

NEW JERSEY WATER SUPPLY AUTHORITY
(A Component Unit of the State of New Jersey)

Financial Statements and
Supplementary Information

June 30, 2014

NEW JERSEY WATER SUPPLY AUTHORITY
(A Component Unit of the State of New Jersey)

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INDEPENDENT AUDITORS' REPORT

To the Commissioners of
New Jersey Water Supply Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the New Jersey Water Supply Authority (the "Authority"), a component unit of the State of New Jersey, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority'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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinion.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority as of June 30, 2014 and 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A to the financial statements, in 2013 the Authority adopted new accounting guidance GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages four through nine 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The other accompanying supplementary information which consists of the combining schedule of net position, combining schedule of revenue, expenses and changes in net position, the schedule of changes in cash and investments – Raritan Basin System and the schedule of changes in cash and investments – Manasquan Water Supply System are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information listed above is the responsibility of management and was derived from and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion,

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Matters (Continued)

Other Supplementary Information (Continued)

the combining schedule of net position, combining schedule of revenue, expenses and changes in net position, the schedule of changes in cash and investments – Raritan Basin System and schedule of changes in cash and investments – Manasquan Water Supply System are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 6, 2014, and October 7, 2013, for the years ended June 30, 2014 and 2013, respectively, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mercadon, P.C.
Certified Public Accountants

October 6, 2014



MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2014

This section of the Annual Financial Report of the New Jersey Water Supply Authority (the "Authority"), a Component Unit of the State of New Jersey, presents discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2014. Please read it in conjunction with the Authority's basic financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- Operating revenue for fiscal year 2014 was \$25.8 million, a decrease over fiscal year 2013, which was the result of a 1.17% decrease in Raritan, and a .93% decrease in Manasquan sales. In the Raritan Basin System, there was no change in the rate at \$231.00 per million gallons, and the sales base increased .04%, from 182.207 million gallons per day ("mgd") to 182.281mgd. In the Manasquan Reservoir System, there was no change in the rate at \$1,015.90 per million gallons. The fiscal year 2014 sales base remained the same at 20.560mgd.
- Unrestricted cash and cash equivalents for fiscal year 2014 were \$37.3 million, a decrease of 11.19% from fiscal year 2013. Income from operations increased for the Raritan System 196.19% and decreased .83% for the Manasquan System.
- Total liabilities for fiscal year 2014 were \$85.4 million. This is a decrease of 5.84% from fiscal year 2013. The Authority continues to pay down long-term debt in both systems.
- Total operating expenses for fiscal year 2014 decreased to \$20.8 million, which represents a 4.78% decrease from fiscal year 2013. Payroll decreased .06% because of turnover savings from temporarily vacant positions. Direct operations and maintenance expenses decreased 17.76% to \$5.1 million because there were no extraordinary storm related expenses incurred during fiscal year 2014 in comparison to Superstorm Sandy in fiscal year 2013 and Tropical Storms Irene and Lee in fiscal year 2012.
- Other changes for fiscal year 2014 include the following: non-operating revenue decreased 91.72% to \$603,011; investment income increased 82.57% because of additional investments and cash was placed into long term investments. The receipt of grant program reimbursement decreased 39.02% from the previous year, and other income decreased substantially, since no additional FEMA and insurance proceeds were received.
- Non-operating expenses for fiscal year 2014 increased 1.91% to \$4.68 million. The interest component of debt service decreased 13.81% with the continued pay-down of the system debt. There was an increase in the reduction in costs to be recovered from future revenue, and the change in the rate model is outlined in Note 2 to the basic financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the financial statements. The Authority is a self-supporting entity and follows enterprise fund accounting. The enterprise fund concept is similar to the manner in which private business enterprises are financed and operated. The Authority presents its financial statements on the accrual basis of accounting. The statements offer short and long-term financial information about the activities and operations of the Authority. The intent is that the costs of providing service to water users on a continuing basis are financed primarily through user charges. The Authority has established certain restricted "funds or accounts," as directed by internal resolution and bond indentures. In an effort to ensure compliance with the Authority's by-laws and to safeguard its assets, internal controls have been developed and implemented by management. These internal controls include policies, procedures, approved organizational structures and approved budgets for capital and operating expenditures.

FINANCIAL ANALYSIS OF THE AUTHORITY

The Authority's total net position was approximately \$121.7 million as of June 30, 2014. In fiscal year 2014, total assets decreased 2.03% to \$207 million due to a 118% decrease in costs to be recovered from future revenues, and total liabilities decreased 5.84% to \$85.4 million, due to the continued pay down of long-term debt. Total net position as of June 30, 2013, was approximately \$121 million. Total assets at June 30, 2013 increased 0.98% to \$211.4 million, and total liabilities decreased 4.94% to \$90.7 million. Changes in assets, liabilities and net position at June 30, 2014, 2013 and 2012, are summarized in the following table:

	2014	2013*	2012*	Percentage Change 2014-2013
Current assets	\$54,358,804	\$62,645,309	\$56,891,435	(13.23)%
Capital assets, net	141,155,089	143,500,274	143,988,686	(1.63)
Other non-current assets	11,554,610	5,205,823	8,268,824	1.22
Total assets	207,068,503	211,351,406	209,238,945	(2.03)
Long-term debt	75,345,060	79,269,979	84,061,155	(4.95)
Other liabilities	10,041,207	11,411,225	11,332,395	(12.01)
Total liabilities	85,386,267	90,681,204	95,393,550	(5.84)
Net position invested in				
capital assets, net of related debt	87,589,285	83,560,654	78,090,867	4.82
Restricted	9,084,491	12,126,909	11,924,238	(25.09)
Unrestricted	25,008,460	24,982,639	23,830,290	0.10
Total net position	\$121,682,236	\$120,670,202	\$113,845,395	0.84

*Certain balances have been reclassified to conform to current year presentation.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2014

OPERATING ACTIVITIES

The Authority operates three separate systems: the Raritan Basin System, the Manasquan Water Supply System, and the Manasquan Water Treatment Plant and Transmission System. The Manasquan Water Treatment Plant and Transmission System is owned by the Southeast Monmouth Municipal Utilities Authority, which sets the rates, and is operated and maintained by the Authority under the terms of an operating agreement. Each system must generate sufficient revenue each year to cover its own operating expenses and debt service. The following rates were adopted at the July 2014 and April 2013 Authority meetings, respectively, based on anticipated operating expenses:

	<u>Rate</u> <u>7/01/2014</u>	<u>Rate</u> <u>7/01/2013</u>	<u>Percent</u> <u>Change</u>
Raritan Basin System	\$ 231.00/mg	\$ 231.00/mg	-%
Manasquan Water Supply System			
Initial users	\$1,015.90/mg	\$1,015.90/mg	-%
Delayed water users	\$1,168.49/mg	\$1,168.49/mg	-%

The Authority's total operating revenue for fiscal year 2014 was \$25.8 million, a decrease of .33% from fiscal year 2013, due to a 1.17% decrease in Raritan and a .93% decrease in Manasquan water sales. The Authority's total operating expenses for fiscal year 2014 were \$20.8 million, a decrease of 4.78% from fiscal year 2013, because of a decrease in Raritan O&M expenses. The Authority's total operating revenue for fiscal year 2013 was \$25.9 million, a decrease of .09% from fiscal year 2012. The Authority's total operating expenses for fiscal year 2013 were \$21.8 million, a decrease of 8.89% from fiscal year 2012. The following table summarizes the changes in revenue, expenses and net position between fiscal years 2014, 2013 and 2012:



MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2014

	2014	2013	2012	Percentage Change 2014-2013
Operating revenue:				
Water sales	\$23,240,511	\$23,430,025	\$23,513,508	(0.81)%
Reimbursement of operating expenses	2,600,238	2,495,982	2,434,806	4.18
Total operating revenue	25,840,749	25,926,007	25,948,314	(0.33)
Non-operating revenue:				
State of New Jersey-Grant Programs	129,293	212,023	416,483	(39.02)
Investment income	366,678	200,837	227,964	82.57
Rental income	59,251	32,931	102,033	79.92
Other income	47,789	6,838,188	2,137,979	(99.30)
Total non-operating revenue	603,011	7,283,979	2,884,459	(91.72)
Total revenue	26,443,760	33,209,986	28,832,773	(20.37)
Operating expenses:				
Payroll	7,062,893	7,113,521	7,352,772	(0.71)
Operations and maintenance	5,132,956	6,241,134	8,501,467	(17.76)
Fringe benefits	4,212,357	4,168,585	3,762,280	1.05
Depreciation	4,342,781	4,268,953	4,301,482	1.73
Total operating expenses	20,750,987	21,792,193	23,918,001	(4.78)
Non-operating expenses:				
Interest component of debt service of the State of New Jersey	1,569,126	1,820,444	2,059,808	(13.81)
Amortization of issuance costs-D&R System Revenue Refunding Bonds, Series 1998	-	-	25,229	-
Bond Discount/Insurance Premium Expense	28,343	28,344	65,319	(.004)
Reduction in costs to be recovered from future revenue	3,083,270	2,744,198	2,547,644	12.36
Total non-operating expenses	4,680,739	4,592,986	4,698,000	1.91
Total expenses	25,431,726	26,385,179	28,616,001	(3.61)
Change in net position	1,012,034	6,824,807	216,772	(85.17)
Net position, beginning of year, as previously reported	120,670,202	114,249,113	114,032,341	5.62
Prior period adjustment	-	(403,718)	-	(100.00)
Net position, beginning of year as restated	120,670,202	113,345,395	114,032,341	5.99
Net position, end of year	\$121,682,236	\$120,670,202	\$114,249,113	.84



MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2014

CAPITAL ASSETS AND DEBT ADMINISTRATION

At June 30, 2014, the Authority had a total of \$141,155,089 invested in the Systems that it operates: \$82,360,765 invested in the Raritan Basin System, and \$58,794,324 invested in the Manasquan System. This total amount represents a 1.63% decrease from last year.

The following table summarizes the changes in capital assets, net of depreciation, between fiscal years 2014, 2013 and 2012:

	2014	2013	2012	Percentage Change 2014-2013
Land and land rights	\$25,566,853	\$25,553,880	\$24,290,450	0.05%
Dams	49,801,005	50,598,999	51,396,994	(1.58)
Building, structures and improvements	54,900,182	58,097,172	57,647,267	(5.50)
Machinery and equipment	1,108,356	983,141	1,038,191	12.74
Construction work in progress	9,778,693	8,267,082	9,615,784	18.28
Total capital assets, net	<u>\$141,155,089</u>	<u>\$143,500,274</u>	<u>\$143,988,686</u>	(1.63)

More detailed information about the Authority's capital assets is presented in Note 3 to the basic financial statements.

The following table summarizes the changes in capital debt between fiscal years 2014, 2013 and 2012:

	2014	2013	2012	Percentage Change 2014-2013
Bonds payable	\$30,058,221	\$35,456,893	\$40,607,618	(15.23)%
Notes payable	33,649,796	33,652,337	33,654,736	(.01)
Loans payable	15,420,971	16,393,574	17,198,649	(5.93)
Total bonds, notes and loans payable	<u>\$79,128,988</u>	<u>\$85,502,804</u>	<u>\$91,461,003</u>	(7.45)

At year-end, the Authority had \$79,128,988 in bonds, notes and loans principal outstanding, compared to \$85,502,804 at June 30, 2013. This change represents a decrease of 7.45%, as shown in the above table.

More detailed information about the Authority's long-term debt is presented in Note 5 to the basic financial statements.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2014

CURRENT AND NEW BUSINESS

During fiscal year 2014, the Authority supplied water to 29 contractual customers of the Raritan Basin System, who, in turn, supplied water to approximately 1,500,000 people in central New Jersey. Two customers accounted for approximately 84% of total Raritan Basin System operating revenue. Effective July 1, 2014, there was the addition of Eastern Concrete Materials (.023mgd) and a decrease of the uninterruptible water supply contract for Roxbury Water Company from .074mgd to .041mgd. The changes decrease the sales base of the Raritan Basin System to 182.271mgd in fiscal year 2015. In addition, during fiscal year 2014, the Authority provided water to 13 contractual customers of the Manasquan Water Supply System, who provided water to approximately 250,000 people in the Monmouth County area. Three customers accounted for approximately 82% of total Manasquan System operating revenue. Effective July 1, 2014, the total sales base for the Manasquan Reservoir System remains unchanged at 20.560mgd.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the water customers, New Jersey citizens, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability as a self-supporting entity. If you have questions about this report or need additional financial information, you can contact the New Jersey Water Supply Authority at 1851 Highway 31, P.O. Box 5196, Clinton, New Jersey 08809, (908) 638-6121 or visit our website at www.njwsa.org.

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Statement of Net Position

	June 30,	
	2014	2013*
Assets		
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	\$37,300,721	\$42,001,799
Unbilled sales	973,953	968,323
Accounts receivable, less allowance for doubtful accounts of \$1,000 at June 30, 2014 and 2013	1,998,218	979,511
Interest receivable	268,335	118,995
Prepaid expenses and other current assets	1,059,762	1,018,480
Costs to be recovered from future revenue	421,629	2,886,478
Total unrestricted current assets	42,022,618	47,973,586
Restricted assets:		
Cash equivalents	4,576,796	2,130,879
Investments	7,759,390	12,540,844
Total restricted current assets	12,336,186	14,671,723
Total current assets	54,358,804	62,645,309
Non-current assets:		
Investments	12,416,669	5,651,260
Costs to be recovered from future revenue	(862,059)	(445,437)
Capital assets, net	141,155,089	143,500,274
Total non-current assets	152,709,699	148,706,097
Total assets	207,068,503	211,351,406
Liabilities		
Current liabilities:		
Current portion of bonds, notes and loans payable	3,783,928	6,232,825
Accounts payable	510,386	283,150
Accrued liabilities	2,495,198	2,350,436
Unearned revenue	3,251,695	2,544,814
Total current liabilities	10,041,207	11,411,225
Non-current liabilities:		
Non-current portion of bonds, notes and loans payable	75,345,060	79,269,979
Total liabilities	85,386,267	90,681,204
Net Position		
Net investment, capital assets	87,589,285	83,560,654
Restricted for repayment of debt principal and interest	9,084,491	12,126,909
Unrestricted	25,008,460	24,982,639
Total net position	\$121,682,236	\$120,670,202

*Certain balances have been reclassified to conform to current year presentation.

See accompanying notes.

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Statement of Revenue, Expenses and Changes in Net Position

	Year Ended June 30,	
	2014	2013
Operating revenue:		
Water sales	\$23,240,511	\$23,430,025
Reimbursement of operating expenses	2,600,238	2,495,982
Total operating revenue	25,840,749	25,926,007
Operating expenses:		
Payroll	7,062,893	7,113,521
Operations and maintenance	5,132,956	6,241,134
Fringe benefits	4,212,357	4,168,585
Depreciation	4,342,781	4,268,953
Total operating expenses	20,750,987	21,792,193
Income from operations	5,089,762	4,133,814
Non-operating revenue:		
State of New Jersey – Grant Programs	129,293	212,023
Investment income	366,678	200,837
Rental income	59,251	32,931
Other income	47,789	6,838,188
Total non-operating revenue	603,011	7,283,979
Non-operating expenses:		
Interest component of debt service to the State of New Jersey	1,569,126	1,820,444
Bond Discount/Insurance Premium Expense	28,343	28,344
Reduction in costs to be recovered from future revenue	3,083,270	2,744,198
Total non-operating expenses	4,680,739	4,592,986
Change in net position	1,012,034	6,824,807
Net position, beginning of year, as previously reported	120,670,202	114,249,113
Prior period adjustment	-	(403,718)
Net position, beginning of year, as restated	120,670,202	113,845,395
Net position, end of year	\$121,682,236	\$120,670,202

See accompanying notes.

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Statement of Cash Flows

	Year Ended June 30,	
	2014	2013
Cash flows from operating activities		
Cash received from water sales	\$22,170,246	\$23,466,487
Cash received from reimbursable expenses	2,602,176	9,277,750
Cash received from rental income	36,938	35,226
Cash paid to or on behalf of employees	(11,021,532)	(10,967,156)
Cash paid to suppliers	(5,083,185)	(5,605,013)
Net cash provided by operating activities	8,704,643	16,207,294
Cash flows from noncapital financing activities		
Cash received for grant programs	129,293	212,023
Net cash provided by noncapital financing activities	129,293	212,023
Cash flows from capital and related financing activities		
Proceeds from borrowing	-	103,151
Principal paid on bonds, notes and loans	(5,892,070)	(5,185,638)
Interest paid on bonds, notes and loans	(1,650,905)	(1,874,569)
Acquisition and construction of capital assets	(1,806,775)	(717,956)
Proceeds from sale of capital assets	27,270	35,745
Net cash used in capital and related financing activities	(9,322,480)	(7,639,267)
Cash flows from investing activities		
Sale of investment securities	2,238,092	9,163,057
Purchase of investment securities	(4,222,047)	(9,077,888)
Interest received on investments	217,338	200,836
Net cash (used in) provided by investing activities	(1,766,617)	286,005
Net (decrease) increase in cash and cash equivalents	(2,255,161)	9,066,055
Cash and cash equivalents, beginning of year	44,132,678	35,066,623
Cash and cash equivalents, end of year	\$41,877,517	\$44,132,678
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	\$5,089,762	\$4,133,814
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Non-cash items expensed to operations and maintenance	59,251	754,636
Cash received for operating activity included in other income	20,519	6,835,374
Depreciation	4,342,781	4,268,953
Increase (decrease) in cash from:		
Unbilled sales	(5,630)	196,703
Accounts receivable	(1,075,897)	(154,564)
Prepaid expenses and other current assets	(41,282)	(119,230)
Accounts payable	93,605	6,187
Accrued liabilities	1,331	(3,964)
Accrued payroll and taxes	220,203	289,385
Net cash provided by operating activities	\$8,704,643	\$16,207,294
Non-cash investing activities		
Decrease in fair value of investments	\$(351,211)	\$(247,472)

See accompanying notes.

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Notes to Financial Statements

I. Organization and Operations

The New Jersey Water Supply Authority (the “Authority”), a Component Unit of the State of New Jersey (the “State”), consisting of the Spruce Run/Round Valley Reservoirs Complex, the Delaware and Raritan Canal Transmission Complex (the “Raritan Basin System”) and the Manasquan Reservoir Water Supply System (the “Manasquan System”), is a public body, corporate and politic, constituted as an instrumentality of the State, exercising public and essential governmental functions. The Authority was created by the New Jersey Water Supply Authority Act (the “Act”) on October 7, 1981, and in connection with the Act, all water supply facilities owned or operated by the State (*i.e.*, *Raritan Basin System*) were transferred or leased to the Authority. The Act empowers the Authority to acquire, finance, construct and operate water systems and issue bonds. Members of the Authority consist of the Commissioner of the New Jersey Department of Environmental Protection (“NJDEP”), *ex officio* member and six public members appointed by the Governor upon the advice and consent of the New Jersey Senate. The public members represent the agricultural community, industrial water users, residential water users, private watershed associations, public finance and water resource management and distribution. The Authority prepares an annual budget that is used to establish rates and as a management tool but the budget does not constitute a legal budget or establish spending limitations.

The Authority does not have component units that should be included within its financial statements.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Authority is a component unit of the State of New Jersey and is included in their general purpose financial statements.

The accompanying basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (“GASB”).

The Authority derives most of its revenue from water user charges and is considered to be an enterprise fund; accordingly, the Authority presents its financial statements on the accrual basis of accounting. In addition, the Authority has established certain restricted “funds or accounts” as directed by internal resolution and bond indentures.

In its accounting and financial reporting, the Authority follows the pronouncements of the Governmental Accounting Standards Board (“GASB”) and other entities that promulgate accounting principles according to a hierarchy of sources of accounting principles. Per GASB Statement 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, priority is established as to which source of accounting principles to utilize in determining proper accounting treatment. The hierarchy is as follows: GASB Statements and Interpretations; GASB Technical Bulletins; American Institute of Certified Public Accountants (“AICPA”) Industry Audit and Accounting Guides and AICPA Statements of Position, if

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Notes to Financial Statements

applicable and cleared by GASB; AICPA Practice Bulletins, if applicable and cleared by GASB; Implementation Guides published by GASB; AICPA pronouncements that are not specifically applicable to state and governmental entities; Financial Accounting Standards Board (“FASB”) Statements and Interpretations; and Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure (issued on or before November 30, 1989). The Authority has elected not to follow FASB pronouncements issued after November 30, 1989. The Authority follows the hierarchy in determining accounting treatment.

Revenue

Charges for wholesale water usage are established to provide revenue sufficient for services, essential repairs and improvements to the utility plant, and repayment of debt service on certain long-term obligations used for plant construction. Sales are recognized as revenue when water is made available to customers, and the customers are billed in the following month or quarter.

The Authority distinguishes operating revenue and expenses from non-operating items. Operating revenue and expenses result from the sale of water to customers. Operating expenses include costs of providing water, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Capital Assets

Capital assets are stated at original cost and consist primarily of amounts expended to license, construct, acquire, complete and place into operation the projects of the Authority. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such expenditures include labor, materials, services and indirect costs. Normal maintenance and repair costs are charged to operations and maintenance expense. Improvements and replacements are capitalized. Interest earned on long-term debt proceeds used for capital asset construction and temporarily invested during the construction period is netted against interest cost. The excess, if any, is capitalized to construction work in progress, and the portion related to completed projects is expensed. The cost of capital assets retired, net of any gain or loss on the disposal of such capital assets, is offset to accumulated depreciation. The Authority also holds several restricted easements for utility access, conservation and water rights. These easements are recorded at the lower of cost or fair market value upon acquisition.

Depreciation

Capital assets are depreciated on the straight-line basis over the estimated useful lives of the various classes of plant, as follows:

Dams	100 years
Buildings, structures and improvements	15-40 years
D&R canal dredging	20 years
Machinery and equipment	3-10 years

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Notes to Financial Statements (continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Authority considers short-term investments that have original maturities of ninety days or less to be cash equivalents.

Investments

Short-term investments and restricted investments used for construction and payment of interest consist of money market funds and U.S. Government-backed securities with various interest rates. Restricted investments are restricted under the terms of the Authority's bond indentures for the payment of debt service. All investments are carried at fair value, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Accounts Receivable

The Authority considers most of its accounts receivable to be collectible; accordingly, the change in net position is charged with an allowance for estimated uncollectible accounts based on past experience and an analysis of current accounts receivable collectability. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible. At June 30, 2014 and 2013, accounts receivable included amounts due from the New Jersey Environmental Infrastructure Financing Program ("NJEIFP") for \$0 and \$68,131, respectively.

During fiscal years 2014 and 2013, respectively, two customers accounted for approximately 84% of total Raritan Basin System accounts receivable, and five customers accounted for approximately 88% of total Manasquan System accounts receivable.

Compensated Absences

All full-time employees accumulate vacation benefits in varying annual amounts up to a maximum allowable accumulation of two years' benefit. Unused sick leave benefits are earned by all full-time employees at a rate of 15 days per year and may be accumulated without limit. In the event of termination, an employee is reimbursed for all accumulated vacation days. Unused sick leave benefits do not vest but are payable only upon retirement up to a maximum of \$15,000. A liability is accrued in the financial statements when incurred.

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 could differ from those estimates.

Income Taxes

The Authority is exempt from federal income taxes under the Internal Revenue Code, Section 115, and from state income taxes under N.J.S.A. 27:25-16, and accordingly, no provision is recorded for federal or state income taxes.

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Notes to Financial Statements (continued)

Net Position

Net position represents the difference between assets and liabilities and is classified into three categories:

- *Net Investment, Capital Assets* – This represents capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition construction or improvement of those assets.
- *Restricted Net Position* – This represents the net position that is not accessible for general use because its use is subject to restrictions enforceable by third parties. When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first and then unrestricted resources, as they are needed.
- *Unrestricted Net Position* – This represents the net position that is available for general use.

Costs to be Recovered from Future Revenue

The Authority’s cost recovery rate model used to establish rates, fees and charges includes an amount for debt principal repayment (but not for depreciation on the related debt financed assets) and also includes vacation amounts paid. In accordance with FASB No. 71, the Authority has deferred the excess of current depreciation on assets financed with debt proceeds over the costs for debt principal repayment and the excess of vacation expense over vacation paid. The deferred costs will be recovered through future revenue in accordance with the rate model. The deferred amount for the years ended June 30, 2014 and 2013, were determined as follows:

	2014	2013
Raritan Basin System		
Cost excluded from rate model:		
Depreciation of debt-financed capital assets recoverable from rate payers	\$835,209	\$835,209
Excess vacation expense over vacation paid	4,430	(16,178)
	839,639	819,031
Cost included in rate model:		
Debt principal repayment	(2,600,000)	(2,465,000)
	(1,760,361)	(1,645,969)
Manasquan System		
Cost excluded from rate model:		
Depreciation of debt-financed capital assets recoverable from rate payers	1,540,854	1,540,854
Excess vacation expense over vacation paid	577	(2,874)
	1,541,431	1,537,980
Cost included in rate model:		
Debt principal repayment	(2,662,541)	(2,527,398)
	(1,121,110)	(989,418)
Total Raritan Basin and Manasquan	(2,881,471)	(2,635,387)
Balance, beginning of year	2,441,041	5,076,428
Balance, end of year	\$(440,430)	\$2,441,041

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As shown in the statements of revenue, expenses and changes in net position for the years ended June 30, 2014 and 2013, respectively, the costs to be recovered from future revenue of \$3,083,270 and \$2,744,198 includes a debit balance of \$196,792, and a debit balance of \$127,863 of Manasquan Water Treatment Plant deferred revenue, which is not part of the rate model, and does not include a credit balance of \$5,007 and a debit balance of \$19,052 of accrued vacation.

Accounting for Southeast Monmouth Municipal Utilities Authority Agreement

The Authority operates and maintains a Water Treatment Plant/Transmission System for the Southeast Monmouth Municipal Utilities Authority (“SMMUA”). The SMMUA is charged for budgeted operating expenses expected to be incurred by the Authority during the SMMUA’s fiscal year (January 1 through December 31).

Because of the difference resulting from billing the SMMUA for budgeted expenses versus actual expenses appearing in the financial statements, the Authority includes unearned costs (actual costs exceeding SMMUA billings) or unearned revenue (SMMUA billings exceeding actual costs) in its statement of net position. These excess costs or billings will be recovered or recognized in future periods. As of June 30, 2014 and 2013, unearned revenue amounting to \$1,589,003 and \$1,392,211, respectively, was determined as follows:

	2014	2013
Reimbursement of operating expenses	\$2,602,762	\$2,497,601
Operating expenses	2,405,970	2,369,738
Unearned revenue	196,792	127,863
Balance, beginning of year	1,392,211	1,264,348
Balance, end of year	\$1,589,003	\$1,392,211

During the fiscal years ended June 30, 2006 and 2005, the Authority received \$39,966 and \$191,877, respectively. These funds are restricted for use by the SMMUA for costs associated in operating the Water Treatment Plant. As of June 30, 2014 and 2013, the amount included in unearned revenue was \$1,662,692, and \$1,152,603, respectively.

Accounting for Watershed Protection Program

For the fiscal years ended June 30, 2014 and 2013, the Authority received \$126,344 and \$224,893, respectively, from the NJDEP for the costs associated with various watershed protection studies of the Raritan Basin System. These funds are restricted to uses specifically identified in grant agreements between the Authority and NJDEP and will be recognized as revenue as the related costs are incurred. Eligible project expenses include, but are not limited to, the cost of mapping out streams and other water sources and studying and implementing best land use practices to improve water quality. As of June 30, 2014, all the funds received had been recognized as revenue.

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Notes to Financial Statements (continued)

Other Post-Employment Benefits (“OPEB”) Other than Pensions

On July 1, 2007, the Authority implemented GASB No. 45, which covers accounting and financial reporting requirements for government employers, that provide post-employment benefits other than pensions. Since the Authority participates in the State’s multiple-employer cost-sharing plan (Public Employees’ Retirement System “PERS”), the Authority’s portion of this liability and cost is calculated and recorded at the State level and included in the State’s Comprehensive Annual Financial Report. The Authority records OPEB expense based on billings from the State PERS. Required financial statement disclosures are included in Note 6 of these financial statements.

3. Capital Assets

Capital assets activity for the years ended June 30, 2014 and 2013, was as follows:

	2014 Beginning Balance	Additions	Retirements	2014 Ending Balance
Capital assets not being depreciated:				
Land	\$25,553,880	\$ 12,973	\$ -	\$25,566,853
Construction work in progress	8,267,082	1,511,611	-	9,778,693
Total capital assets not being depreciated	33,820,962	1,524,584	-	35,345,546
Capital assets being depreciated:				
Dams	77,369,160	-	-	77,369,160
Building, structures and improvements	130,138,986	39,349	(82,706)	130,095,629
D & R canal dredging	21,160,274	-	-	21,160,274
Machinery and equipment	6,263,667	433,663	(133,248)	6,564,082
Total capital assets being depreciated	234,932,087	473,012	(215,954)	235,189,145
Less accumulated depreciation for:				
Dams	(26,770,161)	(797,994)	-	(27,568,155)
Building, structures and improvements	(72,041,815)	(3,236,339)	82,706	(75,195,448)
D & R canal dredging	(21,160,273)	-	-	(21,160,273)
Machinery and equipment	(5,280,526)	(308,448)	133,248	(5,455,726)
Total accumulated depreciation	(125,252,775)	(4,342,781)	215,954	(129,379,602)
Total capital assets, being depreciated, net	109,679,312	(3,869,769)	-	105,809,543
Total capital assets, net	\$143,500,274	\$(2,345,185)	\$ -	\$141,155,089

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Notes to Financial Statements (continued)

	2013 Beginning Balance	Additions	Retirements	2013 Ending Balance
Capital assets not being depreciated:				
Land	\$24,290,450	\$1,263,430	\$ -	\$25,553,880
Construction work in progress	9,615,784	2,957,817	(4,306,519)	8,267,082
Total capital assets not being depreciated	33,906,234	4,221,247	(4,306,519)	33,820,962
Capital assets being depreciated:				
Dams	77,369,160	-	-	77,369,160
Building, structures and improvements	126,574,124	3,589,214	(24,352)	130,138,986
D & R canal dredging	21,160,274	-	-	21,160,274
Machinery and equipment	6,206,788	285,688	(228,809)	6,263,667
Total capital assets being depreciated	231,310,346	3,874,902	(253,161)	234,932,087
Less accumulated depreciation for:				
Dams	(25,972,166)	(797,995)	-	(26,770,161)
Building, structures and improvements	(68,926,858)	(3,139,309)	24,352	(72,041,815)
D & R canal dredging	(21,160,273)	-	-	(21,160,273)
Machinery and equipment	(5,168,597)	(331,649)	219,720	(5,280,526)
Total accumulated depreciation	(121,227,894)	(4,268,953)	244,072	(125,252,775)
Total capital assets, being depreciated, net	110,082,452	(394,051)	(9,089)	109,679,312
Total capital assets, net	\$143,988,686	\$3,827,196	\$(4,315,608)	\$143,500,274

4. Cash, Cash Equivalents, and Investments

New Jersey statutes permit the deposit of public funds in the State of New Jersey Cash Management Fund ("NJCMF") or in institutions located in New Jersey that are insured by the Federal Deposit Insurance Corporation (the "FDIC") or by any other agencies of the United States that insure deposits. All funds of the Authority may be invested in obligations of, or guaranteed by, the U.S. Government.

The Authority's bond resolutions limit the investment of restricted assets 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 the NJCMF and direct and general obligations of any state that meets the minimum requirements of the resolution.

a. Cash

As of June 30, 2014 and 2013, the Authority's bank balance was 3,065,674 and \$4,483,866, respectively, of which \$250,000 was covered through the FDIC. The remaining balance of \$2,815,674 and \$4,233,866 as of June 30, 2014 and 2013, respectively, was collateralized, and the cash balance per the statement of net position is shown exclusive of outstanding checks totaling \$47,922 and \$1,086,268, respectively. The statement of net position amount includes petty cash totaling \$300, respectively as of June 30, 2014 and 2013.

New Jersey Water Supply Authority
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Notes to Financial Statements (continued)

b. Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. The Authority's bank balance of \$3,065,674 and \$4,483,866 as of June 30, 2014 and 2013, respectively, was exposed to custodial credit risk as follows:

	2014	2013
Uninsured and uncollateralized	\$ -	\$ -

c. Investments and Cash Equivalents

The Authority does not have a policy to limit interest rate risk; however, its practice is to hold investments to maturity.

As of June 30, 2014, the Authority had the following investments and cash equivalents, and maturities:

Investment and Cash Equivalent Type	Fair Value	<u>Investment Maturities (In Years)</u>	
		Less Than 1	1-5
U.S. Treasuries	\$46,618,855	\$46,618,855	\$ -
NJ G/O Bonds	12,416,669	-	12,416,669
Total	\$59,035,524	\$46,618,855	\$ 12,416,669

As of June 30, 2013, the Authority had the following investments and cash equivalents, and maturities:

Investment and Cash Equivalent Type	Fair Value	<u>Investment Maturities (In Years)</u>	
		Less Than 1	1-5
U.S. Treasuries	\$50,511,178	\$50,511,178	\$ -
NJ G/O Bonds	5,651,260	-	5,651,260
U.S. Agencies (Federal National Mortgage Association)	2,764,446	2,764,446	-
Total	\$58,926,884	\$53,275,624	\$5,651,260

Credit and Custodial Credit Risk

In order to limit exposure to credit risk, the Authority follows the investment policies set forth by the NJCMF. These policies allow investment in securities that achieve a certain rating from the three major ratings organizations as determined annually by the governing board of the NJCMF, as well as limiting investments to certain types of marketable securities.

U.S. Treasury notes are explicitly guaranteed by the U.S. government and are not subject to credit risk or custodial credit risk.

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At June 30, 2013, the Authority held a \$2.7 million dollar investment in U.S. Government (FNMA) backed securities which are not federally insured, and are only implicitly guaranteed by the government. The Authority historically has not experienced any credit-related losses with respect to its investment in FNMA Securities. As of June 30, 2014, the Authority no longer held securities with FNMA.

The Authority entered into an agreement with PNC Bank and TD Bank to collateralize all deposits held at a market rate equal to 102% of the daily combined total of all deposits. As of June 30, 2014, all deposits were collateralized.

d. Investment Income

The following comprises investment income for the years ended June 30, 2014 and 2013, respectively:

	<u>2014</u>	<u>2013</u>
Interest earned on bank accounts and certificates of deposit	\$178,947	\$175,275
Interest earned on securities	538,942	273,034
Increase/(decrease) in fair value of securities	(351,211)	(247,472)
	<u>\$366,678</u>	<u>\$200,837</u>

5. Bonds, Notes and Loans Payable

Manasquan System

A. Notes due to State of New Jersey

The Authority has a contractual obligation to repay the following debt:

The \$63,600,000 of Manasquan Reservoir Water Supply System State Loan Notes (the "State Loan Notes") issued June 3, 1987, pursuant to the terms of the State Loan Agreement between the Authority and the State of New Jersey (the "State Loan Agreement"), from monies authorized by the 1981 bond appropriation of \$72,000,000 for construction of the Manasquan System and the \$7,416,000 of Interim Advance Notes issued September 12, 1988, from monies made available from the General Fund of the State to finance completion costs of the Manasquan System. The State Loan Notes and the Completion Loan Notes bear interest at 5.93% and 6.24%, respectively, and are collateralized by the property and revenues of the Manasquan System.

In accordance with the terms of the State Loan Agreement, the State Loan Notes are classified as either Current Debt Service Portion Notes ("Current Notes") or Deferred Debt Service Portion Notes ("Deferred Notes"). Principal of the Deferred Notes will be discharged solely by exchange for Current Notes or by the expiration of a period of forty years from the date of their issuance, which was June 3, 1987. The Deferred Notes must be exchanged for Current Notes on a pro rata basis to the extent that the Authority enters into additional long-term contracts to sell water from the Manasquan System on an annual basis. Such Current Notes are payable over a thirty-year period commencing from such date as is defined in the State Loan.

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Interest on the Deferred Notes accreted as principal through July 31, 1993, and is not payable until they have been exchanged for Current Notes. The interest that accreted as principal through July 31, 1990, accrued interest; however, the interest that accreted for the period from August 1, 1990 through July 31, 1993, did not accrue interest. The accretion of interest to the principal amount for the Current Notes and the Deferred Notes is \$25,563,184 at June 30, 2014 and 2013.

At June 30, 2014 and 2013, the State Loan Notes and Completion Notes are summarized as follows:

<u>State Loan Notes</u>	2014	2013
Current Notes	\$74,947	\$77,251
Deferred Notes	30,365,115	30,365,115
<u>Completion Notes</u>		
Current Notes	7,957	8,194
Deferred Notes	3,201,777	3,201,777
	<u>\$33,649,796</u>	<u>\$33,652,337</u>

B. Manasquan Reservoir Water Supply System Revenue Bonds, Series 2005

On August 5, 2005, the Authority issued \$47,535,000 in Manasquan Reservoir Water Supply System Revenue Bonds, Series 2005. The proceeds, together with other monies on deposit, were used to prepay \$49,293,438 in Current Manasquan State Loan Notes and Completion Notes.

The Revenue Bonds, Series 2005, have a principal balance of \$28,900,000 at June 30, 2014, carry a bond yield of 3.95%, and mature in incremental annual principal amounts through 2031. Principal maturities for the year ending June 30, 2015, are \$2,795,000. The property and revenue of the Manasquan System are pledged as collateral for the 2005 Bonds.

The balance of the defeased current Manasquan State Loan Notes and Completion Notes is \$0.

For the years ended June 30, 2014 and 2013, interest expense on the 2005 Bonds amounted to \$1,511,500 and \$1,593,435, respectively, and the related interest income earned on the restricted investments amounted to \$274 and \$138, respectively.

C. New Jersey Environmental Infrastructure Financing Program (“NJEIFP”)

The New Jersey Water Supply Authority, a Component Unit of the State of New Jersey, obtained a loan from the New Jersey Environmental Infrastructure Trust (“the Trust”) for the construction of a permanent structure over the Manasquan Intake Pump Station. Under the NJEIFP, the borrowers benefit from a loan formula under which participants borrow a percentage of cost from the State Revolving Fund maintained by the NJDEP at zero interest and the remaining percentage from the Trust at the same interest rate the Trust pays on its bonds. Under the State’s Smart Growth Initiative, the interest rate is equivalent to 25 percent of the lowest available rate. Each NJEIFP loan carries a 20-year life. Property and revenue of the Manasquan Reservoir System are pledged as collateral for the loans.

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Notes to Financial Statements (continued)

The following table summarizes the NJEIFP loan outstanding for the Manasquan Reservoir System, as of June 30, 2014:

NJEIFP Series	Date of Issuance	State Revolving Fund Original Principal	Percent	Trust Original Principal	Percent	Blended Interest Rate	Outstanding Principal	Maturity
2012B	05/03/2012	\$2,312,250	76%	\$715,000	24%	.80%	\$2,767,106	08/01/2031

Raritan System

D. D & R System Revenue Refunding Bonds, Series 1998

On August 4, 1998, the Authority issued Water System Revenue Refunding Bonds, Series 1998 (the "Refunding Bonds") in the amount of \$28,290,000. The Refunding Bonds are serial bonds of which \$0 are outstanding at June 30, 2014, and that bore interest at varying rates from 4.5% to 5.375% and matured in incremental annual principal amounts through 2014. The last principal payment of \$2,600,000 was made on November 1, 2013. The Refunding Bonds maturing on or after November 1, 2009, were subject to redemption prior to their stated maturity dates at the option of the Authority on or after November 1, 2008. The property and revenue of the Raritan System are pledged as collateral for the Refunding Bonds.

The balance of the defeased 1988 Delaware and Raritan System Revenue Bonds is \$0.

For the years ended June 30, 2014 and 2013, interest expense on the Refunding Bonds amounted to \$47,090 and \$184,395, respectively, and the related interest income earned on the restricted investments amounted to \$0 and \$53, respectively.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$6,029,573. The difference is reported with bonds payable on the statements of net position and is being charged to operations using a method that approximates the effective interest method over the shorter of the remaining life of the old debt or the life of the new debt. The economic gain was a net present value debt savings of \$4,207,590.

E. New Jersey Environmental Infrastructure Financing Program ("NJEIFP")

The New Jersey Water Supply Authority, a Component Unit of the State of New Jersey, obtained loans from the New Jersey Environmental Infrastructure Trust (the "Trust") for the acquisition of source water watershed properties critical to the Raritan Basin System. Under the NJEIFP, the borrowers benefit from a loan formula under which participants borrow a percentage of the cost from the State Revolving Fund maintained by the NJDEP at zero interest and the remaining percentage from the Trust at the same interest rate the Trust pays on its bonds. Under the State's Smart Growth Initiative, the interest rate is equivalent to 25 percent of the lowest available rate. Each NJEIFP loan carries a 20-year life, and property and revenue of the Raritan Basin System are pledged as collateral for the loans.

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Notes to Financial Statements (continued)

The following table summarizes the NJEIFP loans outstanding for the Raritan Basin System, as of June 30, 2014:

NJEIFP Series	Date of Issuance	State Revolving Fund Original Principal	Percent	Trust Original Principal	Percent	Blended Interest Rate	Outstanding Principal	Maturity
2003A	11/06/2003	\$627,019	75%	\$235,000	25%	1.194%	\$457,069	08/01/2023
2004A	11/04/2004	1,030,000	75%	350,000	25%	1.310%	813,945	08/01/2024
2005A	11/10/2005	2,940,974	75%	1,050,000	25%	1.251%	2,056,902	08/01/2025
2006A	11/09/2006	2,099,363	75%	745,000	25%	1.260%	1,905,736	08/01/2026
2007A	11/08/2007	1,740,563	75%	620,000	25%	1.055%	1,726,916	08/01/2027
2008A	11/06/2008	1,152,000	64%	660,000	36%	1.740%	1,443,271	08/01/2028
2010A	03/10/2010	300,493	51%	290,000	49%	1.685%	487,803	08/01/2029
2010B	12/02/2010	1,064,338	52%	990,000	48%	1.870%	1,821,023	08/01/2030
2012A	05/03/2012	1,501,455	76%	465,000	24%	.65%	1,798,765	08/01/2031
Total		\$12,456,205		\$5,405,000			\$12,511,430	

The following table summarizes the changes in bonds, notes and loans payable between fiscal years 2014, 2013 and 2012:

	Fiscal Year 2013	Less Payments, Net of Amortization	Debt Issued	Fiscal Year 2014	Due Within One Year
Bonds payable	\$35,456,893	\$5,398,671	\$ -	\$30,058,222	\$2,795,000
Notes payable	33,652,337	2,541	-	33,649,796	2,693
Loans payable	16,393,574	972,604	-	15,420,970	986,235
Total	\$85,502,804	\$6,373,816	\$ -	\$79,128,988	\$3,783,928

	Fiscal Year 2012	Less Payments, Net of Amortization	Debt Issued	Fiscal Year 2013	Due Within One Year
Bonds payable	\$40,607,618	\$5,150,725	\$ -	\$35,456,893	\$5,260,000
Notes payable	33,654,736	2,399	-	33,652,337	2,541
Loans payable	17,198,649	805,075	-	16,393,574	970,284
Total	\$91,461,003	\$5,958,199	\$ -	\$85,502,804	\$6,232,825

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Notes to Financial Statements (continued)

Principal and interest on aggregate maturities and bonds, notes and loans, net of unamortized bond premium, are as follows:

Year Ending June 30,	Raritan Basin System	Manasquan Reservoir System	Notes Payable Manasquan System	Manasquan System Revenue Bonds Series 2005	Totals
2015	\$1,042,482	\$172,997	\$7,553	\$4,170,125	\$5,393,157
2016	1,033,878	172,247	7,549	4,171,750	5,385,424
2017	1,076,449	176,422	7,544	4,166,125	5,426,540
2018	1,064,348	175,372	7,538	4,167,875	5,415,133
2019	1,056,425	174,172	7,533	4,161,625	5,399,755
2020-2024	5,108,520	871,985	37,565	10,498,375	16,516,445
2025-2029	3,193,609	868,535	37,362	3,591,500	7,691,006
2030-2034	576,095	478,776	22,292	2,137,125	3,214,288
Deferred Portion	-	-	33,566,892	-	33,566,892
Subtotal	14,151,806	3,090,506	33,701,828	37,064,500	88,008,640
Less amounts representing interest	1,640,376	323,400	52,032	8,164,500	10,180,308
Less unamortized deferral amount	-	-	-	257,859	257,859
Plus unamortized bond premium	92,703	49,732	-	1,416,080	1,558,515
Subtotal	12,604,133	2,816,838	33,649,796	30,058,221	79,128,988
Less: Current principal portion	843,663	142,572	2,693	2,795,000	3,783,928
Total	\$11,760,470	\$2,674,266	\$33,647,103	\$27,263,221	\$75,345,060

6. Employee Benefits

Pension and Retirement Plans

Full-time employees of the Authority are covered by the Public Employees' Retirement System of the State of New Jersey ("PERS"). The Division of Pensions within the Treasury Department of the State of New Jersey is the administrator of PERS and charges employers annually for their respective contributions. PERS provides retirement and disability benefits, annual cost of living adjustments and benefits to plan members and their beneficiaries. PERS is a cost-sharing, multiple-employer defined benefit plan and, as such, does not maintain separate records for each employer in the state; therefore, the actuarial data for the Authority is not available. The Division of Pensions issues a publicly available financial report for PERS, including financial statements and required supplementary information. Please refer to the State website www.state.nj.us for more information regarding the plan. The PERS financial report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Notes to Financial Statements (continued)

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As a condition of employment, all Authority full-time employees are required to be members of PERS. PERS members can apply for a service retirement at age 60 if enrolled before November 2, 2008 (Tier 1 or Tier 2), or at age 62 if enrolled on or after November 2, 2008, but before June 28, 2011 (Tier 3 or Tier 4), or at age 65 if enrolled on or after June 28, 2011 (Tier 5) regardless of the amount of service credit earned.

Tier 1, 2 or 3: Annual Benefit = Years of Service Credit, divided by 55, times Final Average Salary (average salary of the last three years of credited service or the highest three fiscal years of credited service, whichever provides the higher benefit). Tier 4 or Tier 5: Annual Benefit = Years of Service Credit, divided by 60, times Final Average Salary (average salary of the last five years of credited service or the highest five fiscal years of credited service, whichever provides the higher benefit). Pension benefits fully vest on reaching 10 years of service. Vested employees who were enrolled prior to July 1, 2007, and who have established 25 years or more of creditable service may retire without penalty at or after age 55 and receive full retirement benefits. PERS also provides death and disability benefits. Benefits are established by State statute.

Covered Authority employees are required by PERS to contribute 6.92% of their salaries. State statute requires the Authority to contribute the remaining amounts necessary to pay benefits when due. The amount of the Authority's contribution is certified each year by PERS on the recommendation of the actuary, who makes an annual actuarial valuation. The valuation is based on a determination of the financial condition of the retirement system. It includes the computation of the present dollar value of benefits payable to former and present members and the present dollar value of future employer and employee contributions, giving effect to mortality among active and retired members and also to the rates of disability, retirement, withdrawal, former service, salary and interest.

The payroll for employees covered by PERS for the years ended June 30, 2014, 2013 and 2012, was \$6,781,700, \$6,842,065 and \$6,982,324, respectively. The Authority's total payroll for the years ended June 30, 2014, 2013 and 2012, was \$7,062,893, \$7,113,521 and \$7,352,772, respectively. The actuarial contribution requirements and the contributions made for the years ended June 30, 2014, 2013 and 2012, were \$1,217,153, \$1,234,025 and \$1,289,250, respectively, which consisted of \$758,938, \$784,639 and \$856,878 from the Authority, and \$458,215, \$449,386 and \$432,372 from the employees, respectively. As required by PERS, the employer and employee contributions represented 11.20% and 6.78% of covered payroll for the year ended June 30, 2014, 11.47% and 6.56% of covered payroll for the year ended June 30, 2013, and 12.27% and 6.19% of covered payroll for the year ended June 30, 2012, respectively. Contributions were made in accordance with the actuarial funding requirement.

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Notes to Financial Statements (continued)

Post-Retirement Health Care Benefits

The Authority provides continued health care benefits to employees retiring after twenty-five years of service and their eligible dependents. Benefits, contributions, funding and the manner of administration are determined by the State Legislature. The Authority's portion of this liability and cost is included in the State's comprehensive annual financial report on an annual basis. As such, the liability for Authority employees is covered under the State plan. The Division of Pensions within the New Jersey Treasury Department administers the funds. Monthly, the Division of Pensions charges the Authority for its contribution. The total number of employees receiving benefits was 53, 52 and 49 at June 30, 2014, 2013 and 2012, respectively. Total cost for these post-retirement benefits, included in fringe benefits, approximated \$757,870, \$714,969 and \$599,311 for the years ended June 30, 2014, 2013 and 2012, respectively.

7. Major Water Customers

During fiscal years 2014 and 2013, the Authority supplied water to approximately 29 customers of the Raritan Basin System and 13 customers of the Manasquan System.

During fiscal years 2014 and 2013, two customers accounted for approximately 84% of total Raritan Basin System operating revenue. Three customers accounted for approximately 82% of total Manasquan System operating revenue.

8. Risk Management

The Authority carries insurance for all of its facilities, covering direct physical loss or damage and loss of revenue resulting therefrom, with such deductibles as it deems appropriate. The Authority also carries General and Umbrella Public Liability Insurance with such self-insured retainers as it deems appropriate. Automotive and Public Officials Liability coverage is also maintained with deductibles. Workers' Compensation coverage is also maintained, as required by State law. Settled claims resulting from the aforementioned risks have not exceeded insurance coverage in any of the past three fiscal years.

9. Restatement under GASB Statement No. 65

During fiscal year ended December 31, 2012, there was a change in accounting principle as a result of GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 is retroactive to the prior reporting period. The adjustment is detailed below.

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Notes to Financial Statements (continued)

	June 30, 2012		
	Previously Reported	Prior Period Adjustment	Restated
Assets			
Current assets:			
Unrestricted assets:			
Cash and cash equivalents	\$34,008,030	\$0	\$34,008,030
Unbilled sales	1,165,026	0	1,165,026
Accounts receivable, less allowance for doubtful accounts of \$1,000 at June 30, 2012	4,646,665	0	4,646,665
Interest receivable	118,994	0	118,994
Prepaid expenses and other current assets	899,250	0	899,250
Costs to be recovered from future revenue	2,616,336	0	2,616,336
Total unrestricted assets	43,454,301	0	43,454,301
Restricted assets:			
Cash equivalents	1,058,593	0	1,058,593
Investments	12,378,541	0	12,378,541
Total restricted assets	13,437,134	0	13,437,134
Total current assets	56,891,435	0	56,891,435
Non-current assets:			
Investments	5,898,732	0	5,898,732
Costs to be recovered from future revenue	2,460,092	0	2,460,092
Deferred issuance costs	403,718	(403,718)	0
Capital assets, net	143,988,686	0	143,988,686
Total non-current assets	152,751,228	(403,718)	152,347,510
Total assets	\$209,642,663	\$(403,718)	\$209,238,945
Liabilities			
Current liabilities:			
Current portion of bonds, notes and loans payable	5,884,725	0	5,884,725
Accounts payable	281,460	0	281,460
Accrued liabilities	2,138,191	0	2,138,191
Unearned revenue	1,512,896	0	1,512,896
Total current liabilities	9,817,272	0	9,817,272
Non-current liabilities:			
Long-term portion of bonds, notes and loans payable	85,576,278	0	85,576,278
Total liabilities	95,393,550	0	95,393,550
Net position			
Net investment, capital assets	78,090,867	0	78,090,867
Restricted	11,924,238	0	11,924,238
Unrestricted	24,234,008	(403,718)	23,830,290
Total net position	\$114,249,113	\$(403,718)	\$113,845,395

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Notes to Financial Statements (continued)

Summary Statement of Revenue, Expense and Changes in Net Position

For the Year Ended June 30, 2013

	Previously Reported	Prior Period Adjustment	Restated
Revenues	\$ 33,209,986	\$ 0	\$ 33,209,986
Expenditures			
Operating Expenses	21,792,193	0	21,792,193
Non-Operating Expenses	4,655,190	(62,204)	4,592,986
Change in Net Position	6,762,603	62,204	6,824,807
Net Position, June 30, 2012	\$114,249,113	\$(403,718)	\$113,845,395
Net Position, June 30, 2013	\$121,011,716	\$(341,514)	\$120,670,202

10. New Accounting Pronouncement

The Governmental Account Standards Board has issued Statement No. 67, "Financial Reporting for Pensions Plans" effective for financial statements for fiscal years beginning after June 15, 2013, Statement No. 68, "Accounting and Financial Reporting for Pension Plans," and Statement No. 71, "Pension Transition for Contributions made subsequent to the Measurement Date – an amendment of No. 68." effective for fiscal years beginning after June 15, 2014. The objective of the statements is to improve information about financial support for pensions and improve financial reporting and accounting by state and local governmental pension plans. Statement No. 67 requires defined benefit pension plans to present two financial statements; a statement of fiduciary net position and a statement of changes in fiduciary net position, and requires additional disclosures about pension plan investments, assumptions used for the calculation of total pension liability, and the portion of present value of projected benefit payments attributable to members' past service credit. Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows and inflows, and expenses and requires the calculation and recording of a net pension liability and subsequent allocation of the unfunded liability to individual employers participating in the plans, including a proportionate share of the actuarial valuation. Full time employees of the Authority are covered by the Public Employee's Retirement System of the State of New Jersey ("PERS") which is a cost sharing, multiple-employer defined benefit plan. As such, the Authority will receive information from the State of New Jersey for inclusion in its financial statements and disclosures. The Authority plans to implement these standards for its fiscal year ending June 30, 2015.

11. Insurance Reimbursements

Included in "Other income" on the statement of revenues, expenses and changes in net position for the year ended June 30, 2014 is \$12,114 from FEMA and for the year ended June 30, 2013, \$5,705,339 and \$1,130,715 from private insurance and FEMA, respectively. The Authority received a total of \$72,690 from FEMA for damages caused by Superstorm Sandy, \$12,115 in fiscal year 2014 and \$60,573 in fiscal year 2013. The balance of the FEMA reimbursement, in "Other income" is related to damages from Hurricane Irene and Tropical Storm Lee, which occurred in the fiscal year ended June 30, 2012. Damages were primarily incurred in waterways that the Authority leases from, and maintains on behalf of, the State of New Jersey. Therefore, there was no

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Notes to Financial Statements (continued)

impairment of capital assets recorded by the Authority as a result of these damages and repairs were expensed as incurred.

12. Contingencies

The Authority is party to various legal actions and disputes. Although the ultimate effect, if any, of these matters is not presently determinable, management believes that collectively they will not have a material effect on the results of operations or the financial position of the Authority.

13. Information by Business Segment

The Authority issued revenue bonds to finance the construction of various capital assets, including the construction of the reservoir systems for both the Manasquan and Raritan Basin Systems. Each of these Systems must provide sufficient revenue each year to cover its own operating expenses and debt service. Investors in the revenue bonds rely solely on the revenue generated by the individual activities for repayment. The chart represents information by Business Segment and is not consistent with the consolidated balances on the statement of net position. Summary financial information for the operating segments is presented below:

	June 30, 2014		June 30, 2013	
	Raritan Basin System	Manasquan Water Supply System	Raritan Basin System	Manasquan Water Supply System
Condensed statement of net assets				
Assets:				
Current unrestricted assets	\$28,470,578	\$13,552,040	\$35,419,136	\$12,554,450
Current restricted assets	1,684,502	10,651,684	4,884,240	9,787,483
Capital assets	82,360,765	58,794,324	83,213,060	60,287,214
Other non-current assets	(3,807,753)	15,362,363	(11,444,309)	16,650,132
Total assets	108,708,092	98,360,411	112,072,127	99,279,279
Liabilities:				
Current liabilities	2,665,915	7,375,292	4,966,616	6,444,609
Non-current liabilities	11,760,469	63,584,591	12,615,028	66,654,951
Total liabilities	14,426,384	70,959,883	17,581,644	73,099,560
Net position:				
Net investment, capital assets	69,756,633	17,832,652	67,170,320	16,390,334
Restricted for repayment of debt principal and interest	1,684,502	7,399,989	4,884,240	7,242,669
Unrestricted	23,007,458	2,001,002	22,582,548	2,400,091
Total net position	\$94,448,593	\$27,233,643	\$94,637,108	\$26,033,094

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Notes to Financial Statements (continued)

	Year Ended			
	June 30, 2014		June 30, 2013	
	Raritan Basin System	Manasquan Water Supply System	Raritan Basin System	Manasquan Water Supply System
Condensed statement of revenue, expenses and changes in net position				
Total operating revenue	\$15,369,782	\$7,870,729	\$15,552,494	\$7,877,531
Operating expenses	11,289,515	2,712,721	12,453,830	2,699,672
Depreciation	2,682,708	1,660,073	2,626,819	1,642,134
Operating income	1,397,559	3,497,935	471,845	3,535,725
Non-operating revenue	413,727	186,760	7,015,495	266,865
Non-operating expense	1,999,801	2,484,146	1,985,345	2,479,778
Change in net position	(188,515)	1,200,549	5,501,995	1,322,812
Net position, beginning of the year, as previously reported	94,637,108	26,033,094	89,168,913	25,080,200
Prior period adjustment	-	-	(33,800)	(369,918)
Net position, beginning of year, as restated	94,637,108	26,033,094	89,135,113	24,710,282
Net position, end of year	\$94,448,593	\$27,233,643	\$94,637,108	\$26,033,094
Condensed statement of cash flows				
Net cash provided by (used in):				
Operating activities	\$4,437,911	\$4,286,992	\$10,783,739	\$5,406,690
Non-capital financing activities	129,293	-	212,023	-
Capital and related financing activities	(5,397,786)	(3,944,954)	(5,144,583)	(2,477,819)
Investing activities	(1,872,198)	105,581	276,365	9,640
Net (decrease) increase in cash and cash equivalents	(2,702,780)	447,619	6,127,544	2,938,511
Beginning cash and cash equivalent balances	31,570,342	12,562,336	25,442,798	9,623,825
Ending cash and cash equivalent balances	\$28,867,562	\$13,009,955	\$31,570,342	\$12,562,336

Supplementary Information

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Combining Schedule of Net Position

June 30, 2014

	Raritan Basin System	Manasquan Reservoir System	Elimination Entries	Combined Total
Assets				
Current assets:				
Unrestricted assets:				
Cash and cash equivalents	\$27,183,060	\$10,117,661	\$ -	\$ 37,300,721
Unbilled sales	973,953	-	-	973,953
Accounts receivable, less allowance for doubtful accounts of \$1,000	243,503	1,921,600	(166,885)	1,998,218
Interest receivable	246,564	21,771	-	268,335
Prepaid expenses and other current assets	825,593	234,169	-	1,059,762
Costs to be recovered from future revenue	(835,210)	1,256,839	-	421,629
Total unrestricted assets	<u>28,637,463</u>	<u>13,552,040</u>	<u>(166,885)</u>	<u>42,022,618</u>
Restricted assets:				
Cash equivalents	1,684,502	2,892,294	-	4,576,796
Investments	-	7,759,390	-	7,759,390
Total restricted assets	<u>1,684,502</u>	<u>10,651,684</u>	<u>-</u>	<u>12,336,186</u>
Total current assets	<u>30,321,965</u>	<u>24,203,724</u>	<u>(166,885)</u>	<u>54,358,804</u>
Non-current assets:				
Investments	11,412,850	1,003,819	-	12,416,669
Costs to be recovered from future revenue	(15,220,603)	14,358,544	-	(862,059)
Capital assets, net of accumulated depreciation of \$129,379,602 at June 30, 2014	82,360,765	58,794,324	-	141,155,089
Total non-current assets	<u>78,553,012</u>	<u>74,156,687</u>	<u>-</u>	<u>152,709,699</u>
Total assets	<u>\$108,874,977</u>	<u>\$98,360,411</u>	<u>\$(166,885)</u>	<u>\$207,068,503</u>
Liabilities				
Current liabilities:				
Current portion of bonds, notes and loans payable	\$ 843,663	\$ 2,940,265	\$ -	\$ 3,783,928
Accounts payable	340,364	336,907	(166,885)	510,386
Accrued liabilities	1,481,888	1,013,310	-	2,495,198
Unearned revenue	-	3,251,695	-	3,251,695
Total current liabilities	<u>2,665,915</u>	<u>7,542,177</u>	<u>(166,885)</u>	<u>10,041,207</u>
Non-current liabilities:				
Non-current portion of bonds, notes and loans payable	11,760,469	63,584,591	-	75,345,060
Total liabilities	<u>14,426,384</u>	<u>71,126,768</u>	<u>(166,885)</u>	<u>85,386,267</u>
Net position				
Invested in capital assets, net of related debt	69,756,633	17,832,652	-	87,589,285
Restricted for repayment of debt principal and interest	1,684,502	7,399,989	-	9,084,491
Unrestricted	23,007,458	2,001,002	-	25,008,460
Total net position	<u>\$94,448,593</u>	<u>\$27,233,643</u>	<u>\$ -</u>	<u>\$121,682,236</u>

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Combining Schedule of Revenue, Expenses
and Changes in Net Position

Year Ended June 30, 2014

	Raritan Basin System	Manasquan Reservoir System	Manasquan Water Treatment Plant	Combined Total
Operating revenue:				
Water sales	\$15,369,782	\$ 7,870,729	\$ -	\$ 23,240,511
Reimbursement of operating expenses	-	-	2,600,238	2,600,238
Total operating revenue	<u>15,369,782</u>	<u>7,870,729</u>	<u>2,600,238</u>	<u>25,840,749</u>
Operating expenses:				
Payroll	5,394,633	745,209	923,051	7,062,893
Operations and maintenance (direct)	3,338,344	835,589	820,901	4,994,834
Operations and maintenance (general and administrative)	-	80,562	57,560	138,122
Fringe benefits	3,296,638	408,961	506,758	4,212,357
Headquarters overhead	(740,100)	642,400	97,700	-
Depreciation	2,682,708	1,660,073	-	4,342,781
Total operating expenses	<u>13,972,223</u>	<u>4,372,794</u>	<u>2,405,970</u>	<u>20,750,987</u>
Income from operations	<u>1,397,559</u>	<u>3,497,935</u>	<u>194,268</u>	<u>5,089,762</u>
Non-operating revenue:				
State of New Jersey – Grant Programs	129,293	-	-	129,293
Investment income	209,878	154,276	2,524	366,678
Rental income	59,251	-	-	59,251
Other income	15,305	32,484	-	47,789
Total non-operating revenue	<u>413,727</u>	<u>186,760</u>	<u>2,524</u>	<u>603,011</u>
Non-operating expenses:				
Interest component of debt service to the State of New Jersey	235,010	1,334,116	-	1,569,126
Bond discount/insurance premium expense	-	28,343	-	28,343
Costs to be recovered from future revenue	1,764,791	1,121,687	196,792	3,083,270
Total non-operating expenses	<u>1,999,801</u>	<u>2,484,146</u>	<u>196,792</u>	<u>4,680,739</u>
Change in net position	(188,515)	1,200,549	-	1,012,034
Net position, beginning of year	94,637,108	26,033,094	-	120,670,202
Net position, end of year	<u>\$94,448,593</u>	<u>\$27,233,643</u>	<u>\$ -</u>	<u>\$121,682,236</u>

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Schedule of Changes in Cash and Investments
Raritan Basin System
Year Ended June 30, 2014

	Operating Fund				
	Revenue Fund	Operating Account	Payroll Account	Operating Fund	Reserve for O&M
Cash and investments - July 1, 2013	\$7,048	\$601,265	\$30,000	\$1,187,542	\$3,267,792
Cash receipts:					
Water sales operations and maintenance	10,581,514	-	-	-	-
Water sales debt service	2,540,227	-	-	-	-
Water sales capital fund	2,030,305	-	-	-	-
Water sales source water protection fund	1,582,745	-	-	-	-
Water sales overdrafts	8,662	-	-	-	-
Rental income	37,844	-	-	-	-
Manasquan reservoir support	-	-	-	-	224,736
Headquarters overhead	-	-	-	722,100	-
Disposition of property	-	-	-	-	-
Recycling revenue	-	-	-	-	-
Sale of investment securities	-	-	-	-	-
Nonrefundable bid deposits	-	-	-	-	-
Insurance reimbursement	-	-	-	-	-
Miscellaneous expense reimbursement	1,221,681	-	-	-	250,501
Transfers:					
Contributions from operating fund	-	11,945,133	3,116,487	(21,386,679)	-
Contributions to operating fund	-	-	-	2,460,322	-
Transfers for operations	(18,918,400)	-	-	18,918,400	-
Transfers for investments	-	-	-	-	-
Distribution from reserves to operations	2,108,553	19,105	-	-	-
Investment income	-	-	-	1,760	81,812
Per resolution, Section 603:					
Investment income, transfer from	381,248	-	-	(1,823)	(81,913)
Investment income, transfer to	(381,248)	-	-	-	277,189
Unrealized gain/(loss) on fair value	-	-	-	-	(48,796)
Total cash receipts	1,193,131	11,964,238	3,116,487	714,080	703,529
Total available cash and investments	\$1,200,179	\$12,565,503	\$3,146,487	\$1,901,622	\$3,971,321

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Schedule of Changes in Cash and Investments
Raritan Basin System (continued)
Year Ended June 30, 2014

Operating Fund					
Self-Insurance Reserve	Depreciation Reserve	Pumping Reserve	Capital Improvements Investments II	Source Water Protection Fund	Subtotal
\$1,067,909	\$3,670,216	\$624,345	\$7,227,566	\$1,734,698	\$19,418,381
-	-	-	-	-	10,581,514
-	-	-	-	-	2,540,227
-	-	-	-	-	2,030,305
-	-	-	-	-	1,582,745
-	-	-	-	-	8,662
-	-	-	-	-	37,844
-	-	-	-	-	224,736
-	-	-	-	-	722,100
-	46,364	-	-	-	46,364
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,472,182
-	-	150,000	-	636,000	(5,539,059)
-	(256,543)	-	-	(30,730)	2,173,049
-	-	-	-	-	-
-	-	-	-	-	2,127,658
37,148	106,532	1,077	158,896	3,279	390,504
(37,154)	(103,987)	-	(156,250)	-	121
-	103,987	-	-	-	(72)
(22,771)	(65,278)	-	(182,861)	-	(319,706)
(22,777)	(168,925)	151,077	(180,215)	608,549	18,079,174
\$1,045,132	\$3,501,291	\$775,422	\$7,047,351	\$2,343,247	\$37,497,555

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Schedule of Changes in Cash and Investments

Raritan Basin System (continued)

Year Ended June 30, 2014

	Subtotal	Parity SWP Bond Fund	Subordinated SWP Bond Fund	Major Rehabilitation	Capital Improvement Fund	D & R Mitigation Fund
Cash and investments - July 1, 2013	\$19,418,381	\$362,972	\$567,319	\$1,180,678	\$13,882,019	\$20,060
Cash receipts:						
Water sales operations and maintenance	10,581,514	-	-	-	-	-
Water sales debt service	2,540,227	-	-	-	-	-
Water sales capital fund	2,030,305	-	-	-	-	-
Water sales source water protection fund	1,582,745	-	-	-	-	-
Water sales overdrafts	8,662	-	-	-	-	-
Rental income	37,844	-	-	-	-	-
Manasquan reservoir support	224,736	-	-	-	-	-
Headquarters overhead	722,100	-	-	-	-	-
Disposition of property	46,364	-	-	-	-	-
Recycling revenue	-	-	-	-	-	-
Sale of investment securities	-	-	-	-	-	-
Nonrefundable bid deposits	-	-	-	-	-	-
Insurance reimbursement	-	-	-	-	-	-
Miscellaneous expense reimbursement	1,472,182	-	-	-	-	-
Transfers:						
Contributions from operating fund	(5,539,059)	264,000	696,000	-	2,070,252	-
Contributions to operating fund	2,173,049	-	-	(5,520)	(1,511,816)	-
Transfers for operations	-	-	-	-	-	-
Transfers for investments	-	-	-	-	-	-
Distribution from reserves to operations	2,127,658	-	-	-	-	-
Investment income	390,504	253	437	1,909	23,658	30
Per resolution, Section 603:						
Investment income, transfer from	121	-	-	-	-	-
Investment income, transfer to	(72)	-	-	-	72	-
Unrealized gain/(loss) on fair value	(319,706)	-	-	-	-	-
Total cash receipts	18,079,174	264,253	696,437	(3,611)	582,166	30
Total available cash and investments	\$37,497,555	\$627,225	\$1,263,756	\$1,177,067	\$14,464,185	\$20,090

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Schedule of Changes in Cash and Investments
Raritan Basin System (continued)
Year Ended June 30, 2014

D & R Canal Dredging	Rate Stabilization Fund	Employment Benefit Funds	1998 Bonds Debt Service Account	1998 Bonds Debt Service Reserve	Rate Stabilization Fund	Totals
\$0	\$0	\$754,847	\$10,249	\$2,741,704	\$2,112,227	\$41,050,456
-	-	-	-	-	-	10,581,514
-	-	-	-	-	-	2,540,227
-	-	-	-	-	-	2,030,305
-	-	-	-	-	-	1,582,745
-	-	-	-	-	-	8,662
-	-	-	-	-	-	37,844
-	-	-	-	-	-	224,736
-	-	-	-	-	-	722,100
-	-	-	-	-	-	46,364
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	60	-	-	-	1,472,242
1,663,314	85,777	845,493	2,659,626	(2,741,747)	(3,656)	-
-	-	(655,713)	-	-	-	-
-	-	-	-	-	-	-
-	-	(19,105)	-	-	(2,108,553)	-
1,098	41	1,298	-	115	31	419,374
-	-	-	-	(72)	(49)	-
-	-	-	-	-	-	-
-	-	-	-	-	-	(319,706)
1,664,412	85,818	172,033	2,659,626	(2,741,704)	(2,112,227)	19,346,407
\$1,664,412	\$85,818	\$926,880	\$2,669,875	\$0	\$0	\$60,396,863

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Schedule of Changes in Cash and Investments
Raritan Basin System (continued)
Year Ended June 30, 2014

	Operating Fund				Reserve for O&M
	Revenue Fund	Operating Account	Payroll Account	Operating Fund	
Total available cash and investments	\$1,200,179	\$12,565,503	\$3,146,487	\$1,901,622	\$3,971,321
Cash disbursements:					
Payroll	-	-	3,116,487	-	-
Fringe benefits	-	41,936	-	859,580	-
Employee deferred comp. and credit union	-	668,559	-	232,173	-
Operations and maintenance	-	11,389,512	-	-	-
Prepaid insurance	-	-	-	-	-
Miscellaneous disbursements	-	-	-	-	-
Watershed Management Fund	-	-	-	-	-
Capital improvements:					
Capital assets	-	-	-	-	-
New five-year construction project	-	-	-	-	-
Purchase of investment securities	-	-	-	-	-
Principal on 1998 revenue bonds	-	-	-	-	-
Interest on 1998 revenue bonds	-	-	-	-	-
Principal on NJBIT revenue bonds	-	-	-	-	-
Interest on NJBIT revenue bonds	-	-	-	-	-
Total cash disbursements	-	12,100,007	3,116,487	1,091,753	-
Cash and investments - June 30, 2014	\$1,200,179	\$465,496	\$30,000	\$809,869	\$3,971,321
Summary of cash and investments:					
Cash	\$1,200,179	\$465,496	\$30,000	\$ -	\$ -
Short-term investments	-	-	-	809,869	2,367,495
Long-term investments	-	-	-	-	1,603,826
Restricted investments (current)	-	-	-	-	-
Total cash and investments	\$1,200,179	\$465,496	\$30,000	\$809,869	\$3,971,321

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Schedule of Changes in Cash and Investments
Raritan Basin System (continued)
Year Ended June 30, 2014

Operating Fund					
Self-Insurance Reserve	Depreciation Reserve	Pumping Reserve	Capital Improvements Investments II	Source Water Protection Fund	Subtotal
\$1,045,132	\$3,501,291	\$775,422	\$7,047,351	\$2,343,247	\$37,497,555
-	-	-	-	-	3,116,487
-	-	-	-	-	901,516
-	-	-	-	-	900,732
-	-	-	-	-	11,389,512
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	39,142	-	39,142
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	39,142	-	16,347,389
\$1,045,132	\$3,501,291	\$775,422	\$7,008,209	\$2,343,247	\$21,150,166
\$ -	\$ -	\$ -	\$ -	\$ -	\$1,695,675
296,680	1,374,478	775,422	74,450	2,343,247	8,041,641
748,452	2,126,813	-	6,933,759	-	11,412,850
-	-	-	-	-	-
\$1,045,132	\$3,501,291	\$775,422	\$7,008,209	\$2,343,247	\$21,150,166

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Schedule of Changes in Cash and Investments

Raritan Basin System (continued)

Year Ended June 30, 2014

	Subtotal	Parity SWP Bond Fund	Subordinated SWP Bond Fund	Major Rehabilitation	Capital Improvement Fund	D & R Mitigation Fund
Total available cash and investments	\$37,497,555	\$627,225	\$1,263,756	\$1,177,067	\$14,464,185	\$20,090
Cash disbursements:						
Payroll	3,116,487	-	-	-	-	-
Fringe benefits	901,516	-	-	-	-	-
Employee deferred comp. and credit union	900,732	-	-	-	-	-
Operations and maintenance	11,389,512	-	-	-	-	-
Prepaid insurance	-	-	-	-	-	-
Miscellaneous disbursements	-	-	-	-	-	-
Watershed Management Fund	-	-	-	-	-	-
Capital improvements:						
Capital assets	-	-	-	-	-	-
New five-year construction project	-	-	-	-	-	-
Purchase of investment securities	39,142	-	-	-	-	-
Principal on 1998 revenue bonds	-	-	-	-	-	-
Interest on 1998 revenue bonds	-	-	-	-	-	-
Principal on NJEIT revenue bonds	-	292,983	534,727	-	-	-
Interest on NJEIT revenue bonds	-	50,621	177,329	-	-	-
Total cash disbursements	16,347,389	343,604	712,056	-	-	-
Cash and investments - June 30, 2014	\$21,150,166	\$283,621	\$551,700	\$1,177,067	\$14,464,185	\$20,090
Summary of cash and investments:						
Cash	\$1,695,675	\$ -	\$ -	\$ -	\$ -	\$ -
Short-term investments	8,041,641	283,621	551,700	1,177,067	14,464,185	20,090
Long-term investments	11,412,850	-	-	-	-	-
Restricted investments (current)	-	-	-	-	-	-
Total cash and investments	\$21,150,166	\$283,621	\$551,700	\$1,177,067	\$14,464,185	\$20,090

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Schedule of Changes in Cash and Investments
Raritan Basin System (continued)
Year Ended June 30, 2014

D & R Canal Dredging	Rate Stabilization Fund	Employment Benefit Funds	1998 Bonds Debt Service Account	1998 Bonds Debt Service Reserve	Rate Stabilization Fund	Totals
\$1,664,412	\$85,818	\$926,880	\$2,669,875	\$0	\$0	\$60,396,863
-	-	-	-	-	-	3,116,487
-	-	-	-	-	-	901,516
-	-	-	-	-	-	900,732
-	-	-	-	-	-	11,389,512
-	-	43,527	-	-	-	43,527
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	39,142
-	-	-	2,600,000	-	-	2,600,000
-	-	-	69,875	-	-	69,875
-	-	-	-	-	-	827,710
-	-	-	-	-	-	227,950
-	-	43,527	2,669,875	-	-	20,116,451
\$1,664,412	\$85,818	\$883,353	\$0	\$0	\$0	\$40,280,412
\$ -	\$ -	\$40,182	\$ -	\$ -	\$ -	\$1,735,857
1,664,412	85,818	843,171	-	-	-	27,131,705
-	-	-	-	-	-	11,412,850
-	-	-	-	-	-	-
\$1,664,412	\$85,818	\$883,353	\$0	\$0	\$0	\$40,280,412

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Schedule of Changes in Cash and Investments
Manasquan Water Supply System
Year Ended June 30, 2014

	Operating Fund				Reserve for O&M
	Revenue Fund	Operating Account	Payroll Account	Operating Fund	
Cash and investments - July 1, 2013	\$103,552	\$2,451,457	\$20,000	\$1,420,212	\$1,234,679
Cash receipts:					
Water sales operations and maintenance	2,267,730	-	-	-	-
Water sales debt service	4,137,858	-	-	-	-
Source water protection	95,653	-	-	-	-
Water sales overdrafts NJET	162,231	-	-	-	-
NJ-American pumping costs	-	-	-	-	218,243
Headquarters overhead	-	-	-	-	-
Reimbursement of WTP capital expenses	-	-	-	-	-
Disposition of assets	-	-	-	-	-
Sale of investment securities	-	-	-	-	-
Nonrefundable bid deposits	-	-	-	-	-
Miscellaneous reimbursement	835,541	-	-	-	18,779
Transfers:					
Contributions from operating fund	-	2,627,628	1,031,191	(8,641,337)	-
Contributions to operating fund	-	-	-	2,588,409	(1,721)
Transfers for operations	(7,203,555)	-	-	7,203,555	-
Distribution from reserves to operations	(239,630)	196,103	-	239,630	-
Investment income	-	-	-	2,254	22,421
Per resolution, Section 603:					
Investment income, transfer from	54,931	-	-	(2,266)	(22,423)
Investment income, transfer to	(54,931)	-	-	4,170	33,925
Unrealized (loss)gain on fair value	-	-	-	-	(13,012)
Total cash receipts	55,828	2,823,731	1,031,191	1,394,415	256,212
Total cash and investments	\$159,380	\$5,275,188	\$1,051,191	\$2,814,627	\$1,490,891

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Schedule of Changes in Cash and Investments
Manasquan Water Supply System (continued)
Year Ended June 30, 2014

Self- Insurance Reserve	Renewal and Replacement Account	Water Reuse & Recycling	Source Water Protection	Depreciation Reserve	Pumping Reserve	Sediment Reserve	Subtotal
\$260,002	\$3,024,148	\$29,978	\$1,367,667	\$446,547	\$163,484	\$103,298	\$10,625,024
-	-	-	-	-	-	-	2,267,730
-	-	-	-	-	-	-	4,137,858
-	-	-	-	-	-	-	95,653
-	-	-	-	-	-	-	162,231
-	-	-	-	-	-	-	218,243
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	36,399	-	-	24,030	-	-	914,749
-	122,720	-	112,568	-	-	10,000	(4,737,230)
-	(266,026)	-	(5,373)	(72,513)	-	-	2,242,776
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	196,103
11,057	5,008	45	2,307	16,492	2,049	96	61,729
(11,058)	-	-	-	(16,425)	(2,050)	(97)	612
-	-	-	-	16,425	-	-	(411)
(6,938)	-	-	-	(10,344)	(1,214)	-	(31,508)
(6,939)	(101,899)	45	109,502	(42,335)	(1,215)	9,999	5,528,535
\$253,063	\$2,922,249	\$30,023	\$1,477,169	\$404,212	\$162,269	\$113,297	\$16,153,559

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Schedule of Changes in Cash and Investments
Manasquan Water Supply System (continued)
Year Ended June 30, 2014

	Water Treatment Plant/Transmission System						
	Subtotal	Operating Account	Operating Fund	Residuals Reserve	Carbon Filter Reserve	Self- Insurance Reserve	Capital Improvement Reserve
Cash and investments - July 1, 2013	\$10,625,024	\$144,820	\$76,977	\$9,487	\$98,434	\$253,183	\$1,527,918
Cash receipts:							
Water sales operations and maintenance	2,267,730	-	-	-	-	-	-
Water sales debt service	4,137,858	-	-	-	-	-	-
Source water protection	95,653	-	-	-	-	-	-
Water sales overdrafts NJEIT	162,231	-	-	-	-	-	-
NJ-American pumping costs	218,243	-	-	-	-	-	-
Headquarters overhead	-	-	2,600,238	-	-	-	-
Reimbursement of WTP capital expenses	-	-	-	-	-	-	-
Disposition of assets	-	-	-	-	-	-	-
Sale of investment securities	-	-	-	-	-	-	-
Nonrefundable bid deposits	-	-	-	-	-	-	-
Miscellaneous reimbursement	914,749	-	728,536	-	-	-	2,452,116
Transfers:							
Contributions from operating fund	(4,737,230)	3,450,000	(4,503,137)	-	-	-	1,100,000
Contributions to operating fund	2,242,776	-	1,947,265	-	-	-	(3,486,038)
Transfers for operations	-	-	-	-	-	-	-
Distribution from reserves to operations	196,103	-	(773)	-	-	-	-
Investment income	61,729	-	443	15	89	350	1,628
Per resolution, Section 603:							
Investment income, transfer from	612	-	-	(14)	(74)	(323)	-
Investment income, transfer to	(411)	-	411	-	-	-	-
Unrealized (loss)gain on fair value	(31,508)	-	-	-	-	-	-
Total cash receipts	5,528,535	3,450,000	772,983	1	15	27	67,706
Total cash and investments	\$16,153,559	\$3,594,820	\$849,960	\$9,488	\$98,449	\$253,210	\$1,595,624

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Schedule of Changes in Cash and Investments
Manasquan Water Supply System (continued)
Year Ended June 30, 2014

NJETT Debt Service Fund	2005 Debt Service Account	2005 Debt Service Reserve	Debt Service Account	Debt Service Reserve	Rebate Fund	General Reserve Fund	Employment Benefit Funds	Totals
\$312,861	\$3,567,199	\$3,619,684	\$19,220	\$7,965	\$149,735	\$617,245	\$244,574	\$21,274,326
-	-	-	-	-	-	-	-	2,267,730
-	-	-	-	-	-	-	-	4,137,858
-	-	-	-	-	-	-	-	95,653
-	-	-	-	-	-	-	-	162,231
-	-	-	-	-	-	-	-	218,243
-	-	-	-	-	-	-	-	2,600,238
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	4,095,401
203,893	4,239,501	-	5,067	1,268	-	-	240,638	-
-	-	(128,000)	-	-	-	(576,003)	-	-
-	-	-	-	-	-	-	(195,330)	-
386	274	122,691	2	1	176	157	369	188,310
-	-	-	-	-	-	(201)	-	-
-	-	-	-	-	-	-	-	(31,508)
204,279	4,239,775	(5,309)	5,069	1,269	176	(576,047)	45,677	13,734,156
\$517,140	\$7,806,974	\$3,614,375	\$24,289	\$9,234	\$149,911	\$41,198	\$290,251	\$35,008,482

New Jersey Water Supply Authority
 A Component Unit of the State of New Jersey
 Schedule of Changes in Cash and Investments
 Manasquan Water Supply System (continued)
 Year Ended June 30, 2014

	Operating Fund				
	Revenue Fund	Operating Account	Payroll Account	Operating Fund	Reserve for O&M
Total available cash and investments	\$159,380	\$5,275,188	\$1,051,191	\$2,814,627	\$1,490,891
Cash disbursements:					
Payroll	-	-	1,031,191	-	-
Fringe benefits	-	1,797,438	-	(1,498,244)	-
Employee deferred comp. and credit union	-	153,655	-	191,744	-
Operations and maintenance	-	2,420,900	-	638,664	-
NJ-American pumping costs	-	-	-	-	-
Prepaid insurance	-	-	-	-	-
Headquarters overhead	-	-	-	624,400	-
Capital assets reservoir	-	-	-	-	-
Capital improvement program (reservoir)	-	-	-	-	-
Purchase of investment securities	-	-	-	-	-
Principal on bonds	-	-	-	-	-
Interest on bonds	-	-	-	-	-
Total cash disbursements	-	4,371,993	1,031,191	(43,436)	-
Cash and investments - June 30, 2014	\$159,380	\$903,195	\$20,000	\$2,858,063	\$1,490,891
Summary of cash and investments:					
Cash (Manasquan)	\$159,380	\$903,195	\$20,000	\$ -	\$ -
Cash (Water Treatment Plant/TS)	-	-	-	-	-
Short-term investments	-	-	-	2,858,063	1,062,387
Short-term investments (WTR/TS)	-	-	-	-	-
Long-term investments	-	-	-	-	428,504
Restricted investments (current)	-	-	-	-	-
Restricted investments (long-term)	-	-	-	-	-
Total cash and investments	\$159,380	\$903,195	\$20,000	\$2,858,063	\$1,490,891

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Schedule of Changes in Cash and Investments
Manasquan Water Supply System (continued)
Year Ended June 30, 2014

Self- Insurance Reserve	Renewal and Replacement Account	Water Reuse & Recycling	Source Water Protection	Depreciation Reserve	Pumping Reserve	Sediment Reserve	Subtotal
\$253,063	\$2,922,249	\$30,023	\$1,477,169	\$404,212	\$162,269	\$113,297	\$16,153,559
-	-	-	-	-	-	-	1,031,191
-	-	-	-	-	-	-	299,194
-	-	-	-	-	-	-	345,399
-	-	-	-	3,780	-	-	3,063,344
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	624,400
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	3,780	-	-	5,363,528
\$253,063	\$2,922,249	\$30,023	\$1,477,169	\$400,432	\$162,269	\$113,297	\$10,790,031
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,082,575
37,685	2,922,249	30,023	1,477,169	78,112	124,652	113,297	8,703,637
215,378	-	-	-	322,320	37,617	-	1,003,819
-	-	-	-	-	-	-	-
\$253,061	\$2,922,249	\$30,023	\$1,477,169	\$400,432	\$162,269	\$113,297	\$10,790,031

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Schedule of Changes in Cash and Investments
Manasquan Water Supply System (continued)
Year Ended June 30, 2014

	Water Treatment Plant/Transmission System						
	Subtotal	Operating Account	Operating Fund	Residuals Reserve	Carbon Filter Reserve	Self-Insurance Reserve	Capital Improvement Reserve
Total available cash and investments	\$16,153,559	\$3,594,820	\$849,960	\$9,488	\$98,449	\$253,210	\$1,595,624
Cash disbursements:							
Payroll	1,031,191	-	-	-	-	-	-
Fringe benefits	299,194	-	-	-	-	-	-
Employee deferred comp. and credit union	345,399	-	-	-	-	-	-
Operations and maintenance	3,063,344	3,395,199	(6,374)	-	-	-	-
NJ-American pumping costs	-	-	-	-	-	-	-
Prepaid insurance	-	-	-	-	-	-	-
Headquarters overhead	624,400	-	97,700	-	-	-	-
Capital assets reservoir	-	-	-	-	-	-	-
Capital improvement program (reservoir)	-	-	-	-	-	-	22,732
Purchase of investment securities	-	-	-	-	-	-	-
Principal on bonds	-	-	-	-	-	-	-
Interest on bonds	-	-	-	-	-	-	-
Total cash disbursements	\$3,363,528	3,395,199	91,326	-	-	-	22,732
Cash and investments - June 30, 2014	\$10,790,031	\$199,621	\$758,634	\$9,488	\$98,449	\$253,210	\$1,572,892
Summary of cash and investments:							
Cash (Manasquan)	\$1,082,575	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash (Water Treatment Plant/TSS)	-	199,621	-	-	-	-	-
Short-term investments	8,703,637	-	-	-	-	-	-
Short-term investments (WTP/TSS)	-	-	758,634	9,488	98,449	253,210	1,572,892
Long-term investments	1,003,819	-	-	-	-	-	-
Restricted investments (current)	-	-	-	-	-	-	-
Restricted investments (long-term)	-	-	-	-	-	-	-
Total cash and investments	\$10,790,031	\$199,621	\$758,634	\$9,488	\$98,449	\$253,210	\$1,572,892

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Schedule of Changes in Cash and Investments
Manasquan Water Supply System (continued)
Year Ended June 30, 2014

NJFIT Debt Service	2005 Debt Service Account	2005 Debt Service Reserve	Debt Service Account	Debt Service Reserve	Rebate Fund	General Reserve Fund	Employment Benefit Funds	Totals
\$517,140	\$7,806,974	\$3,614,375	\$24,289	\$9,234	\$149,911	\$41,198	\$290,251	\$35,008,482
-	-	-	-	-	-	-	-	1,031,191
-	-	-	-	-	-	-	-	299,194
-	-	-	-	-	-	-	-	345,399
-	-	-	-	-	-	-	-	6,452,169
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	722,100
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	22,732
-	-	-	-	-	-	-	-	-
142,572	2,660,000	-	2,541	-	-	-	-	2,805,113
40,903	1,511,500	-	5,017	-	-	-	-	1,557,420
183,475	4,171,500	-	7,558	-	-	-	-	13,235,318
\$333,665	\$3,635,474	\$3,614,375	\$16,731	\$9,234	\$149,911	\$41,198	\$290,251	\$21,773,164
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,082,575
-	-	-	-	-	-	-	-	199,621
-	-	-	-	-	-	41,198	290,251	9,035,086
-	-	-	-	-	-	-	-	2,692,673
-	-	-	-	-	-	-	-	1,003,819
\$333,665	3,635,474	3,614,375	16,731	9,234	149,911	-	-	7,759,390
-	-	-	-	-	-	-	-	-
\$333,665	\$3,635,474	\$3,614,375	\$16,731	\$9,234	\$149,911	\$41,198	\$290,251	\$21,773,164

**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**

To the Commissioners of
New Jersey Water Supply Authority

We have audited, 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, the financial statements of the business-type activities of the New Jersey Water Supply Authority (the "Authority") as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 6, 2014.

Internal Control Over Financial Reporting

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

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**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* (CONTINUED)**

Internal Control Over Financial Reporting (Continued)

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

Purpose of this Report

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

Meredith, P.C.
Certified Public Accountants

October 6, 2014