

# **New Jersey Infrastructure Bank**

(A Component Unit of the State of New Jersey)

Financial Report  
June 30, 2019

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the business type activities and each major enterprise fund of the New Jersey Infrastructure Bank (the I-Bank), a component unit of the State of New Jersey, as of and for the year ended June 30, 2019, 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.

### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities and each major enterprise fund of the I-Bank as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year 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 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 audit was 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 purposes 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.

*Prior-Year Comparative Information*

The financial statements of the New Jersey Infrastructure Bank as of and for the year ended June 30, 2018, were audited by other auditors whose report dated October 11, 2018, expressed an unmodified opinion on those statements.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2019, on our consideration of 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 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 I-Bank's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
October 9, 2019

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

**Management's Discussion and Analysis (Unaudited)  
Years Ended June 30, 2019 and 2018**

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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).

The I-Bank is not (i) a "bank" or "savings bank" within the meaning of the New Jersey Banking Act of 1948, or (ii) a "national banking association" or a "federal savings bank" within the meaning of the National Bank Act. Further, the I-Bank is not subject to the general supervision of the New Jersey Department of Banking and Insurance or the Office of the Comptroller of the Currency (United States Treasury Department), the Board of Governors of the Federal Reserve System or the Federal Deposit Insurance Corporation. The I-Bank does not accept "deposits" within the meaning of the New Jersey Banking Act of 1948 or the National Bank Act, and its obligations are not insured by the Federal Deposit Insurance Corporation.

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, 2019 and 2018 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 financial report consists of two parts, the Management's Discussion and Analysis (this section) and the basic financial statements, including notes. The I-Bank is a 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 short-term and long-term lending activities. The statements of net position includes 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 includes all of the current year's revenues and expenses. The statements of cash flows is the final required financial statement. The primary purpose of these statement 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 its two separate 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  
(A Component Unit of the State of New Jersey)**

**Management's Discussion and Analysis (Unaudited)  
Years Ended June 30, 2019 and 2018**

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**Water Bank**

**Financial highlights for the year ended June 30, 2019:**

- Assets increased by \$61,171,920 or 11.81%
  - Cash and investments (excluding earmarked but, as of yet, undisbursed project funds) decreased by \$69,170,550 or (20.28%)
  - Total loans increased by \$130,233,111 or 75.00%
- Liabilities increased by \$279,892 or 21.52%
- Net position increased by \$60,892,028, or 11.78%
- Operating revenues increased by \$7,139,000, or 94.14%
- Non-operating revenues decreased by \$79,058,669, or (60.64%)
- Operating expenses decreased by \$401,841, or (7.24%)

**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%)

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. For loans issued in SFY2019, the Water Bank provided Construction Loans to borrowers at a 0% interest rate with the support of the NJ DEP.

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

**Management's Discussion and Analysis (Unaudited)  
Years Ended June 30, 2019 and 2018**

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**Water Bank, (Continued)**

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. 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 cashflow stress on disaster impacted communities during the rebuild process. The SAIL Program also provides funding of the local share required by federal grant programs. For loans issued in SFY2019, 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 and SAIL 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 often act as a direct long-term lender. The NJ DEP provides the remainder of the 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 the construction of 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 provide long-term permanent financing.

During SFY2019 and SFY2018, the Water Bank closed on 78 and 58 short-term loans, respectively. In both years 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.

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

**Management's Discussion and Analysis (Unaudited)  
Years Ended June 30, 2019 and 2018**

**Water Bank, (Continued)**

The following table summarizes the net position changes of the Water Bank between June 30, 2019, 2018 and 2017:

	2019	2018	Percent Increase (Decrease)	2017	Percent Increase (Decrease)
Current loans receivable	\$ 110,276,512	\$ 69,747,872	58.11 %	\$ 87,292,753	(20.10)%
Noncurrent loans receivable	193,529,117	103,773,220	86.49 %	53,401,569	94.33 %
Cash for borrowers - undisbursed project funds	80,000	131,426	(39.13)%	266,856	(50.75)%
Total loans	<u>303,885,629</u>	<u>173,652,518</u>	75.00 %	<u>140,961,178</u>	23.19 %
Current cash and cash equivalents, as reduced by undisbursed loan project funds	168,619,257	225,247,477	(25.14)%	128,249,882	75.63 %
Current investments	15,391,921	31,858,130	(51.69)%	26,845,036	18.67 %
Noncurrent investments	87,904,515	83,980,636	4.67 %	86,538,466	(2.96)%
Administrative fee receivable	2,366,155	2,423,841	(2.38)%	2,400,658	0.97 %
Due from Transportation	322,748	131,857	144.77 %	-	100.00 %
Other assets	867,018	890,864	(2.68)%	718,564	23.98 %
Total assets	<u>\$ 579,357,243</u>	<u>\$ 518,185,323</u>	11.81 %	<u>\$ 385,713,784</u>	34.34 %
Accounts payable	\$ 1,580,463	\$ 1,300,571	21.52 %	\$ 1,238,888	4.98 %
Total liabilities	<u>\$ 1,580,463</u>	<u>\$ 1,300,571</u>	21.52 %	<u>\$ 1,238,888</u>	4.98 %
Restricted	\$ 552,881,561	\$ 492,502,954	12.26 %	\$ 360,895,021	36.47 %
Unrestricted	24,895,219	24,381,798	2.11 %	23,579,875	3.40 %
Total net position	<u>\$ 577,776,780</u>	<u>\$ 516,884,752</u>	11.78 %	<u>\$ 384,474,896</u>	34.44 %

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

**Management's Discussion and Analysis (Unaudited)  
Years Ended June 30, 2019 and 2018**

**Water Bank, (Continued)**

For SFY19, the Water Bank's administrative fees increased by 1.86% due to the refunding issuances during the year and the subsequent refunding cost of issuance reimbursements from borrowers. The Water Bank's non-operating revenues decreased substantially due to receiving \$50 million in funds in SFY19, compared to \$130 million in funds in SFY 18, 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 such as money market funds in conjunction with increased holdings throughout the year. In addition, decreases in interest rates in the middle of the yield curve resulted in substantial FMV gain in SFY19 versus a loss in SFY18. Miscellaneous income relates to the return of funds that had been held in debt service reserve accounts for bonds that are no longer outstanding. The Water Bank's expenses decreased due primarily to unfilled full time staffing positions and the resulting reduction in aggregate salary and fringe expenses, a reduction in information technology expenses and the first full year of shared expenses with the Transportation program. These reductions in expenses were partially offset by increased expenses for the refunding.

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.

The following table summarizes the changes in Water Bank net position between fiscal years June 30, 2019, 2018 and 2017:

	2019	2018	Percent Increase (Decrease)	2017	Percent Increase (Decrease)
Net position, beginning of year	\$ 516,884,752	\$ 384,474,896		\$ 331,438,891	
Investment income	8,468,277	1,423,893	494.73 %	330,011	331.47 %
Loan interest income	151,825	168,535	(9.91)%	200,466	(15.93)%
Administrative fees	6,102,191	5,990,865	1.86 %	6,646,968	(9.87)%
Miscellaneous	1,320,998	379,667	247.94 %	612,673	(38.03)%
State appropriations - current year	50,000,000	130,000,000	(61.54)%	51,000,000	154.90 %
Total revenues	<u>66,043,291</u>	<u>137,962,960</u>	(52.13)%	<u>58,790,118</u>	134.67 %
Administrative expenses	5,151,263	5,553,104	(7.24)%	5,754,113	(3.49)%
Total expenses	<u>5,151,263</u>	<u>5,553,104</u>	(7.24)%	<u>5,754,113</u>	(3.49)%
Change in net position	60,892,028	132,409,856	(54.01)%	53,036,005	149.66 %
Net position, end of year	<u>\$ 577,776,780</u>	<u>\$ 516,884,752</u>	11.78 %	<u>\$ 384,474,896</u>	34.44 %

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

**Management's Discussion and Analysis (Unaudited)  
Years Ended June 30, 2019 and 2018**

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**Transportation Bank**

**Financial highlights for the year ended June 30, 2109:**

- Assets increased by \$22,567,693, or 100.64%
  - Cash and investments increased by \$22,197,032, or 99.16%
- Liabilities increased by \$190,891 or 144.77%
- Net position increased by \$22,376,802, or 100.38%
- Operating revenues increased by \$1,232,885, or 2,326.42%
- Administrative expenses increased by \$1,148,663, or 318.71%

The Transportation Bank became operational in January of 2018, 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 received the second annual \$22.6 million SFY2019 appropriation in September 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:**

The mission of the Transportation Bank is to provide and administer low interest rate loans to qualified municipalities, counties, regional authorities for the purpose of financing transportation infrastructure projects. Therefore, when reviewing the Transportation Bank's financial statements, its performance should be measured based upon the Transportation Bank's ability to fund both short-term construction loans and provide long-term permanent financing.

During SFY2019, the cash and investment balance increased, primarily due to the receipt of State Appropriations for the Transportation Program. These funds were invested based upon on the liquidity needs of the program to maximize investment earnings in accordance with the investment policy. The loans increased due to the payment of requisitions on the 7 loans that closed during the state fiscal year. Accounts Payable to water increased due to increased expenses incurred for operations as the program and its associated expenses continue to grow.

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

**Management's Discussion and Analysis (Unaudited)  
Years Ended June 30, 2019 and 2018**

**Transportation Bank, (Continued)**

The following table summarizes the net position changes of the Transportation Bank between June 30, 2019, 2018 and 2017:

	2019	2018	Percent Increase (Decrease)	2017	Percent Increase (Decrease)
Current loans receivable	\$ 97,125	\$ -	100.00 %	\$ -	0.00 %
Noncurrent loans receivable	181,455	-	100.00 %	-	0.00 %
Cash for borrowers - undisbursed project funds	-	-	0.00 %	-	0.00 %
<b>Total loans</b>	<b>\$ 278,580</b>	<b>\$ -</b>	<b>100.00 %</b>	<b>\$ -</b>	<b>0.00 %</b>
Current cash and cash equivalents, as reduced by undisbursed loan project funds	\$ 13,051,960	\$ 22,384,763	(41.69)%	\$ -	100.00 %
Current investments	28,506,399	-	100.00 %	-	0.00 %
Noncurrent investments	3,023,436	-	100.00 %	-	0.00 %
Administrative fee receivable	-	-	0.00 %	-	0.00 %
Other assets	131,755	39,674	232.10 %	-	100.00 %
<b>Total assets</b>	<b>\$ 44,992,130</b>	<b>\$ 22,424,437</b>	<b>100.64 %</b>	<b>\$ -</b>	<b>100.00 %</b>
Accounts payable	\$ -	\$ -	0.00 %	\$ -	0.00 %
Due to Water for Expenses	322,748	131,857	144.77 %	-	100.00 %
<b>Total liabilities</b>	<b>\$ 322,748</b>	<b>\$ 131,857</b>	<b>144.77 %</b>	<b>\$ -</b>	<b>100.00 %</b>
Restricted	\$ 43,383,984	\$ 20,052,995	116.35 %	\$ -	100.00 %
Unrestricted	\$ 1,285,398	2,239,585	(42.61)%	-	100.00 %
<b>Total net position</b>	<b>\$ 44,669,382</b>	<b>\$ 22,292,580</b>	<b>100.38 %</b>	<b>\$ -</b>	<b>100.00 %</b>

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

**Management's Discussion and Analysis (Unaudited)  
Years Ended June 30, 2019 and 2018**

**Transportation Bank, (Continued)**

Investment income increased due to the full year of operations, increases in interest rates for short term securities such as money market funds and an additional State Appropriation received in September of 2018. Administrative fees increased due to the closing of 7 loans during SFY2019. Administrative expenses also increased due to the full year of operations as well as the growth of the program representing both direct and allocated costs attributable to the operation of the Transportation Bank.

The following table summarizes the changes in the Transportation Bank net position between fiscal years June 30, 2019, 2018 and 2017:

	2019	2018	Percent Increase (Decrease)	2017	Percent Increase (Decrease)
Net position, beginning of year	\$ 22,292,580	\$ -		\$ -	
Investment income	1,007,300	52,995	1800.75 %	-	100.00 %
Administrative fees	278,580	-	100.00 %	-	0.00 %
State appropriations - current year	22,600,000	22,600,000	0.00 %	-	100.00 %
Total revenues	<u>23,885,880</u>	<u>22,652,995</u>	5.44 %	<u>-</u>	100.00 %
Administrative expenses	1,509,078	360,415	318.71 %	-	100.00 %
Total expenses	<u>1,509,078</u>	<u>360,415</u>	318.71 %	<u>-</u>	100.00 %
Change in net position	22,376,802	22,292,580	0.38 %	-	100.00 %
Net position, end of year	<u>\$ 44,669,382</u>	<u>\$ 22,292,580</u>	100.38 %	<u>\$ -</u>	100.00 %

**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.

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

**Statements of Net Position**  
**Year Ended June 30, 2019**

	Water Bank	Transportation Bank	Total
<b>Assets</b>			
Current assets:			
Unrestricted assets:			
Cash and cash equivalents	\$ 14,939,812	\$ 1,285,398	\$ 16,225,210
Investments	1,496,895	-	1,496,895
Interest receivable	57,877	-	57,877
Loans receivable	670,556	-	670,556
Administrative fee receivable	2,366,155	-	2,366,155
Due from Transportation	322,748	-	322,748
Other assets	99,131	4,751	103,882
Restricted assets:			
Cash and cash equivalents	153,759,445	11,766,562	165,526,007
Investments	13,895,026	28,506,399	42,401,425
Interest receivable	698,139	127,004	825,143
Loans receivable	109,605,956	97,125	109,703,081
<b>Total current assets</b>	<b>297,911,740</b>	<b>41,787,239</b>	<b>339,698,979</b>
Noncurrent assets:			
Unrestricted assets:			
Capital assets	11,871	-	11,871
Investments	-	-	-
Loans receivable	6,510,637	-	6,510,637
Restricted assets:			
Investments	87,904,515	3,023,436	90,927,951
Loans receivable	187,018,480	181,455	187,199,935
<b>Total noncurrent assets</b>	<b>281,445,503</b>	<b>3,204,891</b>	<b>284,650,394</b>
<b>Total assets</b>	<b>\$ 579,357,243</b>	<b>\$ 44,992,130</b>	<b>\$ 624,349,373</b>
<b>Liabilities and Net Position</b>			
Current liabilities:			
Accounts payable	\$ 1,580,463	\$ -	\$ 1,580,463
Due to Water	-	322,748	322,748
<b>Total current liabilities</b>	<b>1,580,463</b>	<b>322,748</b>	<b>1,903,211</b>
<b>Total liabilities</b>	<b>1,580,463</b>	<b>322,748</b>	<b>1,903,211</b>
Net position:			
Net investment in capital assets	11,871	-	11,871
Restricted for debt service	121,873,463	-	121,873,463
Restricted for Interim Financing Loan Program	431,008,098	-	431,008,098
Restricted for Transportation Program	-	43,383,984	43,383,984
Unrestricted	24,883,348	1,285,398	26,168,746
<b>Total net position</b>	<b>577,776,780</b>	<b>44,669,382</b>	<b>622,446,162</b>
<b>Total liabilities and net position</b>	<b>\$ 579,357,243</b>	<b>\$ 44,992,130</b>	<b>\$ 624,349,373</b>

See notes to financial statements.

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

**Statements of Net Position**  
**Year Ended June 30, 2018**

	Water Bank	Transportation Bank	Total
<b>Assets</b>			
Current assets:			
Unrestricted assets:			
Cash and cash equivalents	\$ 8,022,849	\$ 2,363,107	\$ 10,385,956
Investments	5,443,441	-	5,443,441
Interest receivable	81,633	-	81,633
Loans receivable	713,510	-	713,510
Administrative fee receivable	2,423,841	-	2,423,841
Due from Transportation	131,857	-	131,857
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	692,610	31,339	723,949
Loans receivable	69,034,362	-	69,034,362
<b>Total current assets</b>	<b>330,394,201</b>	<b>22,424,437</b>	<b>352,818,638</b>
Noncurrent assets:			
Unrestricted assets:			
Capital assets	37,266	-	37,266
Investments	1,480,488	-	1,480,488
Loans receivable	7,268,128	-	7,268,128
Restricted assets:			
Investments	82,500,148	-	82,500,148
Loans receivable	96,505,092	-	96,505,092
<b>Total noncurrent assets</b>	<b>187,791,122</b>	<b>-</b>	<b>187,791,122</b>
<b>Total assets</b>	<b>\$ 518,185,323</b>	<b>\$ 22,424,437</b>	<b>\$ 540,609,760</b>
<b>Liabilities and Net Position</b>			
Current liabilities:			
Accounts payable	\$ 1,300,571	\$ -	\$ 1,300,571
Due to Water	-	131,857	131,857
<b>Total current liabilities</b>	<b>1,300,571</b>	<b>131,857</b>	<b>1,432,428</b>
<b>Total liabilities</b>	<b>1,300,571</b>	<b>131,857</b>	<b>1,432,428</b>
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
<b>Total net position</b>	<b>516,884,752</b>	<b>22,292,580</b>	<b>539,177,332</b>
<b>Total liabilities and net position</b>	<b>\$ 518,185,323</b>	<b>\$ 22,424,437</b>	<b>\$ 540,609,760</b>

See notes to financial statements.

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

**Statements of Revenues, Expenses and Changes in Net Position**  
**Year Ended June 30, 2019**

	Water Bank	Transportation Bank	Total
Operating revenue:			
Investment income:			
Interest income	\$ 5,737,580	\$ 924,063	\$ 6,661,643
Net increase in the fair value of investments	2,730,697	83,237	2,813,934
Interest income from loans	151,825	-	151,825
Administrative fees	6,102,191	278,580	6,380,771
<b>Total operating revenues</b>	<b>14,722,293</b>	<b>1,285,880</b>	<b>16,008,173</b>
Operating expenses:			
Administrative expenses	5,151,263	1,509,078	6,660,341
<b>Total operating expenses</b>	<b>5,151,263</b>	<b>1,509,078</b>	<b>6,660,341</b>
<b>Operating income</b>	<b>9,571,030</b>	<b>(223,198)</b>	<b>9,347,832</b>
Nonoperating revenues:			
Miscellaneous	1,320,998	-	1,320,998
State appropriations - current year	50,000,000	22,600,000	72,600,000
<b>Total nonoperating revenue</b>	<b>51,320,998</b>	<b>22,600,000</b>	<b>73,920,998</b>
<b>Change in net position</b>	<b>60,892,028</b>	<b>22,376,802</b>	<b>83,268,830</b>
Net position, beginning of year	516,884,752	22,292,580	539,177,332
Net position, end of year	<b>\$ 577,776,780</b>	<b>\$ 44,669,382</b>	<b>\$ 622,446,162</b>

See notes to financial statements.

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

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

	Water Bank	Transportation Bank	Total
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
<b>Total operating revenues</b>	<b>7,583,293</b>	<b>52,995</b>	<b>7,636,288</b>
Operating expenses:			
Administrative expenses	5,553,104	360,415	5,913,519
<b>Total operating expenses</b>	<b>5,553,104</b>	<b>360,415</b>	<b>5,913,519</b>
<b>Operating income (loss)</b>	<b>2,030,189</b>	<b>(307,420)</b>	<b>1,722,769</b>
Nonoperating revenues:			
Miscellaneous	379,667	-	379,667
State appropriations - current year	130,000,000	22,600,000	152,600,000
<b>Total nonoperating revenue</b>	<b>130,379,667</b>	<b>22,600,000</b>	<b>152,979,667</b>
<b>Change in net position</b>	<b>132,409,856</b>	<b>22,292,580</b>	<b>154,702,436</b>
Net position, beginning of year	384,474,896	-	384,474,896
Net position, end of year	<u>\$ 516,884,752</u>	<u>\$ 22,292,580</u>	<u>\$ 539,177,332</u>

See notes to financial statements.

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

**Statements of Cash Flows**  
**Year Ended June 30, 2019**

	Water Bank	Transportation Bank	Total
Cash flow from operating activities:			
Cash received for administrative fees	\$ 6,159,877	\$ 278,580	\$ 6,438,457
Cash payments for goods and services	(2,427,668)	(358,630)	(2,786,298)
Cash payments for salaries and benefits	(2,406,369)	(955,972)	(3,362,341)
Disbursement of loan funds to borrowers	(257,628,895)	(278,580)	(257,907,475)
Principal received from loans to borrowers	127,153,467	-	127,153,467
Interest received from loans to borrowers	155,486	-	155,486
<b>Net cash used in operating activities</b>	<b>(128,994,102)</b>	<b>(1,314,602)</b>	<b>(130,308,704)</b>
Cash flows from non-capital financing activities:			
Miscellaneous	1,320,998	-	1,320,998
Current year State appropriations received	50,000,000	22,600,000	72,600,000
<b>Net cash provided by non-capital financing activities</b>	<b>51,320,998</b>	<b>22,600,000</b>	<b>73,920,998</b>
Cash flows from investing activities:			
Interest on investments	4,196,497	866,154	5,062,651
Purchase of investments	(46,127,236)	(60,384,355)	(106,511,591)
Proceeds from sale and maturity of investments	62,924,197	28,900,000	91,824,197
<b>Net cash provided by (used in) investing activities</b>	<b>20,993,458</b>	<b>(30,618,201)</b>	<b>(9,624,743)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(56,679,646)</b>	<b>(9,332,803)</b>	<b>(66,012,449)</b>
Cash and cash equivalents:			
Beginning of year	225,378,903	22,384,763	247,763,666
End of year	\$ 168,699,257	\$ 13,051,960	\$ 181,751,217
Displayed as:			
Cash and cash equivalents - unrestricted	\$ 14,939,812	\$ 1,285,398	\$ 16,225,210
Cash and cash equivalents - restricted	153,759,445	11,766,562	165,526,007
<b>Cash and cash equivalents</b>	<b>\$ 168,699,257</b>	<b>\$ 13,051,960</b>	<b>\$ 181,751,217</b>

(Continued)

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

**Statements of Cash Flows (Continued)**  
**Year ended June 30, 2019**

	Water Bank	Transportation Bank	Total
Reconciliation of operating income (loss) to net cash used in operating activities:			
Operating income	\$ 9,571,030	\$ (223,198)	\$ 9,347,832
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Depreciation	25,395	-	25,395
Investment income included in operations	(4,196,497)	(866,154)	(5,062,651)
Net unrealized and realized gain on investments	(2,730,697)	(83,237)	(2,813,934)
Amortized interest	(1,523,934)	37,757	(1,486,177)
Effect of changes in operating assets and liabilities:			-
Decrease in administrative fee receivable	57,686	-	57,686
Decrease (increase) in other assets	(19,776)	3,584	(16,192)
Decrease (increase) in interest receivable	18,227	(95,665)	(77,438)
Increase in loans receivable	(130,284,537)	(278,580)	(130,563,117)
Increase due from Transportation	(190,891)		(190,891)
Increase due to Water		190,891	190,891
Increase in accounts payable	279,892	-	279,892
<b>Net cash used in operating activities</b>	<b>\$ (128,994,102)</b>	<b>\$ (1,314,602)</b>	<b>\$ (130,308,704)</b>

See notes to financial statements.

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

**Statements of Cash Flows**  
**Year Ended June 30, 2018**

	Water Bank	Transportation Bank	Total
Cash flow 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 and benefits	(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
<b>Net cash used in operating activities</b>	<b>(32,204,216)</b>	<b>(236,893)</b>	<b>(32,441,109)</b>
Cash flows from non-capital financing activities:			
Miscellaneous	379,667		379,667
Current year State appropriations received	130,000,000	22,600,000	152,600,000
<b>Net cash provided by non-capital financing activities</b>	<b>130,379,667</b>	<b>22,600,000</b>	<b>152,979,667</b>
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
<b>Net cash provided by (used in) investing activities</b>	<b>(1,313,286)</b>	<b>21,656</b>	<b>(1,291,630)</b>
<b>Net increase in cash and cash equivalents</b>	<b>96,862,165</b>	<b>22,384,763</b>	<b>119,246,928</b>
Cash and cash equivalents:			
Beginning of year	128,516,738	-	128,516,738
End of year	<b>\$ 225,378,903</b>	<b>\$ 22,384,763</b>	<b>\$ 247,763,666</b>
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
<b>Cash and cash equivalents</b>	<b>\$ 225,378,903</b>	<b>\$ 22,384,763</b>	<b>\$ 247,763,666</b>

(Continued)

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

**Statements of Cash Flows (Continued)**  
**Year Ended June 30, 2018**

	Water Bank	Transportation Bank	Total
Reconciliation of operating income (loss) 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)
Effect of changes in operating 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
Decrease in accounts payable	61,683	-	61,683
<b>Net cash used in operating activities</b>	<b>\$ (32,204,216)</b>	<b>\$ (236,893)</b>	<b>\$ (32,441,109)</b>

See notes to financial statements.

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

**Notes to Financial Statements**

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**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 a 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 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 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. Organizations that are "in but not of" cabinet departments are not under the direct supervision of the respective cabinet officer.

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 years 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 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 I-Bank authorizes the respective custodian to disburse funds to the short-term borrowers for requisitions based on a review and approval process in conjunction with the NJDEP for the Water Bank or NJDOT for the Transportation Bank. 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 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 according to the loan agreements using the same process as for short-term loans. 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  
(A Component Unit of the State of New Jersey)**

**Notes to Financial Statements**

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

Short-term Construction Loans have become a major component of the Water Bank and Transportation Bank, and in SFY2019, the large majority of projects utilized Construction Loans as the primary source of funding prior to securing long-term financing. These short-term loans are scheduled to be 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 borrowers 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 statement 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 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.

Under the Water Bank's Long-Term Loan Program 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 (SRF) 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. 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, in conjunction with DOT.

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

**Notes to Financial Statements**

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

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/expenditures:** Expenses are recognized at the time they are incurred. Direct costs are expensed to each Program while indirect expenses are allocated based on salary expenses 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.

Investments are purchased to meet the objectives set forth in the I-Bank's investment policy. 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  
(A Component Unit of the State of New Jersey)**

**Notes to Financial Statements**

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

**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 of New Jersey for loan programs. Operating expenses include expenses associated with the general administration of the I-Bank.

**Conduit debt obligations:** Bonds issued by the I-Bank are non-recourse debt obligations to the I-Bank, and the I-Bank, in effect, has none of the risks or rewards of the related financing, which is considered Conduit debt. 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.

**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 expensed.

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

**Net position:** In accordance with the provisions of GASB, 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:

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

**Notes to Financial Statements**

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

**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.

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

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

**Notes to Financial Statements**

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

**Investment Guidelines and Management**

The I-Bank's Investment Policy (the Policy) sets forth the investment and operational policies for the management of I-Bank investment activities. The Policy is designed to ensure that the activities are consistent with the I-Bank's overall financial needs and result in compliance with the Policy, the prudent management of invested funds, the timely availability of operating, administrative, and capital funds, all while generating a sound investment return.

The Policy governs the overall administration and investment management of all funds available for investment ("Investment Portfolio") by or on behalf of the I-Bank, including, without limitation, the Proceeds of bonds or notes issued by the I-Bank, funds utilized for Debt Service Reserve purposes, funds of the State of New Jersey, funds appropriated to the New Jersey Department of Environmental Protection ("DEP") and funds appropriated to the New Jersey Department of Transportation ("DOT"). The Policy may only be superseded by and shall be subject to the terms and provisions of (i) bond resolutions duly adopted by the I-Bank and specific to bonds or notes issued by the I-Bank and the Proceeds of such bonds or notes, and (ii) the New Jersey State Investment Code for funds of the I-Bank, the State, the DEP or the DOT. The Policy applies to Investment Portfolio funds from the time of receipt until such time that the funds are no longer held by or on behalf of, or are the responsibility of, the I-Bank. The primary objective of the I-Bank's activities, in order of priority, are (i) safety of Principal, (ii) Liquidity, and (iii) yield/Investment Return.

**Authorized Investments and Asset Classes**

The I-Bank is permitted to invest in those investment securities and vehicles that are specifically listed below, provided, however, that, at the time any investment is made, (i) such investment shall be (a) permitted pursuant to the rules and regulations of the New Jersey State Investment Council or (b) approved by the Director of the Division of Investment in the Department of the Treasury upon a finding that such investments are consistent with the corporate purposes of the I-Bank, and (ii) if and to the extent the amounts being invested constitute Proceeds of bonds or notes of the I-Bank, such investment shall be permitted pursuant to the terms and provisions of the duly adopted bond resolution of the I-Bank pursuant to which such bonds or notes were issued. Investments made without the advice of the Investment Advisor should be limited to permissible money market funds.

Credit criteria listed in this section refer to the credit of the issuing organization at the time the security is purchased and the credit is monitored for continued compliance. Only credit ratings of Nationally Recognized Statistical Rating Organizations ("NRSRO") will be observed and considered, including Standard & Poor's, Moody's Investor Service, and Fitch Ratings Service. Ratings are provided by category. For example, the second highest rating category will include bonds rated AA+, AA and AA- for Standard & Poor's and Fitch Ratings and Aa1, Aa2 and Aa3 for Moody's Investors Service.

Investment Portfolio percentage restrictions by security type and Issuer are applicable only on the date of purchase of the investment and are based on market value at the Investment Portfolio fund level as defined by the State's Investment Policy. All Funds related to each specific program of the NJIB shall be held in segregated accounts at one or more Custodial Banks.

**New Jersey Infrastructure Bank  
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**Notes to Financial Statements**

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

The following investments are permissible, subject to the percentage limitations of the account, as defined in the Policy:

1. **Government Investments**
  - Direct obligations of the United States of America
  - Obligations that a Federal Agency of a Federal Instrumentality has issued in accordance with an act of Congress.
  - Municipal obligations
2. **Money Market and Money Market-like Investments**
  - Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52: 18A-90.4)
  - Money market Mutual Funds, as defined by the Policy
  - Agreements for the purchase of fully collateralized securities, as defined by the Policy
3. **Corporate Securities**
  - Bankers' Acceptances
  - Commercial Paper
  - Certificates of Deposit and Bank Deposit Notes
  - Corporate Notes

**Safekeeping and Custody**

All investment securities purchased for the Investment Portfolio or held as collateral on deposits or investments shall be held by the I-bank or by a third-party Custodial Agent who may not otherwise be a counterparty to the investment transaction.

**New Jersey Infrastructure Bank  
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**Notes to Financial Statements**

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

The amounts of cash and cash equivalents as of June 30, 2019 is as follows:

	Water Bank	Transportation Bank	Total I-Bank
Operating checking (TD Bank)	\$ 393,566	\$ -	\$ 393,566
GS SQ Treasury obligation (TD Bank MM)	156,863,679	-	156,863,679
Wells Fargo Government MM Fund Instl Class (WELLS FARGO)		13,051,960	13,051,960
Prime, institutional class (PFM Funds)	11,442,012	-	11,442,012
	<u>\$ 168,699,257</u>	<u>\$ 13,051,960</u>	<u>\$ 181,751,217</u>

The amounts of cash and cash equivalents as of June 30, 2018 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>

**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 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, 2019, the I-Bank deposits are \$393,566, of which \$143,466 is uncollateralized. As of June 30, 2018, the I-Bank deposits are \$254,387, of which \$4,387 is uncollateralized. All of the I-Bank's investments totaling \$134,826,271 and \$115,838,766, and money market funds totaling \$181,357,651 and \$247,509,279, as of June 30, 2019 and 2018, respectively, are held in an account outside the counterparty, not in the name of the I-Bank, and therefore, are exposed to custodial credit risk.

**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 Policy. The Policy limits the type and ratings of securities allowable as well as providing diversification requirements. The I-Bank's investments carry ratings that are in compliance with the Policy.

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

**Notes to Financial Statements**

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

The Policy includes the following provisions to minimize credit risk by:

- Limiting investments to the types of securities listed in Section VI of the Policy;
- Pre-qualifying the Financial Institutions, Brokers/Dealers, intermediaries, and advisors with which the I-Bank will do business (as defined by specific criteria in Section VII.3 of the Policy);
- Diversifying the Investment Portfolio so that the impact of potential losses from any single asset class or Issuer will be minimized;
- Limiting Counterparty Risk by following the provisions in Section VII.3 of the Policy, maintaining an approved list of pre-approved counterparties, and having programs in place to monitor those pre-approved counterparties. The I-Bank may rely on outside Investment Advisory Firm(s) for maintaining the list of pre-qualified counterparties and having adequate Due Diligence programs in place; and
- Limiting the Trading Exposure or the amount of trades outstanding with any one counterparty at any given time. Except for Activities associated with bond sale Proceeds, neither the I-Bank nor any of its representatives shall execute and have outstanding investment trades with one counterparty at any given time, whereby the Principal amount represented by such trades exceeds 20% of all Investable Funds thereby minimizing the risk of loss or litigation to the Investment Portfolio should the counterparty be unable to fulfill its obligation for any reason.

**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.

**New Jersey Infrastructure Bank  
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**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, 2019 and 2018, the **Water Bank** had the following investments and maturities:

Investment Type	Fair Value	June 30, 2019			
		Investment Maturity (In Years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. Treasury Notes	\$ 46,172,199	\$ 1,755,687	\$ 44,416,512	\$ -	\$ -
U.S. Gov't Other	24,853,127	6,414,892	12,002,674	3,535,424	2,900,137
Corporate Bonds/Notes/CP	32,271,110	7,221,342	25,049,768		
	<u>\$ 103,296,436</u>	<u>\$ 15,391,921</u>	<u>\$ 81,468,954</u>	<u>\$ 3,535,424</u>	<u>\$ 2,900,137</u>

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	-	-
	<u>\$ 115,838,766</u>	<u>\$ 31,858,130</u>	<u>\$ 81,877,512</u>	<u>\$ 1,298,670</u>	<u>\$ 804,454</u>

As of June 30, 2019, the **Transportation Bank** had the following investments and maturities:

Investment Type	Fair Value	June 30, 2019			
		Investment Maturity (In Years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. Treasury Notes	\$ 31,529,835	\$ 28,506,399	\$ 3,023,436	\$ -	\$ -
	<u>\$ 31,529,835</u>	<u>\$ 28,506,399</u>	<u>\$ 3,023,436</u>	<u>\$ -</u>	<u>\$ -</u>

As of June 30, 2018, the Transportation Bank did not have any investment holdings, as all funds were invested in money market funds. The Policy is available on the I-Bank's website at <https://www.njib.gov>.

**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, 2019, the **Water Bank** had the following investments, maturities and credit ratings:

Investment	Maturities	S&P Credit Rating	Moody's Credit Rating	June 30, 2019 Fair Value
3M Company Corp Notes	3/15/2023	AA-	A1	656,123
African Development Bank Note	9/20/2019	AAA	Aaa	757,918
African Development Bank Note	3/22/2021	AAA	Aaa	1,811,901
Amazon.Com Inc Bonds	2/22/2023	AA-	A3	1,009,702
American Honda Finance Corp Notes	7/20/2020	A	A2	378,760
Apple Inc	11/13/2020	AA+	Aa1	1,799,039
Bank of America Corp Note	3/5/2024	A-	A2	1,026,312
Bank of New York Mellon (Callable) Notes	5/3/2021	A	A1	973,032
Berkshire Hathaway Fin (Callable) Notes	3/15/2023	AA	Aa2	508,078
BlackRock Inc Corp Notes	6/1/2022	AA-	Aa3	496,779
Branch Banking & Trust (Callable) Note	5/10/2021	A-	A2	497,346
Burlington Nrth Corp Note	10/1/2019	A+	A3	477,422
Caterpillar Finl Service Note	9/4/2020	A	A3	672,623
Hershey Company Corp Notes	5/15/2021	A	A1	366,165
Home Depot Inc Corp Notes	6/5/2020	A	A2	433,490
IBM Corp Corp Notes	2/5/2021	A	A1	452,487
IBM Credit Corp Note	1/20/2021	A	A1	894,376
Intel Corp (Callable) Notes	5/11/2022	A+	A1	503,975
Intel Corp Corp Notes	12/15/2022	A+	A1	223,840
International Finance Corporation Note	3/9/2021	AAA	Aaa	906,360
Intl Bank of Recon And Dev Global Notes	11/27/2019	AAA	Aaa	895,950
Intl Bank of Recon And Dev Global Notes	9/4/2020	AAA	Aaa	1,494,299
Intl Bank of Recon And Dev Global Notes	9/12/2020	AAA	Aaa	1,790,951
John Deere Capital Corp Notes	1/6/2023	A	A2	891,511
Johnson & Johnson (Callable) Notes	3/1/2023	AAA	Aaa	678,341
JPMorgan Chase & Co Bonds	4/1/2023	A-	A2	918,529
Merck & Co Inc	3/7/2024	AA	A1	521,738
Microsoft Corp Corp (Callable) Notes	11/3/2022	AAA	Aaa	511,110
Microsoft Corp Notes	2/6/2020	AAA	Aaa	718,457
PepsiCo, Inc Corp (Callable) Notes	10/6/2021	A+	A1	496,086
Pfizer Inc Corp Notes	3/15/2024	AA	A1	582,477
State Street Corp Notes	5/19/2021	A	A1	262,315
The Procter & Gamble Co Corp Notes	10/23/2020	AA-	Aa3	594,713
Toyota Motor Corp Notes	3/12/2020	AA-	Aa3	539,734
Toyota Motor Credit Corp	4/17/2020	AA-	Aa3	853,358
Toyota Motor Credit Corp Notes	9/8/2022	AA-	Aa3	450,518
United Parcel Service Corporate Bond	4/1/2021	A+	A1	758,741
Wal-Mart Stores Inc Corp Note	12/15/2020	AA	Aa2	1,921,543
Walt Disney Company Corp Notes	6/5/2020	A	A2	896,562
Wells Fargo & Co Corp Bonds	1/30/2020	A-	A2	1,648,451
Other US Government Notes And Bonds		AA+	Aaa	24,853,127
US Treasury Notes And Bonds		AA+	Aaa	46,172,199
<b>Total</b>				<b>\$ 103,296,436</b>

As of June 30, 2019, the **Transportation Bank** had the following investments, maturities and credit ratings:

Investment	Maturities	S&P Credit Rating	Moody's Credit Rating	June 30, 2019 Fair Value
US Treasury Notes And Bonds		AA+	Aaa	31,529,835
<b>Total</b>				<b>\$ 31,529,835</b>

**New Jersey Infrastructure Bank  
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**Notes to Financial Statements**

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

As of June 30, 2018, the **Water Bank** had the following investments, maturities and credit ratings:

Investment	Maturities	S&P Credit Rating	Moody's Credit Rating	June 30, 2018 Fair Value
African Development Bank	9/20/2019	Aaa	AAA	\$ 786,192
African Development Bank	3/22/2021	Aaa	AAA	1,892,117
American Express Credit	3/18/2019	A2	A-	1,867,804
American Honda Finance	7/20/2020	A2	A+	372,117
Apple Inc	11/13/2020	Aa1	AA+	1,766,904
Apple Inc	5/13/2022	Aa1	AA+	196,854
Bank of NY Mellon Corp	5/3/2021	A1	A	993,031
BNP Paribas NY Branch	8/6/2018	P-1	A-1	798,288
BNP Paribas NY Branch	12/14/2018	P-1	A-1	1,977,600
Branch Banking & Trust Corp	5/10/2021	A2	A-	507,294
Burlington North Corp	10/1/2019	A3	A+	511,311
Caterpillar Financial Services	9/4/2020	A3	A	657,322
CT State Taxable GO Bonds	4/15/2019	A1	A	981,976
General Elec Cap Corp	1/8/2020	A2	A	1,668,845
Hershey Company Corp	5/15/2021	A1	A	360,404
Home Depot Inc	6/5/2020	A2	A	427,176
HSBC USA Inc	8/7/2018	A2	A	1,049,430
IBM Corp	2/5/2021	A1	A+	495,262
IBM Corp	1/20/2021	A1	A+	872,109
IBM Corp	5/11/2022	A1	A+	486,116
International Finance Corp	3/9/2021	Aaa	AAA	892,192
Intl Bank Of Recon And Dev	11/27/2019	Aaa	AAA	882,108
Intl Bank Of Recon And Dev	9/4/2020	Aaa	AAA	1,466,895
Intl Bank Of Recon And Dev	9/12/2020	Aaa	AAA	1,755,270
John Deere Capital	1/6/2023	A2	A	853,888
JPMorgan Chase & Co	1/28/2019	A3	A-	1,872,030
Microsoft Corp	2/6/2020	Aaa	AAA	760,161
Microsoft Corp	11/3/2022	Aaa	AAA	491,748
MUFG Bank	1/4/2019	P-1	A-1	1,974,453
PepsiCo Inc	10/6/2021	A1	A+	478,150
Procter & Gamble Co	10/23/2020	Aa3	AA-	582,428
State Street Corp	5/19/2021	A1	A	279,009
Toyota Motor Credit Corp	7/13/2018	Aa3	AA-	99,970
Toyota Motor Credit Corp	3/12/2020	Aa3	AA-	533,498
Toyota Motor Credit Corp	4/17/2020	Aa3	AA-	840,291
Toyota Motor Credit Corp	9/8/2022	Aa3	AA-	429,166
UPS Corp	4/1/2021	A1	A+	741,340
Wal-Mart Stores Inc	12/15/2020	Aa2	AA	1,885,992
Walt Disney Co	6/5/2020	A2	A+	977,665
Wells Fargo & Company	1/30/2020	A2	A-	1,848,696
Other US Government Notes And Bonds	Demand	Aaa	AA+	25,253,048
US Treasury Notes And Bonds	Demand	Aaa	AA+	52,272,616
				<u>\$ 115,838,766</u>

**New Jersey Infrastructure Bank  
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**Notes to Financial Statements**

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

As of June 30, 2019, and 2018, the **Water Bank** had the following investments, all of which are reported at fair value measurement by level:

	Fair Value Measurements Using			
	June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Debt securities:				
U.S. Treasury Notes	\$ 46,172,199	\$ -	\$ 46,172,199	\$ -
Corporate bonds/Notes/CP	32,271,110	-	32,271,110	-
US Gov't Other	24,853,127	-	24,853,127	-
Total debt securities	103,296,436	-	103,296,436	-
Total investments by fair value level	\$ 103,296,436	\$ -	\$ 103,296,436	\$ -

Investments as reported on the statement of financial position:

Current:	
Unrestricted	\$ 1,496,895
Restricted	13,895,026
Noncurrent:	
Unrestricted	-
Restricted	87,904,515
Total investments	\$ 103,296,436

**New Jersey Infrastructure Bank  
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**Notes to Financial Statements**

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

	Fair Value Measurements Using			
	June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Debt securities:				
U.S. Treasury Notes	\$ 52,272,616	\$ -	\$ 52,272,616	\$ -
Corporate bonds/Notes/CP	37,331,126	-	37,331,126	-
US Gov't 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>\$ -</u>	<u>\$ 115,838,766</u>	<u>\$ -</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**

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

As of June 30, 2019, the **Transportation Bank** had the following investments, all of which are reported at fair value measurement by level:

	June 30, 2019	in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Debt securities:				
U.S. Treasury Notes	\$ 31,529,835	\$ -	\$ 31,529,835	\$ -
Total debt securities	<u>31,529,835</u>	<u>-</u>	<u>31,529,835</u>	<u>-</u>
Total investments by fair value level	<u>\$ 31,529,835</u>	<u>\$ -</u>	<u>\$ 31,529,835</u>	<u>\$ -</u>

Investments as reported on the statement of financial position:

Current:

    Restricted 28,506,399

Noncurrent:

    Restricted 3,023,436

    Total investments \$ 31,529,835

**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.

**New Jersey Infrastructure Bank  
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**Notes to Financial Statements**

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**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. Approximately 90% 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 of June 30, 2019 and 2018, the direct loans balance net of undisbursed funds was \$7,101,193 and \$7,901,639, respectively. Included in this balance are amounts owed from borrowers primarily for contributions made by the I-Bank on their behalf for defeasances of \$1,869,085 and \$2,195,664 as of June 30, 2019 and 2018, respectively.

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 are interest free. These loans will be converted into long-term loans through either the Bond Program or Direct Loan Program. As of June 30, 2019, and 2018, the balance for the loans described was \$296,704,436 and \$165,619,453, respectively. As of June 30, 2019, and 2018, the balance for the loans outstanding with a 0% interest rate was \$294,080,799 and \$163,575,045, respectively.

The Water Bank's net loans receivable balance of \$303,805,629 and \$173,521,092 as of June 30, 2019 and 2018, consisted of outstanding loans issued of \$303,885,629 and \$173,652,518 net of undisbursed loan funds of \$80,000 and \$131,426 for 2019 and 2018, respectively. Undisbursed loan funds include loan funds that have been committed to a specific borrower and for its project in a separate account, but not yet requisitioned by the borrower 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 year ended June 30, 2019 and 2018, one borrower accounted for 16% and two borrowers accounted for 34% of loans receivable, respectively

The Water Bank is also committed to fund short-term loans to borrowers of approximately \$616 million that had not been requisitioned as of June 30, 2019.

**New Jersey Infrastructure Bank  
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**Notes to Financial Statements**

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

The Transportation Bank provides loans to Borrowers to finance allowable costs of transportation projects. As of June 30, 2019 the balance of loans was \$278,580. As of June 30, 2018 the balance of loans was \$0.

Loans issued under the Transportation Bank Short-Term Loan Program are issued, with few exceptions, for a maximum of three fiscal years. 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.

The Transportation Bank is also committed to fund short-term loans to borrowers of approximately \$3.2 million that had not been requisitioned as of June 30, 2019. The Transportation Bank has allocated \$41 million in funds to projects as of June 30, 2019.

Annual maturities for I-Bank loans receivable are as follows:

	SAIL and Short-Term	Direct Loans	Transportation Loans	Total
Year ending June 30:				
2020	\$ 109,685,956	\$ 670,556	\$ 97,125	\$ 110,453,637
Less undisbursed loan funds	-	(80,000)		(80,000)
Current loans	109,685,956	590,556	97,125	110,373,637
2021	136,209,831	1,730,324	159,396	138,099,551
2022	48,185,012	421,852	22,059	48,628,923
2023	-	523,333	-	523,333
2024	-	418,791	-	418,791
2025 through 2029	2,623,637	2,144,423	-	4,768,060
2030 through 2034	-	1,230,920	-	1,230,920
2035 through 2039	-	40,994	-	40,994
2040 through 2044	-	-	-	-
2045 through 2049	-	-	-	-
Noncurrent loans	187,018,480	6,510,636	181,455	193,710,572
Loans receivable, net	\$ 296,704,436	\$ 7,101,192	\$ 278,580	\$ 304,084,209

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**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, 2018	Additions	Disposals	Balance at June 30, 2019
Capital assets being depreciated:				
Leasehold improvements	\$ 68,828	\$ -	\$ -	\$ 68,828
Office furniture	59,379	-	-	59,379
Computers and office equipment	113,190	-	-	113,190
Vehicles	51,686	-	-	51,686
	<u>293,083</u>	<u>-</u>	<u>-</u>	<u>293,083</u>
Less accumulated depreciation:				
Leasehold improvements	67,342	1,486	-	68,828
Office furniture	48,642	4,429	-	53,071
Computers and office equipment	101,857	8,853	-	110,710
Vehicles	37,976	10,627	-	48,603
	<u>255,817</u>	<u>25,395</u>	<u>-</u>	<u>281,212</u>
Capital assets (net)	<u>\$ 37,266</u>	<u>\$ (25,395)</u>	<u>\$ -</u>	<u>\$ 11,871</u>

	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	113,190	-	-	113,190
Vehicles	51,686	-	-	51,686
	<u>293,083</u>	<u>-</u>	<u>-</u>	<u>293,083</u>
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
	<u>197,619</u>	<u>58,198</u>	<u>-</u>	<u>255,817</u>
Capital assets (net)	<u>\$ 95,464</u>	<u>\$ (58,198)</u>	<u>\$ -</u>	<u>\$ 37,266</u>

**New Jersey Infrastructure Bank  
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**Notes to Financial Statements**

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**Note 6. Commitments and Contingencies**

**Leases:** In November 2018, the I-Bank renewed its lease for the use of premises at 3131 Princeton Pike, Lawrenceville, New Jersey 09648. The renewal was for a seven-year term from December 1, 2018 through November 30, 2025, with annual rent of \$60,800 and additional amounts for utilities and maintenance. Rental expenditures reported for the years ended June 30, 2019 and 2018 were \$120,732 and \$122,339, respectively. The following is a summary of the future minimum rental commitments under the current lease through November 30, 2025:

Years ending June 30,		
2020	\$	120,275
2021		120,275
2022		120,275
2023		120,275
2024		120,275
2025		120,275
2026		50,114
Total	\$	<u>771,764</u>

**Note 7. 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 of New Jersey and to provide financing for allowable costs of drinking water supply projects for drinking water supply systems undertaken by local government units, nonprofit entities and private entities in the State of New Jersey. The bonds have been classified as conduit debt.

These various conduit debt obligations issued under the name of the I-Bank (formerly known as the New Jersey Environmental Infrastructure Trust) are not included in the accompanying financial statements. 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 deposit 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.

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

**Notes to Financial Statements**

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**Note 7. Conduit Debt – Water Bank (Continued)**

Loans to borrowers in the 2019 program combine proceeds of the bond sale, lent at market rate, with interest free loans from the State of New Jersey, Department of Environmental Protection Clean Water State Revolving Fund and Drinking Water State Revolving Fund. Thus, most public borrowers will pay a composite interest rate on their loans of less than 1.25%.

On November 29, 2018, the I-Bank issued \$16,645,000 of Environmental Infrastructure Bonds, Series 2018A-2 (Green Bonds) to capitalize 13 projects.

On May 23, 2019 the I-Bank issued \$13,215,000 of Environmental Infrastructure Bonds, Series 2019A-1 (Green Bonds) to capitalize 18 projects.

On June 6, 2019, the I-Bank issued \$4,520,000 of Environmental Infrastructure Bonds, Series 2019B-R1 (Green Bonds) to take advantage of the current low interest rate environment for I-Bank Program borrows. The I-Bank Series 2019B-R1 were issued to refund a portion of the outstanding Series 2010C Bonds. The proceeds of this Series of Refunding Bonds refunded \$4,990,000 of outstanding I-Bank Bonds and resulted in the I-Bank passing on a reduction of interest and principal payments owed by the participating borrowers.

On June 6, 2019, the I-Bank issued \$3,965,000 of Environmental Infrastructure Bonds, Series 2019C-R1 (Green Bonds) to take advantage of the current low interest rate environment for I-Bank Program borrows. The I-Bank Series 2019C-R1 were issued to refund a portion of the outstanding Series 2009C Bonds. The proceeds of this Series of Refunding Bonds refunded \$4,000,000 of outstanding I-Bank Bonds and resulted in the I-Bank passing on a reduction of interest and principal payments owed by the participating borrowers.

At June 30, 2019 and 2018, the aggregate principal amount of conduit debt obligations outstanding totaled \$1,032,532,065 and \$1,103,105,027, respectively, as detailed in the following schedules.

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

**Notes to Financial Statements**

**Note 7. Conduit Debt – Water Bank (Continued)**

Changes in conduit debt obligations of the Water Bank for the year ended June 30, 2019 were as follows:

	Balance at June 30, 2018	Issued	Retired	Balance at June 30, 2019	Amount Due Within One Year
<b>2006 Refunding Series:</b>					
Series A Bonds, uninsured, maturing serially through 2020, at interest rate of 5.00%	\$ 16,220,000	\$ -	\$ 5,150,000	\$ 11,070,000	\$ 5,390,000
Series B Bonds, uninsured, maturing serially through 2019, at interest rate of 5.00%	7,111,681	-	3,467,962	3,643,719	3,643,719
<b>2007 Refunding Series:</b>					
Series A Bonds, uninsured, maturing serially through 2021, at interest rates of 5.25%	31,810,000	-	7,505,000	24,305,000	7,740,000
Series B Bonds, uninsured, maturing serially through 2022, at interest rates of 5.25%	23,240,000	-	4,375,000	18,865,000	4,375,000
Series C Bonds, uninsured, maturing serially through 2022, at interest rate of 5.00%	33,110,000	-	6,030,000	27,080,000	6,315,000
<b>2008 Refunding Series:</b>					
Series A Bonds, uninsured, maturing serially through 2018, at interest rate of 4.50%	2,935,000	-	2,935,000	-	-
<b>2008 Series:</b>					
Series A Bonds, uninsured, maturing serially through 2018, at interest rate of 5.00%	6,705,000	-	6,705,000	-	-
<b>2009 Series:</b>					
Series A Bonds, uninsured, maturing serially through 2018, at interest rate of 5.00%	4,135,000	-	4,135,000	-	-
Series C Bonds, uninsured, maturing serially through 2018, at interest rate of 4.50%	4,270,000	-	4,270,000	-	-
<b>2010 A Series:</b>					
Series A Bonds, uninsured, maturing serially through 2018, at interest rate of 5.00%	5,980,000	-	5,980,000	-	-
<b>2010 Refunding Series:</b>					
Series A Bonds, uninsured, maturing serially through 2024, at interest rates from 3.00% to 5.00%	28,635,000	-	3,500,000	25,135,000	3,120,000
Series B Bonds, uninsured, maturing serially through 2020, at interest rate of 4.00%	570,000	-	230,000	340,000	240,000
<b>2010 B &amp; C Series:</b>					
Series B Bonds, uninsured, maturing serially through 2019, at interest rate of 5.00%	10,665,000	-	5,210,000	5,455,000	5,455,000
Series C Bonds, uninsured, maturing serially through 2019, at interest rate of 4.00%	5,740,000	-	5,355,000	385,000	385,000

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

**Notes to Financial Statements**

**Note 7. Conduit Debt – Water Bank (Continued)**

	Balance at June 30, 2018	Issued	Retired	Balance at June 30, 2019	Amount Due Within One Year
<b>2011 Refunding Series:</b>					
Series A Bonds, uninsured, maturing serially through 2018, at interest rate of 3.00%	\$ 475,000	\$ -	\$ 475,000	\$ -	\$ -
Series B Bonds, uninsured, maturing serially through 2021, at interest rates from 4.00% to 5.00%	5,085,000	-	1,680,000	3,405,000	1,755,000
Series C Bonds, uninsured, maturing serially through 2022, at interest rate of 5.00%	5,140,000	-	955,000	4,185,000	970,000
<b>2012 Series:</b>					
Series A Bonds, uninsured, maturing serially through 2031, at interest rates from 3.00% to 5.00%	56,155,000	-	2,960,000	53,195,000	3,100,000
Series B Bonds, uninsured, maturing serially through 2031, at interest rates from 4.00% to 5.00%	16,605,000	-	865,000	15,740,000	890,000
Series C Bonds, uninsured, maturing serially through 2031, at interest rates from 3.00% to 4.00%	3,915,000	-	225,000	3,690,000	235,000
<b>2012 Refunding Series:</b>					
Series A Bonds, uninsured, maturing serially through 2026, at interest rate of 4.00%	143,970,000	-	14,705,000	129,265,000	14,850,000
Series B Bonds, uninsured, maturing serially through 2021, at interest rate of 3.00%	390,000	-	90,000	300,000	95,000
Series C Bonds, uninsured, maturing serially through 2023, at interest rate of 3.00%	5,325,000	-	835,000	4,490,000	870,000
<b>2013 Series:</b>					
Series A Bonds, uninsured, maturing serially through 2032, at interest rates from 3.00% to 5.00%	25,260,000	-	1,290,000	23,970,000	1,345,000
Series B Bonds, uninsured, maturing serially through 2032, at interest rates from 3.00% to 3.25%	845,000	-	45,000	800,000	45,000
<b>2014 Series:</b>					
Series A Bonds, uninsured, maturing serially through 2033, at interest rates from 3.00% to 5.00%	50,555,000	-	2,265,000	48,290,000	2,365,000
Series B Bonds, uninsured, maturing serially through 2033, at interest rates from 3.00% to 5.00%	4,545,000	-	215,000	4,330,000	230,000
<b>2015 A-1 Series:</b>					
Series A Bonds, uninsured, maturing serially through 2034, at interest rates from 4.00% to 5.00%	43,185,000	-	1,760,000	41,425,000	1,855,000
<b>2015 B- Refunding Series (AMT):</b>					
Series B Bonds, uninsured AMT, maturing serially through 2025, at interest rates from 4.00% to 5.00%	8,400,000	-	1,220,000	7,180,000	1,255,000
<b>2015 A-2 Series:</b>					
Series A Bonds, uninsured, maturing serially through 2035, at interest rates from 3.00% to 5.00%	9,200,000	-	380,000	8,820,000	390,000
<b>2015 A-R1 Refunding Series:</b>					
Series A Bonds, uninsured, maturing serially through 2027, at interest rate of 5.00%	96,485,000	-	10,985,000	85,500,000	11,550,000

**New Jersey Infrastructure Bank  
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**Notes to Financial Statements**

**Note 7. Conduit Debt – Water Bank (Continued)**

	Balance at June 30, 2018	Issued	Retired	Balance at June 30, 2019	Amount Due Within One Year
<b>2015B-R2 Refunding Series (AMT):</b>					
Series B Bonds, uninsured AMT, maturing serially through 2026, at interest rate of 5.00%	\$ 11,305,000	\$ -	\$ 1,040,000	\$ 10,265,000	\$ 1,075,000
<b>2016 A-1 Series:</b>					
Series A Bonds, uninsured, maturing serially through 2045, at interest rates from 2.00% to 5.00%	23,130,000	-	850,000	22,280,000	890,000
<b>2016 A-R1 Refunding Series:</b>					
Series A Bonds, uninsured, maturing serially through 2028, at interest rates from 4.50% to 5.00%	56,160,000	-	-	56,160,000	6,290,000
<b>2016 A-R2 Refunding Series :</b>					
Series A Bonds, uninsured, maturing serially through 2030, at interest rates from 4.50% to 5.00%	63,365,000	-	155,000	63,210,000	-
<b>2016 A-2 Series:</b>					
Series A Bonds, uninsured, maturing serially through 2046, at interest rates from 4.00% to 5.00%	7,200,000	-	240,000	6,960,000	250,000
<b>2017 A-1 Series:</b>					
Series A Bonds, uninsured, maturing serially through 2046, at interest rates from 3.00% to 5.00%	31,610,000	-	835,000	30,775,000	880,000
<b>2017 A-2 Series:</b>					
Series A Bonds, uninsured, maturing serially through 2047, at interest rates from 2.13% to 5.00%	18,840,000	-	-	18,840,000	655,000
<b>2017 A-R1 Series:</b>					
Series A Bonds, uninsured, maturing serially through 2029, at interest rate of 4.00%	33,525,000	-	-	33,525,000	3,180,000
<b>2017 A-R2 Series:</b>					
Series A Bonds, uninsured, maturing serially through 2029, at interest rate of 4.00%	72,830,000	-	-	72,830,000	5,930,000
<b>2017 B-1 Series (AMT):</b>					
Series B Bonds, uninsured AMT, maturing serially through 2047 at interest rate from 3.00% to 5.00%	3,860,000	-	-	3,860,000	75,000
<b>2018 A-1 Series:</b>					
Series A Bonds, uninsured, maturing serially through 2047 at interest rate from 3.00% to 5.00%	21,105,000	-	-	21,105,000	705,000
<b>2018 B-1 Series (AMT):</b>					
Series B Bonds, uninsured AMT, maturing serially through 2047 at interest rate from 3.00% to 5.00%	15,100,000	-	-	15,100,000	280,000

**New Jersey Infrastructure Bank  
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**Notes to Financial Statements**

**Note 7. Conduit Debt – Water Bank (Continued)**

	Balance at June 30, 2018	Issued	Retired	Balance at June 30, 2019	Amount Due Within One Year
<b>2018 A-2 Series:</b>					
Series A Green Bonds, uninsured, maturing serially through 2048 at interest rate from 4.00% to 5.00%	-	16,645,000	-	16,645,000	-
<b>2019 A-1 Series:</b>					
Series A Green Bonds, uninsured, maturing serially through 2048 at interest rate from 2.00% to 5.00%	-	13,215,000	-	13,215,000	-
<b>2019 B-R1 Refunding Series:</b>					
Series B Green Bonds, uninsured, maturing serially through 2030, at interest rate of 4.00%	-	4,520,000	-	4,520,000	-
<b>2019 C-R1 Refunding Series (Federally Taxable):</b>					
Series C Green Bonds, uninsured, maturing serially through 2029, at interest rates from 2.65% to 5.00%	-	3,965,000	-	3,965,000	280,000
Total of bonds payable covered by Master Program Trust Account	1,014,691,681	38,345,000	108,917,962	944,118,719	98,953,719
<b>2005 BCIA/ENCAP Golf Holdings</b>					
Variable rate bond series maturing through 2025, with weekly interest rate calculations	88,413,346	-	-	88,413,346	-
Total bonds payable	\$ 1,103,105,027	\$ 38,345,000	\$ 108,917,962	\$ 1,032,532,065	\$ 98,953,719

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

Years ending June 30:	Principal	Interest	Total
2020	\$ 98,953,719	\$ 38,039,433	\$ 136,993,152
2021	95,115,000	33,472,881	128,587,881
2022	91,814,999	29,106,906	120,921,905
2023	84,795,001	25,045,185	109,840,186
2024	80,150,000	21,321,332	101,471,332
2025 through 2029	396,693,346	60,173,318	456,866,664
2030 through 2034	121,160,000	19,490,264	140,650,264
2035 through 2039	34,095,000	7,757,516	41,852,516
2040 through 2044	15,860,000	4,017,501	19,877,501
2045 through 2049	13,895,000	1,067,571	14,962,571
	\$ 1,032,532,065	\$ 239,491,907	\$ 1,272,023,972

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

**Notes to Financial Statements**

**Note 7. 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, 2019, are comprised of the following:

Issue	Principal Amount Outstanding June 30, 2019
2016A-R2	
2010 Series B	71,975,000
2019B-R1	
2010 Series C	4,990,000
2019C-R1	
2009 Series C	4,000,000
	<b>\$ 80,965,000</b>
Individual borrower defeasances:	
1999 Series A	406,283
2000 Series A	135,000
2000 Series B	735,000
2001 Series A	120,000
2002 Series A	1,660,000
2005 Series A	360,000
2006 Series A	75,000
2007 Series A	1,175,000
2010 Series B	9,595,000
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
	<b>\$ 16,336,283</b>

**New Jersey Infrastructure Bank  
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**Notes to Financial Statements**

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**Note 7. 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 sixty days of the end of every fifth bond year. A bond year is defined, at the option of the issuing entity, as either the date of the first anniversary of bond settlement or the issuing entity's year-end.

The I-Bank has various issues of bonds, which are subject to rebate calculations, which are required to be made at least once every five years. The I-Bank prepares annual rebate calculations for purposes of determining any contingent liability for rebate. As of June 30, 2019, 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 financial 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 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.

**New Jersey Infrastructure Bank  
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**Notes to Financial Statements**

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**Note 7. 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, 2018 calculation date, the cumulative debt service reserve requirement, as adjusted for refunding and defeasance was \$58,791,609. As of June 30, 2019, 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, 2019 and 2018 in all of the debt service reserve fund accounts was \$72,385,305 and \$74,936,888, 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, 2019 and 2018, the total cash and investments balance for conduit debt was \$107,441,199 and \$118,028,705, 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 track 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, 2019, the total revenues, administrative fees and state administrative fees collected for conduit debt was \$295,536,992 and \$282,647,943, respectively.

**Note 8. 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

**New Jersey Infrastructure Bank  
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**Notes to Financial Statements**

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**Note 8. Other Matter-Water Bank (Continued)**

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.

**Note 9. Pension and Other Postemployment Benefits Plans**

***Public Employees' Retirement System***

All full-time personnel of the I-Bank are covered by the Public Employees' Retirement System (PERS), which is administered by the New Jersey Division of Pension and Benefits (the Division). The plan has a board of trustees that is primarily responsible for its administration. According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate.

The PERS was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability, and medical benefits to certain qualified members. The PERS is a cost-sharing multiple employer plan. Membership is mandatory for substantially all full-time employees of the State or any county, municipality, school district or public agency, provided the employee is not required to be a member of another State-administered retirement system or other state local jurisdiction.

The vesting benefits are set by N.J.S.A. 43:15A. PERS provides retirement, death, and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

***Other Postemployment Benefits (OPEB) Plan***

The Division administers the State Health Benefits Local Government Retired Employees plan. The plan was established in 1961 under Title 52 Article 14 – 17.25 et.seq. and offers medical and prescription

**New Jersey Infrastructure Bank  
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**Notes to Financial Statements**

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**Note 9. Pension and Other Postemployment Benefits Plans (Continued)**

coverage to qualified local government public retirees and their spouses. The OPEB plan is overseen by the State Health Benefits Commission (the Commission), which was established by NJSA 52:14-17.27.

The funding policy of the OPEB plan is pay-as-you-go; therefore, there is no prefunding of the liability. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are collected from the State of New Jersey, participating local employers, and retired members. The State of New Jersey makes contributions to cover those employees eligible under P.L. 1997, C. 300.

***Plan Financial Statements***

The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the PERS and the OPEB plan. These reports may be accessed on the internet at: <https://www.state.nj.us/treasury/pensions/gasb-notice.shtml> or by writing to:

State of New Jersey  
Division of Pension and Benefits  
P.O. Box 295, Trenton, New Jersey 08625-0295

***Pension Expense and Liabilities***

I-Bank personnel are employees of the State of New Jersey. The I-Bank submits quarterly reimbursements to the State for salary and fringe benefits related to its personnel. As a result, the I-Bank does not pay into the State plan and therefore has no pension or OPEB expense or any liabilities associated with pension or OPEB recorded in the financial statements; these items are recorded at the Statewide level in the Comprehensive Annual Financial Report (CAFR) of the State of New Jersey.

**Note 10. Reclassification of Prior Year Presentation**

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on net position or changes therein.

**Note 11. Subsequent Event**

Management has evaluated subsequent events and transactions that occurred after the balance sheet date, but before October 9, 2019, 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 June 30, 2019, the budget for the State of New Jersey was signed into law, which appropriated \$22.6 million, dedicated to the State Transportation Infrastructure Bank Fund for use by the I-Bank in SFY2020 for financing transportation infrastructure projects via the Transportation Infrastructure Financing Program (TIFP) once the TIFP becomes operative. Of this total, \$2.6 million is unrestricted, and may be used for Transportation Bank general administrative and operating expenses. The I-Bank received the funds on September 23, 2019.

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

**Notes to Financial Statements**

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**Note 11. Subsequent Event (Continued)**

The Trust and DEP appropriation bills were signed into law on July 19, 2019 and July 17, 2019, respectively. These bills authorized the expenditure of approximately \$655 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.

On September 20, 2019 NJIB defeased \$460,000 of the Environmental Infrastructure Bonds Series 2012A relating to Elizabeth City.

Subsequent to year-end, the I-Bank has closed a total of 14 New Short Term Water Bank loans and increased allowable funding under 3 existing Water Bank loans with a combined total of \$9.2 million and increased allowable funding under 4 existing Short-Term Transportation Bank loans totaling \$12.6 million

**New Jersey Infrastructure Bank  
(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, 2019 and 2018 was \$35,021,358 and \$33,354,280 and, 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.

Years ending June 30:	Aggregate of Coverage Receiving Trust Loan Repayments: Principal <sup>1</sup>	Aggregate of Coverage Receiving Trust Loan Repayments: Interest <sup>1</sup>	Aggregate of Coverage Providing Fund Loan Repayments <sup>2,3</sup>	Total Funds Available to Secure and Provide Coverage for all Coverage Receiving Financing Program Debt Service <sup>1,3</sup>	Total Debt Service for all Coverage Receiving Financing Programs <sup>1</sup>
2020	\$ 98,953,719	\$ 38,039,433	\$ 149,002,268	\$ 285,995,418	\$ 136,993,152
2021	95,115,000	33,472,881	142,562,014	271,149,895	128,587,881
2022	91,814,999	29,106,906	137,398,164	258,320,070	120,921,905
2023	84,795,001	25,045,185	128,812,797	238,652,985	109,840,186
2024	80,150,000	21,321,332	122,007,393	223,478,725	101,471,332
2025	77,685,000	17,816,681	115,537,353	211,039,034	95,501,681
2026	70,645,000	14,532,166	105,357,252	190,534,418	85,177,166
2027	64,095,000	11,557,990	93,389,696	169,042,686	75,652,990
2028	52,990,000	9,073,260	79,731,661	141,794,921	62,063,260
2029	42,865,000	7,193,221	66,576,594	116,634,815	50,058,221
2030	37,975,000	5,713,278	55,644,654	99,332,932	43,688,278
2031	27,930,000	4,551,022	46,460,997	78,942,019	32,481,022
2032	23,515,000	3,687,238	39,890,720	67,092,958	27,202,238
2033	16,920,000	3,031,810	32,100,810	52,052,620	19,951,810
2034	14,820,000	2,506,916	26,958,582	44,285,498	17,326,916
2035	11,030,000	2,065,831	20,320,946	33,416,778	13,095,831
2036	8,125,000	1,739,069	15,595,768	25,459,837	9,864,069
2037	6,230,000	1,496,800	12,099,942	19,826,742	7,726,800
2038	4,980,000	1,303,566	9,827,651	16,111,217	6,283,566
2039	3,730,000	1,152,250	7,663,661	12,545,912	4,882,250
2040	3,010,000	1,032,322	6,527,064	10,569,386	4,042,322
2041	3,145,000	921,566	6,527,064	10,593,630	4,066,566
2042	3,270,000	805,288	6,392,152	10,467,439	4,075,288
2043	3,165,000	687,981	6,120,560	9,973,541	3,852,981
2044	3,270,000	570,344	6,117,027	9,957,371	3,840,344
2045	3,390,000	448,409	6,110,490	9,948,899	3,838,409
2046	3,500,000	322,231	6,006,883	9,829,115	3,822,231
2047	3,460,000	195,022	5,328,615	8,983,637	3,655,022
2048	2,590,000	83,934	3,439,147	6,113,081	2,673,934
2049	955,000	17,975	1,078,726	2,051,701	972,975
Total	\$ 944,118,718	\$ 239,491,907	\$ 1,460,586,652	\$ 2,644,197,276	\$ 1,183,610,625

<sup>1</sup> Includes Series 2019B-R1 and 2019C-R1 financing programs.

<sup>2</sup> Trust Bond debt service net of savings credits derived from the prior refunding of certain series of Trust Bonds.

<sup>3</sup> Excludes debt service paid on or prior to June 30, 2019.

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



**INDEPENDENT AUDITORS' 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**

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 business type activities and each major enterprise fund of the New Jersey Infrastructure Bank (the I-Bank), a component unit of the State of New Jersey, as of and for the year ended June 30, 2019, 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 October 9, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of I-Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 I-Bank's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering I-Bank's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
October 9, 2019