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, 2015

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, 2015

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Report of Independent Auditors

Management and Members of the Authority
New Jersey Schools Development Authority

We have audited the accompanying financial statements 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, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Building a better working world

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2015, and the changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

Change in Method of Accounting for Pensions

As discussed in Note 2 to the financial statements, the Authority changed its method for accounting and financial reporting of pensions as a result of the adoption of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent To the Measurement Date – an Amendment of GASB Statement No. 68*, both effective January 1, 2015. Our opinion is not modified with respect to this matter.

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis, the schedule of funding progress of the postemployment healthcare benefit plan, the schedule of the Authority's proportionate share of the net pension liability and the schedule of the Authority's contributions to the Public Employees' Retirement System (PERS) as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst + Young LLP

May 16, 2016

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, 2015

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, 2015. This management discussion and analysis should be read in conjunction with the Authority's financial statements and accompanying notes.

Nature of the Authority

The 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. Organizationally, the Authority is situated in, but not of, the New Jersey Department of the Treasury.

The School Construction Program is the largest public construction program undertaken by the State of New Jersey ("State") and represents one of the largest school construction programs ever undertaken in the nation. The 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"), the financing agent for the Schools Construction Program, 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.

School Construction Program Authorized Funding and Disbursements

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

Through December 31, 2015, the Authority has received $10.1 billion of the designated $12.5 billion principal amount of bond proceeds authorized for the School Construction Program. In addition, as of that date, the Authority has disbursed 76.2% of the currently authorized program funding, as follows:

	Bonding Cap	Program Funding[1]	Disbursements	% Paid
SDA Districts	$ 8,900,000,000	$ 9,008,655,798	$ 6,640,565,858	73.7%
Regular Operating Districts	3,450,000,000	3,493,024,922	2,893,902,684	82.8%
Vocational Schools	150,000,000	151,719,136	108,131,921	71.3%
Totals	$ 12,500,000,000	$ 12,653,399,856	$ 9,642,600,463	76.2%

[1] Program funding includes the amounts authorized under the respective bonding caps in addition to approximately $153 million of interest income and miscellaneous revenue earned through December 31, 2015.

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

County	School District	County	School District
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 2015, the Authority completed three new school facilities projects in the SDA Districts directly benefitting over 1,500 students. As of December 31, 2015, projects in construction in SDA Districts will impact over 9,000 students.

From inception through December 31, 2015, the School Construction Program has completed 672 projects in the SDA Districts. The completed projects consist of: 70 new schools, including 6 demonstration projects; 43 extensive additions, renovations and/or rehabilitations; 31 rehabilitation projects; 354 health and safety projects; and 174 Section 13 Grants for SDA District-managed projects under $500,000. The demonstration projects serve as a cornerstone of revitalization efforts and are funded by the Authority but managed by a municipal redevelopment entity and redeveloper. In addition, in the Regular Operating Districts the Authority has completed 26 projects that it managed for the districts, and state funding was provided through Section 15 Grants for 3,889 school projects throughout the 21 counties of New Jersey.

As of December 31, 2015, the SDA has 15 active construction projects in the SDA Districts. In addition, pre-construction activity has commenced on several other projects. Furthermore, the Authority is currently in construction on 8 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.

Through the approval of various capital plans, the Authority's current capital portfolio of school facilities projects includes 40 projects. The total estimated project costs for the current capital program exceeds $1.5 billion. The SDA continues to evaluate other school facilities projects for advancement.

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				
	2015	**2014**	**2013**	**2012**	**2011**
EFCFA funding received from State	$ 500,000	$ 585,000	$ -	$ 375,000	$ -
Investment earnings, net	560	170	272	205	546
Administrative and general expenses *	18,924	17,293	19,835	34,749	35,699
Capital expenditures	475	115	295	54	26
School facilities project costs *	429,684	282,023	172,238	145,584	154,930
Employee count at end of year	230	227	243	241	255

* *Commencing January 1, 2013, the Authority began allocating employee salaries and benefit costs between operating expense (i.e., administrative and general expenses) and school facilities project costs.*

2015 Financial Highlights

- At year end, the Authority's net position is $470.0 million.
- At year end, cash and cash equivalents total $617.6 million.
- For the year, revenues total $501.5 million, $500.0 million of which is from EFCFA funding received from the State (or 99.7%).
- For the year, expenses total $448.7 million, $429.7 million (95.8%) of which is for school facilities project costs.
- For the year, general fund revenues exceed general fund expenditures by $42.3 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

Net Position - The Authority's net position increased to $470.0 million at year-end, primarily due to 2015 State funding under EFCFA ($500.0 million) exceeding expenditures for school facilities projects ($429.7 million) and administrative and general expenses ($18.9 million). Additionally, the Authority recorded an adjustment (i.e., a reduction) to beginning of year net position as a result of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ($49.9 million).

The following table summarizes the Authority's net position at December 31, 2015 and 2014.

	$ In thousands			
	2015	**2014**	**$ Increase/ (Decrease)**	**% Increase/ (Decrease)**
Current assets	$ 618,767	$ 561,987	$ 56,780	10.1%
Capital assets-net	767	386	381	98.6%
Total assets	$ 619,534	$ 562,373	$ 57,161	10.2%
Deferred outflows of resources	$ 10,732	$ -	$ 10,732	N/A
Total assets and deferred outflows of resources	$ 630,266	$ 562,373	$ 67,893	12.1%
Current liabilities	$ 70,332	$ 55,849	$ 14,483	25.9%
Non-current liabilities	88,306	39,403	48,903	124.1%
Total liabilities	$ 158,638	$ 95,252	$ 63,386	66.5%
Deferred inflows of resources	$ 1,616	$ -	$ 1,616	N/A
Net position:				
Investment in capital assets	$ 767	$ 386	$ 381	98.6%
Restricted for schools construction	469,245	466,735	2,510	0.5%
Total net position	$ 470,012	$ 467,121	$ 2,891	0.6%
Total liabilities, deferred inflows of resources and net position	$ 630,266	$ 562,373	$ 67,893	12.1%

Note: All percentages are calculated using unrounded figures.

Operating Activities – The Authority earns interest on invested funds primarily through its participation in the State Cash Management Fund, a fund managed by the Division of Investment under the Department of Treasury. The fund consists of U.S. Treasury obligations, government agencies obligations, certificates of deposit and commercial paper.

The following table summarizes the change in net position for the years ended December 31, 2015 and 2014.

	$ In thousands			
	2015	2014	$ Increase/ (Decrease)	% Increase/ (Decrease)
Revenues				
EFCFA funding received from State	$ 500,000	$ 585,000	$ (85,000)	(14.5)%
Investment earnings	560	170	390	228.6%
Rental property income	945	115	830	725.8%
Other revenue	9	2	7	286.2%
Total revenues	$ 501,514	$ 585,287	$ (83,773)	(14.3)%
Expenses				
Administrative and general expenses	$ 18,924	$ 17,293	$ 1,631	9.4%
Depreciation	94	99	(5)	(5.1)%
School facilities project costs	429,684	282,023	147,661	52.4%
Total expenses	$ 448,702	$ 299,415	$ 149,287	49.9%
Change in net position	$ 52,812	$ 285,872	$ (233,060)	(81.5)%
Beginning net position:				
Balance as previously stated	467,121	181,249	285,872	157.7%
Adjustment to beginning balance *	(49,921)	-	(49,921)	N/A
Balance as restated	417,200	181,249	235,951	130.2%
Ending net position	$ 470,012	$ 467,121	$ 2,891	0.6%

* Restated for the effects of Governmental Accounting Standards Board Statement No. 68/71 (Note 11a).

Note: All percentages are calculated using unrounded figures.

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
(a component unit of the State of New Jersey)

Statement of Net Position and General Fund Balance Sheet

December 31, 2015

	General Fund Total	Adjustments (Note 8)	Statement of Net Position
Assets			
Cash and cash equivalents	$ 617,565,303	$ -	$ 617,565,303
Receivables	57,840	152,800	210,640
Prepaid expenses	990,937	-	990,937
Capital assets-net	-	766,872	766,872
Total assets	618,614,080	919,672	619,533,752
Deferred Outflows of Resources			
Deferred amount for pensions	-	10,731,769	10,731,769
Total Assets and Deferred Outflows of Resources	**$ 618,614,080**	**$ 11,651,441**	**$ 630,265,521**
Liabilities			
Accrued school facilities project costs	$ 67,613,323	$ 8,257,434	$ 75,870,757
Net pension liability	-	58,417,776	58,417,776
Other post-employment benefits obligation	-	18,204,915	18,204,915
Other accrued liabilities	1,081,746	3,425,364	4,507,110
Deposits	1,636,910	-	1,636,910
Total liabilities	70,331,979	88,305,489	158,637,468
Deferred Inflows of Resources			
Deferred amount for pensions	-	1,615,990	1,615,990
Fund Balance/Net Position			
Investment in capital assets	-	766,872	766,872
Nonspendable:			
Prepaid expenses	990,937	(990,937)	-
Restricted for schools construction	547,291,164	(78,045,973)	469,245,191
Total fund balance/net position	548,282,101	(78,270,038)	470,012,063
Total Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position	**$ 618,614,080**	**$ 11,651,441**	**$ 630,265,521**

See accompanying notes.

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

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

For the Year Ended December 31, 2015

	General Fund Total	Adjustments (Note 8)	Statement of Activities
Revenues			
School Construction Program:			
EFCFA funding received from State	$ 500,000,000	$ -	$ 500,000,000
General:			
Investment earnings	559,825	-	559,825
Rental property income	945,172	-	945,172
Other revenue	9,029	-	9,029
Total revenues	501,514,026	-	501,514,026
Expenditures/Expenses			
Administrative and general expenses	14,996,617	3,927,002	18,923,619
Capital expenditures	474,771	(474,771)	
Capital depreciation		93,943	93,943
School facilities project costs	443,746,149	(14,062,308)	429,683,841
Total expenditures/expenses	459,217,537	(10,516,134)	448,701,403
Excess of revenues over expenditures	42,296,489	10,516,134	-
Change in net position	-	-	52,812,623
Fund Balance/Net Position			
Beginning of year – as previously stated	505,985,612	(38,864,544)	467,121,068
Adjustment to beginning balance *	-	(49,921,628)	(49,921,628)
Beginning of year – as restated	505,985,612	(88,786,172)	417,199,440
End of Year, December 31, 2015	$ 548,282,101	$ (78,270,038)	$ 470,012,063

* Restated for the effects of Governmental Accounting Standards Board Statement No. 68/71 (as amended).

See accompanying notes.

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 ("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"), the financing agent for the Schools Construction Program, 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.

2. Summary of Significant Accounting Policies

(a) Government-Wide and Fund Financial Statements

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

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

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 statement.

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

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

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

(c) Revenue Recognition

Rental property income is received under month-to-month lease occupancy agreements. Acquisitions of various properties for the construction of school facilities projects generate rental revenue prior to the relocation of the occupants. Rental property income is generally recognized when received.

(d) Allocation of Employee Salaries and Benefits Costs

The Authority allocates employee salaries and benefits costs between operating expense (i.e., administrative and general expenses) and school facilities project costs on the Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance. The allocation of employee salaries to school facilities project costs is supported by weekly time sheet data; 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 2015 is 40.35%.

For the year ended December 31, 2015, employee salary and benefit costs are allocated as follows:

Employee salary and fringe benefits costs:		
Charged to administrative and general expenses	$	15,063,328
Charged to school facilities project costs		14,239,995
Total employee salary and benefits costs	$	29,303,323

(e) Rebate Arbitrage

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

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

Rebate arbitrage calculations have been performed for all series of School Facilities Construction Bonds up through 2015 Series WW and XX. As of December 31, 2015, no rebate arbitrage liabilities exist.

(f) Cash Equivalents

Cash equivalents consist of highly liquid debt instruments with original maturities of three months or less, and participation in the State's Cash Management Fund ("NJCMF"), a fund managed by the Division of Investment under the Department of Treasury. It consists of U.S. Treasury obligations, government agencies obligations, certificates of deposit and commercial paper. Cash equivalents are stated at fair value.

(g) Prepaid Expenses

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

(h) Capital Assets

Capital assets are reported in the governmental activity column in the government-wide financial statements and are recorded at historical cost or estimated historical cost if purchased and constructed. The Authority's current capitalization threshold is $10,000 for individual items meeting all other capitalization criterion. As of December 31, 2015, the Authority's capital assets consist of leasehold improvements, equipment, computer software and furniture and fixtures. Depreciation is provided by the straight-line method over the shorter of the life of the lease or the useful life of the related asset.

The Authority does not have an economic interest in any school facility project that it finances. Therefore, costs related to school facilities projects are not recorded as capital assets in the Authority's Statement of Net Position but instead are reported as school facilities project costs in the statement of activities.

(i) Taxes

The Authority is exempt from all federal and state income taxes and real estate taxes.

(j) 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.

(k) 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. Investments are reported at fair value.

(l) Recent and Upcoming Accounting Pronouncements

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB 68,* ("GASB 71"). The objective of this Statement is to address an issue regarding application of the transition provisions of GASB 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB 68, i.e., effective for financial statements for periods beginning after June 15, 2014.

The implementation of GASB 68 and GASB 71 resulted in an adjustment to reduce the Authority's beginning net position by $49,921,628 as of January 1, 2015.

GASB Statement No. 72, *Fair Value Measurement and Application,* was issued in February 2015. The scope of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about concepts and definitions established in Concepts Statement No. 6, *Measurement of Elements of Financial Statements, and other relevant literature.*

The Statement is effective for fiscal years beginning after June 15, 2015. The Authority is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68,* and Amendments to Certain Provisions of GASB Statements 67 and 68 were issued in June 2015. The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and non-employer contributing entities. This Statement also clarifies the application of certain provisions of Statements 67 and 68 with regard to the following issues:

- Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.

- Accounting and financial reporting for separately financed specific liabilities of individual employers and non-employer contributing entities for defined benefit pensions.
- Timing of employer recognition of revenue for the support of non-employer contributing entities not in a special funding situation.

The Statement is effective for fiscal years beginning after June 15, 2015. The Authority is currently evaluating the impact this standard will have on its financial statements.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* was issued in June 2015. Statement 74 replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Statement 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and required supplementary information related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans.

The Statement is effective for fiscal years beginning after June 15, 2016. This Statement will not have an impact on the Authority's financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued in June 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a non-employer entity provides financial support for OPEB of employees of another entity. In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and non-employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, Non-employer contributing entities, the OPEB plan administrator, and the plan members.

The Statement is effective for fiscal years beginning after June 15, 2017. The Authority is in the process of evaluating the impact of its adoption on the financial statements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. The provisions of this Statement are effective for fiscal years beginning after June 15, 2015. The Authority is currently evaluating the impact this standard will have on its financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess (a) whether current-year revenues were sufficient to pay for current-year services, (b) compliance with finance-related legal or contractual requirements, (c) where a government's financial resources come from and how it uses them, and (d) financial position and economic condition and how they have changed over time. The provisions of this Statement are effective for fiscal years beginning after December 15, 2015. This Statement will not have an impact on the Authority's financial statements.

In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB No. 68. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The provisions of this Statement are effective for fiscal years beginning after December 15, 2015. The Authority is currently evaluating the impact that this standard will have on its financial statements.

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. The objective of this Statement is to address for certain external investment pools and their participants, the accounting and financial reporting implications that result from changes in the regulatory provisions referenced by previous accounting and financial reporting standards. The provisions of this Statement are effective for fiscal years beginning after December 15, 2015. The Authority is currently evaluating the impact this standard will have on its financial statements.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The Authority is currently evaluating the impact this standard will have on its financial statements.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets presenting its beneficial interest in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interest. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. This Statement will not have an impact on the Authority's financial statements.

In March 2016, GASB issued statement No. 82, *Pension Issues.* The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting Pension Plans*, No. 68 *Accounting and Financial Reporting for Pensions,* and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The Authority is currently evaluating the impact that this standard will have on its financial statements.

3. Cash, Cash Equivalents and Investments

(a) Cash Flows

Cash and cash equivalents increased during the year by $56.7 million to $617.6 million as follows:

Cash and cash equivalents, beginning of year	$	560,858,585
Changes in cash:		
EFCFA funding received from State		500,000,000
Investment and interest income		559,825
Miscellaneous revenue		954,201
School facilities project costs		(427,094,323)
Administrative and general expenses		(14,896,542)
Capital expenditures		(158,585)
Deposits		(2,657,858)
Cash and cash equivalents, end of year	$	617,565,303

(b) Cash and Cash Equivalents

Operating cash, in the form of Negotiable Order of Withdrawal ("NOW") accounts, is held in the Authority's name by two commercial banking institutions. At December 31, 2015, the carrying amount of operating cash is $1,629,703 and the bank balance is $2,430,639. Regarding the amount held by commercial banking institutions, up to $250,000 at each institution is insured with Federal Deposit Insurance.

Pursuant to GASB Statement No. 40, *Deposit and Investment Risk Disclosures,* NOW accounts are profiled in order to determine exposure, if any, to custodial credit risk (risk that in the event of failure of the counterparty the account owner would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to custodial credit risk if they are: uninsured and uncollateralized (securities not pledged to the depositor); collateralized with securities held by the pledging financial institution; or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At December 31, 2015, all of the Authority's deposits were insured or collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The Authority does not have a policy for custodial credit risk.

As of December 31, 2015, cash and cash equivalents include deposits of $1,636,910 consisting mainly of district local share funding requirements (see Note 5).

(c) Investments

In order to maximize liquidity, the Authority utilizes the NJCMF as its sole investment. The NJCMF invests pooled monies from various State and non-State agencies in primarily short-term investments. These investments include: U.S. Treasuries; 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. At December 31, 2015, the Authority's investments in the NJCMF total $615,935,600.

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

Credit Risk: The Authority does not have an investment policy regarding the management of credit risk. GASB Statement No. 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The NJCMF is not rated by a rating agency.

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

4. Prepaid Expenses

As of December 31, 2015, the Authority's prepaid expenses are as follows:

Insurance	$ 532,583
Office rents	119,780
Service contracts	304,018
Other	34,556
Total prepaid expenses	$ 990,937

5. Deposits

The Authority has received funds from several local school districts as required by Local Share Agreements for the funding of the local share portion of Regular Operating District school facility projects, or to cover certain ineligible costs pertaining to projects in the SDA Districts. These deposits, including investment earnings, are reflected as liabilities in the accompanying financial statements.

As of December 31, 2015, deposits held in SDA bank accounts, inclusive of interest earned but not refunded to the district, are as follows:

City of Newark	$ 761,712
Egg Harbor City	291,441
Vineland	490,730
Other	93,027
Total deposits	$1,636,910

6. Rental of Office Space

The Authority rents commercial office space for its headquarters facility in Trenton, as well as other office space in Newark. The remaining terms of these leases range from 3 to 8 years. With respect to the Trenton office lease, the Authority has the right to terminate the lease after five years. Total rental expense for the year ended December 31, 2015 amounted to $1,460,139.

Future rent commitments under operating leases as of December 31, 2015 are as follows:

2016	$ 1,212,416
2017	1,227,651
2018	1,243,113
Total future rent expense	$ 3,683,180

7. Capital Assets

Capital asset activity for the year ended December 31, 2015 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Leasehold improvements	$ 502,679	$ -	$ -	$ 502,679
Office furniture and Equipment	5,353,802	460,117	-	5,813,919
Computer software	568,993	-	-	568,993
Automobiles	413,223	14,654		427,877
Capital assets-gross	6,838,697	474,771	-	7,313,468
Less: accumulated Depreciation	(6,452,653)	(93,943)	-	(6,546,596)
Capital assets-net	$ 386,044	$ 380,828	$ -	$ 766,872

8. Reconciliation of Government-Wide and Fund Financial Statements

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

“Total fund balances” for the Authority’s general fund ($548,282,101) differs from the “net position” reported on the statement of net position ($470,012,063). 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 post-employment benefits and compensated absences are not recorded in the fund financial statements until paid.

A summary of these differences at December 31, 2015 is as follows:

Fund balances	$ 548,282,101
Capital assets, net of related depreciation of $(6,546,596)	766,872
Deferred outflows of resources for pensions	10,731,769
Accrued school facilities project costs, net of related receivable	(8,104,634)
Net pension liability	(58,417,776)
Accrued other post-employment benefits	(18,204,915)
Accrued compensated absences	(1,188,032)
Accrued pension payable	(2,237,332)
Deferred inflows of resources for pensions	(1,615,990)
Net position	$ 470,012,063

(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, 2015 is as follows:

Excess of revenues over expenditures	$ 42,296,489
School facilities project costs	14,062,308
Additional pension expense (GASB 68)	(1,617,700)
Other post-employment benefits expense	(2,189,548)
Compensated absences expense	(119,754)
Capital asset acquisitions	474,771
Depreciation expense	(93,943)
Changes in net position	$ 52,812,623

9. Pollution Remediation Obligations

In accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* the Authority has recorded in the statement of net position a pollution remediation obligation ("PRO") liability (net of environmental cost recoveries not yet realized) in the amount of $5,702,832 as of December 31, 2015. Additionally, as of the same date the Authority has recorded in the statement of net position a receivable in the amount of $152,800 for realized environmental cost recoveries. 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 numerous properties with environmental issues that meet the criteria for "obligating events" and disclosure under GASB Statement No. 49. All of the properties meeting the criteria were acquired by the Authority for the purpose of constructing a school facilities project on behalf of an SDA District and, at the present, the Authority believes it has obligated itself to commence clean-up activities. The Authority will continue to evaluate the applicability of this Statement relating to specific project sites as adjustments are made to its portfolio of school facilities projects. The Authority's remediation activities generally include: pre-cleanup activities including preliminary assessment and site investigation; asbestos and lead based paint removal; underground storage tank removal; neutralization, containment, removal and disposal of ground pollutants; site restoration; and post-remediation monitoring and oversight. The following table summarizes the Authority's expected cash outlays (estimated costs), payments and cost recoveries related to numerous SDA-owned properties associated with school facilities projects in various stages of pre-development and construction.

	Estimated Cost	Payments to Date	PRO at 12-31-2015
Pre-cleanup activities	$ 5,127,988	$ 5,513,075	$ (385,087)
Site remediation work	66,398,612	59,857,457	6,541,155
Post-remediation monitoring	1,034,086	421,346	612,740
Asbestos and lead based paint removal	17,020,327	16,208,973	811,354
Sub-total	89,581,013	82,000,851	7,580,162
Less: Estimated environmental cost recoveries (ECR) not yet realized	1,877,330	-	1,877,330
Liability for pollution remediation obligations	$ 87,703,683	$ 82,000,851	$ 5,702,832
Receivable for realized ECR	$ 152,800	$ -	$ 152,800

The following table summarizes the changes in the Authority's PRO liability during the year ended December 31, 2015:

PRO at 12-31-2014	Decrease in Expected Cash Outlays	PRO Payments	Decrease in ECR Not Yet Realized	PRO at 12-31-2015
$18,193,355	$(8,028,583)	$(4,369,956)	$(91,984)	$5,702,832

10. Commitments and Contingencies

(a) Contractual Commitments

At December 31, 2015, the Authority has approximately $753 million of unaccrued contractual commitments relating to future expenditures associated with school facilities projects.

(b) Contractor Claims

Numerous contractor claims, the vast majority of which are not in litigation, have been filed with the Authority by design consultants, general contractors and project management firms 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, 2015, the Authority's potential loss from these claims has been estimated at approximately $2.6 million, which represents a decrease of $1.5 million from the prior year end accrual. The decrease resulted primarily from paid settlements in 2015. Accordingly, as of December 31, 2015, an accrued liability of $2.6 million is reflected in the statement of net position and, for the year then ended, $1.5 million is offset against school facilities project costs on the statement of activities.

(c) Insurance

The Authority maintains commercial insurance coverage for, among other things, workers' compensation, tort liability (including public liability and automobile) and property damage. Additionally, in support of its construction operations the Authority has implemented an Owner-Controlled Insurance Program ("OCIP") and has also purchased Builders Risk and Owners Protective Professional Indemnity Insurance ("OPPI"), all of which are discussed below. As of December 31, 2015, management is not aware of any insurable claim that is expected to exceed its commercial insurance coverage. The Authority is also involved in several lawsuits not covered under its commercial insurance; however, in the opinion of management, none of the claims are expected to have a material effect on the Authority's financial statements.

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

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

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

Concurrent with the Authority's purchase of OCIP II, the insurer agreed to transfer a portion of the remaining available funds from the Authority's DRF to a new Loss Reimbursement Fund ("LRF"). The LRF for OCIP II was initially established at approximately $18.9 million to partially fund a maximum deductible obligation of $26 million. Approximately $9.9 million remained in the LRF for OCIP I. In 2015, concurrent with the purchase of OCIP III with a new insurer, the Authority was required to fund a new LRF in the amount of approximately $4.5 million to partially fund a maximum deductible obligation of $12.4 million. All monies deposited in the respective LRFs accrue interest to the benefit of the Authority and are available to pay claim costs arising from construction projects enrolled in a specific OCIP.

As of December 31, 2015, the Authority has incurred general liability and workers' compensation claims totaling approximately $14.2 million, $2.7 million and $22,000, under OCIP I, OCIP II and OCIP III, respectively. All monies deposited in the LRF and not used to pay claims will be refunded to the Authority along with accrued interest. Under the terms of the contract, the Authority has no claim or interest in the LRF until six (6) months after the expiration of the program. At this time, and annually thereafter, the DRF for OCIP I shall be reviewed and the deductible obligation re-determined.

In connection with the OCIP II extension, discussed above, the maximum deductible obligation is $16 million. A reasonable estimate of future refunds from the OCIP II LRF is not yet known since the several of covered school facilities projects are in various stages of completion and therefore the Authority's ultimate obligation cannot be immediately determined.

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

In December 2014, the Authority approved the purchase of a new 5-year OPPI policy, including excess Contractors Pollution Liability ("CPL"), for SDA construction projects commencing construction on or after December 31, 2014 and prior to December 31, 2019. The policy provides a $25 million limit of liability subject to a $500,000 self-insured retention for OPPI, and a $250,000 self-insured retention for CPL. Additionally, the policy provides an ERP of up to 8 years to report claims, commencing on the earlier of project substantial completion or the policy expiration date of December 31, 2019.

11. Employee Benefits

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

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, and multiple-employer defined benefit plan administered by the State. The contribution policy is established by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Currently as of July 1, 2015, employees are required to contribute 6.78% (up from 6.64%) of their annual compensation to the Plan. Annual increases of 0.14% will be phased in effective each July 1 during the succeeding 5 years bringing the pension contribution rate for employees up to 7.5%. 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 21, 2010; Tier 4 includes those members enrolled in the PERS after May 21, 2010 and prior to June 28, 2011; and Tier 5 includes those members enrolled in the PERS on or after June 28, 2011. Depending on the Tier, other factors including minimum base salary amounts and/or minimum hours worked, among other things, may impact an employee's eligibility in the PERS. As discussed below, members enrolled in the PERS on or after July 1, 2007, and who earn an annual salary in excess of established limits, are eligible to participate in a Defined Contribution Retirement Program ("DCRP") administered by Prudential Financial on behalf of the State.

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

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

The implementation of GASB 68 as of January 1, 2015 resulted in the Authority reporting a net pension liability as of January 1, 2015, with a corresponding adjustment (i.e., reduction) to beginning of year net position of $49,921,628, representing the Authority's proportionate share of the liability as of the implementation date. In accordance with GASB 68, the Authority recognized a net pension liability for the difference between the present value of the projected benefits for past service known as the Total Pension Liability (TPL) and the restricted resources held in trust for the payment of pension benefits, known as the Fiduciary Net Position (FNP).

At December 31, 2015, the Authority's reported a liability of $58.4 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, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The actuarial valuation was rolled forward to June 30, 2015 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. At June 30, 2015, the Authority's proportionate share was estimated to be 0.26024 percent. The change in proportion since the prior measurement date was .00521%.

In accordance with GASB 68, for the year ended December 31, 2015, the Authority recognized pension expense of $3,720,118 of which $2,102,418 (the amount of the Authority's 2015 contractually required pension contribution to the PERS) was recorded in the General Fund Revenues, Expenditures and Changes in Fund Balance. The Authority's 2016 pension contribution, due on April 1, 2016, will be $2,237,332. Pension expense is reported in the Authority's financial statements as a component of administrative and general expenses.

The Authority's contractually required contribution rate for the year ended December 31, 2015 was 12.4% of annual payroll, actuarially determined as an amount that, 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. The Authority's 2015 contribution to the PERS was $2,102,418.

At December 31, 2015, the Authority's 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	$ 1,393,643	$ 939,245
Changes in assumptions or other inputs	6,273,603	-
Changes in proportion	827,191	676,745
Contributions subsequent to the measurement date	2,237,332	-
Total deferred outflows and inflows of resources	$ 10,731,769	$ 1,615,990

Deferred outflows of resources of $2,237,332 resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year 1 (2016)	$ 1,395,671
Year 2 (2017)	1,395,671
Year 3 (2018)	1,395,671
Year 4 (2019)	1,395,671
Year 5 (2020)	1,295,763
Total	$ 6,878,447

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. The key actuarial assumptions are summarized as follows:

Rate of inflation	3.04%
Salary increase:	
2012-2021	2.15% – 4.40% (based on age)
Thereafter	3.15% – 5.40% (based on age)
Investment rate of return	7.90%
Cost of living adjustment	None assumed

Mortality rates were based on the RP-2000 Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2015 of 4.90% was based on the long-term expected rate of return on pension plan investments of 7.90% and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The contribution percentage is the average percentage of the annual actual contribution paid over the annual actuarially determined contribution during the most recent five year period. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make projected future benefit payments of current Plan participants until fiscal year 2033.

Expected rate of return on investments

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

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

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

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 4.90% as well as the proportionate share of the net pension liability using a 1.00 percent increase or decrease from the current discount rate:

	1% Decrease	**Discount Rate**	**1% Increase**
PERS (3.90%, 4.90%, 5.90%)	$72,606,148	$58,417,776	$46,522,348

Pension plan fiduciary net position

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

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

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

For the year ending December 31, 2015, the Authority had ten active employees enrolled in the DCRP and made matching contributions totaling $11,485. Employer matching contributions relating to 2014, 2013 and 2012 totaled $9,239, $8,271 and $5,596, 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.

(d) Other Post-Employment Benefits

The Authority provides post-employment healthcare benefits (including Medicare Part B reimbursement) and prescription drug coverage through participation in the New Jersey Health Benefits Program, as sponsored and administered by the State of New Jersey, to retirees having 25 years or more of service in the PERS, or to those individuals approved for disability retirement. These post-employment benefits also extend to the retirees' covered dependents. 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 to retirees in an amount equal to 3/16 of their average salary during the final 12 months of active employment. These post-employment benefits, referred to as OPEB, are presently provided by the Authority at no cost to the retiree. The State has the authority to establish and amend the benefit provisions offered and contribution requirements. The plan is considered an agent multiple-employer defined benefit plan for financial reporting purposes. The State of New Jersey, Department of the Treasury, Division of Pension and Benefits, issues publicly available financial reports that include the financial statements for the State Health Benefits Program Funds. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pension and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

The Authority accounts for its OPEB obligations in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The Authority's OPEB cost is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The Authority's annual OPEB cost for 2015 and 2014 and the related information for the plan are as follows:

		2015		2014
Annual required contribution	$	1,861,661	$	1,794,877
Adjustment to annual required contribution *		599,425		503,368
Annual OPEB cost		2,461,086		2,298,245
Contributions made		(271,538)		(163,645)
Increase in net OPEB obligation		2,189,548		2,134,600
Net OPEB obligation – beginning of year		16,015,367		13,880,767
Net OPEB obligation – end of year	$	18,204,915	$	16,015,367

* The adjustment to the ARC includes interest on the net OPEB obligation, less amortization of the net OPEB obligation.

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015, 2014, and 2013 is as follows:

Year Ended		**Annual OPEB Cost**	**Percentage of Annual OPEB Cost Contributed**		**Net OPEB Obligation**
12/31/2015	$	2,461,086	11.0%	$	18,204,915
12/31/2014	$	2,298,245	7.1%	$	16,015,367
12/31/2013	$	2,382,477	5.7%	$	13,880,767

As of the most recent valuation date (January 1, 2014), the Authority's actuarial accrued liability was $18,641,861, all of which was unfunded as of December 31, 2015. The Authority is recognizing this liability over a 30-year period using level dollar amortization, which is representative of amortizing on a closed basis. The covered payroll (annual payroll of active employees covered by the plan) as of the valuation date was $18,224,900 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 102.3%. Additionally, as of December 31, 2015, eight active and ten retired employees were eligible for post-employment benefits.

The Authority has elected at this time to finance its annual OPEB cost on a pay-as-you-go basis in view of the fact that the Authority is not authorized to pre-fund an OPEB trust from the proceeds of tax-exempt bonds (nor from the income earned on the investment of those proceeds) from which it presently derives essentially all of its revenue. Payments for retiree post-employment benefits totaled $271,538 and $163,645, respectively, in 2015 and 2014.

Actuarial Methods and Assumptions: Actuarial valuations of a perpetual plan involve formulating estimates and assumptions about the probability of occurrence of future events, such as employment, mortality and healthcare costs, among other things.

Consequently, the amounts derived from an actuarial valuation are subject to continual revision as actual results will undoubtedly differ from past expectations and assumptions. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation date and the historical pattern of benefit cost sharing between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the most recent actuarial valuation the projected unit credit actuarial cost method was used with a 4.5% discount rate. Pursuant to this method, benefits are recognized from date of hire to the date the employee is first eligible for benefits. No investment return was assumed in the current valuation since there are no OPEB plan assets. The annual healthcare cost inflation rate for retiree benefits is 9% for 2015 and decrease 0.5% per year until an ultimate trend rate of 5% by the year 2021. The same trend rates are assumed for Medicare Part B premium reimbursement and prescription drug costs. As required in GASB Technical Memorandum 2006 1 on the accounting for the federal Retiree Drug Subsidy ("RDS"), the Authority's actuarial liabilities are shown without a reduction for the RDS even though the NJ Health Benefits Program has opted to receive the RDS.

To be consistent with the NJ Health Benefits Program, the Authority's January 1, 2012 actuarial valuation included the impacts of both the healthcare reform law (i.e., excise "Cadillac" tax), and the new Mortality Improvement Projection Scale AA. These assumptions were not applied in previous actuarial valuations.

12. Compensated Absences

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the Authority recorded a liability in the amount of $1,188,032 as of December 31, 2015 in the statement of net position. The liability is the value of employee accrued vacation time as of the balance sheet date and vested sick leave benefits that are probable of payment to employees upon retirement. The vested sick leave benefit to future retirees for unused accumulated sick leave is calculated at the lesser of ½ the value of earned time or $15,000. The payment of sick leave benefits, prior to retirement, is dependent on the occurrence of sickness as defined by the Authority's policy; therefore, such unvested benefits are not accrued.

13. Long-Term Liabilities

During 2015, the following changes in long-term liabilities are reflected in the statement of net position:

	Beginning Balance	Additions	Deductions	Ending Balance
Accrued school facilities project costs	$ 22,319,743	$ -	$ (14,062,309)	$ 8,257,434
Net pension liability	-	58,417,776	-	58,417,776
Other post-employment benefits obligation	16,015,367	2,461,086	(271,538)	18,204,915
Accrued pension payable	-	2,237,332	-	2,237,332
Compensated absences	1,068,278	119,754	-	1,188,032
Total long-term liabilities	$ 39,403,388	$ 63,235,948	$ (14,333,847)	$ 88,305,489

For further information, see Notes 11(d) and 12.

14. Net Position

The Authority's net position is categorized as either invested in capital assets, or restricted for schools construction. At December 31, 2015, the Authority's net position is $470.0 million. Invested in capital assets includes leasehold improvements, furniture and fixtures, equipment and computer software used in the Authority's operations, net of accumulated depreciation. The changes during 2014 and 2015 in net position are as follows:

	Investment in Capital Assets	Restricted for Schools Construction	Totals
Net position, January 1, 2014	$ 370,153	$ 180,878,605	$ 181,248,758
(Loss)/excess before receipt of EFCFA funding and transfers	(99,040)	(17,005,460)	(17,104,500)
Capital assets acquired	114,931	(114,931)	-
EFCFA funding received from State	-	585,000,000	585,000,000
School facilities project costs	-	(282,023,190)	(282,023,190)
Net position, December 31, 2014 – as previously stated	386,044	466,735,024	467,121,068
Effects of GASB Statement No. 68 implementation on beginning of year net position	-	(49,921,628)	(49,921,628)
Net position, December 31, 2014 – as restated	386,044	416,813,396	417,199,440
(Loss)/excess before receipt of EFCFA funding and transfers	(93,943)	(17,409,593)	(17,503,536)
Capital assets acquired	474,771	(474,771)	
EFCFA funding received from State	-	500,000,000	500,000,000
School facilities project costs	-	(429,683,841)	(429,683,841)
Net position, December 31, 2015	$ 766,872	$ 469,245,191	$ 470,012,063

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

REQUIRED SUPPLEMENTARY INFORMATION

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

Schedule of Funding Progress for the Post-Employment Healthcare Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Level Dollar (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b) - (a) / (c)
1-1-2014	$ -	$18,641,861	$18,641,861	- %	$18,224,900	102.3%
1-1-2012	$ -	$15,905,032	$15,905,032	- %	$18,788,600	84.7%
1-1-2011*	$ -	$15,705,793	$15,705,793	- %	$22,666,800	69.3%

* The actuarial valuation for this year does not include the impacts of either the healthcare reform law (i.e., the excise "Cadillac" tax) or the new Mortality Improvement Projection Scale BB.

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

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

	2015 *
Authority's proportion of the net pension liability	0.26024%
Authority's proportionate share of the net pension liability	$58,417,776
Authority's covered employee payroll	$18,072,739
Authority's proportionate share of the net pension liability as a percentage of covered employee payroll	323.2%
Plan fiduciary net position as a percentage of the total pension liability	38.2%

* The amounts presented in the table above were determined as of June 30.

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

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

Year	Contractually Required Contribution (CRC)	Contributions in Relation to the CRC	Contribution Deficiency (Excess)	Authority's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	$2,237,322	$2,237,322	$ -	$18,078,345	12.4%
2014	$2,102,418	$2,102,418	$ -	$18,549,600	11.3%
2013	$1,960,286	$1,960,286	$ -	$18,329,051	10.7%
2012	$2,163,895	$2,163,895	$ -	$18,472,472	11.7%
2011	$2,673,145	$2,673,145	$ -	$19,904,178	13.4%
2010	$2,545,016	$2,545,016	$ -	$23,961,013	10.6%
2009	$1,793,292	$1,793,292	$ -	$23,683,663	7.6%
2008	$1,400,824	$1,400,824	$ -	$21,291,915	6.6%
2007	$1,006,609	$1,006,609	$ -	$18,622,173	5.4%
2006	$ 618,649	$ 618,649	$ -	$17,385,246	3.6%

<u>Notes to Schedule</u>:

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

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

Actuarial Cost Method	Projected Unit Credit Method
Amortization Method	Level Dollar Amortization
Remaining Amortization Period	30 years
Asset Valuation Method	A five year average of market value
Investment Rate of Return	7.9% for 2015, 2014 and 2013, 7.95% for 2012, 8.25% for 2011, 2010, 2009, 2008, 2007 and 2006
Inflation	3.01%
Salary Increases	2.15% – 5.40% for 2015 through 2013, 4.52% for 2012, 5.45% for 2011, 2010, 2009, 2008, 2007 and 2006

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

Mortality	RP-2000 Employee Preretirement Mortality Table for male and female active participants. Mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2012 using a generational approach based on Projection Scale AA. Prior to 2012, the RP-2000 Employee Preretirement Mortality table was used and was set back 4 years for females.