,450	813,459	762,995
Differences between actual and expected experience	(88,963)	-	-	-
Changes in assumptions	(5,929,408)	794,794	4,844,872	(3,257,030)
Benefit payments	(211,788)	(269,967)	(221,345)	(231,938)
Net change in total OPEB liability	(4,870,594)	1,880,465	5,846,640	(2,276,816)
Total OPEB liability - beginning of year	29,188,405	27,307,940	21,461,300	23,738,116
Total OPEB liability - end of year	<u>\$ 24,317,811</u>	<u>\$ 29,188,405</u>	<u>\$ 27,307,940</u>	<u>\$ 21,461,300</u>
Covered payroll	\$ 13,441,200	\$ 13,288,280	\$ 15,948,280	\$ 15,838,600
Total OPEB liability as a percentage of covered payroll	180.92%	219.66%	171.23%	135.50%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	
Service cost	\$ 1,606,120	\$ 1,634,702	\$ 1,578,355	
Interest cost	1,004,490	927,740	849,309	
Differences between actual and expected experience	146,961	-	-	
Changes in assumptions	(3,947,479)	(1,476,238)	-	
Benefit payments	(362,050)	(297,093)	(277,001)	
Net change in total OPEB liability	(1,551,958)	789,111	2,150,663	
Total OPEB liability - beginning of year	25,290,074	24,500,963	22,350,300	
Total OPEB liability - end of year	<u>\$ 23,738,116</u>	<u>\$ 25,290,074</u>	<u>\$ 24,500,963</u>	
Covered payroll	\$ 18,487,788	\$ 18,451,700	\$ 17,954,600	
Total OPEB liability as a percentage of covered payroll	128.40%	137.06%	136.46%	

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**Notes to Schedule:**

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

Benefit changes – none.



New Jersey Schools Development Authority  
(a component unit of the State of New Jersey)

Schedule of Changes in the Total Postemployment Benefits  
Other Than Pensions (OPEB) Liability and Related Ratios (Continued)

Changes in assumptions:

Changes in assumptions reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2022	2.04%
2021	2.02%
2020	2.92%
2019	3.81%
2018	3.23%
2017	3.76%
2016	3.57%



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## Report of Independent Auditors 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*

Management and Members of the Authority  
New Jersey Schools Development Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of governmental activities and the general fund of the New Jersey Schools Development Authority (the “Authority”), a component unit of the State of New Jersey, 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, and have issued our report thereon dated August 18, 2023.

### **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 purpose 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 entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Report on 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 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*.

**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 entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ernst & Young LLP*

August 18, 2023