

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

Financial Statements and
Supplementary Information

June 30, 2015

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

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
New Jersey Water Supply Authority
Clinton, New Jersey

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 year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

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, 2015, 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 9 to the financial statements, the Authority implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pensions* and related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* for the year ended June 30, 2015. As a result of the implementation of GASB Statements No. 68 and 71, the Authority reported a restatement for the change in accounting principle and a summary of the restatement is presented in Note 9. Our auditors' 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 4-10 and the Schedule of Proportionate Share of PERS Net Pension Liability and PERS Schedule of Contributions on page 38 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 2015 financial statements as a whole. The other accompanying 2015 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, 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 fairly stated, in all material respects, in relation to the 2015 basic financial statements as a whole.

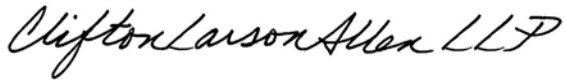
Board of Commissioners
New Jersey Water Supply Authority

Other Matter

The 2014 financial statements of the Authority were audited by other auditors whose report dated October 6, 2014, expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 7, 2015 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, and grant agreements and other matters. The purpose of these reports are to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. These 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
December 7, 2015



MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2015

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, 2015. Please read it in conjunction with the Authority's basic financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- Operating revenue for fiscal year 2015 was \$26.8 million, an increase over fiscal year 2014, which was the result of a 6.01% increase in Raritan, and a .05% increase in Manasquan sales. In the Raritan Basin System, there was an increase in the rate from \$231.00 per million gallons to \$246 per million gallons, and the sales base increased .04%, from 182.207 million gallons per day ("mgd") to 182.271mgd. In the Manasquan Reservoir System, there was no change in the rate at \$1,015.90 per million gallons. The fiscal year 2015 sales base remained the same at 20.560mgd.
- Unrestricted cash and cash equivalents for fiscal year 2015 were \$37.2 million, a decrease of .34% from fiscal year 2014. Income from operations increased for the Raritan System 39.03% and decreased 7.4% for the Manasquan System.
- Total liabilities for fiscal year 2015 were \$98.4 million. This is an increase of 15.26% from fiscal year 2014 and reflects the recognition of the Authority's portion of the State of New Jersey's net unfunded pension liability as required by GASB 68, which is effective for fiscal years beginning after June 15, 2014. The Authority continues to pay down long-term debt in both systems.
- Total operating expenses for fiscal year 2015 increased to \$21.4 million, which represents a 3.37% increase from fiscal year 2014. Payroll increased .26% because of contractual cost of living adjustments. Direct operations and maintenance expenses increased 13.16% to \$5.8 million because of extraordinary storm related expenses incurred in the fiscal year for a storm event occurring on April 30, 2014.
- Other changes for fiscal year 2015 include the following: non-operating revenue decreased 11.83% to \$531,655; investment income decreased 53.84% because of adjustments of securities to fair market value. The receipt of grant program reimbursement decreased 54.3% from the previous year because of project delays, and other income increased substantially because of reimbursement from other state agencies which shared capital project costs.
- Non-operating expenses for fiscal year 2015 decreased 54.26% to \$2.1 million. The interest component of debt service decreased 11.91% with the continued pay-down of the system debt. There was a decrease in the reduction in costs to be recovered from future revenue, (deferred inflows of resources) 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, 2015

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 \$108.1 million as of June 30, 2015. In fiscal year 2015, total assets increased .17% to \$207.9 million. Total liabilities increased 15.26% to \$98.4 million, due to the recognition of the Authority's portion of the State of New Jersey's net unfunded pension liability as required by GASB 68, which is effective for fiscal years beginning after June 15, 2014. Total net position as of June 30, 2014, was approximately \$121.7 million. Total assets at June 30, 2014 decreased .67% to \$207.5 million, and total liabilities decreased 5.84% to \$85.4 million. Total net position as of June 30, 2013, was \$120.67 million. Changes in assets, liabilities and net position at June 30, 2015, 2014 and 2013, are summarized in the following table:



MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2015

	2015	2014*	2013*	Percentage Change 2015-2014	Percentage Change 2014-2013
Current assets	\$54,790,017	\$53,937,175	\$59,758,831	1.58 %	(9.74) %
Capital assets, net	141,237,393	141,155,089	143,500,274	0.06	(1.63)
Other non-current assets	11,824,171	12,416,669	5,651,260	(4.77)	119.72
Total assets	207,851,581	207,508,933	208,910,365	0.17	(0.67)
Deferred outflows of resources	1,280,619				
Total assets and deferred outflows of resources	209,132,200	207,508,933	208,910,365	0.78	(0.67)
Current liabilities	9,039,888	10,041,207	11,411,225	(9.97)	(12.01)
Non-current liabilities	18,141,342				
Non-current portion of bonds, notes and loans payable	71,231,389	75,345,060	79,269,979	(5.46)	(4.95)
Total liabilities	98,412,619	85,386,267	90,681,204	15.26	(5.84)
Deferred inflows of resources	2,623,839	440,430	(2,441,041)	495.74	(118.04)
Net investment in capital assets	91,638,454	87,589,285	83,560,654	4.62	4.82
Restricted	9,229,092	9,084,491	12,126,909	1.59	(25.09)
Unrestricted	7,228,196	25,008,460	24,982,639	(71.10)	0.10
Total net position	\$108,095,742	\$121,682,236	\$120,670,202	(11.17)	0.84
Total liabilities, deferred inflows of resources, and net position	\$209,132,200	\$207,508,933	\$208,910,365	0.78	(0.67)

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

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



MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2015

following rates were adopted at the June 2015 Authority meeting, respectively, based on anticipated operating expenses:

	<u>Rate</u> <u>7/01/2015</u>	<u>Rate</u> <u>7/01/2014</u>	<u>Percent</u> <u>Change</u>
Raritan Basin System	\$ 253.00/mg	\$ 246.00/mg	2.85%
Manasquan Water Supply System			
Initial users	\$1,057.40/mg	\$1,015.90/mg	4.09%
Delayed water users	\$1,190.86/mg	\$1,168.49/mg	1.91%

The Authority's total operating revenue for fiscal year 2015 was \$26.8 million, an increase of 3.75% from fiscal year 2014, due to a 6.01% increase in Raritan and a .05% increase in Manasquan water sales. The Authority's total operating expenses for fiscal year 2015 were \$21.4 million, an increase of 3.91% from fiscal year 2014, because of an increase in Raritan O&M expenses. The Authority's total operating revenue for fiscal year 2014 was \$25.8 million, a decrease of .33% from fiscal year 2013. The Authority's total operating expenses for fiscal year 2014 were \$20.75 million, a decrease of 4.78% from fiscal year 2013. The following table summarizes the changes in revenue, expenses and net position between fiscal years 2015, 2014 and 2013:



MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2015

	<u>2015</u>	<u>2014</u>	<u>2013</u>	Percentage Change 2015-2014	Percentage Change 2014-2013
Operating revenue:					
Water sales	\$24,168,432	\$23,240,511	\$23,430,025	3.99 %	(0.81) %
Reimbursement of operating expenses	2,642,400	2,600,238	2,495,982	1.62	4.18
Total operating revenue	<u>26,810,832</u>	<u>25,840,749</u>	<u>25,926,007</u>	3.75	(0.33)
Non-operating revenue:					
State of New Jersey - Grant Programs	59,083	129,293	212,023	(54.30)	(39.02)
Investment income	169,265	366,678	200,837	(53.84)	82.57
Rental income	58,244	59,251	32,931	(1.70)	79.92
Other income	245,063	47,789	6,838,188	412.80	(99.30)
Total non-operating revenue	<u>531,655</u>	<u>603,011</u>	<u>7,283,979</u>	(11.83)	(91.72)
Total revenue	27,342,487	26,443,760	33,209,986	3.40	(20.37)
Operating expenses:					
Payroll	7,081,593	7,062,893	7,113,521	0.26	(0.71)
Operations and maintenance	5,808,377	5,132,956	6,241,134	13.16	(17.76)
Fringe benefits	4,190,610	4,212,357	4,168,585	(0.52)	1.05
Depreciation	4,368,723	4,342,781	4,268,953	0.60	1.73
Total operating expenses	<u>21,449,303</u>	<u>20,750,987</u>	<u>21,792,193</u>	3.37	(4.78)
Non-operating expenses:					
Interest component of debt service to the State of New Jersey	1,382,205	1,569,126	1,820,444	(11.91)	(13.81)
Bond discount/insurance premium expense	28,343	28,343	28,344	-	(0.00)
Recovery of deferred inflows of resources	730,229	3,083,270	2,744,198		
Total non-operating expenses	<u>2,140,777</u>	<u>4,680,739</u>	<u>4,592,986</u>	(54.26)	1.91
Total Expenses	23,590,080	25,431,726	26,385,179	(7.24)	(3.61)
Change in net position	3,752,407	1,012,034	6,824,807	270.78	(85.17)
Net position, beginning of year, as previously reported	121,682,236	120,670,202	113,845,395	0.84	5.99
GASB 68 adjustment	(17,338,901)				(100.00)
Net position, beginning of year, as restated	<u>104,343,335</u>	<u>120,670,202</u>	<u>113,845,395</u>	(13.53)	5.99
Net position, end of year	<u>\$108,095,742</u>	<u>\$121,682,236</u>	<u>\$120,670,202</u>	(11.17)	0.84

See accompanying notes.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2015

CAPITAL ASSETS AND DEBT ADMINISTRATION

At June 30, 2015, the Authority had a total of \$141,237,393 invested in the Systems that it operates: \$83,240,516 invested in the Raritan Basin System, and \$57,996,877 invested in the Manasquan System. This total amount represents a .06% increase from last year. 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 the prior year.

The following table summarizes the changes in capital assets, net of depreciation, between fiscal years 2015, 2014 and 2013:

	2015	2014	2013	Percentage Change 2015-2014	Percentage Change 2014-2013
Land and land rights	\$25,566,853	\$25,566,853	\$25,553,880	0.00 %	0.05 %
Dams	49,003,010	49,801,005	50,598,999	(1.60)	(1.58)
Building, structures and improvements	55,038,675	54,900,182	58,097,172	0.25	(5.50)
Machinery and equipment	1,183,611	1,108,356	983,141	6.79	12.74
Construction work in progress	10,445,244	9,778,693	8,267,082	6.82	18.28
Total net investment in capital assets	\$141,237,393	\$141,155,089	\$143,500,274	0.06	(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 2015, 2014 and 2013:

	2015	2014	2013	Percentage Change 2015-2014	Percentage Change 2014-2013
Bonds payable	\$27,135,913	\$30,058,221	\$35,456,893	(9.72) %	(15.23) %
Notes payable	33,647,103	33,649,796	33,652,337	(0.01)	(0.01)
Loans payable	14,379,107	15,420,971	16,393,574	(6.76)	(5.93)
Total bonds, notes and loans payable	\$75,162,123	\$79,128,988	\$85,502,804	(5.01)	(7.45)



MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2015

At year-end, the Authority had \$75,162,123 in bonds, notes and loans principal outstanding, compared to \$79,128,988 at June 30, 2014. This change represents a decrease of 5.01%. The change in bonds, notes and loans principal outstanding at June 30, 2014, compared to the total of \$85,502,804 at June 30, 2013, 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.

CURRENT AND NEW BUSINESS

During fiscal year 2015, 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, 2015, there was the addition of Hunterdon Medical Center (.031mgd) and Princeton University Operations (.027mgd) uninterruptible water supply contracts and an increase in an existing contract with Washington Township Municipal Utilities Authority from .025mgd to .035mgd. The changes increase the sales base of the Raritan Basin System to 182.339mgd in fiscal year 2016. In addition, during fiscal year 2015, 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, 2015, the total sales base for the Manasquan Reservoir System decreased to 20.158mgd from 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,	
	2015	2014*
Assets		
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	\$37,174,983	\$37,300,721
Unbilled sales	1,097,005	973,953
Accounts receivable, less allowance for doubtful accounts of \$1,000 at June 30, 2015 and 2014	2,908,472	1,998,218
Interest receivable	243,335	268,335
Prepaid expenses and other current assets	1,026,563	1,059,762
Total unrestricted current assets	42,450,358	41,600,989
Restricted assets:		
Cash equivalents	4,499,245	4,576,796
Investments	7,840,414	7,759,390
Total restricted current assets	12,339,659	12,336,186
Total current assets	54,790,017	53,937,175
Non-current assets:		
Investments	11,824,171	12,416,669
Capital assets, net	141,237,393	141,155,089
Total non-current assets	153,061,564	153,571,758
Deferred outflows of resources	1,280,619	
Total assets and deferred outflows of resources	\$209,132,200	\$207,508,933
Liabilities		
Current liabilities:		
Current portion of bonds, notes and loans payable	\$3,930,734	\$3,783,928
Accounts payable	656,022	510,386
Accrued liabilities	1,342,565	2,495,198
Unearned revenue	3,110,567	3,251,695
Total current liabilities	9,039,888	10,041,207
Non-current liabilities:		
Non-current portion of bonds, notes and loans payable	71,231,389	75,345,060
Net Pension liability	18,141,342	
Total non-current liabilities	89,372,731	75,345,060
Deferred inflows of resources	2,623,839	440,430
Net Position		
Net investment in capital assets	91,638,454	87,589,285
Restricted	9,229,092	9,084,491
Unrestricted	7,228,196	25,008,460
Total net position	108,095,742	121,682,236
Total liabilities, deferred inflows of resources, and net position	\$209,132,200	\$207,508,933

*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,	
	2015	2014
Operating revenue:		
Water sales	\$24,168,432	\$23,240,511
Reimbursement of operating expenses	2,642,400	2,600,238
Total operating revenue	26,810,832	25,840,749
Operating expenses:		
Payroll	7,081,593	7,062,893
Operations and maintenance	5,808,377	5,132,956
Fringe benefits	4,190,610	4,212,357
Depreciation	4,368,723	4,342,781
Total operating expenses	21,449,303	20,750,987
Income from operations	5,361,529	5,089,762
Non-operating revenue:		
State of New Jersey - Grant Programs	59,083	129,293
Investment income	169,265	366,678
Rental income	58,244	59,251
Other income	245,063	47,789
Total non-operating revenue	531,655	603,011
Non-operating expenses:		
Interest component of debt service to the State of New Jersey	1,382,205	1,569,126
Bond discount/insurance premium expense	28,343	28,343
Recovery of deferred inflows of resources	730,229	3,083,270
Total non-operating expenses	2,140,777	4,680,739
Change in net position	3,752,407	1,012,034
Net position, beginning of year, as previously reported	121,682,236	120,670,202
GASB 68 adjustment	(17,338,901)	-
Net position, beginning of year, as restated	104,343,335	120,670,202
Net position, end of year	\$108,095,742	\$121,682,236

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,	
	2015	2014
Cash flows from operating activities		
Cash received from water sales	\$23,068,531	\$22,170,246
Cash received from reimbursable expenses	2,669,816	2,602,176
Cash received from rental income	28,022	36,938
Cash paid to or on behalf of employees	(10,900,075)	(11,021,532)
Cash paid to suppliers	(5,779,801)	(5,083,185)
Net cash provided by operating activities	9,086,493	8,704,643
Cash flows from noncapital financing activities		
Cash received for grant programs	59,083	129,293
Net cash provided by non-capital financing activities	59,083	129,293
Cash flows from capital and related financing activities		
Principal paid on bonds, notes and loans	(4,444,935)	(5,892,070)
Interest paid on bonds, notes and loans	(1,445,299)	(1,650,905)
Acquisition and construction of capital assets	(4,249,403)	(1,806,775)
Proceeds from sale of capital assets	85,033	27,270
Net cash used in capital and related financing activities	(10,054,604)	(9,322,480)
Cash flows from investing activities		
Sale of investment securities	4,345,501	2,238,092
Purchase of investment securities	(3,834,027)	(4,222,047)
Interest received on investments	194,265	217,338
Net cash provided by (used in) investing activities	705,739	(1,766,617)
Net decrease in cash and cash equivalents	(203,289)	(2,255,161)
Cash and cash equivalents, beginning of year	41,877,517	44,132,678
Cash and cash equivalents, end of year	\$41,674,228	\$41,877,517
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	5,361,529	5,089,762
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Non-cash items expensed to operations and maintenance	58,244	59,251
Cash received for operating activity included in other income	160,030	20,519
Depreciation	4,368,723	4,342,781
Increase (decrease) in cash from:		
Unbilled sales	(123,052)	(5,630)
Accounts receivable	(965,304)	(1,075,897)
Prepaid expenses and other current assets	33,199	(41,282)
Accounts payable	(938)	93,605
Accrued liabilities	(432)	1,331
Accrued payroll and taxes	194,494	220,203
Net cash provided by operating activities	\$9,086,493	\$8,704,643
Non-cash investing activities		
Decrease in fair value of investments	(\$592,498)	(\$351,211)

See accompanying notes.

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

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.

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

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

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.

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

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, 2015 and 2014, accounts receivable included amounts due from the New Jersey Environmental Infrastructure Financing Program ("NJEIFP") for \$757 and \$68,131, respectively.

During fiscal years 2015 and 2014, 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.

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

Net Position

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

- *Net Investment in 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.

Deferred Inflows and Outflows of Resources

In addition to assets and liabilities, the statements of net position report separate sections of deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period which will not be recognized as an outflow of resources until that time. Deferred inflows of resources represent an acquisition of net position that applies to a future period which will not be recognized as an inflow of resources until that time.

Deferred Inflows of Resources – Cost Recovery

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 GASB No. 62, 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, which are being classified as deferred inflows of resources. The deferred inflows will be recovered through future revenue in accordance with the rate model. The deferred amount for the years ended June 30, 2015 and 2014, were determined as follows:

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

	2015	2014
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	(27,721)	4,430
	807,488	839,639
Cost included in rate model:		
Debt principal repayment	0	(2,600,000)
	807,488	(1,760,361)
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	(487)	577
	1,540,367	1,541,431
Cost included in rate model:		
Debt principal repayment	(2,797,693)	(2,662,541)
	(1,257,326)	(1,121,110)
Total Raritan Basin and Manasquan	(449,838)	(2,881,471)
Balance, beginning of year	(440,430)	2,441,041
Balance, end of year	\$(890,268)	\$(440,430)

As shown in the statements of revenue, expenses and changes in net position for the years ended June 30, 2015 and 2014, respectively, deferred inflow of resources of \$730,229 and \$3,083,270 includes a debit balance of \$308,599, and a debit balance of \$196,792 of Manasquan Water Treatment Plant deferred revenue, which is not part of the rate model, and does not include a debit balance of \$28,208 and a credit balance of \$5,007 of accrued vacation.

Deferred Inflows/Outflows of Resources - Pensions

Deferred charges for defined benefit plans result from the difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the State's proportion of expenses and liabilities to the pension as a whole, differences between the Authority's pension contributions and its proportionate share of contributions, and the Authority's pension contributions subsequent to the pension valuation measurement date.

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

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, 2015 and 2014, unearned revenue amounting to \$1,897,602 and \$1,589,003, respectively, was determined as follows:

	2015	2014
Reimbursement of operating expenses	\$2,646,219	\$2,602,762
Operating expenses	2,337,620	2,405,970
Unearned revenue	308,599	196,792
Balance, beginning of year	1,589,003	1,392,211
Balance, end of year	<u>\$1,897,602</u>	<u>\$1,589,003</u>

In previous years, the Authority received additional funds that are restricted for use by the SMMUA for costs associated in operating the Water Treatment Plant. As of June 30, 2015 and 2014, the amount included in unearned revenue was \$1,212,965, and \$1,662,692, respectively.

Accounting for Watershed Protection Program

For the fiscal years ended June 30, 2015 and 2014, the Authority received \$40,204 and \$126,344, 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, 2015, all the funds received had been recognized as revenue.

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

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

On July 1, 2007, the Authority implemented Government Standards Board Statement (“GASB”) Number 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, 2015 and 2014, was as follows:

	2015 Beginning Balance	Additions	Retirements	2015 Ending Balance
Capital assets not being depreciated:				
Land	\$25,566,853	\$ -	\$ -	\$25,566,853
Construction work in progress	9,778,693	4,037,997	(3,371,446)	10,445,244
Total capital assets not being depreciated	<u>35,345,546</u>	<u>4,037,997</u>	<u>(3,371,446)</u>	<u>36,012,097</u>
Capital assets being depreciated:				
Dams	77,369,160	-	-	77,369,160
Building, structures and improvements	130,095,629	3,379,845	-	133,475,474
D & R canal dredging	21,160,274	-	-	21,160,274
Machinery and equipment	6,564,082	425,196	(668,970)	6,320,308
Total capital assets being depreciated	<u>235,189,145</u>	<u>3,805,041</u>	<u>(668,970)</u>	<u>238,325,216</u>
Less accumulated depreciation for:				
Dams	(27,568,155)	(797,995)	-	(28,366,150)
Building, structures and improvements	(75,195,448)	(3,241,352)	-	(78,436,800)
D & R canal dredging	(21,160,273)	-	-	(21,160,273)
Machinery and equipment	(5,455,726)	(329,376)	648,405	(5,136,697)
Total accumulated depreciation	<u>(129,379,602)</u>	<u>(4,368,723)</u>	<u>648,405</u>	<u>(133,099,920)</u>
Total capital assets, being depreciated, net	<u>105,809,543</u>	<u>(563,682)</u>	<u>(20,565)</u>	<u>105,225,296</u>
Total net investment in capital assets	<u>\$141,155,089</u>	<u>\$3,474,315</u>	<u>(\$3,392,011)</u>	<u>\$141,237,393</u>

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

	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	0	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)	0	105,809,543
Total net investment in capital assets	\$143,500,274	(\$2,345,185)	\$0	\$141,155,089

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, 2015 and 2014, the Authority’s bank balance was \$2,275,529 and \$3,065,674, respectively, of which \$250,000 was covered through the FDIC. The remaining balance of \$2,025,529 and \$2,815,674 as of June 30, 2015 and 2014, respectively, was collateralized, and the cash balance per the statement of net position is shown exclusive of outstanding checks totaling \$36,108 and \$47,922, respectively.

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

The statement of net position amount includes petty cash totaling \$300, respectively as of June 30, 2015 and 2014.

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 \$2,275,529 and \$3,065,674 as of June 30, 2015 and 2014, respectively, was exposed to custodial credit risk as follows:

	2015	2014
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, 2015, the Authority had the following investments and cash equivalents, with maturities as indicated:

Investment and Cash Equivalent Type	Fair Value	Investment Maturities (In Years)	
		Less Than 1	1-5
U.S. Treasuries	\$47,274,921	\$47,274,921	\$ -
NJ G/O Bonds	12,067,506	-	12,067,506
Total	\$59,342,427	\$47,274,921	\$ 12,067,506

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

Investment and Cash Equivalent Type	Fair Value	Investment Maturities (In Years)	
		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

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.

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

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

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, 2015, all deposits were collateralized.

d. Investment Income

The following comprises investment income for the years ended June 30, 2015 and 2014, respectively:

	2015	2014
Interest earned on bank accounts and certificates of deposit	\$179,377	\$178,947
Interest earned on securities	582,386	538,942
Increase/(decrease) in fair value of securities	(592,498)	(351,211)
	\$169,265	\$366,678

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.

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

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, 2015 and 2014.

At June 30, 2015 and 2014, the State Loan Notes and Completion Notes are summarized as follows:

State Loan Notes	2015	2014
Current Notes	\$72,505	\$74,947
Deferred Notes	30,365,115	30,365,115
Completion Notes		
Current Notes	7,706	7,957
Deferred Notes	3,201,777	3,201,777
	<u>\$33,647,103</u>	<u>\$33,649,796</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 \$26,105,000 at June 30, 2015, carry a bond yield of 3.95%, and mature in incremental annual principal amounts through 2031. Principal maturities for the year ending June 30, 2016, are \$2,940,000. The property and revenue of the Manasquan System are pledged as collateral for the 2005 Bonds.

For the years ended June 30, 2015 and 2014, interest expense on the 2005 Bonds amounted to \$1,375,125 and \$1,511,500, respectively, and the related interest income earned on the restricted investments amounted to \$269 and \$274, 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

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

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.

The following table summarizes the NJEIFP loan outstanding for the Manasquan Reservoir System, as of June 30, 2015:

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%	\$2,577,185	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, 2015, and that bore interest at varying rates from 4.5% to 5.375% and matured in incremental annual principal amounts through 2015. 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, 2015 and 2014, interest expense on the Refunding Bonds amounted to \$0 and \$47,090, respectively, and the related interest income earned on the restricted investments amounted to \$0 and \$0, 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

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

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.

The following table summarizes the NJEIFP loans outstanding for the Raritan Basin System, as of June 30, 2015:

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%	\$418,959	08/01/2023
2004A	11/04/2004	1,030,000	75%	350,000	25%	1.310%	750,653	08/01/2024
2005A	11/10/2005	2,940,974	75%	1,050,000	25%	1.251%	1,857,644	08/01/2025
2006A	11/09/2006	2,099,363	75%	745,000	25%	1.260%	1,761,612	08/01/2026
2007A	11/08/2007	1,740,563	75%	620,000	25%	1.055%	1,616,032	08/01/2027
2008A	11/06/2008	1,152,000	64%	660,000	36%	1.740%	1,361,019	08/01/2028
2010A	03/10/2010	300,493	51%	290,000	49%	1.685%	462,524	08/01/2029
2010B	12/02/2010	1,064,338	52%	990,000	48%	1.870%	1,731,905	08/01/2030
2012A	05/03/2012	1,501,455	76%	465,000	24%	.65%	1,707,420	08/01/2031
Total		\$12,456,205		\$5,405,000			\$11,667,768	

The following tables summarize the changes in bonds, notes and loans payable between fiscal years 2015, 2014 and 2013:

	Balance, Fiscal Year 2014	Less Payments, Net of Amortization	Debt Issued	Balance, Fiscal Year 2015	Due Within One Year
Bonds payable	\$30,058,222	\$2,922,308	\$ -	\$27,135,913	\$2,940,000
Notes payable	33,649,796	2,693	-	33,647,103	2,853
Loans payable	15,420,970	1,041,862	-	14,379,107	987,881
Total	\$79,128,988	\$3,966,863	\$ -	\$75,162,123	\$3,930,734

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

	Balance, Fiscal Year 2013	Less Payments, Net of Amortization	Debt Issued	Balance, 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

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
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	1,052,871	172,822	7,526	4,162,000	5,395,219
2021-2025	4,902,137	872,985	37,528	7,060,125	12,872,775
2026-2030	2,611,585	867,985	37,314	3,581,250	7,098,134
2031-2035	311,630	258,155	14,850	1,423,625	2,008,260
Deferred Portion	-	-	33,566,892	-	33,566,892
Subtotal	13,109,323	2,870,160	33,694,274	32,894,375	82,568,132
Less amounts representing interest	1,441,557	292,975	47,171	6,789,375	8,571,078
Less unamortized deferral amount	0	0	0	229,516	229,516
Plus unamortized bond premium	87,212	46,944	0	1,260,429	1,394,585
Subtotal	11,754,978	2,624,129	33,647,103	27,135,913	75,162,123
Less: Current principal portion	845,309	142,572	2,853	2,940,000	3,930,734
Total	\$10,909,669	\$2,481,557	\$33,644,250	\$24,195,913	\$71,231,389

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Notes to Financial Statements (continued)

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”). PERS is administered by the State of New Jersey, Division of Pensions and Benefits (“Division”). For additional information about PERS, please refer to the Division’s Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

Following is the total of the Authority’s portion of the PERS net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and the pension expense and expenditures for the fiscal year ended June 30, 2014.

Net Pension Liabilities	\$18,141,342
Deferred Outflow of Resources	1,280,619
Deferred Inflow of Resources	2,623,839
Pension Expense	901,549
Contributions Made	798,757

Plan Description and Benefits

PERS is a cost-sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments and benefits to plan members and their beneficiaries. 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.

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Notes to Financial Statements (continued)

Contributions

Employee contribution rates to PERS governed by P.L. 2011, C. 78, effective June 28, 2011, were increased from 5.5% of salary to 6.5% of salary, and a phase-in to 7.5% of salary over a seven year period. Covered Authority employees are required by PERS to contribute 7.06% of their salaries. State statute requires the Authority to contribute an actuarially determined rate which includes the normal cost and the unfunded accrued liability. 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. In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Specific information on actuarial assumptions and rates of return can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

The payroll for employees covered by PERS for the years ended June 30, 2015, 2014 and 2013, was \$6,808,193, \$6,781,700 and \$6,842,065, respectively. The Authority's total payroll for the years ended June 30, 2015, 2014 and 2013, was \$7,081,593, \$7,062,893 and \$7,113,521, respectively. The actuarial contribution requirements and the contributions made for the years ended June 30, 2015, 2014 and 2013, were \$1,270,306, \$1,217,153 and \$1,234,025 respectively, which consisted of \$798,757, \$758,938 and \$784,639 from the Authority, and \$471,549, \$458,215 and \$449,386 from the employees, respectively. As required by PERS, the employer and employee contributions represented 11.73% and 6.92% of covered payroll for the year ended June 30, 2015, 11.20% and 6.78% of covered payroll for the year ended June 30, 2014, and 11.47% and 6.56% of covered payroll for the year ended June 30, 2013, respectively. Contributions were made in accordance with the actuarial funding requirement.

Assumptions

The total pension liability for June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013 using an actuarial experience study for the period July 1, 2008 to June 30, 2011. The pension liability was rolled forward to June 30, 2014. The actuarial valuation used an inflation rate of 3.01%, projected salary increases from 2012 to 2021 of 2.15% to 4.40% based on age and thereafter 3.15% to 5.40% based on age and an investment rate of return of 7.90%.

The discount rate used to measure the total pension liability was 5.39% and 5.55% as of June 30, 2014 and 2013 respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to

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Notes to Financial Statements (continued)

be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability. More information on mortality rates and other assumptions, and investment policies, can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

The following presents the Authority's proportionate share of the PERS net pension liability calculated using the discount rate of 5.39% and 5.5% as of June 30, 2014 and 2013, respectively, as well as what the PERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the assumed rate.

Sensitivity of the Authority's Proportionate Share of the PERS Local Share Net Pension Liability to Changes in the Discount Rate

	At 1% decrease (4.39%)	At current discount rate (5.39%)	At 1% increase (6.39%)
2014	<u>\$22,823,669</u>	<u>\$18,141,342</u>	<u>\$14,211,197</u>
	At 1% decrease (4.55%)	At current discount rate (5.55%)	At 1% increase (6.55%)
2013	<u>\$23,958,449</u>	<u>\$19,250,440</u>	<u>\$15,297,170</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups.

To facilitate the separate (sub) actuarial valuations, The Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedules of pension amount by employer. The allocation percentages for each group as of June 30, 2014 and 2013 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2014 and 2013, respectively.

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Notes to Financial Statements (continued)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collected deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented in the PERS schedule of employer allocations and applied to amounts presented in the PERS schedule of pension amounts by employer are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2014 and 2013. The Authority's proportionate share of the collective net pension liability as of June 30, 2014 and 2013 was .0969% and .1007% respectively.

At June 30, 2015, the amount recognized as the Authority's proportionate share of the PERS net pension liability was \$18,141,342. For the year ended June 30, 2015 the Authority recognized PERS pension expense of \$901,549. At June 30, 2015, deferred outflows of resources and deferred inflows of resources related to the PERS pension are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of Assumptions	\$481,862	\$0
Net Difference Between Projected and Actual Investment Earnings	0	1,081,086
Net Change in Proportions	0	618,849
Net Actual Less Proportionate Share of Contributions	0	33,636
Total Contributions and Proportionate Share of Contributions after the Measurement Date	798,757	0
	<u>\$1,280,619</u>	<u>\$1,733,571</u>

The Authority will recognize the \$798,757 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the PERS net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in PERS pension expense as follows:

Year Ending June 30,	Amortization
2016	(\$301,636)
2017	(301,636)
2018	(301,636)
2019	(301,636)
2020	(45,165)
Total	<u>(\$1,251,709)</u>

New Jersey Water Supply Authority
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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, 2015, 2014 and 2013, respectively. Total cost for these post-retirement benefits, included in fringe benefits, approximated \$875,644, \$757,870 and \$714,969 for the years ended June 30, 2015, 2014 and 2013, respectively.

7. Major Water Customers

During fiscal years 2015 and 2014, the Authority supplied water to approximately 29 customers of the Raritan Basin System and 13 customers of the Manasquan System.

During fiscal years 2015 and 2014, 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. Recent Accounting Standards

Recent Accounting Standards

The Authority has adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statements No. 68 and 71 require the Authority to report its share of the defined benefit pension liabilities and expense, as well as the related deferred outflows of resources and deferred inflows of resources, allocated to it by the Public Employees' Retirement System (PERS). The July 1, 2014, balance of

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

the net pension liability and related deferred outflows of resources and deferred inflows of resources is reported in the Statement of Revenues, Expenses, and Changes in Net Position as a restatement to the *2015 Net position—beginning of year*. PERS was not able to provide sufficient information to restate the June 30, 2014, financial statements.

	2015
Net Position, beginning of year, as previously stated	\$121,682,236
July 1, 2014, Balance of the net pension liability and related deferred outflows of resources and deferred inflows of resources	(17,338,901)
Net Position, beginning of year, as restated	<u>\$104,343,335</u>

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application* (“GASB 72”). The objectives of this Statement are to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures around fair value measurements. The provisions of this Statement are effective for financial statements in periods beginning after June 15, 2015. This Statement will become effective for the June 30, 2016 year-end. The Authority has not yet completed the process of evaluating the impact of GASB 72 on its financial statements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and amendments to Certain Provisions of GASB Statements 67 and 68* (“GASB 73”). This statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions that are provided to the employees of state and local government employers and are not within the scope of GASB 68. The provisions of this Statement are effective for financial statements in periods beginning after June 15, 2016. This Statement will become effective for the June 30, 2017 year-end. The Authority has not yet completed the process of evaluating the impact of GASB 73 on its financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (“GASB 74”). This statement establishes financial reporting for state and local governmental OPEB plans and defined contribution OPEB plans that are administered through trusts or equivalent arrangements. This Statement also establishes financial reporting standards for governments that hold assets accumulated for purposes of providing OPEB through defined benefit OPEB plans that are not administered through trusts or equivalent arrangements. The provisions of this Statement are effective for financial statements in periods beginning after June 15, 2016. This Statement will become effective for the June 30, 2017 year-end. The Authority has not yet completed the process of evaluating the impact of GASB 74 on its financial statements.

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In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (“GASB 75”). This statement establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local government employers through OPEB plans that are administered through trusts or equivalent arrangements. This Statement also establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPPEB that are provided to the employees of state and local governmental employees through OPEB plans that are not administered through trusts or equivalent arrangements. The provisions of this Statement are effective for financial statements in periods beginning after June 15, 2017. This Statement will become effective for June 30, 2018 year-end. The Authority has not yet completed the process of evaluating the impact of GASB 75 on its financial statements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (“GASB 76”). This statement establishes the hierarchy of GAAP for state and local governments. The GAAP hierarchy sets forth what constitutes GAAP for all state and local governmental entities and establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply. The provisions of this Statement are effective for financial statements in periods beginning after June 15, 2015. This Statement will become effective for the June 30, 2016 year-end. The Authority has not yet completed the process of evaluating the impact of GASB 76 on its financial statements.

10. 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 \$12,115 from FEMA. The Authority received a total of \$72,688 from FEMA for damages caused by Superstorm Sandy, \$12,115 in fiscal year 2014 and \$60,573 in fiscal year 2013. There was no impairment of capital assets recorded by the Authority as a result of these damages and repairs were expensed as incurred.

11. 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.

12. 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

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

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:

	Year Ended			
	June 30, 2015		June 30, 2014	
	Raritan Basin System	Manasquan Reservoir System	Raritan Basin System	Manasquan Reservoir System
Condensed statement of net position				
Assets and deferred outflows of resources:				
Current assets	\$30,415,688	\$12,034,670	\$29,305,788	\$12,295,201
Restricted cash	1,771,825	10,567,834	1,684,502	10,651,684
Capital assets	83,240,516	57,996,877	82,360,765	58,794,324
Other non-current assets	10,869,351	954,820	11,412,850	1,003,819
Deferred outflows of resources	988,207	292,412		
Total assets and deferred outflows of resources	<u>\$127,285,587</u>	<u>\$81,846,613</u>	<u>\$124,763,905</u>	<u>\$82,745,028</u>
Liabilities and deferred inflows of resources:				
Current liabilities	\$1,733,741	\$7,306,147	\$2,499,030	\$7,542,177
Non-current liabilities	25,010,817	64,361,914	11,760,469	63,584,591
Deferred inflows of resources	16,581,842	(13,958,003)	16,055,813	(15,615,383)
Total liabilities and deferred inflows of resources	43,326,400	57,710,058	30,315,312	55,511,385
Net Position:				
Net investment in capital assets	71,485,538	20,152,916	69,756,633	17,832,652
Restricted	1,771,825	7,457,267	1,684,502	7,399,989
Unrestricted	10,701,824	(3,473,628)	23,007,458	2,001,002
Total net position	<u>83,959,187</u>	<u>24,136,555</u>	<u>94,448,593</u>	<u>27,233,643</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$127,285,587</u>	<u>\$81,846,613</u>	<u>\$124,763,905</u>	<u>\$82,745,028</u>

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

	Year Ended			
	June 30, 2015		June 30, 2014	
	Raritan Basin System	Manasquan Reservoir System	Raritan Basin System	Manasquan Reservoir System
Condensed statement of revenue, expenses and changes in net assets				
Total operating revenue	\$16,293,863	\$7,874,569	\$15,369,782	\$7,870,729
Operating expenses	11,646,913	3,096,047	11,289,515	2,712,721
Depreciation	2,703,857	1,664,866	2,682,708	1,660,073
Operating income	1,943,093	3,113,656	1,397,559	3,497,935
Non-operating revenues	381,291	146,545	413,727	186,760
Non-operating expenses (recovery)	(647,080)	2,479,258	1,999,801	2,484,146
Change in net assets	2,971,464	780,943	(188,515)	1,200,549
Net position, beginning of the year, as previously reported	94,448,593	27,233,643	94,637,108	26,033,094
GASB 68 adjustment	(13,460,870)	(3,878,031)	-	-
Net position, beginning of year, as restated	80,987,723	23,355,612	94,637,108	26,033,094
Net position, end of year	\$83,959,187	\$24,136,555	\$94,448,593	\$27,233,643
Condensed statement of cash flows				
Net cash provided by:				
Operating activities	\$3,906,867	\$5,179,625	\$4,437,911	\$4,286,992
Non-capital financing activities	59,083	0	129,293	-
Capital and related financing activities	(4,519,478)	(5,535,125)	(5,397,786)	(3,944,954)
Investing activities	601,795	103,944	(1,872,198)	105,581
Net (decrease) increase in cash and cash equivalents	48,267	(251,556)	(2,702,780)	447,619
Beginning cash and cash equivalent balances	28,867,562	13,009,955	31,570,342	12,562,336
Ending cash and cash equivalent balances	\$28,915,829	\$12,758,399	\$28,867,562	\$13,009,955

Required Supplementary Information

New Jersey Water Supply Authority
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Schedule of Proportionate Share of PERS Net Pension Liability (NPL)
Determined as of June 30, 2014, PERS Measurement Date

Fiscal Year	Authority's Proportion	Authority's Proportion Share	Authority's Covered Employee Payroll	Authority's Proportionate Share of NPL as a % of Covered- Employee Payroll	PERS Local Fiduciary Net Position as a % of Total Pension Liability
2015	.0969%	\$18,141,342	\$6,808,193	266%	52.08%

Schedule of Contributions

Fiscal Year	Required Contribution	Contributions Recognized by PERS in FY2015	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a % of Covered- Employee Payroll
2015	\$819,154	\$798,757	\$20,397	\$6,808,193	11.7%

Supplementary Information

New Jersey Water Supply Authority
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Combining Schedule of Net Position

June 30, 2015

	<u>Raritan Basin System</u>	<u>Manasquan Reservoir System</u>	<u>Elimination Entries</u>	<u>Combined Total</u>
Assets				
Current assets:				
Unrestricted assets:				
Cash and cash equivalents	\$27,144,004	\$10,030,979		\$37,174,983
Unbilled sales	1,097,005			1,097,005
Accounts receivable, less allowance for doubtful accounts of \$1,000 at June 30, 2015	1,329,669	1,754,844	(176,041)	2,908,472
Interest receivable	221,564	21,771		243,335
Prepaid expenses and other current assets	799,487	227,076		1,026,563
Total unrestricted assets	<u>30,591,729</u>	<u>12,034,670</u>	<u>(176,041)</u>	<u>42,450,358</u>
Restricted assets:				
Cash equivalents	1,771,825	2,727,420		4,499,245
Investments	0	7,840,414		7,840,414
Total restricted assets	<u>1,771,825</u>	<u>10,567,834</u>	<u>0</u>	<u>12,339,659</u>
Total current assets	<u>32,363,554</u>	<u>22,602,504</u>	<u>(176,041)</u>	<u>54,790,017</u>
Non-current assets:				
Investments	10,869,351	954,820		11,824,171
Capital assets net of accumulated depreciation of \$133,099,920 at June 30, 2015	83,240,516	57,996,877		141,237,393
Total non-current assets	<u>94,109,867</u>	<u>58,951,697</u>		<u>153,061,564</u>
Deferred outflows of resources	988,207	292,412		1,280,619
Total assets and deferred outflows of resources	<u>\$127,461,628</u>	<u>\$81,846,613</u>	<u>(\$176,041)</u>	<u>\$209,132,200</u>
Liabilities				
Current liabilities:				
Current portion of bonds, notes and loans payable	\$845,309	\$3,085,425		\$3,930,734
Accounts payable	437,152	394,911	(176,041)	656,022
Accrued liabilities	627,321	715,244		1,342,565
Unearned revenue	0	3,110,567		3,110,567
Total current liabilities	<u>1,909,782</u>	<u>7,306,147</u>	<u>(176,041)</u>	<u>9,039,888</u>
Non-current liabilities:				
Non-current portion of bonds, notes and loans payable	10,909,669	60,321,720		71,231,389
Net pension liability	14,101,148	4,040,194		18,141,342
Total non-current liabilities	<u>25,010,817</u>	<u>64,361,914</u>		<u>89,372,731</u>
Deferred inflows of resources	16,581,842	(13,958,003)		2,623,839
Net position				
Net investment in capital assets	71,485,538	20,152,916		91,638,454
Restricted for repayment of debt principal and interest	1,771,825	7,457,267		9,229,092
Unrestricted	10,701,824	(3,473,628)	-	7,228,196
Total net position	<u>83,959,187</u>	<u>24,136,555</u>	<u>0</u>	<u>108,095,742</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$127,461,628</u>	<u>\$81,846,613</u>	<u>(\$176,041)</u>	<u>\$209,132,200</u>

New Jersey Water Supply Authority
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Combining Schedule of Revenue, Expenses
and Changes in Net Position

Year Ended June 30, 2015

	Raritan Basin System	Manasquan Reservoir System	Manasquan Water Treatment Plant	Combined Total
Operating revenues:				
Water sales	\$16,293,863	\$7,874,569		\$24,168,432
Reimbursement of operating expenses			2,642,400	2,642,400
Total operating revenues	<u>16,293,863</u>	<u>7,874,569</u>	<u>2,642,400</u>	<u>26,810,832</u>
Operating expenses:				
Payroll	5,381,751	867,303	832,539	7,081,593
Operations and maintenance (direct)	3,762,455	977,856	878,791	5,619,102
Operations and maintenance (general and administrative)		109,366	79,909	189,275
Fringe benefits	3,281,707	465,522	443,381	4,190,610
Headquarters overhead	(779,000)	676,000	103,000	0
Depreciation	2,703,857	1,664,866	-	4,368,723
Total operating expenses	<u>14,350,770</u>	<u>4,760,913</u>	<u>2,337,620</u>	<u>21,449,303</u>
Income from operations	<u>1,943,093</u>	<u>3,113,656</u>	<u>304,780</u>	<u>5,361,529</u>
Non-operating revenues:				
State of New Jersey - Grant Programs	59,083			59,083
Investment income	33,296	132,150	3,819	169,265
Rental income	58,244	0		58,244
Other income	230,668	14,395		245,063
Total non-operating revenues	<u>381,291</u>	<u>146,545</u>	<u>3,819</u>	<u>531,655</u>
Non-operating expenses:				
Interest component of debt service to the State of New Jersey	188,129	1,194,076		1,382,205
Revenue Refunding Bonds, Series 1999		28,343		28,343
Recovery of deferred inflows of resources	(835,209)	1,256,839	308,599	730,229
Total non-operating expenses	<u>(647,080)</u>	<u>2,479,258</u>	<u>308,599</u>	<u>2,140,777</u>
Changes in net position	2,971,464	780,943	0	3,752,407
Net position, beginning of year, as previously reported	94,448,593	27,233,643	-	121,682,236
GASB 68 adjustment	(13,460,870)	(3,878,031)		(17,338,901)
Net position, beginning of year, as restated	<u>80,987,723</u>	<u>23,355,612</u>	<u>-</u>	<u>104,343,335</u>
Net position, end of year	<u>\$83,959,187</u>	<u>\$24,136,555</u>	<u>\$0</u>	<u>\$108,095,742</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, 2015

	Operating Fund				
	Revenue Fund	Operating Account	Payroll Account	Operating Fund	Reserve for O&M
Cash and investments - July 1, 2014	\$1,200,179	\$465,496	\$30,000	\$809,869	\$3,971,321
Cash receipts:					
Water sales operations and maintenance	10,212,244	-	-	-	-
Water sales debt service	1,551,108	-	-	-	-
Water sales capital fund	1,861,332	-	-	-	-
Water sales source water protection fund	1,489,063	-	-	-	-
Water sales overdrafts	5,138	-	-	-	-
Rental income	33,372	-	-	-	-
Manasquan reservoir support	202,545	-	-	-	28,602
Headquarters overhead	-	-	-	770,600	-
Disposition of property	28,050	-	-	-	-
Recycling revenue	-	-	-	-	-
Sale of investment securities	-	-	-	-	-
Nonrefundable bid deposits	-	-	-	-	-
Insurance reimbursement	18,389	-	-	-	-
Miscellaneous expense reimbursement	17,568	48	-	12,780	191,040
Transfers:					
Contributions from operating fund	-	12,766,709	3,069,093	(22,241,398)	-
Contributions to operating fund	-	-	-	6,240,380	(638,157)
Transfers for operations	(16,358,180)	-	-	16,358,180	-
Transfers for investments	-	-	-	-	-
Distribution from reserves to operations	-	18,121	-	-	-
Investment income	-	-	-	1,934	82,943
Per resolution, Section 603:					
Investment income, transfer from	563,523	-	-	(1,934)	(82,943)
Investment income, transfer to	(535,223)	-	-	-	217,236
Unrealized gain/(loss) on fair value	-	-	-	-	(76,470)
Total cash receipts	(911,071)	12,784,878	3,069,093	1,140,542	(277,749)
Total available cash and investments	\$289,108	\$13,250,374	\$3,099,093	\$1,950,411	\$3,693,572

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, 2015

Operating Fund			Capital	Source Water	
Self-Insurance Reserve	Depreciation Reserve	Pumping Reserve	Improvements Investments II	Protection Fund	Subtotal
\$1,045,132	\$3,501,291	\$775,422	\$7,008,209	\$2,343,247	\$21,150,166
-	-	-	-	-	10,212,244
-	-	-	-	-	1,551,108
-	-	-	-	-	1,861,332
-	-	-	-	-	1,489,063
-	-	-	-	-	5,138
-	-	-	-	-	33,372
-	-	-	-	-	231,147
-	-	-	-	-	770,600
-	67,610	-	-	-	95,660
-	-	-	-	-	0
-	-	-	-	-	0
-	-	-	-	-	0
-	-	-	-	-	18,389
-	-	-	-	-	221,436
-	10,395	150,000	-	549,600	(5,695,601)
-	(134,393)	-	-	(7,868)	5,459,962
-	-	-	-	-	0
-	-	-	-	-	0
-	-	-	-	-	18,121
37,159	106,290	1,350	337,548	4,294	571,518
-	-	-	-	-	0
(37,159)	(103,987)	-	(337,500)	-	0
-	103,987	-	-	-	(214,000)
(35,687)	(100,413)	-	(330,927)	-	(543,497)
(35,687)	(50,511)	151,350	(330,879)	546,026	16,085,992
\$1,009,445	\$3,450,780	\$926,772	\$6,677,330	\$2,889,273	\$37,236,158

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, 2015

	Subtotal	Parity SWP Bond Fund	Subordinated SWP Bond Fund	Major Rehabilitation	Capital Improvement Fund	D & R Mitigation Fund
Cash and investments - July 1, 2014	\$21,150,166	\$283,621	\$551,700	\$1,177,067	\$14,464,185	\$20,090
Cash receipts:						
Water sales operations and maintenance	10,212,244					
Water sales debt service	1,551,108					
Water sales capital fund	1,861,332					
Water sales source water protection fund	1,489,063					
Water sales overdrafts	5,138					
Rental income	33,372					
Manasquan reservoir support	231,147					
Headquarters overhead	770,600					
Disposition of property	95,660					
Recycling revenue	-					
Sale of investment securities	-					
Nonrefundable bid deposits	-					
Insurance reimbursement	18,389					
Miscellaneous expense reimbursement	221,436				178,067	
Transfers:						
Contributions from operating fund	(5,695,601)	351,000	696,000		1,995,867	
Contributions to operating fund	5,459,962			(17,526)	(3,250,505)	
Transfers for operations	-					
Transfers for investments	-					
Distribution from reserves to operations	18,121					
Investment income	571,518	200	417	2,040	24,265	31
Per resolution, Section 603:						
Investment income, transfer from	-					
Investment income, transfer to	(214,000)			214,000		
Unrealized gain/(loss) on fair value	(543,497)					
Total cash receipts	16,085,992	351,200	696,417	198,514	(1,052,306)	31
Total available cash and investments	\$37,236,158	\$634,821	\$1,248,117	\$1,375,581	\$13,411,879	\$20,121

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, 2015

D & R Canal Dredging	Capital Equipment Reserve	Rate Stabilization Fund	Employment Benefit Funds	Totals
\$1,664,412	\$0	\$85,818	\$883,353	\$40,280,412
				10,212,244
				1,551,108
				1,861,332
				1,489,063
				5,138
				33,372
				231,147
				770,600
				95,660
				-
				-
				-
				18,389
				399,503
1,663,223	150,000		839,511	-
(1,577,600)			(614,331)	-
				-
			(18,121)	-
1,669	52	68	1,535	601,795
				-
				-
				(543,497)
87,292	150,052	68	208,594	16,725,854
\$1,751,704	\$150,052	\$85,886	\$1,091,947	\$57,006,266

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, 2015

	Operating Fund				
	Revenue Fund	Operating Account	Payroll Account	Operating Fund	Reserve for O&M
Total available cash and investments	\$289,108	\$13,250,374	\$3,099,093	\$1,950,411	\$3,693,572
Cash disbursements:					
Payroll	-	-	3,069,093	-	-
Fringe benefits	-	40,222	-	781,476	-
Employee deferred comp. and credit union	-	562,034	-	196,186	-
Operations and maintenance	-	11,460,748	-	-	-
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 NJEIT revenue bonds	-	-	-	-	-
Interest on NJEIT revenue bonds	-	-	-	-	-
Total cash disbursements	-	12,063,004	3,069,093	977,662	-
Cash and investments - June 30, 2015	\$289,108	\$1,187,370	\$30,000	\$972,749	\$3,693,572
Summary of cash and investments:					
Cash	\$289,108	\$1,187,370	\$30,000	-	-
Short-term investments	-	-	-	972,749	2,166,216
Long-term investments	-	-	-	-	1,527,356
Restricted investments (current)	-	-	-	-	-
Restricted investments (long term)	-	-	-	-	-
Total cash and investments	\$289,108	\$1,187,370	\$30,000	\$972,749	\$3,693,572

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, 2015

Operating Fund			Capital	Source Water	
Self-Insurance Reserve	Depreciation Reserve	Pumping Reserve	Improvements Investments II	Protection Fund	Subtotal
\$1,009,445	\$3,450,780	\$926,772	\$6,677,330	\$2,889,273	\$37,236,158
-	-	-	-	-	3,069,093
-	-	-	-	-	821,698
-	-	-	-	-	758,220
-	-	-	-	-	11,460,748
-	-	-	-	-	-
-	13,266	-	-	-	13,266
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	13,266	-	-	-	16,123,025
\$1,009,445	\$3,437,514	\$926,772	\$6,677,330	\$2,889,273	\$21,113,133
-	-	-	-	-	\$1,506,478
296,679	1,411,115	926,772	74,500	2,889,273	8,737,304
712,766	2,026,399	-	6,602,830	-	10,869,351
-	-	-	-	-	-
-	-	-	-	-	-
\$1,009,445	\$3,437,514	\$926,772	\$6,677,330	\$2,889,273	\$21,113,133

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, 2015

	Subtotal	Parity SWP Bond Fund	Subordinated SWP Bond Fund	Major Rehabilitation	Capital Improvement Fund	D & R Mitigation Fund
Total available cash and investments	\$37,236,158	\$634,821	\$1,248,117	\$1,375,581	\$13,411,879	\$20,121
Cash disbursements:						
Payroll	3,069,093	-	-	-	-	-
Fringe benefits	821,698	-	-	-	-	-
Employee deferred comp. and credit union	758,220	-	-	-	-	-
Operations and maintenance	11,460,748	-	-	-	-	-
Prepaid insurance	-	-	-	-	-	-
Miscellaneous disbursements	13,266	-	-	-	-	-
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 NJEIT revenue bonds	-	257,801	438,164	-	-	-
Interest on NJEIT revenue bonds	-	89,042	274,295	-	-	-
Total cash disbursements	16,123,025	346,843	712,459	-	-	-
Cash and investments - June 30, 2015	\$21,113,133	\$287,978	\$535,658	\$1,375,581	\$13,411,879	\$20,121

Summary of cash and investments:

Cash	\$1,506,478	\$ -	\$ -	\$ -	\$ -	\$ -
Short-term investments	8,737,304	287,978	535,658	1,375,581	13,411,879	20,121
Long-term investments	10,869,351	-	-	-	-	-
Restricted investments (current)	-	-	-	-	-	-
Restricted investments (long term)	-	-	-	-	-	-
Total cash and investments	\$21,113,133	\$287,978	\$535,658	\$1,375,581	\$13,411,879	\$20,121

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, 2015

D & R Canal Dredging	Capital Equipment Reserve	Rate Stabilization Fund	Employment Benefits Fund	Totals
\$1,751,704	\$150,052	\$85,886	\$1,091,947	\$57,006,266
-	-	-	-	3,069,093
-	-	-	-	821,698
-	-	-	-	758,220
-	-	-	-	11,460,748
-	-	-	-	-
-	-	-	38,759	52,025
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	695,965
-	-	-	-	363,337
-	-	-	38,759	17,221,086
\$1,751,704	\$150,052	\$85,886	\$1,053,188	\$39,785,180

\$ -	\$ -	\$ -	\$43,975	\$1,550,453
1,751,704	150,052	85,886	1,009,213	27,365,376
-	-	-	-	10,869,351
-	-	-	-	-
-	-	-	-	-
\$1,751,704	\$150,052	\$85,886	\$1,053,188	\$39,785,180

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, 2015

	Operating Fund				
	Revenue Fund	Operating Account	Payroll Account	Operating Fund	Reserve for O&M
Cash and investments - July 1, 2014	\$159,380	\$903,195	\$20,000	\$2,858,063	\$1,490,891
Cash receipts:					
Water sales operations and maintenance	2,708,815	-	-	-	-
Water sales debt service	4,955,551	-	-	-	-
Source water protection	113,940	-	-	-	-
Water sales debt service NJEIT	185,495	-	-	-	-
Water sales overdrafts	-	-	-	-	-
NJ-American pumping costs	81,128	-	-	-	-
Headquarters overhead	-	-	-	-	-
Reimbursement of WTP capital expenses	-	-	-	-	-
Disposition of assets	-	-	-	-	-
Reimbursement from Raritan System	1,936	-	-	(12,780)	-
Sale of investment securities	-	-	-	-	-
Nonrefundable bid deposits	-	-	-	-	-
Miscellaneous reimbursement	1,688	-	-	-	165,590
Transfers:					
Contributions from operating fund	-	3,720,887	1,016,979	(10,146,131)	-
Contributions to operating fund	-	-	-	2,951,689	-
Transfers for operations	(7,922,400)	-	-	7,922,400	-
Distribution from reserves to operations	(118,390)	-	-	118,390	-
Investment income	-	-	-	5,254	22,895
Per resolution, Section 603:					
Investment income, transfer from	58,319	-	-	(5,254)	(22,895)
Investment income, transfer to	(54,366)	-	-	3,549	16,962
Unrealized (loss)gain on fair value	-	-	-	-	(20,392)
Total cash receipts	11,716	3,720,887	1,016,979	837,117	162,160
Total cash and investments	\$171,096	\$4,624,082	\$1,036,979	\$3,695,180	\$1,653,051

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, 2015

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	\$400,432	\$162,269	\$113,297	\$10,790,031
-	-	-	-	-	-	-	2,708,815
-	-	-	-	-	-	-	4,955,551
-	-	-	-	-	-	-	113,940
-	-	-	-	-	-	-	185,495
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	81,128
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(10,844)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	5,000	-	-	13,266	-	-	185,544
-	120,000	-	112,568	-	-	23,500	(5,152,197)
-	(768,125)	-	(21,742)	(23,492)	-	-	2,138,330
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
11,058	4,390	46	2,515	16,489	2,041	112	64,800
(11,058)	-	-	-	(16,425)	(2,041)	(112)	534
-	16,963	-	-	16,425	-	-	(467)
(10,724)	-	-	-	(16,005)	(1,877)	-	(48,998)
(10,724)	(621,772)	46	93,341	(9,742)	(1,877)	23,500	5,221,631
\$242,339	\$2,300,477	\$30,069	\$1,570,510	\$390,690	\$160,392	\$136,797	\$16,011,662

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, 2015

	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, 2014	\$10,790,031	\$199,621	\$758,634	\$9,488	\$98,449	\$253,210	\$1,572,892
Cash receipts:							
Water sales operations and maintenance	2,708,815	-	-	-	-	-	-
Water sales debt service	4,955,551	-	-	-	-	-	-
Source water protection	113,940	-	-	-	-	-	-
Water sales debt service NJEIT	185,495	-	-	-	-	-	-
Water sales overdrafts	-	-	-	-	-	-	-
NJ-American pumping costs	81,128	-	-	-	-	-	-
Headquarters overhead	-	-	2,642,400	-	-	-	-
Reimbursement of WTP capital expenses	-	-	-	-	-	-	-
Disposition of assets	-	-	-	-	-	-	-
Reimbursement from Raritan System	(10,844)	-	-	-	-	-	-
Sale of investment securities	-	-	-	-	-	-	-
Nonrefundable bid deposits	-	-	-	-	-	-	-
Miscellaneous reimbursement	185,544	-	35,559	-	-	-	432,100
Transfers:							
Contributions from operating fund	(5,152,197)	1,800,000	(1,810,139)	-	-	-	1,574
Contributions to operating fund	2,138,330	-	(503,747)	-	-	-	(839,228)
Transfers for operations	-	-	-	-	-	-	-
Distribution from reserves to operations	-	-	-	-	-	-	-
Investment income	64,800	-	1,081	15	89	354	2,281
Per resolution, Section 603:		-	-	-	-	-	-
Investment income, transfer from	534	-	-	(15)	(94)	(359)	-
Investment income, transfer to	(467)	-	467	-	-	-	-
Unrealized (loss)gain on fair value	(48,998)	-	-	-	-	-	-
Total cash receipts	5,221,631	1,800,000	365,621	-	(5)	(5)	(403,273)
Total cash and investments	\$16,011,662	\$1,999,621	\$1,124,255	\$9,488	\$98,444	\$253,205	\$1,169,619

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, 2015

NJFIT 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
\$333,665	\$3,635,474	\$3,614,375	\$16,731	\$9,234	\$149,911	\$41,198	\$290,251	\$21,773,164
-	-	-	-	-	-	-	-	2,708,815
-	-	-	-	-	-	-	-	4,955,551
-	-	-	-	-	-	-	-	113,940
-	-	-	-	-	-	-	-	185,495
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	81,128
-	-	-	-	-	-	-	-	2,642,400
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	(10,844)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	653,203
183,256	4,243,939	-	5,068	951	-	672,855	54,693	-
-	-	(122,500)	-	-	-	(672,855)	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
409	270	114,952	1	1	177	66	470	184,966
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	(66)	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	(48,998)
183,665	4,244,209	(7,548)	5,069	952	177	-	55,163	11,465,656
\$517,330	\$7,879,683	\$3,606,827	\$21,800	\$10,186	\$150,088	\$41,198	\$345,414	\$33,238,820

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, 2015

	Operating Fund				
	Revenue Fund	Operating Account	Payroll Account	Operating Fund	Reserve for O&M
Total available cash and investments	\$171,096	\$4,624,082	\$1,036,979	\$3,695,180	\$1,653,051
Cash disbursements:					
Payroll	-	-	1,016,979	-	-
Fringe benefits	-	1,917,225	-	(1,474,090)	-
Employee deferred comp. and credit union	-	-	-	198,225	-
Operations and maintenance	-	2,393,921	-	692,615	-
NJ-American pumping costs	-	-	-	-	-
Prepaid insurance	-	-	-	-	-
Headquarters overhead	-	-	-	667,600	-
Capital assets reservoir	-	-	-	-	-
Capital improvement program (reservoir)	-	-	-	-	-
Purchase of investment securities	-	-	-	-	-
Principal on bonds	-	-	-	-	-
Interest on bonds	-	-	-	-	-
Total cash disbursements	-	4,311,146	1,016,979	84,350	-
Cash and investments - June 30, 2015	\$171,096	\$312,936	\$20,000	\$3,610,830	\$1,653,051
 Summary of cash and investments:					
Cash (Manasquan)	\$171,096	\$312,936	\$20,000	-	-
Cash (Water Treatment Plant/TS)	-	-	-	-	-
Short-term investments	-	-	-	3,610,830	1,244,939
Short-term investments (WTP/TS)	-	-	-	-	-
Long-term investments	-	-	-	-	408,112
Restricted investments (current)	-	-	-	-	-
Restricted investments (long-term)	-	-	-	-	-
Total cash and investments	\$171,096	\$312,936	\$20,000	\$3,610,830	\$1,653,051

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, 2015

Self- Insurance Reserve	Renewal and Replacement Account	Water Reuse & Recycling	Source Water Protection	Depreciation Reserve	Pumping Reserve	Sediment Reserve	Subtotal
\$242,339	\$2,300,477	\$30,069	\$1,570,510	\$390,690	\$160,392	\$136,797	\$16,011,662
-	-	-	-	-	-	-	1,016,979
-	-	-	-	-	-	-	443,135
-	-	-	-	-	-	-	198,225
-	-	-	-	-	-	-	3,086,536
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	667,600
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	5,412,475
\$242,339	\$2,300,477	\$30,069	\$1,570,510	\$390,690	\$160,392	\$136,797	\$10,599,187
-	-	-	-	-	-	-	\$504,032
-	-	-	-	-	-	-	-
37,685	2,300,477	30,069	1,570,510	84,376	124,652	136,797	9,140,335
-	-	-	-	-	-	-	-
204,654	-	-	-	306,314	35,740	-	954,820
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$242,339	\$2,300,477	\$30,069	\$1,570,510	\$390,690	\$160,392	\$136,797	\$10,599,187

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, 2015

	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	\$16,011,662	\$1,999,621	\$1,124,255	\$9,488	\$98,444	\$253,205	\$1,169,619
Cash disbursements:							
Payroll	1,016,979	-	-	-	-	-	-
Fringe benefits	443,135	-	-	-	-	-	-
Employee deferred comp. and credit union	198,225	-	-	-	-	-	-
Operations and maintenance	3,086,536	1,814,385	9,827	-	-	-	-
NJ-American pumping costs	-	-	-	-	-	-	-
Prepaid insurance	-	-	-	-	-	-	-
Headquarters overhead	667,600	-	103,000	-	-	-	-
Capital assets reservoir	-	-	-	-	-	-	-
Capital improvement program (reservoir)	-	-	-	-	-	-	-
Purchase of investment securities	-	-	-	-	-	-	-
Principal on bonds	-	-	-	-	-	-	-
Interest on bonds	-	-	-	-	-	-	-
Total cash disbursements	5,412,475	1,814,385	112,827	-	-	-	-
Cash and investments - June 30, 2015	\$10,599,187	\$185,236	\$1,011,428	\$9,488	\$98,444	\$253,205	\$1,169,619
Summary of cash and investments:							
Cash (Manasquan)	\$504,032	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash (Water Treatment Plant/TS)	-	185,236	-	-	-	-	-
Short-term investments	9,140,335	-	-	-	-	-	-
Short-term investments (WTP/TS)	-	-	1,011,428	9,488	98,444	253,205	1,169,619
Long-term investments	954,820	-	-	-	-	-	-
Restricted investments (current)	-	-	-	-	-	-	-
Restricted investments (long-term)	-	-	-	-	-	-	-
Total cash and investments	\$10,599,187	\$185,236	\$1,011,428	\$9,488	\$98,444	\$253,205	\$1,169,619

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, 2015

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
\$517,330	\$7,879,683	\$3,606,827	\$21,800	\$10,186	\$150,088	\$41,198	\$345,414	\$33,238,820
-	-	-	-	-	-	-	-	1,016,979
-	-	-	-	-	-	-	-	443,135
-	-	-	-	-	-	-	-	198,225
-	-	-	-	-	-	-	-	4,910,748
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	770,600
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
103,381	2,795,000	-	2,693	-	-	-	-	2,901,074
64,441	1,375,125	-	4,860	-	-	-	-	1,444,426
167,822	4,170,125	-	7,553	-	-	-	-	11,685,187
\$349,508	\$3,709,558	\$3,606,827	\$14,247	\$10,186	\$150,088	\$41,198	\$345,414	\$21,553,633
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$504,032
-	-	-	-	-	-	-	-	185,236
-	-	-	-	-	-	41,198	345,414	9,526,947
-	-	-	-	-	-	-	-	2,542,184
-	-	-	-	-	-	-	-	954,820
349,508	3,709,558	3,606,827	14,247	10,186	150,088	-	-	7,840,414
-	-	-	-	-	-	-	-	-
\$349,508	\$3,709,558	\$3,606,827	\$14,247	\$10,186	\$150,088	\$41,198	\$345,414	\$21,553,633

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
New Jersey Water Supply Authority
Clinton, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the New Jersey Water Supply Authority (the "Authority"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 7, 2015

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 purpose of expressing our opinions 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.


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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
December 7, 2015