

NEW JERSEY WATER SUPPLY AUTHORITY

Schedules of Expenditures of
Federal and State Awards

June 30, 2008

NEW JERSEY WATER SUPPLY AUTHORITY

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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 state programs for the year ended June 30, 2008. 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 are applicable to each of its major state programs for the year ended June 30, 2008.

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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 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 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 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 state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a 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 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 Board of Commissioners, 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 these specified parties.

Mercader, PC
Certified Public Accountants

October 7, 2008

NEW JERSEY WATER SUPPLY AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2008

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 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	\$ 16,951	\$ 275,000
Stormwater Management Plan for Mulhockaway Creek Watershed Delaware and Raritan Canal Tributary Assessment and Nonpoint Source Management Project	66.460	235,000	7/1/2002-12/31/2007	66,934	235,000
Stormwater Management Plan for the Cedar Grove Brook Watershed	66.460	61,215	9/1/2006-12/31/2009	17,166	52,548
Improving the Upper Raritan Water Quality Management Plan: Highlands Region	66.460	150,000	10/1/2003-12/31/2008	24,847	74,372
Water Restoration and Protection Plan for the Lockatong and Wickechoeke Creek Watersheds	66.454	411,000	1/15/2004-9/30/2008	165,229	280,428
U.S. Environmental Protection Agency: Pass-through to North Jersey Resource Development & Conservation Council					
Riparian Restoration Plan for Agricultural Lands in the Raritan Basin River-Friendly Farms for the Neshanic Watershed	66.460	30,500	7/1/2006-12/31/2007	12,816	13,329
U.S. Environmental Protection Agency: Pass-through to NJ Department of Environmental Protection; Pass-through to County of Middlesex	66.460	50,000	8/1/2005-6/30/2008	6,626	7,146
Manalapan Brook Watershed Restoration & Protection Plan	66.460	239,313	10/1/2006-2/28/2008	20,798	20,798
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	1/1/2007-6/30/2010	2,658	4,942
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	10/1/2006-6/30/2010	1,329	4,308
Total		<u>\$ 1,716,768</u>		<u>\$ 451,922</u>	<u>\$ 1,198,647</u>

Note: There was no federal single audit requirement for the year ended June 30, 2008.

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, 2008

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	\$ 1,002,000	\$ 3,377,332
Trust Loan 2006A	N/A	2,844,363	8/01/2006-8/01/2026	253,597	1,972,629
Trust Loan 2007A	N/A	2,360,563	8/01/2007-8/01/2027	1,963,145	1,963,145
Trust Loan 2008A	N/A	800,000	6/30/2008-8/01/2028	800,000	800,000
New Jersey Department of Environmental Protection					
Development of a Comprehensive Watershed Management Plan in Raritan Basin Phase I					
Watershed Management for the Raritan River Basin: Phase II	N/A	624,950	6/30/1998-until Complete	2,121	621,565
Management Plan Development and Interim Protection/Restoration Projects					
Watershed Management Area Program: Implementation Plans for Priority Stream Segment Work - WMAs 1-20	RP01-042	300,000	9/26/2000-until Complete	18,364	307,962
	N/A	25,000	3/17/2007-until Complete	9,082	24,082
*NJ Department of Environmental Protection: Dam Restoration Program - No Name Dam No. 31					
Total	N/A	1,200,000	7/01/2004-until Complete	1,186,306	1,186,306
		\$ 12,145,850		\$ 5,234,615	\$ 10,253,021

*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

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 2005A	New Jersey Environmental Infrastructure Trust
Trust Loan 2006A	New Jersey Environmental Infrastructure Trust
Trust Loan 2007A	New Jersey Environmental Infrastructure Trust
Trust Loan 2008A	New Jersey Environmental Infrastructure Trust
N/A	Dam Restoration Program - No Name Dam No. 31

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