

NEW JERSEY WATER SUPPLY AUTHORITY

Schedules of Expenditures of
Federal and State Awards

Year Ended June 30, 2007

NEW JERSEY WATER SUPPLY AUTHORITY

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
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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 are applicable to each of its major federal and state programs for the year ended June 30, 2007. The Authority's major federal and 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 federal and 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 federal or 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 are applicable to each of its major federal and state programs for the year ended June 30, 2007.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO 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

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, bond resolutions, and grants applicable to federal and state programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 audit committee, others within the entity, 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.

Mercaderes, P.C.
Certified Public Accountant

October 2, 2007

NEW JERSEY WATER SUPPLY AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2007

Federal Grantor/Program Title	Federal CFDA Number	Program or Award Amount	Grant Period	Current Year's Expenditures	Total Expenditures
U.S. Department of Environmental Protection: Pass-through to NJ Department of Environmental Protection: Division of Watershed Management					
* Watershed Management for the Raritan River Basin: Phase II Management Plan Development and Interim Protection/Restoration Projects	66.454	\$ 275,000	9/26/2000-6/30/2007	\$ 30,443	\$ 267,312
* Stormwater Management Plan for Mulhockaway Creek Watershed	66.460	235,000	7/1/2002-6/30/2007	78,495	168,066
* Delaware and Raritan Canal Tributary Assessment and Nonpoint Source Management Project	66.460	350,000	9/1/2006-12/31/2009	2,848	2,848
* Stormwater Management Plan for the Cedar Grove Brook Watershed	66.460	150,000	10/1/2003-12/31/2007	17,197	52,357
Improving the Upper Raritan Water Quality Management Plan: Highlands Region	66.454	411,000	1/15/2004-6/30/2007	36,785	133,299
* Water Restoration and Protection Plan for the Lockatong and Wickechoke Creek Watersheds	66.460	237,390	8/22/2005-2/21/2008	98,145	129,368
* U.S. Department of Environmental Protection: Pass-through to Stony Brook Millstone Watershed Association	66.439	530,000	10/1/2003-9/30/2007	256,277	449,291
U.S. Department of Agriculture: Natural Resource Conservation Service	10.914	7,650	7/1/2006-6/30/2012	4,035	4,035
Total		<u>\$ 2,196,040</u>		<u>\$ 524,225</u>	<u>\$ 1,206,576</u>

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, 2007

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	8/1/2005-8/1/2025	\$ 1,026,315	\$ 2,375,332
Trust Loan 2006A	N/A	2,844,363	8/1/2006-8/1/2026	1,719,032	1,719,032
NJ Department of Environmental Protection: Pass-through from U.S. Department of Environmental Protection: Division of Watershed Management Development of a Comprehensive Watershed Management Plan in Raritan Basin Phase I					
Watershed Management for the Raritan River Basin: Phase II Management Plan Development and Interim Protection/Restoration Projects	N/A	624,950	6/30/1998-until Complete	3,706	619,444
Watershed Management Protection Stream Priority Segment Project - Spruce Run	RP01-042	300,000	9/26/2000-until Complete	32,980	289,598
Watershed Restoration and Protection Project - Sidney Brook	N/A	25,000	3/1/2004-2/28/2007	4,621	14,918
	RP07-003	16,750	1/1/2007-6/30/2010	2,284	2,284
Total		<u>\$ 7,802,037</u>		<u>\$ 2,788,938</u>	<u>\$ 5,020,608</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*. 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

Federal and 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 Account Number/Federal CFDA Number</i>	<i>Name of State or Federal Program</i>
Trust Loan 2005A	New Jersey Environmental Infrastructure Trust
Trust Loan 2006A	New Jersey Environmental Infrastructure Trust
66.454	Watershed Management for the Raritan River Basin
66.460	Stormwater Management and Protection Plans
66.439	Targeted Watershed Grant Program

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

 \$ 300,000

Auditee qualified as low-risk auditee for State purposes? X yes no

Auditee qualified as low-risk auditee for Federal purposes? yes X no

Section II - Financial Statement Findings

None

Section III - Federal and State Award Findings and Questioned Costs

None