



New
Jersey
Schools
Construction
Corporation

Responsibility
+
Results
+
Renewal
= The 3R's of School Construction



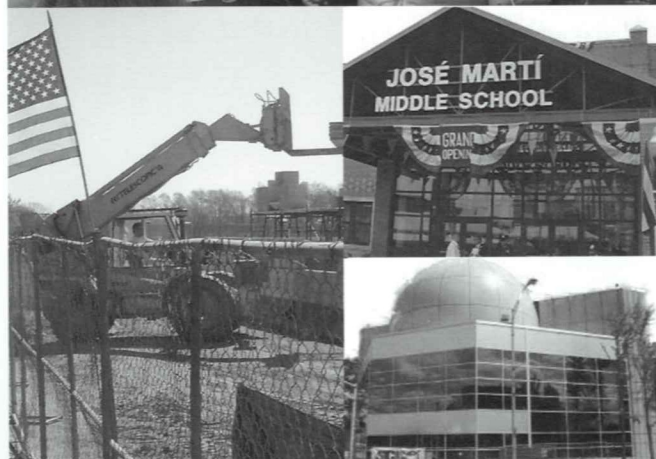
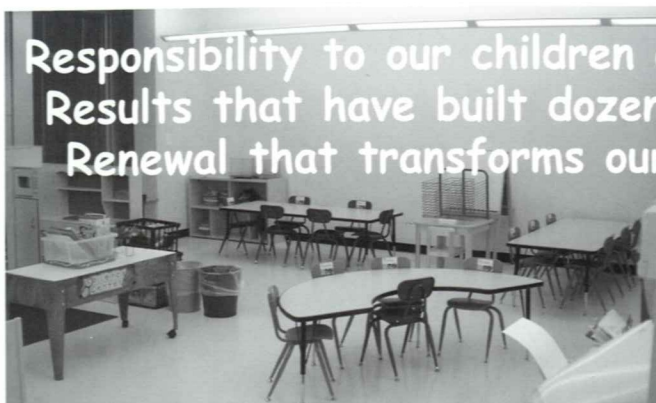
2004 Annual Report

www.njscc.com



NJ Schools Construction Corporation
Building 21st Century Schools For 21st Century Leaders

Responsibility to our children and their future.
Results that have built dozens of schools.
Renewal that transforms our schools and communities.



Contents

- 1** A Message from our Chief Executive Officer
- 2** Board of Directors
- 3** **Responsibility**
 - Responsibility to Children
 - Responsibility to Communities
 - Commitment to Efficiency
 - Responsibility to Small Businesses
 - Responsibility to the Workforce
- 5** **Results**
 - Milestones Throughout New Jersey
 - Milestones In Our Communities
 - Building Today With Tomorrow In Mind
 - Environment
 - Taking the 'LEED' in Building for the Future
- 7** **Renewal**
 - Renewing Communities
 - Renewing New Jersey
 - Renewing New Jersey Through Schools and Communities
 - A Partnership of Renewal
- 9** SCC Projects by County

Inside Back Cover SCC Management Team



This Annual Report encompasses the period from January 1, 2004 to December 31, 2004.

A Message From Our Chief Executive Officer

The New Jersey Schools Construction Corporation (SCC) is proud to have the opportunity to be partners in New Jersey's historic effort for our children and their future.

Since the SCC was established in 2002, we have worked closely with our partners – legislators, educators, local leaders and residents – to meet our obligation to New Jersey's children through the most extensive school construction program in state history.

Proud to have the opportunity to be partners in New Jersey's historic effort for our children and their future.

We're making progress, and we are committed to doing it in a cost effective manner. To date, we have impacted 2,724 school improvement projects at some 1,775 facilities throughout the state – ranging from rehabilitation, renovations, health and safety work, additions and new construction.

In 2004, the SCC participated in the opening of approximately 50 schools and additions, 22 of which were in the special needs districts. In 2005, we expect to complete 110 new schools and additions, 30 of which are in those districts. And we are moving forward with six school-based community revitalization projects throughout the state.

We have also moved aggressively to strengthen our economy by boosting opportunities for small-, women-, and minority-owned companies to participate in this program. We have also worked to increase employment opportunities for our workforce.

While we're making great strides, we also face a number of challenges that have had a significant impact on the financial resources of the program.

That is why the SCC has worked harder than ever to ensure that all schools are built cost-effectively. We've already taken a number of steps to become more effective and efficient, and we have welcomed a number of productive efforts that we hope will help us do our jobs even better.

At the SCC, we understand that

the efforts we make today will make a difference in the kind of future our children will have for generations to come. The SCC takes very seriously its mission to build high-quality, safe, state-of-the-art schools in a cost effective manner. Working together, we can overcome our challenges and accomplish our goal of building "21st Century Schools for 21st Century Leaders."



John F. Spencer
Chief Executive Officer



NJ Schools Construction Corporation
BUILDING 21ST CENTURY SCHOOLS FOR 21ST CENTURY LEADERS

Mission Statement

Create a brighter future for our children by renovating, building and funding cost-effective and efficient state-of-the-art community schools that support high quality learning environments to better prepare students for successful careers and leadership in the 21st Century in New Jersey and beyond.

Partner with communities and leaders in business, education and government to support our programs, policies and projects to create greater opportunities for our children, businesses and workforce.



New Jersey Schools Construction Corporation Board of Directors

Alfred C. Koeppe ^{1,4}
NJSCC Chairman
President and Chief Executive Officer
Newark Alliance
Public Member (Appointed May 10, 2005)

Barbara Bell-Coleman ^{2,5}
NJSCC Vice Chairman
President
B.B.C. Associates
Public Member

Virginia S. Bauer ³
Chief Executive Officer and Secretary
New Jersey Commerce &
Economic Growth Commission
Ex-Officio Member

Thomas D. Carver ²
Commissioner
Department of Labor & Workforce Development
Ex-Officio Member

Laurence M. Downes ^{1,6}
Chairman and Chief Executive Officer
New Jersey Resources Corporation
Public Member (Appointed May 9, 2005)

Caren S. Franzini ^{2,3}
Chief Executive Officer
New Jersey Economic Development Authority
Ex-Officio Member

Peter Harvey ^{1,3}
Attorney General
State of New Jersey
Ex-Officio Member

Jack Kocsis, Jr. ^{2,7}
Executive Director
Building Contractors Association of New Jersey
Public Member

Susan Bass Levin ³
Commissioner
New Jersey Department of Community Affairs
Ex-Officio Member

Dr. William L. Librera ^{2,3}
Commissioner
Department of Education
Ex-Officio Member

Angel Magill ⁵
President/Chief Executive Officer
Magill Properties Management
Public Member

Verice M. Mason ¹
Director of the Authorities Unit
Office of the Governor
Ex-Officio Member

John E. McCormac ¹
State Treasurer
New Jersey Department of Treasury
Ex-Officio Member

Joseph A. McNamara ^{2,3,9}
Director
LECET & Health & Safety
Public Member

R. Edwin Selover ^{1,6}
Senior Vice President and General Counsel
Public Service Enterprise Group Incorporated
Public Member (Appointed May 9, 2005)

¹ Member of Audit Committee
(Chairman, Laurence M. Downes)

² Member of School Review Committee
(Chairman, Caren S. Franzini)

³ Member of Land Acquisition Committee
(Chairman, Joseph A. McNamara)

⁴ Term expires September 22, 2005

⁵ Term expires September 26, 2005

⁶ Term expires May 9, 2007

⁷ Term expires September 22, 2006

⁸ Term expired September 26, 2004

⁹ Term expires December 21, 2006

A commitment to building 21st century schools
in a cost effective, safe and efficient manner.

Responsibility

SCC's Responsibility to Children

The driving force behind the New Jersey Schools Construction Corporation (SCC) is to build "21st Century Schools for 21st Century Leaders." As the largest school construction program in State history, the SCC takes its responsibility to provide safe, cost-efficient, state-of-the-art schools for New Jersey's children very seriously.

The SCC was created by Executive Order in 2002 to expedite the implementation of the New Jersey Educational Facilities Construction and Financing Act of 2000. The SCC is charged with the responsibility of overseeing and/or providing funding assistance for the construction of educational facilities in urban and suburban public school districts.

The SCC works closely with New Jersey's municipalities to carry out its mission. Whether constructing a new school, or making health, safety and other improvements to an existing structure, all public school districts can look to the SCC for assistance.

Full state funding is provided for all school renovation and construction projects in 31 special needs districts, known as the Abbott districts. These public school districts are entitled to full state funding for eligible costs of school construction projects in accordance with the New Jersey Supreme Court's 1998 decision in *Abbott v. Burke*.

The Court ordered this funding so that students in these school districts could receive a thorough and efficient education, an explicit requirement of the New Jersey Constitution. The Court directed the State to rehabilitate buildings and build new facilities that would house all programs, relieve overcrowding and eliminate health and safety violations. The SCC is charged with ensuring that the state lives up to its obligation. Full funding of SCC construction projects allows communities to fulfill the state mandate that all children be educated in buildings that are healthy, safe and conducive to learning.

The SCC also provides funding to comple-

ment local funding for design and construction of all school projects in non-Abbott school districts that receive 55% or more in State funding. In addition, the SCC provides

grants to fund the State share of school projects

in non-Abbott school districts that receive less than 55% in state education funding.

These grant districts receive a minimum of 40% of the eligible costs of school construction or renovation projects in the form of state grants.

Each project is subject to voter approval and the districts are responsible for payment of the remaining balance.

The \$8.6 billion school construction program provides \$6 billion for use on

Abbott projects, \$2.5 billion for use on non-Abbott district projects, and \$100 million for use on county vocational schools. New Jersey's school construction program benefits students in every part of the State.

SCC's Commitment to Efficiency

The SCC is committed to building high-quality, safe, state-of-the-art schools in a cost-effective manner. After two strong years of progress and results, the SCC confirmed in 2004 that while the \$8.6 billion originally allocated for the program was significant, it would not be enough to fulfill its constitutional obligation to New Jersey's children.

In 2004, the SCC profiled several additional school construction items that were not originally included in the \$8.6 billion allocation.

For example, the costs of land acquisition, relocation of homeowners, tenants and businesses, historic preservation, remediation and demolition were not included in SCC's original funding. The \$6 billion Abbott allocation did not include the cost of building stand-alone, Pre-K facilities that operate all day, as opposed to half-day. Nor did it include the cost to provide temporary classroom units

and "swing space," which are areas where we house students while we build or renovate their school.

The \$6 billion Abbott allocation did not foresee the creation of additional Abbott districts, like Salem City, nor did it account for regulation requirements set by the Department of Education, such as computers and necessary technology to make classrooms 21st century learning environments.

Further, the original \$6 billion Abbott allocation did not take into account inflation for the increased costs of labor and raw materials over the course of the program, and it originally estimated the construction cost per square foot as \$125, which was too low.

To meet our funding challenges, the SCC has worked creatively to find ways to maximize its funding. For instance, in 2004, the SCC sought alternative funding from the Board of Public Utilities' Smart Start Program, which provides rebates for the costs of high efficiency equipment. The SCC also sought support through the E-Rate program, which provides discounts of approximately 80% on telecommunications equipment.

The SCC has also created an Owner Controlled Insurance Program to generate Workers Compensation and General Liability Insurance savings by having the SCC provide coverage instead of contractors procuring and charging the SCC on an individual basis. Also, it created a Land Acquisition Task Force that is helping to reduce land acquisition and related costs.

In 2004, the SCC also awarded its first design-build contract at Summerfield Elementary School in Neptune. Design-build is an innovative and effective approach that saves time in the design and construction of a new school. Traditionally (barring unforeseen circumstances), a school project design takes 12 to 15 months, and construction takes another 22 months. Using the design-build approach where the construction and design process coincide, the design time can be cut in half and construction accelerated up to 75 percent. This means the entire process could be completed in less than two years.

Thanks to these efforts and others, the SCC is proud that its bricks and

mortar costs per square foot compare favorably with those of other comparable school construction programs.

The SCC takes its responsibility to provide safe, cost-efficient, state-of-the-art schools for New Jersey's children very seriously.



The SCC is proud that its bricks and mortar costs per square foot compare favorably with those of other comparable school construction programs.

SCC's Responsibility to Communities

The SCC takes its responsibility to the communities where schools are being built seriously, particularly because the new schools often serve as vehicles for revitalization.

Once the school district works with the municipality to select the site of a new school, the SCC must acquire that land. If there are homes and businesses located on the approved school site, the SCC is faced with the prospect of relocation. While relocation is disruptive and very costly to the very communities we are trying to help, it does sometimes provide families with an opportunity to own a home for the first time. In 2004, nearly 75 tenants that have been provided relocation assistance from the SCC have used the funds to make a down payment on a home.

In 2004, nearly 75 tenants that have been provided relocation assistance from the SCC have used the funds to make a down payment on a home.

The SCC also has a responsibility to ensure that approved school sites are suitable for a school and safe for children. All sites being considered for school projects must adhere to strict Department of Environmental Protection requirements for site remediation and they are thoroughly tested. If a site is unsafe and not suitable for a school, then the SCC does not use it.

If it is a suitable site, then the DEP requires that any school site must be cleaned with the standards for residential development in mind. This clean-up level assumes 24 hour-a-day occupancy, for 7 days a week, 365 days of the year – far more time than the students will be spending at the school.

SCC's Responsibility to Small Businesses

SCC also has a responsibility of making sure that all New Jerseyans are partners in its progress. Students, educators, families, residents and businesses are all a part of this historic effort.

As Small Business Enterprises (SBE) are the backbone of the American economy, it is imperative that SCC provide them with the tools that will maximize opportunities to participate in our program. Throughout 2004, the SCC's Office of Diversity, Small Business, Government and Community Affairs has worked hard to ensure that small, women- and minority-owned enterprises have access to opportunities within the SCC program. Its mission of increasing accessibility to school construction contracts for these groups means working not only with other state agencies and departments, but with local officials, general contractors and project management firms. SCC is intimately involved with local outreach efforts to recruit

small, women- and minority-owned businesses to become pre-qualified and bid on SCC projects.

Under the SCC's aggressive SBE program, contracts – whether construction, design, or goods and services – require a 25% SBE participation. The SCC is proud that it exceeded this goal in 2004. Out of the \$930 million in construction dollars awarded last year, 42 percent went to SBE's; of the \$80 million in design dollars awarded last year, nearly 59 percent went to SBE's.

Out of the \$930 million in construction dollars awarded last year, 42 percent went to SBE's; of the \$80 million in design dollars awarded last year, nearly 59 percent went to SBE's.

The SCC also developed an aggressive Carve-Out Program, which set aside construction and design contracts

specifically for bid by SBE's. More than 120 contracts valued at \$241 million were made available to small firms across the state in 2004.

The SCC's Surety Bond and Working Capital Assistance Program is believed to be the first of its kind implemented on a statewide basis. Designed to enhance the ability of small, women- and minority-owned firms to compete for school construction contracts, the program addresses fundamental barriers that have historically prevented small firms in accessing the bonding and lending resources needed to secure construction contracts.

By the end of 2004, approximately 133 contractors were enrolled in this unique program. As a direct result of this program, confirmed bonding has gone to 29 contractors at a value of \$25.8 million.

By the end of 2004, approximately 133 contractors were enrolled in this unique program. As a direct result of this program, confirmed bonding has gone to 29 contractors at a value of \$25.8 million.

The SCC also continued its Minority Business Enterprise (MBE) and Women Business Enterprise (WBE) Contractor Training Programs, which train principals of MBE and WBE firms in best business management practices. This program addresses a range of issues from construction cost estimating to project scheduling, or from reading a blueprint to project labor agreements. In 2004, 257 firms registered with this program.

Also in 2004, the SCC announced its newest effort to assist SBE's – the Mentor Protégé Program, is being designed to match larger contractors with smaller firms to help them expand their business, thus creating greater

opportunities for the SBE in the marketplace. The SBE will gain hands on experience, an

increased project rating limit, greater networking opportunities,

and most important, the ability to bid on larger jobs as a prime contractor.

SCC's Responsibility to the Workforce

The SCC also has a responsibility to make sure that residents in the communities where we are building schools are a part of this program. That is why the SCC has a Workforce Monitoring Program to monitor construction sites to ensure workforce affirmative action. In addition, in conjunction with the Department of Labor, the SCC established a Construction Trades Training Program (CTTP) for women and minorities. The goal of the program is to increase the math and literacy skills of participants and expose them to the diversity of the building trades to better prepare them for union apprenticeships.

This program is historic because, for the first time, it brings together the building and construction trades, state and local governments, faith-based and community-based organizations, and non-profit and private enterprises. Men and women who graduate from the CTTP, compete, and win union apprenticeships, are gaining more than just a job, they are gaining a career.

The SCC also has a responsibility to people working on its school construction sites. In 2004, the corporation finalized the

SCC Safety Manual, which governs safety on our jobsites and implemented Site Safety Provider contracts to further ensure the safety of its construction workers, students and teachers.

Elements of the SCC Safety Manual go beyond typical OSHA requirements and thus establishes a safety benchmark in place for some of the world's largest and most respected construction firms.

Results

The SCC was formed in 2002 to streamline the building of much-needed quality schools throughout the State of New Jersey. The \$8.6 billion program is the largest public construction program ever undertaken by New Jersey-- and one of the largest programs of its type in the nation. In 2004, the SCC:

- Initiated 47 design awards for 55 schools (renovation/new construction), worth approximately \$835 million.
- Awarded 101 construction contracts valued at \$930 million.
- Acquired 205 sites for 15 school projects.
- Executed more than 520 grants worth more than \$393 million for non-Abbott school projects in 180 districts for 430 facilities in 20 counties.

Milestones Throughout New Jersey

In October 2004, the SCC marked the second year anniversary of a historic effort to transform New Jersey's public schools. Thanks to the leadership, commitment, and partnership of our state and local leaders, legislators, school boards, superintendents, and many others, in just two short years we achieved significant results for our children, our communities and our future. For example:

- **Some 2,724 School Projects Underway** – By the close of 2004, the SCC has supported just over 2,700 school projects throughout the State of New Jersey, making a difference in more than 1,775 facilities. These projects included new additions, renovations, health and safety work, and new construction.
- **Early Childhood Classrooms** – Forty percent of schools designed by the SCC by the close of 2004 included early childhood space. By the close of 2004, the SCC opened a dozen new centers for early childhood education.

- **Over 350 Health and Safety Projects Completed** – By the beginning of the 2003-2004 school year, the SCC had spent \$660 million at more than 350 schools, fixing leaking roofs, replacing drafty windows, and

performing fire alarm upgrades and other health and safety repairs.

- **50 New Schools and Major Addition/Renovation Projects Completed Statewide** – Approximately 50 new schools or substantial addition and/or renovation projects opened in New Jersey by the end of 2004. Of those, 22 are located in the Abbott districts.

Milestones in Our Communities

More new, safe classrooms were ready for occupancy at the start of the 2004 school year than in any previous period of time. For the first time in a long while, students throughout the state – in all grade levels – are being taught in new or upgraded

school buildings as a result of SCC's construction efforts.

Among these brand new facilities were early childhood centers in towns such as Garfield, Neptune, Gloucester City, Perth Amboy, Elizabeth and Bridgeton, which opened their doors to teach 3- and 4-year-olds. Elementary school students took their first classes in state-of-the-art facilities in Orange, Passaic, Trenton, Asbury Park, and Manchester, as did middle school students in districts like Union City and West New York. High school students in Barnegat, East Orange, Paterson, and Jersey City began their preparations for college and the workforce in facilities that incorporate community needs, the newest technologies, and enhanced educational resources. In the years ahead, there will be hundreds more

schools just like these that will help shape our children's future.

While 2004 marked a year of progress, there is much more to be done to live up to the responsibility the SCC has to the children of our State. At the SCC, we are determined not to lose sight of what matters most – giving our children the resources and the facilities they need to

learn and to prepare them for success in life, creating those facilities in the most cost-effective, efficient manner possible. Along with our partners across the state, we know we can get the job done.

Building Today With Tomorrow in Mind

Anticipating the needs of tomorrow while solving today's problems is a critical component of the SCC's mission. Because of the vital importance of improving energy efficiency and structural sustainability when modernizing schools, a top priority of SCC has been to meet the highest possible energy and environmental design guidelines when engaged



in schools construction. In this way, the SCC can ensure that schools built today will be vital, vibrant contributors to their surrounding communities for many years to come.

Environment

Taking the "LEED" in Building for the Future

The latest energy-efficient technology is being incorporated into the design and construction of new schools and school

schools are designed and constructed throughout New Jersey, by bringing best practices from around the nation to bear in New Jersey's school construction efforts.

The SCC's Design Manual was developed through a cooperative effort between the New Jersey Institute of Technology (NJIT) and the SCC. In addition to the Design Manual, the SCC and NJIT also launched a website in 2004 – www.hpsnj.org – which

focuses on the resources and tools available to school districts seeking to learn more about the redeeming qualities of high performance schools, and how to integrate the elements of high performance schools into designs for schools in their districts.

The school, when completed, will house a geothermal heating and cooling system, an outdoor habitat, four educational learning modules each housing a maximum of 300 students, solar panels to provide energy for the school, and a wealth of additional state-of-the-art features.

Both the solar and geothermal heating and cooling systems will be integrated into the school's curriculum, allowing students to observe and learn firsthand how these systems operate, and to analyze their operations. And, in addition to serving its students during the day, the High School will also provide educational and recreational facilities to the local community during non-school hours.

The Newark Science Park High School prepares students for science and technology careers and acts as an educational bridge between Newark Public Schools and University Heights Science Park, a public/private partnership consisting of NJIT, Rutgers University, Essex County College, and the University of Medicine and Dentistry of New Jersey.

The goal of SCC is to provide safe, healthy and quality educational facilities in a cost-effective manner for each and every child in the State of New Jersey. SCC is committed to building energy-efficient, environmentally sound facilities that complement the communities where they are built. For more information on these topics, visit the SCC website at www.njscc.com.



additions in an effort to realize cost savings over the life of the facility. In doing so, New Jersey is meeting guidelines developed by the United States Green Building Council, known as Leadership in Energy and Environmental Design (LEED).

The goal of the NJIT-SCC partnership is to facilitate the creation of pre-K to 12th grade schools that are healthy and productive, cost effective, sustainable, community centered, and – above all else – educationally effective. The complementary

The SCC utilizes LEED principles, which offer healthy interior spaces, superior air quality and classroom environments designed for learning. Also, the SCC uses design and construction practices that significantly reduce or eliminate the negative impact of building on the surrounding environment. These plans conserve natural resources, decrease operating costs, and enhance comfort and health for students and educators.



LEED guidelines were established to ensure maximum energy and environmental efficiency in the design of buildings. In addition, the SCC Design Manual, which debuted in 2004, is helping set standards for the design and construction of high performance schools that will be beneficial to communities, and will prove extremely cost-efficient to school districts and their residents. It is anticipated that the Design Manual will be modified to provide a more standardized approach to the way in which

efforts of NJIT and SCC are considered to be a model for high performance school construction efforts across the country.

For example, ground was broken in 2004 for the City of Newark's Science Park High School, a 250,000 square foot magnet science, mathematics and technology facility. Scheduled to open in 2006, this extraordinary school will serve as a model for urban school districts in New Jersey and throughout the country.

Renewal



Renewing Communities, Renewing New Jersey

The SCC is an integral partner in the renewal of New Jersey. SCC is building schools that serve as the hub for the revitalization of the community – schools that energize students, teachers and educational resources, bolster neighborhood pride and unity, and spur economic growth.

The SCC is designing schools as community centers accessible to residents before and after school hours, on weekends and in the summer, giving residents access to health clinics, media centers, recreational areas and meeting rooms. This comprehensive approach impacts all aspects of the SCC's school design and construction process for the benefit of the local residents. Moreover, this approach goes a long way toward attracting new businesses, upgrading existing ones, and improving the overall quality of life in the neighborhood economically and socially.

The SCC provides a positive economic impact that benefits entire communities. School construction projects receive state funding that helps ease the burden local taxpayers often bear when it becomes necessary to build new schools and allows for more tax dollars to go directly to education.

Investing in the Early Years

Our children are key components to a strong future, and education is a major building block of a strong community. Studies show that children educated in high quality learning environments perform better academically than those attending older schools and/or those in need of repair, and students who are not reading at or above grade level by the third grade have only a 9% chance of becoming fully literate. So, in addition to building K-12 facilities, it is vital to give 3- and 4-year-olds a head start on their education by

providing Early Childhood Centers (ECC).

By building ECCs throughout New Jersey for tens of thousands of pre-school children, the SCC is taking necessary steps to help students attain the education they deserve. In 2004, SCC opened new ECCs in Bridgeton, Garfield, Jersey City, Neptune and Perth Amboy.

The ECC that opened in 2004 at Buckshutem Elementary School in Bridgeton is representative of the SCC's state-of-the-art pre-school facilities. The 60,250-square-foot ECC provides 24 new classrooms for up to 360 pre-Kindergarten and Kindergarten students in that Cumberland County school district. The new facility also includes a gymnasium, a cafeteria with stage, a kitchen,

dents, along with improved facilities and greater academic opportunities, as new or expanded schools opened in 2004 in Asbury Park, Barnegat, Howell, Jersey City, Neptune, the City of Orange, Paterson, Union City and West New York.

In Union City, the SCC opened the new 132,000-square-foot Jose Marti Middle School that features 27 classrooms, 11 special education rooms, and six science and technology labs that are providing educational opportunities for 775 students in 6th through 8th grade. The new school has a health center, an applied technology lab and a cafeteria with a full-sized stage. It also includes a 6,200-square-foot community library, paid for by Union City, that is open to all its residents during and after school hours.

In the City of Orange, Essex County, the SCC

opened the Main Street K-8 Elementary School, one of the first new schools built and completed by SCC. The 123,768-square-foot four-story facility for 600 K through 8th grade students has two high tech media centers.

Another facility that opened in



a small group instruction classroom and administrative offices.

Meanwhile in Perth Amboy, the SCC opened the new Ignacio Cruz Early Childhood Center for 550 3- and 4-year-old students in the Middlesex County community. The new 65,000-square-foot facility includes 38 pre-kindergarten classrooms, a speech room, a health suite and a multi-purpose room.

Our children are key components to a strong future, and education is a major building block of a strong community.

Older Students, Community also Benefit

Community-oriented features also are benefiting older stu-

September 2004 is the new Barnegat Township High School on a 66-acre site in Ocean County. The 1,000-student facility includes 29 classrooms, six science labs, two technology labs, a cafeteria/ kitchen, a media center, guidance and administration offices, auxiliary gym, locker rooms, an auditorium, as well as art and music rooms.

Renewing New Jersey Through Schools and Community Partnerships

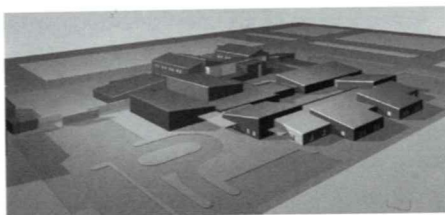
To ensure that schools are a key ingredient in New Jersey's renewal, the SCC made major advances in 2004 toward implementing a new school-based community initiative known as **Demonstration Projects**. Designed to bring new schools and community centers to urban redevelopment areas

in Trenton, New Brunswick, Union City, East Orange, Camden and Vineland, this initiative clearly underscores New Jersey's commitment to bolster its economic, academic and social resources through a concerted investment in children, education and communities.

The Demonstration Projects, valued at \$543 million, incorporate community-oriented features such as athletic venues, childcare centers, health clinics and media centers accessible to both students and residents.

Demonstration Projects that received final approval in 2004 are:

In **Vineland**, a new pre-K through 5th grade school for 820 students will be built on 9.7 acres in the heart of the city in Cumberland



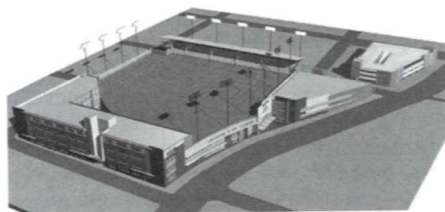
County. The project will include a myriad of community features thanks to invaluable input from concerned citizens from over 40 local community groups.

In **Trenton**, the project entails a new 1,400-student vocational high school for adult stu-



dents. The project is designed to revitalize the downtown. The "Daylight/Twilight Alternative High School" will be part of an urban college-type campus with such community-based learning institutions as the Public Library, Mercer County Community College and YMCA.

Union City's project includes a new high school for 1,500 students and a parking facility, as well as the demolition of the anti-



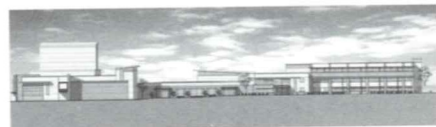
quated Roosevelt stadium. In addition to a gym, auditorium and cafeteria, a new stadi-

um will be built on the roof of the school facility to accommodate a regulation-size football and baseball field. The stadium offers students and the entire community a new, modern sports venue.

The project in the **East Orange** Main Street redevelopment area includes a 1,300-stu-



SOUTH ELEVATION - PERFORMING ARTS & ELEMENTARY SCHOOL



EAST ELEVATION - HIGH SCHOOL



SOUTH ELEVATION - SITE & CITY HALL

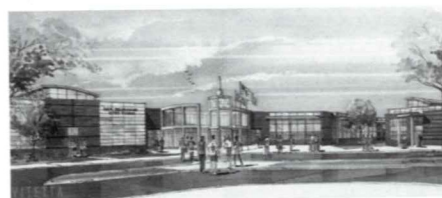
dent pre-K through 12th grade performing arts magnet community school, combining the acclaimed Washington Academy of Music and Cicely Tyson School of Performing and Fine Arts. Plans entail razing former East Orange High, built in 1911, to create an 11-acre campus.

The **Camden** project is for the new Octavius V. Catto Community School for 540 pre-Kindergarten through sixth grade stu-



dents. The nonprofit Camden County Boys and Girls Club will operate a new facility attached to the school that will feature a swimming pool and will provide after school tutoring, homework help, computer training, health, life and development skills in an enriching and supportive environment for the children. School common areas, such as a gym and auditorium, will be accessible to club members during non-school hours.

The project in **New Brunswick** is for a 2,400-student high school in the city's planned Route 27-Jersey Avenue Redevelopment



Area. The facility is to be connected to a central core housing indoor athletic facilities, a gymnasium, an auditorium and other common and administrative spaces. It is being designed to offer a comprehensive approach to health and community service

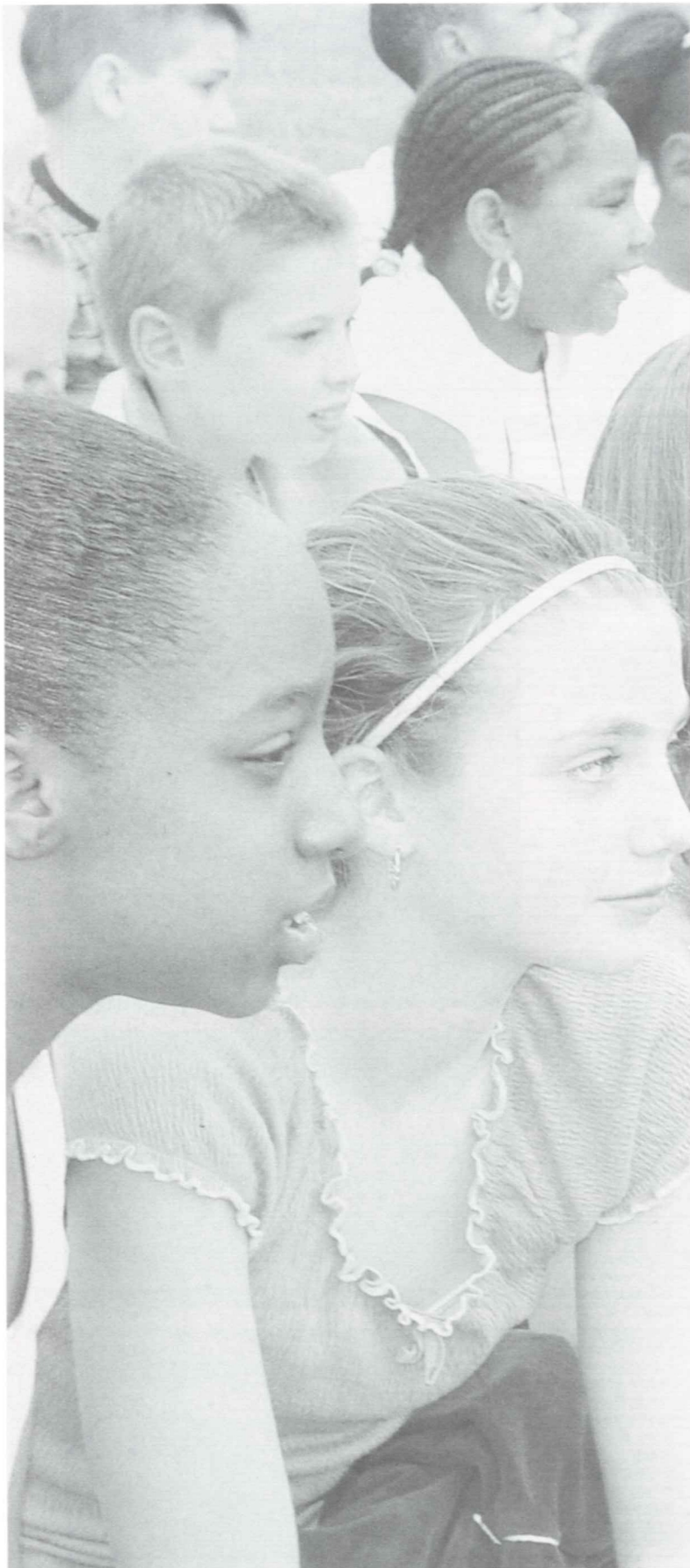
and school-community interaction, while also serving as an anchor and support for proposed housing and commercial redevelopment activities.

A Partnership of Renewal

SCC has made tremendous strides in partnership with school districts, elected officials and communities, as well as numerous professions and trades in the construction industry, to provide safe, cost efficient and quality educational facilities for our children and future. These partnerships breathe new life into our communities - academically, economically and socially.

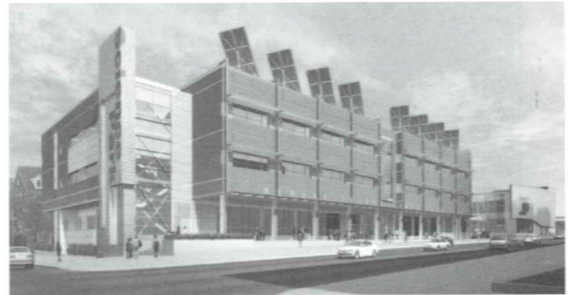
SCC made significant progress in construction of schools in 2004, opening nearly 50 schools all over New Jersey. Twenty-two of these new schools are located within the Abbott districts. Since its inception in 2002, SCC has committed support to some 2,724 school construction projects at 1,775 facilities, completed \$660 million in health and safety projects at more than 350 urban schools. Looking ahead, SCC is committed more than ever to building on its successful efforts, and expects to complete 80 new schools and major addition/renovation projects in 2005. This will rapidly address overcrowding in both Abbott and non-Abbott districts.

We at the SCC realize that there is much more work to be done and we look forward to working with all of our partners to meeting this challenge for our children, and their future.



Responsibility

Building for the future...



The State Board of Public Utilities awarded the New Jersey Schools Construction Corporation a \$1.04 million grant to convert sunlight to electricity and technology to be incorporated in the science curricula at four new schools being built by the SCC in Elizabeth, Newark, Neptune and Phillipsburg. The BPU grant is from the federally funded State Energy Program. A rendering of the new Science Park High School – presently under construction in the City of Newark – is pictured above.

Results

Building better communities...



An abandoned bank in Neptune was converted into a state-of-the-art high school annex. The 45,000-square-foot, four story facility underwent a \$5.5 million makeover and serves 9th grade students as swing space during the district's current \$47 million renovation and expansion of its high school. Once the high school project is complete the annex will accommodate administrative offices, a specialized high school for career academy programs, and a police sub-station in the former bank's drive-through area.

Renewal

Building opportunities...



Nearly 400 participants from 212 small business enterprises attended a workshop sponsored by the SCC and Building Contractors Association of NJ to learn about work opportunities offered through SCC and the planned Mentor/Protégé Program.

SCC Hard at Work in Your Town

Atlantic County AT-A-GLANCE

Number of Projects: 49
Totaling: \$69.1 Million

District	Projects	Total
Absecon City	4	\$1,508,270.00
Atlantic City	1	\$5,482,133.00
Atlantic City Special Service School District	1	\$9,770,400.00
Brigantine City	1	\$178,000.00
Buena Regional	9	\$4,823,955.92
Egg Harbor Township	1	\$76,105.35
Estell Manor City	1	\$1,091,929.00
Folsom	1	\$3,322,237.00
Galloway Township	7	\$440,556.00
Hamilton Township	4	\$8,580,634.60
Hammononton Town	2	\$12,228,897.60
Margate City	3	\$5,507,564.00
Mullica Township	2	\$4,717,828.00
Pleasantville	7	\$6,827,121.56
Somers Point	3	\$1,011,762.00
Ventnor City	1	\$3,327,757.00
Weymouth Township	1	\$231,962.55

Bergen County AT-A-GLANCE

Number of Projects: 281
Totaling: \$292.3 Million

District	Projects	Total
Allendale	2	\$2,621,899.20
Alpine	3	\$218,988.00
Bergen County Special Services District	3	\$2,050,101.00
Bergen County Vocational School District	9	\$4,243,236.94
Bergenfield	1	\$181,608.00
Bogota	2	\$3,621,861.00
Carlstadt	1	\$4,182,629.00
Closter	4	\$1,618,568.46
Demarest	2	\$2,035,610.00
Dumont	7	\$8,935,372.52
East Rutherford	2	\$3,333,755.60
Edgewater	1	\$2,122,395.00
Elmwood Park	4	\$12,768,613.00
Emerson	1	\$136,251.00
Englewood Cliffs	2	\$305,399.61
Fair Lawn	20	\$8,613,679.00
Fort Lee	2	\$400,904.00
Franklin Lakes	4	\$3,570,400.00
Garfield	17	\$66,000,194.07
Glen Rock	8	\$1,829,802.00
Hackensack	5	\$4,035,374.68
Harrington Park	1	\$2,346,341.92
Hasbrouck Heights	1	\$94,190.00
Haworth	1	\$490,335.00
Hillsdale	4	\$2,452,188.79
Ho-Ho-Kus	1	\$3,448,344.00
Leonia	3	\$5,199,895.00
Little Ferry	4	\$93,790.20
Lodi	12	\$1,148,257.19
Lyndhurst Township	2	\$2,706,757.00
Mahwah Township	3	\$7,759,825.00
Maywood	1	\$35,905.96
Midland Park Borough	2	\$3,399,232.00
Montvale	3	\$2,156,266.21
New Milford	3	\$3,941,170.00
North Arlington	8	\$424,643.48
Northern Highlands Regional	1	\$2,984,005.00
Northern Valley Regional	2	\$6,546,180.00
Northvale	2	\$1,717,284.00
Norwood	1	\$62,711.38
Palisades Park	3	\$1,456,316.80
Paramus	16	\$15,218,411.00
Park Ridge	4	\$1,355,844.00
Pascack Valley Regional High School District	2	\$11,543,555.00
Ramapo Indian Hills Regional High School District	6	\$16,696,709.20
Ramsey	1	\$367,522.00
Ridgefield Park	2	\$111,827.00
Ridgewood Village	16	\$2,176,872.60
River Dell Regional High School District	2	\$6,967,392.00
River Edge	2	\$1,411,840.00
River Vale	3	\$6,115,052.00
Rochelle Park	1	\$1,516,440.00
Rutherford	9	\$8,282,785.00
Saddle Brook Township	10	\$5,857,954.00
Saddle River	3	\$273,225.52
South Hackensack	1	\$2,015,395.00
Teaneck	16	\$9,162,104.00
Tenafly	7	\$4,633,994.40
Waldwick	5	\$2,703,069.67
Wallington	1	\$52,840.00
Woodcliff Lake	3	\$3,179,240.00
Wood-Ridge	2	\$3,418,000.00
Wyckoff Township	11	\$7,913,630.00

Burlington County At-A-GLANCE

Number of Projects: 82
Totaling: \$232 Million

District	Projects	Total
Bordentown Regional School District	6	\$9,673,007.00
Burlington City	8	\$77,450,519.39
Burlington County Vocational School District	2	\$17,689,598.00
Burlington Township	3	\$15,637,991.00
Chesterfield Township	1	\$3,691.20
Delran Township	2	\$1,392,199.20
Eastampton Township	1	\$10,879,627.00
Edgewater Park Township	1	\$193,706.00
Florence Township	3	\$8,840,495.00
Lumberton Township	4	\$5,212,163.67
Mansfield Township	1	\$4,982,880.00
Medford Lakes Borough	2	\$2,100,022.00
Medford Township	7	\$9,894,906.35
Moorestown Township	5	\$8,978,276.00
Mount Laurel Township	8	\$9,965,414.00
Northern Burlington County Regional	2	\$9,692,301.00
Palmyra Borough	1	\$130,030.00
Pemberton Township	14	\$19,366,238.91
Riverside Township	1	\$9,161,392.00
Riverton Borough	1	\$1,000,000.00
Shamong Township	3	\$2,758,583.00
Southampton Township	3	\$3,370,617.00
Springfield Township	1	\$173,915.00
Washington Township	1	\$1,476,646.00
Willingboro Township	1	\$1,986,430.00

Camden County At-A-GLANCE

Number of Projects: 206
Totaling: \$210 Million

District	Projects	Total
Audubon	5	\$7,669,013.00
Barrington Borough	2	\$3,311,848.00
Bellmawr Borough	1	\$75,830.97
Berlin Borough	1	\$2,681,050.00
Black Horse Pike Regional	1	\$1,125,017.00
Brooklawn	1	\$1,697,679.00
Camden City	104	\$99,366,955.28
Camden County Vocational School District	1	\$229,780.00
Cherry Hill Township	21	\$1,797,902.55
Clementon Borough	1	\$160,717.82
Collingswood Borough	11	\$850,988.34
Eastern Camden County Regional	2	\$1,304,164.00
Gibbsboro	2	\$2,293,166.00
Gloucester City	10	\$60,295,851.50
Gloucester Township	4	\$4,837,095.56
Haddon Heights	2	\$60,950.12
Haddon Township	6	\$6,150,959.98
Haddonfield Borough	6	\$5,255,141.00
Lindenwold Borough	2	\$661,207.00
Magnolia Borough	1	\$154,333.00
Mount Ephraim Borough	2	\$2,480,247.00
Somerdale Borough	1	\$56,085.77
Stratford Borough	5	\$351,339.15
Voorhees Township	5	\$3,051,047.00
Waterford Township	3	\$249,658.00
Winslow Township	3	\$824,058.37
Woodlynne Borough	3	\$3,055,843.55

Cape May County At-A-GLANCE

Number of Projects: 27
Totaling: \$36.8 Million

District	Projects	Total
Avalon	1	\$1,612,071.00
Cape May City	3	\$236,932.00
Cape May County Vocational School District	1	\$1,127,868.91
Dennis Township	2	\$5,619,577.00
Lower Cape May Regional	3	\$4,206,694.74
Middle Township	4	\$10,310,287.52
North Wildwood City	1	\$134,604.00
Ocean City	3	\$11,914,475.00
Sea Isle City	1	\$127,171.08
Stone Harbor	2	\$416,683.00
Upper Township	1	\$209,720.00
West Cape May	1	\$5,172.40
Wildwood City	2	\$340,787.99
Wildwood Crest	2	\$582,592.00

Cumberland County At-A-GLANCE

Number of Projects: 69
Totaling: \$196.9 Million

District	Projects	Total
Bridgeton	16	\$33,469,388.25
Commercial Township	4	\$200,347.26
Cumberland County Vocational School District	1	\$229,104.18
Cumberland Regional District	1	\$1,772,819.60
Deerfield Township	1	\$2,037,843.00
Downe Township	1	\$9,255.00
Fairfield Township	3	\$15,122,986.81
Greenwich Township	1	\$10,212.00
Hopewell Township	1	\$1,348,520.00
Millville	15	\$51,111,311.17
Upper Deerfield Township	5	\$6,607,268.95
Vineland City	20	\$84,947,098.24

Essex County
At-A-GLANCE
 Number of Projects: 376
 Totaling: \$702.5 Million

District	Projects	Total
Belleville	12	\$971,652.00
Bloomfield Township	23	\$18,684,409.82
Caldwell-West Caldwell	6	\$583,710.95
Cedar Grove Township	5	\$4,006,360.00
City of Orange	21	\$54,094,832.83
East Orange	28	\$83,635,729.62
Essex Fells	1	\$24,280.00
Fairfield Township	1	\$998,106.00
Glen Ridge	3	\$2,782,102.00
Irvington Township	29	\$70,095,361.10
Livingston Township	6	\$5,620,069.00
Millburn Township	12	\$8,944,371.00
Montclair	62	\$5,519,907.72
Newark	138	\$411,090,803.17
North Caldwell	2	\$1,316,198.00
Nutley	3	\$10,684,430.37
South Orange-Maplewood	14	\$3,790,279.26
Verona	1	\$157,428.00
West Essex Regional	2	\$8,617,459.00
West Orange	7	\$10,900,803.00

Gloucester County
At-A-GLANCE
 Number of Projects: 71
 Totaling: \$98 Million

District	Projects	Total
Clayton	3	\$1,890,158.60
Clearview Regional	2	\$14,960,583.00
Delsea Regional High School District	1	\$13,122.24
Deptford Township	8	\$10,887,810.00
East Greenwich Township	2	\$2,924,350.00
Elk Township	2	\$226,531.52
Franklin Township	2	\$193,057.00
Gateway Regional	2	\$6,309,040.76
Glassboro	8	\$9,171,656.42
Gloucester County Special Services School District	1	\$3,250,428.00
Gloucester County Vocational School District	1	\$5,841,833.15
Harrison Township	2	\$2,621,247.00
Kingsway Regional High	2	\$7,903,286.00
Monroe Township	5	\$17,138,777.00
Newfield Borough School District	1	\$65,864.00
Paulsboro	3	\$555,299.00
Pitman	1	\$165,240.00
South Harrison Township	4	\$608,732.45
Swedesboro-Woolwich	2	\$9,528,166.00
Washington Township	3	\$575,493.00
Wenonah	1	\$1,162,834.00
West Deptford Township	7	\$800,354.00
Woodbury	8	\$1,158,813.84

Hudson County
At-A-GLANCE
 Number of Projects: 205
 Totaling: \$590.2 Million

District	Projects	Total
Bayonne	13	\$11,842,864.40
Harrison	7	\$72,789,295.73
Hoboken	14	\$39,397,046.79
Hudson County Vocational School District	1	\$36,356.00
Jersey City	82	\$263,571,137.28
Kearny	29	\$10,268,870.98
North Bergen	4	\$6,851,947.80
Secaucus	7	\$6,570,506.80
Union City	28	\$72,671,894.80
Weehawken Township	3	\$3,613,312.00
West New York	17	\$102,636,104.27

Hunterdon County
At-A-GLANCE
 Number of Projects: 59
 Totaling: \$54.6 Million

District	Projects	Total
Alexandria Township	3	\$1,648,024.39
Bethlehem Township	2	\$2,642,589.60
Clinton Town	1	\$1,579,405.42
Clinton Township	5	\$6,750,441.50
Delaware Township	4	\$2,019,793.18
Delaware Valley Regional High	2	\$3,118,193.00
Flemington-Raritan Regional	7	\$6,159,452.00
Frenchtown Borough	1	\$959,980.00
High Bridge Borough	2	\$222,048.00
Holland Township	2	\$1,751,881.00
Hunterdon Central Regional	10	\$10,074,470.60
Kingwood Township	1	\$1,175,720.00
Lebanon Township	3	\$69,949.24
North Hunterdon/Voorhees Regional High	4	\$4,076,063.00
Readington Township	7	\$7,900,621.20
South Hunterdon Regional	2	\$344,679.28
Tewksbury Township	2	\$4,109,182.00
Union	1	\$16,800.00

Mercer County
At-A-GLANCE
Number of Projects: 99
Totaling: \$248.3 Million

District	Projects	Total
East Windsor Regional	11	\$20,899,325.88
Hamilton Township	20	\$9,360,270.50
Hopewell Valley Regional	3	\$8,924,311.20
Lawrence Township	14	\$10,100,012.00
Mercer County Special Services School District	3	\$9,690,108.00
Princeton Regional	6	\$24,879,609.20
Trenton	33	\$154,239,118.66
Washington Township	3	\$8,915,650.24
West Windsor-Plainsboro Regional	6	\$1,280,436.00

Middlesex County
At-A-GLANCE
Number of Projects: 208
Totaling: \$273 Million

District	Projects	Total
Cranbury Township	3	\$1,429,962.59
Dunellen	5	\$4,617,149.00
East Brunswick Township	13	\$36,370,657.06
Edison Township	64	\$8,896,319.08
Highland Park	1	\$63,400.00
Middlesex Borough	2	\$158,932.87
Middlesex County Vocational School District	2	\$13,710,597.60
Monroe Township	1	\$15,244,658.00
New Brunswick	25	\$42,179,144.63
North Brunswick Township	1	\$7,840,534.00
Old Bridge Township	15	\$17,988,084.00
Perth Amboy	22	\$70,156,601.79
Piscataway Township	12	\$17,660,040.00
Sayreville	6	\$7,720,213.20
South Amboy	1	\$92,179.00
South Brunswick Township	17	\$13,717,376.65
South Plainfield	9	\$6,293,751.82
South River	1	\$3,220,920.00
Spotswood	4	\$5,445,310.00
Woodbridge Township	4	\$205,947.69

Monmouth County
At-A-GLANCE
Number of Projects: 227
Totaling: \$574.1 Million

District	Projects	Total
Asbury Park	11	\$28,861,844.90
Atlantic Highlands	1	\$2,083,130.00
Avon Borough	1	\$6,255.00
Belmar	2	\$2,246,790.00
Bradley Beach	2	\$1,792,065.39
Brielle Borough	1	\$3,484,292.00
Colts Neck Township	2	\$4,647,856.00
Deal Borough	1	\$11,134.00
Fair Haven Borough	3	\$230,562.00
Farmingdale Borough	1	\$34,000.00
Freehold Borough	2	\$1,651,309.84
Freehold Regional High School District	8	\$730,545.00
Freehold Township	8	\$12,787,296.00
Henry Hudson Regional School	1	\$4,259,291.00
Highlands Borough	2	\$102,548.00
Holmdel Township	4	\$8,134,278.00
Howell Township	25	\$15,872,598.58
Keansburg Borough	13	\$13,106,758.14
Little Silver Borough	2	\$3,561,271.00
Long Branch	18	\$174,026,012.06
Manalapan-Englishtown Regional	6	\$14,326,316.00
Manasquan	2	\$3,132,965.00
Matawan-Aberdeen Regional	13	\$12,131,927.00
Middletown Township	9	\$2,838,754.80
Millstone Township	4	\$6,627,769.00
Monmouth Beach	3	\$1,338,663.00
Monmouth County Vocational School District	14	\$9,368,246.00
Neptune Township	22	\$194,043,995.15
Ocean Township	6	\$6,608,757.00
Oceanport Borough	3	\$92,203.58
Red Bank	1	\$4,238,142.33
Red Bank Regional High School Dist.	1	\$6,036,724.00
Roosevelt Borough	2	\$20,918.00
Rumson Borough	2	\$2,403,415.00
Rumson-Fair Haven Regional High School Dist.	6	\$6,189,397.75
Sea Girt Borough	2	\$918,976.00
Shore Regional High School District	1	\$154,116.00
Shrewsbury Borough	1	\$1,784,772.00
Spring Lake Heights Borough	1	\$3,206,726.00
Tinton Falls	2	\$1,733,673.00
Union Beach Borough	6	\$3,738,709.85
Upper Freehold Regional	6	\$12,206,945.40
Wall Township	5	\$1,172,789.34
West Long Branch	1	\$2,145,877.00

Morris County
At-A-GLANCE
 Number of Projects: 171
 Totaling: \$127.9 Million

District	Projects	Total
Boonton Town	3	\$244,711.88
Boonton Township	1	\$37,000.00
Butler	10	\$3,421,833.12
School District of the Chathams	8	\$6,441,996.00
Chester Township	3	\$184,038.47
Denville Township	2	\$333,320.00
Dover Town	2	\$5,962,367.00
East Hanover Township	3	\$4,748,042.00
Florham Park	3	\$2,913,301.00
Hanover Park Regional High School District	3	\$152,151.00
Hanover Township	11	\$2,371,483.99
Harding Township	2	\$431,549.00
Jefferson Township	3	\$10,928,110.00
Kinnelon Borough	3	\$6,381,199.68
Lincoln Park Borough	4	\$407,835.96
Long Hill Township	3	\$3,834,719.00
Madison	3	\$352,979.00
Mendham Borough	3	\$3,876,700.00
Mendham Township	6	\$7,132,336.79
Mine Hill Township	1	\$1,366,155.60
Montville Township	4	\$4,386,796.20
Morris County Vocational School District	7	\$6,607,673.00
Morris Plains	2	\$4,222,188.00
Morris School District	11	\$1,523,875.00
Mount Olive Township	3	\$14,750,662.00
Mountain Lakes	9	\$5,048,895.89
Netcong	6	\$534,675.34
Parsippany-Troy Hills Township	9	\$1,589,475.40
Pequannock Township	5	\$387,640.00
Randolph Township	4	\$422,880.20
Riverdale	1	\$1,863,568.00
Rockaway Borough	2	\$260,808.00
Rockaway Township	1	\$211,440.00
Roxbury Township	8	\$6,548,683.38
Washington Township	9	\$7,284,721.00
West Morris Regional High School District	12	\$10,517,063.90
Wharton Borough	1	\$194,727.30

Ocean County
At-A-GLANCE
 Number of Projects: 115
 Totaling: \$189 Million

District	Projects	Total
Barneget Township	27	\$38,567,246.63
Bay Head	1	\$90,495.00
Beach Haven Borough	2	\$5,664.00
Berkeley Township	4	\$9,510,900.00
Brick Township	10	\$8,011,524.70
Central Regional	2	\$7,548,500.00
Island Heights	1	\$306,493.00
Jackson Township	10	\$34,334,112.67
Lacey Township	5	\$12,074,464.00
Lakehurst	2	\$864,508.96
Lakewood Township	1	\$67,950.00
Long Beach Island	8	\$497,336.57
Manchester Township	3	\$28,124,832.25
Ocean County Vocational School District	9	\$5,082,332.00
Ocean Township	1	\$89,754.00
Pinelands Regional	4	\$514,659.00
Plumsted Township	6	\$8,091,867.55
Point Pleasant Beach	2	\$3,512,653.20
Point Pleasant Borough	6	\$4,906,582.20
Stafford Township	3	\$4,376,121.00
Toms River Regional	7	\$20,864,350.40
Tuckerton Borough	1	\$1,588,863.00

Passaic County
At-A-GLANCE
 Number of Projects: 154
 Totaling: \$440 Million

District	Projects	Total
Bloomingdale	2	\$146,416.72
Clifton	5	\$5,761,459.67
Haledon	1	\$235,014.00
Lakeland Regional	2	\$3,013,104.00
Little Falls Township	6	\$1,963,087.80
Passaic City	29	\$144,535,866.38
Passaic County Manchester Regional	2	\$209,228.54
Passaic County Vocational School District	1	\$7,505,998.00
Passaic Valley Regional High School District #1	1	\$787,777.00
Paterson	66	\$246,200,462.35
Pompton Lakes	1	\$33,383.00
Prospect Park	1	\$5,610,217.85
Totowa	3	\$3,382,346.00
Wayne Township	15	\$17,693,503.92
West Milford Township	17	\$1,895,856.95
West Paterson	2	\$1,058,139.20

Salem County <i>At-A-GLANCE</i> Number of Projects: 30 Totaling: \$3.5 Million	District	Projects	Total
	Lower Alloways Creek Township	1	\$94,281.60
	Penns Grove-Carneys Point Regional	4	\$189,796.25
	Pennsville Township	3	\$133,000.04
	Pittsgrove Township	9	\$2,452,333.16
	Quinton Township	1	\$61,853.00
	Salem City	6	\$165,869.90
	Salem County Special Services School District	1	\$15,090.00
	Salem County Vocational School District	2	\$107,211.00
	Woodstown-Pilesgrove Regional	3	\$295,568.00

Somerset County <i>At-A-GLANCE</i> Number of Projects: 100 Totaling: \$119.4 Million	District	Projects	Total
	Bernards Township	4	\$894,808.18
	Bound Brook Borough	1	\$24,350.00
	Branchburg Township	9	\$4,950,266.80
	Bridgewater-Raritan Regional	16	\$16,362,025.00
	Franklin Township	15	\$20,036,319.40
	Green Brook Township	2	\$6,552,798.00
	Hillsborough Township	3	\$8,010,719.52
	Manville Borough	4	\$867,282.60
	Montgomery Township	1	\$15,630,815.60
	North Plainfield Borough	14	\$13,011,630.08
	Somerset County Vocational School District	1	\$1,882,000.00
	Somerset Hills Regional	4	\$10,435,832.00
	Somerville Borough	3	\$93,664.00
	South Bound Brook Borough	2	\$3,265,176.42
	Warren Township	11	\$2,186,665.40
	Watchung Borough	6	\$5,337,484.74
	Watchung Hills Regional	4	\$9,904,737.00

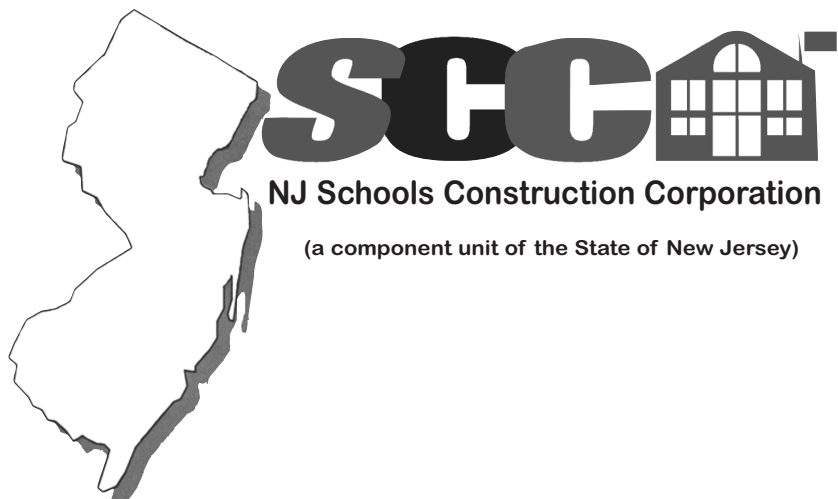
Sussex County <i>At-A-GLANCE</i> Number of Projects: 43 Totaling: \$30.7 Million	District	Projects	Total
	Byram Township	1	\$4,609,200.00
	Frankford Township	1	\$18,710.00
	Franklin Borough	3	\$205,701.00
	Fredon Township	1	\$105,268.00
	Green Township	1	\$2,331,613.00
	Hamburg Borough	1	\$1,701,373.63
	Hardyston Township	2	\$4,547,520.00
	Kittatinny Regional	2	\$3,541,173.66
	Lafayette Township	1	\$1,422,101.60
	Lenape Valley Regional High School District	1	\$259,759.20
	Montague	2	\$69,378.00
	Newton	3	\$4,503,335.00
	Ogdensburg Borough	4	\$311,997.15
	Sandyston-Walpack Township	2	\$195,102.00
	Sparta Township	3	\$702,548.00
	Stanhope Borough	3	\$2,578,076.00
	Stillwater Township	4	\$90,611.09
	Sussex County Vocational School District	1	\$335,638.00
	Sussex-Wantage Regional	1	\$41,859.00
	Vernon Township	5	\$264,518.00
	Wallkill Valley Regional	1	\$2,896,596.81

Union County <i>At-A-GLANCE</i> Number of Projects: 174 Totaling: \$390.1 Million	District	Projects	Total
	Berkeley Heights	7	\$3,097,385.34
	Clark Township	5	\$4,540,030.00
	Cranford Township	7	\$2,099,527.00
	Elizabeth	56	\$265,308,188.61
	Garwood	2	\$3,424,610.92
	Hillside Township	8	\$2,584,376.00
	Linden	12	\$2,513,057.12
	Mountainside	2	\$1,898,676.80
	Plainfield	18	\$58,449,407.91
	Rahway	5	\$352,662.00
	Roselle Borough	2	\$1,786,338.00
	Roselle Park	5	\$4,043,339.00
	Scotch Plains-Fanwood	9	\$11,643,133.60
	Springfield Township	6	\$4,047,755.08
	Summit City	5	\$790,117.00
	Union County Vocational School District	2	\$5,577,940.00
	Union Township	19	\$11,072,912.00
	Westfield	4	\$6,837,493.60

Warren County
At-A-GLANCE
 Number of Projects: 41
 Totaling: \$62.4 Million

District	Projects	Total
Allamuchy Township	1	\$23,698.80
Alpha	1	\$18,175.36
Belvidere	2	\$136,257.99
Blairtown Township	1	\$15,660.00
Franklin Township	1	\$1,466,280.00
Great Meadows Regional	2	\$22,071.00
Greenwich Township	1	\$2,415,634.51
Hackettstown	1	\$2,784,000.00
Harmony Township	1	\$27,000.00
Hope Township	3	\$856,434.56
Lopatcong Township	1	\$9,836.42
Mansfield Township	1	\$26,084.00
North Warren Regional School District	1	\$62,200.00
Oxford Township	1	\$4,362,723.00
Phillipsburg	13	\$45,169,310.26
Pohatcong Township	1	\$45,709.61
Warren County Vocational School District	1	\$2,515,740.97
Warren Hills Regional High	4	\$633,347.86
Washington Borough	2	\$1,442,732.00
White Township	2	\$338,486.81





FINANCIAL STATEMENT

For the Year Ended December 31, 2004

Contents

2

Report of Independent Auditors

3-5

Management's Discussion and Analysis

Basic Financial Statements:

6

Statement of Net Assets and
General Fund Balance Sheet

7

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

8-12

Notes to the Financial Statements

Report of Independent Auditors

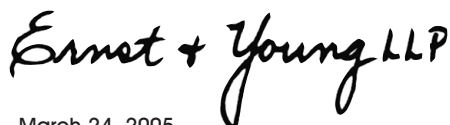
Members of the Corporation
New Jersey Schools Construction Corporation

We have audited the accompanying financial statements of the governmental activities and the general fund of the New Jersey Schools Construction Corporation (the "Corporation"), a component unit of the State of New Jersey, as of December 31, 2004 and for the year then ended as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. 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. We were not engaged to perform an audit of the Corporation's internal control over financial reporting. Our audit included the consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the New Jersey Schools Construction Corporation as of December 31, 2004, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States.

Management's discussion and analysis is not a required part of the financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this required supplementary information. However, we did not audit the information and express no opinion on it.



March 24, 2005



Management's Discussion & Analysis

This section of the New Jersey Schools Construction Corporation's ("Corporation") annual financial report presents our discussion and analysis of the Corporation's financial performance during the fiscal year ended December 31, 2004. Please read this management's discussion and analysis in conjunction with the Corporation's financial statements and accompanying notes.

Background

The New Jersey Schools Construction Corporation was created as a subsidiary of the New Jersey Economic Development Authority ("NJEDA"). The Corporation was formed as a separate activity apart from the NJEDA's mandated economic development mission for the purpose of establishing a more concentrated focus and streamlined approach to the timely and efficient construction of quality schools in New Jersey.

The New Jersey Educational Facilities Construction and Financing Act ("EFCFA") was enacted on July 18, 2000 by the Legislature in response to the New Jersey Supreme Court's decision in *Raymond Abbott et al. v. Fred G. Burke*, 153 N.J. 480 (1998). As a result of the Act, the State is required to provide certain educational infrastructure improvements in the poor, urban school districts ("Abbott School Districts") so that students in these school districts can receive a thorough and efficient education, an explicit requirement of the New Jersey Constitution. The Corporation is responsible under the EFCFA for financing, designing and constructing all school facilities projects in the Abbott Districts, in districts which receive 55% or more in State funding for education and in districts that are designated as level II State monitoring by the Department of Education. Additionally, the Corporation is responsible for providing grants to fund the State share of school facilities projects approved by the Department of Education in districts with a district aid percentage of less than 55%. Those districts, which receive less than 55% funding, may elect to have the Corporation undertake the construction of their school facilities projects.

The School Construction Program ("Program") is the largest public construction program undertaken by the State of New Jersey and represents one of the largest school construction programs ever undertaken in the nation. The Program anticipates the expenditure of up to \$12 billion over the next ten or more years. Of that amount, \$8.6 billion will be appropriated by the State to the Corporation, and the balance will be raised through local school district voter approval. This includes full funding by the State of all school renovation and construction projects in the 31 designated Abbott School Districts.

The Corporation does not have an economic interest in the school facility projects that are completed. With the exception of an undeterminable amount of interest income on temporarily "idle" appropriated funds, the Program is not expected to generate operating revenues, yet will incur significant operating expenses. Costs related to school facilities projects are reported as project costs in the statement of activities. Administrative expenses and program costs, considered to be eligible project costs, but not identifiable to a specific project, are also paid from appropriated funds.

Financial Highlights

- The Corporation's total net assets were \$473.4 million
- Cash and investments were \$580.4 million
- Total revenues were \$1.71 billion, \$1.70 billion of which were appropriations received from the State (or 99.7%)
- Expenses were \$1.40 billion, \$1.38 billion of which were Project Costs (or 99.0%)
- Excess of revenues over expenses was \$305.2 million



Overview of the Financial Statements

This annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The Corporation's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Because the Corporation operates a single governmental program, its government-wide and general 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 Corporation's finances, in a manner similar to a private sector business. The statement of net assets presents information on all of the Corporation's assets and liabilities, with the difference between the two reported as net assets. Over time, an increase or decrease in net assets may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The statement of activities presents information showing how the Corporation's net assets changed during the most recent period. All changes in net assets 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 Corporation uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The Corporation operates a single fund for financial reporting purposes and this fund is considered a governmental 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 a governments' 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 Corporation's near term financing decisions. Both the fund balance sheet and the financial statement of revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison.

Financial Analysis of the Corporation

Net Assets – The Corporation's net assets increased to \$473,390,575 primarily due to appropriations of \$1,700,000,000 received and revenues earned exceeding expenses during the year.

The following table, presented in thousands, summarizes the Corporation's financial position at December 31, 2004 and 2003.

	2004	2003	% Increase (Decrease)	% Increase (Decrease)
Current Assets	\$581,206	\$186,128	\$395,078	212.3%
Capital Assets-net	9,788	10,107	(319)	(3.2)
Total Assets	590,994	196,235	394,759	201.2
Current Liabilities	117,603	27,548	90,055	326.9
Net Assets:				
Invested in Capital Assets	9,788	10,107	(319)	(3.2)
Restricted	38,886	38,886	-	-
Unrestricted	424,717	119,694	305,023	254.8
Total Net Assets	<u>\$473,391</u>	<u>\$168,687</u>	<u>\$304,704</u>	180.6

Operating Activities – The Corporation charges a minimal fee, ranging from \$50 up to \$500, during the bidding process, for copies of the design plans and specifications as specified in the Construction Project Advertisements. The Project Management Firms ("PMF") forward these fees on a regular basis to a dedicated lockbox.



The following table summarizes the change in net assets for the years ended December 31, 2004 and 2003.

	2004	2003	% Increase (Decrease)	% Increase (Decrease)
Revenues				
Appropriations received-net	\$1,700,000,000	\$ 608,504,400	\$1,091,495,600	179.4%
Bidding fees-plans and specs	230,325	210,921	19,404	9.2
Rental revenue	125,842	94,675	31,167	32.9
Interest income	8,098,130	5,488,373	2,609,757	47.6
Other income	406,804	-	406,804	100.0
Total revenues	1,708,861,101	614,298,369	1,094,562,732	178.2
Expenses				
Administrative expenses	26,387,302	20,690,962	5,696,340	27.2
Program costs	1,563,359	1,443,566	119,793	8.3
Depreciation	1,163,872	591,550	572,322	96.7
Project costs	1,375,043,369	1,097,056,383	277,986,986	25.3
Total expenses	1,404,157,902	1,119,782,461	284,375,441	25.4
Change in net assets	304,703,199	(505,484,092)	810,187,291	(160.0)
Net assets, beginning of year	168,687,376	674,171,468	(505,484,092)	(75.0)
Net assets, end of year	\$ 473,390,575	\$ 168,687,376	\$ 304,703,199	180.6

Significant Business Developments

Prior to October 1, 2002, the Corporation's date of inception, the activities under the EFCFA were reported as a program of the NJEDA. Since that date, the Corporation has committed to support 2,700 school projects in 1,700 schools throughout New Jersey for new additions, renovations, health and safety work and new construction. The Corporation has initiated the design and construction of nearly 400 schools in the Abbott districts. By the close of 2004, the Corporation opened approximately 50 schools and school additions. Twenty-two of these new schools are located within the Abbott and managed districts. The Corporation has created 940 classrooms to house over 14,000 early childhood students. The Corporation is moving forward on "demonstration projects" in Union City, Trenton, Vineland, New Brunswick, Camden and East Orange worth more than \$500 million. These projects incorporate community oriented features such as athletic venues, childcare centers, health clinics and media centers accessible to both students and residents.

Programmatic results for 2004 included: over 100 construction notices to proceed totaling \$930 million and nearly 50 design notices to proceed totaling \$83 million. The Corporation also created the SBE Set Aside Program for construction and design contracts. This program includes more than 120 contracts valued at \$241 million that were made available to small firms across the state. The Corporation's 2004 land acquisitions include 15 sites and 285 relocations. In 2004 the Corporation began to implement both the E-Rate and the BPU Solar Programs; created the Customer Service Center to better serve the districts and the business community and began a Mentor Protégé program that will pair up smaller firms with large firms to assist them to expand their opportunities with our program.

The following unaudited information provides insight into the activities of this program since the enactment of the EFCFA and is not intended to be presented in accordance with generally accepted accounting principles.

	2004	2003	2002	2001	2000
Interest Income	\$ 8,098,130	\$ 5,488,373	\$ 9,991,010	\$ 18,862,686	\$ 5,013
Administrative Expenses	26,387,302	20,690,962	9,413,184	4,354,451	385,477
Program Costs & Capital Expenditures	2,407,848	9,053,327	2,143,365	4,160,953	383,915
Appropriations Received-net	\$1,700,000,000	608,504,400	590,617,301	558,567,256	\$1,510,975
Project Costs	1,375,043,369	\$1,097,056,383	465,688,216	21,809,096	-
Employee Count	250	204	96	53	9

Contacting the Corporation's Financial Management

This financial report is designed to provide New Jersey citizens and taxpayers, and our customers, clients, investors and creditors, with a general overview of the Corporation's finances and to demonstrate the Corporation's accountability for the appropriations it receives. If you have questions about this report or need additional financial information, contact the Office of Policy and Communications, NJSCC, P.O. Box 991, Trenton, NJ 08625-0991, or visit our web site at: www.njscc.com.



Statement of Net Assets & General Fund Balance Sheet

DECEMBER 31, 2004

	General Fund Total	Adjustments (Note 8)	Statement of Net Assets
Assets			
Cash and cash equivalents	\$580,378,399		\$580,378,399
Receivables	1,488		1,488
Prepaid expenses	825,727		825,727
Capital assets-net of accumulated depreciation		\$ 9,787,885	9,787,885
Total assets	<u>\$581,205,614</u>	9,787,885	<u>590,993,499</u>
Liabilities			
Accrued liabilities	\$ 849,728	526,840	1,376,568
Accrued liabilities-project expenditures	84,835,398		84,835,398
Deposits	31,390,958		31,390,958
Total liabilities	<u>117,076,084</u>	<u>526,840</u>	<u>117,602,924</u>
Fund Balances and net assets			
Fund balances:			
Reserved for prepaids	825,727	(825,727)	
Reserved for qualified zone academies	38,885,429	(38,885,429)	
Unreserved	<u>424,418,374</u>	<u>(424,418,374)</u>	
Total fund balances	<u>464,129,530</u>	<u>(464,129,530)</u>	
Total liabilities and fund balances	<u>\$581,205,614</u>		
Net Assets:			
Invested in capital assets		9,787,885	9,787,885
Restricted for qualified zone academies		38,885,429	38,885,429
Unrestricted		<u>424,717,261</u>	<u>424,717,261</u>
Total net assets		<u>\$ 473,390,575</u>	<u>\$473,390,575</u>

See accompanying notes.



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

YEAR ENDED DECEMBER 31, 2004

	General Fund Total	Adjustments (Note 8)	Statement of Net Assets
Revenues			
Program revenues:			
Appropriations Received	\$ 1,700,000,000		\$ 1,700,000,000
Bidding fees-plans and specs	230,325		230,325
General revenues:			
Investment earnings	8,098,130		8,098,130
Rental revenue	125,842		125,842
Other revenue-rebates and refunds	<u>406,804</u>		<u>406,804</u>
Total Revenues	1,708,861,101		1,708,861,101
Expenditures/expenses			
Direct personnel and benefits	19,843,669	\$ 157,315	20,000,984
Direct general and administrative	5,736,318		5,736,318
Indirect and support services	650,000		650,000
Capital expenditures	844,489	(844,489)	
Program costs	1,563,359		1,563,359
Capital depreciation		1,163,872	1,163,872
Project costs	<u>1,375,043,369</u>		<u>1,375,043,369</u>
Total expenditures/expenses	<u>1,403,681,204</u>	<u>476,698</u>	<u>1,404,157,902</u>
Excess of revenues over expenditures	305,179,897	(476,698)	
Change in net assets			304,703,199
Fund balance/net assets:			
Beginning of year, January 1, 2004	158,949,633	<u>9,737,743</u>	168,687,376
End of year, December 31, 2004	<u>\$ 464,129,530</u>	<u>\$ 9,261,045</u>	<u>\$ 473,390,575</u>

See accompanying notes.



Notes of Financial Statements

DECEMBER 31, 2004

1. Nature of the Corporation

The New Jersey Schools Construction Corporation ("Corporation") is a related organization of the New Jersey Economic Development Authority ("NJEDA") and a component unit of the State of New Jersey ("State"). The Corporation was created on September 20, 2002, pursuant to Executive Order #24 as a subsidiary of the NJEDA, to assume all the responsibilities and obligations conferred upon the NJEDA pursuant to the Educational Facilities Construction and Financing Act, P.L.2000, c.72 ("EFCFA"), except and excluding the power to incur indebtedness. The Corporation is governed by its own Board of Directors and is fiscally dependent upon the State for its funding.

The EFCFA was adopted by the Legislature 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 requires the State to provide certain educational infrastructure improvements in the poor, urban school districts ("Abbott School Districts"). Pursuant to the EFCFA, the Corporation is responsible for the financing, design and construction of school facilities in the "Abbott Districts", in districts which receive 55% or more State funding for education, and districts that are designated as level II State monitoring by the Department of Education ("DOE"). Additionally, the Corporation is responsible for providing grants to fund the State share of school facilities projects approved by DOE in districts with a district aid percentage of less than 55%. Those districts which receive less than 55% funding may elect to have the Corporation undertake the construction of their school facilities projects.

2. Summary of Significant Accounting Policies

(a) Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) 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) appropriations that are restricted to meeting the operational or capital requirement of a particular program.

Separate financial statements are provided for the Corporation's general fund. Because the Corporation operates a single governmental program, its government-wide and general 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 Corporation's general fund is classified as a governmental fund and its financial statements are reported using the current financial resources measurement focus and the modified 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 Corporation 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 accounting; however, expenditures related to compensated absences are recorded only when payment is due.

(c) Revenue Recognition

The Corporation charges a minimal fee during the bidding process for copies of the design plans and specifications as specified in the Construction Project Advertisements. The Project Management Firms forward these fees on a regular basis to a dedicated lockbox. Rental revenue is received under a month-to-month Lease Occupancy Agreement. Acquisitions of various properties for the construction of school facilities projects generates rental revenue prior to the relocation of the occupants. Fees and rental revenues are recognized when received.



When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use the restricted resources first, then unrestricted resources as they are needed.

(d) Cash Equivalents

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

(e) Prepaid Expenses

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

(f) Capital Assets

Capital assets, which include property, plant and equipment are reported in the governmental activity column in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased and constructed. The Corporation's current capital assets are leasehold improvements, equipment, 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 Corporation has leases ranging 60 to 136 months.

(g) Taxes

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

3. Cash, Cash Equivalents and Investments

(a) Cash and Cash Equivalents

Operating cash, in the form of Negotiable Order of Withdrawal ("NOW") accounts, is held in the Corporation's name by a commercial banking institution. At December 31, 2004, the carrying amount of the Corporation's deposits was \$6,022,885 and the bank balance was \$7,160,316. Of the bank balance, \$100,000 was insured with Federal Deposit Insurance.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the Corporation's 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 Corporation 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: 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, 2004, all of the Corporation's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The Corporation does not have a policy for custodial credit risk.

(b) Investments

Pursuant to the Enabling Act, the funds of the Corporation may be invested in any direct obligations of, or obligations as to which the principal and interest thereof is guaranteed by, the United States of America or other obligations as the Corporation may approve.

In order to maximize liquidity, the Corporation utilizes the New Jersey Cash Management Fund ("NJCMF") as its sole investment. The NJCMF is administered by the New Jersey Department of Treasury. It 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, 2004 the Corporation's balance in the NJCMF was \$574,355,514.

Custodial Credit Risk: Pursuant to GASB 40, the NJCMF, which is a pooled investment, is exempt from custodial credit risk disclosure. The Corporation does not have a policy for custodial credit risk.



Credit Risk: The Corporation does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The NJCMF is not rated by a rating agency.

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

4. Prepaid Expenses

As of December 31, 2004 prepaid expenses consists of:

Insurance	\$ 637,777
Office rent	163,118
Other	24,832
Total prepaid expenses	<u>\$ 825,727</u>

5. Deposits

The Corporation has received funds from several local school districts as required by Section 13(B) Local Share Agreements for the funding of the Local Share portion of the 55% or greater district school facility projects. These funds, including allocable investment earnings and other deposits, are reflected as liabilities in the statements.

Harrison Township	\$ 9,446,903
Cumberland Township	6,720,959
Fairfield Township	4,809,138
Manchester Twp – High School	3,248,711
Burlington City	3,044,240
Parker School/DOT	865,557
Clark-Johnson HS	751,201
Manchester Twp – Middle School	693,601
Barnegat Township	585,684
Other	1,224,964
Total deposits	<u>\$31,390,958</u>

6. Rental of Office Space

The Corporation rents commercial office space that is utilized by its staff at its Trenton Headquarters, Jersey City, Newark, and West Paterson Regional Offices. Total rental expense for the year ended December 31, 2004 amounted to \$1,656,584. Future rent expense is anticipated as follows:

2005	\$ 1,718,679
2006	1,736,002
2007	1,753,877
2008	1,574,386
2009	1,309,209
2010-2014	4,683,513
	<u>\$12,775,666</u>

7. Capital Assets

Capital asset activity for the period ended December 31, 2003 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Leasehold improvements	\$ 7,275,413	\$ 452,036	\$ –	\$ 7,727,449
Furniture and fixtures	2,525,351	358,397	–	2,883,748
Equipment	984,278	35,258	–	1,019,536
Construction in progress	1,202	(1,202)	–	–
Capital assets – gross	10,786,244	844,489	–	11,630,733
Less: accumulated depreciation	678,976	1,163,872	–	1,842,848
Capital assets - net	<u>\$10,107,268</u>	<u>\$ (319,383)</u>	<u>\$ –</u>	<u>\$ 9,787,885</u>



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 assets

"Total fund balances" for the Corporation's general fund (\$464,129,530) differs from the "net assets" reported on the statement of net assets (\$473,390,575). This difference results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the fund balance sheet. When capital assets (leasehold improvements, equipment, and furniture and fixtures) that are to be used in the Corporation's activities are constructed, the costs of those assets are reported as expenditures in the fund financial statements. However, the statement of net assets includes those capital assets among the assets of the Corporation as a whole. In addition, expenses associated with depreciation and noncurrent compensated absences are not recorded in the fund financial statements.

	Fund balances	\$ 464,129,530
Capital asset acquisitions, net of related depreciation of \$1,842,848		9,787,885
Compensated absences		(526,840)
Net assets		<u>\$ 473,390,575</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between excess of revenues over expenditures and changes in net assets 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.

Excess of revenues over expenditures	\$305,179,897
Capital asset acquisitions	844,489
Depreciation expense	(1,163,872)
Compensated absences	(157,315)
Changes in net assets	<u>\$304,703,199</u>

9. Agreement with the NJEDA

The Corporation had a Memorandum of Understanding with the NJEDA, whereby the NJEDA provided, for a fee, administrative support services such as Human Resources, Information Technology, and Accounting. The fee for these services totaled \$650,000 for the year ended December 2004 and is reported as Indirect and Support Services. This Memorandum of Understanding was terminated on June 30, 2004. All administrative support services are now performed by the Corporation.

10. Commitments and Contingencies

(a) Contractual Obligations

At December 31, 2004, the Corporation has \$2,214,526,865 of unaccrued contractual obligations relating to Project Expenditures, of which 46.6% is for Abbott Districts.

(b) Litigation

The Corporation is involved in several lawsuits that, in the opinion of the management of the Corporation, will not have a material effect on the accompanying financial statements.

11. Employee Benefits

(a) Public Employees Retirement System of New Jersey ("PERS")

The Corporation's employees participate in the PERS, a cost sharing multiple-employer defined benefit plan administered by the State. The Corporation's contribution is based upon an actuarial computation performed by the PERS. The Corporation's total payroll, which approximates its covered payroll, for the year ended December 31, 2004 was \$15,025,891. Pursuant to the Pension Security Legislation Act of 1997, the issuance of bonds permitted the pension benefit obligation to be fully funded. As a result the Corporation has not been assessed for either a normal contribution or for an accrued liability; accordingly, no costs have been recorded for the year ended December 31, 2004. Employees of the Corporation are required to participate in the PERS and contribute between 3% and 5% of their annual compensation.



The general formula for annual retirement benefits is the final average salary divided by 55, times the employee's years of service. Pension benefits fully vest upon reaching 10 years of credited service. Members are eligible for retirement at age 60 with no minimum years of service required. 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. The PERS also provides death and disability benefits. All benefits are established by state statute. 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. 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.

(b) Post-Retirement Health Care and Insurance Benefits

The Corporation provides health benefit and prescription drug coverage through the State Health Benefits Bureau to its retirees having 25 years or more of service in the PERS or who are approved for disability retirement. Benefits are provided at no cost to the retiree. For a retiree who reaches or is 65 years of age, Medicare must become the primary coverage, with State Health Benefits providing supplemental coverage. Life insurance is provided at no cost to the retiree in an amount equal to 3/16 of their average salary during the final 12 months of active employment. Post-retirement benefits are paid on a pay-as-you-go basis. At December 31, 2004, no current employees were eligible for post-retirement benefits. Total post-retirement benefits expense for 3 retirees for the year ended December 31, 2004 amounted to \$44,248.

12. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences", the Corporation recorded a liability in the amount \$526,840 as of December 31, 2004. 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 retirees for unused accumulated sick leave is calculated at the lesser of 1/2 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 Corporation's policy; therefore, such unvested benefits are not accrued.

13. Net Assets

The Corporation's net assets are categorized as follows:

Invested in capital assets
Restricted
Unrestricted

Invested in capital assets includes leasehold improvements, furniture and fixtures, and equipment, net of accumulated depreciation used in the Corporation's operations. Restricted assets includes net assets that have been restricted in use for construction projects which qualifies under Section 1397E(e)(2) of the Internal Revenue Code as qualified zone academies. Unrestricted assets include all net assets not included above.

The changes during 2003 and 2004 in net assets are as follows:

	Invested in Capital Assets	Restricted	Unrestricted	Totals
Net assets, December 31, 2002	\$ 3,089,057	\$32,904,351	\$ 638,178,060	\$ 674,171,468
Loss before appropriations and transfers	(591,550)		(16,340,559)	(16,932,109)
Capital assets acquired	7,609,761		(7,609,761)	-
State appropriations		7,929,000	600,575,400	608,504,400
Project expenditures		(1,947,922)	(1,095,108,461)	(1,097,056,383)
Net assets, December 31, 2003	10,107,268	38,885,429	119,694,679	168,687,376
Loss before appropriations and transfers	(1,163,872)		(19,089,560)	(20,253,432)
Capital assets acquired	844,489		(844,489)	-
State appropriations			1,700,000,000	1,700,000,000
Project expenditures			(1,375,043,369)	(1,375,043,369)
Net assets, December 31, 2004	<u>\$9,787,885</u>	<u>\$38,885,429</u>	<u>\$ 424,717,261</u>	<u>\$ 473,390,575</u>