

New Jersey Infrastructure Bank

**f/k/a New Jersey Environmental Infrastructure Trust
(A Component Unit of the State of New Jersey)**

Financial Report
June 30, 2018

PRELIMINARY DRAFT
for Review and Discussion
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Contents

Independent auditor's report	1-2
<hr/>	
Required supplementary information	
Management's discussion and analysis (unaudited)	3-10
<hr/>	
Financial statements	
Statements of net position	11-12
Statements of revenues, expenses and changes in net position	13-14
Statements of cash flows	15-18
Notes to the financial statements	19-40
<hr/>	
Master program trust agreement schedule (unaudited)	41
<hr/>	
Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	42-43
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PRELIMINARY DRAFT

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Independent Auditor's Report

Board of Directors
New Jersey Infrastructure Bank
f/k/a New Jersey Environmental Infrastructure Trust

Report on the Financial Statements

We have audited each major enterprise fund of the New Jersey Infrastructure Bank (the I-Bank) f/k/a New Jersey Environmental Infrastructure Trust, a component unit of the State of New Jersey, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the I-Bank'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 opinions 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 I-Bank'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 I-Bank'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the I-Bank, as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-10 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 opinions on the financial statements that collectively comprise the I-Bank'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 _____ 2018, on our consideration of the I-Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 I-Bank's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the I-Bank's internal control over financial reporting and on compliance.

New York, New York

_____, 2018

**New Jersey Infrastructure Bank
f/k/a New Jersey Environmental Infrastructure Trust
(A Component Unit of the State of New Jersey)**

**Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2018 and 2017**

On January 16, 2018, pursuant to Public Law 2016, Chapter 56 the New Jersey Environmental Infrastructure Trust's name was changed to the New Jersey Infrastructure Bank (I-Bank) and its statutory authority expanded to include a financing program for local transportation projects. The I-Bank currently is structured organizationally as two distinct operating departments: (i) one department, in conjunction with the New Jersey Department of Environmental Protection (NJ DEP) for the purpose of operating its environmental infrastructure financing programs, which programs are referred to collectively as the New Jersey Water Bank (Water Bank), and (ii) a second department, in conjunction with the New Jersey Department of Transportation (NJ DOT), for the purpose of operating its transportation infrastructure financing program, which program is referred to as the New Jersey Transportation Bank (Transportation Bank).

This section of the annual financial report of the I-Bank presents management's discussion and analysis of the financial performance of each financing program within the I-Bank during the fiscal years ended June 30, 2018 and 2017, relative to each other. Please read this section in conjunction with the I-Bank's financial statements and accompanying notes.

Overview of the financial statements: This report of audit consists of two parts, management's discussion and analysis (this section) and the basic financial statements, including notes. The I-Bank is an independent state financing entity. The accounting policies of the I-Bank conform to accounting principles generally accepted in the United States of America as applicable to enterprise funds.

The I-Bank's financial statements report information about the I-Bank using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about the I-Bank's activities. The statements of net position include all of the I-Bank's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the accounts payable (liabilities). The statements of revenues, expenses and changes in net position include all of the current year's revenues and expenses. The statements of cash flows are the final required financial statement. The primary purpose of these statements is to provide information about the I-Bank'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.

The following analysis is segregated into the two different financing programs administered by the I-Bank in conjunction with the NJ DEP and the NJ DOT; namely the Water Bank and the Transportation Bank.

**New Jersey Infrastructure Bank
f/k/a New Jersey Environmental Infrastructure Trust
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**Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2018 and 2017**

Water Bank

Financial highlights for the year ended June 30, 2018:

- Assets increased by \$132,471,539 or 34.34%
 - Cash and investments (excluding earmarked but, as of yet, undisbursed project funds) increased by \$99,452,859 or 41.16%
 - Total loans increased by \$32,691,340 or 23.19%
- Liabilities increased by \$61,683 or 4.98%
- Net position increased by \$132,409,856, or 34.44%
- Operating revenues increased by \$405,848, or 5.65%
- Non-operating revenues increased by \$78,766,994, or 152.61%
- Operating expenses decreased by \$201,009, or (3.49%)

Financial highlights for the year ended June 30, 2017:

- Assets increased by \$52,769,744, or 15.85%
 - Cash and investments (excluding earmarked but, as of yet, undisbursed project funds) decreased by \$40,696,351, or (14.41%)
 - Total loans increased by \$93,397,126, or 196.36%
- Liabilities decreased by \$266,261, or (17.69%)
- Net position increased by \$53,036,005, or 16.00%
- Operating revenues decreased by \$2,425,528, or (25.26%)
- Non-operating revenues decreased by \$12,721,509, or (19.77%)
- Operating expenses increased by \$286,195, or 5.23%

The Water Bank issues short-term loans to fund various types of environmental infrastructure projects prior to securing long term financing. The Short-Term Loan Program offers loans for eligible costs including construction, planning & design, associated legal fees, 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 loans issued in SFY2018, the Water Bank provided short-term loans to borrowers at a 0% interest rate with the support of the NJ DEP.

**New Jersey Infrastructure Bank
f/k/a New Jersey Environmental Infrastructure Trust
(A Component Unit of the State of New Jersey)**

**Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2018 and 2017**

Water Bank, (continued)

The short-term SAIL Program provides advance funding to water systems working with FEMA, CDBG or other federal grant programs, pending receipt of federal reimbursements to mitigate the financial and cash flow stress on disaster impacted communities during the rebuild process. For loans issued in SFY2018, the Water Bank provided SAIL loans to borrowers at a 0% interest rate with the support of the NJ DEP.

Upon construction completion, the Water Bank converts the program's short-term loans into long-term financing. The I-Bank provides a portion of the long-term funds by acting as a conduit lender, issuing bonds in the public municipal market and providing the proceeds to participating borrowers. In cases of de minimis loans, the Water Bank will forego issuing long-term bonds and instead, act as a direct long-term lender. The NJ DEP provides the remainder of the long-term Water Bank financing by issuing 0% interest loans.

Financial analysis: The mission of the Water Bank is to provide and administer low interest rate loans to qualified municipalities, counties, regional authorities, and water purveyors for the purpose of financing environmental infrastructure projects with a water quality benefit. Therefore, when reviewing the Water Bank's financial statements, its performance should be measured based upon the Water Bank's ability to fund both short-term construction loans and long-term permanent financing.

During SFY2018, the Water Bank closed on 58 short-term loans. The cash and investment balance, which includes available construction funds, increased primarily due to the State appropriation to the short-term loan programs. Total loans increased due to the payment of requisitions on outstanding short-term loans.

During SFY2017, the Water Bank 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 Infrastructure Bank
f/k/a New Jersey Environmental Infrastructure Trust
(A Component Unit of the State of New Jersey)**

**Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2018 and 2017**

Water Bank, (continued)

The following table summarizes the net position changes of the Water Bank between June 30, 2018, 2017 and 2016:

	2018	2017	Percent Increase (Decrease)	2016	Percent Increase (Decrease)
Current loans receivable	\$ 69,747,872	\$ 87,292,753	(20.10)%	\$ 22,793,394	282.97 %
Noncurrent loans receivable	103,773,220	53,401,569	94.33 %	23,489,547	127.34 %
Cash for borrowers - undisbursed project funds	131,426	266,856	(50.75)%	1,281,111	(79.17)%
Total loans	173,652,518	140,961,178	23.19 %	47,564,052	196.36 %
Current cash and cash equivalents, as reduced by undisbursed loan project funds	225,247,477	128,249,882	75.63 %	166,012,406	(22.75)%
Current investments	31,858,130	26,845,036	18.67 %	27,942,891	(3.93)%
Noncurrent investments	83,980,636	86,538,466	(2.96)%	88,374,438	(2.08)%
Administrative fee receivable	2,423,841	2,400,658	0.97 %	2,431,049	(1.25)%
Due from Transportation	131,857	-	100.00%	-	0.00 %
Other assets	890,864	718,564	23.98 %	619,205	16.05 %
Total assets	<u>\$ 518,185,323</u>	<u>\$ 385,713,784</u>	<u>34.34 %</u>	<u>\$ 332,944,041</u>	<u>15.85 %</u>
Account payable	\$ 1,300,571	\$ 1,238,888	4.98 %	\$ 1,505,150	(17.69)%
Total liabilities	<u>\$ 1,300,571</u>	<u>\$ 1,238,888</u>	<u>4.98 %</u>	<u>\$ 1,505,150</u>	<u>(17.69)%</u>
Restricted	\$ 492,502,954	\$ 360,895,021	36.47 %	\$ 301,040,422	19.88 %
Unrestricted	24,381,798	23,579,875	3.40 %	30,398,469	(22.43)%
Total net position	<u>\$ 516,884,752</u>	<u>\$ 384,474,896</u>	<u>34.44 %</u>	<u>\$ 331,438,891</u>	<u>16.00 %</u>

**New Jersey Infrastructure Bank
f/k/a New Jersey Environmental Infrastructure Trust
(A Component Unit of the State of New Jersey)**

**Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2018 and 2017**

Water Bank, (continued)

For SFY18, the Water Bank's administrative fees decreased by (9.87%) due to the lack of refunding issuances during the year and the subsequent drop in refunding cost of issuance reimbursements from borrowers. The Water Bank's non-operating revenues increased substantially due to an increase of \$79 million in funds from the State through the NJ DEP to support the short-term loan program. The Water Bank's investment income increased primarily due to higher interest rates for short term securities in conjunction with increased holdings. The Water Bank's expenses decreased due primarily to unfilled staffing positions and the resulting reduction in aggregate salary and fringe expenses as well as a reduction in information technology expenses.

For SFY17, the Water Bank'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.

The following table summarizes the changes in Water Bank net position between fiscal years June 30, 2018, 2017 and 2016:

	2018	2017	Percent Increase (Decrease)	2016	Percent Increase (Decrease)
Net position, beginning of year	\$ 384,474,896	\$ 331,438,891		\$ 262,969,654	
Investment income	1,423,893	330,011	331.47 %	2,442,971	(86.49)%
Loan interest income	168,535	200,466	(15.93)%	208,945	(4.06)%
Administrative fees	5,990,865	6,646,968	(9.87)%	6,951,057	(4.37)%
Receipt (return) of prior year funding	379,667	612,673	(38.03)%	834,182	(26.55)%
State appropriation	130,000,000	51,000,000	154.90 %	63,500,000	(19.69)%
Total revenues	137,962,960	58,790,118	134.67 %	73,937,155	20.49 %
Administrative expenses	5,553,104	5,754,113	(3.49)%	5,467,918	5.23 %
Total expenses	5,553,104	5,754,113	(3.49)%	5,467,918	5.23 %
Change in net position	132,409,856	53,036,005	149.66 %	68,469,237	(22.54)%
Net position, end of year	\$ 516,884,752	\$ 384,474,896	34.44 %	\$ 331,438,891	16.00 %

**New Jersey Infrastructure Bank
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**Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2018 and 2017**

Transportation Bank

Financial highlights from inception in January 2018 through June 30, 2018:

- Assets increased by \$22,424,437, or 100%
 - Cash and investments increased by \$22,384,763, or 100%
- Liabilities increased by \$131,857 or 100%
- Net position increased by \$22,292,580, or 100%
- Operating revenues increased by \$52,995, or 100%
- Non-operating revenues (expenses) increased by \$22,600,000, or 100%
- Operating expenses increased by \$360,415, or 100%

The purpose of the Transportation Bank is to provide financial assistance to New Jersey local government units or consortia thereof, authorized to construct, operate and maintain transportation projects. The Transportation Bank provides low-cost financing for capital projects for public highways, approach roadways, and other necessary land side improvements, ramps, signal systems, roadbeds, transit lanes or rights of way, pedestrian walkways and bridges connecting to passenger stations and servicing facilities, bridges and grade crossings. The Transportation Bank became operational in January of 2018 and the \$22.6 million SFY2018 appropriation was received in May of 2018. The State has provided for up to \$2.6 million of the appropriation to be used for operations. It is anticipated that for the seven (7) year period from SFY2018 through SFY2024 the NJIB will receive a net sum of \$22.6 million per year in appropriations to fund the Transportation Bank.

Financial analysis: During SFY2018, the Transportation Bank did not close on any loans. Funds were invested upon receipt in accordance with the investment policy.

**New Jersey Infrastructure Bank
f/k/a New Jersey Environmental Infrastructure Trust
(A Component Unit of the State of New Jersey)**

**Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2018 and 2017**

Transportation Bank, (continued)

The following table summarizes the net position changes of the Transportation Bank between June 30, 2018, 2017 and 2016:

	2018	2017	Percent Increase (Decrease)	2016	Percent Increase (Decrease)
Current cash and cash equivalents, as reduced by undisbursed loan project funds	\$ 22,384,763	\$ -	100.00 %	\$ -	0.00 %
Other assets	<u>39,674</u>	<u>-</u>	<u>100.00 %</u>	<u>-</u>	<u>0.00 %</u>
Total assets	<u>\$ 22,424,437</u>	<u>\$ -</u>	<u>100.00 %</u>	<u>\$ -</u>	<u>0.00 %</u>
Due to Water	\$ 131,857	\$ -	100.00 %	\$ -	0.00 %
Total liabilities	<u>\$ 131,857</u>	<u>\$ -</u>	<u>100.00 %</u>	<u>\$ -</u>	<u>0.00 %</u>
Restricted	\$ 20,052,995	\$ -	100.00 %	\$ -	0.00 %
Unrestricted	<u>2,239,585</u>	<u>-</u>	<u>100.00 %</u>	<u>-</u>	<u>0.00 %</u>
Total net position	<u>\$ 22,292,580</u>	<u>\$ -</u>	<u>100.00 %</u>	<u>\$ -</u>	<u>0.00 %</u>

The increase in Investments was due to the receipt from the State of the SFY2018 appropriation net of funds expended for operations. Accounts payable increased due to expenses incurred for operations.

The following table summarizes the changes in the Transportation Bank net position between fiscal years June 30, 2018, 2017 and 2016:

	2018	2017	Percent Increase (Decrease)	2016	Percent Increase (Decrease)
Net position, beginning of year	\$ -	\$ -	\$ -	\$ -	0.00 %
Investment income	52,995	-	100.00 %	-	0.00 %
State appropriation	<u>22,600,000</u>	<u>-</u>	<u>100.00 %</u>	<u>-</u>	<u>0.00 %</u>
Total revenues	<u>22,652,995</u>	<u>-</u>	<u>100.00 %</u>	<u>-</u>	<u>0.00 %</u>
Administrative expenses	360,415	-	100.00 %	-	0.00 %
Total expenses	<u>360,415</u>	<u>-</u>	<u>100.00 %</u>	<u>-</u>	<u>0.00 %</u>
Change in net position	22,292,580	-	100.00 %	-	0.00 %
Net position, end of year	<u>\$ 22,292,580</u>	<u>\$ -</u>	<u>100.00 %</u>	<u>\$ -</u>	<u>0.00 %</u>

Investment income increased due to interest earnings on the SFY2018 appropriation which was received in May of 2018. Administrative expenses represent both direct and allocated costs attributable to the operation of the Transportation Bank.

**New Jersey Infrastructure Bank
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**Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2018 and 2017**

Infrastructure Bank

Contacting the I-Bank's financial management: This financial report is designed to provide citizens, borrowers, investors and creditors with a general overview of the I-Bank's finances and to demonstrate the I-Bank'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 I-Bank's Chief Financial Officer at 3131 Princeton Pike, Building 4, Lawrenceville, New Jersey 08648.

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New Jersey Infrastructure Bank
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Statements of Net Position
June 30, 2018

	Water Bank	Transportation Bank	Total I-Bank
Assets			
Current assets:			
Unrestricted assets:			
Cash and cash equivalents	\$ 8,022,849	\$ 2,363,107	\$ 10,385,956
Investments	5,443,441	-	5,443,441
Administrative fee receivable	2,423,841	-	2,423,841
Other assets	79,355	8,335	87,690
Restricted assets:			
Cash and cash equivalents	217,356,054	20,021,656	237,377,710
Investments	26,414,689	-	26,414,689
Interest receivable	774,243	31,339	805,582
Due from Transportation	131,857	-	131,857
Loans receivable	69,747,872	-	69,747,872
Total current assets	330,394,201	22,424,437	352,818,638
Noncurrent assets:			
Unrestricted assets:			
Capital assets	37,266	-	37,266
Investments	1,480,488	-	1,480,488
Restricted assets:			
Investments	82,500,148	-	82,500,148
Loans receivable	103,773,220	-	103,773,220
Total noncurrent assets	187,791,122	-	187,791,122
Total assets	\$ 518,185,323	\$ 22,424,437	\$ 540,609,760
Liabilities and Net Position			
Current liabilities:			
Accounts payable	\$ 1,300,571	\$ -	\$ 1,300,571
Due to Water	-	131,857	131,857
Total current liabilities	1,300,571	131,857	1,432,428
Total liabilities	1,300,571	131,857	1,432,428
Net position:			
Net investment in capital assets	37,266	-	37,266
Restricted for debt service	115,538,234	-	115,538,234
Restricted for Interim Financing Loan Program	376,964,720	-	376,964,720
Restricted for Transportation Program	-	20,052,995	20,052,995
Unrestricted	24,344,532	2,239,585	26,584,117
Total net position	516,884,752	22,292,580	539,177,332
Total liabilities and net position	\$ 518,185,323	\$ 22,424,437	\$ 540,609,760

See notes to financial statements.

New Jersey Infrastructure Bank
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Statements of Net Position
June 30, 2017

	Water Bank	Transportation Bank	Total I-Bank
Assets			
Current assets:			
Unrestricted assets:			
Cash and cash equivalents	\$ 9,544,880	\$ -	\$ 9,544,880
Investments	3,709,139	-	3,709,139
Administrative fee receivable	2,400,658	-	2,400,658
Other assets	90,217	-	90,217
Restricted assets:			
Cash and cash equivalents	118,971,858	-	118,971,858
Investments	23,135,897	-	23,135,897
Interest receivable	532,883	-	532,883
Loans receivable	87,292,753	-	87,292,753
Total current assets	245,678,285	-	245,678,285
Noncurrent assets:			
Unrestricted assets:			
Capital assets	95,464	-	95,464
Restricted assets:			
Investments	86,538,466	-	86,538,466
Loans receivable	53,401,569	-	53,401,569
Total noncurrent assets	140,035,499	-	140,035,499
Total assets	\$ 385,713,784	\$ -	\$ 385,713,784
Liabilities and Net Position			
Current liabilities:			
Accounts payable	\$ 1,238,888	\$ -	\$ 1,238,888
Total current liabilities	1,238,888	-	1,238,888
Total liabilities	1,238,888	-	1,238,888
Net position:			
Net investment in capital assets	95,464	-	95,464
Restricted for debt service	115,031,752	-	115,031,752
Restricted for Interim Financing Loan Program	245,863,269	-	245,863,269
Unrestricted	23,484,411	-	23,484,411
Total net position	384,474,896	-	384,474,896
Total liabilities and net position	\$ 385,713,784	\$ -	\$ 385,713,784

See notes to financial statements.

**New Jersey Infrastructure Bank
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**Statements of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2018**

	Water Bank	Transportation Bank	Total I-Bank
Operating revenue:			
Investment income:			
Interest income	\$ 3,033,687	\$ 52,995	\$ 3,086,682
Net decrease in the fair value of investments	(1,609,794)	-	(1,609,794)
Interest income from loans	168,535	-	168,535
Administrative fees	5,990,865	-	5,990,865
Total operating revenues	7,583,293	52,995	7,636,288
Operating expenses:			
Administrative expenses	5,553,104	360,415	5,913,519
Total operating expenses	5,553,104	360,415	5,913,519
Operating income (loss)	2,030,189	(307,420)	1,722,769
Nonoperating revenues:			
Receipt of prior funding	379,667	-	379,667
State appropriations	130,000,000	22,600,000	152,600,000
Total nonoperating revenue	130,379,667	22,600,000	152,979,667
Change in net position	132,409,856	22,292,580	154,702,436
Net position, beginning of year	384,474,896	-	384,474,896
Net position, end of year	\$ 516,884,752	\$ 22,292,580	\$ 539,177,332

See notes to financial statements.

New Jersey Infrastructure Bank
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Statements of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2017

	Water Bank	Transportation Bank	Total I-Bank
Operating revenue:			
Investment income:			
Interest income	\$ 1,758,902	\$ -	\$ 1,758,902
Net decrease in the fair value of investments	(1,428,891)	-	(1,428,891)
Interest income from loans	200,466	-	200,466
Administrative fees	6,646,968	-	6,646,968
Total operating revenues	7,177,445	-	7,177,445
Operating expenses:			
Administrative expenses	5,754,113	-	5,754,113
Total operating expenses	5,754,113	-	5,754,113
Operating income	1,423,332	-	1,423,332
Nonoperating revenues:			
Receipt of prior funding	612,673	-	612,673
State appropriations	51,000,000	-	51,000,000
Total nonoperating revenue	51,612,673	-	51,612,673
Change in net position	53,036,005	-	53,036,005
Net position, beginning of year	331,438,891	-	331,438,891
Net position, end of year	\$ 384,474,896	\$ -	\$ 384,474,896

See notes to financial statements.

New Jersey Infrastructure Bank
f/k/a New Jersey Environmental Infrastructure Trust
(A Component Unit of the State of New Jersey)

Statements of Cash Flows
Year Ended June 30, 2018

	Water Bank	Transportation Bank	Total I-Bank
Cash flows from operating activities:			
Cash received for administrative fees	\$ 5,967,682	\$ -	\$ 5,967,682
Cash payments for goods and services	(2,857,175)	(57,070)	(2,914,245)
Cash payments for salaries	(2,697,043)	(179,823)	(2,876,866)
Disbursement of loan funds to borrowers	(222,125,481)	-	(222,125,481)
Principal received from loans to borrowers	189,298,547	-	189,298,547
Interest received from loans to borrowers	209,254	-	209,254
Net cash used in operating activities	(32,204,216)	(236,893)	(32,441,109)
Cash flows from non-capital financing activities:			
Receipt of prior funding	379,667	-	379,667
State appropriations received	130,000,000	22,600,000	152,600,000
Net cash provided by non-capital financing activities	130,379,667	22,600,000	152,979,667
Cash flows from investing activities:			
Interest on investments	2,680,120	21,656	2,701,776
Purchase of investments	(42,616,397)	-	(42,616,397)
Proceeds from sale and maturity of investments	38,622,991	-	38,622,991
Net cash (used in) provided by investing activities	(1,313,286)	21,656	(1,291,630)
Net increase in cash and cash equivalents	96,862,165	22,384,763	119,246,928
Cash and cash equivalents:			
Beginning of year	128,516,738	-	128,516,738
End of year	\$ 225,378,903	\$ 22,384,763	\$ 247,763,666
Displayed as:			
Cash and cash equivalents – unrestricted	\$ 8,022,849	\$ 2,363,107	\$ 10,385,956
Cash and cash equivalents – restricted	217,356,054	20,021,656	237,377,710
Cash and cash equivalents	\$ 225,378,903	\$ 22,384,763	\$ 247,763,666

(Continued)

New Jersey Infrastructure Bank
f/k/a New Jersey Environmental Infrastructure Trust
(A Component Unit of the State of New Jersey)

Statements of Cash Flows (Continued)

Year Ended June 30, 2018

	Water Bank	Transportation Bank	Total I-Bank
Reconciliation of operating income to net cash used in operating activities:			
Operating income (loss)	\$ 2,030,189	\$ (307,420)	\$ 1,722,769
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Depreciation	58,198	-	58,198
Investment income included in operations	(2,680,120)	(21,656)	(2,701,776)
Net unrealized and realized loss on investments	1,609,794	-	1,609,794
Amortized interest	(71,485)	-	(71,485)
Change in assets and liabilities:			
Increase in administrative fee receivable	(23,184)	-	(23,184)
Decrease (increase) in other assets	10,862	(8,335)	2,527
Increase in interest receivable	(241,359)	(31,339)	(272,698)
Increase in loans receivable	(32,826,937)	-	(32,826,937)
Increase in due from Transportation	(131,857)	-	(131,857)
Increase in due to Water	-	131,857	131,857
Increase in accounts payable	61,683	-	61,683
Net cash used in operating activities	\$ (32,204,216)	\$ (236,893)	\$ (32,441,109)

See notes to financial statements.

New Jersey Infrastructure Bank
f/k/a New Jersey Environmental Infrastructure Trust
(A Component Unit of the State of New Jersey)

Statements of Cash Flows

June 30, 2017

	Water Bank	Transportation Bank	Total I-Bank
Cash flows from operating activities:			
Cash received for administrative fees	\$ 6,677,360	\$ -	\$ 6,677,360
Cash payments for goods and services	(3,337,985)	-	(3,337,985)
Cash payments for salaries	(2,672,644)	-	(2,672,644)
Disbursement of loan funds to borrowers	(196,526,701)	-	(196,526,701)
Principal received from loans to borrowers	102,106,858	-	102,106,858
Interest received from loans to borrowers	149,416	-	149,416
Net cash used in operating activities	(93,603,696)	-	(93,603,696)
Cash flows from non-capital financing activities:			
Receipt of prior funding	612,673	-	612,673
State appropriations received	51,000,000	-	51,000,000
Net cash provided by non-capital financing activities	51,612,673	-	51,612,673
Cash flows from investing activities:			
Interest on investments	2,407,326	-	2,407,326
Purchase of investments	(66,191,887)	-	(66,191,887)
Proceeds from sale and maturity of investments	66,998,805	-	66,998,805
Net cash provided by investing activities	3,214,244	-	3,214,244
Net decrease in cash and cash equivalents	(38,776,779)	-	(38,776,779)
Cash and cash equivalents:			
Beginning of year	167,293,517	-	167,293,517
End of year	\$ 128,516,738	\$ -	\$ 128,516,738
Displayed as:			
Cash and cash equivalents – unrestricted	\$ 9,544,880	\$ -	\$ 9,544,880
Cash and cash equivalents – restricted	118,971,858	-	118,971,858
Cash and cash equivalents	\$ 128,516,738	\$ -	\$ 128,516,738

(Continued)

**New Jersey Infrastructure Bank
f/k/a New Jersey Environmental Infrastructure Trust
(A Component Unit of the State of New Jersey)**

Statements of Cash Flows (Continued)

Year Ended June 30, 2017

	Water Bank	Transportation Bank	Total I-Bank
Reconciliation of operating income to net cash used in operating activities:			
Operating income	\$ 1,423,332	\$ -	\$ 1,423,332
Adjustments to reconcile operating income to net cash used in operating activities:			
Depreciation	39,110	-	39,110
Bad debt expense	8,460	-	8,460
Investment income included in operations	(2,407,326)	-	(2,407,326)
Net unrealized and realized gain on investments	1,428,891	-	1,428,891
Amortized interest	698,017	-	698,017
Change in assets and liabilities:			
Decrease in administrative fee receivable	30,392	-	30,392
Increase in other assets	(31,250)	-	(31,250)
Increase in interest receivable	(107,220)	-	(107,220)
Increase in loans receivable	(94,419,841)	-	(94,419,841)
Decrease in accounts payable	(266,261)	-	(266,261)
Net cash used in operating activities	\$ (93,603,696)	\$ -	\$ (93,603,696)

See notes to financial statements.

**New Jersey Infrastructure Bank
f/k/a New Jersey Environmental Infrastructure Trust
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements

Note 1. Organization and Function of the I-Bank

The New Jersey Wastewater Treatment Trust (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. On October 14, 2016, the I-Bank Act was further amended pursuant to Public Law 2016, Chapter 56 (the Amending Statute). The Amending Statute, which became effective on January 16, 2018, pursuant to Public Law 2017, Chapter 327, changed the name to the New Jersey Infrastructure Bank (I-Bank) and expanded the statutory authority of the I-Bank to include a financing program for local transportation projects. Given this expansion of its statutory authority, the I-Bank currently is structured organizationally as two distinct operating departments: (i) one department, in conjunction with the New Jersey Department of Environmental Protection (NJ DEP), for the purpose of operating its environmental infrastructure financing programs, which programs are referred to collectively as the New Jersey Water Bank (Water Bank), and (ii) a second department, in conjunction with the New Jersey Department of Transportation (NJ DOT), for the purpose of operating its transportation infrastructure financing programs, which programs are referred to as the New Jersey Transportation Bank (Transportation Bank). The I-Bank is a component unit of the State in but not of the Department of Treasury.

The I-Bank Board of Directors consists of ten members. Four are members ex officio: (i) the New Jersey State Treasurer; (ii) the Commissioner of the New Jersey Department of Community Affairs; (iii) the Commissioner of the New Jersey Department of Environmental Protection; and (iv) the Commissioner of the New Jersey Department of Transportation. The six remaining directors are appointed. Two directors are appointed by the Governor of the State (the Governor) upon the recommendation of the President of the State Senate. Two directors are appointed by the Governor upon the recommendation of the Speaker of the State General Assembly. The four aforementioned appointees serve during the two-year legislative term in which they are appointed. The remaining two directors are appointed by the Governor with the advice and consent of the State Senate, each for a four-year term. Each appointed director serves until a successor is appointed and qualified, and is eligible for reappointment. Any vacancy is filled in the same manner as the original appointment. The Governor designates one of the appointed directors to be the chairman and chief executive officer, who serves in such office for a term of two years and until a successor has been designated. The directors elect biannually a vice chairman, a treasurer and a secretary from among the appointed directors.

The I-Bank is administered by an Executive Director and staff, under the guidance of the Board of Directors. In order to further ensure compliance with the legal requirement for the segregation of program funds, the monies of the Transportation Bank and Water Bank are held at separate custodial banks (Wells Fargo and TD Bank, respectively). The Water Bank utilizes Trustees (U.S. Bank, Bank of New York Mellon and Zions Bank) and loan servicers (U.S. Bank, TD Bank and the I-Bank) for its long-term loan program. The Transportation Bank has not issued any short-term or long-term loans to date. The initial proceeds from a bond issuance representing any remaining project funds not disbursed for project expenses prior to bond closing, are held by the Trustee. The I-Bank authorizes the Trustee to disburse funds to the borrowers for requisitions based on a review and approval process in conjunction with the NJ DEP. 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 individual bond series Trustee and the Master Program Trustee (U.S. Bank) or the NJDEP or the I-Bank, as appropriate. As noted above, for Water Bank loans issued in 2004 and later, the I-Bank's accounting staff acts as loan servicer, with repayments being received directly by the Trustee. As a public body under existing statute, the I-Bank is exempt from both federal and state taxes.

**New Jersey Infrastructure Bank
f/k/a New Jersey Environmental Infrastructure Trust
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements

Note 1. Organization and Function of the I-Bank (Continued)

Short-term construction loans are rapidly becoming a major component of the Water Bank, and in SFY2018, the large majority of projects utilized construction loans as the primary source of funding prior to securing long-term financing. The Water Bank disburses funds to borrowers upon approval of requisitions by the NJ DEP. These short-term loans are refinanced by long-term loans once construction is at or close to completion.

Under the Water Bank's Long-Term Program, the I-Bank and the NJ DEP assists in obtaining financing for allowable project costs. The I-Bank issues debt on behalf of the borrowers; this debt is classified as conduit debt and as such is not included in the statements of net position of the I-Bank. The I-Bank lends its share of allowable costs (typically, 25%-50% of the total financed amount) to borrowers for various terms up to a maximum of 30 years at a rate equal to the interest rate and associated issuance costs on its conduit debt obligations. In turn, payments by the borrowers on these loans are used to pay debt service on the I-Bank's conduit debt obligations issued for the Water Bank.

In addition to an interest-bearing loan from the I-Bank, borrowers receive an interest-free loan from the NJ DEP. The sources for the NJ DEP loans are federal capitalization grants received under the Clean Water Act and the Safe Drinking Water Act and State general obligation bond issuances approved to capitalize the various loan funds, (collectively, the NJ DEP Funds). The NJ DEP 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.

Note 2. Summary of Significant Accounting Policies

Basis of presentation: The I-Bank'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 I-Bank 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 I-Bank.

The I-Bank reports the following major enterprise funds:

Water Bank: This fund is used for operating its environmental infrastructure financing programs, in conjunction with NJ DEP.

Transportation Bank: This fund is used for operating its transportation infrastructure financing programs

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.

**New Jersey Infrastructure Bank
f/k/a New Jersey Environmental Infrastructure Trust
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Non-exchange transactions, in which the I-Bank receives value without directly giving equal value in return, include grants, state appropriations, 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 I-Bank must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the I-Bank on a reimbursement basis.

Expenses: Expenses are recognized at the time they are incurred. Direct costs are expensed to each program while indirect expenses are allocated based on salary allocations between the two programs.

Cash, cash equivalents and investments: Cash and cash equivalents include funds invested in the PFM Funds – Prime Institutional Class, the Wells Fargo Government Money Market Fund 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 statements of cash flows. Cash equivalents are stated at amortized cost.

Investments are purchased with the intent to hold to maturity. Investments, which consist primarily of U.S. Government Obligations, are stated at fair value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses and changes in net position.

Fair value: The I-Bank 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 I-Bank'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.

**New Jersey Infrastructure Bank
f/k/a New Jersey Environmental Infrastructure Trust
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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.

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 for additional loan programs.

Operating expenses include expenses associated with the general administration of the I-Bank. Direct costs are expensed to each program while indirect expenses are allocated based on salary allocations.

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

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

Expenditures are capitalized when they meet the following requirements: (1) cost of \$5,000 or more, (2) useful life of more than one year, and (3) asset is not affected by consumption.

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

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

**New Jersey Infrastructure Bank
f/k/a New Jersey Environmental Infrastructure Trust
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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 I-Bank 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.

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 I-Bank further separates restricted net position into “restricted for debt service”, “restricted for interim financing loan program” and “restricted for transportation 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. Net position restricted for transportation program is restricted in accordance with the terms of the appropriation to make loans and pay operating costs within the Transportation Program.

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 of Directors.

Use of estimates: The preparation of financial statements in conformity with GAAP 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 I-Bank evaluated GASB statements 83 through 87; Management has determined there will be no effect to the I-Bank's financial statements for all but those statements noted below:

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 I-Bank has not yet determined the effect of the adoption of this Statement.

New Jersey Infrastructure Bank
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

Note 3. Cash, Cash Equivalents and Investments

The amounts of cash and cash equivalents in the accounts as of June 30, 2018, is as follows:

	Water Bank	Transportation Bank	Total I-Bank
Operating checking (TD Bank)	\$ 254,387	\$ -	\$ 254,387
GS SQ Treasury obligation (TD Bank MM)	199,417,151	-	199,417,151
Wells Fargo Government MM Fund Instl Class (WELLS FARGO)	-	22,384,763	22,384,763
Prime, institutional class (PFM Funds)	25,707,365	-	25,707,365
	<u>\$ 225,378,903</u>	<u>\$ 22,384,763</u>	<u>\$ 247,763,666</u>

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

	Water Bank	Transportation Bank	Total I-Bank
Operating checking (TD Bank)	\$ 6,242	\$ -	\$ 6,242
GS SQ Treasury obligation (TD Bank MM)	88,316,213	-	88,316,213
Prime, institutional class (PFM Funds)	40,194,283	-	40,194,283
	<u>\$ 128,516,738</u>	<u>\$ -</u>	<u>\$ 128,516,738</u>

Custodial credit risk: Custodial credit risk is the risk that, in the event of failure of the counterparty, the I-Bank 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 I-Bank's investment policy. Statutory limits also apply to the investments of the I-Bank. Deposits and investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the I-Bank and are held by either the counterparty or the counterparty's trust department or agent, but not in the I-Bank's name. As of June 30, 2018, the I-Bank deposits are \$254,387, of which \$4,387 is uncollateralized. As of June 30, 2017, the I-Bank deposits are fully covered by the Federal Deposit Insurance Corporation. All of the I-Bank's investments, \$115,838,766 and \$113,383,502 as of June 30, 2018 and 2017, respectively, are held in an account outside the counterparty, not in the name of the I-Bank.

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 I-Bank's separate investment policy. This policy limits the type and ratings of securities allowable as well as providing diversification requirements.

New Jersey Infrastructure Bank
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

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

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

As of June 30, 2018 and 2017, the I-Bank had the following investments and maturities, all of which are reported by the Water Bank:

Investment Type	Fair Value	June 30, 2018			
		Investment Maturity (In Years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. Treasury Notes	\$ 52,272,616	\$ 9,716,107	\$ 42,556,509	\$ -	\$ -
U.S. Gov't Other	25,253,048	11,520,471	11,629,453	1,298,670	804,454
Municipal Bonds	981,976	981,976	-	-	-
Corporate Bonds/Notes/CP	37,331,126	9,639,576	27,691,550	-	-
	\$ 115,838,766	\$ 31,858,130	\$ 81,877,512	\$ 1,298,670	\$ 804,454

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	-	-
	\$ 113,383,502	\$ 26,845,036	\$ 86,538,466	\$ -	\$ -

As of June 30, 2018 and 2017, the Transportation Bank did not have any investment holdings, as all funds were invested in money market funds.

New Jersey Infrastructure Bank
(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, 2018, the I-Bank had the following investments, maturities and credit ratings all of which are reported by the Water Bank:

Investment	Maturities	S&P Credit Rating	Moody's Credit Rating	June 30, 2018 Fair Value
Toyota Motor Credit Corp	07/13/18	Aa3	AA-	\$ 99,970
BNP Paribas NY Branch	08/06/18	P-1	A-1	798,288
HSBC USA Inc	08/07/18	A2	A	1,049,430
BNP Paribas NY Branch	12/14/18	P-1	A-1	1,977,600
MUFG Bank	01/04/19	P-1	A-1	1,974,453
JPMorgan Chase & Co	01/28/19	A3	A-	1,872,030
American Express Credit	03/18/19	A2	A-	1,867,804
CT State Taxable GO Bonds	04/15/19	A1	A	981,976
African Development Bank	09/20/19	Aaa	AAA	786,192
Burlington North Corp	10/01/19	A3	A+	511,311
Intl Bank Of Recon And Dev	11/27/19	Aaa	AAA	882,108
General Elec Cap Corp	01/08/20	A2	A	1,668,845
Wells Fargo & Company	01/30/20	A2	A-	1,848,696
Microsoft Corp	02/06/20	Aaa	AAA	760,161
Toyota Motor Credit Corp	03/12/20	Aa3	AA-	533,498
Toyota Motor Credit Corp	04/17/20	Aa3	AA-	840,291
Home Depot Inc	06/05/20	A2	A	427,176
Walt Disney Co	06/05/20	A2	A+	977,665
American Honda Finance	07/20/20	A2	A+	372,117
Caterpillar Financial Services	09/04/20	A3	A	657,322
Intl Bank Of Recon And Dev	09/04/20	Aaa	AAA	1,466,895
Intl Bank Of Recon And Dev	09/12/20	Aaa	AAA	1,755,270
Procter & Gamble Co	10/23/20	Aa3	AA-	582,428
Apple Inc	11/13/20	Aa1	AA+	1,766,904
Wal-Mart Stores Inc	12/15/20	Aa2	AA	1,885,992
IBM Corp	01/20/21	A1	A+	872,109
IBM Corp	02/05/21	A1	A+	495,262
International Finance Corp	03/09/21	Aaa	AAA	892,192
African Development Bank	03/22/21	Aaa	AAA	1,892,117
UPS Corp	04/01/21	A1	A+	741,340
Bank of NY Mellon Corp	05/03/21	A1	A	993,031
Branch Banking & Trust Corp	05/10/21	A2	A-	507,294
Hershey Company Corp	05/15/21	A1	A	360,404
State Street Corp	05/19/21	A1	A	279,009
PepsiCo Inc	10/06/21	A1	A+	478,150
IBM Corp	05/11/22	A1	A+	486,116
Apple Inc	05/13/22	Aa1	AA+	196,854
Toyota Motor Credit Corp	09/08/22	Aa3	AA-	429,166
Microsoft Corp	11/03/22	Aaa	AAA	491,748
John Deere Capital	01/06/23	A2	A	853,888
U.S. Treasury Notes and Bonds	Demand	Aaa	AA+	52,272,616
Other U.S. Government Notes and Bonds	Demand	Aaa	AA+	25,253,048
				\$ 115,838,766

New Jersey Infrastructure Bank
(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 I-Bank had the following investments, maturities and credit ratings all of which are reported by the Water Bank:

Investment	Maturities	S&P Credit Rating	Moody's Credit Rating	June 30, 2017 Fair Value
US Treasury Bill	07/06/17	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
U.S. Treasury Notes and Bonds	Demand	AA+	Aaa	49,111,363
Other U.S. Government Notes and Bonds	Demand	AA+	Aaa	32,151,127
				<u>\$ 113,383,502</u>

New Jersey Infrastructure Bank
(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, 2018, and 2017, the I-Bank had the following investments, all of which are reported by the Water Bank, at fair value measurement by level, (as of the Transportation Bank did not have any investment holdings, as all funds were cash equivalents):

	Fair Value Measurements Using					
	Quoted Prices					
	in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs			
	June 30, 2018	(Level 1)	(Level 2)	(Level 2)	(Level 3)	
Investments by fair value level:						
Debt securities:						
U.S. Treasury Notes	\$ 52,272,616	\$ -	\$ 52,272,616	\$ -		
Corporate bonds/Notes/CP	37,331,126	-	37,331,126	-		
U.S. Government other	25,253,048	-	25,253,048	-		
Municipal bonds	981,976	-	981,976	-		
Total debt securities	<u>115,838,766</u>	-	<u>115,838,766</u>	-		
Total investments by fair value level	<u>\$ 115,838,766</u>	\$ -	<u>\$ 115,838,766</u>	\$ -		
Investments as reported on the statement of financial position:						
Current:						
Unrestricted	\$ 5,443,441					
Restricted	26,414,689					
Noncurrent:						
Unrestricted	1,480,488					
Restricted	82,500,148					
Total investments	<u>\$ 115,838,766</u>					

New Jersey Infrastructure Bank
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

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

	Fair Value Measurements Using				
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable	Significant Unobservable	Inputs	Inputs
June 30, 2017	(Level 1)	(Level 2)	(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	-	-
U.S. Government 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	<u>\$ 113,383,502</u>	<u>\$ -</u>	<u>\$ 113,383,502</u>	<u>\$ -</u>	<u>-</u>
 Investments as reported on the statement of financial position:					
Current:					
Unrestricted	\$ 3,709,139				
Restricted	23,135,897				
Noncurrent:					
Unrestricted	-				
Restricted	86,538,466				
Total investments	<u>\$ 113,383,502</u>				

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 I-Bank's investment policy provides diversification requirements and limits the amount the I-Bank may invest in any one issuer. All of the I-Bank's investments are in either US Treasury obligations, Prime or Government money market funds, agency bonds, municipal bonds, or corporate bonds and notes.

Note 4. Loans Receivable and Commitment

The Water Bank 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 I-Bank's Water Bank bond financing transaction. The I-Bank funds these loans through cash on hand rather than through the issuance of bonds. The I-Bank 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 I-Bank Water Bank'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, 2018 and 2017, the direct loans balance net of undisbursed funds was \$7,901,639 and \$8,733,978, respectively. Included in this balance are amounts owed from borrowers primarily for contributions made by the I-Bank on their behalf for defeasances of \$2,195,664 and \$2,525,010 as of June 30, 2018 and 2017, respectively.

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

Notes to Financial Statements

Note 4. Loans Receivable and Commitment (Continued)

Loans issued under the Water Bank short-term loan program and SAIL loan program are issued, with few exceptions, for a maximum of five fiscal years. With limited exceptions, these loans have an interest rate of 0% per year. These loans will be converted into long-term loans through either the bond program or direct loan program. As of June 30, 2018 and 2017, the balance for the loans described was \$165,619,453 and \$131,960,343, respectively. As of June 30, 2018, and 2017, the balance for the loans outstanding with a 0% interest rate was \$163,575,045 and \$115,787,835, respectively.

The Water Bank had a net loans receivable balance of \$173,521,092 and \$140,694,322 as of June 30, 2018 and 2017, respectively. This consisted of outstanding loans issued of \$173,652,518 and \$140,961,178 net of undisbursed loan funds of \$131,426 and \$266,856 for 2018 and 2017, respectively. Undisbursed loan funds include loan funds that have been committed to a specific borrower and held for its project in a separate account, but not yet requisitioned by the borrower for remaining project expenses.

The Water Bank does not maintain an allowance for loan losses given the repayment history of the pool of direct loans borrowers coupled with the debt service reserve holdings for some of the borrowers. In addition, the short-term loans are anticipated to be repaid with proceeds of bonds issued by the I-Bank and funds held at the NJ DEP and are therefore not subject to individual borrower repayment risk.

The Water Bank had certain borrowers whose loan receivables individually represented 10% or more of the Water Bank's total loans receivable. For the years ended June 30, 2018 and 2017, two borrowers accounted for 34% and two borrowers accounted for 36% of loans receivable, respectively.

The Water Bank is also committed to fund short-term loans to borrowers of approximately \$485 million that had not been requisitioned as of June 30, 2018.

Annual maturities for Water Bank loans receivable are as follows:

	SAIL and Short-Term	Direct Loans	Total
Years ending June 30:			
2019	\$ 69,114,363	\$ 764,935	\$ 69,879,298
Less undisbursed loan funds	-	(131,426)	(131,426)
Current loans	69,114,363	633,509	69,747,872
2020	53,774,292	618,918	54,393,210
2021	37,725,649	1,735,271	39,460,920
2022	2,960,740	426,881	3,387,621
2023	-	528,459	528,459
2024 through 2028	2,044,409	2,187,616	4,232,025
2029 through 2033	-	1,571,495	1,571,495
2034 through 2038	-	165,920	165,920
2039 through 2043	-	17,276	17,276
2044 through 2048	-	16,294	16,294
Noncurrent loans	96,505,090	7,268,130	103,773,220
Loans receivable, net	\$ 165,619,453	\$ 7,901,639	\$ 173,521,092

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

Notes to Financial Statements

Note 5. Capital Assets

The following is a summary of capital assets of the Water Bank at cost:

	Balance at June 30, 2017	Additions	Disposals	Balance at June 30, 2018
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
Total original book value	293,083	-	-	293,083
Less accumulated depreciation:				
Leasehold improvements	36,400	30,942	-	67,342
Office furniture	44,212	4,430	-	48,642
Computers and office equipment	89,368	12,489	-	101,857
Vehicles	27,639	10,337	-	37,976
Total accumulated depreciation	197,619	58,198	-	255,817
Capital assets (net)	\$ 95,464	\$ (58,198)	\$ -	\$ 37,266
 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
Total original book value	293,083	-	-	293,083
 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
Total accumulated depreciation	158,509	39,110	-	197,619
Capital assets (net)	\$ 134,574	\$ (39,110)	\$ -	\$ 95,464

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

Notes to Financial Statements

Note 6. Other Matter – Water Bank

An event of default (EOD) currently exists separate and apart from the Master Program Trust Account under the terms of the I-Bank's Series 2005 Indenture (the Indenture) pursuant to which the I-Bank 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 I-Bank and EnCap (NJEIT-BCIA Loan Agreement) pursuant to which the I-Bank 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 I-Bank for funding for the EnCap project and to protect bondholders from any repayment default risk by EnCap, the I-Bank 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 I-Bank.

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 I-Bank. 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 I-Bank including the principal and interest payments of any of the I-Bank's outstanding publicly issued bonds relating to such annual financing programs.

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

Notes to Financial Statements

Note 7. Commitments and Contingencies

Leases: In November 2012, the I-Bank entered 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 years ended June 30, 2018 and 2017 were \$122,339 and \$114,946, respectively. As of June 30, 2018, the I-Bank has not signed a new lease; the following is a summary of the future minimum rental commitments under the current lease through November 30, 2018:

Year ending June 30:

2019	<u>\$ 51,448</u>
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Note 8. Conduit Debt – Water Bank

The I-Bank 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 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. The bonds have been classified as conduit debt.

Not included in the accompanying financial statements are these various conduit debt obligations issued under the name of the I-Bank (formerly known as the New Jersey Environmental Infrastructure Trust). Although the conduit debt obligations bear the name of the I-Bank pursuant to the I-Bank Act and the Bond Resolutions, the Bonds are special obligations of the I-Bank 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 I-Bank has no taxing power, and the State of New Jersey is not liable for the bonds issued through the I-Bank. The revenue bonds are not secured by the I-Bank, 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 I-Bank pursuant to its bonds. The loan repayments of the Borrowers' are made to a trustee, who is appointed by the I-Bank 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 2018 program combine proceeds of the bond sale, lent at market rate, with interest free loans from the State, 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 November 21, 2017, the I-Bank issued \$18,840,000 of Environmental Infrastructure Bonds, Series 2017A-2 (Green Bonds) to capitalize 23 projects and \$3,860,000 of Environmental Infrastructure Bonds, Series 2017B-1 (Green Bonds) to capitalize three projects in the 2018 Water Bank Program.

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

Notes to Financial Statements

Note 8. Conduit Debt – Water Bank (Continued)

On May 22, 2018, the I-Bank issued \$21,105,000 of Environmental Infrastructure Bonds, Series 2018A-1 (Green Bonds) to capitalize 25 projects and \$15,100,000 of Environmental Infrastructure Bonds, Series 2018B-1 (Green Bonds) to capitalize 4 projects in the 2018 Water Bank Program.

At June 30, 2018 and 2017, the aggregate principal amount of conduit debt obligations outstanding totaled \$1,103,105,027 and \$1,138,297,784, respectively, as detailed in the following schedules.

Changes in conduit debt obligations of the Water Bank for the year ended June 30, 2018 were as follows:

	Balance at June 30, 2017	Issued	Retired	Balance at June 30, 2018	Amount Due Within One Year
2006 Refunding Series:					
Series A Bonds, uninsured, maturing serially through 2020, at interest rate of 5.00%	\$ 21,125,000	\$ -	\$ 4,905,000	\$ 16,220,000	\$ 5,150,000
Series B Bonds, uninsured, maturing serially through 2019, at interest rate of 5.00%	10,484,438	-	3,372,757	7,111,681	3,467,962
Series C Bonds, uninsured	2,240,000	-	2,240,000	-	-
2007 Refunding Series:					
Series A Bonds, uninsured, maturing serially through 2021, at interest rates of 5.00% to 5.25%	38,850,000	-	7,040,000	31,810,000	7,385,000
Series B Bonds, uninsured, maturing serially through 2022, at interest rates of 5.25%	27,220,000	-	3,980,000	23,240,000	4,200,000
Series C Bonds, uninsured, maturing serially through 2022, at interest rate of 5.00%	38,830,000	-	5,720,000	33,110,000	6,030,000
2008 Refunding Series:					
Series A Bonds, uninsured, maturing serially through 2018, at interest rates of 4.50%	5,735,000	-	2,800,000	2,935,000	2,935,000
2008 Series:					
Series A Bonds, uninsured, maturing serially through 2028, at interest rates from 5.00% to 5.50%	13,075,000	-	6,370,000	6,705,000	6,705,000
2009 Series:					
Series A Bonds, uninsured, maturing serially through 2029, at interest rates from 3.50% to 5.00%	7,220,000	-	3,085,000	4,135,000	3,255,000
Series C Bonds, uninsured, maturing serially through 2029, at interest rates of 4.50%	4,530,000	-	260,000	4,270,000	270,000
2010 A Series:					
Series A Bonds, uninsured, maturing serially through 2029, at interest rates from 4.00% to 5.00%	10,240,000	-	4,260,000	5,980,000	5,980,000
2010 Refunding Series:					
Series A Bonds, uninsured, maturing serially through 2024, at interest rates from 3.00% to 5.00%	32,125,000	-	3,490,000	28,635,000	3,500,000
Series B Bonds, uninsured, maturing serially through 2020, at interest rates of 4.00%	800,000	-	230,000	570,000	230,000
2010 B & C Series:					
Series B Bonds, uninsured, maturing serially through 2030, at interest rate of 5.00%	15,630,000	-	4,965,000	10,665,000	5,200,000
Series C Bonds, uninsured, maturing serially through 2030, at interest rates from 4.00% to 4.375%	6,095,000	-	355,000	5,740,000	365,000

**New Jersey Infrastructure Bank
f/k/a New Jersey Environmental Infrastructure Trust
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements

Note 8. Conduit Debt – Water Bank (Continued)

	Balance at June 30, 2017	Issued	Retired	Balance at June 30, 2018	Amount Due Within One Year
2011 Refunding Series:					
Series A Bonds, uninsured, maturing serially through 2018, at interest rates of 3.00%	\$ 945,000	\$ -	\$ 470,000	\$ 475,000	\$ 475,000
Series B Bonds, uninsured, maturing serially through 2021, at interest rates from 4.00% to 5.00%	6,685,000	-	1,600,000	5,085,000	1,680,000
Series C Bonds, uninsured, maturing serially through 2022, at interest rates of 5.00%	6,070,000	-	930,000	5,140,000	955,000
2012 Series:					
Series A Bonds, uninsured, maturing serially through 2031, at interest rates from 3.00% to 5.00%	58,960,000	-	2,805,000	56,155,000	2,960,000
Series B Bonds, uninsured, maturing serially through 2031, at interest rates from 4.00% to 5.00%	17,430,000	-	825,000	16,605,000	865,000
Series C Bonds, uninsured, maturing serially through 2031, at interest rates from 3.00% to 4.00%	4,135,000	-	220,000	3,915,000	225,000
2012 Refunding Series:					
Series A Bonds, uninsured, maturing serially through 2026, at interest rates of 4.00%	157,770,000	-	13,800,000	143,970,000	14,345,000
Series B Bonds, uninsured, maturing serially through 2021, at interest rate of 3.00%	470,000	-	80,000	390,000	90,000
Series C Bonds, uninsured, maturing serially through 2023, at interest rate of 3.00%	6,125,000	-	800,000	5,325,000	835,000
2013 Series:					
Series A Bonds, uninsured, maturing serially through 2032, at interest rates from 3.00% to 5.00%	26,480,000	-	1,220,000	25,260,000	1,290,000
Series B Bonds, uninsured, maturing serially through 2032, at interest rates from 3.00% to 3.25%	890,000	-	45,000	845,000	45,000
2014 Series:					
Series A Bonds, uninsured, maturing serially through 2033, at interest rates from 3.00% to 5.00%	53,200,000	-	2,645,000	50,555,000	2,265,000
Series B Bonds, uninsured, maturing serially through 2033, at interest rates from 3.00% to 5.00%	4,755,000	-	210,000	4,545,000	215,000
2015 A-1 Series:					
Series A Bonds, uninsured, maturing serially through 2034, at interest rates from 4.00% to 5.00%	45,180,000	-	1,995,000	43,185,000	1,760,000
2015 B- Refunding Series (AMT):					
Series B Bonds, uninsured AMT, maturing serially through 2024, at interest rates from 4.00% to 5.00%	7,270,000	-	515,000	6,755,000	1,045,000
Series B Bonds, uninsured AMT, maturing serially through 2025, at interest rates from 4.00% to 5.00%	1,660,000	-	15,000	1,645,000	175,000
2015 A-2 Series:					
Series A Bonds, uninsured, maturing serially through 2035, at interest rates from 3.00% to 5.00%	9,555,000	-	355,000	9,200,000	380,000
2015 A-R1 Refunding Series (AMT):					
Series A Bonds, uninsured AMT, maturing serially through 2027, at interest rate of 5.00%	106,945,000	-	10,460,000	96,485,000	10,985,000

**New Jersey Infrastructure Bank
f/k/a New Jersey Environmental Infrastructure Trust
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements

Note 8. Conduit Debt – Water Bank (Continued)

	Balance at June 30, 2017	Issued	Retired	Balance at June 30, 2018	Amount Due Within One Year
2015B-R2 Refunding Series (AMT):					
Series B Bonds, uninsured AMT, maturing serially through 2026, at interest rates from 4.00% to 5.00%	\$ 12,300,000	\$ -	\$ 995,000	\$ 11,305,000	\$ 1,040,000
2016 A-1 Series:					
Series A Bonds, uninsured, maturing serially through 2045, at interest rates from 2.00% to 5.00%	23,925,000	-	795,000	23,130,000	850,000
2016 A-R1 Refunding Series:					
Series A Bonds, uninsured, maturing serially through 2028, at interest rates from 4.50% to 5.00%	56,160,000	-	-	56,160,000	-
2016 A-R2 Refunding Series :					
Series A Bonds, uninsured, maturing serially through 2030, at interest rates from 4.50% to 5.00%	63,610,000	-	245,000	63,365,000	-
2016 A-2 Series:					
Series A Bonds, uninsured, maturing serially through 2046, at interest rates from 4.00% to 5.00%	7,200,000	-	-	7,200,000	240,000
2017 A-1 Series:					
Series A Bonds, uninsured, maturing serially through 2046, at interest rates from 3.00% to 5.00%	31,610,000	-	-	31,610,000	835,000
2017 A-2 Series:					
Series A Bonds, uninsured, maturing serially through 2047, at interest rates from 2.13% to 5.00%	-	18,840,000	-	18,840,000	-
2017 A-R1 Series:					
Series A Bonds, uninsured, maturing serially through 2029, at interest rate of 4.00%	33,525,000	-	-	33,525,000	-
2017 A-R2 Series:					
Series A Bonds, uninsured, maturing serially through 2029, at interest rate of 4.00%	72,830,000	-	-	72,830,000	-
2017 B-1 Series (AMT):					
Series B Bonds, uninsured AMT, maturing serially through 2047 at interest rate from 3.13% to 5.00%	-	3,860,000	-	3,860,000	-
2018 A-1 Series:					
Series A Bonds, uninsured, maturing serially through 2047 at interest rate from 3.00% to 5.00%	-	21,105,000	-	21,105,000	-
2018 B-1 Series (AMT):					
Series B Bonds, uninsured AMT, maturing serially through 2047 at interest rate from 3.00% to 5.00%	-	15,100,000	-	15,100,000	-
Total bonds payable covered by Master Program Trust Account	1,049,884,438	58,905,000	94,097,757	1,014,691,681	98,227,962
2005 BCIA/ENCAP Golf Holdings:					
Variable rate bond series maturing through 2025, with weekly interest rate calculations	88,413,346	-	-	88,413,346	-
Total bonds payable	\$ 1,138,297,784	\$ 58,905,000	\$ 94,097,757	\$ 1,103,105,027	\$ 98,227,962

**New Jersey Infrastructure Bank
f/k/a New Jersey Environmental Infrastructure Trust
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements

Note 8. Conduit Debt – Water Bank (Continued)

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

Years ending June 30:	Principal	Interest	Total
2019	\$ 98,227,962	\$ 41,619,323	\$ 139,847,285
2020	99,188,717	37,026,898	136,215,615
2021	94,630,000	32,450,429	127,080,429
2022	91,299,999	28,111,191	119,411,190
2023	84,215,003	24,078,870	108,293,873
2024 through 2028	429,763,346	70,060,391	499,823,737
2029 through 2033	143,545,000	20,783,610	164,328,610
2034 through 2038	38,415,000	6,711,519	45,126,519
2039 through 2043	11,905,000	3,252,457	15,157,457
2044 through 2048	11,915,000	1,025,240	12,940,240
	<hr/> <u>\$1,103,105,027</u>	<hr/> <u>\$ 265,119,928</u>	<hr/> <u>\$1,368,224,955</u>

**New Jersey Infrastructure Bank
f/k/a New Jersey Environmental Infrastructure Trust
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements

Note 8. Conduit Debt – Water Bank (Continued)

Advance refunding: When conditions have warranted, the I-Bank 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 and, at times, to deposit in an irrevocable escrow fund held by an escrow agent, an amount that, when combined with interest earnings thereon, will equal no less than 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.

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, 2018, are comprised of the following:

Issue	Principal Amount Outstanding June 30, 2018
<u>Refundings</u>	
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
Total refundings	<u>\$ 247,810,000</u>
 <u>Individual borrower defeasances:</u>	
1999 Series A	\$ 793,321
2000 Series A	200,000
2000 Series B	1,085,000
2002 Series A	1,820,000
2006 Series A	75,000
2007 Series A	1,175,000
2008 Series A	17,185,000
2009 Series A	3,785,000
2010 Series A	8,045,000
2010 Series B	9,430,000
2010 Series C	340,000
2012 Series A	265,000
2013 Series A	355,000
2014 Series A	475,000
2014 Series B	335,000
2015 Series A-1	305,000
Total defeasances	<u>\$ 45,668,321</u>

**New Jersey Infrastructure Bank
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Notes to Financial Statements

Note 8. Conduit Debt – Water Bank (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 60 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 I-Bank has various issues of bonds, which are subject to rebate calculations performed as provided in the preceding paragraph. Rebate payments that are determined to be payable shall be made at the conclusion of every fifth bond year. The I-Bank prepares annual rebate calculations for purposes of determining any contingent liability for rebate. As of June 30, 2018, 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 I-Bank provides loans to Borrowers to finance allowable costs of clean water and safe drinking water projects. The various I-Bank loans are grouped into pools and funded with the proceeds of I-Bank 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 I-Bank a bond, note or other obligation in a principal amount equal to the principal amount of the loan in favor of the I-Bank which secures the borrowers repayment obligation. The I-Bank 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 I-Bank bonds, net of refunding costs. All principal and interest savings from the refunding of I-Bank Bonds are passed along to each applicable borrower in the form of a credit against the original debt service of the borrower. As these loans relate to the conduit debt, they are not reported on the statement of net position for the Water Bank.

Stewardship, compliance and accountability:

Compliance with finance related legal and contractual provisions: The I-Bank is subject to the provisions and restrictions of the Bond Resolution or Supplemental Bond Resolution (the Resolutions) adopted for each conduit debt bond issue.

Management reviews compliance issues continually, and reports to the Audit Committee of the Board quarterly to review its compliance-related performance during the period as well as to provide notice to the Committee of the upcoming compliance schedule. Management of the I-Bank 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, unless otherwise described herein. The Auditors compliance statement filed with the Trustee for SFY 17 was not in strict accordance with Section 8.04 of the resolutions. The Trustee indicated that whether delivery of a compliance statement containing language that is not identical to that set out in Section 8.04 of the Resolutions constitutes a breach of the resolutions has not been determined. Unless directed and indemnified pursuant to the resolutions, the Trustee does not intend to pursue further determinations or take remedial action in this matter regarding any related potential resolutions breach. Therefore, while management is aware of this, management does not believe this to be a material violation.

**New Jersey Infrastructure Bank
f/k/a New Jersey Environmental Infrastructure Bank
(A Component Unit of the State of New Jersey)**

Notes to Financial Statements

Note 8. Conduit Debt – Water Bank (Continued)

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, 2017, calculation date, the cumulative debt service reserve requirement, as adjusted for refundings and defeasances was \$62,680,016. As of June 30, 2018, 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 balances are not recorded in these financial statements. The balance as of June 30, 2018 and 2017, in all of the debt service reserve fund accounts was \$74,936,888 and \$79,376,166, respectively.

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. The balances are not recorded in these financial statements. As of June 30, 2018 and 2017, the total cash and investments balance for conduit debt was \$118,028,705 and \$135,846,909, 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 I-Bank 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. The balances are not recorded in these financial statements. For the fiscal year ended June 30, 2018, the total revenues, administrative fees and state administrative fees collected for conduit debt was \$282,647,943 and \$284,124,180, respectively.

Note 9. Subsequent Events

Management has evaluated subsequent events and transactions that occurred after the statement of net position date, but before _____, 2018, 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 1, 2018, the budget for the State was signed into law, which appropriated \$22.6 million, dedicated to the State Transportation Infrastructure Bank Fund for use by the I-Bank in SFY2019 for financing transportation infrastructure projects via the Transportation Infrastructure Financing Program (TIFF) once the TIFF becomes operative. The \$22.6 million was received on September 24, 2018.

On August 10, 2018, the Trust and NJ DEP appropriation bills were signed into law. This authorized the expenditure of approximately \$810 million for the purpose of financing the cost of construction of environmental infrastructure projects of eligible project sponsors. Additionally, this allowed for appropriations for the short-term loans not to exceed \$600 million.

Subsequent to year-end, the Trust has closed a total of ten short-term loans totaling \$64,758,922.

New Jersey Infrastructure Bank
f/k/a 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 NJ DEP loans are deposited with US Bank and held in the Master Program Trust Account to provide coverage for all outstanding I-Bank 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 SRF repayment fund at the State. The balance in the Master Program Trust Account as of June 30, 2018 and 2017, was \$33,675,128 and \$33,354,280, respectively. This balance is not an asset of the I-Bank and therefore is not reflected in the I-Bank's financial statements; however, it is available to pay debt service on the I-Bank Bonds in the event of a default by any program Borrowers.

	Aggregate of Coverage Receiving Trust	Aggregate of Coverage Receiving Trust	Aggregate of Coverage Providing Fund	Total Funds Available to Secure and Provide Coverage for all Receiving	Total Debt Service for all Coverage Receiving
	Receiving Trust Loan Repayments: Principal ¹	Receiving Trust Loan Repayments: Interest ¹	Providing Fund Loan Repayments ^{2,3}	Financing Program Debt Service ^{1,3}	Financing Programs ¹
Years ending June 30:					
2019	\$ 98,227,962	\$ 41,619,323	\$ 150,178,155	\$ 290,025,440	\$ 139,847,285
2020	99,188,717	37,026,898	145,795,087	282,010,702	136,215,615
2021	94,630,000	32,450,429	139,281,374	266,361,803	127,080,429
2022	91,299,999	28,111,191	134,091,988	253,503,178	119,411,190
2023	84,215,003	24,078,870	125,429,728	233,723,601	108,293,873
2024	79,400,000	20,390,048	118,595,014	218,385,062	99,790,048
2025	76,880,000	16,925,497	112,124,974	205,930,471	93,805,497
2026	69,790,000	13,683,344	101,944,873	185,418,217	83,473,344
2027	63,205,000	10,753,212	89,977,317	163,935,529	73,958,212
2028	52,075,000	8,308,290	76,323,656	136,706,946	60,383,290
2029	41,875,000	6,461,756	63,261,633	111,598,389	48,336,756
2030	36,990,000	5,004,534	52,395,281	94,389,815	41,994,534
2031	26,795,000	3,864,316	43,138,417	73,797,733	30,659,316
2032	22,265,000	3,034,763	36,500,498	61,800,261	25,299,763
2033	15,620,000	2,418,241	28,606,456	46,644,697	18,038,241
2034	13,500,000	1,934,703	23,509,932	38,944,635	15,434,703
2035	9,740,000	1,537,531	17,077,032	28,354,563	11,277,531
2036	6,775,000	1,257,119	12,350,031	20,382,150	8,032,119
2037	4,845,000	1,062,950	8,963,863	14,871,813	5,907,950
2038	3,555,000	919,216	6,677,740	11,151,956	4,474,216
2039	2,245,000	819,150	4,908,980	7,973,130	3,064,150
2040	2,325,000	738,197	4,908,980	7,972,177	3,063,197
2041	2,425,000	653,741	4,908,980	7,987,721	3,078,741
2042	2,515,000	565,063	4,774,068	7,854,131	3,080,063
2043	2,395,000	476,306	4,502,476	7,373,782	2,871,306
2044	2,470,000	388,094	4,498,943	7,357,037	2,858,094
2045	2,560,000	296,734	4,492,406	7,349,140	2,856,734
2046	2,645,000	202,181	4,388,800	7,235,981	2,847,181
2047	2,575,000	108,084	3,713,617	6,396,701	2,683,084
2048	1,665,000	30,147	1,847,002	3,542,149	1,695,147
Total ⁴	\$ 1,014,691,681	\$ 265,119,928	\$ 1,529,167,301	\$ 2,808,978,910	\$ 1,279,811,609

¹ Reflects the application to Trust Bond debt service of reductions in the aggregate principal amount of Trust Bonds Outstanding as a result of the partial defeasance of certain Trust Bonds.

² Fund Loan repayment obligations do not bear interest.

³ 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.

⁴ Totals may not add due to rounding.

**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

Board of Directors
New Jersey Infrastructure Bank
f/k/a 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 each major enterprise fund of New Jersey Infrastructure Bank (the I-Bank) f/k/a New Jersey Environmental Infrastructure Trust, a component unit of the State of New Jersey, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the I-Bank's basic financial statements, and have issued our report thereon dated _____, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the I-Bank'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 I-Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the I-Bank'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 I-Bank'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 I-Bank's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

New York, New York

_____, 2018

PRELIMINARY DRAFT
for Review and Discussion
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