

NEW JERSEY WATER SUPPLY AUTHORITY

Schedules of Expenditures of
Federal and State Awards

June 30, 2011

NEW JERSEY WATER SUPPLY AUTHORITY

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June 30, 2011

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INDEPENDENT AUDITORS' REPORT ON SCHEDULES OF
EXPENDITURES OF FEDERAL AND STATE AWARDS

To the Board of Commissioners of
New Jersey Water Supply Authority

We have audited the accompanying schedules of expenditures of federal and state awards of New Jersey Water Supply Authority ("the Authority") for the year ended June 30, 2011. These schedules are the responsibility of the Authority's management. Our responsibility is to express an opinion on these schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the schedules of expenditures of federal and state awards referred to above present fairly, in all material respects, the expenditures of federal and state awards of the Authority, as described above, for the year ended June 30, 2011 in conformity with accounting principles generally accepted in the United States of America.

This report is intended solely for the information and use of the management the Authority, the audit committee, the State of New Jersey, federal and state awarding agencies, and is not intended to be and should not be used by anyone other than those specified parties.

Mercadien, P.C.
Certified Public Accountants

October 3, 2011

- AN INDEPENDENTLY OWNED MEMBER,
MCGGLADREY ALLIANCE
- AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
- NEW JERSEY SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
- NEW YORK SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
- PENNSYLVANIA INSTITUTE OF
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OVER 45 YEARS OF SERVICE TO THE COMMUNITY

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW
JERSEY CIRCULAR LETTER 04-04-OMB

To the Board of Commissioners of
New Jersey Water Supply Authority

Compliance

We have audited the compliance of New Jersey Water Supply Authority (the "Authority") with the types of compliance requirements described in the U. S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement and State of New Jersey's State Grant Compliance Supplement that could have a direct and material effect on each of its major state programs for the year ended June 30, 2011. The Authority's major state programs are identified in the "Summary of Auditors' Results" section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and State of New Jersey Circular Letter 04-04-OMB. Those standards, OMB Circular A-133 and Circular Letter 04-04-OMB require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2011.

- AN INDEPENDENTLY OWNED MEMBER,
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OVER 45 YEARS OF SERVICE TO THE COMMUNITY

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR
A-133 AND NEW JERSEY OMB CIRCULAR LETTER 04-04 (CONTINUED)

Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey Circular Letter 04-04-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Commissioners, the audit committee, others within the Authority, the State of New Jersey, and federal and state awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

Amorador, PC
Certified Public Accountants

October 3, 2011

NEW JERSEY WATER SUPPLY AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

Federal Grantor/Program Title	Federal CFDA Number	Program or Award Amount	Grant Period	Current Year's Expenditures	Total Expenditures
U.S. Environmental Protection Agency: Pass-through to New Jersey Department of Environmental Protection Division of Watershed Management	66.460	\$ 2,160,798	9/1/2006-7/31/2015	\$ 8,535	\$ 118,930
Delaware and Raritan Canal Tributary Assessment and Nonpoint Source Management Project					
Stormwater Management Plan for the Cedar Grove Brook Watershed	66.460	150,000	10/1/2003-9/30/2010	20,591	192,467
Section 319H NPS Pollution Control & Management Implementation Grant: Implementation of the Lockatong/ Wickecheoke Watershed Plans	66.460	952,500	5/11/2010-5/10/2014	53,445	55,393
U.S. Environmental Protection Agency: Pass-through to North Jersey Resource Development & Conservation Council: Raritan Restoration Plan for Agricultural Lands in the Raritan Basin	66.460	30,500	7/1/2006-until Complete	6,285	32,315
U.S. Environmental Protection Agency: Pass-through to NJ Department of Environmental Protection; Pass-through to County of Middlesex Manalapan Brook Watershed Restoration & Protection Plan	66.460	239,313	10/1/2006-12/31/2010	38,502	202,089
U.S. Environmental Protection Agency: Pass-through to NJ Department of Environmental Protection; Pass-through to Union Township Watershed Restoration Plan - Sidney Brook Watershed	66.460	16,750	1/1/2007-6/30/2011	2,913	16,572
U.S. Environmental Protection Agency: Pass-through to New Jersey Institute of Technology					
Section 319H NPS Pollution Control & Management Implementation Grant: Developing a Watershed Restoration Plan for the Neshanic River Watershed	66.460	10,600	10/1/2006-until Complete	-	6,135
U.S. Environmental Protection Agency: Pass-through to New Jersey Department of Environmental Protection Division of Watershed Management					
Priority Watersheds of the Raritan River Basin	66.460	750,000	10/01/09-9/30/2014	15,277	48,762
U.S. Department of Homeland Security: Pass-through to New Jersey Office of Homeland Security and Preparedness	97.078	25,500	10/15/2010-3/31/2012	25,500	25,500
Total		\$ 4,335,961		\$ 171,048	\$ 698,163

Note: There was no federal single audit requirement for the year ended June 30, 2011.

See note to schedules of expenditures of federal and state awards.

NEW JERSEY WATER SUPPLY AUTHORITY

SCHEDULE OF EXPENDITURES OF STATE AWARDS

Year Ended June 30, 2011

State and Local Grantor/Program Title	State Grant Number	Program or Award Amount	Grant Period	Current Year's Expenditures	Total Expenditures
New Jersey Environmental Infrastructure Trust					
Trust Loan 2005A	N/A	\$ 3,990,974	8/01/2005-8/01/2025	-	\$ 3,453,957
Trust Loan 2006A	N/A	2,844,363	8/01/2006-8/01/2026	-	2,772,629
Trust Loan 2007A	N/A	2,360,563	8/01/2007-8/01/2027	-	1,963,145
Trust Loan 2008A	N/A	1,812,000	6/30/2008-8/01/2028	-	1,400,000
* Trust Loan 2010A	N/A	590,493	6/30/2010-8/1/2030	233,532	451,438
* Trust Loan 2010C & D	N/A	2,054,338	12/02/2010-8/1/2030	883,924	883,924
New Jersey Department of Environmental Protection					
Watershed Management Area Program: Implementation Plans					
for Priority Stream Segment Work - WMAs 1-201					
Total	5783717	\$ 25,000	3/17/2007-until Complete	-	54,664
		<u>\$ 13,677,731</u>		<u>\$ 1,117,456</u>	<u>\$ 10,979,757</u>

* Denotes major program

See note to schedules of expenditures of federal and state awards.

NEW JERSEY WATER SUPPLY AUTHORITY

NOTE TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Note 1. Basis of Presentation

The accompanying schedules of expenditures of federal and state awards include federal and state grant and loan activity of the Authority and are presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and State of New Jersey Circular Letter 04-04 OMB. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NEW JERSEY WATER SUPPLY AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

State Awards

Internal control over major programs:

- Material weaknesses identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditors' report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

_____ yes X no

Identification of major programs:

<i>State Award Number</i>	<i>Name of State Program</i>
Trust Loan 2010A	New Jersey Environmental Infrastructure Trust
Trust Loan 2010C&D	New Jersey Environmental Infrastructure Trust

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

 X yes _____ no

Section II - Financial Statement Findings

None

Section III - State Award Findings and Questioned Costs

None