

New Jersey Environmental Infrastructure Trust

Annual Report SFY2013



"Financing New Jersey's Water Quality Future"

NJEIT Quick Facts Program Year SFY2013

TOTAL LOANS

The Program has issued more than \$6.07 Billion in loans since its inception in 1986.

TOTAL PROJECTS

More than 1,050 loans have been issued to fund clean water, drinking water, green infrastructure, land acquisitions, remediation and redevelopment Projects.

TOTAL SAVINGS

The Program has saved taxpayers and ratepayers a minimum of \$2.14 billion through lower interest costs.

CURRENT RATES

20 year loan blended interest rate as low as 0.624% (Series 2013A)

OPEN SPACE

The Financing Program has issued more than \$97 million in loans to preserve over 3,000 acres of open space.

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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



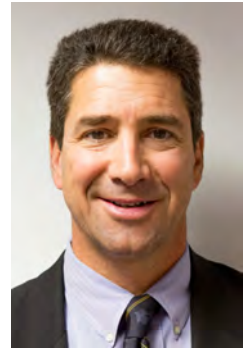
Warren H. Victor
Chairman



Herbert Barrack
Vice-Chairman



Roger Ellis
Secretary



Bob Briant Jr.
Treasurer

EX-OFFICIO MEMBERS



Bob Martin
Commissioner

New Jersey
Department of Environmental Protection



Andrew Sidamon-Eristoff
State Treasurer

New Jersey
Department of Treasury



Richard E. Constable, III
Commissioner

New Jersey
Department of Community Affairs

EXECUTIVE STAFF



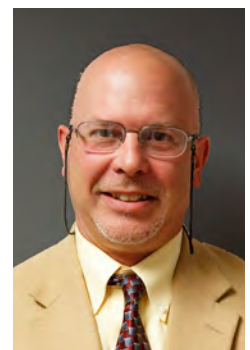
David E. Zimmer
Executive Director



Frank Scangarella
Assistant Executive Director
Chief Operating Officer



Lauren S. Kaltman
Chief Financial Officer



John G. Hansbury
Chief Budget Officer

MESSAGE FROM THE CHAIRMAN AND EXECUTIVE DIRECTOR

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

The New Jersey Environmental Infrastructure Trust (Trust) is the State's water infrastructure lending institution that provides low cost, low interest rate financing to qualified municipalities, counties, utility authorities and private water systems to facilitate the construction of drinking water, wastewater, and stormwater systems. Since its inception in 1986, the Trust has partnered with the New Jersey Department of Environmental Protection (DEP) through the NJ Environmental Infrastructure Financing Program (Program), to issue approximately \$6.07 billion in loans at below market interest rates. These loans have provided interest cost savings to the State's taxpayers and ratepayers estimated at over \$2.14 billion. In addition, the activity undertaken with these funds has provided over 110,000¹ direct construction jobs and has established the Trust as a hallmark of cooperation between the public and private sectors and, in turn, has facilitated the achievement of the State's environmental and economic priorities.

2013 TRADITIONAL PROGRAM – Record Low Rates

Each year, both the Trust and the DEP provide separate funding for loans to Program participants. The Trust borrows funds 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, as well as the State's matching funds for such SRF grants, State appropriations and interest earned on such funds. Similar to last year's Program, an initiative was implemented to offer an incentive to communities with emergent water infrastructure needs to undertake their projects in the present Program year, and not postpone action due to the challenging economic environment. Specifically, DEP Commissioner Bob Martin directed the DEP to increase its share of Program loan funds from the historical level of 50%. As a result, the SFY2013 Program offered a funding package to most borrowers consisting of 75% funding from the State through the DEP at a 0% interest rate and the remaining 25% funding from the Trust at the Trust's AAA market rate. This increase of 25% in DEP funds at a 0% interest rate translates into an additional estimated interest cost savings over the life of the loan of approximately 12% of each Program borrower's total loan principal balance. The total savings from the Program's low interest rate loans offer borrowers a grant-like savings that can exceed 35% of the total loan value to pass along to their local ratepayers. For certain projects which qualified for the Program's set-asides, the State provided a further reduction in borrowing costs by forgiving principal repayment on a portion of those borrowers' State loans. The SFY2013 Program was profoundly affected by Superstorm Sandy. The financial implications for many of the State's local communities was such that priorities and resources were focused on and directed towards cleanup and emergency restoration work. As a result, capital projects, such as those with pending loan applications in the Program, were postponed. Nonetheless, the Program was still able to issue 46 loans that financed an aggregate value of \$116 million (for a complete list of SFY2013 Program loans, please see page 11). The effective, blended interest rate for the majority of program borrowers was a record low 0.624%.

2014 TRADITIONAL PROGRAM – Looking Forward

For the current year, Commissioner Martin has again directed the DEP to offer a traditional financing program consisting of 75% funding from the State at a 0% interest rate. The Program has a list of projects numbering 165 with an initial engineering cost estimate of \$780 million that was passed by the Legislature and signed by Governor Christie in August 2013. Those projects each undergo environmental, engineering, and financial review by the DEP and the Trust. These projects are anticipated to qualify for and receive program funds to commence project construction by fiscal year end, June 2014.

SUPERSTORM SANDY

In response to the devastation to water infrastructure throughout the State caused by Superstorm Sandy (estimated at over \$2 billion), the Trust's enabling legislation was modified to create a disaster emergency relief bridge loan program to assist local communities with immediate, short term cash flow needs. In particular, in coordination with the Governor's office, members of the Legislature and in particular, the leadership and members of the Environmental and Budget Committees, as well as the DEP Commissioner and his legislative and technical infrastructure teams, the Trust developed the Statewide Assistance Infrastructure Loan Program (SAIL). SAIL provides immediate, emergency short term bridge loans at low interest costs to local communities for the purpose of financing rebuild and resiliency environmental infrastructure projects in a faster and more efficient time frame than what might be available to these communities were they to seek such financing privately. Since this legislation was signed into law by Governor Christie in August 2013, Trust and DEP staff have worked to develop the SAIL Program focusing on implementing procedures that ensure compliance with a variety of requirements from several federal programs and serving as a backstop for a number of communities that lack such logistical expertise. A handful of large critical resiliency projects are expected to utilize SAIL funding beginning in the SFY2014 Program year. Moreover, the foundation of the SAIL emergency response financing program now

¹ Original estimate of 20 jobs per \$1M though 2011 and 12 jobs per \$1M from 2012 on.

exists to provide financing to repair and improve environmental infrastructure from future disasters immediately upon declaration of such an emergency by the Governor.

In addition to the short term, emergency SAIL Program, the State of New Jersey received \$229 million in federal capital grants appropriated by Congress and signed into law by President Obama in January 2013 specifically for the Program to finance resiliency projects related to Superstorm Sandy (Sandy SRF). The Program is offering eligible resiliency projects a financing package that consists of approximately 19% of funds as principal forgiveness, 56% of funds as a State loan through the DEP at 0% interest rate and the remaining 25% of funds from the Trust as a loan at the Trust's AAA market rate. Both the Sandy SRF funds and the SAIL Loan Program have been designed to play a key role in restoring the State's impacted environmental infrastructure, ensuring continued public safety and, importantly, revitalizing New Jersey's economy towards normalcy as quickly as possible.

GOING FORWARD

As the Trust embarks on its 28th 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:

- Provide efficient financing for water quality related infrastructure projects in New Jersey;
- Provide financing to eligible borrowers at the lowest possible cost, resulting in significant cost savings to the State's taxpayers and ratepayers;
- Facilitate access to capital for all qualified participants, particularly those that have lower credit ratings or which are unfamiliar with the debt financing process;
- Continue to look for opportunities to provide additional value to the State's local communities and water purveyors by developing new, relevant loan products and programs that promote efficient investment in water infrastructure; and
- Promote and educate the public as to the benefits of replacing and upgrading water related infrastructure.

The Trust looks forward to working closely with each of you to further its role of providing infrastructure loans and services that protect New Jersey's precious water resources and the safety of the public at large, as well as promote the economic development of the State. Thank you for your continued guidance and support.



Warren H. Victor
Chairman



David E. Zimmer, CFA
Executive Director

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 describes the types of projects eligible for NJEIFP loans.

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 bioretention, 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.

DRINKING WATER

Eligibility applies to projects that address federal safe drinking water health standards. This includes 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 project types.

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 cleanup 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.

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.



Southeast Monmouth MUA | Manasquan Water Treatment Plant Equalization Basin
SFY2013 Loan: \$8,821,000



Southeast Monmouth MUA | Manasquan Water Treatment Plant 2M Gallon Ground Level Storage Tank
SFY2013 Loan: \$8,821,000

LOANS: H₂LOANS SUITE OF FINANCING OFFERINGS

The New Jersey Environmental Infrastructure Trust (NJEIT or Trust) is the Garden State's independent Finance Authority which, in partnership with the Department of Environmental Protection (DEP), provides low interest rate financing for the construction of environmental 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.

New Jersey enjoys a national reputation as a leader in innovative and effective environmental protection strategies. The NJEIT, through its associated H₂LOans Suite of Financing Offerings, has been a critical facilitator of this success. Each H₂LOans 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.

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. In SFY2013 the Base Program offers 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 exist for the Barnegat Bay Watershed, Combined Sewer Overflow Abatements, Green Projects and Redevelopment Projects, some of which offer up to 50% Principal Forgiveness.

Sandy SRF (SFY2015)

New for SFY2015, Sandy NJEIFP Loans are available for environmental infrastructure projects to improve resiliency of Sandy damaged systems in future natural disasters. Sandy Loans offer a financing package that consists of approximately 19% in a non-repayment, Principal Forgiveness Loan (PFL), 56% in a DEP Loan at a 0% interest rate and 25% in a Trust Loan at the Trust's AAA market rate. The DEP and NJEIT recognize that the demand for such funds may exceed available funds and that recovery from Sandy requires the

continued repair of Sandy damaged infrastructure and improved resiliency of environmental infrastructure in future disasters. To that end, such projects have been given funding priority in the Base SFY2015 NJEIFP subject to the availability of funds at the time of project approval.

NANO Loan Program (SFY2014)

The NLP is available to Small Drinking Water Systems (SDWS) defined as those operations serving populations of up to 10,000. The NLP is designed to assist these systems with access to funds for needed infrastructure projects. The NLP offers SDWS participants between 50-100% in Principal Forgiveness. In addition, DEP administrative fees and NJEIT underwriting fees are waived.

Supplemental Financing Program

The Supplemental Loan Program (SLP) provides loans to current Program borrowers with projects in need of additional funds for completion. Applications are placed at the top of the project priority list to ensure funding for project completion. SLP financing is issued based on the funding proportions of the original loan.

SHORT TERM FINANCING OFFERINGS

SAIL Disaster Relief Program (SFY2014)

The Statewide Assistance Infrastructure Loan (SAIL) Program is available to assist borrowers with financing for projects to repair disaster-damaged infrastructure and improve the resiliency of Clean Water and Drinking Water Systems. The goal of SAIL is to provide timely and cost effective funds, in order 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 grant processes which are in need of 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.

Interim Financing Program

NJEIT makes short-term funds available to qualified projects provided they have satisfied all NJEIFP requirements including receipt of an Authorization to Award their final construction contract from the

DEP. For SFY2013 and SFY2014, IFP loans have an interest rate of 0% for Governmental Entities and 2% for all others and are converted into long-term Loans upon the issuance of the Trust's annual bond sale. For SFY2015, construction loans will be issued for maturities of up to three fiscal years to match the duration of the construction period and have an interest rate of 25% of the Trust's short-term AAA/Aaa rate.

Interim Supplemental Financing Program

The NJEIT has a separate IFP Supplemental Loan Program for current borrowers who have project cost overages equal to or less than \$300,000. The NJEIT Board may approve temporary financing prior to a project's inclusion in the priority list or State Appropriations. Supplemental IFP loans are converted into long-term loans upon inclusion in the annual appropriations list and at the time of escrow close for the annual bond sale. Interest rates for these loans are set at 0% for Government entities and 2% for all others.

Planning and Design Loan Program

The Planning and Design Loan Program (PDLP) provides financing for early stage eligible engineering costs which are incurred in completing Environmental Planning, and Engineering Design (P&D) work. PDLP Loans may be secured for up to 50% of eligible P&D costs at any time, subject to compliance with Program requirements, for projects seeking an NJEIFP long-term Loan. Interest rates for these loans are set at 0% for Government entities and 2% for all others.

Emergency Financing Program

Emergency Financing Program (EFP) Loans are temporary in nature and are available for the emergency repair of environmental infrastructure for which an application for an NJEIFP Loan has been submitted. One condition of receiving an EFP Loan is the borrower's agreement to work with NJEIT to develop an asset management plan. By their nature there is no set application schedule for an EFP loan. Interest rates for EFP loans are set at 0% for Government entities and 2% for all others.

PROGRAM BENEFITS: SAVINGS, CASH-FLOW, ADMINISTRATIVE

For over 27 years, NJEIPP's low interest rate loans have funded projects that have protected the environment, saved taxpayers \$2.3 billion through lower interest costs, and created nearly 110,000 construction jobs, adding vital economic activity to the State in the process.

DOLLAR SAVINGS BENEFITS

Earnings Credits - Earnings on investments in 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 savings realized from prior bond refundings, totaling over \$100 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 20-year obligation or for assets with useful average lives of less than 20 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 Financing Program project reviews.

Reporting - Program reports required of each borrower by the SEC, IRS, EPA and

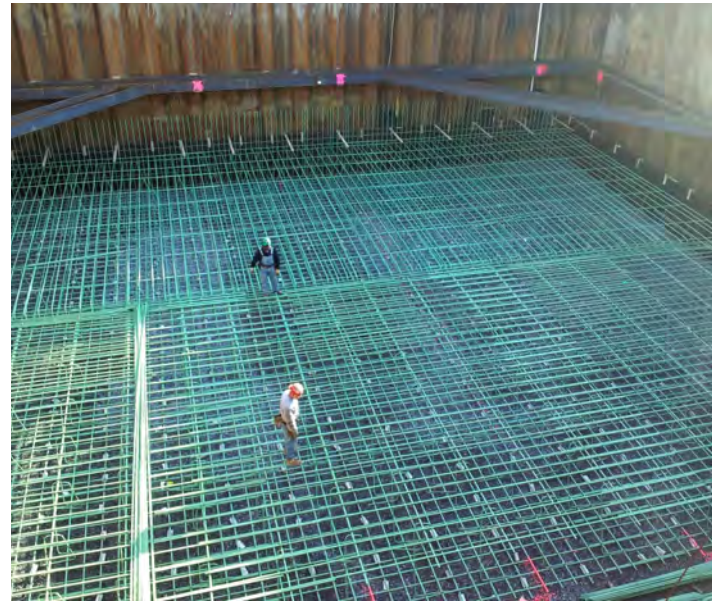
others are handled or managed by the Trust, thereby minimizing the need and expense of additional administrative staff by the borrowers.

2013 CASE STUDY:

CAMDEN COUNTY MUNICIPAL UTILITY AUTHORITY | 25 MILE SEWER INTERCEPTOR PROJECT



Above: Jack and bore installation of pipeline



Below: Foundation for the Cross Keys Pumping Station

A \$56 million loan to the Camden County Municipal Utility Authority (CCMUA) has created a triple win for the rate payers of the Authority and the State.

The CCMUA's Atlantic Basin Interceptor project, consisting of 2 new sewage pumping stations and 25 miles of new interceptor sewer lines, is creating significant environmental and economic benefits for communities even beyond the CCMUA's borders. Benefits such as these, from environmental projects financed through loans from the NJEIT's Financing Program underscore the value of the Program.

Environment - The project has eliminated the daily discharge of 2 million gallons of sewage effluent into the groundwaters of the Great Egg Harbor River and, ultimately, the Pinelands National Reserve, the daily discharge of 400,000 gallons per day of inadequately treated sewage into the groundwaters of the Mullica River and the Pinelands National Reserve, and the daily discharge of 50,000 gallons per day of sewage effluent into the Sharps Run in Medford, NJ. As a result, this project will significantly improve the water quality of the groundwaters of the Great Egg Harbor River, Mullica River and the Pinelands National Reserve.

Economic Growth - The project provides additional sewer capacity for the Boroughs of Berlin, Chesilhurst, and Pine Hill, and the Townships of Berlin, Waterford and Winslow. The increase in sewer capacity has unlocked development and growth opportunities which, in turn, is translating directly into more jobs, more and higher quality municipal rates, and quality of life improvements for the residents in these communities. In addition, this \$56 million project has resulted in the creation of an estimated 670 direct construction jobs as well as numerous, well-paying in-kind tradesman jobs.

Cost Savings - The combination of principal forgiveness and low interest rate loans offered through the NJEIT Financing Program results in a low annual debt service payment of approximately \$2.7 million per year producing cost savings to the system's ratepayers compared to CCMUA's standard, independent financing of an estimated \$22 million over the life of the loan, including \$2 million principal repayment forgiveness. Since this annual repayment obligation is offset by reductions in operations and maintenance costs for the CCMUA (via use of excess treatment capacity, newer and more efficient equipment, fewer emergency repairs of older equipment and the elimination of the

Winslow Township wastewater treatment plant), combined with additional revenues from the new development in the impacted municipalities, the CCMUA has been able to bring about these environmental and economic benefits WITHOUT having to raise rates for its customers.

Since 1996, in large part by utilizing the NJEIT's subsidized Financing Programs, the CCMUA has been able to completely rebuild its 80 million gallon per day wastewater treatment plant, thereby improving water quality and odor control performance, without having to raise rates. For 17 years the CCMUA held its rates to customers constant, an accomplishment that, on an inflation-adjusted basis, equates to a 52% cost decrease and further, has led to increased opportunities for business development in the region by keeping the costs for critical water sewer services in the area relatively low.

For a list of project types funded by the Trust's Financing Program, please see page 5 and visit: www.njeit.org.

SFY2013 PROJECTS

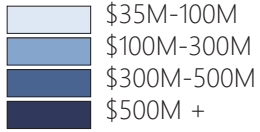
| PROJECT TYPE | BORROWER | PROJECT | TOTAL LOAN |
|----------------|---------------------------------------|--|--------------|
| Clean Water | Burlington Township | Sanitary Sewer Rehab in Beverly Area | \$1,258,250 |
| Clean Water | Caldwell Borough | Wastewater Treatment Plant Upgrades | \$421,500 |
| Clean Water | Camden County MUA | Atlantic Basin Interceptor System Exten. | \$6,445,562 |
| Clean Water | Cinnaminson Sewer Authority | Lakeview Sewer Main Lining | \$1,771,750 |
| Clean Water | Cinnaminson Sewer Authority | Headworks Replacement | \$1,692,782 |
| Drinking Water | Collingswood Borough | Water System Improvements | \$345,000 |
| Drinking Water | Collingswood Borough | Water System Improvements | \$853,800 |
| Drinking Water | Collingswood Borough | Water System Improvements | \$382,973 |
| Drinking Water | Collingswood Borough | Water System Improvements | \$332,541 |
| Clean Water | Cranford Township | Sewer Rehabilitation Project | \$1,000,910 |
| Clean Water | Cumberland County Utilities Authority | Treatment Plant Upgrades | \$1,996,250 |
| Clean Water | Elizabeth City | Third Avenue Combined Sewer Modification | \$2,302,340 |
| Drinking Water | Flemington Borough | Construction of well #5R | \$622,037 |
| Drinking Water | Flemington Borough | Construction of well #7R | \$297,218 |
| Clean Water | Gloucester County Utilities Authority | STP Improvements | \$3,119,936 |
| Clean Water | Gloucester County Utilities Authority | Warren St. Pump Station | \$406,258 |
| Clean Water | Gloucester County Utilities Authority | Clean/Lining Porches Branch San. Sewer Int. | \$311,619 |
| Drinking Water | Hammonton Town | Radium Treatment Facility - Wells #5/#7 | \$2,052,800 |
| Clean Water | Jackson Township MUA | Sanitary Sewer Trenchless Rehabilitation | \$552,000 |
| Drinking Water | Jackson Township MUA | Well House/Generator for Well No. 8 | \$788,000 |
| Clean Water | Jersey City MUA | East Side Pump Station Rehab. | \$1,029,855 |
| Clean Water | Jersey City MUA | 6th and 10th Street Sewer Rehab. and Improv. | \$3,423,000 |
| Drinking Water | Jersey City MUA | Water Main Clean/Lining/Water Main Rehab. | \$7,424,661 |
| Drinking Water | Jersey City MUA | Boonton Reservoir Gravity Supply Project | \$8,504,400 |
| Drinking Water | Manchester Utilities Authority | 2011 MUA Water System Improvements | \$709,182 |
| Drinking Water | Marlboro Township | Tennent Road Water treatment plant | \$6,754,693 |
| Drinking Water | Middlesex Water Company | Colonia water system improvements | \$3,975,000 |
| Clean Water | Milltown Borough | Sanitary Sewer System Improvements | \$601,946 |
| Drinking Water | Millville City | Well No. 18, Treat. / Booster Pumping Facil. | \$3,660,000 |
| Clean Water | Morris Township | Woodland Sewage Treatment Plant Upgrades | \$5,701,515 |
| Clean Water | National Park Borough | Replace Pump Stations 1 & 2 | \$899,530 |
| Clean Water | New Jersey City University | West Campus Redevelopment | \$13,566,049 |
| Clean Water | North Bergen MUA | Wastewater Conveyance System | \$3,085,000 |
| Clean Water | North Hudson Sewer Authority | Supplemental Loan to Project S-340952-12 | \$3,724,289 |
| Clean Water | Ocean County Utilities Authority | NWPCF and SWPCF Building Brick Repairs | \$1,213,100 |
| Clean Water | Ocean County Utilities Authority | SWPCF- Building Roof Replacement | \$979,000 |
| Clean Water | Ocean County Utilities Authority | NI-1B Interceptor Rehabilitation | \$4,063,062 |
| Clean Water | Ocean County Utilities Authority | CI-21 Forcemain Rehabilitation | \$277,250 |
| Clean Water | Ocean Township | Replace ACP Sewer Main - Hornblower Dr. | \$980,000 |
| Drinking Water | Ocean Township | Replace ACP Water Pipe on Hornblower Dr. | \$736,392 |
| Clean Water | Oradell Borough | Phase 2 Sanitary Sewer Improvements | \$890,000 |
| Clean Water | Perth Amboy City | Various Improv. to the City's Collection Syst. | \$2,482,288 |
| Clean Water | Secaucus MUA | Sewer System Truck Purchase | \$319,722 |
| Drinking Water | Southeast Monmouth MUA | Manasquan WTP Improv. (NJWSA) | \$8,183,385 |
| Drinking Water | Vineland City | Well 14 Radium Removal Treatment Facility | \$2,525,248 |
| Drinking Water | Woodbury City | Woodbury Glassboro Rd Water Main Replac. | \$3,274,825 |

TOTAL SFY2013 LOANS \$115,936,918

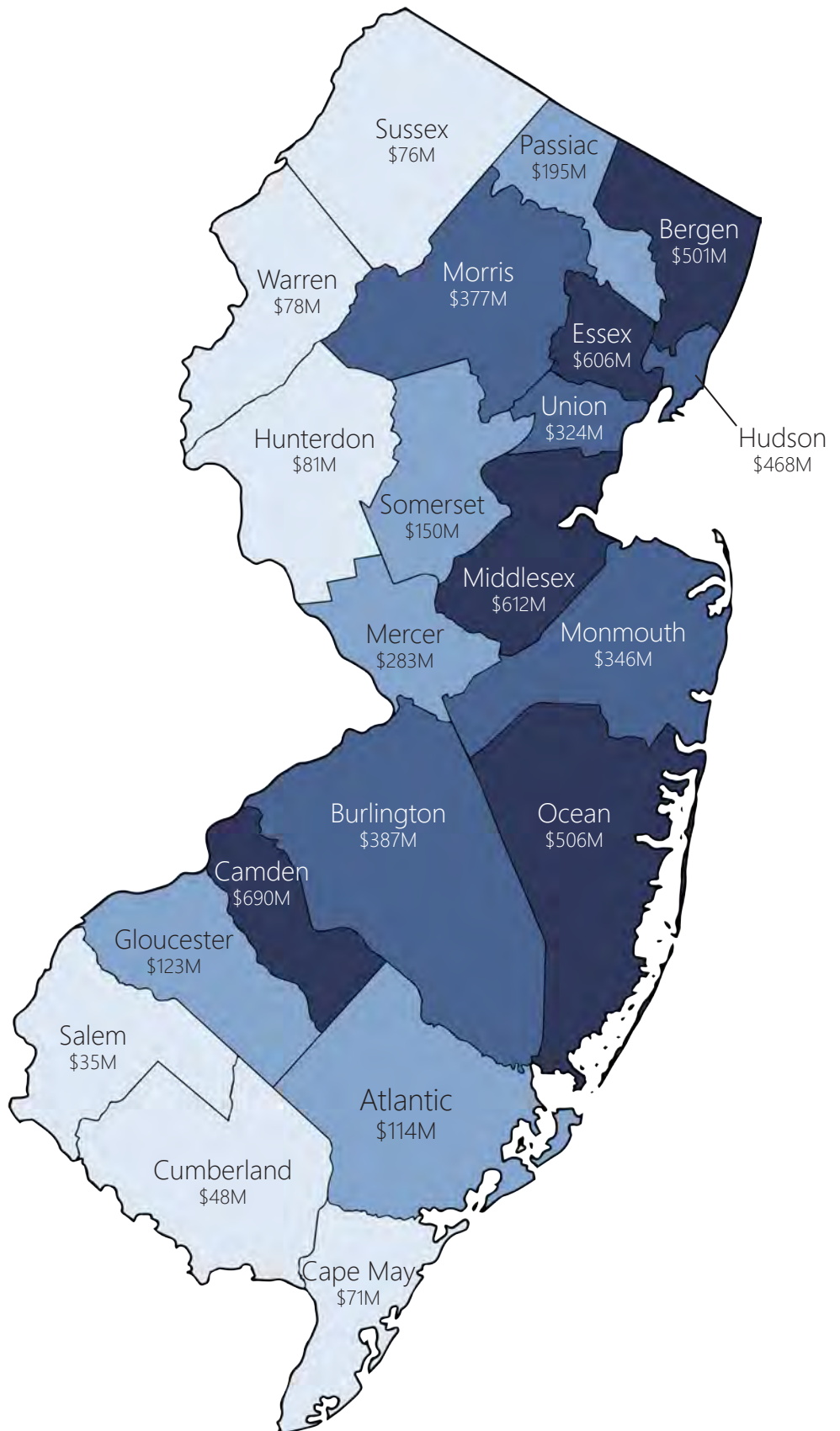
NJEIFP LOAN HISTORY: 1987-2013

BY COUNTY

LEGEND:



| County | Total Loans |
|--------------|------------------------|
| Camden | \$690,239,997 |
| Middlesex | \$611,813,670 |
| Essex | \$605,507,350 |
| Ocean | \$506,384,293 |
| Bergen | \$501,539,249 |
| Hudson | \$468,469,709 |
| Burlington | \$386,769,080 |
| Morris | \$376,648,057 |
| Monmouth | \$346,449,559 |
| Union | \$324,193,522 |
| Mercer | \$282,915,772 |
| Passaic | \$194,794,552 |
| Somerset | \$149,869,000 |
| Gloucester | \$122,638,416 |
| Atlantic | \$114,081,199 |
| Hunterdon | \$80,848,599 |
| Warren | \$78,209,375 |
| Sussex | \$76,265,048 |
| Cape May | \$70,541,361 |
| Cumberland | \$48,237,649 |
| Salem | \$35,430,013 |
| TOTAL | \$6,071,845,470 |



NJEIFP LOAN HISTORY: 1987-2013

| BORROWER | TOTAL LOAN | SAVINGS |
|----------------------------------|---------------|--------------|
| 2117 Mt. Ephraim, Inc. | \$397,969 | \$132,711 |
| Aberdeen Township | \$1,242,527 | \$282,746 |
| Allamuchy Township | \$7,494,437 | \$2,272,039 |
| Aqua New Jersey, Inc. | \$9,423,411 | \$4,135,144 |
| Asbury Park City | \$25,055,578 | \$8,192,649 |
| Atlantic City MUA | \$13,123,435 | \$7,219,078 |
| Atlantic County UA | \$42,739,172 | \$17,494,815 |
| Atlantic Highlands | \$1,783,942 | \$545,411 |
| Avalon Borough | \$1,118,240 | \$184,099 |
| Barnegat Township | \$2,771,805 | \$615,432 |
| Barrington Borough | \$1,019,712 | \$281,950 |
| Bayonne LRA | \$35,772,049 | \$14,221,928 |
| Bayonne LRA (MUA) | \$1,796,017 | \$672,404 |
| Bayonne MUA | \$28,844,005 | \$13,828,239 |
| Bayshore RSA | \$56,107,957 | \$23,038,240 |
| Bayview Water Co. | \$1,600,000 | \$485,396 |
| Beach Haven Borough | \$8,407,695 | \$4,369,386 |
| Beachwood Borough | \$3,786,344 | \$1,055,936 |
| Bellmawr Borough | \$12,462,648 | \$3,664,849 |
| Belmar Borough | \$982,903 | \$264,830 |
| Bergen County | \$7,383,149 | \$1,407,835 |
| Bergen County IA/Encap | \$211,321,814 | - |
| Bergen County UA | \$128,336,551 | \$55,531,435 |
| Bergenfield Borough | \$1,130,000 | \$366,774 |
| Berkeley Heights Township | \$15,036,610 | \$5,543,883 |
| Berkeley Township | \$3,140,003 | \$929,281 |
| Berkeley Township MUA | \$4,079,233 | \$1,030,883 |
| Berkeley Township SA | \$21,109,752 | \$6,206,658 |
| Berlin Borough | \$4,823,632 | \$1,398,702 |
| Bernardsville Borough | \$6,824,630 | \$3,190,531 |
| Bethlehem Township | \$987,100 | \$362,532 |
| Beverly SA | \$371,996 | \$83,962 |
| Boonton Town | \$2,724,836 | \$632,218 |
| Bordentown City | \$495,000 | \$115,889 |
| Bordentown SA | \$5,155,639 | \$2,470,292 |
| Bound Brook Borough | \$148,161 | \$18,294 |
| Brick Township | \$2,573,862 | \$743,254 |
| Brick Township MUA | \$31,807,430 | \$9,251,740 |
| Bridgeton City | \$10,158,187 | \$5,484,621 |
| Bridgewater Township | \$1,770,319 | \$506,350 |
| Brigantine City | \$10,878,667 | \$2,624,983 |
| Brookwood Musconetcong River POA | \$1,039,200 | \$290,505 |

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| BORROWER | TOTAL LOAN | SAVINGS |
|-------------------------------|---------------|---------------|
| Buena Borough MUA | \$1,683,486 | \$543,331 |
| Burlington City | \$20,080,143 | \$7,676,294 |
| Burlington County/BCF | \$89,521,293 | \$27,704,802 |
| Burlington Township | \$11,300,149 | \$3,469,298 |
| Byram Homeowners Assoc | \$563,450 | \$114,176 |
| Byram Township | \$1,802,284 | \$626,706 |
| Caldwell Borough | \$37,168,360 | \$14,792,460 |
| Camden City | \$102,697,059 | \$40,498,929 |
| Camden County MUA | \$468,252,139 | \$226,980,563 |
| Cape May City | \$2,082,149 | \$593,844 |
| Cape May County MUA | \$42,727,808 | \$19,978,104 |
| Cape May Point Borough | \$161,766 | \$18,145 |
| Carneys Point Township | \$502,733 | \$149,279 |
| Carneys Point Township SA | \$6,510,000 | \$3,802,420 |
| Carteret Borough | \$4,007,500 | \$1,141,714 |
| Carteret Redevelopment Agency | \$38,472,833 | \$9,701,497 |
| Cedar Glen Homes, Inc. | \$846,401 | \$225,055 |
| Cedar Glen West, Inc. | \$432,666 | \$81,832 |
| Cedar Grove Township | \$9,123,321 | \$4,168,090 |
| Chatham Borough | \$9,615,446 | \$4,676,886 |
| Chatham Township | \$1,789,863 | \$548,629 |
| Cherry Hill Township | \$6,142,348 | \$2,340,793 |
| Chester Borough | \$1,394,451 | \$473,604 |
| Chesterfield Township | \$5,622,510 | \$1,573,195 |
| Cinnaminson SA | \$8,425,042 | \$2,091,329 |
| Clementon Borough | \$1,195,000 | \$482,568 |
| Cliffside Park Borough | \$1,105,000 | \$192,622 |
| Clifton City | \$4,581,000 | \$1,455,129 |
| Clinton Town | \$11,547,749 | \$3,627,213 |
| Clinton Township | \$264,000 | \$87,631 |
| Clinton Township SA | \$2,085,074 | \$584,414 |
| Collingswood Borough | \$4,263,827 | \$1,306,666 |
| Consumers NJ Water Co | \$3,473,961 | \$1,207,131 |
| Continental Communities LLC | \$2,946,788 | \$708,952 |
| Cranford Township | \$8,351,638 | \$2,605,475 |
| Cumberland County UA | \$5,760,035 | \$1,390,805 |
| Delanco Township SA | \$1,076,866 | \$305,181 |
| Delran SA | \$13,694,636 | \$4,778,843 |
| Denville Township | \$18,205,604 | \$7,964,593 |
| Deptford Township MUA | \$5,726,491 | \$1,631,308 |
| Dover Town | \$820,539 | \$219,660 |
| Dumont Borough | \$7,062,000 | \$1,870,317 |
| Dunellen Borough | \$1,845,475 | \$527,081 |
| East Brookwood Estates POA | \$1,357,000 | \$374,503 |

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| BORROWER | TOTAL LOAN | SAVINGS |
|---------------------------------------|--------------|--------------|
| East Newark Borough | \$579,562 | \$213,166 |
| East Orange City | \$10,087,375 | \$4,389,459 |
| East Rutherford Borough | \$896,793 | \$123,271 |
| East Windsor MUA | \$52,527,046 | \$17,681,903 |
| East Windsor Township | \$868,171 | \$335,793 |
| Eatontown SA | \$4,400,336 | \$1,255,500 |
| Edgewater Borough | \$3,803,741 | \$1,274,826 |
| Edgewater MUA | \$1,771,496 | \$599,028 |
| Edgewater Park SA | \$3,242,377 | \$767,039 |
| Edison Township | \$3,299,256 | \$931,722 |
| Egg Harbor Township MUA | \$980,000 | \$103,834 |
| Elizabeth City | \$57,831,113 | \$26,999,922 |
| Elmwood Park Borough | \$8,874,766 | \$2,344,873 |
| Essex County UA | \$2,135,414 | \$666,952 |
| Evesham MUA | \$15,127,502 | \$4,757,613 |
| Evesham Township | \$2,643,250 | \$1,162,800 |
| Ewing Lawrence SA | \$13,208,067 | \$5,462,212 |
| Ewing Township | \$4,236,765 | \$1,507,523 |
| Flemington Borough | \$4,774,751 | \$1,331,577 |
| Florence Township | \$20,837,659 | \$5,597,815 |
| Florham Park SA | \$3,554,134 | \$947,442 |
| Fort Lee Borough | \$6,952,250 | \$1,967,754 |
| Franklin Borough | \$550,000 | \$181,575 |
| Franklin Township | \$3,495,733 | \$951,682 |
| Franklin Township SA | \$23,818,660 | \$6,806,281 |
| Free Acres Assoc, Inc. | \$1,097,428 | \$254,681 |
| Frenchtown Borough | \$8,724,110 | \$3,394,106 |
| Galloway Township | \$2,383,191 | \$595,131 |
| Garfield City | \$6,122,693 | \$1,652,206 |
| Gibbsboro Borough | \$2,097,711 | \$597,438 |
| Glen Ridge Borough | \$7,246,895 | \$2,083,952 |
| Gloucester City | \$14,788,317 | \$4,406,838 |
| Gloucester County IA | \$8,230,895 | \$1,890,693 |
| Gloucester County UA | \$42,228,016 | \$12,163,278 |
| Gloucester Township | \$2,012,114 | \$436,962 |
| Gloucester Township MUA | \$12,461,528 | \$3,492,069 |
| Great Gorge Terrace Condo Assoc, Inc. | \$846,930 | \$727,439 |
| Hackensack City | \$6,865,595 | \$2,463,252 |
| Hackettstown MUA | \$12,154,566 | \$4,796,442 |
| Haddon Township | \$6,387,500 | \$1,843,377 |
| Hainesport Township | \$13,711,900 | \$3,890,696 |
| Haledon Borough | \$1,538,000 | \$431,780 |
| Hamburg Borough | \$1,286,000 | \$307,168 |
| Hamilton Township | \$5,945,429 | \$2,320,913 |

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| BORROWER | TOTAL LOAN | SAVINGS |
|-------------------------------------|--------------|--------------|
| Hamilton Township MUA | \$2,191,735 | \$768,929 |
| Hammonton Town | \$18,274,733 | \$6,775,112 |
| Hanover SA | \$20,917,458 | \$8,816,080 |
| Harrington Park Borough | \$345,125 | \$20,438 |
| Harrison Town | \$5,622,704 | \$1,772,786 |
| Harrison Township | \$6,810,754 | \$1,854,117 |
| Harvey Cedars Borough | \$1,676,634 | \$494,971 |
| Hawthorne Borough | \$9,272,567 | \$2,986,757 |
| High Bridge Borough | \$926,941 | \$343,512 |
| Hightstown Borough | \$7,870,987 | \$2,786,004 |
| Hillsborough Township | \$5,951,936 | \$1,739,219 |
| Hillside Township | \$1,307,873 | \$654,320 |
| Holmdel Township | \$5,902,119 | \$2,017,568 |
| Hopatcong Borough | \$17,124,545 | \$5,010,130 |
| Howell Township | \$577,334 | \$847,145 |
| Hudson County IA (Bayonne Crossing) | \$18,726,295 | \$8,154,854 |
| Hudson County IA (Harrison Advance) | \$16,816,913 | \$5,076,479 |
| Irvington Township | \$3,885,832 | \$2,006,422 |
| Island Heights Borough | \$5,129,500 | \$1,239,237 |
| Jackson Township | \$577,334 | \$847,145 |
| Jackson Township MUA | \$19,783,109 | \$5,020,189 |
| Jefferson Township | \$1,387,350 | \$347,403 |
| Jersey City MUA | \$88,942,381 | \$30,742,979 |
| Keansburg Borough | \$5,790,422 | \$3,113,769 |
| Kearny MUA | \$11,346,953 | \$4,043,013 |
| Kearny Town | \$14,378,570 | \$4,805,447 |
| Lake Tamarack Water Co | \$137,295 | \$26,102 |
| Lakewood Township MUA | \$28,032,021 | \$7,036,332 |
| Lambertville MUA | \$7,422,000 | \$5,669,469 |
| Lambertville SA | \$3,182,679 | \$895,023 |
| Lavalette Borough | \$1,616,960 | \$542,314 |
| Lawrence Township | \$1,175,095 | \$336,494 |
| Lebanon Township | \$1,106,401 | \$424,941 |
| Leonia Borough | \$770,607 | \$202,014 |
| Linden City | \$17,530,919 | \$4,260,702 |
| Linden Roselle SA | \$23,804,320 | \$7,701,100 |
| Linwood City | \$1,990,931 | \$350,586 |
| Little Egg Harbor MUA | \$734,362 | \$169,266 |
| Livingston Township | \$17,209,276 | \$8,669,443 |
| Lodi Borough | \$140,650 | \$20,137 |
| Logan Township MUA | \$2,975,000 | \$991,125 |
| Long Beach Township | \$21,555,802 | \$6,739,179 |
| Long Branch SA | \$42,793,640 | \$19,927,930 |
| Long Hill Township | \$13,383,597 | \$5,542,768 |

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| BORROWER | TOTAL LOAN | SAVINGS |
|-----------------------------|---------------|--------------|
| Longport Borough | \$3,883,629 | \$1,340,093 |
| Lopatcong Township | \$200,000 | \$14,161 |
| Lower Township MUA | \$5,134,300 | \$2,433,854 |
| Lumberton Township | \$2,072,303 | \$599,805 |
| Lyndhurst Township | \$13,267,776 | \$3,151,026 |
| Madison Borough | \$13,077,483 | \$6,930,346 |
| Magnolia Borough | \$1,828,287 | \$462,769 |
| Manasquan Borough | \$9,370,217 | \$3,007,621 |
| Manchester Township | \$3,507,498 | \$1,263,018 |
| Manchester UA | \$5,875,557 | \$4,276,407 |
| Mantua Township MUA | \$3,997,023 | \$1,208,669 |
| Manville Borough | \$6,731,831 | \$2,891,099 |
| Maple Shade Township | \$31,184,299 | \$11,274,179 |
| Maplewood Township | \$394,262 | \$138,026 |
| Margate City | \$937,449 | \$272,768 |
| Marlboro Township | \$6,754,693 | \$1,352,618 |
| Matawan Borough | \$8,037,140 | \$2,033,321 |
| Maywood Borough | \$845,977 | \$334,029 |
| Medford Township | \$24,214,127 | \$8,758,612 |
| Mercer County | \$991,599 | \$285,310 |
| Mercer County IA | \$2,157,252 | \$660,185 |
| Merchantville Borough | \$2,688,640 | \$832,476 |
| Merchantville-Pennsauken WC | \$7,031,308 | \$1,919,711 |
| Middle Township | \$347,597 | \$101,259 |
| Middlesex Borough | \$1,694,828 | \$477,888 |
| Middlesex County UA | \$329,473,820 | \$93,215,370 |
| Middlesex Water Co | \$50,613,909 | \$13,764,104 |
| Middletown Township SA | \$15,222,686 | \$4,415,168 |
| Midland Park Borough | \$512,891 | \$183,101 |
| Millburn Township | \$2,076,373 | \$601,238 |
| Milltown Borough | \$3,480,499 | \$1,097,431 |
| Millville City | \$23,335,429 | \$9,343,622 |
| Mine Hill Township | \$1,804,557 | \$591,471 |
| Monmouth County BOA | \$1,818,952 | \$519,301 |
| Monmouth County IA | \$1,350,828 | \$149,707 |
| Monroe Township | \$2,835,280 | \$1,066,275 |
| Montclair State University | \$2,628,290 | \$670,213 |
| Montclair Township | \$8,358,318 | \$2,517,189 |
| Montgomery Township | \$32,216,019 | \$14,155,987 |
| Montville Township | \$4,201,069 | \$1,281,972 |
| Montville Township MUA | \$6,647,108 | \$2,870,066 |
| Moonachie Borough | \$407,701 | \$58,686 |
| Morris Township | \$40,763,641 | \$17,398,799 |
| Morristown Town | \$56,186,196 | \$27,385,312 |

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| BORROWER | TOTAL LOAN | SAVINGS |
|----------------------------------|---------------|--------------|
| Mt Arlington Borough | \$9,938,480 | \$2,982,384 |
| Mt Holly MUA | \$26,287,025 | \$6,735,287 |
| Mt Holly Water Co | \$13,189,909 | \$3,751,003 |
| Mt Laurel Township MUA | \$54,094,525 | \$17,996,385 |
| Mt Olive Township | \$29,640,514 | \$8,957,042 |
| Musconetcong SA | \$26,649,160 | \$7,812,360 |
| National Park Borough | \$899,530 | \$200,328 |
| Neptune Township | \$1,281,375 | \$372,999 |
| New Brunswick City | \$37,676,776 | \$13,750,571 |
| New Milford Borough | \$1,191,250 | \$284,168 |
| New Providence Borough | \$6,280,000 | \$2,601,600 |
| Newark City | \$182,743,020 | \$78,885,129 |
| Newton Town | \$12,722,306 | \$6,074,977 |
| NJ American Water | \$123,566,920 | \$37,636,924 |
| NJ City University | \$16,535,929 | \$3,990,878 |
| NJ Sports & Expo Authority | \$744,201 | \$156,211 |
| NJ Water Supply Authority | \$20,888,455 | \$6,952,127 |
| North Arlington Borough | \$507,322 | \$181,978 |
| North Bergen MUA | \$55,016,981 | \$23,257,442 |
| North Brunswick Township | \$19,791,186 | \$4,989,217 |
| North Hudson SA | \$158,982,669 | \$62,007,635 |
| North Jersey District Water SC | \$20,708,745 | \$6,887,409 |
| North Plainfield Borough | \$2,154,442 | \$726,506 |
| North Wildwood City | \$5,755,952 | \$1,740,168 |
| Northeast Monmouth County RSA | \$49,357,977 | \$16,033,978 |
| Northwest Bergen County UA | \$32,028,841 | \$10,278,897 |
| Norwood Borough | \$1,036,850 | \$249,569 |
| Nutley Township | \$5,537,148 | \$1,558,080 |
| Oaklyn Borough | \$1,298,868 | \$406,139 |
| Ocean County | \$5,865,589 | \$7,137,694 |
| Ocean County UA | \$236,161,192 | \$73,734,828 |
| Ocean Gate Borough | \$854,092 | \$426,802 |
| Ocean Township | \$5,793,255 | \$1,687,936 |
| Ocean Township SA | \$23,654,504 | \$7,195,776 |
| Oceanport Borough | \$23,149,779 | \$7,311,685 |
| Old Bridge MUA | \$47,721,413 | \$14,440,553 |
| Old Bridge Township | \$9,148,278 | \$3,054,061 |
| Old Tappan Borough | \$12,773,936 | \$4,337,051 |
| Oradell Borough | \$1,583,875 | \$363,322 |
| Orange Township City | \$11,595,473 | \$3,141,527 |
| Paramus Borough | \$1,661,330 | \$623,550 |
| Parsippany - Troy Hills Township | \$25,862,149 | \$12,370,568 |
| Passaic Valley SC | \$200,778,187 | \$76,150,253 |
| Passaic Valley WC | \$84,100,953 | \$25,706,759 |

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| BORROWER | TOTAL LOAN | SAVINGS |
|---|---------------|--------------|
| Paterson City | \$25,375,227 | \$11,050,439 |
| Pemberton Township | \$989,801 | \$268,890 |
| Pennsauken SA | \$929,000 | \$257,067 |
| Pennsgrove Water Supply Co | \$2,219,940 | \$636,029 |
| Pennsville Township | \$6,456,745 | \$1,892,047 |
| Pequannock River Basin RSA | \$12,913,542 | \$6,778,187 |
| Pequannock, Lincoln Park & Fairfield SA | \$24,860,513 | \$11,341,551 |
| Perth Amboy City | \$9,198,918 | \$2,528,553 |
| Phillipsburg Town | \$29,802,375 | \$16,110,858 |
| Pine Hill Borough MUA | \$3,099,172 | \$955,443 |
| Plainfield Area RSA | \$8,009,080 | \$2,797,087 |
| Pleasantville City | \$1,121,841 | \$438,794 |
| Point Pleasant Beach Borough | \$2,522,812 | \$995,585 |
| Pompton Lakes Borough MUA | \$15,546,328 | \$7,787,160 |
| Princeton | \$31,212,157 | \$11,540,214 |
| Rahway City | \$2,355,475 | \$637,140 |
| Rahway Valley SA | \$189,532,656 | \$54,414,180 |
| Ramsey Borough | \$1,999,175 | \$482,538 |
| Randolph Township | \$13,533,063 | \$5,910,164 |
| Raritan Township MUA | \$14,894,053 | \$6,769,697 |
| Readington Township | \$2,415,097 | \$743,810 |
| Red Bank Borough | \$2,720,227 | \$2,180,608 |
| Ridgefield Borough | \$990,000 | \$338,201 |
| Ridgefield Park Village | \$2,133,780 | \$760,004 |
| Ridgewood Village | \$18,932,172 | \$5,762,203 |
| River Edge Borough | \$566,627 | \$204,876 |
| Riverside SA | \$6,692,743 | \$2,046,257 |
| Riverside Water Reclamation Authority | \$1,589,040 | \$439,380 |
| Robbinsville Township (Washington Township) | \$1,360,000 | \$393,354 |
| Rockaway Valley RSA | \$20,257,784 | \$5,738,578 |
| Roosevelt Borough | \$540,000 | \$157,921 |
| Roselle Borough | \$1,943,011 | \$751,180 |
| Rosemont WC | \$120,782 | \$31,238 |
| Roxbury Township | \$34,388,746 | \$17,385,332 |
| Runnemede Borough | \$2,047,000 | \$590,077 |
| Runnemede Borough SA | \$1,572,106 | \$503,443 |
| Saddle Brook Township | \$2,023,154 | \$499,004 |
| Saddle River Borough | \$2,094,855 | \$571,221 |
| Salem City | \$12,963,001 | \$9,361,334 |
| Sayreville Borough | \$34,555,000 | \$10,347,576 |
| Sea Girt Borough | \$4,495,140 | \$1,205,065 |
| Seaside Park Borough | \$12,426,409 | \$3,976,006 |
| Secaucus MUA | \$3,049,345 | \$2,215,442 |
| Secaucus Town | \$3,325,000 | \$1,242,026 |

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| BORROWER | TOTAL LOAN | SAVINGS |
|---------------------------------------|---------------|--------------|
| Ship Bottom Borough | \$3,834,455 | \$1,226,044 |
| Shorelands Water Co | \$5,630,000 | \$1,432,576 |
| Somerdale Borough | \$830,528 | \$252,872 |
| Somers Point City | \$2,875,000 | \$676,561 |
| Somerset Raritan Valley SA | \$58,136,795 | \$18,544,643 |
| South Hackensack Township | \$1,441,280 | \$486,104 |
| South Jersey Water Supply Co | \$371,098 | \$91,050 |
| South Monmouth RSA | \$5,996,270 | \$1,570,937 |
| South Orange Township | \$408,405 | \$321,651 |
| South River Borough | \$6,112,500 | \$2,076,832 |
| Southeast Monmouth MUA | \$16,121,774 | \$5,268,998 |
| Stafford MUA | \$4,368,651 | \$1,482,365 |
| Stafford Township | \$36,776,552 | \$11,607,793 |
| Stillwater Township Water District#1 | \$240,833 | \$47,960 |
| Stockton Borough | \$1,566,599 | \$490,443 |
| Stone Harbor Borough | \$11,967,049 | \$3,571,137 |
| Stony Brook RSA | \$21,742,873 | \$9,634,600 |
| Sussex Borough | \$1,707,400 | \$398,970 |
| Sussex County MUA | \$11,497,587 | \$2,217,231 |
| Swedesboro Boro | \$95,589 | \$13,070 |
| Tewksbury Township | \$413,961 | \$134,285 |
| Toms River MUA | \$10,105,000 | \$2,868,572 |
| Toms River Township | \$1,484,912 | \$1,281,156 |
| Trenton City | \$131,315,560 | \$49,159,897 |
| Tuckerton Borough | \$1,811,164 | \$526,752 |
| Union Beach Borough | \$600,000 | \$203,178 |
| Union Township | \$1,628,130 | \$566,426 |
| Valley View Healthcare & Rehab Center | \$24,252 | \$5,124 |
| Verona Township | \$22,863,811 | \$10,726,261 |
| Vineland City | \$7,383,998 | \$4,760,962 |
| Voorhees Township | \$6,349,596 | \$2,372,137 |
| Waldwick Borough | \$2,951,564 | \$779,808 |
| Wall Township | \$6,966,095 | \$2,049,669 |
| Wanaque Valley RSA | \$3,432,500 | \$2,704,060 |
| Warren County MUA | \$2,054,515 | \$569,900 |
| Warren County Pequest River MUA | \$4,300,000 | \$1,223,844 |
| Warren Township SA | \$6,524,752 | \$3,112,632 |
| Washington Borough | \$17,233,521 | \$5,489,050 |
| Washington Township MUA | \$15,789,784 | \$4,967,700 |
| Watchung Borough | \$2,243,883 | \$731,365 |
| Waterford Township MUA | \$5,454,244 | \$1,500,043 |
| Wayne Township | \$14,759,658 | \$6,146,266 |
| Weehawken Township | \$8,734,336 | \$1,970,689 |
| West Deptford Township | \$16,999,696 | \$4,527,435 |

¹ Program Savings equals [a Borrowers estimated debt service payments, assuming their full loan amount had been borrowed at the NJEIT's AAA market rate] less [the Borrower's actual debt service payments due on their loans]. Reductions in program debt service payments due to refundings have been included in this calculation. These savings estimates do not include cost savings from shared underwriting expense.

| BORROWER | TOTAL LOAN | SAVINGS |
|--|------------------------|------------------------|
| West Milford MUA | \$11,327,665 | \$6,048,641 |
| West Orange Township | \$5,222,006 | \$2,268,580 |
| West Patterson (Woodland Park Borough) | \$5,183,430 | \$1,929,342 |
| West Windsor Township | \$3,269,984 | \$944,049 |
| Western Monmouth UA | \$9,149,978 | \$3,053,126 |
| Westville Borough | \$2,340,745 | \$618,041 |
| Westwood Borough | \$6,030,781 | \$1,477,000 |
| Wharton Borough | \$465,596 | \$133,835 |
| Wildwood City | \$1,246,500 | \$369,602 |
| Wildwood Crest Borough | \$4,611,677 | \$1,316,100 |
| Willingboro MUA | \$13,961,946 | \$8,710,841 |
| Willingboro Township | \$1,187,400 | \$467,151 |
| Winslow Township | \$12,819,449 | \$4,287,382 |
| Wonder Lakes Properties, Inc. | \$141,202 | \$16,997 |
| Woodbridge Township | \$884,595 | \$206,658 |
| Woodbury City | \$9,154,723 | \$2,840,787 |
| Woodbury Heights Borough | \$941,910 | \$323,244 |
| Woodstown SA | \$6,379,625 | \$2,300,323 |
| TOTAL ESTIMATED PROGRAM LOANS / SAVINGS | \$6,071,845,470 | \$2,144,918,430 |

¹ Program Savings equals [a Borrowers estimated debt service payments, assuming their full loan amount had been borrowed at the NJEIT's AAA market rate] less [the Borrower's actual debt service payments due on their loans]. Reductions in program debt service payments due to refundings have been included in this calculation. These savings estimates do not include cost savings from shared underwriting expense.

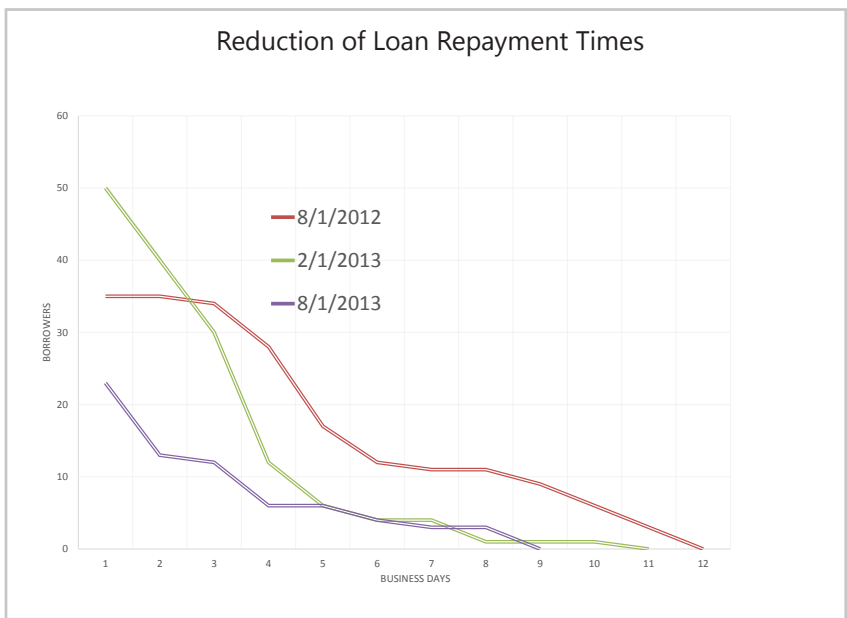


Millville City | Geissinger Well No. 18 Booster Pumping Facility
SFY2013 Loan: \$2,885,775

EFFICIENCY METRICS

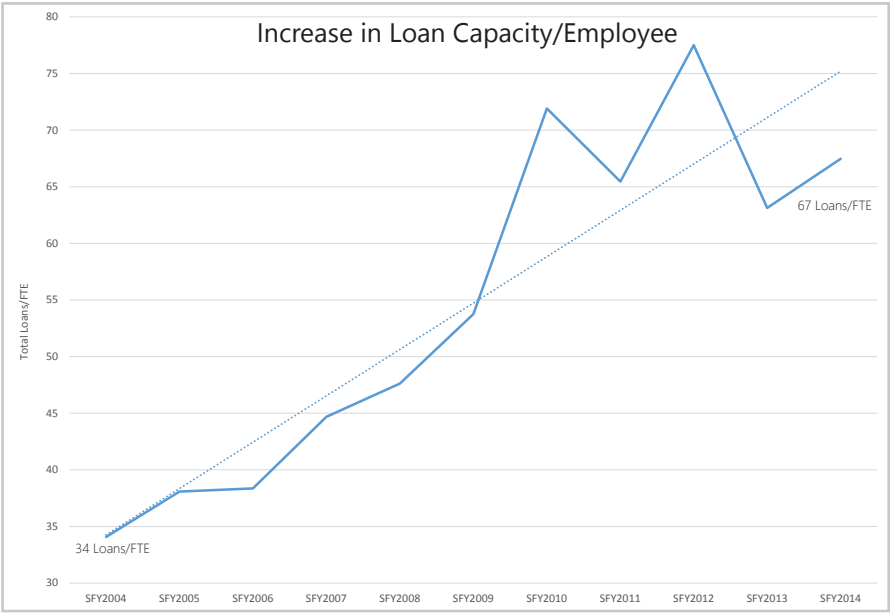
In 2011, the Trust began to strategically and systematically invest in technology upgrades to move towards an all-electronic format. The objective of this initiative is increased efficiencies, shorter processing time-lines, greater accuracy and transparency, and minimal input error and bureaucracy. With a new technology team in place, and having devoted thousands of team hours to mapping and optimizing the Financing Program's many business sub-processes, the Trust has begun to implement its new web-based Project Loan computer system, H₂LOans.

Phase I, dealing with Borrowers' submissions and the Trust's collection and use of Borrower and Project information is now active. By conservative estimates, the Trust anticipates that the application component of Phase I of H₂LOans has saved applicants an average of 11 hours on the full application submission process. In SFY2013, the Trust received 111 applications leading to a system-wide savings on application processing estimated at over \$110,000. During the next 2 fiscal years, the Trust expects to complete Phase II, an interactive system which allows the Environmental and Engineering professionals at the Department of Environmental Protection (DEP) to review and process project information simultaneously and in parallel between DEP's own internal departments.



The Trust continuously gauges increased efficiencies from technology advances and modifications to Program policies and practices. For example, the Trust refined its Borrower repayment collection process in an effort to increase the percentage of on-time payments received and reduce the collection time of those not received. The chart on the left shows a significant decrease in late payments received from bond borrowers as well as a 25% reduction in the collection time over the course of the last 3 semi-annual billing cycles.

The Trust's adoption and implementation of new technology continues to allow it to leverage its resources and staff to "accomplish more with less" and maintain its reputation as the State's premier infrastructure lending Authority. The chart on the right shows a marked trend increase in loan capacity per Trust Full Time Employee (FTE).





Millville City | Geissinger Well No. 18 Concrete Clearwell Pit Foundation
SFY2013 Loan: \$2,885,775

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

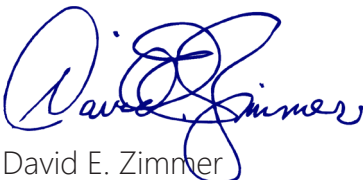
May 8, 2014

In accordance with Executive Order No. 37, the New Jersey Environmental Infrastructure Trust's SFY2013 Annual Report also serves as the comprehensive report of the Authority's operations. This report highlights the significant action of 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, Bowman and Company, 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 SFY2013, 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.

A handwritten signature in blue ink that reads "David E. Zimmer". The signature is stylized and cursive.

David E. Zimmer
Executive Director

APPENDIX

INDEPENDENT AUDITOR'S REPORT

**NEW JERSEY ENVIRONMENTAL
INFRASTRUCTURE TRUST**
(A Component Unit of the State of New Jersey)

Report of Audit

For the Years Ended June 30, 2013 and 2012



NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
(A Component Unit of the State of New Jersey)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
New Jersey Environmental Infrastructure Trust
(A Component Unit of the State of New Jersey)

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the New Jersey Environmental Infrastructure Trust, a component unit of the State of New Jersey (the "Trust"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents. The financial statements of the New Jersey Environmental Infrastructure Trust, as of June 30, 2012, were audited by another auditor whose report dated October 23, 2012 expressed an unqualified opinion under accounting principles generally accepted in the United States of America.

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the New Jersey Environmental Infrastructure Trust, a component unit of the State of New Jersey, as of June 30, 2013, and its changes in financial position and its cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

32000

Other Matters

Correction of an Error

As discussed in Note 4, management determined that the interest portion of the annual debt service requirement to maturity for bonds outstanding had been overstated as a result of utilizing debt service schedules that had not been updated for the reduction in interest payments required as a result of certain bond principal amounts that were refunded or defeased by the Trust.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 accompanying supplementary schedules as listed in the table of contents are not a required part of the basic financial statements.

The accompanying supplementary schedules as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2013 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 compliance.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
October 30, 2013, except for Note 4 as to which the date is May 8, 2014



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
New Jersey Environmental Infrastructure Trust
(A Component Unit of the State of New Jersey)

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of the New Jersey Environmental Infrastructure Trust, a component unit of the State of New Jersey (the "Trust"), as of and for the year ended June 30, 2013, 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 30, 2013. That report indicated that the financial statements of the Trust as of June 30, 2012 were audited by another auditor whose report dated October 23, 2012 expressed an unqualified opinion under accounting principles generally accepted in the United States of America.

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 our opinions 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 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

32000

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's financial statements are free from 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.

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.

Respectfully submitted,

Bowman & Company LLP
BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
October 30, 2013

REQUIRED SUPPLEMENTARY INFORMATION

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2013 and 2012

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 year ended June 30, 2013 and 2012 relative to the respective previous years. Please read this section in conjunction with the Trust's financial statements and accompany notes.

FINANCIAL HIGHLIGHTS

- The Trust's net position increased by \$963,177, or 0.31%
- Cash and investments decreased by \$111,311,083, or 19.22%
- Loans receivable increased by \$31,639,431, or 2.39%
- Bonds payable decreased by \$82,822,298, or 5.13%

During fiscal year 2013, the Trust issued two series of new bonds and several direct loans, creating 35 new loans resulting in a loans receivable increase of 2.39%. Cash and investments, which includes construction funds, decreased by 19.22% due to an increase in disbursements for project expenses to 144 borrowers which is a level twice the amount of the previous year.

In addition, a drop in market yields, fluctuation in market value of the portfolios, and amortization and accretion of individual bond price premiums and discounts contributed to change in cash and investments.

The Trust (i) defeased \$23 million of bonds due to unspent project funds and privatization, (ii) refinanced 8 outstanding series of premium priced bonds, and (iii) issued two new series and retired one series of bonds, all contributing to a bonds payable net decrease of 5.13%

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 balance sheet includes all of the Trust's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to bondholders (liabilities). All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses and changes in net position. The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Trust's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and non-capital financing activities and provides answers to such questions as where cash came from, what cash was used for, and what the change in the cash balance was during the reporting period.

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2013 and 2012

FINANCIAL ANALYSIS OF THE TRUST

The mission of the NJEIT (Trust) is to improve the environment and protect the public health by issuing and servicing subsidized environmental infrastructure loans to local government entities and water purveyors throughout the State. The Trust sells bonds in order to provide the necessary funding for these projects. Therefore, when reviewing the Trust's balance sheet, its performance should be measured by its liabilities not its assets. Bonds payable reflects the amount of public bonds outstanding. Current assets consist of committed funds that have not been requested by the borrowers for project expense reimbursements. Loans receivable is the amount of loans net of funds not yet requisitioned. As a result analyzing the assets is not the appropriate measurement of the Trust's success.

Net Position-The following table summarizes the balance sheet changes between June 30, 2013 and 2012:

| | 2013 | 2012 | Percent Increase (Decrease) | 2011 | Percent Increase (Decrease) |
|----------------------------------|----------------|----------------|-----------------------------|----------------|-----------------------------|
| Current assets | \$ 492,919,124 | \$ 623,702,675 | (20.97%) | \$ 645,315,168 | (3.35%) |
| Non-current assets | 1,365,809,818 | 1,317,307,721 | 3.68% | 1,282,103,259 | 2.75% |
| Total assets | 1,858,728,942 | 1,941,010,396 | (4.24%) | 1,927,418,427 | 0.71% |
| Noncurrent bonds payable | 1,435,974,903 | 1,517,616,137 | (5.38%) | 1,509,946,313 | 0.51% |
| Current portion of bonds payable | 94,595,420 | 95,776,484 | (1.23%) | 93,974,223 | 1.92% |
| Other liabilities | 21,173,282 | 21,595,615 | (1.96%) | 23,874,195 | (9.54%) |
| Total liabilities | 1,551,743,605 | 1,634,988,236 | (5.09%) | 1,627,794,731 | 0.44% |
| Restricted | 267,552,954 | 268,403,561 | (0.32%) | 265,306,058 | 1.17% |
| Unrestricted | 39,432,383 | 37,618,599 | 4.82% | 34,317,638 | 9.62% |
| Total net position | \$ 306,985,337 | \$ 306,022,160 | 0.31% | \$ 299,623,696 | 2.14% |

The table above illustrates that the Trust's net position increased by \$973,177 from \$306,022,160 to \$306,985,337. The total amount deposited to the Project Fund from bond proceeds was \$33,209,807. The remaining amount is unrestricted funds defined as operating accounts. At June 30, 2013, bonds payable amounted to \$1,530,570,323, a decrease of \$83,244,631 from the previous year. During the year, the Trust issued bonds in the amount of \$242,195,000 and retired \$336,638,164.

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2013 and 2012

FINANCIAL ANALYSIS OF THE TRUST (CONTINUED)

The following table summarizes the changes in net position between fiscal years 2013 and 2012:

| | 2013 | 2012 | Percent Increase (Decrease) | 2011 | Percent Increase (Decrease) |
|--------------------------|----------------|----------------|-----------------------------------|----------------|-----------------------------------|
| Operating revenues | \$ 55,085,692 | \$ 66,639,467 | (17.34%) | \$ 69,640,722 | (4.31%) |
| Total revenues | 55,085,692 | 66,639,467 | (17.34%) | 69,640,722 | (4.31%) |
| Interest expense | 49,835,908 | 56,781,723 | (12.23%) | 55,069,479 | 3.11% |
| Administrative expenses | 4,286,607 | 3,459,280 | 23.92% | 2,554,420 | 35.42% |
| Total expenses | 54,122,515 | 60,241,003 | (10.16%) | 57,623,899 | 4.54% |
| Change in net position | 963,177 | 6,398,464 | (84.95%) | 12,016,823 | (46.75%) |
| Net position - beginning | 306,022,160 | 299,623,696 | 2.14% | 287,606,873 | 4.18% |
| Net position - ending | \$ 306,985,337 | \$ 306,022,160 | 0.31% | \$ 299,623,696 | 2.14% |

While the balance sheets show the change in financial position, the statements of revenues, expenses and changes in net position illustrate the investment income and interest repayments from the borrowers, as well as administrative fees received by the Trust as compared to the interest expense payments made on the outstanding bonds. A portion of the change in net position represents investment income earned on the Project Fund investments and the Debt Service Fund with respect to the various series of Trust bonds, as well as administrative expenses paid by the Trust. The income earned in each of these funds is credited to the borrowers through reduced interest payments; the Trust does not benefit from this income. The remainder of the change in net position is attributable to the net of Trust administrative fees and expenses, and investment income earned on the Trust's assets.

OTHER FINANCIAL INFORMATION

On May 22, 2013, the Trust sold, by competitive bid, its Environmental Infrastructure Bonds Series 2013A&B to capitalize the 2013 New Jersey Environmental Infrastructure Financing Program. Under the Trust Direct Loan Program, 8 loans were issued this fiscal year.

The Trust's Series 2013A Bonds were sold to Bank of America Merrill Lynch, which was the low bidder with a true interest cost of 2.50%. The bond series is tax exempt and uninsured and rated AAA, Aaa, and AAA by Fitch Investor Services, Inc., Moody's Investors Service, and Standard & Poor's Corp., respectively. As a result of this issue, 27 projects received funding.

The Trust's Series 2013B Bond were also sold to Bank of America Merrill Lynch, which was the low bidder with a true interest cost of 2.95%. The bond series is Tax Exempt, but subject to the Alternative Minimum Tax ("AMT") and uninsured and rated AAA, Aaa, and AAA by Fitch Ratings, Moody's Investors Service, and Standard & Poor's Corp., respectively. As a result of this issue, 1 project received funding.

Loans to borrowers in the 2013 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)

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2013 and 2012

OTHER FINANCIAL INFORMATION (CONTINUED)

On August 14, 2012, the Trust issued and sold three (3) new Series of Refunding Bonds to take advantage of the current low interest rate environment for Trust Program borrowers. The proceeds of these three Series of Refunding Bonds, Series 2012A-R Bonds, Series 2012B-R Bonds and Series 2012C-R Bonds refunded \$228.2 million of outstanding Trust Bonds which resulted in the Trust passing on a reduction of interest payments owed by participating borrowers that totalled more than \$25 million dollars.

The 2012A-R Refunding Bonds were sold on a tax-exempt basis in the aggregate principal amount of \$200.9 million and refunded all of the outstanding Series 1998F and Series 1998G Bonds, and a portion of the outstanding Series 2004A, Series 2005A and Series 2006A Bonds. The winning bid for the Series 2012A-R Refunding Bonds was submitted by Bank of America Merrill Lynch with a True Interest Cost ("TIC") of 1.806%.

The Series 2012B-R Refunding Bonds were sold on a taxable basis in the aggregate principal amount of \$1.26 million and refunded all the outstanding Series 1995B Bonds and a portion of the outstanding Series 2001C Bonds. The Series 2012C-R Refunding Bonds were sold on a taxable basis in the aggregate principal amount of \$9.0 million and refunded all of the outstanding Series 2003A Bonds. Given the small size of the Series 2012B-R Refunding Bonds, competitive bidding for this Series was combined with the sale of the Series 2012C-R Refunding Bond Series on an "all-or-none" basis. Janney Montgomery Scott submitted the winning bids with a TIC of 1.931% for the Series 2012B-R Refunding Bonds and a TIC of 2.375% for the Series 2012C-R Refunding Bonds.

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 6, Lawrenceville, New Jersey 08648.

BASIC FINANCIAL STATEMENTS

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
(A Component Unit of the State of New Jersey)
Comparative Balance Sheets
As of June 30, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|--------------------------------------|-------------------------|-------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 33,602,054 | \$ 31,896,678 |
| Other Assets | 2,444,216 | 2,527,666 |
| Restricted Assets: | | |
| Cash and Cash Equivalents | 234,296,390 | 235,856,569 |
| Investments | 101,660,055 | 232,322,593 |
| Interest Receivable | 22,096,051 | 24,232,973 |
| Loans Receivable | 98,820,358 | 96,866,196 |
| Total Current Assets | <u>492,919,124</u> | <u>623,702,675</u> |
| Noncurrent Assets: | | |
| Fixed Assets | 128,997 | 87,741 |
| Restricted Assets: | | |
| Investments | 98,263,304 | 79,057,046 |
| Loans Receivable | 1,258,425,797 | 1,228,740,528 |
| Bond Issuance Costs | 8,991,720 | 9,422,406 |
| Total Noncurrent Assets | <u>1,365,809,818</u> | <u>1,317,307,721</u> |
| Total Assets | <u>\$ 1,858,728,942</u> | <u>\$ 1,941,010,396</u> |
| LIABILITIES AND NET POSITION | | |
| Current Liabilities : | | |
| Accounts Payable | \$ 1,863,992 | \$ 914,908 |
| Accrued Interest Payable | 19,309,290 | 20,680,707 |
| Current Portion of Bonds Payable | 94,595,420 | 95,776,484 |
| Total Current Liabilities | <u>115,768,702</u> | <u>117,372,099</u> |
| Noncurrent Liabilities: | | |
| Bonds Payable | <u>1,435,974,903</u> | <u>1,517,616,137</u> |
| Total Noncurrent Liabilities | <u>1,435,974,903</u> | <u>1,517,616,137</u> |
| Total Liabilities | <u>1,551,743,605</u> | <u>1,634,988,236</u> |
| Net Position: | | |
| Restricted for: | | |
| Debt Service | 255,731,973 | 256,595,153 |
| Interim Financing Trust Loan Program | 11,820,981 | 11,808,408 |
| Unrestricted | | |
| Total Net Position | <u>306,985,337</u> | <u>306,022,160</u> |
| Total Liabilities and Net Position | <u>\$ 1,858,728,942</u> | <u>\$ 1,941,010,396</u> |

The accompanying Notes to Financial Statements are an integral part of this statement.

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
 (A Component Unit of the State of New Jersey)
 Comparative Statements of Revenues, Expenses and Changes in Net Position
 For the Years Ended June 30, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|--|-----------------------|-----------------------|
| Operating Revenue: | | |
| Investment Income (Loss): | | |
| Interest Income | \$ 1,505,313 | \$ 3,177,838 |
| Net increase (decrease) in the fair value of investments | (2,226,580) | (1,768,683) |
| Interest Income from Loans | 49,921,175 | 59,256,082 |
| Administrative Fees | 5,885,784 | 5,974,230 |
| Total Operating Revenues | <u>55,085,692</u> | <u>66,639,467</u> |
| Operating Expenses: | | |
| Interest Expense | 49,835,908 | 56,781,723 |
| Administrative Expenses | 4,286,607 | 3,459,280 |
| Total Operating Expenses | <u>54,122,515</u> | <u>60,241,003</u> |
| Operating Income | 963,177 | 6,398,464 |
| Net Position, Beginning of Year | 306,022,160 | 299,623,696 |
| Net Position, End of Year | <u>\$ 306,985,337</u> | <u>\$ 306,022,160</u> |

The accompanying Notes to Financial Statements are an integral part of this statement.

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

(A Component Unit of the State of New Jersey)

Comparative Statements of Cash Flows

For the Years Ended June 30, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|---|------------------------|------------------------|
| Cash Flow from Operating Activities | | |
| Cash received for administrative fees | \$ 5,968,562 | \$ 5,857,163 |
| Cash payments for goods and services | (1,667,126) | (1,853,294) |
| Cash payments for salaries | (1,717,514) | (1,445,859) |
| Disbursement of loan funds to borrowers | (146,122,851) | (134,345,629) |
| Principal received from loans to borrowers | 113,144,925 | 82,610,822 |
| Interest received from loans to borrowers | 52,987,995 | 61,192,397 |
| Interest paid on bond maturities | (56,439,974) | (65,442,448) |
| Interest on investments | 732,749 | 2,398,943 |
| Net cash used in operating activities | <u>(33,113,234)</u> | <u>(51,027,905)</u> |
| Cash Flows from Non-Capital Financing Activities | | |
| Proceeds from sale of bonds | 32,186,024 | 105,208,035 |
| Principal paid on bond maturities | (109,078,164) | (88,965,657) |
| Issuance and servicing costs paid | (266,823) | (542,237) |
| Net cash (used in) provided by non-capital financing activities | <u>(77,158,963)</u> | <u>15,700,141</u> |
| Cash Flows from Capital and Related Financing Activities | | |
| Disposal of fixed assets | 91,832 | |
| Acquisition of fixed assets | (74,157) | (71,631) |
| Net cash used in capital and related financing activities | <u>17,675</u> | <u>(71,631)</u> |
| Cash Flows from Investing Activities | | |
| Purchase of investments | (140,040,472) | (224,055,510) |
| Proceeds from sale and maturity of investments | 250,440,191 | 201,889,849 |
| Net cash provided by investing activities | <u>110,399,719</u> | <u>(22,165,661)</u> |
| Net increase (decrease) in cash and cash equivalents | 145,197 | (57,565,056) |
| Cash and cash equivalents, beginning of year | 267,753,247 | 325,318,303 |
| Cash and cash equivalents, end of year | <u>\$ 267,898,444</u> | <u>\$ 267,753,247</u> |
| Displayed as | | |
| Cash and cash equivalents - unrestricted | \$ 33,602,054 | \$ 31,896,678 |
| Cash and cash equivalents - restricted | 234,296,390 | 235,856,569 |
| | <u>\$ 267,898,444</u> | <u>\$ 267,753,247</u> |
| Reconciliation of Operating Income to Net Cash Used In Operating Activities: | | |
| Operating income | \$ 963,177 | \$ 6,398,464 |
| Adjustments to reconcile operating income to net cash used in operating activities: | | |
| Depreciation | (58,931) | 21,513 |
| Net unrealized gain on investments | 1,056,563 | 474,973 |
| Amortization of bond discounts and premiums | (3,763,295) | (4,031,237) |
| Amortization of deferral on bond refunding | (2,166,863) | (2,739,057) |
| Amortization of bond issuance costs | 697,509 | 529,650 |
| Change in assets and liabilities | | |
| (Increase) decrease in other assets | 83,449 | (172,000) |
| (Increase) decrease in interest receivable | 2,136,922 | 810,203 |
| Increase in loans receivable | (31,639,431) | (50,041,833) |
| (Decrease) increase in accounts payable | 949,083 | 141,499 |
| Increase (decrease) in accrued interest payable | (1,371,417) | (2,420,080) |
| Net cash used in operating activities | <u>\$ (33,113,234)</u> | <u>\$ (51,027,905)</u> |

The accompanying Notes to Financial Statements are an integral part of this statement.

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

(A Component Unit of the State of New Jersey)

Notes to Financial Statements

For the Years Ended June 30, 2013 and 2012

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 Trust. On June 23, 1997, the State Legislature passed amendments to rename the entity the New Jersey Environmental Infrastructure Trust (the "Trust"). The Trust leverages federal and state dollars to finance environmental infrastructure projects. It issues revenue bonds in order to make loans to local governments and private water companies for the construction and rehabilitation of eligible projects.

The Trust is a component unit of the State of New Jersey, as defined in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, also as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, and accordingly, the financial statements of the Trust are included in the financial statements of the State of New Jersey.

In addition to a loan from the Trust, the borrowers receive an interest-free loan from by the New Jersey Department of Environmental Protection (the "Department"). The sources for the loans are State general obligation bond issuances that were approved to capitalize the various loan funds and the Federal Capitalization Grant under the Clean Water Act and the Drinking Water Act (the "Department Funds"). The accompanying financial statements do not include any assets, liabilities or fund balances of the Department Funds. Under the terms of the Trust agreement, the assets of the Trust cannot be used to satisfy the obligations of the Funds.

Either the Trust or the Fund may finance up to 75% of the allowable project costs. The Trust lends its share of allowable costs to borrowers for various terms up to a maximum of 20 years at a rate equal to or less than the interest rate on its revenue bonds. Such loan repayments will be used to pay debt service on the Trust's revenue bonds. The Department maintains an internally designated State Revolving Fund, which consists of Clean Water and Drinking Water projects, to separately account for the portion of these Trust loan financings that have been matched by federal sources from the Fund.

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, Bank of New York Mellon and TD Bank). The initial proceeds from a bond issuance are invested and 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 to verify that the disbursed funds are within the drawdown limits outlined in the loan agreements. The loan servicer receives all repayments 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, as appropriate. The trustee invests the monies received in the applicable fund. For the 2004 and later loans, the Trust's accounting staff also acts as loan servicer. As a public body under existing statute, the Trust is exempt from both federal and state taxes.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Trust conform to accounting policies generally accepted in the United States of America. The following is a summary of significant accounting policies:

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 recorded on the accrual basis 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 - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

As required by Executive Order No. 122 (McGreevey), the Trust's financial statements are audited in accordance with Generally Accepted Government Auditing Standards ("GAGAS"), issued by the Comptroller General of the United States of America, on behalf of the U.S. Government Accountability Office ("GAO").

Cash, Cash Equivalents and Investments

Cash and cash equivalents include funds invested in the Federated Prime Obligation and the Goldman Sachs Treasury Obligation Money Market Fund. 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 ranging from one 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.

Bond Issuance Costs, Bond Discounts, Bond Premiums and Deferral on Refunding

Bond issuance costs, bond discounts, bond premiums and deferral on refunding are deferred and amortized over the term of the bonds using the effective interest method. Bond discounts, bond premiums and deferral on refunding are presented as a reduction of the face amount of the bonds payable whereas bond issuance costs are recorded as other 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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Net Position**

In accordance with the provisions of GASB Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", 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, reduced, by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

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 provisions or enabling legislation, that restricts the use of net position.

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.

New Accounting Standards Adopted

During the year ended June 30, 2013, the Trust adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 61, The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34

Issued in November 2010, the objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**New Accounting Standards Adopted (Cont'd)****Statement No. 61, The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34 (Cont'd)**

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset.

Implementation of this Statement had no material impact on the Trust's 2013 financial statements.

Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements

Issued in November 2010, the objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board (FASB) Statements and Interpretations
- Accounting Principles Board Opinions
- Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

Hereinafter, these pronouncements collectively are referred to as the "FASB and AICPA pronouncements."

This Statement also supersedes Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement.

Implementation of this Statement had no material impact on the Trust's 2013 financial statements.

Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

Issued in June 2011, this Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

Implementation of this Statement had no material impact on the Trust's 2013 financial statements.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**New Accounting Standards Pronouncements to be Implemented in the Future**

The Trust plans to implement the following pronouncements by the required implementation dates or earlier, when deemed feasible:

Statement No. 65, Items Previously Reported as Assets and Liabilities

Issued in March 2012, this Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, Elements of Financial Statements, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.

Statement No. 66, Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62

Issued in March 2012, the objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**New Accounting Standards Pronouncements to be Implemented in the Future (Cont'd)**Statement No. 66, Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62 (Cont'd)

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.

Statement No. 67, Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25

Issued in June 2012, the objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

Statement No. 68, Accounting and Financial Reporting for Pensions, establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans.

This Statement and Statement 68 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. The scope of this Statement addresses accounting and financial reporting for the activities of pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**New Accounting Standards Pronouncements to be Implemented in the Future (Cont'd)***Statement No. 67, Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25 (Cont'd)*

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented. Distinctions are made regarding the particular requirements depending upon the type of pension plan administered, as follows:

- Single-employer pension plans—those in which pensions are provided to the employees of only one employer (as defined in this Statement)
- Agent multiple-employer pension plans (agent pension plans)—those in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees
- Cost-sharing multiple-employer pension plans (cost-sharing pension plans) those in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

This Statement also details the note disclosure requirements for defined contribution pension plans administered through trusts that meet the identified criteria.

This Statement is effective for financial statements for years beginning after June 15, 2013.

Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27

Issued in June 2012, the primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

Statement No. 67, Financial Reporting for Pension Plans, revises existing standards of financial reporting for most pension plans. This Statement and Statement 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**New Accounting Standards Pronouncements to be Implemented in the Future (Cont'd)**Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 (Cont'd)

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a nonemployer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for years beginning after June 15, 2014.

Statement No. 69, Government Combinations and Disposals of Government Operations

Issued in January 2013, this Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**New Accounting Standards Pronouncements to be Implemented in the Future (Cont'd)***Statement No. 69, Government Combinations and Disposals of Government Operations (Cont'd)*

The distinction between a government merger and a government acquisition is based upon whether an exchange of significant consideration is present within the combination transaction. Government mergers include combinations of legally separate entities without the exchange of significant consideration. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. This Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement defines the term operations for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations.

A disposal of a government's operations results in the removal of specific activities of a government. This Statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold.

This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.

The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

Note 3: CASH, CASH EQUIVALENTS AND INVESTMENTS

Custodial Credit Risk - Cash and cash equivalents and investments are substantially restricted under the terms of the Trust's bond resolutions for the payment of bond principal and interest expense and the extension of project loans. The bond resolutions 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. The Trust has a separate investment policy for its assets.

Pursuant to the bond resolutions for bonds issued from 1994 to 2006, the Trust is required to maintain certain invested reserves with the trustees to fund potential deficiencies in principal and interest required to be paid in succeeding years. The funds known as the debt service reserve requirement, aggregated \$94,981,023 and \$100,249,529 at June 30, 2013 and 2012, respectively, and are included in net position.

Credit Risk – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. All assets related to bond proceeds are invested by the Trust following the investment policies and restrictions as disclosed above under the custodial credit risk section. Most significantly, these investments must be obligations of the U.S. government. All other 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.

Note 3: CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

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

| | June 30, | |
|---|----------------------|----------------------|
| | 2013 | 2012 |
| Operating Checking (TD Bank) | \$83,598 | \$6,709 |
| Cash Management Fund | - | 11,084 |
| Investments (TD Bank) (categorized as CE) | 29,230,081 | 31,680,609 |
| GS SQ Treasury Obligation (TD Bank MM) | 11,922,990 | 1,161,469 |
| Federated Prime Oblig Fund (US Bank MM) | 195,206,951 | 207,358,372 |
| Goldman Sachs FS Treas Oblig (BONY MM) | 31,454,824 | 27,535,004 |
| TOTAL | <u>\$267,898,444</u> | <u>\$267,753,247</u> |

As of June 30, 2013 and 2012, the Trust had the following investments and maturities:

| Investment Type | June 30, 2013 | | | | |
|--------------------|-----------------------|--------------------------------|----------------------|-------------|--------------|
| | Fair Value | Investment Maturity (In Years) | | | |
| | | Less than 1 | 1-5 | 6-10 | More than 10 |
| US Treasury Bills | \$ - | \$ - | \$ - | \$ - | \$ - |
| US Treasury Bonds | 843,812 | - | 843,812 | - | - |
| US Treasury Notes | 88,980,462 | 37,217,233 | 51,763,229 | - | - |
| US Treasury SLUGs | 5,378,924 | 3,496,677 | 1,882,247 | - | - |
| US Treasury Strips | - | - | - | - | - |
| US Gov't Other | 104,148,161 | 60,374,145 | 43,774,016 | - | - |
| Uninvested Cash | 572,000 | 572,000 | - | - | - |
| | <u>\$ 199,923,359</u> | <u>\$ 101,660,055</u> | <u>\$ 98,263,304</u> | <u>\$ -</u> | <u>\$ -</u> |

| Investment Type | June 30, 2012 | | | | |
|--------------------|-----------------------|--------------------------------|----------------------|-------------|--------------|
| | Fair Value | Investment Maturity (In Years) | | | |
| | | Less than 1 | 1-5 | 6-10 | More than 10 |
| US Treasury Bills | \$ 36,013,467 | \$ 36,013,467 | \$ - | \$ - | \$ - |
| US Treasury Bonds | - | - | - | - | - |
| US Treasury Notes | 96,736,509 | 92,056,678 | 4,679,831 | - | - |
| US Treasury SLUGs | 51,264,236 | 45,885,312 | 5,378,924 | - | - |
| US Treasury Strips | - | - | - | - | - |
| US Gov't Other | 126,767,309 | 57,769,018 | 68,998,291 | - | - |
| Uninvested Cash | 598,118 | 598,118 | - | - | - |
| | <u>\$ 311,379,639</u> | <u>\$ 232,322,593</u> | <u>\$ 79,057,046</u> | <u>\$ -</u> | <u>\$ -</u> |

Note 4: BONDS PAYABLE

Changes in bonds payable for the year ended June 30, 2013 were as follows:

| | Balance at June 30, 2012 | Issued | Retired | Balance at June 30, 2013 | Amount Due Within One Year |
|--|--------------------------------|--------|------------|--------------------------------|----------------------------------|
| 1995 Series | | | | | |
| Series B Bonds, uninsured, maturing serially through 2015, at coupon rate of 7.0% | \$ 725,000 | \$ - | \$ 725,000 | \$ - | \$ - |
| 1998 Refunding Series | | | | | |
| Series F Bonds, insured, maturing serially through 2014, at coupon rate of 5.0% | 2,620,000 | - | 2,620,000 | - | - |
| Series G Bonds, insured, maturing serially through 2014, at coupon rate of 5.0% | 4,115,000 | - | 4,115,000 | - | - |
| 2000 Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2012, at coupon rate of 5.00% | 145,000 | - | 145,000 | - | - |
| 2001 Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2013, at coupon rate of 5.50% | 14,595,000 | - | 7,105,000 | 7,490,000 | 7,490,000 |
| Series B Bonds, uninsured AMT, maturing serially through 2013, at coupon rate of 5.00% | 3,045,000 | - | 1,485,000 | 1,560,000 | 1,560,000 |
| Series C Bonds, uninsured Federally Taxable, maturing serially through 2013, at coupon rates of 5.8% | 870,000 | - | 800,000 | 70,000 | 70,000 |
| 2002 Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2014, at coupon rate of 5.25% | 6,505,000 | - | 4,410,471 | 2,094,529 | - |
| 2003 Refunding Series | | | | | |
| Series A Bonds, insured, maturing serially through 2013, at coupon rate of 5.00% | 4,320,000 | - | 4,320,000 | - | - |
| 2003 Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2012, at coupon rate of 5.00% | 12,770,000 | - | 12,770,000 | - | - |
| 2004 Refunding Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2015, at coupon rate of 5.00% | 8,170,000 | - | 1,895,000 | 6,275,000 | 1,990,000 |
| 2004 Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2013, at coupon rate of 5.00% | 45,840,000 | - | 40,090,000 | 5,750,000 | 5,750,000 |
| Series B Bonds, uninsured AMT, maturing serially through 2024, at coupon rates from 3.6% to 5.50% | 12,195,000 | - | 830,000 | 11,365,000 | 855,000 |
| 2005 Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2014, at coupon rate of 5.00% | 98,355,000 | - | 86,690,000 | 11,665,000 | 5,695,000 |
| Series B Bonds, uninsured AMT, maturing serially through 2025, at coupon rates from 4.00% to 4.70% | 2,555,000 | - | 135,000 | 2,420,000 | 140,000 |

Note 4: BONDS PAYABLE (CONTINUED)

| | Balance at June 30, 2012 | Issued | Retired | Balance at June 30, 2013 | Amount Due Within One Year |
|--|--------------------------------|--------|-------------|--------------------------------|----------------------------------|
| 2005 BCIA/ENCAP Golf Holdings | | | | | |
| Variable rate bond series maturing through 2025, with weekly coupon rate calculations | \$ 88,413,346 | \$ - | \$ - | \$ 88,413,346 | \$ 6,801,027 |
| 2006 Refunding Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2020, at coupon rate of 5.00% | 39,210,000 | - | - | 39,210,000 | 4,260,000 |
| Series B Bonds, uninsured, maturing serially through 2019, at coupon rate of 5.00% | 27,259,343 | - | 4,580,599 | 22,678,744 | 2,862,361 |
| Series C Bonds, uninsured, maturing serially through 2017, at coupon rates from 4.00% to 5.00% | 12,310,000 | - | 1,840,000 | 10,470,000 | 1,910,000 |
| Series D Bonds, uninsured, maturing serially through 2016, at coupon rates from 4.00% to 5.00% | 13,300,000 | - | 2,455,000 | 10,845,000 | 2,580,000 |
| 2006 Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2015, at coupon rates of 5.00% | 122,725,000 | - | 101,630,000 | 21,095,000 | 6,695,000 |
| Series B Bonds, uninsured, maturing serially through 2026, at coupon rates from 4.00% to 5.00% | 18,790,000 | - | 915,000 | 17,875,000 | 955,000 |
| 2007 Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2027, at coupon rates from 3.50% to 5.00% | 188,450,000 | - | 16,310,000 | 172,140,000 | 10,280,000 |
| 2007 Refunding Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2021, at coupon rates of 5.00% to 5.25% | 51,940,000 | - | - | 51,940,000 | - |
| Series B Bonds, uninsured, maturing serially through 2022, at coupon rates from 4.00% to 5.25% | 35,640,000 | - | 1,039,253 | 34,600,747 | - |
| Series C Bonds, uninsured, maturing serially through 2022, at coupon rate of 5.00% | 38,830,000 | - | - | 38,830,000 | - |
| Series D Bonds, uninsured AMT, maturing serially through 2016, at coupon rate of 5.00% | 1,730,000 | - | 325,000 | 1,405,000 | 335,000 |
| 2008 Refunding Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2018, at coupon rates of 4% to 4.50% | 18,500,000 | - | 2,395,000 | 16,105,000 | 2,475,000 |
| 2008 Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2028, at coupon rates from 5.00% to 5.50% | 121,460,000 | - | 9,625,000 | 111,835,000 | 5,240,000 |
| 2009 Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2029, at coupon rates from 3.50% to 5.00% | 59,780,000 | - | 3,720,000 | 56,060,000 | 2,550,000 |
| Series C Bonds, uninsured, maturing serially through 2029, at coupon rates from 3% to 5.50% | 5,695,000 | - | 220,000 | 5,475,000 | 225,000 |
| 2010A Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2029, at coupon rates from 3.00% to 5.00% | 124,570,000 | - | 9,245,000 | 115,325,000 | 4,725,000 |

Note 4: BONDS PAYABLE (CONTINUED)

| | Balance at June 30, 2012 | Issued | Retired | Balance at June 30, 2013 | Amount Due Within One Year |
|---|--------------------------------|-----------------------|-----------------------|--------------------------------|----------------------------------|
| 2010 Refunding Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2024, at coupon rates from 3.00% to 5.00% | \$ 63,705,000 | \$ - | \$ 5,191,653 | \$ 58,513,347 | \$ 6,977,032 |
| Series B Bonds, uninsured, maturing serially through 2020, at coupon rates from 3.00% to 4.00% | 4,800,000 | - | 2,876,188 | 1,923,812 | 240,000 |
| 2010B&C Series | | | | | |
| Series B Bonds, uninsured, maturing serially through 2030, at coupon rate of 5.00% | 117,265,000 | - | 4,630,000 | 112,635,000 | 4,085,000 |
| Series C Bonds, uninsured, maturing serially through 2030, at coupon rates from 3.00% to 4.375% | 8,050,000 | - | 305,000 | 7,745,000 | 310,000 |
| 2011 Refunding Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2018, at coupon rates of 3.00% | 3,095,000 | - | 400,000 | 2,695,000 | 415,000 |
| Series B Bonds, uninsured, maturing serially through 2021, at coupon rates from 4.00% to 5.00% | 11,060,000 | - | - | 11,060,000 | - |
| Series C Bonds, uninsured, maturing serially through 2020, at coupon rates from 2.00% to 4.00% | 10,310,000 | - | 800,000 | 9,510,000 | 820,000 |
| 2012 Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2031, at coupon rates from 2.00% to 5.00% | 67,765,000 | - | - | 67,765,000 | 1,475,000 |
| Series B Bonds, uninsured, maturing serially through 2031, at coupon rates from 2.00% to 5.00% | 20,490,000 | - | - | 20,490,000 | 730,000 |
| Series C Bonds, uninsured, maturing serially through 2031, at coupon rates from 2.00% to 4.00% | 4,775,000 | - | - | 4,775,000 | - |
| 2012 Refunding Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2026, at coupon rates from 3.00% to 4.25% | - | 200,900,000 | - | 200,900,000 | 3,255,000 |
| Series B Bonds, uninsured, maturing serially through 2021, at coupon rate of 3.00% | - | 1,255,000 | - | 1,255,000 | 175,000 |
| Series C Bonds, uninsured, maturing serially through 2021, at coupon rate of 3.00% | - | 9,010,000 | - | 9,010,000 | 670,000 |
| 2013 Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2032, at coupon rates from 3.00% to 5.00% | - | 30,015,000 | - | 30,015,000 | - |
| Series B Bonds, uninsured, maturing serially through 2032, at coupon rates from 3.00% to 3.25% | - | 1,015,000 | - | 1,015,000 | - |
| Total | 1,496,742,689 | <u>\$ 242,195,000</u> | <u>\$ 336,638,164</u> | 1,402,299,525 | 94,595,420 |
| Less | | | | | |
| Unamortized net premiums | 86,493,528 | | | 112,650,883 | |
| Unamortized deferral on refunding | 30,156,404 | | | 15,619,915 | |
| Bonds payable - net | <u>\$1,613,392,621</u> | | | <u>\$1,530,570,323</u> | <u>\$ 94,595,420</u> |

Note 4: BONDS PAYABLE (CONTINUED)

Changes in bonds payable for the year ended June 30, 2012 were as follows:

| | Balance at June 30, 2011 | Issued | Retired | Balance at June 30, 2012 | Amount Due Within One Year |
|--|--------------------------------|--------|------------|--------------------------------|----------------------------------|
| 1995 Series | | | | | |
| Series B Bonds, uninsured, maturing serially through 2015, at coupon rate of 7.0% | \$ 875,000 | \$ - | \$ 150,000 | \$ 725,000 | \$ 165,000 |
| 1997 Series | | | | | |
| Series D Bonds, uninsured, maturing serially through 2012, at coupon rate of 7.0% | 1,320,000 | - | 1,320,000 | - | - |
| 1998 Refunding Series | | | | | |
| Series C Bonds, insured, maturing serially through 2012, at coupon rate from 5.0% to 5.25% | 4,420,000 | - | 4,420,000 | - | - |
| Series D Bonds, insured, maturing serially through 2012, at coupon rate of 5.0% | 775,000 | - | 775,000 | - | - |
| Series E Bonds, insured, maturing serially through 2012, at coupon rate of 5.0% | 1,780,000 | - | 1,780,000 | - | - |
| Series F Bonds, insured, maturing serially through 2014, at coupon rate of 5.0% | 3,840,000 | - | 1,220,000 | 2,620,000 | 1,275,000 |
| Series G Bonds, insured, maturing serially through 2014, at coupon rate of 5.0% | 6,030,000 | - | 1,915,000 | 4,115,000 | 1,995,000 |
| 1998 Series | | | | | |
| Series B Bonds, uninsured AMT, maturing serially through 2012, at coupon rate from 4.5% to 4.625% | 4,405,000 | - | 4,405,000 | - | - |
| 2000 Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2012, at coupon rate of 5.00% | 285,000 | - | 140,000 | 145,000 | 145,000 |
| 2001 Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2013, at coupon rate of 5.50% | 21,335,000 | - | 6,740,000 | 14,595,000 | 7,105,000 |
| Series B Bonds, uninsured AMT, maturing serially through 2013, at coupon rate of 5.00% | 18,730,000 | - | 15,685,000 | 3,045,000 | 1,485,000 |
| Series C Bonds, uninsured Federally Taxable, maturing serially through 2013, at coupon rates of 5.8% | 930,000 | - | 60,000 | 870,000 | 65,000 |
| 2002 Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2014, at coupon rate from 5.00% to 5.25% | 10,655,000 | - | 4,150,000 | 6,505,000 | 4,360,000 |
| Series B Bonds, uninsured, maturing serially through 2014, at coupon rate from 4.00% to 5.00% | 14,090,000 | - | 14,090,000 | - | - |
| 2003 Refunding Series | | | | | |
| Series A Bonds, insured, maturing serially through 2013, at coupon rate of 5.00% | 9,010,000 | - | 4,690,000 | 4,320,000 | 4,320,000 |
| 2003 Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2012, at coupon rate from 3.00% to 5.00% | 16,060,000 | - | 3,290,000 | 12,770,000 | 3,450,000 |
| 2004 Refunding Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2015, at coupon rate from 5.00% to 5.25% | 9,985,000 | - | 1,815,000 | 8,170,000 | 1,895,000 |

Note 4: BONDS PAYABLE (CONTINUED)

| | Balance at June 30, 2011 | Issued | Retired | Balance at June 30, 2012 | Amount Due Within One Year |
|--|--------------------------------|--------|--------------|--------------------------------|----------------------------------|
| 2004 Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2013, at coupon rate from 4.00% to 5.00% | \$ 51,050,000 | \$ - | \$ 5,210,000 | \$ 45,840,000 | \$ 5,455,000 |
| Series B Bonds, uninsured AMT, maturing serially through 2024, at coupon rates from 3.125% to 5.50% | 13,905,000 | - | 1,710,000 | 12,195,000 | 830,000 |
| 2005 Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2014, at coupon rate from 4.00% to 5.00% | 103,525,000 | - | 5,170,000 | 98,355,000 | 5,415,000 |
| Series B Bonds, uninsured AMT, maturing serially through 2025, at coupon rates from 4.00% to 4.70% | 2,685,000 | - | 130,000 | 2,555,000 | 135,000 |
| 2005 BCIA/ENCAP Golf Holdings | | | | | |
| Variable rate bond series maturing through 2025, with weekly coupon rate calculations | 88,413,346 | - | - | 88,413,346 | 6,315,239 |
| 2006 Refunding Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2020, at coupon rate of 5.00% | 39,210,000 | - | - | 39,210,000 | - |
| Series B Bonds, uninsured, maturing serially through 2019, at coupon rate of from 4.00% to 5.00% | 30,010,000 | - | 2,750,657 | 27,259,343 | 2,881,245 |
| Series C Bonds, uninsured, maturing serially through 2017, at coupon rates from 4.00% to 5.00% | 14,075,000 | - | 1,765,000 | 12,310,000 | 1,840,000 |
| Series D Bonds, uninsured, maturing serially through 2016, at coupon rates from 4.00% to 5.00% | 15,665,000 | - | 2,365,000 | 13,300,000 | 2,455,000 |
| 2006 Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2015, at coupon rates from 4.00% to 5.00% | 128,845,000 | - | 6,120,000 | 122,725,000 | 6,425,000 |
| Series B Bonds, uninsured, maturing serially through 2026, at coupon rates from 4.00% to 5.00% | 19,670,000 | - | 880,000 | 18,790,000 | 915,000 |
| 2007 Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2027, at coupon rates from 3.50% to 5.00% | 198,190,000 | - | 9,740,000 | 188,450,000 | 10,210,000 |
| 2007 Refunding Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2021, at coupon rates of 5.00% to 5.25% | 51,940,000 | - | - | 51,940,000 | - |
| Series B Bonds, uninsured, maturing serially through 2022, at coupon rates from 4.00% to 5.25% | 35,640,000 | - | - | 35,640,000 | - |
| Series C Bonds, uninsured, maturing serially through 2022, at coupon rate of 5.00% | 38,830,000 | - | - | 38,830,000 | - |
| Series D Bonds, uninsured AMT, maturing serially through 2016, at coupon rate of 5.00% | 2,035,000 | - | 305,000 | 1,730,000 | 325,000 |
| 2008 Refunding Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2018, at coupon rates of 3.25% to 4.50% | 20,780,000 | - | 2,280,000 | 18,500,000 | 2,395,000 |
| 2008 Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2028, at coupon rates from 5.00% to 5.50% | 126,010,000 | - | 4,550,000 | 121,460,000 | 5,115,000 |

Note 4: BONDS PAYABLE (CONTINUED)

| | Balance at June 30, 2011 | Issued | Retired | Balance at June 30, 2012 | Amount Due Within One Year |
|--|--------------------------------|-----------------------|-----------------------|--------------------------------|----------------------------------|
| 2009 Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2029, at coupon rates from 2.00% to 5.00% | \$ 61,945,000 | \$ - | \$ 2,165,000 | \$ 59,780,000 | \$ 2,245,000 |
| Series C Bonds, uninsured, maturing serially through 2029, at coupon rates from 2.375% to 5.50% | 5,695,000 | - | - | 5,695,000 | 220,000 |
| 2010A Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2029, at coupon rates from 3.00% to 5.00% | 127,595,000 | - | 3,025,000 | 124,570,000 | 6,495,000 |
| 2010 Refunding Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2024, at coupon rates from 3.00% to 5.00% | 68,570,000 | - | 4,865,000 | 63,705,000 | 4,965,000 |
| Series B Bonds, uninsured, maturing serially through 2020, at coupon rates from 2.00% to 4.00% | 5,275,000 | - | 475,000 | 4,800,000 | 485,000 |
| 2010B&C Series | | | | | |
| Series B Bonds, uninsured, maturing serially through 2030, at coupon rate of 5.00% | 117,265,000 | - | - | 117,265,000 | 2,890,000 |
| Series C Bonds, uninsured, maturing serially through 2030, at coupon rates from 3.00% to 4.375% | 8,050,000 | - | - | 8,050,000 | 305,000 |
| 2011 Refunding Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2018, at coupon rates of 3.00% | - | 3,095,000 | - | 3,095,000 | 400,000 |
| Series B Bonds, uninsured, maturing serially through 2021, at coupon rates from 4.00% to 5.00% | - | 11,060,000 | - | 11,060,000 | - |
| Series C Bonds, uninsured, maturing serially through 2020, at coupon rates from 2.00% to 4.00% | - | 10,310,000 | - | 10,310,000 | 800,000 |
| 2012 Series | | | | | |
| Series A Bonds, uninsured, maturing serially through 2031, at coupon rates from 2.00% to 5.00% | - | 67,765,000 | - | 67,765,000 | - |
| Series B Bonds, uninsured, maturing serially through 2031, at coupon rates from 2.00% to 5.00% | - | 20,490,000 | - | 20,490,000 | - |
| Series C Bonds, uninsured, maturing serially through 2031, at coupon rates from 2.00% to 4.00% | - | 4,775,000 | - | 4,775,000 | - |
| Total | 1,499,398,346 | <u>\$ 117,495,000</u> | <u>\$ 120,150,657</u> | 1,496,742,689 | 95,776,484 |
| Less | | | | | |
| Unamortized net premiums | 76,587,839 | | | 86,493,528 | |
| Unamortized deferral on refunding | 27,934,351 | | | 30,156,404 | |
| Bonds payable - net | <u>\$ 1,603,920,536</u> | | | <u>\$ 1,613,392,621</u> | <u>\$ 95,776,484</u> |

Note 4: BONDS PAYABLE (CONTINUED)

Annual debt service requirements to maturity for bonds outstanding are as follows:

| Fiscal year ending June 30, | Principal | Interest | Total |
|-----------------------------------|------------------|----------------|------------------|
| 2014 | \$ 94,595,420 | \$ 56,873,924 | \$ 151,469,344 |
| 2015 | 97,319,412 | 53,150,999 | 150,470,411 |
| 2016 | 98,299,316 | 49,046,726 | 147,346,042 |
| 2017 | 99,164,861 | 44,861,335 | 144,026,196 |
| 2018 | 98,530,172 | 40,651,678 | 139,181,850 |
| 2019 through 2023 | 477,670,375 | 138,809,772 | 616,480,147 |
| 2024 through 2028 | 339,764,969 | 51,646,811 | 391,411,780 |
| 2029 through 2033 | 96,955,000 | 5,953,663 | 102,908,663 |
| | \$ 1,402,299,525 | \$ 440,994,908 | \$ 1,843,294,433 |
| Unamortized net premiums | 112,650,883 | | |
| Unamortized deferral on refunding | 15,619,915 | | |
| Bonds payable - net | \$1,530,570,323 | | |

In May 2014, management determined that the interest portion of the annual debt service requirement to maturity for bonds outstanding had been overstated in Note 4 of the original audit report dated October 30, 2013. The overstatement was the result of utilizing debt service schedules that had not been updated for the reduction in interest payments required as a result of certain bond principal amounts that were refunded or defeased by the Trust.

The Trust has no taxing power, and the State of New Jersey is not liable for the bonds of 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 deposit with the bond trustee. Certain bonds originally issued through 1994 are insured by the Financial Guaranty Insurance Company.

Note 5: 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. Accordingly, the escrow fund assets and the liability for defeased bonds are not included in the Trust's financial statements.

These transactions defeased the outstanding bond issuances with a resultant reduction in annual debt service during the term of the issuances. The savings, together with any accounting gain or loss to be reported in the year of the refunding, accrue to the respective borrowers.

On August 14, 2012, the Trust issued \$200.90 million in environmental infrastructure refunding bonds with interest rates ranging between 3.00% and 4.00%. The Trust issued the bonds to (1) current refund (a) \$2,620,000 of the outstanding series 1998F bonds with a 5.0% interest rate; and (b) \$4,115,000 of the outstanding series 1998G bonds with a 5.0% interest rate; and (2) advance refund (a) \$34,635,000 of the outstanding series 2004A bonds with interest rates ranging from 4.00% to 4.375%; (b) \$81,275,000 of the outstanding series 2005A bonds with interest rates ranging from 4.00% to 4.50%; and (c) \$94,300,000 of the outstanding series 2006A bonds with interest rates ranging from 4.00% to 5.00%. The Trust used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited

Note 5: ADVANCE REFUNDING (CONTINUED)

in an irrevocable trust to provide for all future debt service on the refunded portion of the 2004A, 2005A and 2006A series bonds. As a result, those portions of the 2004A, 2005A and 2006A series bonds are considered defeased, and the Trust has removed the liability from its accounts.

The advance refunding reduced total debt service payments over the next 15 years by approximately \$26.7 million. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$23.6 million.

Defeased bonds outstanding at June 30, 2013, are comprised of the following:

| Issue | Principal Amount Outstanding June 30, 2013 |
|---------------------------------|--|
| 2012 Refunding | |
| 2004 Series A | \$ 34,635,000 |
| 2005 Series A | 81,275,000 |
| 2006 Series A | 94,300,000 |
| | <u>\$ 210,210,000</u> |
| 2010A Refunding | |
| 2004 Series A | 2,530,000 |
| 2006 Series A | 10,765,000 |
| | <u>\$ 13,295,000</u> |
| 2007 Refunding | |
| 2004 Series A | <u>\$ 42,565,000</u> |
| Individual Borrower Defeasances | |
| 1996 Series A | \$ 275,000 |
| 1999 Series A | 1,946,902 |
| 2000 Series A | 370,000 |
| 2000 Series B | 2,585,000 |
| 2001 Series A | 75,000 |
| 2002 Series A | 1,220,000 |
| 2004 Series A | 910,000 |
| 2004 Series B | 1,854,144 |
| 2005 Series A | 1,165,000 |
| 2006 Series A | 1,530,000 |
| 2006 Series B | 20,000 |
| 2007 Series A | 8,135,000 |
| 2008 Series A | 4,510,000 |
| 2009 Series A | 1,475,000 |
| 2010 Series A | 2,750,000 |
| 2010 Series B | 1,740,000 |
| | <u>\$ 30,561,046</u> |

Note 6: LOANS RECEIVABLE

The Trust provides loans to local governmental units and water purveyors to finance allowable costs of clean water and safe drinking water projects. The various Trust loans are grouped into a pool or pools and funded with the proceeds of Trust bonds or other obligations. 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, which are backed by the full faith and credit of each borrower, are repayable over 20 years with coupon rates from 2.0% to 5.8% per annum.

Each local government unit and private water company that borrows from the Trust 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. Each such obligation is assigned by the Trust to the Trust's trustee. These obligations bear interest at the same rates and are callable at the same times and prices, as the corresponding Trust bonds.

The Trust's loans receivable balance of \$1,357,246,155 and \$1,325,606,724 as of June 30, 2013 and 2012, consisted of outstanding loans issued of \$1,473,257,142 and 1,555,371,601, net of undisbursed loan funds of \$116,010,987 and \$229,764,877, respectively.

Annual maturities for loans receivable are as follows:

| <u>Fiscal year ending June 30,</u> | <u>Principal</u> |
|------------------------------------|-------------------------|
| 2014 | \$ 98,820,358 |
| 2015 | 100,270,154 |
| 2016 | 105,302,730 |
| 2017 | 106,570,580 |
| 2018 | 106,090,883 |
| 2019 through 2023 | 510,893,214 |
| 2024 through 2028 | 348,300,294 |
| 2029 through 2033 | 97,008,929 |
| | <u>\$ 1,473,257,142</u> |

Note 7: MASTER PROGRAM TRUST AGREEMENT

The New Jersey Wastewater Treatment Financing Program instituted the Master Program Trustee. Since 1989, repayments from all loans made to borrowers by the Department of Environmental Protection are deposited with US Bank (the "Master Program Trustee"). These funds provide additional security for the 1995 Trust Bonds and for any new Trust Bonds issued thereafter. These funds are held by the Master Program Trustee for up to a period of one year, after which time the funds are transferred to the State. The balance in the Master Program Trustee Account as of June 30, 2013 and 2012 was \$34,233,118 and \$34,816,496, respectively. This balance is not an asset of the Trust; however, it is available to pay obligations of the Trust in case of default by program borrowers. Therefore, this amount is not reflected in the Trust's financial statements.

Note 8: NET POSITION

The Trust's net position is categorized as follows:

- Restricted for debt service
- Restricted for Interim Financing Trust Loan Program
- Unrestricted

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. Net position restricted for interim financing is restricted for short-term financing of allowable costs of environmental infrastructure projects. Unrestricted net position includes all other amounts.

Note 9: OTHER MATTER

An Event of Default ("EOD") currently exists 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, specially 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.

Note 10: COMMITMENTS AND CONTINGENCIES**Litigation**

The Trust is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the Trust, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

Note 11: 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 arbitrage bond yield are required to be rebated to the United States Treasury Department within sixty days of the end of the 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. However, the Trust prepares annual rebate calculations for purposes of determining any contingent liability for rebate. As of June 30, 2013 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.

Note 12: SUBSEQUENT EVENTS

Management has evaluated subsequent events and transactions that occurred after the balance sheet date, but before May 8, 2014, the date the revised financial statements were available to be issued, and determined that except for the item discussed in Note 4 regarding the correction of the overstatement of the interest portion of the annual debt service requirement to maturity for bonds outstanding, there were no items requiring recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
 (A Component Unit of the State of New Jersey)
 Balance Sheet - State Revolving Fund - Clean Water
 As of June 30, 2013

ASSETS

Current Assets:

Restricted Assets:

| | |
|---------------------------|--------------------|
| Cash and Cash Equivalents | \$ 154,610,813 |
| Investments | 73,438,972 |
| Interest Receivable | 15,402,110 |
| Loans Receivable | 74,157,352 |
| Total Current Assets | <u>317,609,247</u> |

Noncurrent Assets:

Restricted Assets:

| | |
|-------------------------|-------------------------|
| Investments | 57,073,302 |
| Loans Receivable | 906,781,725 |
| Bond Issuance Costs | 6,614,995 |
| Total Noncurrent Assets | <u>970,470,022</u> |
| Total Assets | <u>\$ 1,288,079,269</u> |

LIABILITIES AND NET POSITION

Current Liabilities:

| | |
|----------------------------------|-------------------|
| Accrued Interest Payable | \$ 13,589,919 |
| Current Portion of Bonds Payable | 71,277,035 |
| Total Current Liabilities | <u>84,866,954</u> |

Noncurrent Liabilities:

| | |
|------------------------------|----------------------|
| Bonds Payable | 1,027,565,888 |
| Total Noncurrent Liabilities | <u>1,027,565,888</u> |
| Total Liabilities | <u>1,112,432,842</u> |

Net Position:

Restricted for:

| | |
|--------------------------------------|-------------------------|
| Debt Service | 163,825,446 |
| Interim Financing Trust Loan Program | 11,820,981 |
| Total Net Position | <u>175,646,427</u> |
| Total Liabilities and Net Position | <u>\$ 1,288,079,269</u> |

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
(A Component Unit of the State of New Jersey)
Statement of Revenues, Expenses and Changes in Net Position -
State Revolving Fund - Clean Water
For the Year Ended June 30, 2013

| | |
|---------------------------------|-----------------------|
| Operating Revenue: | |
| Investment Income (Loss) | \$ (465,906) |
| Interest Income from Loans | 33,168,218 |
| Total Operating Revenues | <u>32,702,312</u> |
| Operating Expenses: | |
| Interest Expense | 34,399,172 |
| Total Operating Expenses | <u>34,399,172</u> |
| Operating Income (Loss) | (1,696,860) |
| Net Position, Beginning of Year | 177,343,287 |
| Net Position, End of Year | <u>\$ 175,646,427</u> |

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
 (A Component Unit of the State of New Jersey)
 Balance Sheet - State Revolving Fund - Drinking Water
 As of June 30, 2013

ASSETS

Current Assets:

Restricted Assets:

| | |
|---------------------------|-------------------|
| Cash and Cash Equivalents | \$ 44,389,576 |
| Investments | 12,356,145 |
| Interest Receivable | 4,339,415 |
| Loans Receivable | 16,545,896 |
| Total Current Assets | <u>77,631,032</u> |

Noncurrent Assets:

Restricted Assets:

| | |
|-------------------------|-----------------------|
| Investments | 29,728,515 |
| Loans Receivable | 234,252,208 |
| Bond Issuance Costs | 1,661,741 |
| Total Noncurrent Assets | <u>265,642,464</u> |
| Total Assets | <u>\$ 343,273,496</u> |

LIABILITIES AND NET POSITION

Current Liabilities:

| | |
|----------------------------------|-------------------|
| Accrued Interest Payable | \$ 3,719,786 |
| Current Portion of Bonds Payable | 15,668,452 |
| Total Current Liabilities | <u>19,388,238</u> |

Noncurrent Liabilities:

| | |
|------------------------------|--------------------|
| Bonds Payable | 266,860,618 |
| Total Noncurrent Liabilities | <u>266,860,618</u> |
| Total Liabilities | <u>286,248,856</u> |

Net Position:

Restricted for:

| | |
|------------------------------------|-----------------------|
| Debt Service | 57,024,640 |
| Total Net Position | <u>57,024,640</u> |
| Total Liabilities and Net Position | <u>\$ 343,273,496</u> |

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
 (A Component Unit of the State of New Jersey)
 Statement of Revenues, Expenses and Changes in Net Position -
 State Revolving Fund - Drinking Water
 For the Year Ended June 30, 2013

| | |
|---------------------------------|----------------------|
| Operating Revenue: | |
| Investment Income (Loss) | \$ (333,682) |
| Interest Income from Loans | 10,746,825 |
| Total Operating Revenues | <u>10,413,143</u> |
| Operating Expenses: | |
| Interest Expense | <u>9,973,238</u> |
| Total Operating Expenses | <u>9,973,238</u> |
| Operating Income (Loss) | <u>439,905</u> |
| Non-operating Revenues: | |
| Transfer (to) from State | <u>(3,173,363)</u> |
| Total Non-operating Revenues | <u>(3,173,363)</u> |
| Change in Net Position | (2,733,458) |
| Net Position, Beginning of Year | <u>59,758,098</u> |
| Net Position, End of Year | <u>\$ 57,024,640</u> |

FINDINGS & RECOMMENDATIONS

32000

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
(A Component Unit of the State of New Jersey)
Schedule of Findings and Recommendations
For the Fiscal Year Ended June 30, 2013

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.

None.

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NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
(A Component Unit of the State of New Jersey)
Summary Schedule of Prior Year Audit Findings
And Recommendations as Prepared by Management

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.

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APPRECIATION

We express our appreciation for the assistance and courtesies rendered by the Trust officials during the course of the audit.

Respectfully submitted,

Bowman & Company LLP

**BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants**

2014 TRUST MEETING DATES

JANUARY 9, 2014

FEBRUARY 13, 2014

MARCH 13, 2014

APRIL 10, 2014

MAY 8, 2014

JUNE 12, 2014

JULY 10, 2014

AUGUST 14, 2014

SEPTEMBER 11, 2014

OCTOBER 9, 2014

NOVEMBER 13, 2014

DECEMBER 11, 2014

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.



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