

# New Jersey Environmental Infrastructure Trust

## Annual Report SFY2017



Lavallette Borough, Elevated Water Storage Tank Rehabilitation. SFY2017 Loan: \$978,512

“Financing New Jersey’s Water Quality Future”

# NJEIT Quick Facts

## Program Year SFY2017

### TOTAL LOANS

The Program has issued more than **\$6.6 billion** in long-term loans since its inception in 1986. The Program has an additional **\$337.6 million** in outstanding short-term construction loans and **\$179.6 million** in outstanding Disaster (SAIL) loans related to Superstorm Sandy.

### TOTAL PROJECTS

Approximately **1,260** long-term loans have been issued to fund clean water, drinking water, green infrastructure, land acquisitions, remediation and redevelopment Projects. In addition, **75** short-term construction loans and disaster loans are outstanding as of SFY2017 year-end.

### TOTAL SAVINGS

The Program has saved taxpayers and ratepayers more than **\$2.46 billion** through lower interest costs and principal forgiveness.

### TOTAL JOBS CREATED<sup>1</sup>

Since its inception, the Program has created over **123,000** direct construction jobs.

### CURRENT RATES

Blended interest rate as low as **0.841%** for the Series 2016A-2 and **0.771%** for the Series 2017A-1.

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

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Chris Christie  
Governor  
State of New Jersey

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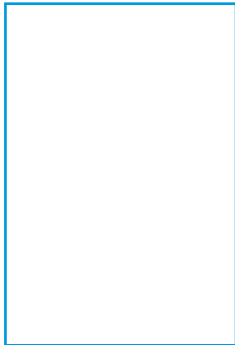
Delaware Raritan Canal  
Photo Courtesy of the New Jersey Water Supply Authority

## 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



Vacant  
Chairman



Bob Briant Jr.  
Vice-Chairman



Roger Ellis  
Treasurer



Mark Longo  
Secretary

## EX-OFFICIO MEMBERS



Bob Martin  
Commissioner

New Jersey  
Department of Environmental Protection



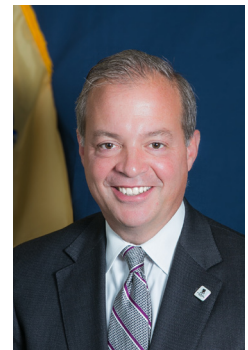
Ford M. Scudder  
State Treasurer

New Jersey  
Department of Treasury



Charles A. Richman  
Commissioner

New Jersey  
Department of Community Affairs



David E. Zimmer  
Executive Director

New Jersey  
Environmental Infrastructure Trust

## EXECUTIVE



Frank Scangarella  
Assistant Director  
Chief Operating Officer



Lauren S. Kaltman  
Chief Financial Officer



Judith Karp  
Legal and Compliance Officer



John G. Hansbury  
Chief Budget Officer

## SENIOR STAFF

# MESSAGE FROM THE ACTING-CHAIR AND EXECUTIVE DIRECTOR

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

## RECAP of SFY2017 BY THE NUMBERS

SFY2017 was a blockbuster year for the New Jersey Environmental Infrastructure Trust (Trust) both in terms of the number of projects financed and the magnitude of programmatic changes designed to optimize flexibility and user-friendliness of the Trust's Financing Program.

In terms of sheer numbers, the SFY2017 Program provided financing for projects in the amount of \$498.6 million, a 112% increase from the prior year's total. Broken down, this total is composed of:

- \$419 million in new short-term financing of 74 projects for 44 borrowers
- \$32 million in increased short-term financing of 16 outstanding projects for 13 borrowers
- \$7 million in increased financing at the conversion of short-term financing into long-term financing of 34 projects for 27 borrowers.
- \$40 million in new long-term financing of 10 projects for 10 borrowers

These impressive numbers are, in part, the result of the evolution over the past few years to position the Financing Program to be more flexible and more aligned with borrower needs. Changes to the Trust's Enabling Act signed into law by Governor Christie in SFY2017 put into place the final components of a rolling application process. Gone are the days of rigid deadlines with limited opportunities for financing in a given year. Now, applicants may apply at any time throughout the year via the Program's web-based online application and project review system (**H<sub>2</sub>LOans**) to obtain financing when the project sponsor is ready to proceed with the project via a short-term, construction loan. These loans are offered for up to three full fiscal years and for SFY2017 were available at 0% interest. Short-term financing provides benefits to borrowers beyond flexibility of timing. Borrowers convert their loans into long-term financing upon construction completion offering sum-certain long-term financing which mitigates IRS compliance issues, eliminates the need for supplemental funding and, they pay interest only on the amount of funds needed for the project and only on the amount of funds utilized at the time of draw. Another program change in SFY2017 that enhances the borrower experience is the convenience the Trust provides by submitting requests on behalf of local government borrowers to the State Division of Local Government Services ("DLGS") for their statutorily required approval to incur debt. This change greatly reduces the amount of time, preparation, and legal and administrative costs of borrowing project funds for borrowers opting to finance through the NJEIT.

## TECHNOLOGY

The Trust received an electronic facelift in SFY2017 launching an updated website featuring a user-friendly interface by incorporating intuitive design and content. The website includes access to (**H<sub>2</sub>LOans**), the Trust's online system through which project sponsors submit their applications and related required documentation, through which DEP staff update and review projects, and through which Trust staff monitor compliance and loan documentation. In SFY2017 the Trust's software development team continued to build (**H<sub>2</sub>LOans**) by launching new applications including a sign-off process by which applicants submit consent to the Trust processing DLGS approvals on their behalf with a simple click of a button.

Prominently displayed on the face of the Trust website is the Water Infrastructure Savings Enabling (WISE) Calculator, an online tool used to produce a Financing Cost Estimate (FCE). The FCE is a comparative cost estimate of financing a project through the Trust versus directly by the local government unit (LGU). Signed into law by Governor Christie in May, 2017, P.L. 2017, c.71 requires all LGUs seeking to finance an environmental infrastructure project of \$1,000,000 or more to use the WISE Calculator to demonstrate the cost savings of the Program available to their rate payers. The FCE provides transparency to the public and demonstrates the due diligence local officials exercise in selecting the most cost-effective means of financing a project.

## SAIL DISASTER RELIEF FUNDING

As the fourth year of the Disaster Relief Financing Program (SAIL) comes to a close, SFY2017 provides an opportunity to look back at the success of this important program that was born in the wake of Superstorm Sandy. The SAIL Program provides short-term loans in advance of federal disaster reimbursement grants from FEMA to address the immediate cash flow needs of water systems for projects that rebuild or improve infrastructure resiliency in preparation for future disasters. Two projects received SAIL loans in SFY2017 bringing total SAIL financing to-date to \$189.8 million, representing nine projects for five borrowers impacted by Superstorm Sandy.

## REFUNDING SAVINGS

The story of the Trust's successful year extends to its existing borrowers. The Trust prides itself on providing excellent service to borrowers over the life of their loans by monitoring continuing disclosure requirements, IRS requirements and opportunities for debt service payment savings through refinancings. These benefits translate into real dollar savings for borrowers. Despite erratic

fluctuations in interest rates in the wake of the presidential election, the Trust found a low interest rate opportunity again in SFY2017 and issued Refunding bonds for the 2009A and 2010A Financing Program borrowers. The sale of the Series 2017A-R1 and 2017A-R2 (Green) Refunding Bonds effectuated savings well in excess of 3% of net present value after accounting for cost of issuance expenses as required by statute. Specifically, the Series 2017A-R1 Bonds refunded 28 loans for 22 borrowers and produced debt service payment savings of \$2.4 million on a net present value basis for the 2009A Financing Program borrowers. The Series 2017A-R2 bonds refunded 112 loans for 93 borrowers and produced debt service payment savings of \$5.4 million on a net present value basis after expenses for the 2010A borrowers. The reduced annual debt service payments achieved through both refundings provide direct and immediate savings to the participating NJEIT borrowers.

#### LOOKING AHEAD

Finally, new legislation was signed into law by the Governor in SFY2017 expanding the role of the Trust. The legislation re-names the Trust, the New Jersey Infrastructure Bank (NJIB) and authorizes a new program for transportation infrastructure financing. Once this law becomes operative, the NJIB will continue to provide its hallmark excellent service to local government units and water purveyors for environmental infrastructure projects through the NJEIT, as well as introduce its services through the Transportation Infrastructure Bank (NJTIB) to local government units to finance local transportation projects.

We thank you for your continued support.



Robert Briant, Jr.  
Vice-Chairman



David E. Zimmer, CFA  
Executive Director

## PROJECTS: ELIGIBLE ACTIVITIES



Hammonton Town, Water Main Replacement. SFY2017 Loan: \$691,936

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 overflow systems. In 1997, the Program expanded to include safe drinking water quality enhancement projects.

The following project categories describe the types of projects eligible for NJEIFP loans in 2017.

### **DRINKING WATER**

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

### **CLEAN WATER**

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

**Stormwater** - A wide variety of stormwater/non-point source pollution projects are eligible projects including construction, expansion or replacement of stormwater management systems, construction or expansion of basins, replacement of storm drains and rehabilitation of tide gates and extension of outfall points.

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

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

**Landfill Construction and Closure (Publicly Owned)** - Sealing an old landfill or constructing a new cell to prevent, reduce or control leachate, its storage and/or treatment are eligible for financing. Other Program eligible activities include capping systems, liners, leachate collection systems, treatment systems, sewer connections, barge shelters, containment booms, litter fences, gas collection and

treatment systems, monitoring wells and reclamation or reduction activities.

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

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

**Septic Systems** - Failing septic systems can contaminate ground water and surface water, creating a public health hazard. While many individual septic systems are privately owned, situations involving



Ocean County Utilities Authority, Clarifier Tank Rehabilitation. SFY2017 Loan: \$6,211,590

numerous system failures may be eligible for funding. In such cases, a governing body or utilities authority may establish a Septic Management District to apply for financing for planning and corrective measure costs. Eligible projects include the purchase and installation of traditional or alternative septic systems (to replace failing systems), rehabilitation of an existing system or construction of community systems.

**Green Projects** - Green projects consist of clean water and drinking water projects that implement green infrastructure and water or energy efficiency improvements (those that reduce greenhouse gas emissions, for example). Green infrastructure includes such practices as replacing existing pavement with porous pavement, utilizing bio-retention, constructing green roofs, creating rain gardens, and other practices that mimic natural hydrology and increase effective perviousness.

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

### **NEW INITIATIVES**

The NJEIFP is developing a number of initiatives that are now possible with the enactment of 1) recent changes authorized in the Trust's Enabling Act and 2) the Water Resources Reform and Development Act (WRRDA) including loans to qualified 501(c)(3)s for certain stormwater management projects.

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

can be found at: <http://www.nj.gov/dep/assetmanagement>.

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



Atlantic County Utilities Authority, Trailer Mounted Portable Pumps and Permanent Sump Pump. SFY2017 Loan: \$358,739

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

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

## **SHORT-TERM FINANCING OFFERINGS**

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

### **Construction Loans**

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

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

Borrowers not only benefit from the high rate of return on reimbursement, but also from a quick turnaround time from submission request to reimbursement. P&D Loans are designed to cover the preconstruction funding of the cost of environmental planning and design services for up to 50% of each project's estimated P&D allowance. Short term loans for planning & design of long term control plans for a CSO are eligible for up to a ten year loan term.

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

The Statewide Assistance Infrastructure Loan (SAIL) Program assists borrowers with financing projects to repair disaster-damaged infrastructure and improve the resiliency of the State's water systems. SAIL provides timely and cost effective funds, to expedite and support the State's recovery and the rebuilding of environmental infrastructure in the event of a declared disaster. The SAIL Program provides advance funding for facilities working through FEMA, CDBG or other federal disaster grant processes which need interim funds pending a project's receipt of federal reimbursements. Loans are issued at 25% of the Trust's short-term AAA/Aaa interest rate.

The SAIL Program issued three (3) loans in SFY2017 for projects impacted by Superstorm Sandy. The program funded the second phase of the 2016 Restoration and Mitigation project for the Bayshore Regional Sewerage Authority. The total loan amount for both years was \$15,01,324. The Passaic Valley Sewerage Commission completed a \$3,402,331 project to renovate their administration building. The Middlesex County Utilities Authority completed an \$87,953,113 mitigation, restoration and modification project at the Sayreville Pump Station. The project included a flood wall that was constructed around the perimeter of the site. The Trust has worked closely with NJOEM and FEMA on behalf of borrowers to secure reimbursement and maintain compliance. Program borrowers benefit from Trust involvement resulting in the reimbursement of 90% of all reported and approved costs, the maximum allowable under FEMA reimbursement cap for Superstorm Sandy. For Superstorm Sandy projects, the time of reimbursements from the FEMA submission request, has averaged an impressive 37 days.

## **LONG-TERM FINANCING OFFERINGS**

### **Base Program**

The SFY2017 Base Program offered 75% in a DEP 0% interest loan and 25% in a Trust Loan, producing a blended interest rate equal to 25% of the Trust's AAA/Aaa market rate. Additionally, the program offered set-aside funds for certain projects that qualified for principal forgiveness. For

example, the Barnegat Bay Watershed, Combined Sewer Overflow Abatement, Green, and Redevelopment Projects were all eligible for as much as 50% Principal Forgiveness.

### **Sandy SRF Program**

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

### **NANO Loan Program**

The NANO Loan Program (NLP) was available to Small Drinking Water Systems (SDWS) defined as those operations serving populations of up to 10,000. The NLP provides \$4 million in subsidized loans to eligible systems by offering a loan package that consists of a 50% principal forgiveness loan, 25% DEP loan at 0% and 25% Trust market-rate loan, as well as, waiving many program administrative and underwriting fees associated with the Base SRF program. As many small systems lack the resources of larger systems, the NANO loan program encourages small systems to participate in the Financing Program to complete critical repairs and invest in necessary upgrades by greatly reducing the cost of such participation.

## **SPECIAL INITIATIVES**

### **Barnegat Bay**

In this seventh year of advancing Governor Christie's Barnegat Bay initiative, the FY2017 Financing Program set aside up to \$3 million in principal forgiveness funds for 50% of the eligible costs for Barnegat Bay Stormwater projects that facilitate the removal of pollutants from entering the Barnegat Bay. The remaining 50% of funding was provided by a 0% interest DEP loan and a AAA market rate Trust loan, each for 25% of the total loan amount. In the six years since Governor Christie's announcement of his Barnegat Bay initiative in FY2011, the Administration has made available over \$68 million (\$35



Salem County Improvement Authority, Landfill Cell Expansion. SFY2017 Loan: \$5,628,700

### FINANCING OFFERINGS(Cont'd):

million in principal forgiveness loans and \$33 million in low-interest cost loans) for stormwater improvements in Barnegat Bay

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

\$3 million in principal forgiveness funds were made available for up to 50% of the allowable project costs (not to exceed \$1 million per project sponsor) for CSO abatement projects with a focus on utilizing green practices, such as green roofs, rain gardens, porous pavement,

and other activities that maintain and restore natural hydrology through infiltration, evapotranspiration, usage, or the harvesting of stormwater. 100% DEP interest-free financing was available for the costs of green projects in excess of \$2 million and for CSO projects not utilizing green technology.

#### **Primary Drinking Water Contaminant Treatment**

Principal forgiveness money was allocated to municipally-owned systems needing treatment for a national or state regulated

drinking water contaminant whereby 20% of the total project costs (up to \$2 million) was available as principal forgiveness loans, 40% of the total project costs (up to \$4 million) was available as zero interest loans from the DEP, and 40% of the total project costs (up to \$4 million) was available at the Trust market rate. Any costs in excess of \$10 million would be funded at the traditional financing package of 25% market rate from the Trust and 75% zero interest loans from DEP.



Gloucester County Improvement Authority, Landfill Cell Construction. SFY2017 Loan: \$5,426,076

# PROGRAM BENEFITS: SAVINGS, CASH-FLOW, ADMINISTRATIVE



City of Newark, Pequanock Water Treatment Plant Rehabilitation. SFY2017 Loan: \$9,347,880.00

For almost 30 years, NJEIFP's low interest rate loans have funded projects that have protected the environment, saved taxpayers \$2.46 billion through lower interest costs, and created over 123,000 construction jobs, adding vital economic activity to the State<sup>1</sup>.

## **DOLLAR SAVINGS BENEFITS**

***Pool Bond Issue*** - By consolidating a group of borrowers in a pooled bond issue, small and lower-rated borrowers have better access to the high quality debt market providing these borrowers lower interest rate. In addition, aggregating many projects into one issue reduces financing and underwriting costs.

***Investment Policy*** - The Trust has adopted a comprehensive policy setting forth the investment and operational policies for the management of the investment activities of the Trust to ensure that they are consistent with the overall financial needs, prudent management and compliant with state and federal laws. The investment policy is reviewed annually. It was amended in 2017 to clarify the definition of "fund" as articulated in the policy and to restrict investments made by the Trust investment officer to allowable money market funds without the advice of the investment advisor.

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

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

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

***No Front-loading Requirement*** - Local Government Units issuing their own general obligation debt are required to "front load" their repayment schedule. This ensures that debt service payments are larger in the early years of the loan, and grow smaller over time. The Financing Program provides for level debt service throughout the life of the loan smoothing borrowers' cash flows.

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

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

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

## **CASH FLOW BENEFITS**

***Capitalized Interest*** - Loans may be

structured to include all or part of construction period interest costs, allowing borrowers to defer interest cost repayments for up to 36 months.

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

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

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

## **ADMINISTRATIVE BENEFITS**

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

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

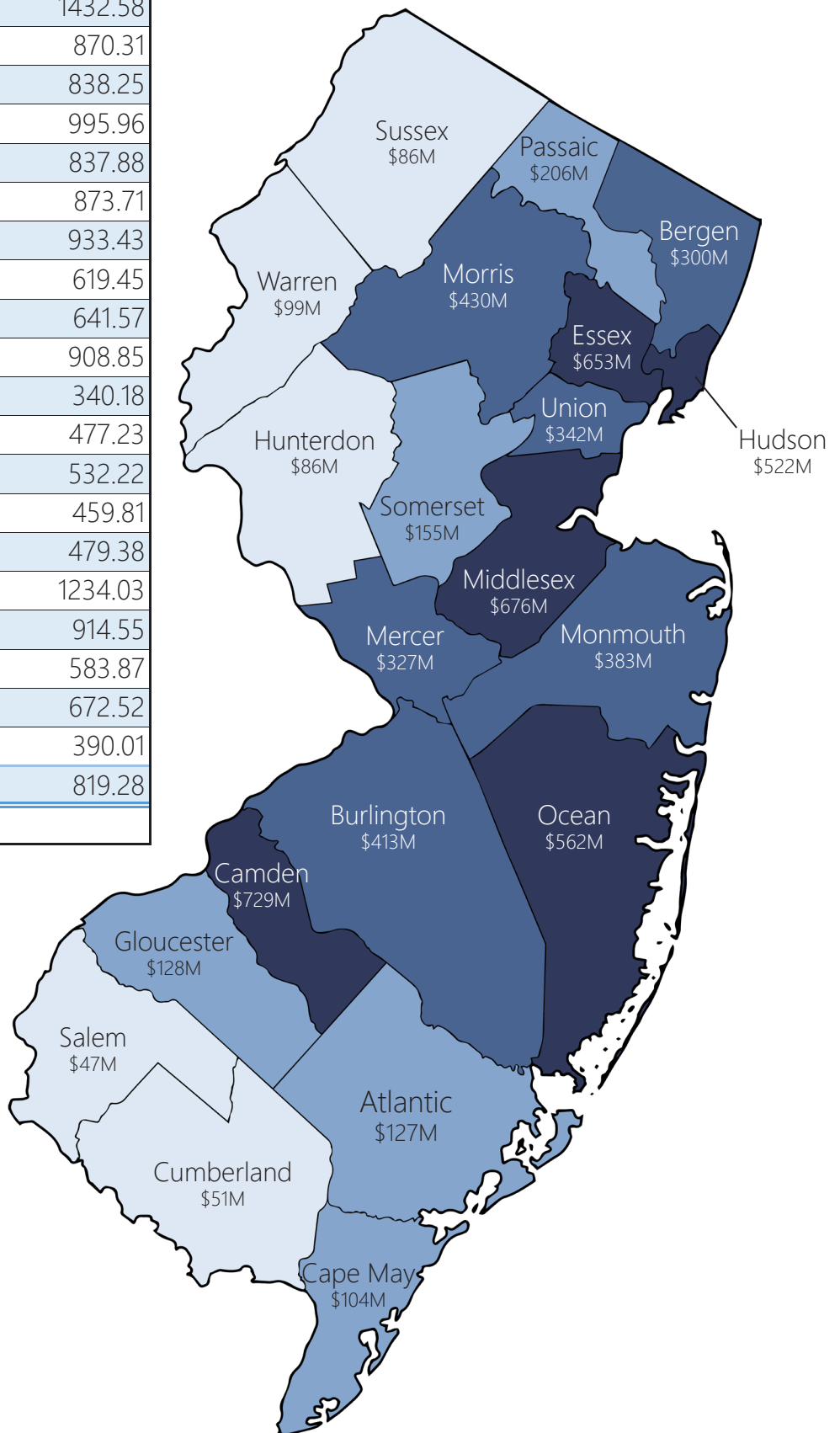
***Timely Decisions*** - The DEP prioritizes permit applications for Financing Program projects.

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

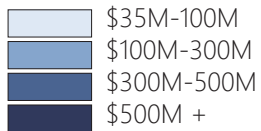
<sup>1</sup>The White House Council of Economic Advisors estimates: 20 direct construction job-years per \$1M up through 2011 and 12 direct construction job-years per \$1M from 2012 on.

# NJEIFP LOAN HISTORY: SFY1987-2017 BY COUNTY

County	Total Loan	Per Capita
Camden	\$ 735,854,724	1432.58
Essex	\$ 682,059,359	870.31
Middlesex	\$ 678,859,436	838.25
Ocean	\$ 574,238,857	995.96
Hudson	\$ 531,440,223	837.88
Morris	\$ 430,106,490	873.71
Burlington	\$ 418,861,606	933.43
Monmouth	\$ 390,489,979	619.45
Union	\$ 344,200,214	641.57
Mercer	\$ 333,106,177	908.85
Bergen	\$ 307,906,588	340.18
Passaic	\$ 239,198,902	477.23
Somerset	\$ 172,144,856	532.22
Gloucester	\$ 132,557,339	459.81
Atlantic	\$ 129,908,210	479.38
Cape May	\$ 120,027,937	1234.03
Warren	\$ 99,404,683	914.55
Sussex	\$ 87,150,626	583.87
Hunterdon	\$ 86,316,730	672.52
Cumberland	\$ 61,191,164	390.01
Salem	\$ 54,140,632	819.28
<b>Total</b>	<b>\$ 6,609,164,731</b>	



LEGEND:



## 2017 CASE STUDY: Hoboken CSO Green Infrastructure Initiative



City of Hoboken Green Initiative, South West Park. SFY2017 Loan: \$4,200,000

### Background

Hoboken, New Jersey is a city of approximately 50,000 people located in the north-eastern section of the State on the eastern banks of New York Harbor. Hoboken is a desirable place to live with easy access to New York City. Sporadic flooding, however, has been a way of life in the low-lying sections of the City since the early 1900s when it was first established as an industrial center. Hoboken was originally built on a tidal marsh and as such, has always been affected by tidal flows from the Hudson River, especially during severe weather events.

Compounding its drainage issues, Hoboken is one of 21 municipalities in the State that function with combined sewer systems, wherein stormwater runoff and sewage are collected and conveyed in the same pipes. Under optimal conditions stormwater and sewage from domestic, commercial and industrial sources are combined and conveyed to a sewage treatment plant for treatment and eventual discharge. When the combined volume of sewage and stormwater overwhelms the system, diluted raw sewage is released into nearby waterways, and sometimes backs up into basements and neighborhoods, threatening the health of those who live there. The discharge of raw sewage during these weather events is known as a combined sewer overflow (CSO). CSOs also pose a significant threat to marine life and their environs.

### Wastewater Treatment System

The North Hudson Sewerage Authority (NHSA) is responsible for managing wastewater generated within the municipalities of Hoboken City, Weehawken Township, the

Town of West New York and Union City. The NHSA municipalities are served by combined sewer systems that convey sanitary sewage, industrial wastewater and storm water through the same conduits. The Adams Street wastewater treatment plant (WWTP) is located in Hoboken and treats all flows conveyed from the City as well as approximately 83 percent of the flows conveyed from Weehawken and 45 percent of the flows conveyed from Union City. The remaining flows from Weehawken, Union City and West New York are conveyed to and treated at WWTP facilities elsewhere.

### The Project

To address CSO and flooding issues, Hoboken has adopted an innovative design to manage stormwater runoff by incorporating a city-wide green infrastructure initiative with several different phases. The newly-named Southwest Park is one phase of the City's overall initiative to address its current stormwater flow and flooding issues. The Park serves as a small-scale model for integrating green infrastructure to manage stormwater. By incorporating green infrastructure with an underground detention system designed to handle a 10-year storm, the Park will trap and temporarily hold stormwater runoff and, by doing so, mitigate flooding in the City's Southwest neighborhood. The detained stormwater will be pumped to the sewage treatment plant upon conclusion of the weather event, once the sewer system regains capacity. The stormwater design combines passive rainwater collection (through permeable paving, rain gardens and bioswales) with subsurface storage beneath the park. The one-acre plot has been designed to capture 200,000

gallons of stormwater runoff while providing green space for the neighborhood. Along the perimeter, curb-side bioswales will filter and absorb street runoff. All the pavement within the park is permeable so that the rainfall will first be absorbed through the pavement. In addition, the paved areas are pitched toward rain gardens so the next increment of rainfall will be held above the surface of and slowly absorbed into the rain gardens. Subterranean storage chambers located between the park's subsurface and the water table collect overflow from the rain gardens and any drain inlets within the park. The stored rainwater will be released slowly to reduce the peak flow to the City's sewer system.

Hoboken's second Green Infrastructure Project, the Northwest Resiliency Park is a six-acre plot of land to be constructed on a recently acquired industrial site. Using the Southwest Park as a template for this larger project, the concept envisions storage capacity for up to 1,000,000 gallons of stormwater runoff. The Park design includes rain gardens, shade tree pits, porous pavers, and an underground detention system to reduce run-off and localized flooding. As an additional solution to mitigate flooding and CSOs, the City's wastewater treatment provider, the North Hudson Sewerage Authority, has agreed to create separate storm and sewage conduits, completely removing this drainage from the City's CSO system. The site also includes public restrooms.

Both the Southwest and the Northwest Resiliency Park projects address water quality, public health and environmental benefits by limiting combined sewer overflows. The in-

novative use of green infrastructure in the two parks will detain up to 1.2 million gallons of stormwater runoff and slowly release it to the City's sewer system for treatment, reducing the frequency and volume of discharge of diluted raw sewage into nearby waterways, or backup of such into neighborhoods and basements. The combined water retention provides public health, environmental and quality of life benefits to the City as well as mitigates the frequency and cost of local flooding.

Hoboken is an excellent example of how the effective use of green infrastructure supports sustainability as it conserves water while providing green space for the neighborhood and reduces health risks. "Urban heat islands" occur when natural landcover is replaced with dense concen-

trations of pavement, buildings, and other surfaces that absorb and retain heat. This effect increases energy costs, air pollution levels and heat-related illness. Extreme heat events are intensified in urban settings and affect the most vulnerable populations first. Trees, green roofs, and vegetation help to reduce the effects of urban heat by shading building surfaces, deflecting radiation from the sun, and releasing moisture into the atmosphere. Passive rainwater collection, combined with permeable pavement, rain gardens and bioswales, are all effective means of storing water while beautifying the neighborhood, reducing urban heat islands, and providing recreational space in a highly populated urban setting.

The Southwest Park Project is currently under construction and is being funded with

\$4.2 million in loans from the NJEIFP. The land for the Northwest Park has been acquired with funding from the NJEIFP and the project is currently in the design phase. Construction costs will be included and funded through the NJEIFP upon contract award. Total eligible project costs are estimated to equal \$37 million.

Hoboken's Green initiative represents a leading example of what innovative design and green infrastructure can accomplish for a community by integrating plans that conserve water, improve public health, reduce stormwater and flooding, and provide open space for public enjoyment and better quality of life.



City of Hoboken Green Initiative, North West Resiliency Pop-up Park. Total Eligible project costs are estimated to be **\$37,000,000**

## SUMMARY OF PROGRAM LOAN PRODUCTION BY STATE FISCAL YEAR

SFY	Short-Term Loans	Long-Term Loans (Inc/Decr)	Total Production
2017	\$ 451,439,198	\$ 47,147,545	\$ 498,586,743
2016	\$ 155,605,168	\$ 75,665,591	\$ 235,737,863
2015	\$ 160,072,272	\$ 185,742,897	\$ 288,682,573
2014	\$ 2,950,391	\$ 242,570,193	\$ 245,520,584
<b>Total</b>	<b>\$ 770,067,029</b>	<b>\$ 551,126,226</b>	<b>\$ 1,268,527,763</b>



Passaic Valley Sewerage Commission, Yantacaw Pump Station Rehabilitation. SFY2017 Loan: \$3,030,000

## NJEIFP LONG-TERM LOANS ISSUED IN SFY2017 BY BORROWER

Borrower Names	Original Loan	Program Saving (Est.)
Barnegat Twp.	\$ 406,134	\$ 299,869
Bergen County UA	\$ 7,184,281	\$ 3,440,739
Berkeley Twp. MUA	\$ 1,806,289	\$ 1,237,130
Bordentown City	\$ 1,678,322	\$ 413,833
Burlington County	\$ 1,680,447	\$ 482,794
Camden County MUA	\$ 5,370,174	\$ 3,149,505
Cumberland County IA	\$ 10,158,515	\$ 2,495,304
East Orange City	\$ 9,632,834	\$ 5,028,653
Ewing Lawrence SA	\$ 4,560,971	\$ 933,200
Franklin Twp. SA	\$ 16,172,826	\$ 6,493,059
Gloucester Twp. MUA	\$ 1,295,000	\$ 322,151
Hammonton Town	\$ 3,400,254	\$ 828,099
Hightstown Borough	\$ 339,627	\$ 239,317
Hillsborough Twp.	\$ 1,130,983	\$ 323,456
Hoboken City	\$ 4,159,095	\$ 2,021,834
Jackson Twp.	\$ 589,525	\$ 406,316
Manchester UA	\$ 1,634,688	\$ 402,954
Middletown Twp. SA	\$ 6,070,737	\$ 1,915,852
Milltown Borough	\$ 2,088,072	\$ 595,842
Newark City	\$ 16,769,902	\$ 6,716,161
North Hudson SA	\$ 5,089,610	\$ 2,282,893
North Wildwood City	\$ 16,402,475	\$ 9,690,101
Ocean County	\$ 706,509	\$ 530,191
Ocean County UA	\$ 8,163,983	\$ 2,006,831
Ocean Gate Borough	\$ 748,706	\$ 706,111
Oradell Borough	\$ 1,036,118	\$ 253,936
Passaic Valley SC	\$ 2,975,000	\$ 856,898
Passaic Valley WC	\$ 31,680,591	\$ 21,382,021
Pemberton Twp	\$ 880,000	\$ 704,043
Pennington Borough	\$ 817,805	\$ 776,677
Perth Amboy City	\$ 1,118,750	\$ 324,528
Rahway City	\$ 2,437,129	\$ 604,279
Salem County IA	\$ 7,565,088	\$ 1,862,649
Sea Girt Borough	\$ 1,445,962	\$ 687,630
Village of Lake Glenwood, Inc	\$ 811,765	\$ 987,158
Washington Twp. MUA	\$ 4,370,773	\$ 1,259,253
<b>Total</b>	<b>\$ 182,378,940</b>	<b>\$ 82,661,263</b>

## NJEIFP OUTSTANDING SHORT-TERM LOANS AT SFY2017 YR-END

Issue Year	Borrower	Loan Amounts
2015	Bayshore RSA (SAIL)	\$ 28,113,307
2016	Bayshore RSA (SAIL)	\$ 15,031,324
2016	Kearny MUA (SAIL)	\$ 6,441,376
2016	Middlesex County UA (SAIL)	\$ 35,208,623
2016	SMRSA Belmar (SAIL)	\$ 3,468,842
2017	Middlesex County UA (SAIL)	\$ 87,953,113
2017	Passaic Valley SC (SAIL)	\$ 3,402,331
2015	Berkeley Township MUA	\$ 625,076
2016	Atlantic County UA	\$ 1,961,054
2016	Cinnaminson SA	\$ 500,000
2016	Elizabeth City	\$ 2,132,483
2016	Gloucester CUA	\$ 30,467,873
2016	Middlesex Water Company	\$ 4,826,540
2016	Middlesex Water Company	\$ 7,000,000
2016	Plumsted Twp	\$ 1,250,000
2016	Rockaway Valley RSA	\$ 6,470,073
2016	Saddle Brook Twp	\$ 1,530,383
2016	Somerville Borough	\$ 3,943,224
2016	Washington Twp MUA	\$ 1,199,981
2017	Aberdeen Township	\$ 7,498,712
2017	Aberdeen Township	\$ 1,305,099
2017	Atlantic County UA	\$ 3,664,280
2017	Atlantic County UA	\$ 358,739
2017	Atlantic County UA	\$ 488,637
2017	Atlantic County UA	\$ 981,828
2017	Atlantic County UA	\$ 4,701,687
2017	Cinnaminson SA	\$ 7,083,040
2017	Clinton Town	\$ 866,872
2017	Clinton Town	\$ 875,579
2017	Cumberland County UA	\$ 1,064,392
2017	Cumberland County UA	\$ 1,103,411
2017	Elizabeth City	\$ 6,500,000
2017	Elizabeth City	\$ 6,716,527
2017	Gloucester CUA	\$ 1,933,247
2017	Gloucester IA	\$ 6,268,882
2017	Hoboken City	\$ 31,402,264
2017	Jackson Twp MUA	\$ 6,978,160
2017	Lavallette Borough	\$ 978,512

## NJEIFP OUTSTANDING **SHORT-TERM LOANS** AT SFY2017 YR-END (CONT'D)

Issue Year	Borrower	Loan Amounts
2017	Maple Shade Twp	\$ 2,175,000
2017	Mendham Twp	\$ 2,318,077
2017	Middlesex Water Company	\$ 2,291,847
2017	Millville City	\$ 9,539,463
2017	Netcong Borough	\$ 301,203
2017	Netcong Borough	\$ 262,308
2017	Newark City	\$ 6,244,224
2017	Newark City	\$ 2,430,868
2017	NJ American Water	\$ 12,604,295
2017	NJ American Water	\$ 11,520,666
2017	NJ American Water	\$ 27,201,503
2017	North Hudson SA	\$ 2,316,573
2017	North Hudson SA	\$ 17,060,030
2017	North Hudson SA	\$ 1,200,000
2017	North Hudson SA	\$ 3,000,000
2017	North Jersey District WSC	\$ 3,352,720
2017	North Jersey District WSC	\$ 1,064,196
2017	North Jersey District WSC	\$ 1,647,922
2017	North Jersey District WSC	\$ 476,927
2017	Northwest Bergen CUA	\$ 2,301,788
2017	Ocean Twp	\$ 1,025,356
2017	Ocean Twp	\$ 2,600,000
2017	Ocean Twp SA	\$ 1,133,971
2017	Ocean Twp SA	\$ 522,805
2017	Ocean Twp SA	\$ 4,343,224
2017	Passaic Valley SC	\$ 919,075
2017	Passaic Valley SC	\$ 2,928,050
2017	Passaic Valley SC	\$ 8,000,000
2017	Roxbury Twp	\$ 6,098,986
2017	Somerset Raritan Valley SA	\$ 4,320,000
2017	Stafford Twp	\$ 2,248,620
2017	Stony Brook RSA	\$ 3,868,630
2017	Sussex County MUA	\$ 8,521,370
2017	Trenton City	\$ 9,945,380
2017	Wanaque Valley RSA	\$ 1,360,524
2017	Willingboro MUA	\$ 5,487,959
<b>Total</b>		<b>\$ 504,929,031</b>

## NJEIFP LOAN HISTORY: SFY1987-2017 BY BORROWER

Borrower Names	Total Original Loan	Program Savings (Est.)
2117 Mt. Ephraim, Inc., Nancy-Lee	\$ 397,969	\$ 132,711
Aberdeen Twp	\$ 1,242,527	\$ 282,746
Allamuchy Twp.	\$ 7,494,437	\$ 2,273,016
Aqua New Jersey, Inc.	\$ 9,423,411	\$ 4,527,269
Asbury Park City	\$ 25,055,578	\$ 8,562,368
Atlantic City MUA	\$ 13,123,435	\$ 7,229,435
Atlantic County UA	\$ 42,739,172	\$ 17,778,005
Atlantic Highlands Borough	\$ 1,917,275	\$ 447,322
Atlantic Highlands-Highlands RSA	\$ 872,692	\$ 293,471
Avalon Borough	\$ 1,118,240	\$ 215,614
Barneget Twp.	\$ 3,382,601	\$ 1,000,794
Barrington Borough	\$ 1,019,712	\$ 281,964
Bayonne LRA	\$ 35,772,049	\$ 14,221,634
Bayonne LRA (MUA)	\$ 1,796,017	\$ 672,387
Bayonne MUA	\$ 28,844,005	\$ 13,830,109
Bayshore RSA	\$ 56,107,957	\$ 22,665,560
Bayview Water Co.	\$ 1,600,000	\$ 485,388
Beach Haven Borough	\$ 8,987,445	\$ 5,012,439
Beachwood Borough (BB)	\$ 4,614,128	\$ 1,891,719
Bellmawr Borough	\$ 13,108,740	\$ 4,105,071
Belmar Borough	\$ 982,903	\$ 273,012
Bergen County	\$ 7,383,149	\$ 1,605,543
Bergen County UA	\$ 133,837,295	\$ 59,270,753
Bergen County UA (Edgewater)	\$ 1,683,537	\$ 574,975
Bergenfield Borough	\$ 1,130,000	\$ 366,774
Berkeley Heights Twp.	\$ 15,036,610	\$ 5,977,848
Berkeley Twp.	\$ 3,140,003	\$ 985,294
Berkeley Twp. MUA	\$ 7,565,529	\$ 3,341,495
Berkeley Twp. SA	\$ 24,262,252	\$ 8,895,801
Berlin Borough	\$ 4,823,632	\$ 1,398,701
Bernardsville Borough	\$ 6,824,630	\$ 3,317,604
Bethlehem Twp.	\$ 987,100	\$ 362,530
Beverly SA	\$ 371,996	\$ 83,962
Bloomington Borough	\$ 516,255	\$ 378,278
Boonton Town	\$ 3,492,315	\$ 869,141
Bordentown City	\$ 2,173,322	\$ 558,266

## NJEIFP LOAN HISTORY: SFY1987-2017 BY BORROWER (CONT'D)

Borrower Names	Total Original Loan	Program Savings (Est.)
Bordentown SA	\$ 5,155,639	\$ 2,525,435
Bound Brook Borough	\$ 148,161	\$ 18,294
Brick Twp.	\$ 2,573,862	\$ 744,384
Brick Twp. MUA	\$ 31,807,430	\$ 9,309,438
Bridgeton City	\$ 10,158,187	\$ 5,678,982
Bridgewater Twp.	\$ 1,770,319	\$ 514,995
Brielle Borough	\$ 4,979,048	\$ 1,043,051
Brigantine City	\$ 12,718,667	\$ 3,644,386
Brookwood Musconetcong River POA	\$ 1,039,200	\$ 291,174
Buena Borough MUA	\$ 1,683,486	\$ 543,331
Burlington City	\$ 20,080,143	\$ 8,890,113
Burlington County	\$ 4,646,774	\$ 1,145,668
Burlington County/BCF	\$ 89,521,293	\$ 27,036,190
Burlington Twp.	\$ 13,350,982	\$ 3,882,489
Byram Homeowners Assoc	\$ 569,085	\$ 109,784
Byram Twp.	\$ 1,802,284	\$ 626,706
Caldwell Borough	\$ 37,461,724	\$ 15,397,255
Califon Borough	\$ 1,343,949	\$ 234,254
Camden City	\$ 117,694,742	\$ 46,516,537
Camden County MUA	\$ 482,485,405	\$ 229,090,314
Cape May City	\$ 2,082,149	\$ 594,249
Cape May County MUA	\$ 51,280,891	\$ 20,633,735
Cape May Point Borough	\$ 161,766	\$ 18,145
Carneys Point Twp.	\$ 502,733	\$ 149,279
Carneys Point Twp. SA	\$ 6,510,000	\$ 3,797,980
Carteret Borough	\$ 4,007,500	\$ 1,164,207
Carteret Redevelopment Agency	\$ 38,472,833	\$ 11,370,104
Cedar Glen Homes, Inc.	\$ 846,401	\$ 225,054
Cedar Glen West, Inc.	\$ 432,666	\$ 82,089
Cedar Grove Twp.	\$ 9,123,321	\$ 4,151,559
Chatham Borough	\$ 8,569,545	\$ 3,916,254
Chatham Borough (JM)	\$ 2,091,901	\$ 1,092,641
Chatham Twp.	\$ 7,257,264	\$ 1,761,228
Cherry Hill Twp.	\$ 6,142,348	\$ 2,444,109
Chester Borough	\$ 1,394,451	\$ 473,604
Chesterfield Twp.	\$ 5,622,510	\$ 1,575,109

## NJEIFP LOAN HISTORY: SFY1987-2017 BY BORROWER (CONT'D)

Borrower Names	Total Original Loan	Program Savings (Est.)
Cinnaminson SA	\$ 8,425,042	\$ 2,162,218
Clayton Borough	\$ 2,785,750	\$ 982,916
Clementon Borough	\$ 1,195,000	\$ 482,568
Cliffside Park Borough	\$ 1,105,000	\$ 192,618
Clifton City	\$ 4,576,000	\$ 1,407,574
Clinton Town	\$ 13,048,932	\$ 3,940,918
Clinton Twp.	\$ 264,000	\$ 87,631
Clinton Twp. SA	\$ 2,085,074	\$ 679,348
Collingswood Borough	\$ 4,263,827	\$ 1,319,167
Consumers NJ Water Co	\$ 3,473,961	\$ 1,207,113
Continental Communities LLC	\$ 1,956,690	\$ 583,827
Continental Communities LLC (Colonial Estates)	\$ 999,999	\$ 219,549
Cranford Twp.	\$ 8,351,638	\$ 2,605,472
Cumberland County IA	\$ 10,158,515	\$ 2,495,304
Cumberland County UA	\$ 5,760,035	\$ 1,516,121
Delanco Twp. SA	\$ 1,076,866	\$ 305,253
Delran SA	\$ 13,694,636	\$ 4,436,390
Delran Twp.	\$ 1,949,550	\$ 434,696
Denville Twp.	\$ 18,205,604	\$ 7,964,589
Deptford Twp. MUA	\$ 5,726,491	\$ 1,682,110
Dover Town	\$ 822,669	\$ 226,046
Dumont Borough	\$ 7,062,000	\$ 2,080,689
Dunellen Borough	\$ 1,845,475	\$ 528,290
East Brookwood Estates POA	\$ 1,357,000	\$ 375,231
East Newark Borough	\$ 579,562	\$ 213,166
East Orange City	\$ 19,720,209	\$ 9,947,717
East Orange City (JM)	\$ 421,219	\$ 176,536
East Rutherford Borough	\$ 896,793	\$ 123,271
East Windsor MUA	\$ 52,527,046	\$ 18,345,068
East Windsor Twp.	\$ 868,172	\$ 335,793
Eatontown SA	\$ 4,400,336	\$ 1,313,176
Edgewater Borough	\$ 3,803,741	\$ 1,466,553
Edgewater MUA	\$ 1,771,496	\$ 599,021
Edgewater Park SA	\$ 3,242,377	\$ 834,857
Edison Twp.	\$ 3,299,256	\$ 933,293
Egg Harbor Twp. MUA	\$ 2,028,012	\$ 347,426

## NJEIFP LOAN HISTORY: SFY1987-2017 BY BORROWER (CONT'D)

Borrower Names	Total Original Loan	Program Savings (Est.)
Elizabeth City	\$ 51,643,484	\$ 23,705,403
Elizabeth City (JM)	\$ 16,496,154	\$ 8,020,106
Elmwood Park Borough	\$ 8,874,766	\$ 2,543,693
Essex County UA	\$ 2,135,414	\$ 666,943
Evesham MUA	\$ 19,399,575	\$ 5,882,352
Evesham Twp.	\$ 2,643,250	\$ 1,162,792
Ewing Lawrence SA	\$ 46,611,576	\$ 14,500,576
Ewing Twp.	\$ 4,236,765	\$ 1,507,523
Fanwood Borough	\$ 1,362,256	\$ 305,540
Flemington Borough	\$ 4,774,751	\$ 1,487,578
Florence Twp.	\$ 20,837,659	\$ 5,598,946
Florham Park SA	\$ 3,554,134	\$ 947,441
Fort Lee Borough	\$ 6,952,250	\$ 1,972,327
Franklin Borough	\$ 550,000	\$ 181,572
Franklin Twp.	\$ 3,495,733	\$ 952,739
Franklin Twp. SA	\$ 39,991,486	\$ 13,950,380
Free Acres Assoc, Inc.	\$ 1,097,428	\$ 317,340
Frenchtown Borough	\$ 8,724,110	\$ 3,394,106
Galloway Twp.	\$ 2,384,284	\$ 684,241
Garfield City	\$ 6,122,693	\$ 1,652,201
Gibbsboro Borough	\$ 2,097,711	\$ 743,375
Glen Ridge Borough	\$ 7,246,895	\$ 2,166,336
Gloucester City	\$ 18,366,152	\$ 6,403,181
Gloucester County IA	\$ 8,230,895	\$ 1,890,691
Gloucester County UA	\$ 46,059,840	\$ 14,053,882
Gloucester Twp.	\$ 5,487,649	\$ 1,167,288
Gloucester Twp. MUA	\$ 13,756,528	\$ 4,076,640
Great Gorge Terrace Condo Assoc, Inc.	\$ 846,930	\$ 796,011
Hackensack City	\$ 10,085,245	\$ 4,379,438
Hackettstown MUA	\$ 12,154,566	\$ 4,635,659
Haddon Twp.	\$ 6,387,500	\$ 2,226,093
Hainesport Twp.	\$ 13,711,900	\$ 3,896,590
Haledon Borough	\$ 1,538,000	\$ 594,308
Hamburg Borough	\$ 1,286,000	\$ 487,433
Hamilton Twp.	\$ 5,945,429	\$ 2,320,911
Hamilton Twp. MUA	\$ 6,543,167	\$ 1,751,814

## NJEIFP LOAN HISTORY: SFY1987-2017 BY BORROWER (CONT'D)

Borrower Names	Total Original Loan	Program Savings (Est.)
Hammonton Town	\$ 28,868,026	\$ 9,199,490
Hanover SA	\$ 31,928,758	\$ 11,747,921
Harrington Park Borough	\$ 348,576	\$ 19,652
Harrison Town	\$ 5,622,704	\$ 1,827,665
Harrison Twp.	\$ 6,810,754	\$ 1,856,534
Harvey Cedars Borough	\$ 1,676,634	\$ 494,971
Hawthorne Borough	\$ 9,272,567	\$ 2,956,041
High Bridge Borough	\$ 926,941	\$ 367,233
Highlands Borough	\$ 2,098,450	\$ 491,566
Hightstown Borough	\$ 8,233,402	\$ 3,315,615
Hillsborough Twp.	\$ 7,082,919	\$ 2,146,781
Hillside Twp. (JM)	\$ 1,989,311	\$ 962,640
Hoboken City	\$ 14,814,918	\$ 6,480,899
Holmdel Twp.	\$ 5,902,119	\$ 1,978,793
Hopatcong Borough	\$ 28,179,248	\$ 6,903,587
Howell Twp.	\$ 577,334	\$ 577,334
Hudson County IA (Bayonne Crossing)	\$ 18,726,295	\$ 8,154,854
Hudson County IA (Harrison Advance)	\$ 16,816,913	\$ 5,296,802
Independence MUA	\$ 262,000	\$ 209,394
Irvington Twp. (JM)	\$ 5,576,177	\$ 2,771,510
Island Heights Borough	\$ 5,129,500	\$ 1,853,582
Jackson Twp.	\$ 1,166,859	\$ 983,650
Jackson Twp. MUA	\$ 19,783,109	\$ 5,613,489
Jefferson Twp.	\$ 1,387,350	\$ 414,472
Jefferson Twp./Mountain Shores POA	\$ 647,816	\$ 763,165
Jersey City MUA	\$ 121,838,164	\$ 41,705,018
Keansburg Borough	\$ 5,790,422	\$ 3,147,321
Kearny MUA	\$ 11,346,953	\$ 4,182,871
Kearny Town	\$ 14,388,498	\$ 5,005,436
Lake Tamarack Water Co	\$ 151,020	\$ 45,919
Lakewood Twp. MUA	\$ 28,032,021	\$ 8,427,416
Lambertville MUA	\$ 7,422,000	\$ 5,789,007
Lambertville SA	\$ 3,182,679	\$ 896,231
Lavalette Borough	\$ 1,616,960	\$ 542,314
Lawrence Twp.	\$ 1,175,095	\$ 336,574
Lebanon Twp.	\$ 1,106,401	\$ 424,955

## NJEIFP LOAN HISTORY: SFY1987-2017 BY BORROWER (CONT'D)

Borrower Names	Total Original Loan	Program Savings (Est.)
Leonia Borough	\$ 770,607	\$ 241,746
Linden City	\$ 17,530,919	\$ 4,271,544
Linden Roselle SA	\$ 23,804,320	\$ 7,701,296
Linwood City	\$ 1,990,931	\$ 350,586
Little Egg Harbor MUA	\$ 734,362	\$ 186,179
Livingston Twp.	\$ 17,209,276	\$ 8,669,443
Lodi Borough	\$ 140,650	\$ 20,213
Logan Twp. MUA	\$ 2,975,000	\$ 991,125
Long Beach Twp.	\$ 27,839,615	\$ 10,192,529
Long Branch SA	\$ 42,793,640	\$ 19,747,085
Long Hill Twp.	\$ 16,726,597	\$ 6,478,896
Longport Borough	\$ 3,883,629	\$ 1,340,093
Lopatcong Twp.	\$ 200,000	\$ 14,171
Lower Twp. MUA	\$ 5,134,300	\$ 2,433,854
Lumberton Twp.	\$ 2,072,303	\$ 600,715
Lyndhurst Twp.	\$ 13,267,776	\$ 3,780,390
Madison Borough	\$ 11,274,267	\$ 5,608,891
Madison Borough (JM)	\$ 3,495,906	\$ 1,759,548
Magnolia Borough	\$ 1,828,287	\$ 558,008
Manasquan Borough	\$ 15,062,861	\$ 4,784,793
Manchester Twp.	\$ 3,507,498	\$ 1,263,019
Manchester UA	\$ 9,556,772	\$ 5,139,650
Mantua Twp. MUA	\$ 3,997,023	\$ 1,350,884
Manville Borough	\$ 6,731,831	\$ 3,108,778
Maple Shade Twp.	\$ 34,922,156	\$ 12,337,927
Maplewood Twp.	\$ 394,262	\$ 138,026
Margate City	\$ 937,449	\$ 273,180
Marlboro Twp.	\$ 18,849,693	\$ 5,967,291
Matawan Borough	\$ 8,930,224	\$ 2,222,917
Maywood Borough	\$ 845,977	\$ 334,029
Medford Twp.	\$ 24,214,127	\$ 9,744,370
Mercer County	\$ 991,599	\$ 285,869
Mercer County IA	\$ 1,044,272	\$ 341,213
Mercer County IA (Twin Rivers)	\$ 1,112,980	\$ 319,562
Merchantville Borough	\$ 3,195,523	\$ 948,095
Merchantville-Pennsauken WC	\$ 9,589,558	\$ 2,617,392

## NJEIFP LOAN HISTORY: SFY1987-2017 BY BORROWER (CONT'D)

Borrower Names	Total Original Loan	Program Savings (Est.)
Middle Twp.	\$ 347,597	\$ 101,488
Middlesex Borough	\$ 1,694,828	\$ 477,886
Middlesex County UA	\$ 355,289,458	\$ 101,988,221
Middlesex Water Co	\$ 54,364,164	\$ 16,966,972
Middletown Twp. SA	\$ 21,293,423	\$ 7,240,729
Midland Park Borough	\$ 518,020	\$ 181,137
Millburn Twp.	\$ 2,076,373	\$ 601,380
Milltown Borough	\$ 19,413,571	\$ 6,878,071
Millville City	\$ 23,335,429	\$ 9,244,539
Mine Hill Twp.	\$ 1,804,557	\$ 591,471
Monmouth County Bayshore Outfall Auth	\$ 1,818,952	\$ 519,935
Monmouth County IA	\$ 1,350,828	\$ 150,421
Monroe Twp.	\$ 2,835,280	\$ 1,066,275
Montclair State University	\$ 2,628,290	\$ 670,937
Montclair Twp.	\$ 8,358,318	\$ 2,528,709
Montgomery Twp.	\$ 32,216,019	\$ 14,576,461
Montville Twp.	\$ 4,201,069	\$ 1,309,396
Montville Twp. MUA	\$ 6,647,108	\$ 2,825,481
Moonachie Borough PA	\$ 407,701	\$ 58,686
Morris Twp.	\$ 40,763,641	\$ 18,511,116
Morristown Town	\$ 56,186,196	\$ 27,385,312
Mt Arlington Borough	\$ 9,938,480	\$ 2,765,285
Mt Holly MUA	\$ 26,287,025	\$ 7,932,920
Mt Holly Water Co	\$ 13,189,909	\$ 3,751,916
Mt Laurel Twp. MUA	\$ 55,857,723	\$ 19,186,275
Mt Olive Twp.	\$ 29,640,514	\$ 8,491,629
Musconetcong SA	\$ 26,649,160	\$ 7,625,836
National Park Borough	\$ 899,530	\$ 200,328
Neptune Twp.	\$ 1,281,375	\$ 389,746
New Brunswick City	\$ 37,676,776	\$ 13,750,743
New Milford Borough	\$ 1,191,250	\$ 451,463
New Providence Borough	\$ 6,280,000	\$ 2,601,600
Newark City	\$ 210,000,269	\$ 92,993,362
Newark City (JM)	\$ 3,416,026	\$ 1,696,082
Newfield Borough	\$ 1,102,010	\$ 739,673
Newton Town	\$ 12,722,306	\$ 6,074,977

## NJEIFP LOAN HISTORY: SFY1987-2017 BY BORROWER (CONT'D)

Borrower Names	Total Original Loan	Program Savings (Est.)
NJ American Water	\$ 135,110,420	\$ 41,748,572
NJ City University	\$ 16,535,929	\$ 3,990,877
NJ Sports & Expo Auth	\$ 744,201	\$ 161,302
NJ Water Supply Auth	\$ 20,888,455	\$ 7,224,958
North Arlington Borough	\$ 507,322	\$ 181,978
North Bergen MUA	\$ 60,746,756	\$ 27,592,484
North Brunswick Twp.	\$ 19,791,186	\$ 5,957,615
North Hudson SA	\$ 168,502,779	\$ 68,088,922
North Jersey District Water SC	\$ 20,708,745	\$ 6,887,634
North Plainfield Borough	\$ 2,154,442	\$ 726,496
North Wildwood City	\$ 22,158,427	\$ 11,432,628
Northwest Bergen County UA	\$ 40,418,291	\$ 12,268,770
Norwood Borough	\$ 1,036,850	\$ 424,083
Nutley Twp.	\$ 5,542,148	\$ 1,618,135
Oaklyn Borough	\$ 1,298,868	\$ 406,492
Ocean County	\$ 9,177,848	\$ 7,355,683
Ocean County (BB)	\$ 653,154	\$ 413,227
Ocean County UA	\$ 266,434,168	\$ 83,760,905
Ocean Gate Borough	\$ 1,837,217	\$ 1,195,295
Ocean Twp.	\$ 14,088,951	\$ 6,121,190
Ocean Twp. SA	\$ 23,654,504	\$ 7,538,252
Oceanport Borough	\$ 23,149,779	\$ 7,668,901
Old Bridge MUA	\$ 62,845,331	\$ 18,483,670
Old Bridge Twp.	\$ 9,148,278	\$ 3,056,727
Old Tappan Borough	\$ 12,773,936	\$ 4,290,912
Oradell Borough	\$ 4,146,949	\$ 1,033,159
Orange Twp. City	\$ 11,595,473	\$ 3,599,555
Palmyra Borough	\$ 3,526,750	\$ 791,108
Paramus Borough	\$ 1,661,330	\$ 623,550
Parsippany-Troy Hills Twp.	\$ 25,862,149	\$ 12,700,171
Passaic Valley SC	\$ 231,422,364	\$ 85,838,185
Passaic Valley WC	\$ 115,781,544	\$ 47,479,859
Paterson City	\$ 25,375,227	\$ 11,169,554
Pemberton Twp	\$ 1,872,559	\$ 971,967
Pennington Borough	\$ 817,805	\$ 776,677
Pennsauken SA	\$ 929,000	\$ 268,184

## NJEIFP LOAN HISTORY: SFY1987-2017 BY BORROWER (CONT'D)

Borrower Names	Total Original Loan	Program Savings (Est.)
Pennsgrove Water Supply Co	\$ 2,219,940	\$ 759,746
Pennsville Twp	\$ 6,456,745	\$ 1,892,962
Pequannock River Basin RSA	\$ 14,528,718	\$ 6,811,186
Pequannock, Lincoln Park & Fairfield SA	\$ 51,338,604	\$ 23,104,674
Perth Amboy City	\$ 15,769,962	\$ 5,270,585
Phillipsburg Town	\$ 39,027,801	\$ 18,896,754
Pine Hill Borough	\$ 606,289	\$ 175,125
Pine Hill Borough MUA	\$ 3,493,932	\$ 1,056,234
Plainfield Area RSA	\$ 8,009,080	\$ 2,797,063
Pleasantville City	\$ 1,121,841	\$ 438,794
Point Pleasant Beach Borough	\$ 2,522,812	\$ 929,451
Point Pleasant Borough	\$ 1,638,485	\$ 1,187,949
Pompton Lakes Borough MUA	\$ 16,605,641	\$ 8,063,077
Princeton (Borough & Township)	\$ 31,212,157	\$ 11,905,777
Rahway City	\$ 4,792,604	\$ 1,242,693
Rahway Valley SA	\$ 191,626,523	\$ 55,350,942
Ramsey Borough	\$ 1,999,175	\$ 548,502
Randolph Twp.	\$ 13,533,063	\$ 6,227,001
Raritan Twp. MUA	\$ 17,517,052	\$ 7,386,471
Readington Twp.	\$ 2,415,097	\$ 744,471
Red Bank Borough	\$ 2,720,227	\$ 2,216,190
Ridgefield Borough	\$ 990,000	\$ 338,196
Ridgefield Park Village	\$ 2,133,780	\$ 760,004
Ridgewood Village	\$ 18,932,172	\$ 5,769,461
River Edge Borough	\$ 566,627	\$ 204,876
Riverside SA	\$ 6,692,743	\$ 1,918,086
Riverside Water Reclamation Auth	\$ 1,589,040	\$ 440,387
Robbinsville Twp. (Washington Twp.)	\$ 1,360,000	\$ 393,950
Rockaway Valley RSA	\$ 20,257,784	\$ 8,907,855
Roosevelt Borough	\$ 1,339,588	\$ 310,227
Roselle Borough	\$ 1,943,011	\$ 751,180
Rosemont Water Co	\$ 120,782	\$ 31,238
Roxbury Twp.	\$ 34,388,746	\$ 17,254,855
Runnemede Borough	\$ 2,047,000	\$ 712,446
Runnemede Borough SA	\$ 1,572,106	\$ 503,452
Saddle Brook Twp.	\$ 2,023,154	\$ 599,055

## NJEIFP LOAN HISTORY: SFY1987-2017 BY BORROWER (CONT'D)

Borrower Names	Total Original Loan	Program Savings (Est.)
Saddle River Borough	\$ 2,094,855	\$ 571,220
Salem City	\$ 12,963,001	\$ 9,623,825
Salem County IA	\$ 7,565,088	\$ 1,862,649
Sayreville Borough	\$ 34,555,000	\$ 11,324,708
Sea Girt Borough	\$ 5,941,102	\$ 1,939,728
Seaside Park Borough	\$ 12,426,409	\$ 4,253,379
Secaucus MUA	\$ 3,049,345	\$ 2,250,472
Secaucus Town	\$ 3,325,000	\$ 1,242,021
Ship Bottom Borough	\$ 3,834,455	\$ 1,324,659
Shorelands Water Co	\$ 5,630,000	\$ 1,998,233
Somerdale Borough	\$ 830,528	\$ 252,911
Somers Point City	\$ 2,875,000	\$ 731,948
Somerset Raritan Valley SA	\$ 58,136,795	\$ 20,121,178
South Hackensack Twp.	\$ 1,441,280	\$ 486,097
South Jersey Water Supply Co	\$ 371,098	\$ 124,928
South Monmouth RSA	\$ 5,996,270	\$ 1,570,931
South Orange Twp. (JM)	\$ 879,905	\$ 532,203
South River Borough	\$ 6,112,500	\$ 2,076,804
Southeast Monmouth MUA	\$ 16,121,774	\$ 5,324,976
Stafford MUA	\$ 4,368,651	\$ 1,482,345
Stafford Twp.	\$ 36,969,014	\$ 11,902,019
Stanhope Borough	\$ 2,197,250	\$ 991,182
Stillwater Twp. Water District #1	\$ 475,833	\$ 378,475
Stockton Borough	\$ 1,566,599	\$ 490,437
Stone Harbor Borough	\$ 17,072,956	\$ 5,122,506
Stony Brook RSA	\$ 26,267,375	\$ 12,602,338
Sussex Borough	\$ 1,707,400	\$ 660,457
Sussex County MUA	\$ 11,497,587	\$ 2,097,550
Swedesboro Boro	\$ 95,589	\$ 13,070
Tewksbury Twp.	\$ 413,961	\$ 134,285
Toms River MUA	\$ 14,412,242	\$ 6,159,334
Toms River Twp.	\$ 730,146	\$ 730,146
Toms River Twp. (Dover Twp.)	\$ 754,766	\$ 210,272
Trenton City	\$ 142,397,733	\$ 53,654,917
Tuckerton Borough	\$ 5,867,215	\$ 2,341,200
Two Rivers Water Reclamation Auth (NE Monmouth)	\$ 49,357,977	\$ 16,033,765

## NJEIFP LOAN HISTORY: SFY1987-2017 BY BORROWER (CONT'D)

Borrower Names	Total Original Loan	Program Savings (Est.)
Union Beach Borough	\$ 600,000	\$ 203,174
Union Twp.	\$ 184,330	\$ 21,813
Union Twp. (JM)	\$ 3,159,054	\$ 1,301,495
Valley View Healthcare & Rehab Center	\$ 24,252	\$ 5,124
Ventnor City	\$ 5,520,892	\$ 2,033,743
Verona Twp.	\$ 22,863,811	\$ 10,727,200
Village of Lake Glenwood, Inc	\$ 811,765	\$ 987,158
Vineland City	\$ 10,178,998	\$ 5,443,452
Voorhees Twp.	\$ 6,349,596	\$ 2,372,128
Waldwick Borough	\$ 2,951,564	\$ 844,409
Wall Twp.	\$ 6,966,095	\$ 1,904,860
Wanaque Valley RSA	\$ 7,471,976	\$ 3,702,344
Warren County (Pequest River) MUA	\$ 11,707,882	\$ 2,509,374
Warren County MUA	\$ 6,354,515	\$ 1,796,585
Warren Twp. SA	\$ 10,134,131	\$ 3,747,243
Washington Borough	\$ 17,233,521	\$ 5,490,118
Washington Twp. MUA	\$ 20,160,557	\$ 6,230,689
Watchung Borough	\$ 3,458,390	\$ 1,003,477
Waterford Twp. MUA	\$ 5,454,244	\$ 1,502,817
Wayne Twp.	\$ 14,759,658	\$ 5,972,794
Weehawken Twp.	\$ 8,734,336	\$ 1,970,689
West Deptford Twp.	\$ 16,999,696	\$ 4,792,714
West Milford MUA	\$ 11,327,665	\$ 6,075,740
West Orange Twp.	\$ 2,447,091	\$ 848,286
West Orange Twp. (JM)	\$ 3,987,399	\$ 1,973,944
West Windsor Twp.	\$ 3,269,984	\$ 945,484
Western Monmouth UA	\$ 14,433,978	\$ 4,190,696
Westville Borough	\$ 2,353,160	\$ 640,180
Westwood Borough	\$ 6,030,781	\$ 1,491,150
Wharton Borough	\$ 465,596	\$ 133,835
Wildwood City	\$ 3,741,500	\$ 987,446
Wildwood Crest Borough	\$ 16,930,111	\$ 6,805,469
Willingboro MUA	\$ 21,546,357	\$ 11,440,556
Willingboro Twp.	\$ 1,187,400	\$ 467,151
Winslow Twp.	\$ 13,550,864	\$ 4,475,293
Wonder Lakes Properties, Inc.	\$ 141,202	\$ 16,997

## NJEIFP LOAN HISTORY: SFY1987-2017 BY BORROWER (CONT'D)

Borrower Names	Total Original Loan	Program Savings (Est.)
Woodbridge Twp.	\$ 884,595	\$ 206,658
Woodbury City	\$ 9,154,723	\$ 2,880,042
Woodbury Heights Borough	\$ 941,910	\$ 323,244
Woodland Park Borough (West Paterson Borough)	\$ 5,183,430	\$ 1,929,352
Woodstown SA	\$ 6,379,625	\$ 2,126,292
<b>Total</b>	<b>\$ 6,609,164,731</b>	<b>\$ 2,459,863,518</b>



Burlington County, Storm Sewer Relining and Replacement. SFY2017 Loan: \$1,710,869

## COMPLIANCE AND INTERNAL CONTROLS - SFY2017

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

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

- **Investment Policy:** A comprehensive policy setting forth the investment and operational policies for the management of the investment activities of the Trust to ensure that they are consistent with the overall financial needs, prudent management and compliance with state and federal laws. The investment policy was amended in 2017 to clarify definition of fund as articulated in the policy and to limit investments made by the investment officer to allowable money market funds without the advice of the investment advisor.
- **Credit Worthiness Policy:** As a lender of funds, the Trust maintains minimum credit worthiness standards which applicants must meet to receive a Trust Loan. These credit worthiness standards help to ensure that publicly issued Trust bonds maintain a AAA/AAA/Aaa Credit Rating from each of the three Nationally Recognized Rating Agencies.
- **Procurement Policy:** The Trust Procurement Policy adheres to the requirements of the New Jersey Local Public Contracts Law committing the Trust to the principals of a fair and open bidding process.
- **Managing Contract Spending Caps:** The Trust maintains vigilance with its outside contracts through its management of operating fund disbursements.
- **Operating Account Procedures:** A "TOBA" policy is in place which strictly regulates signatory authority for checks and counter signing requirements.

In 2017, in conjunction with its outside Internal Controls Audit firm, Cohn Reznick, LLP, the Trust continued to conduct Phase III of the extensive assessment of its internal control processes. Phase III, required Cohn Reznick to refine the existing policies, procedures and manuals to ensure that all are up to date, identify process gaps, weaknesses or opportunities for improvement, assess technology and controls in place around and within technology to facilitate business, operations and accounting processes and evaluate the internal control structure of the Trust at all levels.



Millville City, Clarifier Tank Upgrade. SF2017 Loan: \$9,539,463

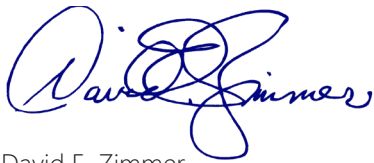
## EXECUTIVE DIRECTOR'S CERTIFICATION (PURSUANT TO E.O. 37)

In accordance with Executive Order No. 37, the New Jersey Environmental Infrastructure Trust's SFY2017 Annual Report also serves as the comprehensive report of the Authority's operations. This report highlights the significant action of the Authority for the fiscal year, including the degree of success the NJEIT has had in promoting the State's economic growth strategies and other policies.

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

I, David Zimmer, certify that during SFY2017, the Authority has, to the best of my knowledge, followed all of the Authority's standards, procedures and internal controls.

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



David E. Zimmer  
Executive Director



Wannaque Valley Regional Sewerage Authority, Back-up Generator Pad Foundation. SF2017 Loan: \$1,360,524



Gloucester County Utilities Authority, Primary Clarifier Tank Renovations. SF2017 Loan: \$1,933,247



# **New Jersey Environmental Infrastructure Trust**

(A Component Unit of the State of New Jersey)

Financial Report  
June 30, 2017



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RSM US LLP

## Independent Auditor's Report

Board of Directors  
New Jersey Environmental Infrastructure Trust

### Report on the Financial Statements

We have audited the accompanying financial statements of the New Jersey Environmental Infrastructure Trust (the Trust), a component unit of the State of New Jersey, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 Trust'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 Trust'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 respective financial position of the Trust, as of June 30, 2017 and 2016, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-6 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Trust's basic financial statements. The master program trust agreement schedule is presented for purpose of additional analysis and is not a required part of the basic financial statements. The master program trust agreement schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2017, 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 those report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control over financial reporting or on compliance. Those report are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and on compliance.

*RSM US LLP*

New York, New York  
October 12, 2017

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

**Management's Discussion and Analysis (Unaudited)  
Years Ended June 30, 2017 and 2016**

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This section of the annual financial report of New Jersey Environmental Infrastructure Trust (the Trust) presents management's discussion and analysis of the Trust's financial performance during the fiscal years ended June 30, 2017 and 2016 relative to each other. Please read this section in conjunction with the Trust's financial statements and accompanying notes.

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

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

**Financial highlights for the year ended June 30, 2017:**

- Assets increased by \$52,769,743, or 15.85%
  - Cash and investments (excluding undisbursed project funds) decreased by \$40,696,351, or (14.41%)
  - Total loans increased by \$93,397,126, or 196.36%
- Liabilities decreased by \$266,262, or (17.69%)
- Net Position increased by \$53,036,005, or 16.00%
- Operating revenues decreased by \$2,425,528, or (25.26%)
- Operating expenses increased by \$286,195, or 5.23%
- Non-operating revenues (expenses) decreased by \$12,721,509, or (19.77%)

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

- Assets increased by \$67,939,317, or 25.64%
  - Cash and investments (excluding undisbursed project funds) increased by \$42,295,956, or 17.62%
  - Total loans increased by \$25,483,132, or 115.41%

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

**Management's Discussion and Analysis (Unaudited)  
Years Ended June 30, 2017 and 2016**

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- Liabilities decreased by \$529,920, or (26.04%)
- Net Position increased by \$68,469,237, or 26.04%
- Operating revenues increased by \$1,724,099, or 21.88%
- Operating expenses increased by \$34,709, or 0.64%
- Non-operating revenues (expenses) increased by \$124,074,835, or 207.69%

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

For SFY2017 the short-term Construction Loan Program provided funding to borrowers for the construction of a project prior to securing long term financing. For loans issued in SFY2017, the Trust provided Construction Loans to borrowers at a 0% interest rate with the support of the New Jersey Department of Environmental Protection (NJ DEP).

The short term SAIL Program provides advance funding to water systems working through FEMA, CDBG or other federal grant programs, pending receipt of federal reimbursements to mitigate the financial stress on disaster impacted communities during the rebuild process. For loans issued in SFY2017, the Trust provided SAIL Loans to borrowers at a 0% interest rate with the support of the NJ DEP.

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

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

During SFY2017, the Trust closed on 75 Short Term Loans. The cash and investment balance, which includes available construction funds, decreased primarily due to the payment of requisitions. This amount more than offset the State Appropriation to the Short Term Loan Programs. This increase can be seen in loans receivable.

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

**Management's Discussion and Analysis (Unaudited)  
Years Ended June 30, 2017 and 2016**

The following table summarizes the net position changes between June 30, 2017, 2016, and 2015:

	2017	2016	Percent Increase (Decrease)	2015	Percent Increase (Decrease)
Current loans receivable	\$ 87,292,753	\$ 22,793,394	282.97 %	\$ 3,938,213	478.78 %
Noncurrent loans receivable	53,401,569	23,489,547	127.34 %	9,100,825	158.10 %
Cash for borrowers - undisbursed project funds	266,856	1,281,111	(79.17)%	9,041,882	(85.83)%
Total loans	<u>140,961,178</u>	<u>47,564,052</u>	196.36 %	<u>22,080,920</u>	115.41 %
Current cash and cash equivalents, as reduced by undisbursed loan project funds	128,249,882	166,012,406	(22.75)%	119,228,011	39.24 %
Current investments	26,845,036	27,942,891	(3.93)%	33,642,929	(16.94)%
Noncurrent investments	86,538,466	88,374,438	(2.08)%	87,162,838	1.39 %
Administrative fee receivable	2,400,658	2,431,049	(1.25)%	2,329,935	4.34 %
Other assets	718,565	619,205	16.05 %	560,091	10.55 %
Total assets	<u>\$ 385,713,785</u>	<u>\$ 332,944,041</u>	15.85 %	<u>\$ 265,004,724</u>	25.64 %
Account payable	\$ 1,238,889	\$ 1,505,150	(17.69)%	\$ 2,035,070	(26.04)%
Total liabilities	<u>\$ 1,238,889</u>	<u>\$ 1,505,150</u>	(17.69)%	<u>\$ 2,035,070</u>	(26.04)%
Restricted	\$ 360,895,021	\$ 301,040,422	19.88 %	\$ 224,354,858	34.18 %
Unrestricted	23,579,875	30,398,469	(22.43)%	38,614,796	(21.28)%
Total net position	<u>\$ 384,474,896</u>	<u>\$ 331,438,891</u>	16.00 %	<u>\$ 262,969,654</u>	26.04 %

The Trust's administrative fees decreased by (4.37%) due to fewer refunding cost of issuance reimbursements from borrowers and a net decrease in Long Term loan issuance. This was offset by the recognition of excess funds to be received by the Trust related to defeasances. The Trust non-operating revenues decreased substantially due to a decrease of \$12.5 million in funds from the State through the NJ DEP. The investment income decreased primarily due to the decrease in fair market value of the investments as a result of rising interest rates. The Trust's expenses increased due primarily to increases in salary and fringe as well as information technologies.

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

**Management's Discussion and Analysis (Unaudited)  
Years Ended June 30, 2017 and 2016**

The following table summarizes the changes in net position between fiscal years June 30, 2017, 2016 and 2015:

	2017	2016	Percent Increase (Decrease)	2015	Percent Increase (Decrease)
Net position, beginning of year	\$ 331,438,891	\$ 262,969,654		\$ 320,264,642	
Investment income	330,011	2,442,971	(86.49)%	1,451,606	68.29 %
Loan interest income	200,466	208,945	(4.06)%	179,709	16.27 %
Administrative fees	6,646,968	6,951,057	(4.37)%	6,247,559	11.26 %
Receipt (return) of prior year funding	612,673	834,182	(26.55)%	(14,403,114)	(105.79)%
State appropriation	51,000,000	63,500,000	(19.69)%	-	100.00 %
Return of state appropriation	-	-	0.00 %	(45,337,539)	(100.00)%
Total revenues	<u>58,790,118</u>	<u>73,937,155</u>	20.49 %	<u>(51,861,779)</u>	242.57 %
Administrative expenses	<u>5,754,113</u>	<u>5,467,918</u>	5.23 %	<u>5,433,209</u>	0.64 %
Total expenses	<u>5,754,113</u>	<u>5,467,918</u>	5.23 %	<u>5,433,209</u>	0.64 %
Change in net position	<u>53,036,005</u>	<u>68,469,237</u>	(22.54)%	<u>(57,294,988)</u>	219.50 %
Net position, end of year	<u>\$ 384,474,896</u>	<u>\$ 331,438,891</u>	16.00 %	<u>\$ 262,969,654</u>	26.04 %

**Other financial information:**

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

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

**Statements of Net Position**  
**June 30, 2017 and 2016**

	2017	2016
<b>Assets</b>		
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	\$ 9,544,880	\$ 10,405,728
Investments	3,709,139	3,204,078
Administrative fee receivable	2,400,658	2,431,049
Other assets	90,217	52,390
Restricted assets:		
Cash and cash equivalents	118,971,858	156,887,789
Investments	23,135,897	24,738,813
Interest receivable	532,883	432,239
Loans receivable	87,292,753	22,793,394
<b>Total current assets</b>	<b>245,678,285</b>	<b>220,945,480</b>
Noncurrent assets:		
Unrestricted assets:		
Capital assets	95,464	134,574
Investments	-	3,726,400
Restricted assets:		
Investments	86,538,466	84,648,038
Loans receivable	53,401,569	23,489,547
<b>Total noncurrent assets</b>	<b>140,035,499</b>	<b>111,998,559</b>
<b>Total assets</b>	<b>\$ 385,713,784</b>	<b>\$ 332,944,039</b>
<b>Liabilities and Net Position</b>		
Current liabilities:		
Unrestricted liabilities:		
Accounts payable	\$ 1,238,889	\$ 1,505,150
<b>Total current liabilities</b>	<b>1,238,889</b>	<b>1,505,150</b>
<b>Total liabilities</b>	<b>1,238,889</b>	<b>1,505,150</b>
Net position:		
Net investment in capital assets	95,464	134,574
Restricted for debt service	115,031,752	114,362,495
Restricted for Interim Financing Loan Program	245,863,269	186,677,927
Unrestricted	23,484,411	30,263,895
<b>Total net position</b>	<b>384,474,896</b>	<b>331,438,891</b>
<b>Total liabilities and net position</b>	<b>\$ 385,713,785</b>	<b>\$ 332,944,041</b>

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

**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2017 and 2016**

	2017	2016
Operating revenue:		
Investment income:		
Interest income	\$ 1,758,902	\$ 1,342,936
Net (decrease) increase in the fair value of investments	(1,428,891)	1,100,035
Interest income from loans	200,466	208,945
Administrative fees	6,646,968	6,951,057
<b>Total operating revenues</b>	<b>7,177,445</b>	<b>9,602,973</b>
Operating expenses:		
Administrative expenses	5,754,113	5,467,918
<b>Total operating expenses</b>	<b>5,754,113</b>	<b>5,467,918</b>
<b>Operating income</b>	<b>1,423,332</b>	<b>4,135,055</b>
Nonoperating revenues (expenses):		
Receipt of prior funding	612,673	834,182
State appropriations	51,000,000	63,500,000
<b>Total nonoperating revenue (expenses)</b>	<b>51,612,673</b>	<b>64,334,182</b>
<b>Change in net position</b>	<b>53,036,005</b>	<b>68,469,237</b>
Net position, beginning of year	331,438,891	262,969,654
Net position, end of year	<b>\$ 384,474,896</b>	<b>\$ 331,438,891</b>

See notes to financial statements.

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

**Statements of Cash Flows**  
**Years Ended June 30, 2017 and 2016**

	2017	2016
Cash flow from operating activities:		
Cash received for administrative fees	\$ 6,677,360	\$ 6,869,954
Cash payments for goods and services	(3,337,985)	(3,662,289)
Cash payments for salaries	(2,672,644)	(2,344,168)
Disbursement of loan funds to borrowers	(196,526,701)	(76,346,680)
Principal received from loans to borrowers	102,106,857	43,102,778
Interest received from loans to borrowers	149,416	189,549
<b>Net cash used in operating activities</b>	<b>(93,603,697)</b>	<b>(32,190,856)</b>
Cash flows from non-capital financing activities:		
Receipt of prior funding	612,673	834,182
State appropriations received	51,000,000	63,500,000
<b>Net cash provided by non-capital financing activities</b>	<b>51,612,673</b>	<b>64,334,182</b>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	-	(1,299)
<b>Net cash used in capital and related financing activities</b>	<b>-</b>	<b>(1,299)</b>
Cash flows from investing activities:		
Interest on investments	2,407,326	1,457,916
Purchase of investments	(66,191,887)	(58,790,487)
Proceeds from sale and maturity of investments	66,998,805	64,214,168
<b>Net cash provided by investing activities</b>	<b>3,214,244</b>	<b>6,881,597</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(38,776,780)</b>	<b>39,023,624</b>
Cash and cash equivalents:		
Beginning of year	167,293,517	128,269,893
End of year	<b>\$ 128,516,737</b>	<b>\$ 167,293,517</b>
Displayed as:		
Cash and cash equivalents - unrestricted	\$ 9,544,880	\$ 10,405,728
Cash and cash equivalents - restricted	118,971,858	156,887,789
<b>Cash and cash equivalents</b>	<b>\$ 128,516,738</b>	<b>\$ 167,293,517</b>

(Continued)

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

**Statements of Cash Flows (Continued)**  
**Years Ended June 30, 2017 and 2016**

	2017	2016
Reconciliation of operating income to net cash used in operating activities:		
Operating income	\$ 1,423,332	\$ 4,135,055
Adjustments to reconcile operating income to net cash used in operating activities:		
Depreciation	39,110	43,772
Bad debt expense	8,460	-
Investment income included in operations	(2,407,326)	(1,457,916)
Net unrealized and realized gain on investments	1,428,891	(1,100,035)
Loss on disposal of assets	-	20,011
Amortized interest	698,017	164,791
Change in assets and liabilities:		
Decrease (increase) in administrative fee receivable	30,392	(101,114)
Increase in other assets	(31,250)	(32,278)
Increase in interest receivable	(107,220)	(89,319)
Increase in loans receivable	(94,419,842)	(33,243,902)
Decrease in accounts payable	(266,261)	(529,921)
<b>Net cash used in operating activities</b>	<b>\$ (93,603,697)</b>	<b>\$ (32,190,856)</b>

See notes to financial statements.

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

### **Notes to Financial Statements**

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

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

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

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

Construction Loans are rapidly becoming a major component of the annual financing program, and in SFY2017, the large majority of projects utilized Construction Loans as the primary source of funding prior to securing long-term financing. The Trust disburses funds to borrowers upon approval of requisitions by the New Jersey Department of Environmental Protection (NJ DEP or the Department). These Short Term Loans are refinanced by Long Term Loans once construction has reached a certain level.

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

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

**Notes to Financial Statements**

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

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

On October 14, 2016, the Governor signed into law an amendment of the Trust Enabling Act. The amendments will change the name of the Trust to the New Jersey Infrastructure Bank and will authorize the Trust to fund local transportation infrastructure projects in addition to environmental infrastructure projects with separately appropriated funds.

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

**Basis of presentation:** The Trust's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to a special purpose government engaged in only business-type activities. The focus of business-type activities is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies established in GAAP and used by the Trust are discussed below.

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

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

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

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

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

**Notes to Financial Statements**

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

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

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

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

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

The three categories within the hierarchy are as follows:

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

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

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

See Note 3 for additional information regarding fair value measurements.

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

**Notes to Financial Statements**

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

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

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

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

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

Beginning in SFY2017, expenditures are capitalized when they meet the following requirements: (1) cost of \$5,000 or more, (2) useful life of more than one year, and (3) asset is not affected by consumption. In SFY2016, expenditures that were above \$1,000 or more and met items (2) and (3) above were capitalized.

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

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

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

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

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

**Notes to Financial Statements**

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

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

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

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

**Reclassifications:** Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 financial statement presentation. These reclassifications had no effect on the previously reported change in net assets or net assets

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

**Recently issued accounting pronouncements:** The Trust evaluated GASB statements 83 through 87; Management has determined there will be no effect to the Trust’s financial statements for all but those statements noted below:

In March 2017, GASB issued Statement No. 85, *Omnibus 2017* (GASB 85). This Statement addresses practice issues that have been identified during implementation and application of certain GASB standards. This Statement addresses a variety of topics including issues related to blending component units, good will, fair value measurement and application, and postemployment benefits. This Statement is effective for fiscal years beginning after June 15, 2017. The Trust has not yet determined the effect of the adoption of this Statement.

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87). This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflow of resources or outflows of resources based on the payment provisions of the contract. This Statement is effective for fiscal years beginning after December 15, 2019. The Trust has not yet determined the effect of the adoption of this Statement.

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

**Notes to Financial Statements**

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

The amounts of cash and cash equivalents in the accounts as of June 30, 2017 and 2016 are as follows:

	2017	2016
Operating checking (TD Bank)	\$ 6,242	\$ 190,791
GS SQ Treasury obligation (TD Bank MM)	88,316,213	140,818,600
Prime, institutional class (PFM Funds)	40,194,288	26,284,126
	<u>\$ 128,516,743</u>	<u>\$ 167,293,517</u>

**Custodial credit risk:** Custodial credit risk is the risk that, in the event of failure of the counterparty, the Trust will not be able to recover the value of its cash and investments that are in the possession of an outside party. Cash, cash equivalents and investments are restricted under the terms of the Trust's investment policy. Statutory limits also apply to the investments of the Trust. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Trust, and are held by either the counterparty or the counterparty's trust department or agent, but not in the Trust's name. All of the Trust's investments, \$113,383,502 and \$116,317,329 as of June 30, 2017 and 2016, respectively, are held in an account outside the counterparty, not in the name of the Trust.

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

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

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

**Notes to Financial Statements**

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

As of June 30, 2017 and 2016, the Trust had the following investments and maturities:

Investment Type	Fair Value	June 30, 2017			
		Investment Maturity (In Years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. Treasury Notes	51,111,237	7,433,358	43,677,879	-	-
U.S. Gov't Other	32,151,127	6,927,563	25,223,564	-	-
Municipal Bonds	988,388		988,388		
Corporate Bonds/Notes/CP	29,132,750	12,484,115	16,648,635	-	-
	<u>\$ 113,383,502</u>	<u>\$ 26,845,036</u>	<u>\$ 86,538,466</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

**Notes to Financial Statements**

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

As of June 30, 2017, the Trust had the following investments and maturities:

Investment	Maturities	S&P Credit Rating	Moody's Credit Rating	June 30, 2017 Fair Value
US Treasury Bill	7/6/2017	A-1+	P-1	\$ 1,999,874
BNP Paribas NY Branch	07/18/17	A-1	P-1	799,523
Credit Agricole CIB NY	08/02/17	A-1	P-1	799,119
Bank Tokyo-Mit UFJ NY	10/13/17	A-1	P-1	797,002
Toyota Motor Credit Corp	01/12/18	AA-	Aa3	100,059
John Deere Capital Corp	01/16/18	A	A2	1,873,459
IBM Corp	02/06/18	A+	Aa3	2,346,475
Exxon Mobil Corporation	03/06/18	AA+	Aaa	1,898,849
American Honda Finance	03/13/18	A+	A1	1,415,971
Bank of NY Mellon Corp	05/22/18	A	A1	825,433
Cisco Systems Inc	06/15/18	AA-	A1	1,628,226
Toyota Motor Credit Corp	07/13/18	AA-	Aa3	100,174
HSBC USA Inc	08/07/18	A	A2	1,905,358
JPMorgan Chase & Co	01/28/19	A-	A3	1,889,278
American Express Credit	03/18/19	A-	A2	1,883,991
CT State Taxable GO Bonds	04/15/19	A+	Aa3	988,388
African Development Bank	09/20/19	AAA	Aaa	791,607
Burlington North Corp	10/01/19	A	A3	531,567
General Elec Cap Corp	01/08/20	AA-	A1	1,753,684
Wells Fargo & Company	01/30/20	A	A2	1,879,821
Microsoft Corp	02/06/20	AAA	Aaa	771,963
Toyota Motor Credit Corp	03/12/20	AA-	Aa3	543,086
Toyota Motor Credit Corp	04/17/20	AA-	Aa3	854,736
Home Depot Inc	06/05/20	A	A2	435,199
Walt Disney Co	06/05/20	A+	A2	997,845
Bank of NY Mellon Corp	05/03/21	A	A1	1,015,618
Branch Banking & Trust Corp	05/10/21	A-	A2	520,903
State Street Corp	05/19/21	A	A1	284,363
PepsiCo Inc	10/06/21	A+	A1	489,441
US Treasury Notes	Demand	AA+	Aaa	49,111,363
Other US Government Notes and Bonds	Demand	AA+	Aaa	32,151,127
				<u>\$ 113,383,502</u>

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

**Notes to Financial Statements**

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

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

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

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

**Notes to Financial Statements**

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

As of June 30, 2017 and 2016, the Trust had the following investments at fair value measurement by level:

	Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Debt securities:				
U.S. Treasury Notes	\$ 51,111,237	\$ -	\$ 51,111,237	\$ -
Corporate bonds/Notes/CP	29,132,750	-	29,132,750	-
US Gov't Other	32,151,127	-	32,151,127	-
Municipal bonds	988,388	-	988,388	-
Total debt securities	113,383,502	-	113,383,502	-
Total investments by fair value level	\$ 113,383,502	\$ -	\$ 113,383,502	\$ -

	Quoted Prices			
		in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Debt securities:				
U.S. Treasury Notes	\$ 64,781,805	\$ -	\$ 64,781,805	\$ -
Corporate bonds/Notes/CP	26,044,140	-	26,044,140	-
US Gov't Other	25,491,384	-	25,491,384	-
Total debt securities	116,317,329	-	116,317,329	-
Total investments by fair value level	\$ 116,317,329	\$ -	\$ 116,317,329	\$ -

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

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

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**Note 4. Loans Receivable and Commitment**

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

The Direct Loan Program provides long term loans for small projects or for borrowers that are fiscally constrained or lack the administrative capability to participate in the Trust's bond financing transaction. The Trust funds these loans through cash on hand rather than through the issuance of bonds. The Trust portion of each total loan is structured at a rate equivalent to the Thomson Reuters TM3 AAA Index on the date of loan closing plus (or minus) the spread from the Trust's most recent issue. The direct loans are repayable in most cases over a period of 20 years, with some loans maturing over a shorter period, and with interest rates of 0.17% to 5.33% per annum. As June 30, 2017 and 2016, the direct loans balance was \$9,000,835 and \$12,078,075, respectively. Included in this balance are amounts owed from borrowers primarily for contributions made by the Trust on their behalf for defeasances of \$2,525,010 and \$5,164,265 as of June 30, 2017 and 2016, respectively.

Loans issued under the Short-Term Loan Program and SAIL Loan Program are issued, with a few exceptions, for a maximum of three fiscal years. These loans have interest rates ranging from 0% to 2.43% per year. These loans will be converted into Long Term loans through either the Bond Program or Direct Loan Program. As of June 30, 2017 and 2016, the balance for the loans described was \$131,960,343 and \$35,485,976, respectively. As of June 30, 2017 and 2016, the balance for the loans outstanding with a 0% interest rate was \$115,787,835 and \$20,593,833, respectively.

The Trust's net loans receivable balance of \$140,694,322 and \$46,282,941 as of June 30, 2017 and 2016, consisted of outstanding loans issued of \$140,961,178 and \$47,564,051 net of undisbursed loan funds of \$266,856 and \$1,281,111 for 2017 and 2016, respectively. Undisbursed loan funds include loan funds that have been committed to a specific borrower and for its project in a separate account, but not yet requisitioned by the borrower.

The Trust is also committed to fund short-term loans to borrowers of approximately \$385 million that has not been requisitioned as of June 30, 2017.

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

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

Annual maturities for loans receivable are as follows:

	Short-Term	Direct Loans	Total
Year ending June 30:			
2018	\$ 86,318,624	\$ 1,240,985	\$ 87,559,609
Less undisbursed loan funds	-	(266,856)	(266,856)
Current loans	<u>86,318,624</u>	<u>974,129</u>	<u>87,292,753</u>
2019	19,126,564	581,518	19,708,082
2020	25,004,303	620,583	25,624,886
2021	29,703	1,734,723	1,764,426
2022	79,208	426,383	505,591
2023 through 2027	1,401,942	2,320,883	3,722,825
2028 through 2032	-	1,777,298	1,777,298
2033 through 2037	-	261,797	261,797
2038 through 2042	-	16,658	16,658
2043 through 2047	-	20,006	20,006
Noncurrent loans	<u>45,641,720</u>	<u>7,759,849</u>	<u>53,401,569</u>
Loans receivable, net	<u>\$ 131,960,344</u>	<u>\$ 8,733,978</u>	<u>\$ 140,694,322</u>

**Note 5. Capital Assets**

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

	Balance at June 30, 2016	Additions	Disposals	Balance at June 30, 2017
Capital assets being depreciated:				
Leasehold improvements	\$ 68,828	\$ -	\$ -	\$ 68,828
Office furniture	59,379	-	-	59,379
Computers and office equipment	121,110	-	-	121,110
Vehicles	43,766	-	-	43,766
	<u>293,083</u>	<u>-</u>	<u>-</u>	<u>293,083</u>
Less accumulated depreciation:				
Leasehold improvements	26,568	9,832	-	36,400
Office furniture	39,782	4,430	-	44,212
Computers and office equipment	73,273	16,095	-	89,368
Vehicles	18,886	8,753	-	27,639
	<u>158,509</u>	<u>39,110</u>	<u>-</u>	<u>197,619</u>
Capital assets (net)	<u>\$ 134,574</u>	<u>\$ (39,110)</u>	<u>\$ -</u>	<u>\$ 95,464</u>

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

**Note 5. Capital Assets (Continued)**

	Balance at June 30, 2015	Additions	Disposals	Balance at June 30, 2016
Capital assets being depreciated:				
Leasehold improvements	\$ 68,828	\$ -	\$ -	\$ 68,828
Office furniture	59,379	-	-	59,379
Computers and office equipment	176,060	1,299	56,249	121,110
Vehicles	43,766	-	-	43,766
	<u>348,033</u>	<u>1,299</u>	<u>56,249</u>	<u>293,083</u>
Less accumulated depreciation:				
Leasehold improvements	14,748	11,820	-	26,568
Office furniture	35,352	4,430	-	39,782
Computers and office equipment	92,327	17,184	36,238	73,273
Vehicles	8,548	10,338	-	18,886
	<u>150,975</u>	<u>43,772</u>	<u>36,238</u>	<u>158,509</u>
Capital assets (net)	<u>\$ 197,058</u>	<u>\$ (42,473)</u>	<u>\$ 20,011</u>	<u>\$ 134,574</u>

**Note 6. Other Matter**

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

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

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

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

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**Note 6. Other Matter (Continued)**

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 7. Commitments and Contingencies**

**Leases:** In November 2012, the Trust entered into an operating lease for the use of premises at 3131 Princeton Pike, Lawrenceville, New Jersey 09648. The lease was for a five year term from move in date December 1, 2013 through November 30, 2018, with annual rent of \$64,000 and additional amounts for utilities and maintenance. Rental expenditures reported for the year ended June 30, 2017 and 2016 were \$114,946 and \$110,039, respectively. The following is a summary of the future minimum rental commitments under this lease:

Years ending June 30,	
2018	\$ 121,146
2019	51,448
	<u>\$ 172,594</u>

**Note 8. Conduit Debt**

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

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

**Notes to Financial Statements**

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

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

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

Loans to borrowers in the 2017 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%.

On December 22, 2016, the Trust closed on \$7,200,000 of Environmental Infrastructure Bonds, Series 2016A-2 (Green Bonds) to capitalize 18 projects in the 2017 New Jersey Environmental Infrastructure Financing Program.

On January 31, 2017, the Trust closed on \$33,525,000 of Environmental Infrastructure Refunding Bond Series 2017A-R1 (Green Bonds) to take advantage of the current low interest rate environment for Trust Program borrowers. The Trust Series 2017A-R1 Refunding Bonds were issued to refund a portion of the outstanding Series 2009A Bonds. The proceeds of this Series of Refunding Bonds refunded \$35,425,000 of outstanding Trust Bonds and resulted in the Trust passing on a reduction of interest and principal payments owed by the participating borrowers that totaled \$2,881,800.

On January 31, 2017, the Trust closed on \$72,830,000 of Environmental Infrastructure Refunding Bond Series 2017A-R2 (Green Bonds) to take advantage of the current low interest rate environment for Trust Program borrowers. The Trust Series 2017A-R2 Refunding Bonds were issued to refund the outstanding Series 2010A Bonds. The proceeds of this Series of Refunding Bonds refunded \$77,720,000 of outstanding Trust Bonds and resulted in the Trust passing on a reduction of interest and principal payments owed by the participating borrowers that totaled \$7,255,891.

On May 25, 2017, the Trust closed on \$31,610,000 of Environmental Infrastructure Bonds, Series 2017A-1 (Green Bonds) to capitalize 27 projects in the 2017 New Jersey Environmental Infrastructure Financing Program.

At June 30, 2017 and 2016, the aggregate principal amount of conduit debt obligations outstanding totaled \$1,138,297,784 and \$1,205,125,228, respectively, as detailed in the following schedules.

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

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

Changes in conduit debt obligations for the year ended June 30, 2017 were as follows:

	Balance at June 30, 2016	Issued	Retired	Balance at June 30, 2017	Amount Due Within One Year
<b>2006 Refunding Series:</b>					
Series A Bonds, uninsured, maturing serially through 2020, at interest rate of 5.00%	\$ 25,805,000	\$ -	\$ 4,680,000	\$ 21,125,000	\$ 4,905,000
Series B Bonds, uninsured, maturing serially through 2019, at interest rate of 5.00%	13,726,882	-	3,242,444	10,484,438	3,342,757
Series C Bonds, uninsured, maturing serially through 2017, at interest rates from 4.00% to 5.00%	4,365,000	-	2,125,000	2,240,000	2,240,000
Series D Bonds, uninsured	2,710,000	-	2,710,000	-	-
<b>2007 Series:</b>					
Series A Bonds, uninsured	11,515,000	-	11,515,000	-	-
<b>2007 Refunding Series:</b>					
Series A Bonds, uninsured, maturing serially through 2021, at interest rates of 5.00% to 5.25%	45,570,000	-	6,720,000	38,850,000	7,040,000
Series B Bonds, uninsured, maturing serially through 2022, at interest rates from 5.00% to 5.25%	32,525,000	-	5,305,000	27,220,000	3,980,000
Series C Bonds, uninsured, maturing serially through 2022, at interest rate of 5.00%	38,830,000	-	-	38,830,000	5,720,000
Series D Bonds, uninsured AMT	375,000	-	375,000	-	-
<b>2008 Refunding Series:</b>					
Series A Bonds, uninsured, maturing serially through 2018, at interest rates of 4.50%	8,415,000	-	2,680,000	5,735,000	2,800,000
<b>2008 Series:</b>					
Series A Bonds, uninsured, maturing serially through 2028, at interest rates from 5.00% to 5.50%	19,145,000	-	6,070,000	13,075,000	6,370,000
<b>2009 Series:</b>					
Series A Bonds, uninsured, maturing serially through 2029, at interest rates from 3.50% to 5.00%	45,590,000	-	38,370,000	7,220,000	3,085,000
Series C Bonds, uninsured, maturing serially through 2029, at interest rates from 4.25% to 5.50%	4,780,000	-	250,000	4,530,000	260,000
<b>2010 A Series:</b>					
Series A Bonds, uninsured, maturing serially through 2029, at interest rates from 3.00% to 5.00%	\$ 94,785,000	\$ -	\$ 84,545,000	\$ 10,240,000	\$ 4,260,000
<b>2010 Refunding Series:</b>					
Series A Bonds, uninsured, maturing serially through 2024, at interest rates from 3.00% to 5.00%	36,370,000	-	4,245,000	32,125,000	3,490,000
Series B Bonds, uninsured, maturing serially through 2020, at interest rates of 4.00%	985,000	-	185,000	800,000	230,000

(Continued)

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

**Notes to Financial Statements**

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

	Balance at June 30, 2016	Issued	Retired	Balance at June 30, 2017	Amount Due Within One Year
<b>2010 B &amp; C Series:</b>					
Series B Bonds, uninsured, maturing serially through 2030, at interest rate of 5.00%	20,350,000	-	4,720,000	15,630,000	4,965,000
Series C Bonds, uninsured, maturing serially through 2030, at interest rates from 4.00% to 4.375%	6,440,000	-	345,000	6,095,000	355,000
<b>2011 Refunding Series:</b>					
Series A Bonds, uninsured, maturing serially through 2018, at interest rates of 3.00%	1,405,000	-	460,000	945,000	470,000
Series B Bonds, uninsured, maturing serially through 2021, at interest rates from 4.00% to 5.00%	8,210,000	-	1,525,000	6,685,000	1,600,000
Series C Bonds, uninsured, maturing serially through 2022, at interest rates from of 5.00%	6,970,000	-	900,000	6,070,000	930,000
<b>2012 Series:</b>					
Series A Bonds, uninsured, maturing serially through 2031, at interest rates from 3.00% to 5.00%	61,920,000	-	2,960,000	58,960,000	2,805,000
Series B Bonds, uninsured, maturing serially through 2031, at interest rates from 4.00% to 5.00%	18,230,000	-	800,000	17,430,000	825,000
Series C Bonds, uninsured, maturing serially through 2031, at interest rates from 3.00% to 4.00%	4,350,000	-	215,000	4,135,000	220,000
<b>2012 Refunding Series:</b>					
Series A Bonds, uninsured, maturing serially through 2026, at interest rates from 3.125% to 4.00%	177,125,000	-	19,355,000	157,770,000	13,800,000
Series B Bonds, uninsured, maturing serially through 2021, at interest rate of 3.00%	555,000	-	85,000	470,000	80,000
Series C Bonds, uninsured, maturing serially through 2023, at interest rate of 3.00%	6,895,000	-	770,000	6,125,000	800,000
<b>2013 Series:</b>					
Series A Bonds, uninsured, maturing serially through 2032, at interest rates from 3.00% to 5.00%	27,665,000	-	1,185,000	26,480,000	1,220,000
Series B Bonds, uninsured, maturing serially through 2032, at interest rates from 3.00% to 3.25%	935,000	-	45,000	890,000	45,000
<b>2014 Series:</b>					
Series A Bonds, uninsured, maturing serially through 2033, at interest rates from 3.00% to 5.00%	55,045,000	-	1,845,000	53,200,000	2,170,000
Series B Bonds, uninsured, maturing serially through 2033, at interest rates from 3.00% to 5.00%	4,960,000	-	205,000	4,755,000	210,000
<b>2015 A-1 Series:</b>					
Series A Bonds, uninsured, maturing serially through 2034, at interest rates from 4.00% to 5.00%	\$ 46,580,000	\$ -	\$ 1,400,000	\$ 45,180,000	\$ 1,690,000
<b>2015 B- Refunding Series (AMT):</b>					
Series B Bonds, uninsured AMT, maturing serially through 2024, at interest rates from 4.00% to 5.00%	7,505,000	-	235,000	7,270,000	515,000
Series B Bonds, uninsured AMT, maturing serially through 2025, at interest rates from 4.00% to 5.00%	1,660,000	-	-	1,660,000	15,000

(Continued)

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

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

	Balance at June 30, 2016	Issued	Retired	Balance at June 30, 2017	Amount Due Within One Year
<b>2015 A-2 Series</b>					
Series A Bonds, uninsured, maturing serially through 2035, at interest rates from 3.00% to 5.00%	9,555,000	-	-	9,555,000	355,000
<b>2015 A-R1 Refunding Series (AMT)</b>					
Series A Bonds, uninsured AMT, maturing serially through 2027, at interest rate of 5.00%	108,120,000	-	1,175,000	106,945,000	10,460,000
<b>2015B-R2 Refunding Series (AMT)</b>					
Series B Bonds, uninsured AMT, maturing serially through 2026, at interest rates from 4.00% to 5.00%	13,050,000	-	750,000	12,300,000	995,000
<b>2016 A-1 Series</b>					
Series A Bonds, uninsured, maturing serially through 2045, at interest rates from 2.00% to 5.00%	23,925,000	-	-	23,925,000	795,000
<b>2016 A-R1 Refunding Series</b>					
Series A Bonds, uninsured, maturing serially through 2028, at interest rates from 4.50% to 5.00%	56,160,000	-	-	56,160,000	-
<b>2016 A-R2 Refunding Series</b>					
Series A Bonds, uninsured, maturing serially through 2030, at interest rates from 4.50% to 5.00%	63,610,000	-	-	63,610,000	-
<b>2016 A-2 Series</b>					
Series A Bonds, uninsured, maturing serially through 2046, at interest rates from 3.00% to 5.00%	-	7,200,000	-	7,200,000	-
<b>2017 A-1 Series</b>					
Series A Bonds, uninsured, maturing serially through 2046, at interest rates from 3.00% to 5.00%	-	31,610,000	-	31,610,000	-
<b>2017 A-R1 Series</b>					
Series A Bonds, uninsured, maturing serially through 2029, at interest rate of 4.00%	-	33,525,000	-	33,525,000	-
<b>2017 A-R2 Series</b>					
Series A Bonds, uninsured, maturing serially through 2029, at interest rate of 4.00%	-	72,830,000	-	72,830,000	-
Total of bonds payable covered by Master Program Trust Account	1,116,711,882	145,165,000	211,992,444	1,049,884,438	93,042,757
<b>2005 BCIA/ENCAP Golf Holdings</b>					
Variable rate bond series maturing through 2025, with weekly interest rate calculations	88,413,346	-	-	88,413,346	-
Total bonds payable	<u>\$ 1,205,125,228</u>	<u>\$145,165,000</u>	<u>\$211,992,444</u>	<u>\$ 1,138,297,784</u>	<u>\$ 93,042,757</u>

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

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

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

	Principal	Interest	Total
Year ending June 30:			
2018	\$ 93,042,757	\$ 43,860,264	\$ 136,903,021
2019	98,242,963	39,535,592	137,778,555
2020	97,488,717	34,883,261	132,371,978
2021	92,845,000	30,393,438	123,238,438
2022	89,440,000	26,145,327	115,585,327
2023 through 2027	451,053,347	77,537,789	528,591,136
2028 through 2032	168,200,000	20,727,590	188,927,590
2033 through 2037	38,255,000	3,993,551	42,248,551
2038 through 2042	4,525,000	1,336,469	5,861,469
2043 through 2047	5,205,000	463,975	5,668,975
	<u>\$ 1,138,297,784</u>	<u>\$ 278,877,256</u>	<u>\$ 1,417,175,040</u>

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

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

**Notes to Financial Statements**

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

These transactions defeased the outstanding bond issuances with a resulting reduction in annual debt service during the remaining term of the issuances. The principal and interest savings are passed along to each applicable borrower in the form of a credit against the original debt service of the borrower. Defeased bonds outstanding at June 30, 2017, are comprised of the following:

Issue	Principal Amount Outstanding June 30, 2017
2016A-R1 2008 Series A	\$ 62,690,000
2016A-R2 2010 Series B	71,975,000
2017A-R1 2009 Series A	35,425,000
2017A-R2 2010 Series A	77,720,000
	<u>\$ 247,810,000</u>
Individual borrower defeasances:	
1997 Series	\$ 60,000
1999 Series A	1,095,564
2000 Series A	265,000
2000 Series B	1,415,000
2002 Series A	2,130,000
2006 Series A	75,000
2007 Series A	1,175,000
2008 Series A	17,365,000
2009 Series A	3,815,000
2010 Series A	9,575,000
2010 Series B	9,185,000
2010 Series C	340,000
2012 Series A	265,000
2013 Series A	355,000
2014 Series B	335,000
	<u>\$ 47,450,564</u>

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

**Notes to Financial Statements**

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

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

The Trust has various issues of bonds which are subject to rebate calculations, which are required to be made at least once every five years. The Trust prepares annual rebate calculations for purposes of determining any contingent liability for rebate. As of June 30, 2017, it was determined there was no rebate due as a result of these calculations. The amount of contingent liability for rebate may change as a result of future events.

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

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

**Stewardship, compliance and accountability:**

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

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

**Debt service reserve requirement:** Pursuant to the various bond resolutions and supplemental bond resolutions for bonds issued and accounted for as conduit debt, certain invested reserves are required to be maintained with the Trustee in a designated Debt Service Reserve Fund. This requirement is intended to fund potential deficiencies in principal and interest required to be paid in succeeding years. As of the September 1, 2016 calculation date, the cumulative debt service reserve requirement, as adjusted for refundings and defeasances was \$65,297,389. As of June 30, 2017, each Series Debt Service Reserve Account was in compliance with the debt service reserve requirements in accordance with the respective bond resolutions and supplemental bond resolutions. The balance as of June 30, 2017 and 2016 in all of the debt service reserve fund accounts was \$79,376,166 and \$84,032,271, respectively.

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

**Notes to Financial Statements**

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

**Statement of Funds and Accounts Held by the Trustee:** Pursuant to the various bond resolutions and supplemental bond resolutions for bonds issued and accounted for as conduit debt, a Trustee is appointed to maintain all funds and accounts. These balances are not recorded on these financial statements. As of June 30, 2017 and 2016, the total cash and investments balance for conduit debt was \$135,846,909 and \$161,620,413, respectively.

**Statement of revenue, administrative fees and state administrative fees:** Pursuant to the various bond resolutions and supplemental bond resolutions for bonds issued and accounted for as conduit debt, the Trust is required to report the revenues, administrative fees and state administrative fees collected from all borrowers. The revenues include principal and interest payments made by borrowers. For the fiscal year ended June 30, 2017, the total revenues, administrative fees and state administrative fees collected for conduit debt was \$284,124,180 and \$278,845,981, respectively.

**Note 9. Subsequent Event**

Management has evaluated subsequent events and transactions that occurred after the balance sheet date, but before October 12, 2017, the date the financial statements were available to be issued. The following items were determined by management to require disclosure in the financial statements:

On July 4, 2017, the budget for the State of New Jersey was signed into law which appropriated \$22.6 million dedicated to the State Transportation Infrastructure Bank Fund for use by the trust in SFY2018 for financing transportation infrastructure projects via the Transportation Infrastructure Financing Program (TIFP) once the TIFP becomes operative.

On July 21, 2017, the Trust and DEP appropriation bills were signed into law. This authorized the expenditure of approximately \$539 million for the purpose of financing the cost of construction of environmental infrastructure projects of eligible project sponsors. Additionally, this allowed for appropriations of investment income from bonds funds for the short-term loans not to exceed \$600 million.

Subsequent to year end, the Trust has closed a total of 11 Short Term loans totaling \$62,794,367.

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

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

**Master program trust agreement:** The New Jersey Environmental Infrastructure Financing Program adopted the Master Program Trust Agreement in 1995. Under the agreement, repayments of Department loans are deposited with US Bank and held in the Master Program Trust Account to provide coverage for all outstanding Trust Loans. The funds are held for a period of two semi-annual bond payments plus one day, after which time the funds are transferred to the State. The balance in the Master Program Trust Account as of June 30, 2017 and 2016 was \$33,354,280 and \$32,607,296, respectively. This balance is not an asset of the Trust and therefore is not reflected in the Trust's financial statements; however, it is available to pay debt service on the Trust Bonds in the event of a default by any program Borrowers.

Years ending June 30:	Aggregate of Coverage Receiving Trust Loan Repayments: Principal <sup>1</sup>	Aggregate of Coverage Receiving Trust Loan Repayments: Interest <sup>1</sup>	Aggregate of Coverage Providing Fund Loan Repayments <sup>2,3</sup>	Total Funds Available to Secure and Provide Coverage for all Coverage Receiving Financing Program Debt Service <sup>1,3</sup>	Total Debt Service for all Coverage Receiving Financing Programs <sup>1</sup>
2018	93,042,758	43,860,271	145,016,127	281,919,156	135,038,338
2019	98,242,962	39,535,587	143,090,051	280,868,600	137,778,549
2020	97,488,716	34,883,259	138,677,078	271,049,054	132,371,975
2021	92,850,000	30,393,440	132,154,780	255,398,220	123,243,440
2022	89,434,999	26,145,330	126,965,394	242,545,724	115,580,329
2023	82,265,003	22,208,383	118,306,004	222,779,389	104,473,385
2024	77,320,000	18,620,310	111,485,852	207,426,162	95,940,310
2025	74,715,000	15,261,885	105,029,535	195,006,420	89,976,885
2026	67,525,000	12,130,482	95,105,566	174,761,048	79,655,482
2027	60,815,000	9,316,725	82,881,879	153,013,603	70,131,725
2028	49,595,000	6,978,940	69,453,682	126,027,622	56,573,940
2029	39,565,000	5,211,443	56,842,588	101,619,031	44,776,443
2030	34,605,000	3,819,146	45,980,943	84,405,090	38,424,146
2031	24,590,000	2,741,603	36,751,323	64,082,927	27,331,603
2032	19,845,000	1,976,457	30,379,404	52,200,861	21,821,457
2033	13,365,000	1,428,363	22,731,764	37,525,127	14,793,363
2034	11,300,000	1,011,063	18,297,709	30,608,772	12,311,063
2035	7,335,000	685,047	11,794,185	19,814,232	8,020,047
2036	4,105,000	487,006	6,922,260	11,514,267	4,592,006
2037	2,150,000	382,072	3,480,209	6,012,281	2,532,072
2038	845,000	329,172	1,722,890	2,897,062	1,174,172
2039	875,000	299,303	1,722,890	2,897,193	1,174,303
2040	900,000	268,459	1,722,890	2,891,349	1,168,459
2041	935,000	236,572	1,722,890	2,894,462	1,171,572
2042	970,000	202,963	1,722,890	2,895,852	1,172,963
2043	1,000,000	167,700	1,722,890	2,890,590	1,167,700
2044	1,035,000	131,275	1,722,890	2,889,165	1,166,275
2045	1,075,000	93,513	1,716,352	2,884,865	1,168,513
2046	1,115,000	54,313	1,612,746	2,782,059	1,169,313
2047	980,000	17,175	937,564	1,934,739	997,175
<b>Total<sup>4</sup></b>	<b>\$1,049,884,438</b>	<b>\$278,877,256</b>	<b>\$1,517,673,227</b>	<b>\$2,846,434,921</b>	<b>\$1,326,897,003</b>

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

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

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

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



RSM US LLP

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

**Independent Auditor's Report**

To the Board of Directors of  
New Jersey Environmental Infrastructure Trust

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of New Jersey Environmental Infrastructure Trust (the Trust), a component unit of the State of New Jersey, as of and for the year ended June 30, 2017, 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 12, 2017.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of This Report**

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

*RSM US LLP*

New York, New York  
October 12, 2017

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

**Schedule of Findings and Recommendations  
Year Ended June 30, 2017**

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**Schedule of Financial Statement Findings:**

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

None.

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

**Schedule of Summary Schedule of Prior Year Audit Findings and Recommendations as  
Prepared by Management  
Year Ended June 30, 2017**

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

**2016-001**

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

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

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

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

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

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

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

**Status:** The Trust implemented a monthly review of the financial statements by the CFO. During our audit, we did not identify journal entries without supporting documentation.

## 2018 TRUST MEETING DATES

JANUARY 11, 2018

FEBRUARY 8, 2018

MARCH 8, 2018

APRIL 12, 2018

MAY 10, 2018

JUNE 14, 2018

JULY 12, 2018

AUGUST 9, 2018

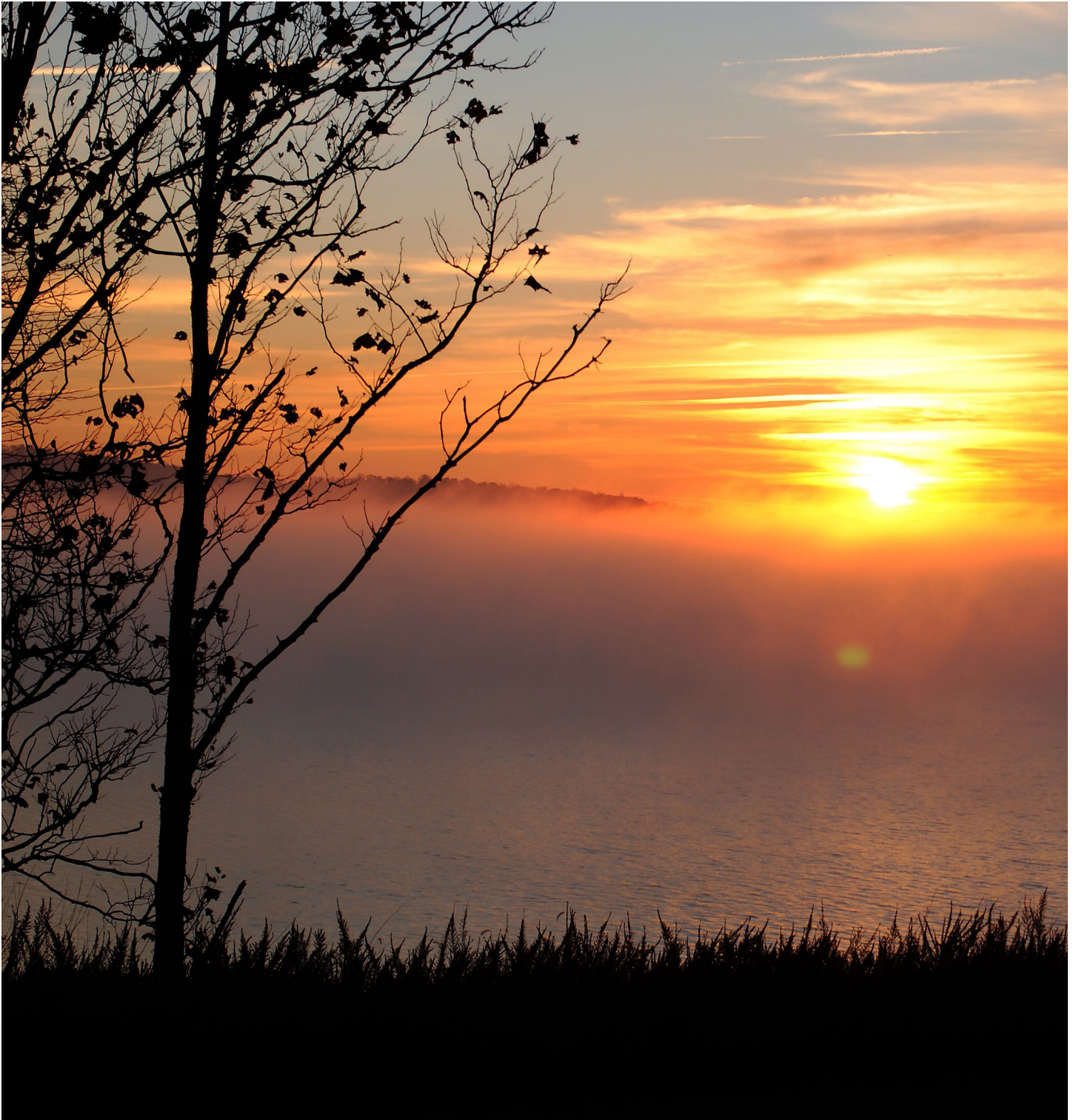
SEPTEMBER 13, 2018

OCTOBER 11, 2018

NOVEMBER 8, 2018

DECEMBER 13, 2018

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.



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