

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, 2025

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, 2025

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INDEPENDENT AUDITORS' REPORT

**Management and Members of
New Jersey Schools Development Authority
Trenton, New Jersey**

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the 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, 2025 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, as of December 31, 2025, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our 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 from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, 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 Management's Discussion and Analysis and the schedules included under Required Supplementary Information in the accompanying table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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

**Management and Members of
New Jersey Schools Development Authority
Trenton, New Jersey**

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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 11, 2026 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Cranford, New Jersey
August 11, 2026

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, 2025

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, 2025. This management discussion and analysis should be read in conjunction with the Authority's financial statements and accompanying notes.

Management's Discussion and Analysis ("MD&A") is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's ("GASB") Statement No. 34, *Basic Financial Statements-Management's Discussion and Analysis for State and Local Governments*. Certain comparative information between the current year and the prior fiscal year is presented in the MD&A, as required by GASB Statement No. 34.

2025 Financial Highlights

- At year end, the Authority's net position is \$5.0 million.
- At year end, cash and cash equivalents total \$559.0 million.
- For the year, revenues total \$170.9 million, consisting primarily of appropriations from the State (83.4%), inclusive of grant funding from the Debt Defeasance and Prevention Fund ("Debt Defeasance Appropriations"), and grant funding from the Federal Coronavirus Capital Projects Fund ("CPF") (2.6%).
- For the year, expenses total \$208.7 million, \$199.6 million (95.6%) of which is for school facilities project costs.
- For the year, General Fund Expenditures exceed General Fund Revenues by \$39.5 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 \$5.0 million at year-end, primarily due to expenditures for school facilities projects (\$199.6 million) and administrative and general expenses (\$9.1 million) exceeding total revenues (\$170.9 million).

The following table summarizes the Authority's net position as of December 31, 2025 and 2024.

	\$ In thousands			
	2025	2024	\$ Increase/ (Decrease)	% Increase/ (Decrease)
Current assets	\$ 559,133	\$ 322,324	\$ 236,809	73.5%
Capital assets-net	4,216	4,033	183	4.5%
Total assets	563,349	326,357	236,992	72.6%
Deferred outflows of resources	12,221	9,487	2,734	28.8%
Total assets and deferred outflows of resources	\$ 575,570	\$ 335,844	\$ 239,726	71.4%
Current liabilities	\$ 491,875	\$ 213,612	\$ 278,263	130.3%
Non-current liabilities	57,645	53,264	4,381	8.2%
Total liabilities	549,520	266,876	282,644	105.9%
Deferred inflows of resources	21,074	26,150	(5,076)	(19.4)%
Net position	4,976	42,818	(37,842)	(88.4)%
Total liabilities, deferred inflows of resources and net position	\$ 575,570	\$ 335,844	\$ 239,726	71.4%

Note: All percentages are calculated using unrounded figures.

Significant Account Variances for Net Position

Current assets: The increase is due primarily to higher cash and cash equivalents as a result of the receipt of \$350 million of debt defeasance funds and \$50 million in state appropriations. Also contributing to the increase were the lower school facilities project costs.

Capital assets-net: The increase is due primarily to a capital asset addition being greater than depreciation and amortization expense during the year.

Deferred outflows of resources: The increase is due mainly to higher deferred outflows of resources associated with Other Postemployment Benefits ("OPEB") as a result of changes in assumptions.

Current liabilities: The increase is due to higher accrued school facilities project costs, unearned revenues from debt defeasance appropriations realized during the year, and escrow deposits.

Non-current liabilities: The increase is due mainly to the higher Other Postemployment Benefits liability.

Deferred inflows of resources: The decrease is due mainly to lower deferred inflows of resources associated with pensions and with OPEB as a result of changes in assumptions.

The following table summarizes the change in net position for the years ended December 31, 2025 and 2024.

	\$ In thousands			
	2025	2024	\$ Increase/ (Decrease)	% Increase/ (Decrease)
Revenues				
Appropriations from State	\$ 50,000	\$ 50,000	\$ -	0.0%
Debt Defeasance and Prevention Fund	92,478	60,673	31,805	52.4%
Federal CPF grant	4,396	29,897	(25,501)	(85.3)%
Investment earnings	23,946	18,243	5,703	31.3%
Other revenue	65	73	(8)	(11.0)%
Total revenues	170,885	158,886	11,999	7.6%
Expenses				
Administrative and general expenses	9,116	9,873	(757)	(7.7)%
School facilities project costs	199,611	259,067	(59,456)	(22.9)%
Total expenses	208,727	268,940	(60,213)	(22.4)%
Change in net position	(37,842)	(110,054)	72,212	65.6%
Beginning net position:				
Balance as previously reported	42,818	153,525	(110,707)	(72.1)%
Adjustment to beginning balance *	-	(653)	653	N/A
Beginning net position, as restated	42,818	152,872	(110,054)	(72.0)%
Ending net position	\$ 4,976	\$ 42,818	\$ (37,842)	(88.4)%

Note: All percentages are calculated using unrounded figures.

* Adjusted for the cumulative effects of the implementation of GASB Statement No. 101 “*Compensated Absences*”.

Significant Account Variances for the Change in Net Position

Debt Defeasance & Prevention Fund: The Authority recognizes as revenues the amount spent during the year from the debt defeasance funds received by the Authority. The Authority recognized \$92.5 million in debt defeasance revenues during the year as compared to \$60.7 million during the previous year as a result of increased spending with debt defeasance funds.

Federal CPF grant funding: The amount of revenues recorded during the current year decreased by approximately \$25.5 million as a result of the completion of the construction work for the Union City Grade 7-9 Community School project during the year.

Investment earnings: The increase is due primarily to the higher average cash balances of the Authority in 2025.

School facilities project costs: The decrease is due mainly to lower spending for construction work, property acquisitions, school furniture and fixture expenses, and Regular Operating District grants. This is partially offset by higher project insurance costs.

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 Educational Facilities Construction & Financing Act (“EFCFA”) and are therefore eligible to be paid from EFCFA funding. Program administrative and general expenses are also eligible to be paid from debt defeasance appropriations as stipulated in the Grant Agreement dated January 30, 2023. This agreement sets forth the terms and conditions for the provision of the Grant Amount, including among other things, audit requirements pertaining to the Grant as well as the schedule for disbursement of the grant amount which must be expended by June 30, 2032.

Through December 31, 2025, 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 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, annual debt defeasance appropriations will continue 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. The Authority has received \$600 million in New Jersey Debt Defeasance and Prevention funds from inception through December 31, 2025.

To date, the Authority has disbursed 83.6% of the currently authorized program funding, as follows:

	<u>All Sources</u>	<u>Program Funding¹</u>	<u>Disbursements</u>	<u>% Paid</u>
SDA Districts	\$ 10,946,826,150	\$ 11,127,257,554	\$ 9,224,317,210	82.9%
RODs Including Vo-Tech Schools	4,025,000,000	4,090,649,717	3,501,845,453	85.6%
Totals	<u>\$ 14,971,826,150</u>	<u>\$ 15,217,907,271</u>	<u>\$ 12,726,162,663</u>	83.6%

¹ Program funding includes the amounts authorized under the respective bonding caps in addition to approximately \$246 million of interest income and miscellaneous revenue earned through December 31, 2025.

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 2025, the SDA celebrated the completion of one capital plan school facilities project, in one SDA District providing 936 new student seats. The total State investment in this project was more than \$93 million.

As of December 31, 2025, the SDA has four active capital construction projects in the SDA Districts. In addition, pre-construction activity has commenced on several other capital projects. The Authority is currently not managing the construction of any 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, 2025, the School Construction Program has completed 716 projects in the SDA Districts. The completed projects consist of: 98 new schools; 51 extensive addition, renovation and/or rehabilitation projects; 31 rehabilitation projects; 354 health and safety projects; and 182 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 eight new schools. Also, State funding was provided through Section 15 Grants for 5,331 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.

	\$ In thousands				
	2025	2024	2023	2022	2021
EFCFA funding received from State	\$ -	\$ -	\$ -	\$ -	\$ 350,000
Appropriations from State	50,000	50,000	75,000	75,000	275,000
Debt Defeasance and Prevention Fund grant	92,478	60,673	-	-	-
Federal CPF grant	4,396	29,897	22,534	-	-
Investment earnings, net	23,946	18,243	17,917	6,353	230
Administrative and general expenses	9,116	9,873	6,830	7,406	6,984
Capital expenditures	-	138	133	6	182
School facilities project costs	199,611	259,067	228,660	283,673	267,533
Employee count at end of year	123	126	128	127	152

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**.

New Jersey Schools Development Authority
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Statement of Net Position and General Fund Balance Sheet

December 31, 2025

	General Fund Total	Adjustments (Note 9)	Statement of Net Position
Assets			
Cash and cash equivalents	\$ 559,031,872	\$ -	\$ 559,031,872
Receivables	28,192	-	28,192
Prepaid expenses	72,703	-	72,703
Capital assets-net	-	4,215,626	4,215,626
Total assets	559,132,767	4,215,626	563,348,393
Deferred Outflows of Resources			
Deferred amount for pensions	-	1,576,215	1,576,215
Deferred amount for OPEB	-	10,644,918	10,644,918
Total deferred outflows of resources	-	12,221,133	12,221,133
Total Assets and Deferred Outflows of Resources	\$ 559,132,767	\$ 16,436,759	\$ 575,569,526
Current Liabilities			
Accrued school facilities project costs	\$ 30,591,524	\$ 82,678	\$ 30,674,202
Unearned revenue Debt Defeasance appropriations	446,848,461	-	446,848,461
Other accrued liabilities	583,943	4,187,663	4,771,606
Escrow deposits	9,579,818	-	9,579,818
Total current liabilities	487,603,746	4,270,341	491,874,087
Non-Current Liabilities			
Accrued school facilities project costs	-	7,141,546	7,141,546
Net pension liability	-	18,411,025	18,411,025
Total OPEB liability	-	26,741,386	26,741,386
Other accrued liabilities	-	5,351,202	5,351,202
Total non-current liabilities	-	57,645,159	57,645,159
Deferred Inflows of Resources			
Deferred amount for pensions	-	6,118,033	6,118,033
Deferred amount for OPEB	-	14,955,805	14,955,805
Total deferred inflows of resources	-	21,073,838	21,073,838
Fund Balance/Net Position			
Net investment in capital assets	-	311,877	311,877
Nonspendable:			
Prepaid expenses	72,703	(72,703)	-
Restricted for schools construction	34,825,873	(7,209,351)	27,616,522
Unassigned/Unrestricted	36,630,445	(59,582,402)	(22,951,957)
Total fund balance/net position	71,529,021	(66,552,579)	4,976,442
Total Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position	\$ 559,132,767	\$ 16,436,759	\$ 575,569,526

See accompanying notes.

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

For the Year Ended December 31, 2025

	General Fund Total	Adjustments (Note 9)	Statement of Activities
Revenues			
School Construction Program:			
Appropriations from State	\$ 50,000,000	\$ -	\$ 50,000,000
Debt Defeasance and Prevention Fund grant	92,478,438	-	92,478,438
Federal CPF grant	6,161,150	(1,765,577)	4,395,573
General:			
Investment earnings	23,950,977	(4,798)	23,946,179
Other revenue	1,607	63,259	64,866
Total revenues	<u>172,592,172</u>	<u>(1,707,116)</u>	<u>170,885,056</u>
Expenditures/Expenses			
Administrative and general expenses	13,589,981	(4,474,006)	9,115,975
School facilities project costs	198,490,620	1,120,395	199,611,015
Total expenditures/expenses	<u>212,080,601</u>	<u>(3,353,611)</u>	<u>208,726,990</u>
Deficiency of revenues over expenditures/Change in net position	(39,488,429)	1,646,495	(37,841,934)
Fund Balance/Net Position			
Beginning of year	<u>111,017,450</u>	<u>(68,199,074)</u>	<u>42,818,376</u>
End of year, December 31, 2025	<u>\$ 71,529,021</u>	<u>\$ (66,552,579)</u>	<u>\$ 4,976,442</u>

See accompanying notes.

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For the Year Ended December 31, 2025

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

In its accounting and financial reporting, the Authority follows the pronouncements of the Government Accounting Standards Board (“GASB”). GASB is the accepted standards setting body for establishing government accounting and financial reporting principles. The accounts are maintained on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States.

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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include (1) EFCFA bond proceeds received from the State, and budget and non-budget appropriations funding received from the

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Notes to Financial Statements

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. Non-budget appropriated funds provided to the Authority are made pursuant to grant agreements with the State, and the expenditures associated with such grant amounts are subject to state and federal single audit requirements, as applicable. As discussed below in Note 14, the Authority is the grantee with respect to two distinct grant agreements with the State.

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

(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

The Authority's revenues consist of appropriations from the State and from State pass through funds for federal programs administered by the Authority on behalf of the State. The timing of the revenue recognition is based on the nature of the underlying agreement in accordance with the nonexchange guidance in Governmental Accounting Standards Board (GASB) Statement No. 33, as amended.

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For the Year Ended December 31, 2025

Notes to Financial Statements

(d) 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.

(e) 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.

(f) 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:

- Leasehold improvements - \$50,000
- Office furniture and equipment - \$5,000
- Automobiles - \$30,000
- Computer software - \$100,000
- Right-to-use assets - \$50,000 for land and building and \$30,000 for equipment
- Subscription-based information technology arrangements (“SBITA”) - \$100,000

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
- SBITA – 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

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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.

(g) 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.

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.

(h) Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has two items that qualify for reporting in this category: the deferred amounts related to pension and OPEB reported in the Government-Wide Statement of Net Position. The deferred amounts related to pension and OPEB relate differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

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In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has two items that qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from the Federal CPF grant. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. In the government-wide financial statements the Authority reports deferred amounts related to pension and OPEB.

(i) 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.

(j) 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 2025 is 44.57%.

For the year ended December 31, 2025, employee salary and benefit costs are allocated as follows:

Employee salary and fringe benefits costs:	
Charged to administrative and general expenses	\$ 4,710,035
Charged to school facilities project costs	10,188,896
Total employee salary and benefits costs	<u>\$ 14,898,931</u>

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(k) Net Position/Fund Balance

The difference between assets plus deferred outflows of resources less liabilities less deferred inflows of resources is Net Position on the government-wide, proprietary, and fiduciary fund statements, and Fund Balance on the governmental fund statements. Net Position is reported in three categories:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Net Position that is restricted due to legal restrictions from creditors, grantors, or laws and regulations of other governments, and, in some cases, by legally enforceable enabling legislation or constitution of the State is a restricted net position.
- Unrestricted net position consists of net position which does not meet the definition of the two preceding categories.

The fund balance category, general government operations, is based primarily on the extent to which the Authority is bound to honor constraints on the specific purposes for which the amounts in those funds can be spent. Fund balances are reported in the following categories:

- Nonspendable fund balances include amounts that cannot be spent because they are in a nonspendable form, such as prepaid expenses, or they are legally or contractually required to be maintained intact, such as the corpus of a permanent fund.
- Restricted fund balances are restricted due to legal restriction from creditors, grantors, or laws and regulations of other governments, or by legally enforceable enabling legislation or constitution of the State.
- Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by appropriation legislation passed by the State Legislature, which is the highest level of decision-making authority for the State. Those committed amounts cannot be used for any other purpose unless the Legislature passes new legislation concerning those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing

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resources in the fund have been specifically committed for use in satisfying those contractual requirements.

- Assigned fund balances are constrained by the government's intent to use such funds for specific purposes, but are neither restricted nor committed, except for major reserve/stabilization arrangements. Assigned fund balances include all remaining amounts (except negative amounts) that are reported in the governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed. Amounts in the General Fund that are intended to be used for a specific purpose are also assigned. By reporting particular amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, the State has assigned those amounts to the purposes of the respective funds.
- Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. Any negative fund balances are unassigned. The General Fund is the only fund that reports a positive unassigned fund balance.

It is the Authority's overall policy to use restricted balances first, then unrestricted balances in the following order: committed, assigned, and unassigned.

(l) Taxes

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

(m) Arbitrage Rebate

Arbitrage rebate 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 arbitrage rebate 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 arbitrage rebate liabilities only when it is probable that any excess investment income, as defined above, will not be retained by the Authority. The

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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.

Arbitrage calculations, consisting of rebate and yield restriction, have been performed for all series of School Facilities Construction Bonds up through 2024 Series SSS. As of December 31, 2025, no arbitrage rebate liabilities exist. However, the Authority does have a positive yield restriction liability of \$201,540 on the 2021 Series QQQ bonds. Accordingly, the Authority has recorded an arbitrage rebate liability of \$201,540 on the Statement of Net Position as of December 31, 2025, with a corresponding charge to investment earnings on the Statement of Activities of \$4,798 and \$196,742, respectively, for the years ended December 31, 2025 and 2024. This tax liability will be payable 60 days after the final IRS calculation date of January 14, 2026.

(n) 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.

(o) Compensated Absences

The liability for compensated absences represents the vacation and sick time ("Leave Days") and salary related payments which have been earned for services previously rendered by employees in accordance with the Authority's Employee Handbook, is allowed to be carried over to subsequent year(s) and is deemed more likely than not by management to be used for time off or otherwise paid/settled in the future. The liability is calculated based on each employee's rate of pay and the number of unused Leave Days accumulated as of year-end, management's assumption that the likelihood of future use (either by use during employment or settlement/payment upon separation from service) is probable, and the salary-related payments that are directly and incrementally associated with payments for the leave. The liability for compensated absences is reflected in the government-wide financial statements as a long-term liability.

(p) Accounting Standards Issued But Not Yet Adopted

GASB Statement No. 103, *Financial Reporting Model Improvements*, was issued in April 2023. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for

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fiscal years beginning after June 15, 2025, 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. 104, *Disclosure of Certain Capital Assets*, was issued in September 2024. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, 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. 105, *Subsequent Events*, was issued in December 2025. The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026 and all reporting periods thereafter. The Authority is in the process of evaluating the impact of its adoption on the financial statements.

3. Deposits and Investments

(a) 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, 2025, the carrying amount of operating cash is \$1,843,014 and the bank balance is \$1,952,570. Deposits of up to \$250,000 at each commercial banking institution are insured with Federal Deposit Insurance.

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

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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, 2025, 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 formal policy for custodial credit risk because all deposits are either fully insured or collateralized in the Authority's name, effectively mitigating such risk. As a result, the establishment of a separate policy has not been deemed necessary under current operating conditions and risk exposure.

(b) Investments

In order to maximize liquidity, the Authority utilizes the New Jersey Cash Management Fund ("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, 2025, the Authority's investments in the NJCMF total \$557,188,858. Of this amount, \$9,579,818 relates to district local share funding requirements (see Note 5). NJCMF funds are considered cash and cash equivalents.

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 because its funds are primarily held in the NJCMF, a state-managed vehicle that operates under conservative guidelines established by the State of New Jersey. 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.

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.

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4. Prepaid Expenses

As of December 31, 2025, the Authority's prepaid expenses are as follows:

Service contracts	\$ 68,645
Security deposit	3,063
Other	995
Total prepaid expenses	<u>\$ 72,703</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, 2025, deposits held in SDA bank accounts, inclusive of interest earned but not yet refunded to the district, are as follows:

Bridgeton	\$ 2,718,311
Newark	3,068
Orange	2,628
Passaic City	40,912
Pemberton	27,080
Perth Amboy	1,361,622
Plainfield	6,847
Trenton	2,661,737
Union City	353,660
West New York	2,403,953
Total escrow deposits	<u>\$ 9,579,818</u>

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6. Capital Assets

Capital asset activity for the year ended December 31, 2025 is as follows:

	Beginning Balance	Additions	Ending Balance
Depreciable/Amortizable			
Capital assets:			
Office furniture and			
Equipment	\$ 245,862	\$ -	\$ 245,862
Automobiles	107,933	-	107,933
Subscription assets	-	1,261,189	1,261,189
Right-to-use assets	6,486,190	-	6,486,190
Capital assets-gross	6,839,985	1,261,189	8,101,174
Less: Accumulated			
depreciation/amortization	(2,806,673)	(1,078,875)	(3,885,548)
Capital assets-net	\$ 4,033,312	\$ 182,314	\$ 4,215,626

Depreciation/amortization expense for the year ended December 31, 2025 was charged to activities and programs of government, as follows:

Administrative and general expenses	\$ 997,527
School facilities project costs	81,348
Total depreciation/amortization expense	\$ 1,078,875

The total accumulated amortization related to right-to-use assets is \$3,677,476. For subscription assets, the total accumulated amortization is \$42,040.

7. Leases

The Authority recognized lease assets of \$2,808,714 (net of accumulated amortization of \$3,677,476) in the Statement of Net Position as of December 31, 2025, with corresponding lease liabilities of \$2,995,258. Lease liabilities related to school facilities projects are included in the Statement of Net Position in accrued school facilities project costs (current \$81,982 and non-current \$134,433), and lease liabilities unrelated to projects are included in other accrued liabilities (current \$876,481 and non-current \$1,902,362).

Additionally, the Authority recognized lease expense of \$1,117,305 in the Statement of Activities for the year ended December 31, 2025, consisting of lease amortization expense of \$967,635, and lease interest expense of \$149,670. Lease expense related to school facilities projects is included in the Statement of Activities in school facilities project costs in the amount

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of \$91,065, and lease expense unrelated to projects is included in administrative and general expenses in the amount of \$1,026,240. Cash lease payments for the year totaling \$1,049,780 are recognized in the General Fund Revenues, Expenditures and Changes in Fund Balance.

Since the Authority is unable to determine the interest rates, lessors have factored 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, 2025, are as follows:

Years	Principal	Interest	Total
2026	\$ 960,039	\$ 112,426	\$ 1,072,465
2027	1,013,634	69,300	1,082,934
2028	1,021,585	24,052	1,045,637
Totals	\$ 2,995,258	\$ 205,778	\$ 3,201,036

8. Subscriptions

The Authority recorded subscription assets of \$1,219,149 (net of accumulated amortization of \$42,040) in the Statement of Net Position as of December 31, 2025, with corresponding subscription liabilities of \$908,491. Subscription liabilities are included in the Statement of Net Position in other accrued liabilities (current \$213,528 and non-current \$694,964).

Additionally, the Authority recognized subscription expense of \$48,293 in the Statement of Activities for the year ended December 31, 2025, consisting of subscription amortization expense of \$42,040 and subscription interest expense of \$6,253. Subscription expense is included in administrative and general expenses in the amount of \$48,293. Cash subscription payments for the year totaling \$251,047 are recognized in the General Fund Revenues, Expenditures and Changes in Fund Balance.

Since the Authority is unable to determine the interest rates the vendor has factored in the subscription, 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 subscription liability and corresponding subscription asset.

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The future principal and interest subscription payments as of December 31, 2025, are as follows:

Years	Principal	Interest	Total
2026	\$ 213,528	\$ 6,253	\$ 219,781
2027	222,345	36,051	258,396
2028	231,528	27,172	258,700
2029	241,090	17,925	259,015
Totals	\$ 908,491	\$ 87,401	\$ 995,892

9. 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 (\$71,529,021) differs from the “Net Position” reported on the Statement of Net Position (\$4,976,442). 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.

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A summary of these differences as of December 31, 2025 is as follows:

Fund balances	\$ 71,529,021
Capital assets, net of accumulated depreciation of \$ (3,885,548)	4,215,626
Deferred outflows of resources for pensions and OPEB	12,221,133
Net pension liability	(18,411,025)
Total other postemployment benefits liability	(26,741,386)
Accrued arbitrage rebate	(201,540)
Accrued compensated absences	(2,552,336)
Accrued pension payable	(3,081,135)
Lease liabilities-internal SDA operations	(3,703,854)
Lease liabilities-school facilities projects	(217,111)
Other school facilities project costs	(7,007,113)
Deferred inflows of resources for pensions and OPEB	(21,073,838)
Net position	<u>\$ 4,976,442</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, 2025 is as follows:

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Deficiency of Revenues Over Expenditures	\$ (39,488,429)
Federal CPF grant	(1,765,577)
Pension (expense)/credit (GASB 68)	5,519,736
Pension (expense)/credit-special funding situation	63,259
Arbitrage rebate	(4,798)
Other postemployment benefits expense (GASB 75)	(523,184)
Compensated absences (expense)/credit	(694,981)
Lease (expense)/credit-internal SDA operations	241,636
Lease (expense)/credit-school facilities projects	(4,755)
Other school facilities project (costs)/credits	(1,115,640)
Depreciation expense	(69,201)
Changes in net position	<u>\$ (37,841,934)</u>

10. 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 \$4,331,980 as of December 31, 2025. 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.

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11. Commitments and Contingencies

(a) Contractual Commitments

As of December 31, 2025, the Authority has approximately \$709 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, 2025, the Authority's potential loss from all claims has been estimated at approximately \$2.7 million, which represents a decrease of \$0.4 million from the prior year end accrual. Accordingly, as of December 31, 2025, an accrued liability of \$2.7 million is reflected in the Statement of Net Position as a component of accrued school facilities project costs and, for the year then ended, \$0.4 million is charged to school facilities project costs on the Statement of Activities.

(c) Insurance

The Authority maintains two insurance programs: business insurance for its operations, which includes property, auto, cyber, general liability, and public officials' liability coverage, and an Owner Controlled Insurance Program ("OCIP") for its construction projects. As of December 31, 2025, management is not aware of any insurable claim that is expected to exceed the Authority's insurance policy limits.

The OCIP provides workers' compensation, general liability, and excess liability coverage to all contractors and sub-contractors that perform labor on the site of an enrolled project. When an enrolled project has been completed, completed operations coverage takes effect. This covers any claim arising out of alleged negligent construction, which occurs in the subsequent ten years.

Each OCIP provides standard policy limits for workers' compensation and general liability coverage, backed by excess liability coverage, to protect against catastrophic claims. The Authority has carried excess liability limits of \$150 million or greater, for each of its OCIPs, including OCIP V, which rolled out on December 1, 2024.

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Each workers' compensation and general liability claim is subject to a \$250,000 per claim deductible. The Authority deposits money into an account at the start of each OCIP, from which the insurer reimburses itself for claim payments that it made on the Authority's behalf, within the deductible. The deposit for OCIP V is \$3.5 million. Each OCIP program includes a provision that allows the insurer to periodically seek additional money from the Authority, to replenish the account, if it falls below the required minimum balance. A separate provision caps the Authority's aggregate deductible obligation at a maximum amount. Upon the conclusion of the OCIP program and the resolution of all claims, any funds remaining in the account that have not been utilized for claim settlements will be reimbursed to the Authority.

The Authority also purchases Builder's Risk insurance for each OCIP program, which protects facilities under construction from losses due to fire, vandalism, lightning, wind, and other hazards, and since 2009, it has carried Owners Protective Professional Indemnity (OPPI) insurance, with a policy limit of \$25 million, which provides coverage in excess of the professional liability insurance carried by the design professionals that the Authority hires for its projects. The current OPPI policy also includes excess Contractors Pollution Liability coverage.

12. 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 System of New Jersey ("PERS" or "Plan"), a cost-sharing, 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, employees are required to contribute 7.50% of their pensionable or base 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 Empower Annuity Insurance Company of America on behalf of the State.

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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.

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

In accordance with GASB Statement No. 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, 2025, the Authority reported a liability of \$18.4 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, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The actuarial valuation was rolled forward to June 30, 2025 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, 2025, the Authority's

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proportionate share was estimated to be 0.14970%. The change in proportion since the prior measurement date was a decrease of 0.00460%.

For the year ended December 31, 2025, the Authority recognized a pension benefit in the amount of \$3,398,764 in the Statement of Activities, of which pension expense in the amount of \$2,120,950 (the Authority's 2025 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, 2026 is \$2,045,904. 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, 2025 was \$2,120,950, which is 16.1% 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, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,535,237
Differences between expected and actual experience	524,933	19,675
Changes in assumptions or other inputs	2,907	212,111
Changes in proportion	-	4,351,010
Contributions subsequent to the measurement date	1,048,375	-
Total deferred outflows and inflows of resources	<u>\$ 1,576,215</u>	<u>\$ 6,118,033</u>

Deferred outflows of resources of \$1,048,375 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year 1 (2026)	\$ (1,714,605)
Year 2 (2027)	(2,352,137)
Year 3 (2028)	(1,044,714)
Year 4 (2029)	(471,126)
Year 5 (2030)	(7,611)
Total	<u>\$ (5,590,193)</u>

Actuarial methods and assumptions

The collective total pension liability in the June 30, 2025 measurement date was determined by an actuarial valuation as of July 1, 2024, which was rolled forward to June 30, 2025. The key actuarial assumptions are summarized as follows:

Rate of inflation	
Price	2.75%
Wage	3.25%
Salary increases:	3.25% to 7.75% based on years of service
Investment rate of return	7.00%
Cost of living adjustment	None assumed

Mortality rates were based on the Society of Actuaries' Scale MP-2021 mortality improvement scale.

Discount rate

The discount rate used to measure the total pension liability as of June 30, 2025 was 7.00%. The projection of cash flows used to determine the discount rate assumes that contributions 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

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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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equity	28.00%	8.55%
Non-U.S. developed market equity	12.75%	8.77%
International Small Cap Equity	1.25%	8.77%
Emerging market equity	5.50%	10.30%
Private equity	13.00%	12.00%
Real assets	3.00%	7.90%
Real estate	8.00%	10.78%
High yield	4.50%	6.63%
Private credit	8.00%	9.00%
Investment grade credit	7.00%	5.47%
Cash equivalents	2.00%	3.61%
U.S. Treasuries	4.00%	3.61%
Risk mitigation strategies	3.00%	7.26%

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:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
PERS	\$25,421,029	\$18,411,025	\$12,730,839

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

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status and progress, required contributions and trend information is available on the State's web site at <https://www.nj.gov/treasury/pensions/financial-reports.shtml> in the Annual Comprehensive 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 Defined Contribution Retirement Program ("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, 2025, the Authority had two active employees enrolled in the DCRP and made matching contributions totaling \$1,674. Employer matching contributions relating to 2024, 2023 and 2022 totaled \$1,692, \$1,700 and \$3,198 respectively.

(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.

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(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. Therefore, no plan assets exist in a trust that meets the specified criteria in paragraph 4 of GASB Statement No. 75.

Retirees and employees covered by OPEB Plan

As of December 31, 2025, the following employees were covered by the benefit terms:

Retired employees and/or beneficiaries currently receiving benefit payments	30
Active employees	123
Total	<u>153</u>

Total OPEB liability

The Authority's total OPEB liability of \$26,741,386 was measured as of January 1, 2025, and was based upon an actuarial valuation as of January 1, 2025. The Authority has fully recognized this liability in the Statement of Net Position as of December 31, 2025 in accordance with GASB Statement No. 75.

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Actuarial methods and assumptions

The total OPEB liability in the January 1, 2025 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	2.50%
Annual salary increases	3.00%
Discount rate	4.08%
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 20-year bond buyer index rate on December 29, 2024, as published by the Bond Buyer 20-Bond GO Index.

The mortality tables used for this valuation is based on the Society of Actuaries Pub-2016 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 2027. The trend assumption will decrease every year from 2027 until an ultimate annual trend rate assumption of 4.4% in 2037.

The decrement assumptions and age-based costs for the Authority are based on those reflected in the New Jersey Public Employees Retirement System ("PERS") experience study covering the period July 1, 2021 to June 30, 2024.

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

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Changes in total OPEB liability

Service cost	\$ 705,270
Interest cost	850,552
Differences between actual and expected experience	779,617
Changes in assumptions	3,329,405
Benefit payments	<u>(279,250)</u>
Net change in total OPEB liability	5,385,594
Total OPEB liability – beginning of year	<u>21,355,792</u>
Total OPEB liability – end of year	<u><u>\$ 26,741,386</u></u>

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 (3.08%)	Discount Rate (4.08%)	1% Increase (5.08%)
Total OPEB liability	\$31,585,843	\$26,741,386	\$22,840,519

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	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	\$22,241,513	\$26,741,386	\$32,521,087

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

For the year ended December 31, 2025, the Authority recognized OPEB expense of \$846,262, of which \$323,078 (the amount of Authority contributions for retiree health insurance in 2025) 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual		
Experience	\$ 755,978	\$ 1,685,021
Changes in assumptions	9,888,940	13,270,784
Total deferred outflows and inflows of resources	<u>\$ 10,644,918</u>	<u>\$ 14,955,805</u>

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

Year 1 (2026)	\$ (753,388)
Year 2 (2027)	(753,388)
Year 3 (2028)	(753,388)
Year 4 (2029)	(753,388)
Year 5 (2030)	(753,382)
Year 6 (2031) and thereafter	(543,953)
Total	<u>\$ (4,310,887)</u>

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Notes to Financial Statements

13. Long-Term Liabilities

During the year, the following changes in long-term liabilities are reflected in the Statement of Net Position:

	Beginning Balance	Additions	Deductions	Ending Balance
Lease liabilities - school facilities project costs	\$ 216,415	\$ -	\$ (81,982)	\$ 134,433
Other school facilities project costs	5,891,473	1,522,295	(406,655)	7,007,113
Net pension liability	20,966,867	-	(2,555,842)	18,411,025
Total other postemployment benefits liability	21,355,792	5,385,594	-	26,741,386
Lease liabilities - internal SDA operations	2,779,763	1,333,999	(2,211,400)	1,902,362
Subscription-based information technology arrangement	-	694,964	-	694,964
Arbitrage rebate	196,742	4,798	-	201,540
Compensated absences	1,857,355	694,981	-	2,552,336
Total long-term liabilities	<u>\$ 53,264,407</u>	<u>\$ 9,636,631</u>	<u>\$ (5,255,879)</u>	<u>\$ 57,645,159</u>

The current portions of long-term liabilities represent amounts expected to be paid, settled, or otherwise liquidated within one year of the financial statement date. At year-end, the current portion of the subscription-based information technology arrangement (SBITA) liability was \$213,528, and the current portion of accrued school facilities project costs was \$30,674,202. These amounts are reported separately from the remaining noncurrent portions of the respective liabilities.

For further information, see Note 11 on Contractor and Other Claims.

14. Appropriations/Grant Funding

(a) New Jersey Debt Defeasance and Prevention Fund

On June 29, 2021, the Governor signed P.L. 2021, c. 125 (the “Debt Reduction Act”) pursuant to which there was created within the General Fund, a restricted reserve fund known as the “New Jersey Debt Defeasance and Prevention Fund” (the “Fund”) for the purpose of retiring and defeasing State debt and for funding capital projects on a pay-as-you-go basis rather than issuing additional State debt for such capital projects. In accordance with P.L.2022, c.18. [S2944] and Section 2 of the Appropriating Act, pursuant to which \$5.15 billion was credited

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from the General Fund, a total of \$1.9 billion is appropriated (“Grant Amount”) to the Authority from the Fund, which allocation may be used to fund all costs associated with school facilities projects included as Grantee Capital Projects, including Grantee’s operating expenses for administering the school facilities construction program. The Grant Amount is delineated as follows: \$1.55 billion is appropriated for school facilities projects, emergent needs, and capital maintenance in SDA districts, and in lieu of bond proceeds, program administrative and general expenses as defined by SDA’s executive leadership team. \$350 million is appropriated for school facilities projects, emergent needs, and capital maintenance in all other districts.

The New Jersey State Treasurer (Grantor) and the Authority (Grantee) have entered into a Grant Agreement dated January 30, 2023, which sets forth the terms and conditions for the provision of the Grant Amount. The Grant Amount must be expended by June 30, 2032 absent a written approval by the Treasurer of a request for extension. Any undisbursed grant funds remaining at such time must be returned to the Treasurer.

The grant is an expenditure-driven grant and the Authority recognizes the revenues and expenditures in the period when all eligibility requirements have been met. Funds received in advance of incurring allowable expenditures are recorded as unearned revenue and must be invested in the New Jersey Cash Management Fund. Interest earned on advances of grant funds is considered Investment Earnings. Investment Earnings earned on the funds may be used by the Authority to further eligible program objectives.

This grant is covered by the audit requirements of the New Jersey Department of the Treasury Circular Letter 25-12-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.

The Authority received \$350 million in Debt Defeasance and Prevention funds in 2025.

(b) American Rescue Plan Act of 2021 - Coronavirus Capital Projects Fund (CPF)

The SDA is a subrecipient of CPF funds allocated to the State of New Jersey. Pursuant to the selection and approval of the State and the approval of the U.S. Department of the Treasury (“U.S. Treasury”), the Authority has received \$56.8 million to partially fund the new construction of the Union City Grade 7-9 Community School project. These funds were fully disbursed in April 2025.

The New Jersey State Treasurer has executed a Memorandum of Understanding, dated as of February 5, 2022, with the New Jersey Department of Community Affairs (“DCA”) as grants manager for the CPF funds, to provide those grant management functions and processes for the State that are necessary to administer, manage and monitor grant awards and disburse funds

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accordingly. Similarly, the DCA and SDA have entered into a Grant Agreement, executed April 24, 2024 and amended on February 6, 2025, that sets forth the terms and conditions for the disbursement of CPF funds for the Union City Grade 7-9 Community School project.

The grant is an expenditure-driven grant and the Authority recognizes the revenues and expenditures in the period when all eligibility requirements have been met.

This grant is covered by the Single Audit requirements of 2 CFR 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards.

(c) State Appropriations

Revenue reported as “State Appropriations” represent appropriations to the Authority from the New Jersey Property Tax Relief Fund. The appropriations from Property Tax Relief Fund are annually appropriated to the Authority based on formulas established by the Legislature. The funds are exclusively for the purpose of the Authority to meet the funding of the requirements of P.L.1975, c. 212 (Public School Education Act). The Authority disburses the funds to the various schools based on an allocation determined by the New Jersey Department of Education (“DOE”). The SDA communicates directly with each of these school districts, providing detailed outlines of their respective funding allocations, permissible project work, timelines, and certification requirements, thereby ensuring the school districts’ commitment and compliance as recipients of the funding. The Authority recognizes the revenue from the appropriation when the cash is available when the relevant appropriation becomes effective, which is when the State’s fiscal year begins. Expenses are recognized at the time funds are disbursed to the participating schools.

The Authority received \$50 million in state appropriations in 2025.

15. Subsequent Event

In January 2026, the Authority received \$350 million of New Jersey Debt Defeasance and Prevention funds. On January 20, 2026, the State reallocated \$10 million of the \$1.9 billion Debt Defeasance funds originally granted to the Authority to the New Jersey Department of Education for the engineering, design, and construction of parking facilities or structures of the Colin Powell Elementary School in Union City School District.

STATE OF NEW JERSEY
SCHOOLS DEVELOPMENT AUTHORITY
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REQUIRED SUPPLEMENTARY INFORMATION

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Required Supplementary Information

Schedule of Authority's Proportionate
Share of the Net Pension Liability
Public Employees' Retirement System

	2025	2024	2023	2022	2021
Authority's proportion of the net pension liability	0.14970%	0.15430%	0.16047%	0.19500%	0.21109%
Authority's proportionate share of the net pension liability	\$ 18,411,025	\$ 20,966,867	\$ 23,242,844	\$ 29,428,895	\$ 25,006,500
Authority's covered payroll	12,776,099	12,637,377	12,717,576	13,540,271	15,303,041
Authority's proportionate share of the net pension liability as a percentage of covered payroll	144.1%	165.9%	182.8%	217.3%	163.4%
Plan fiduciary net position as a percentage of the total pension liability	54.4%	51.3%	48.4%	23.2%	51.5%
	2020	2019	2018	2017	2016
Authority's proportion of the net pension liability	0.26021%	0.24445%	0.25282%	0.25811%	0.24459%
Authority's proportionate share of the net pension liability	\$ 42,434,159	\$ 44,045,377	\$ 49,778,974	\$ 60,083,669	\$ 72,439,355
Authority's covered payroll	16,333,372	19,098,021	17,489,263	18,573,489	18,574,888
Authority's proportionate share of the net pension liability as a percentage of covered payroll	259.8%	230.6%	278.9%	323.5%	390.0%
Plan fiduciary net position as a percentage of the total pension liability	42.9%	42.0%	40.4%	36.8%	31.2%

Notes to Schedule:

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

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

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Required Supplementary Information

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

Inflation	2.75% for 2025 through 2019, 2.25% for 2018 through 2017, 3.08% for 2016, 3.01% for 2015 through 2008
Salary Increases	3.25 – 7.75% for 2025, 2.75% - 6.55% for 2024 through 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
Mortality	Pre-retirement mortality rates were based on the Pub-2016 General Below-Median Income Employee mortality table with an 86.3% adjustment for males and 97.6% adjustment for females, and with future improvement from the base year of 2016 on a generational basis.

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Required Supplementary Information

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

	2025	2024	2023	2022	2021
Service cost	\$ 705,270	\$ 534,317	\$ 969,613	\$ 756,811	\$ 562,188
Interest cost	850,552	752,927	513,336	602,754	793,450
Differences between actual and expected experience	779,617	(1,990,280)	-	(88,963)	-
Changes in assumptions	3,329,405	4,714,184	(7,941,012)	(5,929,408)	794,794
Benefit payments	(279,250)	(267,303)	(247,801)	(211,788)	(269,967)
Net change in total OPEB liability	5,385,594	3,743,845	(6,705,864)	(4,870,594)	1,880,465
Total OPEB liability – beg. of year	21,355,792	17,611,947	24,317,811	29,188,405	27,307,940
Total OPEB liability - end of year	\$ 26,741,386	\$ 21,355,792	\$ 17,611,947	\$ 24,317,811	\$ 29,188,405
Covered payroll	\$ 13,024,335	\$ 12,548,018	\$ 12,923,176	\$ 14,521,363	\$ 15,803,029
Total OPEB liability as a percentage of covered payroll	205.32%	170.19%	136.28%	167.46%	184.70%

	2020	2019	2018	2017	2016
Service cost	\$ 409,654	\$ 449,157	\$ 1,606,120	\$ 1,634,702	\$ 1,578,355
Interest cost	813,459	762,995	1,004,490	927,740	849,309
Differences between actual and expected experience	-	-	146,961	-	-
Changes in assumptions	4,844,872	(3,257,030)	(3,947,479)	(1,476,238)	-
Benefit payments	(221,345)	(231,938)	(362,050)	(297,093)	(277,001)
Net change in total OPEB liability	5,846,640	(2,276,816)	(1,551,958)	789,111	2,150,663
Total OPEB liability – beg. of year	21,461,300	23,738,116	25,290,074	24,500,963	22,350,300
Total OPEB liability - end of year	\$ 27,307,940	\$ 21,461,300	\$ 23,738,116	\$ 25,290,074	\$ 24,500,963
Covered payroll	\$ 18,055,097	\$ 18,394,015	\$ 18,157,354	\$ 18,666,335	\$ 18,078,345
Total OPEB liability as a percentage of covered payroll	151.25%	116.68%	130.74%	135.48%	135.53%

Notes to Schedule:

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

Benefit changes – none.

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

Required Supplementary Information

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:

2025	4.08%
2024	3.88%
2023	4.18%
2022	2.04%
2021	2.02%
2020	2.92%
2019	3.81%
2018	3.23%
2017	3.76%
2016	3.57%

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

Independent Auditors' Report

**Management and Members
of the New Jersey Schools Development Authority
Trenton, New Jersey**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"), the financial statements of the governmental activities and 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, 2025, 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 11, 2026.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the 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.

**Management and Members of
New Jersey Schools Development Authority
Trenton, New Jersey**

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

PKF O'Connor Davies, LLP

Cranford, New Jersey
August 11, 2026