

# New Jersey Environmental Infrastructure Trust

## Annual Report SFY2016



Tuckerton Borough  
1.5 M Gallon Water Tower - Repair & Painting

"Financing New Jersey's Water Quality Future"

# NJEIT Quick Facts

## Program Year SFY2016

### **TOTAL LOANS**

The Program has issued more than \$6.4 billion in long-term loans since its inception in 1986. The Program has an additional \$121.6 million in outstanding short-term construction loans and \$88.9 million in outstanding Disaster (SAIL) loans related to Superstorm Sandy.

### **TOTAL PROJECTS**

Approximately 1,220 long-term loans have been issued to fund clean water, drinking water, green infrastructure, land acquisitions, remediation and redevelopment Projects. In addition, 38 short-term construction loans and disaster loans are outstanding as of SFY2016 year-end.

### **TOTAL SAVINGS**

The Program has saved taxpayers and ratepayers more than \$2.37 billion through lower interest costs and principal forgiveness.

### **CURRENT RATES**

Blended interest rate as low as **0.697%** for the Series 2015A-2 and **0.586%** for the Series 2016A-1.

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Chris Christie  
Governor  
State of New Jersey

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Delaware Raritan Canal  
Photo Courtesy of the New Jersey Water Supply Authority

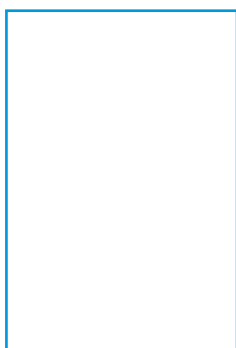
## MISSION STATEMENT

The New Jersey Environmental Infrastructure Trust is an independent State Financing Authority responsible for providing and administering low interest rate loans to qualified municipalities, counties, regional authorities, and water purveyors in New Jersey for the purpose of financing water quality infrastructure projects that enhance ground and surface water resources, ensure the safety of drinking water supplies, protect the public health and make possible, responsible and sustainable economic development.



# BOARD OF DIRECTORS AND EXECUTIVE STAFF

## PUBLIC MEMBERS



OPEN  
Chairman



Bob Briant Jr.  
Vice-Chairman



Roger Ellis  
Treasurer



Mark Longo  
Secretary

## EX-OFFICIO MEMBERS



Bob Martin  
Commissioner

New Jersey  
Department of Environmental Protection



Ford M. Scudder  
State Treasurer

New Jersey  
Department of Treasury



Charles A. Richman  
Commissioner

New Jersey  
Department of Community Affairs



David E. Zimmer  
Executive Director

New Jersey  
Environmental Infrastructure Trust

## EXECUTIVE



Frank Scangarella  
Assistant Director  
Chief Operating Officer



Lauren S. Kaltman  
Chief Financial Officer



Judith Karp  
Legal and Compliance Officer



John G. Hansbury  
Chief Budget Officer

## SENIOR STAFF

**Before:** Flooding near proposed install of Wet Weather Pump Station H5



**After:** Mitigated flooding after installation of H5 Wet Weather Pump Station



# MESSAGE FROM THE ACTING-CHAIR AND EXECUTIVE DIRECTOR

To: The Honorable Chris Christie, Governor of the State of New Jersey  
The Honorable Members of the New Jersey State Legislature

Since 1986, the New Jersey Environmental Infrastructure Trust (Trust) has partnered with the New Jersey Department of Environmental Protection (DEP) through the NJ Environmental Infrastructure Financing Program (Program), to issue approximately \$6.4 billion of long-term loans and \$210.5 million in outstanding short-term loans at below market interest rates. These loans have provided interest cost and principal forgiveness savings to the State's taxpayers and ratepayers estimated at over \$2.37 billion.

## SFY2016 RECAP

Each year, both the Trust and the DEP provide separate funding for loans to Program participants. The Trust funds its portion of Program loans through the issuance of municipal bonds. The DEP provides its portion of loan funds from a combination of Federal State Revolving Fund (SRF) capital grants, State matching funds for SRF capital grants, State appropriations and interest earned on such funds. In State Fiscal Year (SFY) 2016, the Financing Program funded thirty-seven (37) long-term loans totaling \$136.2 million with \$210.5 million in outstanding short-term loans.

## SAIL

During the year, the Program issued \$56.4 million in four (4) SAIL disaster relief loans for rebuild projects related to Superstorm Sandy, to Bayshore Regional Sewerage Authority, Kearny Municipal Utilities Authority, Middlesex County Utilities Authority and South Monmouth Regional Sewerage Authority.

## REFUNDINGS

The Program also completed four (4) refundings of outstanding Bond Series in SFY2016, producing net present value savings to 157 Program borrowers totaling \$37.1 million.

## EFFICIENCY REFORMS

Given the growth of the new and distinct loan programs being offered to accommodate the various project types and sources of funding, the Trust and the DEP have developed and implemented a program-wide technology initiative, under the umbrella moniker **H<sub>2</sub>LOans**. **H<sub>2</sub>LOans** aggregates all short and long-term financing application, review and financing alternatives available to eligible Financing Program participants under one general web-based initiative. By aggregating all borrower, project and loan information onto a single web-based platform, constituent borrowers, as well as DEP and Trust staff, are benefiting from multiple time and cost efficiencies, allowing more projects to be funded faster, with less effort, less expense and more efficiently.

In SFY2016, **H<sub>2</sub>LOans** continued to expand both of its short-term financing components; the Construction Loan Program and the SAIL Program for disaster relief emergency financing. In the past two years since the Trust began offering multi-year short-term loans, the Construction Loan Program has grown from issuing \$103 million of loans in SFY2015 to issuing \$165 million of loans in SFY2016. In addition, the Trust has committed to offer two (2) opportunities, in the Fall and Spring, for borrowers to convert their short-term loans to long-term bond funding.

## GOING FORWARD

As the Trust embarks on its 30th year of service, we will continue to concentrate on the State's objectives that have made the Trust the benchmark of quality service for infrastructure lending in the State. In the coming year, the Trust looks forward to working closely with each of you in its efforts to finance and facilitate infrastructure loans throughout the State.

  
Robert Briant, Jr.  
Vice-Chairman

  
David E. Zimmer, CFA  
Executive Director

## SFY2016: Another successful, busy year for the NJEIFP



Gloucester Township, Repairs to Culvert Stormwater Outfall, **SFY2016 Loan: \$1,220,888**



Kearny Municipal Utilities Authority, Above-Ground Exterior Bypass Connection, **SFY2016 SAIL Loan: \$6,441,376**



SMRSA, Belmar Pump Station Mobile Enclosure, **SFY2016 SAIL Loan: \$3,468,842**



Califon Borough, Open Channel Stormwater System Replacement, **SFY2016 Loan: \$1,343,949**



# PROJECTS: ELIGIBLE ACTIVITIES

The New Jersey Environmental Infrastructure Financing Program was originally established in 1986 to finance clean water projects, including wastewater treatment and conveyance systems and combined sewer overflows. In 1997, the Program expanded to include safe drinking water quality enhancement projects.

The following project categories describe the types of projects eligible for NJEIFP loans.

## **DRINKING WATER**

Eligible projects address federal safe drinking water health standards, including replacement, source development and rehabilitation, treatment to comply with primary/secondary drinking water standards, storage to prevent contamination from entering the water system and transmission lines/distribution systems to prevent contamination or to improve pressure to safe levels.

## **CLEAN WATER**

**Wastewater** - Most projects associated with sewage collection, treatment or disposal are eligible for financing, including correction of inflow/infiltration problems, sludge management and combined sewer overflows.

**Stormwater** - Eligible projects include construction, expansion or replacement of stormwater management systems, construction or expansion of basins, replacement of storm drains and rehabilitation of tide gates and extension of outfall points.

**Runoff Control** - Projects such as manure/feedlot management, stream and lake bank stabilization, lake dredging and restoration and salt dome construction are eligible.

**Equipment Purchases** - Equipment such as street sweepers, sewer flushing and cleaning equipment, dump trucks, crawler loaders, skimmer boats, aquatic weed harvesters and outfall netting may be financed under the Program.

**Landfill Construction and Closure (Publicly Owned)** - Sealing an old landfill

or constructing a new cell to prevent, reduce or control leachate, its storage and/or treatment are eligible for financing. Other Program eligible activities include capping systems, liners, leachate collection systems, treatment systems, sewer connections, barge shelters, containment booms, litter fences, gas collection and treatment systems, monitoring wells and reclamation or reduction activities.

**Brownfield Remediation** - The cleaning of abandoned and contaminated industrial sites is eligible for financing if a local or county government assumes the repayment obligation for the loan. The Program will finance the removal of contaminated soil, site-capping and the installation of stormwater controls.

**Open Space Acquisition** - Preserving open land that maintains or enhances the quality of surface or ground water may be financed under the Program. Eligible areas include stream headwaters and corridors, wetlands, and aquifer recharge areas. Financing for land is compatible with the Green Acres Program, the Garden State Preservation Trust, and Open Space programs financed by local and county Open Space taxes. The Program will partner with these alternative financing Programs to develop an optimized funding package for borrowers.

**Septic Systems** - Failing septic systems can contaminate ground water and surface water, creating a public health hazard. While many individual septic systems are privately owned, situations involving numerous system failures may be eligible for funding. In such cases, a governing body or utilities authority may establish a Septic Management District to apply for financing for planning and corrective measure costs. Eligible projects include the purchase and installation of traditional or alternative septic systems (to replace failing systems), rehabilitation of an existing system or construction of community systems.

**Green Projects** - Green projects consist of clean water and drinking water projects that implement green infrastructure and water or energy efficiency improvements

(those that reduce greenhouse gas emissions, for example). Green infrastructure includes such practices as replacing existing pavement with porous pavement, utilizing bio-retention, constructing green roofs, creating rain gardens, and other practices that mimic natural hydrology and increase effective perviousness.

**Security Monitoring** - Projects designed to improve security at Program eligible wastewater and drinking water facilities are also eligible for funding, including but not limited to fencing, lighting, motion detectors, cameras, secure doors, and alternative auxiliary power sources.

## **NEW INITIATIVES**

The NJEIFP is developing a number of initiatives that are now possible with the enactment of 1) recent changes authorized in the Trust's Enabling Act and 2) the Water Resources Reform and Development Act (WRRDA).

**Asset Management** - WRRDA requires a recipient of a loan for a project that involves the repair, replacement, or expansion of a clean water treatment facility to develop and implement a Fiscal Sustainability Program (FSP) wherein the borrower will: 1) inventory and evaluate the condition of critical assets; 2) certify that the recipient has evaluated and will be implementing water and energy conservation efforts as part of the plan; and 3) present a plan for maintaining, repairing as necessary, replacing the treatment works and funding such activities. The categorization of system assets along with a financial plan that lays out the methods, scheduling and financing of the strategic upkeep and replacement of such assets describes an Asset Management Plan (AMP). The DEP has developed guidance to assist borrowers with the development and implementation of an AMP. The guidance can be found at: <http://www.nj.gov/dep/assetmanagement>.

**30-Year Loan Term** - The Program now offers loans with maturity terms as long as 30-years, further reducing the annual repayment costs of borrowers, increasing the affordability of the Program for local communities.



Camden County Municipal Authority, Bioswale Green Infrastructure project, [SFY2016 Loan: \\$422,250](#)



# LOANS: **H<sub>2</sub>LOANS** SUITE OF FINANCING OFFERINGS

New Jersey enjoys a national reputation as a leader in innovative and effective environmental protection strategies. The NJEIT, through its associated **H<sub>2</sub>LOans** web-based loan review system, has been a critical facilitator of this success. Each program listed below provides low interest loans through a combination of Clean Water (CW) or Drinking Water (DW) State Revolving Funds (SRF), NJEIT Bond Proceeds, NJEIT available funds and/or available Lines of Credit.

## **SHORT-TERM FINANCING OFFERINGS**

**H<sub>2</sub>LOans** offers temporary financing opportunities through the Construction Loan Program, the Planning and Design Loan Program, the SAIL Disaster Relief Loan Program and the Emergency Loan Program. Details of these loan programs are set forth below.

### **Construction Loans**

The base construction loan is designed for shovel-ready projects to secure financing in advance of long-term funds. The NJ legislature authorized the Financing Program to make short-term construction loans for a period not to exceed three (3) full fiscal years. By allowing the Trust to make temporary loans to borrowers covering 100% of a typical project's construction period, the Financing Program converts actual project costs incurred during the short-term loan phase into long-term loans upon completion of construction. This initiative is intended to minimize both the total cost of financing and any post-loan closing administrative and compliance requirements for both borrowers and the NJEIFP.

### **Planning and Design Loan Program**

P&D Loans are designed to cover the preconstruction funding of the cost of environmental planning and design services for up to 50% of each project's estimated P&D allowance.

### **SAIL - Disaster Relief Program**

The Statewide Assistance Infrastructure Loan (SAIL) Program assists borrowers with financing for projects to repair disaster-damaged infrastructure and improve the resiliency of the State's Water Systems. The goal of SAIL is to provide timely and cost effective funds, to expedite and support the State's recovery and the rebuilding of environmental infrastructure in the event of a declared disaster. The SAIL Program provides advance funding for facilities working through FEMA, CDBG or other federal di-

saster grant processes which need interim funds pending a project's receipt of federal reimbursements. Loans are issued at 25% of the Trust's short-term AAA/Aaa interest rate.

The SAIL Program issued two (2) loans in SFY2016 for projects impacted by Superstorm Sandy; a \$3.5 million loan to South Monmouth Regional Sewerage Authority for mechanical, structural and electrical innovations to its Belmar Pump Station and a \$6.4 million loan to the Kearny Municipal Utilities Authority for repair to its Pump Station. The Trust has worked closely with NJOEM and FEMA on behalf of borrowers to secure reimbursement and maintain compliance. Program borrowers benefit from Trust involvement resulting in the reimbursement of 90% of all reported and approved costs, the maximum allowable under FEMA reimbursement cap for Superstorm Sandy. For Superstorm Sandy projects, the time of reimbursements from FEMA has averaged an impressive 37 days.

## **LONG-TERM FINANCING OFFERINGS**

### **Base Program**

The Base Program provides funds by combining a 0% interest loan from the DEP with a AAA/Aaa market interest rate loan from the Trust. The Base Program offered 75% in a DEP Loan and 25% in a Trust Loan, producing a blended interest rate equal to 25% of the Trust's AAA/Aaa market rate. Additionally, several set-asides offering Principal Forgiveness exist for the Barnegat Bay Watershed, Combined Sewer Overflow Abatement Projects, Green Projects and Redevelopment Projects, some of which offer as much as 50% Principal Forgiveness.

### **Sandy SRF Program**

The State of New Jersey was appropriated \$229.327 million in additional federal SRF grant funds through the Disaster Relief Appropriations Act of 2013. Pub.L. 113-2 for environmental infrastructure resiliency projects involving Clean Water (CW) and Drinking Water (DW) systems, specifically affected by Superstorm Sandy. Since 2014, the Program has successfully worked with a number of borrowers that were impacted by Superstorm Sandy to distribute these funds.

### **NANO Loan Program**

The NANO Loan Program (NLP) was available to Small Drinking Water Systems (SDWS) defined as those operations serving populations of up to 10,000. The NLP

provides \$4 million in subsidized loans to eligible systems by offering a loan package that consists of a 50% principal forgiveness loan, 25% DEP loan at 0% and 25% Trust market-rate loan, as well as, waiving many program administrative and underwriting fees associated with the Base SRF program. As many small systems lack the resources of larger systems, the NANO loan program encourages small systems to participate in the Financing Program to complete critical repairs and invest in necessary upgrades by greatly reducing the cost of such participation.

## **SPECIAL INITIATIVES**

### **Barnegat Bay**

Continuing the focus of Governor Christie's Barnegat Bay initiative, the FY2016 Financing Program set aside up to \$3 million in principal forgiveness funds for 50% of the eligible costs for Barnegat Bay Stormwater projects that facilitate the removal of pollutants from entering the Barnegat Bay. The remaining 50% of funding was provided by a 0% DEP loan and a AAA market rate Trust loan, each for 25% of the total loan amount. In the five (5) years since Governor Christie's announcement of his Barnegat Bay initiative in FY2011, the Administration has made available over \$68 million (\$35 million in principal forgiveness loans and \$33 million in low-interest cost loans) for stormwater improvements in Barnegat Bay

### **Combined Sewer Overflow (CSO) Abatement**

\$3 million in principal forgiveness funds was made available for up to 50% of the allowable project costs (not to exceed \$1 million per project sponsor) for CSO abatement projects with a focus on utilizing green practices, such as green roofs, rain gardens, porous pavement, and other activities that maintain and restore natural hydrology through infiltration, evapotranspiration, usage, or the harvesting of stormwater. In addition, the DEP set-aside \$500,000 from the CSO reserve for integrated water resource planning.



Kearny MUA, Pump Station Bypass Connection, **SFY2016 Loan: \$6,441,376**





Berkerley Township Municipal Utilities Authority, Watermain Installation, [SFY2016 Loan: \\$2,192,249](#)



# PROGRAM BENEFITS: SAVINGS, CASH-FLOW, ADMINISTRATIVE

For almost 30 years, NJEIP's low interest rate loans have funded projects that have protected the environment, saved taxpayers \$2.37 billion through lower interest costs, and created an estimated 116,778 construction jobs, adding vital economic activity to the State<sup>1</sup>.

## DOLLAR SAVINGS BENEFITS

**Earnings Credits** - Earnings on investments from all bond funds, including the Project fund, Revenue fund and, when applicable, the Debt Service Reserve funds, are distributed to borrowers as credits toward their debt service payments.

**No Bond Insurance Required** - The security provided by the Trust's financial structure saves borrowers the expense of purchasing costly bond insurance.

**Minimized Financing Costs** - Program underwriting costs are allocated to each borrower's pro-rated share of a bond series. This results in the cost of bond issuance being shared among borrowers proportionately based on each borrower's project loan amount, dramatically minimizing each borrower's cost when compared to self-financed bond deals.

**No Front-loading Requirement** - Local Government Units issuing their own general obligation debt are required to "front load" their repayment schedule. This ensures that debt service payments are larger in the early years of the loan, and grow smaller over

time. The Financing Program provides for level debt service throughout the life of the loan smoothing borrowers' cash flows.

**Net Funding** - Each borrower submits a loan drawdown schedule. Undrawn funds are invested by the Trust and accrue earnings to the borrower. These earnings are then used to reduce a borrower's loan obligation.

**Refunding** - The Trust continually monitors market conditions to assess when interest rates meet the Trust's savings threshold for refunding prior bonds. All interest savings realized from prior bond refundings, totaling approximately \$148 million to date, are passed on to borrowers.

**Debt Service Reserve Fund** - Many borrowers are relieved of their obligation to commit a portion of loan funds to debt service reserve fund due to the Program's Master Program Trust structure.

## CASH FLOW BENEFITS

**Capitalized Interest** - Loans may be structured to include all or part of construction period interest costs, allowing borrowers to defer interest cost repayments for up to 36 months.

**Deferred Principal Repayment** - To better align a project's cash flow dynamics, borrowers are allowed to defer principal repayment for up to 36 months from the time of bond closure.

**Generous Allowable Costs** - Associated project costs, including planning and design, engineering, local financing and curb-to-curb right-of-way restoration may be financed through the program. An eligible project's reserve capacity costs, such as excess project capacity may be financed through a Trust only loan.

**Flexible Term** - Shorter term financing is available for borrowers who prefer not to have a 30-year obligation or for assets with useful average lives of less than 30 years.

## ADMINISTRATIVE BENEFITS

**No Arbitrage Worries** - The Trust manages federal IRS arbitrage rebate requirements, relieving borrowers of the cost and administration of this obligation.

**No Secondary Disclosure Requirements** - Due to the size of the Financing Program, no single borrower is a material obligated entity. As a result, Financing Program borrowers are not required to fulfill SEC secondary disclosure or reporting requirements.

**Timely Decisions** - The DEP prioritizes permit applications for Financing Program projects.

**Reporting** - Program reports required of each borrower by the SEC, IRS, EPA and others are handled or managed by the Trust. This minimizes the need and expense of additional administrative staff by the borrowers.



Borough of Milltown, Electrical Substation Flood Mitigation, **SPY2016 SAIL Loan: \$13,845,000**

<sup>1</sup> White House Council of Economic Advisors estimates: 20 direct construction job-years per \$1M through 2011 and 12 jobs-years per \$1M from 2012 on.





Old Bridge Municipal Utilities Authority, Bulkhead Stabilization, [SFY2016 Loan: \\$1,245,000](#)



# 2016 CASE STUDY: Old Bridge MUA Bulkhead Stabilization & Resiliency



Shoreline Immediately Prior to Construction



Completed Retaining and Flood Walls

## **BACKGROUND**

The Old Bridge Municipal Utilities Authority (OBMUA) was created on November 4, 1985, by an ordinance of the Township of Old Bridge to consolidate the OBMUA and the Old Bridge Township Sewerage Authority (OBTSA). This new entity consolidated the responsibilities of the OBTSA for the efficient removal of sanitary wastewater with that of the OBMUA for drinking water treatment and distribution into one entity, improving efficiency and creating more cost-effective operations.

As a public entity, the new OBMUA is funded entirely by revenues related to its drinking water and wastewater operations. It is not funded with municipal or state taxes. The five-member Board of Commissioners and two alternates are appointed by Township Council, and is responsible for making Policy decisions and overseeing the OBMUA's budgets, expenditures and improvements.

## **WASTE WATER SYSTEM**

The OBMUA conveys all wastewater to the Middlesex County Utilities Authority (MCUA) for treatment and disposal. As such, the OBMUA's pump stations are critical assets for the continued operation of the system. The MCUA wastewater treatment facility treats wastewater using an activated sludge process that includes screen/grit removal, primary settling, aeration, secondary settling and disinfection. The MCUA Treatment Plant treats an average of 123 Million Gallons per Day (MGD) with a design capacity of 147 MGD. The treated effluent is discharged to the Raritan River and Raritan Bay.

## **DRINKING WATER SYSTEM**

The OBMUA provides the Township of Old Bridge with safe drinking water that exceeds state and federal quality standards. The OBMUA is upgrading and expanding the system to ensure an adequate supply of potable water, even in times of low supply

throughout the region.

## **THE PROJECT**

In SFY2016, the NJEIFP financed the construction of a protective bulkhead along the Raritan Bay beachfront of the OBMUA property on Cliffwood Beach. The retaining wall is designed to protect the Laurence Harbor Sewage Pump Station from future storms and flooding. The construction of the protective bulkhead improves efficiency, resiliency and reliability of the wastewater conveyance facility. The system, which was impacted by Superstorm Sandy, was eligible under the NJEIFP's Sandy Loan Program for principal forgiveness. OBMUA received \$467,280 in principal forgiveness funds out of the \$2,483,962 total project loan. Combined with interest savings on the loan, it is estimated that OBMUA will save their rate payers a total of \$898,713 over the life of the loan by funding the project through the NJEIFP.

# NJEIFP **LONG-TERM** LOANS FINANCED IN SFY2016 BY BORROWER

Borrower Name	Total Loan	Est. Savings
Brielle Borough	\$ 1,472,298	\$ 261,851
Burlington Twp.	\$ 915,930	\$ 155,995
Caldwell Borough	\$ 714,864	\$ 74,699
Califon Borough	\$ 1,343,949	\$ 234,254
Camden County MUA	\$ 1,946,929	\$ 374,043
Cape May County MUA	\$ 8,553,083	\$ 1,812,105
Egg Harbor Twp. MUA	\$ 1,048,012	\$ 243,591
Gloucester City	\$ 1,046,003	\$ 188,662
Gloucester Twp.	\$ 1,220,888	\$ 215,556
Hoboken City	\$ 10,655,823	\$ 4,459,065
Jersey City MUA	\$ 17,671,360	\$ 3,766,249
Manasquan Borough	\$ 5,692,644	\$ 1,723,224
Marlboro Twp.	\$ 12,095,000	\$ 4,614,673
Middlesex County UA	\$ 20,227,111	\$ 3,565,428
Milltown Borough	\$ 13,845,000	\$ 5,096,837
Ocean County UA	\$ 6,408,993	\$ 2,361,958
Old Bridge MUA	\$ 7,439,958	\$ 1,727,191
Perth Amboy City	\$ 3,188,541	\$ 562,403
Pompton Lakes Borough MUA	\$ 1,059,313	\$ 187,510
Raritan Twp. MUA	\$ 1,593,700	\$ 367,641
Roosevelt Borough	\$ 799,588	\$ 144,166
Tuckerton Borough	\$ 4,056,051	\$ 1,814,034
Ventnor City	\$ 5,520,892	\$ 2,033,743
Wanaque Valley RSA	\$ 4,039,476	\$ 956,974
Warren Twp. SA	\$ 3,609,379	\$ 634,611
Grand Total	\$ 136,164,785	\$ 37,576,465



# NJEIFP OUTSTANDING **SHORT-TERM** LOANS IN SFY2016

Issue Year	Borrower	Loan Amounts
2014	SMRSA Lake Como (SAIL)	\$ 2,950,391
2015	Bayshore RSA (SAIL)	\$ 28,113,307
2015	SMRSA Pitney (SAIL)	\$ 1,532,224
2016	Bayshore RSA (SAIL)	\$ 11,233,343
2016	Kearny MUA (SAIL)	\$ 6,441,376
2016	Middlesex County UA (SAIL)	\$ 35,208,623
2016	SMRSA Belmar (SAIL)	\$ 3,468,842
2015	Bergen CUA	\$ 8,035,655
2015	Berkeley Township MUA	\$ 625,076
2015	East Orange City	\$ 9,727,403
2015	Hillsborough Twp	\$ 1,532,710
2015	North Hudson SA	\$ 4,300,000
2015	Rahway City	\$ 12,259,302
2015	Rahway City	\$ 2,467,598
2016	Atlantic County UA	\$ 1,961,054
2016	Barnegat Twp	\$ 441,713
2016	Berkeley Township MUA	\$ 2,214,172
2016	Cinnaminson SA	\$ 500,000
2016	Elizabeth City	\$ 3,350,000
2016	Ewing Lawrence SA	\$ 1,780,000
2016	Gloucester CUA	\$ 8,592,176
2016	Manchester UA	\$ 1,649,246
2016	Middlesex Water Company	\$ 4,826,540
2016	Middlesex Water Company	\$ 7,000,000
2016	Milltown	\$ 2,133,100
2016	Newark City	\$ 12,000,000
2016	North Wildwood City	\$ 14,500,000
2016	Ocean Gate Borough	\$ 747,152
2016	Plumsted Twp	\$ 1,250,000
2016	Rockaway Valley RSA	\$ 6,403,616
2016	Saddle Brook Twp	\$ 1,739,111
2016	Sea Girt Borough	\$ 3,200,000
2016	Somerville Borough	\$ 3,943,224
2016	Washington Twp MUA	\$ 973,472

Issue Year	Borrower	Loan Amounts
2016	Washington Twp MUA	\$ 1,199,981
2016	Washington Twp MUA	\$ 1,594,709
2016	Washington Twp MUA	\$ 153,305
2016	Washington Twp MUA	\$ 431,439
	Total	\$ 210,479,860



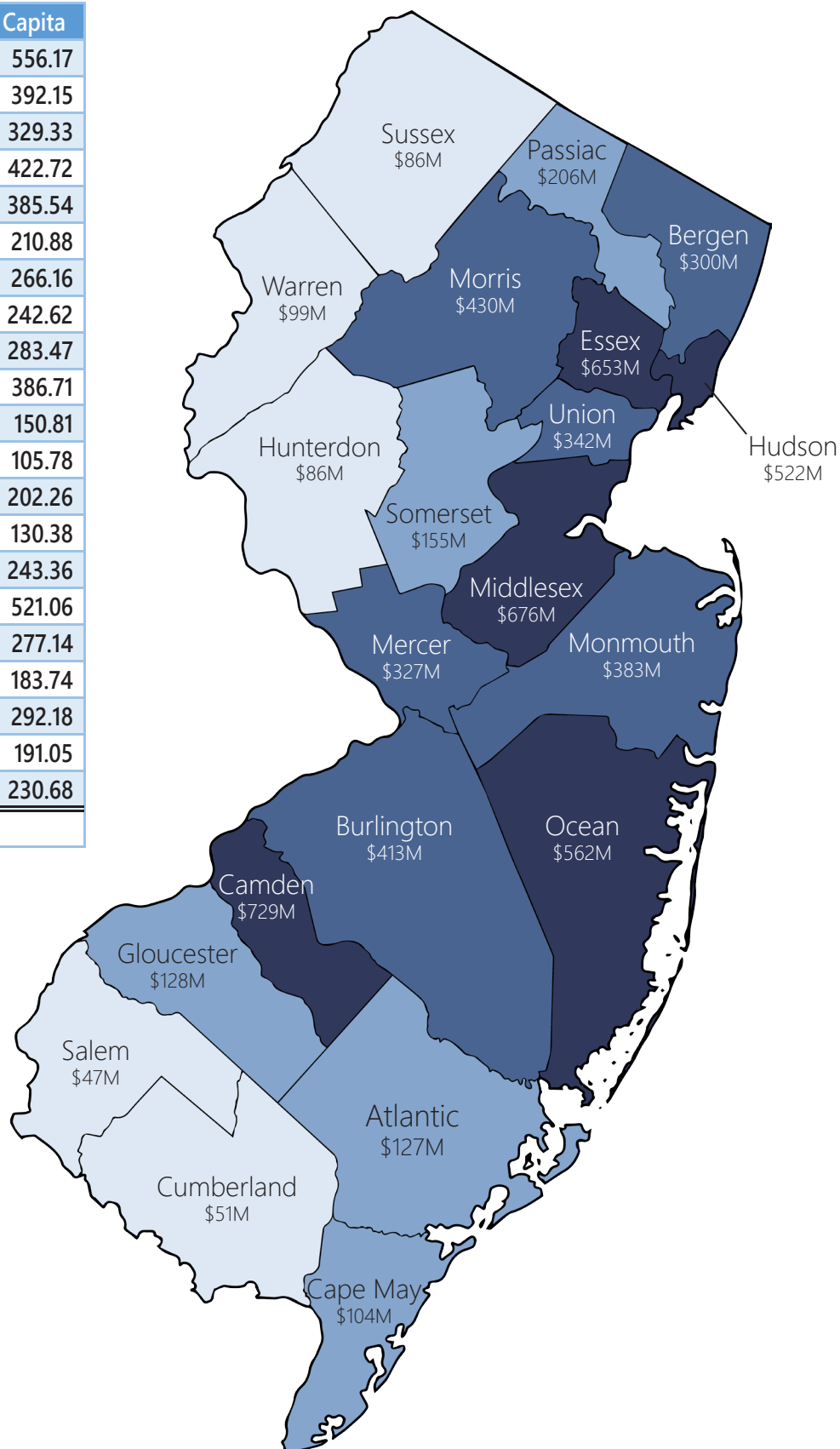
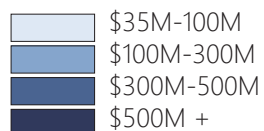
Washington Township Municipal Utilities Authority, Forrest Drive Pump Station Replacement, [SFY2016 Loan: \\$963,834](#)



## NJEIFP LOAN HISTORY: SFY1987-2016 BY COUNTY

County	Total Loans	Per Capita
Camden	\$ 728,791,581	\$ 556.17
Middlesex	\$ 675,652,614	\$ 392.15
Essex	\$ 652,681,623	\$ 329.33
Ocean	\$ 561,817,711	\$ 422.72
Hudson	\$ 522,191,518	\$ 385.54
Morris	\$ 430,106,490	\$ 210.88
Burlington	\$ 412,859,639	\$ 266.16
Monmouth	\$ 382,973,280	\$ 242.62
Union	\$ 341,763,085	\$ 283.47
Mercer	\$ 327,387,774	\$ 386.71
Bergen	\$ 299,686,189	\$ 150.81
Passaic	\$ 205,883,623	\$ 105.78
Somerset	\$ 154,841,047	\$ 202.26
Gloucester	\$ 128,186,566	\$ 130.38
Atlantic	\$ 126,507,956	\$ 243.36
Cape May	\$ 103,625,462	\$ 521.06
Warren	\$ 99,404,683	\$ 277.14
Sussex	\$ 86,338,861	\$ 183.74
Hunterdon	\$ 86,316,730	\$ 292.18
Cumberland	\$ 51,032,649	\$ 191.05
Salem	\$ 46,973,513	\$ 230.68
<b>Grand Total</b>	<b>\$ 6,425,022,593</b>	

LEGEND:



# NJEIFP LOAN HISTORY: SFY1987-2016 BY BORROWER

Borrower Name	Total Loans	Est. Savings
Aberdeen Twp.	\$ 1,242,527	\$ 282,746
Allamuchy Twp.	\$ 7,494,437	\$ 2,273,016
Aqua New Jersey, Inc.	\$ 9,423,411	\$ 4,500,506
Asbury Park City	\$ 25,055,578	\$ 8,401,324
Atlantic City MUA	\$ 13,123,435	\$ 7,219,074
Atlantic County UA	\$ 42,739,172	\$ 17,671,578
Atlantic Highlands Borough	\$ 1,917,275	\$ 447,322
Atlantic Highlands-Highlands RSA	\$ 872,692	\$ 293,471
Avalon Borough	\$ 1,118,240	\$ 215,614
Barnegat Twp.	\$ 2,976,467	\$ 700,925
Barrington Borough	\$ 1,019,712	\$ 281,964
Bayonne LRA	\$ 35,772,049	\$ 14,221,634
Bayonne LRA (MUA)	\$ 1,796,017	\$ 672,387
Bayonne MUA	\$ 28,844,005	\$ 13,830,109
Bayshore RSA	\$ 56,107,957	\$ 22,665,560
Bayview Water Co.	\$ 1,600,000	\$ 485,388
Beach Haven Borough	\$ 8,987,445	\$ 4,961,889
Beachwood Borough (BB)	\$ 4,614,128	\$ 1,891,719
Bellmawr Borough	\$ 13,108,740	\$ 4,105,071
Belmar Borough	\$ 982,903	\$ 264,831
Bergen County	\$ 7,383,149	\$ 1,605,543
Bergen County UA	\$ 126,653,014	\$ 55,759,549
Bergen County UA (Edgewater)	\$ 1,683,537	\$ 574,975
Bergenfield Borough	\$ 1,130,000	\$ 366,774
Berkeley Heights Twp.	\$ 15,036,610	\$ 5,769,103
Berkeley Twp.	\$ 3,140,003	\$ 972,712
Berkeley Twp. MUA	\$ 5,759,240	\$ 2,104,365
Berkeley Twp. SA	\$ 24,262,252	\$ 8,895,801
Berlin Borough	\$ 4,823,632	\$ 1,398,701
Bernardsville Borough	\$ 6,824,630	\$ 3,317,604
Bethlehem Twp.	\$ 987,100	\$ 362,530
Beverly SA	\$ 371,996	\$ 83,962
Bloomington Borough	\$ 516,255	\$ 378,278
Boonton Town	\$ 3,492,315	\$ 869,141
Bordentown City	\$ 495,000	\$ 144,433
Bordentown SA	\$ 5,155,639	\$ 2,470,292
Bound Brook Borough	\$ 148,161	\$ 18,294
Brick Twp.	\$ 2,573,862	\$ 744,384
Brick Twp. MUA	\$ 31,807,430	\$ 9,266,433
Bridgeton City	\$ 10,158,187	\$ 5,597,966



Borrower Name	Total Loans	Est. Savings
Bridgewater Twp.	\$ 1,770,319	\$ 506,813
Brielle Borough	\$ 4,979,048	\$ 1,043,051
Brigantine City	\$ 12,718,667	\$ 3,627,723
Brookwood Musconetcong River POA	\$ 1,039,200	\$ 291,174
Buena Borough MUA	\$ 1,683,486	\$ 543,331
Burlington City	\$ 20,080,143	\$ 8,890,113
Burlington County	\$ 2,966,327	\$ 662,874
Burlington County/BCF	\$ 89,521,293	\$ 27,036,190
Burlington Twp.	\$ 13,350,982	\$ 3,882,489
Byram Homeowners Assoc	\$ 569,085	\$ 109,784
Byram Twp.	\$ 1,802,284	\$ 626,706
Caldwell Borough	\$ 37,461,724	\$ 15,397,255
Califon Borough	\$ 1,343,949	\$ 234,254
Camden City	\$ 117,694,742	\$ 46,344,736
Camden County MUA	\$ 477,115,231	\$ 225,828,590
Cape May City	\$ 2,082,149	\$ 594,249
Cape May County MUA	\$ 51,280,891	\$ 20,633,735
Cape May Point Borough	\$ 161,766	\$ 18,145
Carneys Point Twp.	\$ 502,733	\$ 149,279
Carneys Point Twp. SA	\$ 6,510,000	\$ 3,797,980
Carteret Borough	\$ 4,007,500	\$ 1,141,714
Carteret Redevelopment Agency	\$ 38,472,833	\$ 11,370,104
Cedar Glen Homes, Inc.	\$ 846,401	\$ 225,054
Cedar Glen West, Inc.	\$ 432,666	\$ 82,089
Cedar Grove Twp.	\$ 9,123,321	\$ 4,151,559
Chatham Borough	\$ 8,569,545	\$ 3,848,682
Chatham Borough (JM)	\$ 2,091,901	\$ 1,078,470
Chatham Twp.	\$ 7,257,264	\$ 1,761,228
Cherry Hill Twp.	\$ 6,142,348	\$ 2,444,109
Chester Borough	\$ 1,394,451	\$ 473,604
Chesterfield Twp.	\$ 5,622,510	\$ 1,575,109
Cinnaminson SA	\$ 8,425,042	\$ 2,162,218
Clayton Borough	\$ 2,785,750	\$ 982,916
Clementon Borough	\$ 1,195,000	\$ 482,568
Cliffside Park Borough	\$ 1,105,000	\$ 192,618
Clifton City	\$ 4,576,000	\$ 1,395,075
Clinton Town	\$ 13,048,932	\$ 3,940,918
Clinton Twp.	\$ 264,000	\$ 87,631
Clinton Twp. SA	\$ 2,085,074	\$ 679,348
Collingswood Borough	\$ 4,263,827	\$ 1,306,913

Borrower Name	Total Loans	Est. Savings
Consumers NJ Water Co	\$ 3,473,961	\$ 1,207,113
Continental Communities LLC	\$ 1,956,690	\$ 583,827
Continental Communities LLC (Colonial Estates)	\$ 999,999	\$ 219,549
Cranford Twp.	\$ 8,351,638	\$ 2,605,472
Cumberland County UA	\$ 5,760,035	\$ 1,516,121
Delanco Twp. SA	\$ 1,076,866	\$ 305,253
Delran SA	\$ 13,694,636	\$ 4,436,390
Delran Twp.	\$ 1,949,550	\$ 434,696
Denville Twp.	\$ 18,205,604	\$ 7,964,589
Deptford Twp. MUA	\$ 5,726,491	\$ 1,631,308
Dover Town	\$ 822,669	\$ 217,948
Dumont Borough	\$ 7,062,000	\$ 2,030,664
Dunellen Borough	\$ 1,845,475	\$ 528,290
East Brookwood Estates POA	\$ 1,357,000	\$ 375,231
East Newark Borough	\$ 579,562	\$ 213,166
East Orange City	\$ 10,087,375	\$ 4,879,394
East Orange City (JM)	\$ 421,219	\$ 176,536
East Rutherford Borough	\$ 896,793	\$ 123,271
East Windsor MUA	\$ 52,527,046	\$ 18,322,017
East Windsor Twp.	\$ 868,172	\$ 335,793
Eatontown SA	\$ 4,400,336	\$ 1,255,500
Edgewater Borough	\$ 3,803,741	\$ 1,458,372
Edgewater MUA	\$ 1,771,496	\$ 599,021
Edgewater Park SA	\$ 3,242,377	\$ 834,857
Edison Twp.	\$ 3,299,256	\$ 933,293
Egg Harbor Twp. MUA	\$ 2,028,012	\$ 347,426
Elizabeth City	\$ 51,643,484	\$ 23,602,645
Elizabeth City (JM)	\$ 16,496,154	\$ 7,965,286
Elmwood Park Borough	\$ 8,874,766	\$ 2,543,693
Essex County UA	\$ 2,135,414	\$ 666,943
Evesham MUA	\$ 19,399,575	\$ 5,868,791
Evesham Twp.	\$ 2,643,250	\$ 1,162,792
Ewing Lawrence SA	\$ 42,050,605	\$ 13,567,376
Ewing Twp.	\$ 4,236,765	\$ 1,507,523
Fanwood Borough	\$ 1,362,256	\$ 305,540
Flemington Borough	\$ 4,774,751	\$ 1,479,480
Florence Twp.	\$ 20,837,659	\$ 5,598,946
Florham Park SA	\$ 3,554,134	\$ 947,441
Fort Lee Borough	\$ 6,952,250	\$ 1,972,327
Franklin Borough	\$ 550,000	\$ 181,572



Borrower Name	Total Loans	Est. Savings
Franklin Twp.	\$ 3,495,733	\$ 952,739
Franklin Twp. SA	\$ 23,818,660	\$ 7,457,321
Free Acres Assoc, Inc.	\$ 1,097,428	\$ 317,340
Frenchtown Borough	\$ 8,724,110	\$ 3,394,106
Galloway Twp.	\$ 2,384,284	\$ 643,476
Garfield City	\$ 6,122,693	\$ 1,652,201
Gibbsboro Borough	\$ 2,097,711	\$ 598,104
Glen Ridge Borough	\$ 7,246,895	\$ 2,148,008
Gloucester City	\$ 18,366,152	\$ 6,403,181
Gloucester County IA	\$ 8,230,895	\$ 1,890,691
Gloucester County UA	\$ 46,059,840	\$ 14,037,135
Gloucester Twp.	\$ 5,487,649	\$ 1,167,288
Gloucester Twp. MUA	\$ 12,461,528	\$ 3,726,555
Great Gorge Terrace Condo Assoc, Inc.	\$ 846,930	\$ 796,011
Hackensack City	\$ 10,085,245	\$ 4,379,438
Hackettstown MUA	\$ 12,154,566	\$ 4,635,659
Haddon Twp.	\$ 6,387,500	\$ 2,226,093
Hainesport Twp.	\$ 13,711,900	\$ 3,896,590
Haledon Borough	\$ 1,538,000	\$ 431,780
Hamburg Borough	\$ 1,286,000	\$ 487,433
Hamilton Twp.	\$ 5,945,429	\$ 2,320,911
Hamilton Twp. MUA	\$ 6,543,167	\$ 1,751,814
Hammonton Town	\$ 25,467,772	\$ 8,371,391
Hanover SA	\$ 31,928,758	\$ 11,747,921
Harrington Park Borough	\$ 348,576	\$ 19,652
Harrison Town	\$ 5,622,704	\$ 1,772,786
Harrison Twp.	\$ 6,810,754	\$ 1,856,534
Harvey Cedars Borough	\$ 1,676,634	\$ 494,971
Hawthorne Borough	\$ 9,272,567	\$ 2,928,226
High Bridge Borough	\$ 926,941	\$ 367,233
Highlands Borough	\$ 2,098,450	\$ 491,566
Hightstown Borough	\$ 7,893,775	\$ 3,049,993
Hillsborough Twp.	\$ 5,951,936	\$ 1,739,219
Hillside Twp. (JM)	\$ 1,989,311	\$ 956,089
Hoboken City	\$ 10,655,823	\$ 4,459,065
Holmdel Twp.	\$ 5,902,119	\$ 1,978,793
Hopatcong Borough	\$ 28,179,248	\$ 6,903,587
Howell Twp.	\$ 577,334	\$ 577,334
Hudson County IA (Bayonne Crossing)	\$ 18,726,295	\$ 8,154,854
Hudson County IA (Harrison Advance)	\$ 16,816,913	\$ 5,076,479

Borrower Name	Total Loans	Est. Savings
Independence MUA	\$ 262,000	\$ 209,394
Irvington Twp. (JM)	\$ 5,576,177	\$ 2,749,679
Island Heights Borough	\$ 5,129,500	\$ 1,853,582
Jackson Twp.	\$ 577,334	\$ 577,334
Jackson Twp. MUA	\$ 19,783,109	\$ 5,613,489
Jefferson Twp.	\$ 1,387,350	\$ 414,472
Jefferson Twp./Mountain Shores POA	\$ 647,816	\$ 763,165
Jersey City MUA	\$ 121,838,164	\$ 41,249,320
Keansburg Borough	\$ 5,790,422	\$ 3,113,876
Kearny MUA	\$ 11,346,953	\$ 4,182,871
Kearny Town	\$ 14,388,498	\$ 4,918,329
Lake Tamarack Water Co	\$ 151,020	\$ 45,919
Lakewood Twp. MUA	\$ 28,032,021	\$ 8,427,416
Lambertville MUA	\$ 7,422,000	\$ 5,696,264
Lambertville SA	\$ 3,182,679	\$ 896,231
Lavalette Borough	\$ 1,616,960	\$ 542,314
Lawrence Twp.	\$ 1,175,095	\$ 336,574
Lebanon Twp.	\$ 1,106,401	\$ 424,955
Leonia Borough	\$ 770,607	\$ 241,746
Linden City	\$ 17,530,919	\$ 4,260,681
Linden Roselle SA	\$ 23,804,320	\$ 7,701,296
Linwood City	\$ 1,990,931	\$ 350,586
Little Egg Harbor MUA	\$ 734,362	\$ 186,179
Livingston Twp.	\$ 17,209,276	\$ 8,669,443
Lodi Borough	\$ 140,650	\$ 20,213
Logan Twp. MUA	\$ 2,975,000	\$ 991,125
Long Beach Twp.	\$ 27,839,615	\$ 10,130,068
Long Branch SA	\$ 42,793,640	\$ 19,503,677
Long Hill Twp.	\$ 16,726,597	\$ 6,460,568
Longport Borough	\$ 3,883,629	\$ 1,340,093
Lopatcong Twp.	\$ 200,000	\$ 14,171
Lower Twp. MUA	\$ 5,134,300	\$ 2,433,854
Lumberton Twp.	\$ 2,072,303	\$ 600,715
Lyndhurst Twp.	\$ 13,267,776	\$ 3,780,390
Madison Borough	\$ 11,274,267	\$ 5,608,891
Madison Borough (JM)	\$ 3,495,906	\$ 1,737,839
Magnolia Borough	\$ 1,828,287	\$ 558,008
Manasquan Borough	\$ 15,062,861	\$ 4,730,843
Manchester Twp.	\$ 3,507,498	\$ 1,263,019
Manchester UA	\$ 7,922,084	\$ 4,724,440



Borrower Name	Total Loans	Est. Savings
Mantua Twp. MUA	\$ 3,997,023	\$ 1,350,884
Manville Borough	\$ 6,731,831	\$ 3,108,778
Maple Shade Twp.	\$ 34,922,156	\$ 12,337,927
Maplewood Twp.	\$ 394,262	\$ 138,026
Margate City	\$ 937,449	\$ 273,180
Marlboro Twp.	\$ 18,849,693	\$ 5,967,291
Matawan Borough	\$ 8,930,224	\$ 2,222,917
Maywood Borough	\$ 845,977	\$ 334,029
Medford Twp.	\$ 24,214,127	\$ 9,602,615
Mercer County	\$ 991,599	\$ 285,869
Mercer County IA	\$ 1,044,272	\$ 341,213
Mercer County IA (Twin Rivers)	\$ 1,112,980	\$ 319,562
Merchantville Borough	\$ 3,195,523	\$ 924,354
Merchantville-Pennsauken WC	\$ 9,589,558	\$ 2,617,392
Middle Twp.	\$ 347,597	\$ 101,488
Middlesex Borough	\$ 1,694,828	\$ 477,886
Middlesex County UA	\$ 355,289,458	\$ 100,776,662
Middlesex Water Co	\$ 54,364,164	\$ 16,966,972
Middletown Twp. SA	\$ 15,222,686	\$ 5,324,877
Midland Park Borough	\$ 518,020	\$ 181,137
Millburn Twp.	\$ 2,076,373	\$ 601,380
Milltown Borough	\$ 17,325,499	\$ 6,282,229
Millville City	\$ 23,335,429	\$ 9,189,636
Mine Hill Twp.	\$ 1,804,557	\$ 591,471
Monmouth County Bayshore Outfall Auth	\$ 1,818,952	\$ 519,935
Monmouth County IA	\$ 1,350,828	\$ 150,421
Monroe Twp.	\$ 2,835,280	\$ 1,066,275
Montclair State University	\$ 2,628,290	\$ 670,937
Montclair Twp.	\$ 8,358,318	\$ 2,519,022
Montgomery Twp.	\$ 32,216,019	\$ 14,155,910
Montville Twp.	\$ 4,201,069	\$ 1,282,924
Montville Twp. MUA	\$ 6,647,108	\$ 2,825,481
Moonachie Borough PA	\$ 407,701	\$ 58,686
Morris Twp.	\$ 40,763,641	\$ 18,511,116
Morristown Town	\$ 56,186,196	\$ 27,385,312
Mt Arlington Borough	\$ 9,938,480	\$ 2,765,285
Mt Holly MUA	\$ 26,287,025	\$ 7,907,834
Mt Holly Water Co	\$ 13,189,909	\$ 3,751,916
Mt Laurel Twp. MUA	\$ 54,094,525	\$ 18,250,397
Mt Olive Twp.	\$ 29,640,514	\$ 8,491,629

Borrower Name	Total Loans	Est. Savings
Musconetcong SA	\$ 26,649,160	\$ 7,625,836
Nancy Lee, Inc./Harding Woods	\$ 397,969	\$ 132,711
National Park Borough	\$ 899,530	\$ 200,328
Neptune Twp.	\$ 1,281,375	\$ 372,999
New Brunswick City	\$ 37,676,776	\$ 13,750,743
New Milford Borough	\$ 1,191,250	\$ 451,463
New Providence Borough	\$ 6,280,000	\$ 2,601,600
Newark City	\$ 193,230,367	\$ 85,928,099
Newark City (JM)	\$ 3,416,026	\$ 1,683,500
Newfield Borough	\$ 1,102,010	\$ 739,673
Newton Town	\$ 12,722,306	\$ 6,074,977
NJ American Water	\$ 135,110,420	\$ 41,748,572
NJ City University	\$ 16,535,929	\$ 3,990,877
NJ Sports & Expo Auth	\$ 744,201	\$ 156,211
NJ Water Supply Auth	\$ 20,888,455	\$ 7,209,645
North Arlington Borough	\$ 507,322	\$ 181,978
North Bergen MUA	\$ 60,746,756	\$ 27,546,987
North Brunswick Twp.	\$ 19,791,186	\$ 5,957,615
North Hudson SA	\$ 163,413,169	\$ 65,333,220
North Jersey District Water SC	\$ 20,708,745	\$ 6,887,634
North Plainfield Borough	\$ 2,154,442	\$ 726,496
North Wildwood City	\$ 5,755,952	\$ 1,742,527
Northwest Bergen County UA	\$ 40,418,291	\$ 12,268,770
Norwood Borough	\$ 1,036,850	\$ 424,083
Nutley Twp.	\$ 5,542,148	\$ 1,618,135
Oaklyn Borough	\$ 1,298,868	\$ 406,492
Ocean County	\$ 8,471,339	\$ 6,825,492
Ocean County (BB)	\$ 653,154	\$ 413,227
Ocean County UA	\$ 258,270,185	\$ 81,618,560
Ocean Gate Borough	\$ 1,088,511	\$ 489,184
Ocean Twp.	\$ 14,088,951	\$ 6,121,190
Ocean Twp. SA	\$ 23,654,504	\$ 7,495,320
Oceanport Borough	\$ 23,149,779	\$ 7,311,685
Old Bridge MUA	\$ 62,845,331	\$ 18,481,644
Old Bridge Twp.	\$ 9,148,278	\$ 3,056,727
Old Tappan Borough	\$ 12,773,936	\$ 4,290,912
Oradell Borough	\$ 3,110,831	\$ 779,222
Orange Twp. City	\$ 11,595,473	\$ 3,599,555
Palmyra Borough	\$ 3,526,750	\$ 791,108
Paramus Borough	\$ 1,661,330	\$ 623,550



Borrower Name	Total Loans	Est. Savings
Parsippany-Troy Hills Twp.	\$ 25,862,149	\$ 12,370,784
Passaic Valley SC	\$ 228,447,364	\$ 83,946,983
Passaic Valley WC	\$ 84,100,953	\$ 26,097,838
Paterson City	\$ 25,375,227	\$ 11,142,151
Pemberton Twp	\$ 992,559	\$ 267,925
Pennsauken SA	\$ 929,000	\$ 257,067
Pennsgrove Water Supply Co	\$ 2,219,940	\$ 759,746
Pennsville Twp.	\$ 6,456,745	\$ 1,892,962
Pequannock River Basin RSA	\$ 14,528,718	\$ 6,811,186
Pequannock, Lincoln Park & Fairfield SA	\$ 51,338,604	\$ 23,009,285
Perth Amboy City	\$ 14,651,212	\$ 4,946,057
Phillipsburg Town	\$ 39,027,801	\$ 18,823,680
Pine Hill Borough	\$ 606,289	\$ 175,125
Pine Hill Borough MUA	\$ 3,493,932	\$ 1,056,234
Plainfield Area RSA	\$ 8,009,080	\$ 2,797,063
Pleasantville City	\$ 1,121,841	\$ 438,794
Point Pleasant Beach Borough	\$ 2,522,812	\$ 908,027
Point Pleasant Borough	\$ 1,638,485	\$ 1,187,949
Pompton Lakes Borough MUA	\$ 16,605,641	\$ 8,024,028
Princeton (combined Borough & Twp.)	\$ 31,212,157	\$ 11,750,159
Rahway City	\$ 2,355,475	\$ 638,415
Rahway Valley SA	\$ 191,626,523	\$ 55,350,942
Ramsey Borough	\$ 1,999,175	\$ 548,502
Randolph Twp.	\$ 13,533,063	\$ 6,227,001
Raritan Twp. MUA	\$ 17,517,052	\$ 7,386,471
Readington Twp.	\$ 2,415,097	\$ 744,471
Red Bank Borough	\$ 2,720,227	\$ 2,180,608
Ridgefield Borough	\$ 990,000	\$ 338,196
Ridgefield Park Village	\$ 2,133,780	\$ 760,004
Ridgewood Village	\$ 18,932,172	\$ 5,769,461
River Edge Borough	\$ 566,627	\$ 204,876
Riverside SA	\$ 6,692,743	\$ 1,918,086
Riverside Water Reclamation Auth	\$ 1,589,040	\$ 440,387
Robbinsville Twp. (Washington Twp.)	\$ 1,360,000	\$ 393,950
Rockaway Valley RSA	\$ 20,257,784	\$ 8,868,714
Roosevelt Borough	\$ 1,339,588	\$ 302,087
Roselle Borough	\$ 1,943,011	\$ 751,180
Rosemont Water Co	\$ 120,782	\$ 31,238
Roxbury Twp.	\$ 34,388,746	\$ 17,254,855
Runnemede Borough	\$ 2,047,000	\$ 712,446

Borrower Name	Total Loans	Est. Savings
Runnemede Borough SA	\$ 1,572,106	\$ 503,452
Saddle Brook Twp.	\$ 2,023,154	\$ 599,055
Saddle River Borough	\$ 2,094,855	\$ 571,220
Salem City	\$ 12,963,001	\$ 9,361,334
Sayreville Borough	\$ 34,555,000	\$ 11,324,708
Sea Girt Borough	\$ 4,495,140	\$ 1,252,098
Seaside Park Borough	\$ 12,426,409	\$ 4,253,379
Secaucus MUA	\$ 3,049,345	\$ 2,215,442
Secaucus Town	\$ 3,325,000	\$ 1,242,021
Ship Bottom Borough	\$ 3,834,455	\$ 1,324,659
Shorelands Water Co	\$ 5,630,000	\$ 1,998,233
Somerdale Borough	\$ 830,528	\$ 252,911
Somers Point City	\$ 2,875,000	\$ 731,948
Somerset Raritan Valley SA	\$ 58,136,795	\$ 19,995,121
South Hackensack Twp.	\$ 1,441,280	\$ 486,097
South Jersey Water Supply Co	\$ 371,098	\$ 124,928
South Monmouth RSA	\$ 5,996,270	\$ 1,570,931
South Orange Twp. (JM)	\$ 879,905	\$ 526,954
South River Borough	\$ 6,112,500	\$ 2,076,804
Southeast Monmouth MUA	\$ 16,121,774	\$ 5,268,998
Stafford MUA	\$ 4,368,651	\$ 1,482,345
Stafford Twp.	\$ 36,969,014	\$ 11,827,563
Stanhope Borough	\$ 2,197,250	\$ 991,182
Stillwater Twp. Water District #1	\$ 475,833 <sup>14</sup>	\$ 378,475
Stockton Borough	\$ 1,566,599	\$ 490,437
Stone Harbor Borough	\$ 17,072,956	\$ 5,082,232
Stony Brook RSA	\$ 26,267,375	\$ 12,558,528
Sussex Borough	\$ 1,707,400	\$ 660,457
Sussex County MUA	\$ 11,497,587	\$ 2,097,550
Swedesboro Boro	\$ 95,589	\$ 13,070
Tewksbury Twp.	\$ 413,961	\$ 134,285
Toms River MUA	\$ 14,412,242	\$ 5,987,619
Toms River Twp.	\$ 730,146	\$ 730,146
Toms River Twp. (Dover Twp.)	\$ 754,766	\$ 210,272
Trenton City	\$ 142,397,733	\$ 53,544,292
Tuckerton Borough	\$ 5,867,215	\$ 2,341,200
Two Rivers Water Reclamation Auth (NE Monmouth)	\$ 49,357,977	\$ 16,033,765
Union Beach Borough	\$ 600,000	\$ 203,174
Union Twp.	\$ 184,330	\$ 21,813
Union Twp. (JM)	\$ 3,159,054	\$ 1,301,495



Borrower Name	Total Loans	Est. Savings
Valley View Healthcare & Rehab Center	\$ 24,252	\$ 5,124
Ventnor City	\$ 5,520,892	\$ 2,033,743
Verona Twp.	\$ 22,863,811	\$ 10,727,200
Vineland City	\$ 10,178,998	\$ 5,379,587
Voorhees Twp.	\$ 6,349,596	\$ 2,372,128
Waldwick Borough	\$ 2,951,564	\$ 844,409
Wall Twp.	\$ 6,966,095	\$ 1,904,860
Wanaque Valley RSA	\$ 7,471,976	\$ 3,661,034
Warren County (Pequest River) MUA	\$ 11,707,882	\$ 2,509,374
Warren County MUA	\$ 6,354,515	\$ 1,796,585
Warren Twp. SA	\$ 10,134,131	\$ 3,747,243
Washington Borough	\$ 17,233,521	\$ 5,490,118
Washington Twp. MUA	\$ 15,789,784	\$ 4,971,437
Watchung Borough	\$ 3,458,390	\$ 1,003,477
Waterford Twp. MUA	\$ 5,454,244	\$ 1,502,817
Wayne Twp.	\$ 14,759,658	\$ 5,972,794
Weehawken Twp.	\$ 8,734,336	\$ 1,970,689
West Deptford Twp.	\$ 16,999,696	\$ 4,792,714
West Milford MUA	\$ 11,327,665	\$ 6,075,740
West Orange Twp.	\$ 2,447,091	\$ 848,286
West Orange Twp. (JM)	\$ 3,987,399	\$ 1,960,383
West Windsor Twp.	\$ 3,269,984	\$ 945,484
Western Monmouth UA	\$ 14,433,978	\$ 4,175,903
Westville Borough	\$ 2,353,160	\$ 640,180
Westwood Borough	\$ 6,030,781	\$ 1,476,979
Wharton Borough	\$ 465,596	\$ 133,835
Wildwood City	\$ 3,741,500	\$ 987,446
Wildwood Crest Borough	\$ 16,930,111	\$ 6,745,839
Willingboro MUA	\$ 21,546,357	\$ 11,388,292
Willingboro Twp.	\$ 1,187,400	\$ 467,151
Winslow Twp.	\$ 13,550,864	\$ 4,475,293
Wonder Lakes Properties, Inc.	\$ 141,202	\$ 16,997
Woodbridge Twp.	\$ 884,595	\$ 206,658
Woodbury City	\$ 9,154,723	\$ 2,842,084
Woodbury Heights Borough	\$ 941,910	\$ 323,244
Woodland Park Borough (West Paterson Borough)	\$ 5,183,430	\$ 1,929,352
Woodstown SA	\$ 6,379,625	\$ 2,126,292
Grand Total	\$ 6,425,022,593	\$ 2,366,170,703

# COMPLIANCE AND INTERNAL CONTROLS - SFY2016

The Trust has policies and procedures in place that govern expenditures, financial reporting and procurement. Recognizing the extensive responsibility as an issuer of bonds and steward of public monies, the Trust has developed these policies and procedures to ensure compliance to the requirements of both federal and state laws and regulations as well as its own enabling act and bond resolutions.

Financial controls in place include, but are not limited to, the following policies:

- **Investment Policy:** A comprehensive policy setting forth the investment and operational policies for the management of the investment activities of the Trust to ensure that they are consistent with the overall financial needs, prudent management and compliance with state and federal laws.
- **Credit Worthiness Policy:** As a lender of funds, the Trust maintains minimum credit worthiness standards which applicants must meet to receive a Trust Loan. These credit worthiness standards help to ensure that publicly issued Trust bonds maintain a AAA/AAA/Aaa Credit Rating from each of the three Nationally Recognized Rating Agencies. The Credit Policy of the Trust was amended in 2016 to provide for inclusion of repayment obligations related to multi- year interim loans based upon the estimated repayment schedule upon conversion to a long-term loan, to define and clarify the terms used for the metrics in determining the eligibility of de minimus loan recipients and to establish credit metrics for evaluating the eligibility of Home Owners Associations.
- **Procurement Policy:** The Trust Procurement Policy adheres to the requirements of the New Jersey Local Public Contracts Law committing the Trust to the principals of a fair and open bidding process.
- **Managing Contract Spending Caps:** The Trust maintains vigilance with its outside contracts through its management of operating fund disbursements.
- **Operating Account Procedures:** A "TOBA" policy is in place which strictly regulates signatory authority for checks and counter signing requirements.

In 2016, in conjunction with its outside Internal Controls Auditor firm, Cohn Reznick, the Trust continued its extensive assessment to conduct Phase III of the internal controls audit. Phase III requires Cohn Reznick to refine the existing policies, procedures and manuals to ensure that they are up to date, identify process gaps, weaknesses or opportunities for improvement, assess technology and controls in place around and within technology to facilitate business, operations and accounting processes and evaluate internal control structure of the Trust at all levels and throughout the various departments.



Somerville Borough, Green Seam Replacement, **SFY2016 Loan: \$3,904,182**



## EXECUTIVE DIRECTOR'S CERTIFICATION (PURSUANT TO E.O. 37)

In accordance with Executive Order No. 37, the New Jersey Environmental Infrastructure Trust's SFY2016 Annual Report also serves as the comprehensive report of the Authority's operations. This report highlights the significant action of the Authority for the fiscal year, including the degree of success the NJEIT has had in promoting the State's economic growth strategies and other policies.

The report of independent auditors, RSM US LLP, is included in the Annual Report and completes the Trust's requirements concerning the preparation of a comprehensive report required by Executive Order No. 37.

I, David Zimmer, certify that during SFY2016, the Authority has, to the best of my knowledge, followed all of the Authority's standards, procedures and internal controls.

I further certify that the financial information provided to the auditor in connection with the audit is, to the best of my knowledge, accurate and that such information, to the best of my knowledge, fairly represents the financial condition and operational results of the Authority for the fiscal year in question

  
David E. Zimmer  
Executive Director



Jersey City Municipal Utilities Authority, Duncan Street Outfall, [SFY2016 Loan: \\$12,001,007](#)





# **New Jersey Environmental Infrastructure Trust**

(A Component Unit of the State of New Jersey)

Financial Report  
June 30, 2016

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RSM US LLP

## Independent Auditor's Report

Board of Trustees  
New Jersey Environmental Infrastructure Trust

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the New Jersey Environmental Infrastructure Trust (the Trust) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Trust, as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

The financial statements of the Trust, as of and for the year ended June 30, 2015, were audited by other auditors, whose report, dated November 12, 2015, expressed an unmodified opinion on those statements.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Trust's basic financial statements. The master program trust agreement schedule is presented for purpose of additional analysis and is not a required part of the basic financial statements. The master program trust agreement schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2016, on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and on compliance.

*RSM US LLP*

New York, New York  
October 14, 2016

**New Jersey Environmental Infrastructure Trust  
(A Component Unit of the State of New Jersey)**

**Management's Discussion and Analysis (Unaudited)  
Years Ended June 30, 2016 and 2015**

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This section of the annual financial report of New Jersey Environmental Infrastructure Trust (the "Trust") presents management's discussion and analysis of the Trust's financial performance during the fiscal years ended June 30, 2016 and 2015 relative to each other. Please read this section in conjunction with the Trust's financial statements and accompanying notes.

**Overview of the financial statements:** This report of audit consists of two parts, the Management's Discussion and Analysis (this section) and the basic financial statements, including notes. The Trust is an independent State financing entity. The accounting policies of the Trust conform to accounting principles generally accepted in the United States of America as applicable to enterprise funds.

The Trust's financial statements report information about the Trust using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about the Trust's activities. The statement of net position includes all of the Trust's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the accounts payable (liabilities). The statement of revenues, expenses and changes in net position includes all of the current year's revenues and expenses. The statement of cash flows is the final required financial statement. The primary purpose of this statement is to provide information about the Trust's cash receipts, cash payments and the net changes in cash positions resulting from operations, investing and non-capital financing activities and answers such questions as sources of cash and uses of cash during the reporting period.

**Financial highlights for the year ended June 30, 2016:**

- Assets increased by \$67,939,317, or 25.64%
  - Cash and investments (including undisbursed project funds) increased by \$34,535,185, or 13.87%
  - Total loans increased by \$25,483,132, or 115.41%
- Liabilities decreased by \$529,920, or (26.04%)
- Net Position increased by \$68,469,237, or 26.04%
- Operating revenues increased by \$1,724,099, or 21.88%
- Non-operating revenues (expenses) increased by \$124,074,835, or 207.69%
- Expenses increased by \$34,709, or 0.64%

**Financial highlights for the year ended June 30, 2015:**

- Assets decreased by \$55,568,686, or -17.57%
  - Cash and investments decreased by \$60,755,752, or -19.61%
  - Total loans increased by \$9,243,602, or 72.01%

**New Jersey Environmental Infrastructure Trust  
(A Component Unit of the State of New Jersey)**

**Management's Discussion and Analysis (Unaudited)  
Years Ended June 30, 2016 and 2015**

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- Liabilities increased by \$626,302, or 68.36%
- Net position decreased by \$57,294,988, or -17.89%
- Operating revenues decreased by \$508,422, or -6.06%
- Non-operating revenues (expenses) decreased by \$169,740,653, or -154.31%
- Expenses increased by 465,901, or -17.89%

The Trust issues short-term loans to fund various types of environmental infrastructure projects. The Short Term Loan Program offers Construction Loans, Planning and Design Loans, Equipment Loans and Emergency Loans. The State-wide Assistance Infrastructure Loan (SAIL) Program provides timely and cost effective interim funding for borrowers to repair disaster-damaged infrastructure and improve the resiliency of Clean Water and Drinking Water systems.

For SFY2016 the short-term Construction Loan Program provided funding to borrowers for the construction of a project prior to securing long term financing. In SFY2016, the Trust provided Construction Loans to borrowers with a portion of the funds lent at a rate equivalent to the Thomson Reuters short-term TM3 AAA Index and the remainder of the loan funds lent at 0%.

The short term SAIL Program provides advance funding to water systems working through FEMA, CDBG or other federal grant programs, pending receipt of federal reimbursements to mitigate the financial stress on disaster impacted communities during the rebuild process. In SFY2016, the Trust provided SAIL Loans to borrowers with a portion of the funds lent at a rate equivalent to the Thomson Reuters short-term TM3 AAA Index and the remainder of the loan funds lent at 0% with the support of the DEP.

The Trust also issues Long Term Loans by acting as a conduit lender issuing bonds in the public market to provide a portion of the funding for most projects. In some instances, the Trust acts as a direct long term lender.

**Financial analysis:** The mission of the Trust is to provide and administer low interest rate loans to qualified municipalities, counties, regional authorities, and water purveyors for the purpose of financing infrastructure projects with a water quality benefit. Therefore, when reviewing the Trust's financial statements, its performance should be measured based upon the Trust's ability to fund both Short Term and Long Term Loans.

During SFY2016, the Trust closed on 36 Short Term Loans. The cash and investment balance, which includes available construction funds, increased primarily due to the receipt of State funds in the Short Term Loan Programs.



**New Jersey Environmental Infrastructure Trust**  
**(A Component Unit of the State of New Jersey)**

**Management's Discussion and Analysis (Unaudited)**  
**Years Ended June 30, 2016 and 2015**

The following table summarizes the net position changes between June 30, 2016, 2015, and 2014:

	2016	2015	Percent Increase (Decrease)	Restated 2014	Percent Increase (Decrease)
Current loans receivable	\$ 22,793,394	\$ 3,938,213	478.78 %	\$ 3,387,403	16.26 %
Noncurrent loans receivable	23,489,547	9,100,825	158.10 %	5,145,736	76.86 %
Cash for borrowers - undisbursed project funds	1,281,111	9,041,882	(85.83)%	4,304,179	110.07 %
Total loans	47,564,052	22,080,920	115.41 %	12,837,318	72.01 %
Current cash and cash equivalents, as reduced by undisbursed loan project funds	166,012,406	119,228,011	39.24 %	152,851,567	(22.00)%
Current investments	27,942,891	33,642,929	(16.94)%	48,258,656	(30.29)%
Noncurrent investments	88,374,438	87,162,838	1.39 %	104,417,010	(16.52)%
Administrative fee receivable	2,431,049	2,329,935	4.34 %	2,311,864	0.78 %
Other assets	619,205	560,091	10.55 %	796,995	(29.72)%
Total assets	<u>\$ 332,944,041</u>	<u>\$ 265,004,724</u>	25.64 %	<u>\$ 321,473,410</u>	(17.57)%
Account payable	\$ 1,505,150	\$ 2,035,070	(26.04)%	\$ 1,208,768	68.36 %
Total liabilities	<u>\$ 1,505,150</u>	<u>\$ 2,035,070</u>	(26.04)%	<u>\$ 1,208,768</u>	68.36 %
Restricted	\$ 301,040,422	\$ 224,354,858	34.18 %	\$ 282,524,444	(20.59)%
Unrestricted	30,398,469	38,614,796	(21.28)%	37,740,198	2.32 %
Total net position	<u>\$ 331,438,891</u>	<u>\$ 262,969,654</u>	26.04 %	<u>\$ 320,264,642</u>	(17.89)%

The Trust's administrative fees increased by 11.26% due to the increase of the Cost-of-Issuance for the bonds sold during the fiscal year especially relating to the refunding bonds. The Trust Non-operating revenues increased substantially due to the receipt of funds from the State through the DEP in the amount of \$63,500,000. The investment income increased primarily due to the increase in fair market value of the investments. The Trust's Expenses remained consistent with the prior year.

**New Jersey Environmental Infrastructure Trust  
(A Component Unit of the State of New Jersey)**

**Management's Discussion and Analysis (Unaudited)  
Years Ended June 30, 2016 and 2015**

The following table summarizes the changes in net position between fiscal years June 30, 2016, 2015 and 2014:

	2016	2015	Percent Increase (Decrease)	Restated 2014	Percent Increase (Decrease)
Net position, beginning of year	\$ 262,969,654	\$ 320,264,642		\$ 206,844,654	
Investment income	2,442,971	1,451,606	68.29 %	2,371,906	(38.80)%
Loan interest income	208,945	179,709	16.27 %	177,842	1.05 %
Administrative fees	6,951,057	6,247,559	11.26 %	5,837,548	7.02 %
Receipt (return) of prior year funding	834,182	(14,403,114)	105.79 %	-	100.00 %
State appropriation	63,500,000	-	100.00 %	-	0.00 %
Return of state appropriation	-	(45,337,539)	(100.00)%	110,000,000	(141.22)%
Total revenues	73,937,155	(51,861,779)	242.57 %	118,387,296	143.81 %
Administrative expenses	5,467,918	5,433,209	0.64 %	4,967,308	9.38 %
Total expenses	5,467,918	5,433,209	0.64 %	4,967,308	9.38 %
Change in net position	68,469,237	(57,294,988)	219.50 %	113,419,988	150.52 %
Net position, end of year	\$ 331,438,891	\$ 262,969,654	26.04 %	\$ 320,264,642	(17.89)%

**Other financial information:**

**Contacting the Trust's financial management:** This financial report is designed to provide citizens, borrowers, investors and creditors with a general overview of the Trust's finances and to demonstrate the Trust's accountability for the State appropriations and bond proceeds it receives. If you have any questions about this report or need additional financial information, contact the Trust's Chief Financial Officer at 3131 Princeton Pike, Building 4, Lawrenceville, New Jersey 08648.

**New Jersey Environmental Infrastructure Trust**  
**(A Component Unit of the State of New Jersey)**

**Statements of Net Position**  
**June 30, 2016 and 2015**

	2016	2015
<b>Assets</b>		
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	\$ 10,405,728	\$ 13,188,287
Investments	3,204,078	5,819,640
Administrative fee receivable	2,431,049	2,329,935
Other assets	63,962	31,683
Restricted assets:		
Cash and cash equivalents	156,887,789	115,081,606
Investments	24,738,813	27,823,289
Interest receivable	420,669	331,350
Loans receivable	22,793,394	3,938,213
<b>Total current assets</b>	<b>220,945,482</b>	<b>168,544,003</b>
Noncurrent assets:		
Unrestricted assets:		
Capital assets	134,574	197,058
Investments	3,726,400	6,923,206
Restricted assets:		
Investments	84,648,038	80,239,632
Loans receivable	23,489,547	9,100,825
<b>Total noncurrent assets</b>	<b>111,998,559</b>	<b>96,460,721</b>
<b>Total assets</b>	<b>\$ 332,944,041</b>	<b>\$ 265,004,724</b>
<b>Liabilities and Net Position</b>		
Current liabilities:		
Unrestricted liabilities:		
Accounts payable	\$ 1,505,150	\$ 2,035,070
<b>Total current liabilities</b>	<b>1,505,150</b>	<b>2,035,070</b>
<b>Total liabilities</b>	<b>1,505,150</b>	<b>2,035,070</b>
Net position:		
Net investment in capital assets	134,574	197,058
Restricted for debt service	114,362,495	111,278,001
Restricted for Interim Financing Loan Program	186,677,927	113,076,857
Unrestricted	30,263,895	38,417,738
<b>Total net position</b>	<b>331,438,891</b>	<b>262,969,654</b>
<b>Total liabilities and net position</b>	<b>\$ 332,944,041</b>	<b>\$ 265,004,724</b>

See notes to financial statements.



**New Jersey Environmental Infrastructure Trust**  
**(A Component Unit of the State of New Jersey)**

**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2016 and 2015**

	2016	2015
Operating revenue:		
Investment income:		
Interest income	\$ 1,342,936	\$ 1,149,431
Net increase in the fair value of investments	1,100,035	302,175
Interest income from loans	208,945	179,709
Administrative fees	6,951,057	6,247,559
<b>Total operating revenues</b>	<b>9,602,973</b>	<b>7,878,874</b>
Operating expenses:		
Administrative expenses	5,467,918	5,433,209
<b>Total operating expenses</b>	<b>5,467,918</b>	<b>5,433,209</b>
<b>Operating income</b>	<b>4,135,055</b>	<b>2,445,665</b>
Nonoperating revenues (expenses):		
Receipt of (return of) prior funding	834,182	(14,403,114)
State appropriations	63,500,000	-
Return of state appropriation	-	(45,337,539)
<b>Total nonoperating revenue (expenses)</b>	<b>64,334,182</b>	<b>(59,740,653)</b>
<b>Change in net position</b>	<b>68,469,237</b>	<b>(57,294,988)</b>
Net position, beginning of year	262,969,654	320,264,642
Net position, end of year	<b>\$ 331,438,891</b>	<b>\$ 262,969,654</b>

See notes to financial statements.

**New Jersey Environmental Infrastructure Trust**  
**(A Component Unit of the State of New Jersey)**

**Statements of Cash Flows**  
**Years Ended June 30, 2016 and 2015**

	2016	2015
Cash flow from operating activities:		
Cash received for administrative fees	\$ 6,869,954	\$ 6,355,501
Cash payments for goods and services	(3,662,289)	(2,304,224)
Cash payments for salaries	(2,344,168)	(2,232,922)
Disbursement of loan funds to borrowers	(76,346,680)	(7,310,573)
Principal received from loans to borrowers	43,102,778	2,804,674
Interest received from loans to borrowers	189,549	213,520
<b>Net cash used in operating activities</b>	<b>(32,190,856)</b>	<b>(2,474,024)</b>
Cash flows from non-capital financing activities:		
Receipt of (return of) prior funding	834,182	(14,403,114)
State appropriations received	63,500,000	-
Return of state appropriations	-	(45,337,539)
<b>Net cash provided by (used in) non-capital financing activities</b>	<b>64,334,182</b>	<b>(59,740,653)</b>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(1,299)	(63,097)
<b>Net cash used in capital and related financing activities</b>	<b>(1,299)</b>	<b>(63,097)</b>
Cash flows from investing activities:		
Interest on investments	1,457,916	1,219,847
Purchase of investments	(58,790,487)	(64,190,041)
Proceeds from sale and maturity of investments	64,214,168	96,362,115
<b>Net cash provided by investing activities</b>	<b>6,881,597</b>	<b>33,391,921</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>39,023,624</b>	<b>(28,885,853)</b>
Cash and cash equivalents:		
Beginning of year	128,269,893	157,155,746
End of year	<b>\$ 167,293,517</b>	<b>\$ 128,269,893</b>
Displayed as:		
Cash and cash equivalents - unrestricted	\$ 10,405,728	\$ 13,188,287
Cash and cash equivalents - restricted	156,887,789	115,081,606
<b>Cash and cash equivalents</b>	<b>\$ 167,293,517</b>	<b>\$ 128,269,893</b>

(Continued)

**New Jersey Environmental Infrastructure Trust**  
**(A Component Unit of the State of New Jersey)**

**Statements of Cash Flows (Continued)**  
**Years Ended June 30, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
Reconciliation of operating income to net cash used in operating activities:		
Operating income	\$ 4,135,055	\$ 2,445,665
Adjustments to reconcile operating income to net cash used in operating activities:		
Depreciation	43,772	47,413
Investment income included in operations	(1,457,916)	(1,219,847)
Net unrealized and realized gain on investments	(1,100,035)	(302,175)
Loss on disposal of assets	20,011	126,013
Amortized interest	164,791	-
Change in assets and liabilities:		
Increase in administrative fee receivable	(101,114)	(18,071)
(Increase) decrease in other assets	(32,278)	72,077
(Increase) decrease in interest receivable	(89,319)	54,498
Increase in loans receivable	(33,243,902)	(4,505,899)
Increase (decrease) in accounts payable	(529,921)	826,302
<b>Net cash used in operating activities</b>	<b>\$ (32,190,856)</b>	<b>\$ (2,474,024)</b>

See notes to financial statements.



## New Jersey Environmental Infrastructure Trust (A Component Unit of the State of New Jersey)

### Notes to Financial Statements

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#### **Note 1. Organization and Function of the Trust**

The New Jersey Wastewater Treatment Trust was created by the Legislature of the State of New Jersey (the "State") in November 1985 as an independent State financing authority. On June 23, 1997, the State Legislature passed amendments to rename the entity the New Jersey Environmental Infrastructure Trust (the "Trust"). The Trust makes loans to local government units and private water companies for the construction and rehabilitation of eligible environmental infrastructure projects. The Trust is a component unit of the State.

Construction Loans are rapidly becoming a major component of the annual financing program, and in SFY2016, the large majority of projects utilized Construction Loans as the primary source of funding prior to securing long-term financing.

Under the Long Term Program, either the Trust or the New Jersey Department of Environmental Protection (the "Department") may finance up to 75% of the allowable project costs. The Trust issues debt on behalf of the borrowers; this debt is classified as conduit debt and as such is not included in the statement of net position of the Trust. The Trust lends its share of allowable costs to borrowers for various terms up to a maximum of 30 years at a rate equal to the interest rate on its conduit debt obligations. Such loan payments are used to pay debt service on the Trust's conduit debt obligations.

In addition to an interest-bearing loan from the Trust, borrowers receive an interest-free loan from the Department. The sources for the Department loans are State general obligation bond issuances approved to capitalize the various loan funds and the Federal Capitalization Grants received under the Clean Water Act and the Safe Drinking Water Act, respectively (the "Department Funds"). The Department maintains internally designated Clean Water (the "CW") and Drinking Water (the "DW") State Revolving Funds to separately account for loans by the Department. In some instances, the borrowers receive a principal forgiveness loan in which the State will forgive the repayment of a portion of the principal of each loan. The accompanying financial statements do not include any assets, liabilities or fund balances of the Department Funds. Under the terms of the Enabling Act, the assets of the Trust cannot be used to satisfy the obligations of the Department.

**Component unit:** In accordance with Government Accounting Standards Board ("GASB") codification section 2100, component units are legally separate organizations for which elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. In evaluating how to define the Trust for financial reporting purposes, management has considered the possibility of potential component units. Based upon the definition above, the Trust has no component units.

The Board of Directors consists of seven members. Three are members' ex-officio: the New Jersey State Treasurer, the Commissioner of the New Jersey Department of Community Affairs, and the Commissioner of the New Jersey Department of Environmental Protection. The four remaining directors are appointed. One director is appointed by the Governor of the State of New Jersey (the "Governor"), upon the recommendation of the President of the State Senate. One director is appointed by the Governor upon the recommendation of the Speaker of the State General Assembly. Two directors are appointed by the Governor with the advice and consent of the State Senate. Each appointed director serves until a successor is appointed and qualified, and is eligible for reappointment.

**New Jersey Environmental Infrastructure Trust  
(A Component Unit of the State of New Jersey)**

**Notes to Financial Statements**

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**Note 1. Organization and Function of the Trust (Continued)**

The Trust is administered by an executive director and staff, under the guidance of the board of directors that appoint Trustees (currently both U.S. Bank and Bank of New York Mellon) and loan servicers (currently U.S. Bank, TD Bank and the Trust). The initial proceeds from a bond issuance are held by the Trustee. The Trust authorizes the Trustee to disburse funds to the borrowers based on a review and approval process in conjunction with the Department. Undisbursed funds are invested and held by the Trustee for disbursement according to the loan agreements. The loan servicer receives all payments of principal and interest from the borrowers and forwards such funds to the Trustee and the Master Program Trustee (U.S. Bank) or the Department or the Trust, as appropriate. As noted above, for the 2004 and later loans, the Trust's accounting staff also acts as loan servicer, with repayments being received directly by the Trustee. As a public body under existing statute, the Trust is exempt from both federal and state taxes.

**Note 2. Summary of Significant Accounting Policies**

**Basis of presentation:** The Trust's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to enterprise funds of state and local governments. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies established in GAAP and used by the Trust are discussed below.

**Basis of accounting:** Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The accrual basis of accounting is followed by the Trust.

**Revenues - exchange and non-exchange transactions:** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recognized when the exchange takes place.

Non-exchange transactions, in which the Trust receives value without directly giving equal value in return, include grants, contributed capital, and donations. Revenue from grants, contributed capital, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Trust must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Trust on a reimbursement basis.

**Expenses/expenditures:** Expenses are recognized at the time they are incurred.

**Notes to Financial Statements**

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**Note 2. Summary of Significant Accounting Policies (Continued)**

**Cash, cash equivalents and investments:** Cash and cash equivalents include funds invested in the PFM Funds - Prime Institutional Class and the Goldman Sachs Treasury Obligation Money Market Fund, and investments with original maturities of three months or less from the date of purchase. Such is the definition of cash and cash equivalents used in the statement of cash flows.

Investments are purchased with the intent to hold to maturity. Investments, which consist primarily of U.S. Government Obligations, are stated at fair value and mature in periods up to five years. The Trust accounts for its investments at fair value in accordance with GASB Statement No. 31 – *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net position.

**Fair value:** The Trust uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for certain assets or liabilities. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the asset or liability.

The Trust's fair value measurements are classified into a fair value hierarchy based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

The three categories within the hierarchy are as follows:

**Level 1:** Quoted prices in active markets for identical assets and liabilities.

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, interest rates and yield curves observable at commonly quoted intervals, implied volatilities, credit spreads, and market-corroborated inputs.

**Level 3:** Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flows methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment.

See Note 3 for additional information regarding fair value measurements.



**New Jersey Environmental Infrastructure Trust**  
**(A Component Unit of the State of New Jersey)**

**Notes to Financial Statements**

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**Note 2. Summary of Significant Accounting Policies (Continued)**

**Operating and nonoperating revenues and expenses:** Operating revenues include all revenues derived from administration fees, interest income on Direct, Short-Term Loans, SAIL loans and investment income. Non-operating revenues principally consist of appropriations from the State of New Jersey for additional loan programs.

Operating expenses include expenses associated with the general administration of the Trust. Non-operating expenses principally consist of transfer of interest earned on and unspent funding back to the State of New Jersey.

**Conduit debt obligations:** Due to the fact that the bonds issued by the Trust are non-recourse debt obligations to the Trust, the Trust, in effect, has none of the risks or rewards of the related financing. Conduit debt obligations are certain limited- obligation revenue bonds, certificates of participation, or similar debt instruments issued by a state or local governmental entity for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. Although conduit debt obligations bear the name of the governmental issuer, the issuer has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf they are issued (GASB interpretation 2), (see Note 8).

**Capital assets:** Capital assets consist of leasehold improvements, office furniture, computers and office equipment and vehicles. Expenditures, which enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the capital asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized.

Expenditures are capitalized when they meet the following requirements: (1) cost of \$1,000 or more, (2) useful life of more than one year, or (3) asset is not affected by consumption

**Depreciation:** Depreciation is provided using the straight-line method over the following estimated useful life of the assets:

	Years
Leasehold improvements	Lesser of the lease term or useful life
Office furniture	7
Computers and office equipment	5
Vehicles	5

**Net position:** In accordance with the provisions of GASB Statement No. 63 ("GASB 63"), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Trust has classified its Net Position into three components – Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

**Net investment in capital assets:** This component of Net Position consists of capital assets, net of accumulated depreciation.

**New Jersey Environmental Infrastructure Trust  
(A Component Unit of the State of New Jersey)**

**Notes to Financial Statements**

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**Note 2. Summary of Significant Accounting Policies (Continued)**

**Restricted:** This component of Net Position consists of external constraints imposed by creditors (such as debt covenants), grantors, contributors, laws or regulations of other governments or constraints imposed by law through constitutional provision or enabling legislation, that restricts the use of Net Position.

The Trust further separates restricted Net Position into “Restricted for Debt Service” and “Restricted for Interim Financing Trust Loan Program”. Net Position Restricted for Debt Service includes amounts that have been restricted in accordance with the terms of an award or agreement or by State law and can be used as a guarantee for bond offerings. Net Position Restricted for Interim Financing Loan Program is restricted for short-term financing of allowable costs of environmental infrastructure projects.

**Unrestricted:** This component of Net Position consists of Net Position that does not meet the definition of “restricted” or “net investment in capital assets.” This component includes Net Position that may be allocated for specific purposes by the Board.

**Reclassifications:** Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 financial statement presentation. These reclassifications had no effect on the previously reported change in net assets or net assets

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

**Recently adopted accounting pronouncements:** During the fiscal year ended June 30, 2016, the Trust adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application* (“GASB 72”). This statement addresses accounting and financial reporting issues related to fair value measurements and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for fiscal periods beginning after June 15, 2015. The implementation of this Statement required additional note disclosures (see Note 3).

**Recently issued accounting pronouncements:** The Trust evaluated GASB statements 77 through 82; Management has determined there will be no effect to the Trust’s financial statements.

**Note 3. Cash, Cash Equivalents and Investments**

The amounts of cash and cash equivalents in the accounts are as follows:

	2016	2015
Operating checking (TD Bank)	\$ 190,791	\$ 142,583
GS SQ Treasury obligation (TD Bank MM)	140,818,600	106,200,936
Prime, institutional class (PFM Funds)	26,284,126	21,926,374
Total	<u>\$ 167,293,517</u>	<u>\$ 128,269,893</u>

**New Jersey Environmental Infrastructure Trust  
(A Component Unit of the State of New Jersey)**

**Notes to Financial Statements**

**Note 3. Cash, Cash Equivalents and Investments (Continued)**

**Custodial credit risk:** Custodial credit risk is the risk that, in the event of failure of the counterparty, the Trust will not be able to recover the value of its cash and investments that are in the possession of an outside party. Cash, cash equivalents and investments are restricted under the terms of the Trust's investment policy. Statutory limits also apply to the investments of the Trust. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Trust, and are held by either the counterparty or the counterparty's trust department or agent, but not in the Trust's name. All of the Trust's investments, \$116,317,329 as of June 30, 2016 and \$120,805,767 as of June 30, 2015, are held in an account outside the counterparty, not in the name of the Trust.

**Credit risk:** Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. All assets are invested pursuant to the Trust's separate investment policy. This policy limits the type and ratings of securities allowable as well as providing diversification requirements.

**Interest rate risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Trust seeks to minimize interest rate risk by structuring the investment portfolio so that securities mature to meet a projected liability schedule, thereby avoiding the need to sell securities prior to maturity and the possibility of a realized loss.

As of June 30, 2016 and 2015, the Trust had the following investments and maturities:

Investment Type	Fair Value	June 30, 2016			
		Investment Maturity (In Years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. Treasury Bonds	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Treasury Notes	64,781,805	18,942,745	45,839,060	-	-
U.S. Treasury SLUGs	-	-	-	-	-
U.S. Gov't Other	25,491,384	7,058,151	18,433,233	-	-
Corporate Bonds/Notes/CP	26,044,140	1,941,995	24,102,145	-	-
	<u>\$ 116,317,329</u>	<u>\$ 27,942,891</u>	<u>\$ 88,374,438</u>	<u>\$ -</u>	<u>\$ -</u>

Investment Type	Fair Value	June 30, 2015			
		Investment Maturity (In Years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. Treasury Bonds	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Treasury Notes	74,108,343	25,620,961	48,487,382	-	-
U.S. Treasury SLUGs	-	-	-	-	-
U.S. Gov't Other	24,539,779	5,192,192	19,347,587	-	-
Corporate Bonds/Notes/CP	22,157,645	2,829,776	19,327,869	-	-
	<u>\$ 120,805,767</u>	<u>\$ 33,642,929</u>	<u>\$ 87,162,838</u>	<u>\$ -</u>	<u>\$ -</u>



**New Jersey Environmental Infrastructure Trust  
(A Component Unit of the State of New Jersey)**

**Notes to Financial Statements**

**Note 3. Cash, Cash Equivalents and Investments (Continued)**

As of June 30, 2016, the Trust had the following investments and maturities:

Investment	Maturities	S&P Credit Rating	Moody's Credit Rating	June 30, 2016 Fair Value
BNP Paribas NY Branch	10/05/16	A-1	P-1	\$ 648,895
Bank Tokyo-Mit UFJ NY	12/13/16	A-1	P-1	647,444
Bank of Montreal Chicago	03/03/17	A-1	P-1	645,656
Toyota Motor Credit Corp	01/12/18	AA-	Aa3	604,375
John Deere Capital Corp	01/16/18	A	A2	1,888,504
IBM Corp	02/06/18	AA-	Aa3	2,360,114
Exxon Mobil Corporation	03/06/18	AA+	Aaa	1,914,828
American Honda Finance	03/13/18	A+	A1	1,428,856
Bank of NY Mellon Corp	05/22/18	A	A1	833,209
Cisco Systems Inc	06/15/18	AA-	A1	1,646,128
Toyota Motor Credit Corp	07/13/18	AA-	Aa3	964,179
HSBC USA Inc	08/07/18	A	A2	1,923,844
JPMorgan Chase & Co	01/28/19	A-	A3	1,903,577
American Express Credit	03/18/19	A-	A2	1,914,109
Burlington North Corp	10/01/19	A	A3	552,865
General Elec Cap Corp	01/08/20	AA+	A1	1,840,262
Wells Fargo & Company	01/30/20	A	A2	1,906,808
Toyota Motor Credit Corp	03/12/20	AA-	Aa3	555,064
Bank of NY Mellon Corp	05/03/21	A	A1	1,041,114
Branch Banking & Trust Corp	05/10/21	A-	A2	532,691
State Street Corp	05/19/21	A	A1	291,620
US Treasury Notes and Bonds	Demand	AA+	Aaa	64,781,803
Other US Government Notes and Bonds	Demand	AA+	Aaa	25,491,384
				<u>\$ 116,317,329</u>

**New Jersey Environmental Infrastructure Trust  
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**Notes to Financial Statements**

**Note 3. Cash, Cash Equivalents and Investments (Continued)**

As of June 30, 2015, the Trust had the following investments and maturities:

Investment	Maturities	S&P Credit Rating	Moody's Credit Rating	June 30, 2015 Fair Value
JPMorgan Chase Bank NA	07/30/15	A+	Aa3	\$ 1,650,206
Walt Disney	12/01/15	A	A2	1,179,569
Pepsico Inc	02/22/17	A	A1	1,489,882
Apple Inc	05/05/17	AA+	Aa1	2,005,984
Toyota Motor Credit Corp	01/12/18	AA-	Aa3	600,577
John Deere Capital Corp	01/16/18	A	A2	1,881,004
IBM Corp	02/06/18	AA-	Aa3	2,335,078
Exxon Mobil Corporation	03/06/18	AAA	Aaa	1,898,457
American Honda Finance	03/13/18	A+	A1	1,415,142
Bank of New York Mellon	05/22/18	A+	A1	1,848,909
Cisco Systems Inc	06/15/18	AA-	A1	1,630,774
General Electric Cap	01/08/20	AA+	A1	1,825,128
Wells Fargo	01/30/20	A+	A2	1,857,101
Toyota Motor	03/12/20	AA-	Aa3	539,834
US Treasury Notes and Bonds	Demand	AA+	Aaa	74,108,344
Other US Government Notes and Bonds	Demand	AA+	Aaa	24,539,778
				<u>\$ 120,805,767</u>

As of June 30, 2016 and 2015, the Trust had the following investments at fair value measurement by level:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2016				
Investments by fair value level:				
Debt securities:				
U.S. Treasury	\$ 64,781,805	\$ -	\$ 64,781,805	\$ -
Corporate bonds	26,044,140	-	26,044,140	-
Government bonds	25,491,384	-	25,491,384	-
Total debt securities	116,317,329	-	116,317,329	-
Total investments by fair value level	\$ 116,317,329	\$ -	\$ 116,317,329	\$ -

**New Jersey Environmental Infrastructure Trust  
(A Component Unit of the State of New Jersey)**

**Notes to Financial Statements**

**Note 3. Cash, Cash Equivalents and Investments (Continued)**

	June 30, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Debt securities:				
U.S. Treasury	\$ 74,108,344	\$ -	\$ 74,108,344	\$ -
Corporate bonds	22,157,645	-	22,157,645	-
Government bonds	24,539,778	-	24,539,778	-
Total debt securities	120,805,767	-	120,805,767	-
Total investments by fair value level	\$ 120,805,767	\$ -	\$ 120,805,767	\$ -

**Concentration of credit risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Both the State and Trust's investment policy provides diversification requirements and limits the amount the Trust may invest in any one issuer. All of the Trust's investments are either in US Treasury obligations, Prime or Government money market funds, agency bonds, or corporate bonds and notes.

**Note 4. Loans Receivable**

The Trust provides loans to Borrowers to finance allowable costs of clean water and safe drinking water projects. Most of the loans are secured by the full faith and credit of a local governmental unit.

The Direct Loan Program provides long term loans for small projects or for borrowers that are fiscally constrained or lack the administrative capability to participate in the Trust's bond financing transaction. The Trust funds these loans through cash on hand rather than through the issuance of bonds. The Trust portion of each total loan is structured at a rate equivalent to the Thomson Reuters TM3 AAA Index on the date of loan closing plus (or minus) the spread from the Trust's most recent issue. The direct loans are repayable in most cases over a period of 20 years, with some loans maturing over a shorter period, and with interest rates of 0.17% to 5.33% per annum. As June 30, 2016 and 2015, the direct loans balance was \$12,078,075 and \$15,776,207, respectively.

Loans issued under the Short-Term Loan Program and SAIL Loan Program are issued, with a few exceptions, for a maximum of three fiscal years. These loans have interest rates ranging from 0% to 1.73% per year. These loans will be converted into Long Term loans through either the Bond Program or Direct Loan Program. As of June 30, 2016 and 2015, the balance for the loans described was \$35,485,976 and \$6,304,713, respectively.

**New Jersey Environmental Infrastructure Trust  
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**Notes to Financial Statements**

**Note 4. Loans Receivable (Continued)**

The Trust's net loans receivable balance of \$46,282,941 and \$13,039,038 as of June 30, 2016 and 2015, consisted of outstanding loans issued of \$47,564,051 and \$22,080,920 net of undisbursed loan funds of \$1,281,111 and \$9,041,882 for 2016 and 2015, respectively. Undisbursed loan funds include loan funds that have been approved but not yet requisitioned by the borrower.

Annual maturities for loans receivable are as follows:

	<u>Principal</u>
Year ending December 31:	
2017	\$ 24,074,505
Less undisbursed loan funds	<u>(1,281,111)</u>
Current loans	<u>22,793,394</u>
2018	15,036,329
2019	722,914
2020	601,982
2021	1,529,318
2022 through 2026	3,063,088
2027 through 2031	1,937,580
2032 through 2036	<u>598,336</u>
Noncurrent loans	<u>23,489,547</u>
Loans receivable, net	<u><u>\$ 46,282,941</u></u>

As of June 30, 2016, the Trust has approved four loans totaling \$51,787,055 for which the fee has not been paid nor has the borrower submitted requisition; as such the amounts are not included in the loans receivable amount above. Subsequent to year end, the Trust has approved a total of 20 loans totaling \$80,461,075.



**New Jersey Environmental Infrastructure Trust**  
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**Notes to Financial Statements**

**Note 5. Capital Assets**

The following is a summary of capital assets at cost, except as noted:

	Balance at June 30, 2015	Additions	Disposals	Balance at June 30, 2016
Capital assets being depreciated:				
Leasehold improvements	\$ 68,828	\$ -	\$ -	\$ 68,828
Office furniture	59,379	-	-	59,379
Computers and office equipment	176,060	1,299	56,249	121,110
Vehicles	43,766	-	-	43,766
	<u>348,033</u>	<u>1,299</u>	<u>56,249</u>	<u>293,083</u>
Less accumulated depreciation:				
Leasehold improvements	14,748	11,820	-	26,568
Office furniture	35,352	4,430	-	39,782
Computers and office equipment	92,327	17,184	36,238	73,273
Vehicles	8,548	10,338	-	18,886
	<u>150,975</u>	<u>43,772</u>	<u>36,238</u>	<u>158,509</u>
Capital assets (net)	<u>\$ 197,058</u>	<u>\$ (42,473)</u>	<u>\$ 20,011</u>	<u>\$ 134,574</u>
	Balance at June 30, 2014	Additions	Disposals	Balance at June 30, 2015
Capital assets being depreciated:				
Leasehold improvements	\$ 68,828	\$ -	\$ -	\$ 68,828
Office furniture	91,947	-	32,568	59,379
Computers and office equipment	311,653	40,187	175,780	176,060
Vehicles	43,855	22,910	22,999	43,766
	<u>516,283</u>	<u>63,097</u>	<u>231,347</u>	<u>348,033</u>
Less accumulated depreciation:				
Leasehold improvements	4,915	9,833	-	14,748
Office furniture	63,490	4,430	32,568	35,352
Computers and office equipment	115,406	26,688	49,767	92,327
Vehicles	25,085	6,462	22,999	8,548
	<u>\$ 208,896</u>	<u>\$ 47,413</u>	<u>\$ 105,334</u>	<u>\$ 150,975</u>
Capital assets (net)	<u>\$ 307,387</u>	<u>\$ 15,684</u>	<u>\$ 126,013</u>	<u>\$ 197,058</u>

**New Jersey Environmental Infrastructure Trust  
(A Component Unit of the State of New Jersey)**

**Notes to Financial Statements**

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**Note 6. Other Matter**

An Event of Default ("EOD") currently exists separate and apart from the Master Program Trust Account under the terms of the Trust's Series 2005 Indenture (the "Indenture") pursuant to which the Trust issued its Environmental Infrastructure Revenue Bonds (Bergen County Improvement Authority-EnCap Golf Holdings, LLC Project), Series 2005, specifically with regard to the Bergen County Improvement Authority ("BCIA") - EnCap Golf Holdings, LLC ("EnCap") project (hereinafter referred to as the "NJEIT-BCIA Bonds"). Such EOD created a corresponding EOD under the Loan Agreement among BCIA, the Trust and EnCap ("NJEIT-BCIA Loan Agreement") pursuant to which the Trust loaned the proceeds of the NJEIT-BCIA Bonds to BCIA and thereupon BCIA loaned such proceeds to EnCap for EnCap's Meadowlands remediation project.

As a precondition of BCIA's loan application to the Trust for funding for the EnCap project and to protect bondholders from any repayment default risk by EnCap, the Trust required that EnCap procure a bank Letter of Credit ("LOC Provider") in order to fully secure the debt service repayments of principal and interest owed on the NJEIT-BCIA Bonds.

Subsequent to the issuance of the NJEIT-BCIA Bonds, EnCap failed to satisfy various reimbursement obligations to the LOC Provider, which in turn triggered the above referenced EODs under the terms of the Indenture and the corresponding NJEIT-BCIA Loan Agreement. In response to the occurrence of the EOD under the Indenture, the LOC Provider exercised remedies to which it was entitled. On September 28, 2007, the LOC Provider directed a mandatory tender of the NJEIT-BCIA Bonds, which mandatory tender was funded by a draw on the LOC. As a result of the tender, all holders of the publicly issued NJEIT-BCIA Bonds (then outstanding in the principal amount of \$88,413,346) were paid in full; the LOC is no longer outstanding; and the LOC Provider became the 100% holder of the NJEIT-BCIA Bonds, which are without recourse to the Trust.

In the aftermath of the above referenced EOD's, EnCap filed bankruptcy pursuant to Chapter 11 under the United States Bankruptcy Code on May 8, 2008. On February 3, 2009, an order dismissing the bankruptcy case was entered by the Bankruptcy Court and a Final Decree indicating that the case had been fully administered was entered on March 30, 2009.

On August 13, 2010, in accordance with the Agreement of Removal, Appointment and Acceptance, by and among The Bank of New York-Mellon (the "Prior Trustee"), the LOC Provider and American Home Assurance Company ("American Home"), American Home replaced the Prior Trustee as trustee with respect to the NJEIT-BCIA Bonds pursuant to the Indenture. In addition, in accordance with the Assigned Assets Sale and Assignment Agreement, by and among the LOC Provider and American Home, American Home acquired all of the NJEIT-BCIA Bonds from the LOC Provider. As of the date of this report, American Home continues to hold the NJEIT-BCIA Bonds.

The collateral that secures the NJEIT-BCIA Bonds held by American Home does not secure any of the annual financing programs of the Trust. Therefore, the events described above with respect to the NJEIT-BCIA Bonds and EnCap have no impact on any of the annual financing programs of the Trust including the principal and interest payments of any of the Trust's outstanding publicly issued bonds relating to such annual financing programs.

**New Jersey Environmental Infrastructure Trust  
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**Notes to Financial Statements**

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**Note 7. Commitments and Contingencies**

**Litigation:** On September 30, 2015, the Trust settled long standing legal claims. Given the discussions taking place and the likelihood of reaching a settlement, the Trust booked a liability as of June 30, 2015 for the projected settlement amount.

**Leases:** In November 2012, the Trust entered into an operating lease for the use of premises at 3131 Princeton Pike, Lawrenceville, New Jersey 09648. The lease was for a five year term with annual rent of \$64,000 and additional amounts for utilities and maintenance. Rental expenditures reported for the year ended June 30, 2016 and 2015 were \$110,039 and \$117,885, respectively. The following is a summary of the future minimum rental commitments under this lease:

Years ending June 30,	
2017	\$ 121,146
2018	51,448
	<u>\$ 172,594</u>

**Note 8. Conduit Debt**

The Trust has issued Environmental Infrastructure Bonds to provide financing for allowable costs of acquiring, constructing, improving or installing wastewater treatment projects for wastewater treatment systems undertaken by local government units in the State of New Jersey and to provide financing for allowable costs of drinking water supply projects for drinking water supply systems undertaken by local government units, nonprofit entities and private entities in the State of New Jersey. The bonds have been classified as conduit debt.

Not included in the accompanying financial statements are these various conduit debt obligations issued under the name of the New Jersey Environmental Infrastructure Trust. Although the conduit debt obligations bear the name of the Trust pursuant to the Trust Act and the Bond Resolutions, the Bonds are special obligations of the Trust and shall not in any way be a debt or liability of the State or of any political subdivision thereof, and shall not create or constitute any indebtedness, liability or obligation of the State or of any political subdivision thereof. The Trust has no taxing power, and the State of New Jersey is not liable for the bonds issued through the Trust. The revenue bonds are not secured by the Trust, only by revenues, including repayment of loans from the underlying borrowers and investments of amounts on deposits with the bond trustee. The principal and redemption premium, if any, and the interest on the Bonds shall be payable from and secured by the pledge (i) of the Series Trust Estate and (ii) by the Master Program Trustee of the moneys and securities on deposit in the Master Program Trust Account to the extent set forth in the Master Program Trust Agreement. The Borrowers' principal and interest payment obligations match the principal and interest payment obligations of the Trust pursuant to its bonds. The loan repayments of the Borrowers' are made to a trustee, who is appointed by the Trust to service and administer the arrangement.

The bond resolutions generally limit investments to obligations of the U.S. government or its agencies, investments in certain certificates of deposit of commercial banks that are members of the Federal Reserve System, investments in cash management pools that restrict investments to U.S. government securities, money market funds that invest in high-grade AAA-rated securities, and direct and general obligations of any state that meets the minimum requirements of the resolution.

Loans to borrowers in the 2016 program combine proceeds of the bond sale, lent at market rate, with interest-free loans from the State of New Jersey, Department of Environmental Protection Clean Water State Revolving Fund and Drinking Water State Revolving Fund. Thus, most public borrowers will pay a composite interest rate on their loans of less than 1.25%.

**New Jersey Environmental Infrastructure Trust  
(A Component Unit of the State of New Jersey)**

**Notes to Financial Statements**

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**Note 8. Conduit Debt (Continued)**

On November 24, 2015, the Trust closed on \$9,555,000 of Environmental Infrastructure Bonds, Series 2015A-2 (Green Bonds) to capitalize 11 projects in the 2016 New Jersey Environmental Infrastructure Financing Program.

On November 24, 2015, the Trust closed on \$108,120,000 of Environmental Infrastructure Refunding Bond Series 2015A-R1 to take advantage of the current low interest rate environment for Trust Program borrowers. The Trust Series 2015A-R1 Refunding Bonds were issued to refund a portion of the outstanding Series 2007A Bonds. The proceeds of this Series of Refunding Bonds refunded \$126,005,000 of outstanding Trust Bonds and resulted in the Trust passing on a reduction of interest and principal payments owed by the participating borrowers that totaled \$20,946,816.

On November 24, 2015, the Trust closed on \$13,050,000 of Environmental Infrastructure Refunding Bond Series 2015B-R2 to take advantage of the current low interest rate environment for Trust Program borrowers. The Trust Series 2015B-R2 Refunding Bonds were issued to refund the outstanding Series 2006B Bonds. The proceeds of this Series of Refunding Bonds refunded \$14,900,000 of outstanding Trust Bonds and resulted in the Trust passing on a reduction of interest and principal payments owed by the participating borrowers that totaled \$2,000,144.

On May 26, 2016, the Trust closed on \$23,925,000 of Environmental Infrastructure Bonds, Series 2016A-1 (Green Bonds) to capitalize 31 projects in the 2016 New Jersey Environmental Infrastructure Financing Program.

On May 26, 2016, the Trust closed on \$56,160,000 of Environmental Infrastructure Refunding Bond Series 2016A-R1 to take advantage of the current low interest rate environment for Trust Program borrowers. The Trust Series 2016A-R1 Refunding Bonds were issued to refund a portion of the outstanding Series 2008A Bonds. The proceeds of this Series of Refunding Bonds refunded \$62,690,000 of outstanding Trust Bonds and resulted in the Trust passing on a reduction of interest and principal payments owed by the participating borrowers that totaled \$11,442,426.

On May 26, 2016, the Trust closed on \$63,610,000 of Environmental Infrastructure Refunding Bond Series 2016A-R2 to take advantage of the current low interest rate environment for Trust Program borrowers. The Trust Series 2016A-R2 Refunding Bonds were issued to refund a portion of the outstanding Series 2010B Bonds. The proceeds of this Series of Refunding Bonds refunded \$71,975,000 of outstanding Trust Bonds and resulted in the Trust passing on a reduction of interest and principal payments owed by the participating borrowers that totaled \$14,618,498.

At June 30, 2016 and 2015, the aggregate principal amount of conduit debt obligations outstanding totaled \$1,205,125,228 and \$1,306,917,217 respectively as detailed in the following schedules.



**New Jersey Environmental Infrastructure Trust  
(A Component Unit of the State of New Jersey)**

**Notes to Financial Statements**

**Note 8. Conduit Debt (Continued)**

Changes in conduit debt obligations for the year ended June 30, 2016 were as follows:

	Balance at June 30, 2015	Issued	Retired	Balance at June 30, 2016	Amount Due Within One Year
<b>2004 Refunding Series:</b>					
Series A Bonds, uninsured	\$ 2,195,000	\$ -	\$ 2,195,000	\$ -	\$ -
<b>2006 Refunding Series:</b>					
Series A Bonds, uninsured, maturing serially through 2020, at interest rate of 5.00%	30,465,000	-	4,660,000	25,805,000	4,680,000
Series B Bonds, uninsured, maturing serially through 2019, at interest rate of 5.00%	16,808,871	-	3,081,989	13,726,882	3,242,445
Series C Bonds, uninsured, maturing serially through 2017, at interest rates from 4.00% to 5.00%	6,390,000	-	2,025,000	4,365,000	2,125,000
Series D Bonds, uninsured, maturing serially through 2016, at interest rates from 4.00% to 5.00%	5,555,000	-	2,845,000	2,710,000	2,710,000
<b>2006 Series:</b>					
Series A Bonds, uninsured	7,380,000	-	7,380,000	-	-
Series B Bonds, uninsured	15,930,000	-	15,930,000	-	-
<b>2007 Series:</b>					
Series A Bonds, uninsured, maturing serially through 2027, at interest rates from 3.50% to 5.00%	148,490,000	-	136,975,000	11,515,000	11,515,000
<b>2007 Refunding Series:</b>					
Series A Bonds, uninsured, maturing serially through 2021, at interest rates of 5.00% to 5.25%	51,940,000	-	6,370,000	45,570,000	6,720,000
Series B Bonds, uninsured, maturing serially through 2022, at interest rates from 4.00% to 5.25%	36,380,000	-	3,855,000	32,525,000	4,005,000
Series C Bonds, uninsured, maturing serially through 2022, at interest rate of 5.00%	38,830,000	-	-	38,830,000	-
Series D Bonds, uninsured AMT, maturing serially through 2016, at interest rate of 5.00%	730,000	-	355,000	375,000	375,000
<b>2008 Refunding Series:</b>					
Series A Bonds, uninsured, maturing serially through 2018, at interest rates of 4% to 4.50%	11,045,000	-	2,630,000	8,415,000	2,680,000
<b>2008 Series:</b>					
Series A Bonds, uninsured, maturing serially through 2028, at interest rates from 5.00% to 5.50%	89,730,000	-	70,585,000	19,145,000	6,070,000
<b>2009 Series:</b>					
Series A Bonds, uninsured, maturing serially through 2029, at interest rates from 3.50% to 5.00%	50,570,000	-	4,980,000	45,590,000	2,945,000
Series C Bonds, uninsured, maturing serially through 2029, at interest rates from 3% to 5.50%	5,020,000	-	240,000	4,780,000	250,000

(Continued)

# New Jersey Environmental Infrastructure Trust (A Component Unit of the State of New Jersey)

## Notes to Financial Statements

### Note 8. Conduit Debt (Continued)

	Balance at June 30, 2015	Issued	Retired	Balance at June 30, 2016	Amount Due Within One Year
<b>2010 A Series:</b>					
Series A Bonds, uninsured, maturing serially through 2029, at interest rates from 3.00% to 5.00%	\$ 102,635,000	\$ -	\$ 7,850,000	\$ 94,785,000	\$ 5,395,000
<b>2010 Refunding Series:</b>					
Series A Bonds, uninsured, maturing serially through 2024, at interest rates from 3.00% to 5.00%	40,410,000	-	4,040,000	36,370,000	4,245,000
Series B Bonds, uninsured, maturing serially through 2020, at interest rates from 3.00% to 4.00%	1,240,000	-	255,000	985,000	185,000
<b>2010 B &amp; C Series:</b>					
Series B Bonds, uninsured, maturing serially through 2030, at interest rate of 5.00%	97,465,000	-	77,115,000	20,350,000	4,720,000
Series C Bonds, uninsured, maturing serially through 2030, at interest rates from 3.00% to 4.375%	6,775,000	-	335,000	6,440,000	345,000
<b>2011 Refunding Series:</b>					
Series A Bonds, uninsured, maturing serially through 2018, at interest rates of 3.00%	1,850,000	-	445,000	1,405,000	460,000
Series B Bonds, uninsured, maturing serially through 2021, at interest rates from 4.00% to 5.00%	9,670,000	-	1,460,000	8,210,000	1,525,000
Series C Bonds, uninsured, maturing serially through 2022, at interest rates from 3.00% to 5.00%	7,840,000	-	870,000	6,970,000	900,000
<b>2012 Series:</b>					
Series A Bonds, uninsured, maturing serially through 2031, at interest rates from 2.00% to 5.00%	64,495,000	-	2,575,000	61,920,000	2,695,000
Series B Bonds, uninsured, maturing serially through 2031, at interest rates from 2.00% to 5.00%	19,010,000	-	780,000	18,230,000	800,000
Series C Bonds, uninsured, maturing serially through 2031, at interest rates from 2.00% to 4.00%	4,565,000	-	215,000	4,350,000	215,000
<b>2012 Refunding Series:</b>					
Series A Bonds, uninsured, maturing serially through 2026, at interest rates from 3.00% to 4.25%	188,660,000	-	11,535,000	177,125,000	19,355,000
Series B Bonds, uninsured, maturing serially through 2021, at interest rate of 3.00%	825,000	-	270,000	555,000	85,000
Series C Bonds, uninsured, maturing serially through 2023, at interest rate of 3.00%	7,635,000	-	740,000	6,895,000	770,000
<b>2013 Series:</b>					
Series A Bonds, uninsured, maturing serially through 2032, at interest rates from 3.00% to 5.00%	29,170,000	-	1,505,000	27,665,000	1,185,000
Series B Bonds, uninsured, maturing serially through 2032, at interest rates from 3.00% to 3.25%	975,000	-	40,000	935,000	45,000
<b>2014 Series:</b>					
Series A Bonds, uninsured, maturing serially through 2033, at interest rates from 3.00% to 5.00%	56,545,000	-	1,500,000	55,045,000	1,845,000
Series B Bonds, uninsured, maturing serially through 2033, at interest rates from 3.00% to 5.00%	5,490,000	-	530,000	4,960,000	205,000

(Continued)

**New Jersey Environmental Infrastructure Trust  
(A Component Unit of the State of New Jersey)**

**Notes to Financial Statements**

**Note 8. Conduit Debt (Continued)**

	Balance at June 30, 2015	Issued	Retired	Balance at June 30, 2016	Amount Due Within One Year
<b>2015 A-1 Series:</b>					
Series A Bonds, uninsured, maturing serially through 2034, at interest rates from 4.00% to 5.00%	\$ 46,580,000	\$ -	\$ -	\$ 46,580,000	\$ 1,400,000
<b>2015 B- Refunding Series (AMT):</b>					
Series B Bonds, uninsured AMT, maturing serially through 2024, at interest rates from 4.0% to 5.00%	7,550,000	-	45,000	7,505,000	235,000
Series B Bonds, uninsured AMT, maturing serially through 2025, at interest rates from 4.00% to 5.00%	1,660,000	-	-	1,660,000	-
<b>2015 A-2 Series</b>					
Series A Bonds, uninsured, maturing serially through 2035, at interest rates from 3.00% to 5.00%	-	9,555,000	-	9,555,000	-
<b>2015 A-R1 Refunding Series (AMT)</b>					
Series A Bonds, uninsured AMT, maturing serially through 2027, at interest rates of 5.00%	-	108,120,000	-	108,120,000	-
<b>2015B-R2 Refunding Series (AMT)</b>					
Series B Bonds, uninsured AMT, maturing serially through 2026, at interest rates from 3.00% to 5.00%	-	13,050,000	-	13,050,000	750,000
<b>2016 A-1 Series</b>					
Series A Bonds, uninsured, maturing serially through 2045, at interest rates from 2.00% to 5.00%	-	23,925,000	-	23,925,000	-
<b>2016 A-R1 Refunding Series</b>					
Series A Bonds, uninsured, maturing serially through 2028, at interest rates from 4.50% to 5.00%	-	56,160,000	-	56,160,000	-
<b>2016 A-R2 Refunding Series</b>					
Series A Bonds, uninsured, maturing serially through 2030, at interest rates from 4.50% to 5.00%	-	63,610,000	-	63,610,000	-
Total of bonds payable covered by Master Program Trust Account	1,218,503,871	274,420,000	376,211,989	1,116,711,882	94,677,445
<b>2005 BCIA/ENCAP Golf Holdings</b>					
Variable rate bond series maturing through 2025, with weekly interest rate calculations	88,413,346	-	-	88,413,346	-
Total bonds payable	<u>\$ 1,306,917,217</u>	<u>\$ 274,420,000</u>	<u>\$ 376,211,989</u>	<u>\$ 1,205,125,228</u>	<u>\$ 94,677,445</u>

**New Jersey Environmental Infrastructure Trust  
(A Component Unit of the State of New Jersey)**

**Notes to Financial Statements**

**Note 8. Conduit Debt (Continued)**

Annual debt service requirements to maturity for conduit debt obligations are as follows:

	Principal	Interest	Total
Year ending June 30:			
2017	\$ 94,677,445	\$ 45,806,361	\$ 140,483,806
2018	94,657,757	42,978,109	137,635,866
2019	97,372,962	38,420,441	135,793,403
2020	97,078,718	33,798,692	130,877,410
2021	92,420,000	29,300,587	121,720,587
2022 through 2026	476,858,346	89,565,320	566,423,666
2027 through 2031	204,290,000	24,192,616	228,482,616
2032 through 2036	46,440,000	2,931,735	49,371,735
2037 through 2041	600,000	208,000	808,000
2042 through 2046	730,000	75,400	805,400
	<u>\$ 1,205,125,228</u>	<u>\$ 307,277,261</u>	<u>\$ 1,512,402,489</u>

**Advance refunding:** When conditions have warranted, the Trust has sold various series of bonds to provide for the refunding of previously issued obligations. The proceeds received from the respective sales of the bonds were used to redeem the applicable outstanding bonds or to deposit, in an irrevocable escrow fund held by an escrow agent, an amount that, when combined with interest earnings thereon, will be at least equal to the sum of the outstanding principal amount of the bonds, the interest to accrue thereon and including the first optional redemption date thereof, and the premium required to redeem the bonds outstanding on such date.



**New Jersey Environmental Infrastructure Trust  
(A Component Unit of the State of New Jersey)**

**Notes to Financial Statements**

**Note 8. Conduit Debt (Continued)**

These transactions defeased the outstanding bond issuances with a resulting reduction in annual debt service during the remaining term of the issuances. The principal and interest savings are passed along to each applicable borrower in the form of a credit against the original debt service of the borrower. Defeased bonds outstanding at June 30, 2016, are comprised of the following:

Issue	Principal Amount Outstanding June 30, 2016
2015A-R1	
2007 Series A	\$ 126,005,000
2016A-R1	
2008 Series A	62,690,000
2016A-R2	
2010 Series B	71,975,000
	<u>\$ 260,670,000</u>
Individual borrower defeasances:	
1996 Series A	\$ 275,000
1997 Series	125,000
1999 Series A	1,353,117
2000 Series A	325,000
2000 Series B	1,730,000
2002 Series A	950,000
2006 Series A	75,000
2007 Series A	9,960,000
2008 Series A	17,535,000
2009 Series A	3,845,000
2010 Series A	8,245,000
2010 Series B	9,185,000
2010 Series C	340,000
2013 Series A	355,000
2014 Series B	335,000
	<u>\$ 54,633,117</u>

**New Jersey Environmental Infrastructure Trust  
(A Component Unit of the State of New Jersey)**

**Notes to Financial Statements**

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**Note 8. Conduit Debt (Continued)**

**Reserve for arbitrage rebate:** The Tax Reform Act of 1986 placed restrictions on the investments of the proceeds of certain tax-exempt bonds issued after December 31, 1986. Specifically, investment earnings which are above the arbitrage bond yield are required to be rebated to the United States Treasury Department within sixty days of the end of every fifth bond year. A bond year is defined, at the option of the issuing entity, as either the date of the first anniversary of bond settlement or the issuing entity's year end.

The Trust has various issues of bonds which are subject to rebate calculations, which are required to be made at least once every five years. The Trust prepares annual rebate calculations for purposes of determining any contingent liability for rebate. As of June 30, 2016, it was determined there was no rebate due as a result of these calculations. The amount of contingent liability for rebate may change as a result of future events.

**Loans receivable from borrowers of conduit debt:** The Trust provides loans to Borrowers to finance allowable costs of clean water and safe drinking water projects. The various Trust loans are grouped into pools and funded with the proceeds of Trust bonds or other obligations which are considered conduit debt. Loan repayments are required at such times and in such amounts as will pay the debt service on the bonds as it becomes due. These loans, most of which are secured by the full faith and credit of a local governmental unit, are repayable in most cases over a period of 20 years, with some loans maturing over a shorter or longer period, and with coupon rates of 2.0% to 5.5% per annum.

Each borrower issues to the Trust a bond, note or other obligation in a principal amount equal to the principal amount of the loan in favor of the Trust which secures the borrowers repayment obligation. The Trust then assigns these obligations to the trustee. These obligations bear interest at the same rates and are callable at the same times and prices, as the corresponding Trust bonds. All principal and interest savings from the refunding of Trust Bonds are passed along to each applicable borrower in the form of a credit against the original debt service of the borrower.

**Stewardship, compliance and accountability:**

**Compliance with finance related legal and contractual provisions:** The Trust is subject to the provisions and restrictions of the Bond Resolution or Supplemental Bond Resolution adopted for each conduit debt bond issue.

Management of the Trust is unaware of any material violations of finance related legal and contractual provisions and has no knowledge of any default in the fulfillment of any of the terms, covenants or provisions of the bond resolutions was obtained, unless otherwise described herein.

**Debt service reserve requirement:** Pursuant to the various bond resolutions and supplemental bond resolutions for bonds issued and accounted for as conduit debt, certain invested reserves are required to be maintained with the Trustee in a designated Debt Service Reserve Fund. This requirement is intended to fund potential deficiencies in principal and interest required to be paid in succeeding years. As of the September 1, 2015 calculation date, the cumulative debt service reserve requirement, as adjusted for refundings and defeasances was \$70,338,942. As of June 30, 2016, each Series Debt Service Reserve Account was in compliance with the debt service reserve requirements in accordance with the respective bond resolutions and supplemental bond resolutions. The balance as of June 30, 2016 in all the debt service reserve fund accounts was \$84,032,271.

**New Jersey Environmental Infrastructure Trust  
(A Component Unit of the State of New Jersey)**

**Notes to Financial Statements**

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**Note 8. Conduit Debt (Continued)**

**Statement of Funds and Accounts Held by the Trustee:** Pursuant to the various bond resolutions and supplemental bond resolutions for bonds issued and accounted for as conduit debt, a Trustee is appointed to maintain all funds and accounts. As of June 30, 2016, the total cash and investments balance for conduit debt was \$161,620,413.

**Statement of revenue, administrative fees and state administrative fees:** Pursuant to the various bond resolutions and supplemental bond resolutions for bonds issued and accounted for as conduit debt, the Trust is required to report the revenues, administrative fees and state administrative fees collected from all borrowers. For the fiscal year ended June 30, 2016, the total revenues, administrative fees and state administrative fees collected for conduit debt was \$278,845,981.

**Note 9. Subsequent Event**

Management has evaluated subsequent events and transactions that occurred after the balance sheet date, but before October 14, 2016, the date the financial statements were available to be issued. The following items were determined by management to require disclosure in the financial statements:

In September 2016, the Trust defeased \$1,175,000 of the Environmental Infrastructure Refunding Bonds, Series 2015A-R1 (2007A Financing Program), \$265,000 of the Environmental Infrastructure Refunding Bonds, Series 2012A, \$1,430,000 of the Environmental Infrastructure Refunding Bonds, Series 2010A and \$1,300,000 of the Environmental Infrastructure Refunding Bonds, Series 2007B (2002A Financing Program).

**New Jersey Environmental Infrastructure Trust  
(A Component Unit of the State of New Jersey)**

**Master Program Trust Agreement Schedule (Unaudited)**

**Master program trust agreement:** The New Jersey Environmental Infrastructure Financing Program adopted the Master Program Trust Agreement in 1989. Under the agreement, repayments of Department loans are deposited with US Bank and held in the Master Program Trust Account to provide coverage for all outstanding Trust Loans. The funds are held for a period of up to one year, after which time the funds are transferred to the State. The balance in the Master Program Trust Account as of June 30, 2016 and 2015 was \$32,607,296 and \$31,859,863, respectively. This balance is not an asset of the Trust and therefore is not reflected in the Trust's financial statements; however, it is available to pay debt service on the Trust Bonds in the event of a default by any program Borrowers.

	Aggregate of Coverage Receiving Trust Loan Repayments: Principal <sup>1</sup>	Aggregate of Coverage Receiving Trust Loan Repayments: Interest <sup>1</sup>	Aggregate of Coverage Providing Fund Loan Repayments <sup>2,3</sup>	Total Funds Available to Secure and Provide Coverage for all Coverage Receiving Financing Program Debt Service <sup>1,3</sup>	Total Debt Service for all Coverage Receiving Financing Programs <sup>1</sup>
Years ending June 30:					
2017	\$ 94,677,445	\$ 45,806,361	\$ 141,618,974	\$ 282,102,781	\$ 140,483,807
2018	94,657,757	42,978,109	141,005,382	278,641,247	137,635,865
2019	97,372,962	38,420,441	138,720,228	274,513,630	135,793,402
2020	97,078,718	33,798,692	134,226,099	265,103,508	130,877,408
2021	92,420,000	29,300,587	127,845,632	249,566,218	121,720,586
2022	89,105,000	25,078,137	122,560,923	236,744,059	114,183,136
2023	81,835,000	21,209,019	113,877,652	216,921,670	103,044,018
2024	76,590,000	17,664,884	106,798,141	201,053,024	94,254,883
2025	73,935,000	14,350,760	100,776,214	189,061,973	88,285,759
2026	66,980,000	11,262,520	91,221,876	169,464,395	78,242,519
2027	60,315,000	8,490,939	80,446,921	149,252,859	68,805,938
2028	49,000,000	6,178,417	65,238,259	120,416,675	55,178,416
2029	38,530,000	4,428,594	52,773,733	95,732,327	42,958,594
2030	33,560,000	3,065,097	42,821,246	89,446,343	36,625,097
2031	22,885,000	2,029,569	33,459,564	58,374,133	24,914,569
2032	18,080,000	1,320,406	26,605,307	46,005,713	19,400,406
2033	11,475,000	831,381	19,526,846	31,833,227	12,306,381
2034	9,340,000	477,338	14,195,912	24,013,250	9,817,338
2035	5,425,000	216,841	7,962,670	13,604,511	5,641,841
2036	2,120,000	85,769	2,903,653	5,109,422	2,205,769
2037	110,000	51,000	309,607	470,607	161,000
2038	115,000	46,500	309,607	471,107	161,500
2039	120,000	41,800	309,607	471,407	161,800
2040	125,000	36,900	309,607	471,507	161,900
2041	130,000	31,800	309,607	471,407	161,800
2042	135,000	26,500	309,607	471,107	161,500
2043	140,000	21,000	309,607	470,607	161,000
2044	145,000	15,300	309,607	469,907	160,300
2045	150,000	9,400	309,607	469,007	159,400
2046	160,000	3,200	206,405	369,605	163,200
Total <sup>4</sup>	\$ 1,116,711,882	\$ 307,277,261	\$ 1,567,578,100	\$ 3,001,567,233	\$ 1,423,989,132

<sup>1</sup> Reflects the application to Trust Bond debt service of (a) (i) savings credits derived from the prior refunding of certain series of Trust Bonds and (ii) savings credits to be derived from the issuance of the Series 2016A-R1 and Series 2016A-R2 Refunding Bonds, and (b) reductions in the aggregate principal amount of Trust Bonds Outstanding as a result of the partial defeasance of certain Trust Bonds.

<sup>2</sup> Fund Loan repayment obligations do not bear interest.

<sup>3</sup> The Fund Loan repayments with respect to Principal Forgiveness Fund Loans, as such repayments are set forth herein, assume and reflect the successful application of principal forgiveness, as described under the headings "INTRODUCTION" and "THE FINANCING PROGRAM - Fund Loans" in the body of this Official Statement.

<sup>4</sup> Totals may not add due to rounding.





RSM US LLP

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

**Independent Auditor's Report**

To the Board of Directors of  
New Jersey Environmental Infrastructure Trust

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of New Jersey Environmental Infrastructure Trust (the "Trust"), a component unit of the State of New Jersey, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements, and have issued our report thereon dated October 14, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and recommendations as 2016-001 that we consider to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**The Trust's Response to Findings**

The Trust's response to the finding identified in our audit is described in the accompanying schedule of findings and recommendations. The Trust's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no such opinion on it.

**Purpose of This Report**

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

*RSM US LLP*

New York, New York  
October 14, 2016

**New Jersey Environmental Infrastructure Trust  
(A Component Unit of the State of New Jersey)**

**Schedule of Findings and Recommendations  
Year Ended June 30, 2016**

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**Schedule of Financial Statement Findings:**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

**2016-001**

**Criteria:** Internal Control Over Financial Reporting – Journal Entry Controls

**Condition:** Proper segregation of duties over the journal entry process is a key control for proper financial reporting. Additionally, proper supporting documentation of the journal entries allows for proper review and an audit trail. The design and effectiveness of the processes and safeguards (internal controls) management has put in place over accounting and financial reporting is a key factor in being able to prepare reliable financial information timely.

We observed that the Trust does not have appropriate segregation of duties over the journal entry process and that supporting documentation was not maintained for journal entries.

**Cause:** Journal entries are recorded and reviewed by the same person. Supporting documentation was not maintained for four entries selected for testing.

**Effect or potential effect:** The lack of segregation of duties creates an opportunity for an error or misappropriation to not be timely detected and corrected.

**Recommendation:** We recommend that the Trust designate an appropriate individual to review the journal entries recorded other than the individual who recorded the entry.

**Views of responsible official and planned corrective action:** The accounting section of the Trust's Finance Department currently consists of four (4) employees. While each of these employees has their own job duties to perform, they also backup other employees in the section in cases of absence. This creates a situation where certain employees have incompatible duties from an optimal internal control perspective. In order to create compensating controls, a second level of review will be added and monthly and quarterly reports will be developed to monitor data inputs performed by these employees to ensure the integrity of the general ledger.

**New Jersey Environmental Infrastructure Trust  
(A Component Unit of the State of New Jersey)**

**Schedule of Summary Schedule of Prior Year Audit Findings and Recommendations as  
Prepared by Management  
Year Ended June 30, 2016**

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This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

None.



# 2017 TRUST MEETING DATES

FEBRUARY 15, 2017

MARCH 09, 2017

APRIL 13, 2017

MAY 11, 2017

JUNE 15, 2017

AUGUST 10, 2017

SEPTEMBER 14, 2017

OCTOBER 12, 2017

NOVEMBER 09, 2017

DECEMBER 14, 2017

All meetings are open to the public and scheduled to occur at 10:00 am at the Trust's offices in Lawrenceville, NJ.  
Dates are subject to change.



Back Cover: Round Valley Reservoir  
Photos Courtesy of the New Jersey Water Supply Authority