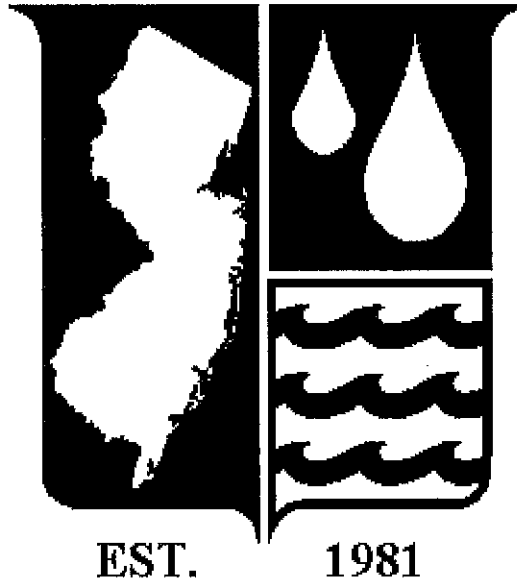


NEW JERSEY WATER SUPPLY AUTHORITY



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**(A Component Unit of the State of New Jersey)
March 31, 2017 AND JUNE 30, 2016**

(UNAUDITED)

NEW JERSEY WATER SUPPLY AUTHORITY

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

Unaudited

| | March 31, 2017 | June 30, 2016 |
|---|-------------------|------------------|
| Assets | | |
| Current assets: | | |
| Unrestricted assets | | |
| Cash and cash equivalents | \$45,409,554 | \$41,144,423 |
| Unbilled sales | 1,554,948 | 1,082,506 |
| Accounts receivable, less allowance for doubtful accounts of \$1,000 at March 31, 2017 and June 30, 2016 | 1,887,239 | 3,101,106 |
| Interest receivable | 137,212 | 272,443 |
| Prepaid expenses and other current assets | 1,366,155 | 1,012,080 |
| Total unrestricted current assets | 50,355,108 | 46,612,558 |
| Restricted assets: | | |
| Cash equivalents | 3,951,637 | 4,541,572 |
| Investments | 4,414,125 | 2,491,019 |
| Total restricted current assets | 8,365,762 | 7,032,591 |
| Total current assets | 58,720,870 | 53,645,149 |
| Non-current assets: | | |
| Investments | 11,212,934 | 11,527,173 |
| Capital assets, net | 140,001,608 | 140,382,085 |
| Total non-current assets | 151,214,542 | 151,909,258 |
| Deferred outflows of resources | 3,719,598 | 3,646,920 |
| Total assets and deferred outflows of resources | 213,655,010 | 209,201,327 |
| Liabilities | | |
| Current liabilities: | | |
| Current portion of bonds, notes and loans payable | - | 1,276,652 |
| Accounts payable | 2,415,047 | 445,212 |
| Accrued liabilities | 1,799,590 | 1,149,802 |
| Unearned revenue | 2,938,409 | 3,155,654 |
| Total current liabilities | 7,153,046 | 6,027,320 |
| Non-current liabilities: | | |
| Non-current portion of bonds, notes and loans payable | 64,761,408 | 64,954,602 |
| Net pension liability | 21,508,302 | 21,534,789 |
| Total non-current liabilities | 86,269,710 | 86,489,391 |
| Deferred inflows of resources: | | |
| Cost recovery | (355,533) | 1,231,135 |
| Pension related | 1,021,022 | 1,021,022 |
| Gain on refunding | 739,153 | 823,712 |
| Total deferred inflows of resources | 1,404,642 | 3,075,869 |
| Net position | | |
| Net investment in capital assets | 100,064,231 | 98,890,303 |
| Restricted for cash, investment, and unearned revenue | 5,427,353 | 3,876,937 |
| Unrestricted | 13,336,028 | 10,841,507 |
| Total net position | 118,827,612 | 113,608,747 |
| Total liabilities, deferred inflows of resources, and net position | \$213,655,010 | \$209,201,327 |

See accompanying notes.

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

Unaudited

| | Nine months ended March 31, | |
|---|-----------------------------|---------------|
| | 2017 | 2016 |
| Operating revenues: | | |
| Water sales | \$19,186,293 | \$19,017,421 |
| Reimbursement of operating expenses | 1,981,800 | 1,981,800 |
| Total operating revenues | 21,168,093 | 20,999,221 |
| Operating expenses: | | |
| Payroll | 5,566,741 | 5,475,615 |
| Operations and maintenance | 3,615,938 | 3,629,169 |
| Fringe benefits | 4,355,441 | 3,432,458 |
| Depreciation | 3,326,100 | 3,326,792 |
| Total operating expenses | 16,864,220 | 15,864,034 |
| Income from operations | 4,303,873 | 5,135,187 |
| Non-operating revenue: | | |
| State of New Jersey - Grant Programs | 15,293 | 8,364 |
| Investment income | (81,479) | 574,701 |
| Rental income | 46,501 | 53,875 |
| Other income | (218,803) | 73,578 |
| Total non-operating revenue | (238,488) | 710,518 |
| Non-operating expenses: | | |
| Interest component of debt service to the State of New Jersey | 346,520 | 923,279 |
| Bond discount/insurance premium expense | 12,491 | 21,277 |
| Recovery of deferred inflows of resources | (1,512,491) | 679,240 |
| Total non-operating expenses | (1,153,480) | 1,623,796 |
| Change in net position | 5,218,865 | 4,221,909 |
| Net position, beginning of year | 113,608,747 | 108,095,742 |
| Net position, end of year | \$118,827,612 | \$112,317,651 |

See accompanying notes.

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

Unaudited

| | Nine months ended March 31, | |
|---|-----------------------------|--------------|
| | 2017 | 2016 |
| Cash flows from operating activities | | |
| Cash received from water sales | \$20,278,756 | \$19,402,936 |
| Cash received from reimbursable expenses | 1,960,434 | 1,999,336 |
| Cash received from rental income | 35,497 | 33,468 |
| Cash paid to or on behalf of employees | (9,786,430) | (9,019,126) |
| Cash paid to suppliers | (2,558,148) | (2,520,744) |
| Net cash provided by operating activities | 9,930,109 | 9,895,870 |
| Cash flows from noncapital financing activities | | |
| Cash received for grant programs | 15,293 | 8,364 |
| Net cash provided by noncapital financing activities | 15,293 | 8,364 |
| Cash flows from capital and related financing activities | | |
| Proceeds from borrowing | - | - |
| Gain on refunding | - | - |
| Principal paid on bonds, notes and loans | (1,881,198) | (4,125,903) |
| Interest paid on bonds, notes and loans | (416,998) | (1,331,629) |
| Acquisition and construction of capital assets | (2,715,772) | (2,692,403) |
| Proceeds from sale of capital assets | 298,877 | 72,564 |
| Net cash used in financing activities | (4,715,091) | (8,077,371) |
| Cash flows from investing activities | | |
| Sale of investment securities | 7,313,765 | 4,360,569 |
| Purchase of investment securities | (9,663,855) | (3,250,510) |
| Interest received on investments | 53,752 | 692,246 |
| Premium on matured investments | 741,223 | - |
| Net cash provided by investing activities | (1,555,115) | 1,802,305 |
| Net increase in cash and cash equivalents | 3,675,196 | 3,629,168 |
| Cash and cash equivalents, beginning of year | 45,685,995 | 41,674,228 |
| Cash and cash equivalents, end of year | \$49,361,191 | \$45,303,396 |
| Reconciliation of income from operations to net cash provided by operating activities: | | |
| Income from operations | \$4,303,873 | \$5,135,187 |
| Adjustments to reconcile income from operations to net cash provided by operating activities: | | |
| Non-cash items expensed to operations and maintenance | 46,501 | 53,875 |
| Cash received for operating activity shown in other income | (517,680) | 1,014 |
| Depreciation | 3,326,100 | 3,326,792 |
| Increase (decrease) in cash from: | | |
| Unbilled sales | (472,442) | (415,988) |
| Accounts receivable | 1,213,867 | 439,140 |
| Prepaid expenses and other current assets | (354,075) | (345,943) |
| Accounts payable | 1,739,984 | 1,829,882 |
| Accrued liabilities | 1,387 | 4,271 |
| Accrued payroll and taxes | 741,759 | (101,071) |
| Deferred inflow of resources | (99,165) | (31,289) |
| Net cash provided by operating activities | \$9,930,109 | \$9,895,870 |
| Non cash investing activities | | |
| Increase (decrease) in fair value of investments | (\$260,107) | (\$6,919) |

See accompanying notes.

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

1. 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 of New Jersey, 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 it 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 principals generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB").

The Authority derives most of its revenues 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.

Revenue

Charges for wholesale water usage are established to provide revenues sufficient for services, essential repairs and improvements to 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 revenues and expenses from non-operating items. Operating revenues 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.

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

Capital Assets

Capital assets are stated at original cost and consist primarily of amounts expended to license, construct, acquire, complete and place in 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 assets 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 & 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.

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* and GASB Statement No. 72, *Fair Value Measurement and Application*.

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 March 31, 2017 and 2016, accounts receivable included amounts due from the New Jersey Environmental Infrastructure Financing Program ("NJEIFP") for \$0 and \$0 respectively.

During fiscal year 2016, two customers accounted for approximately 87% of the total Raritan Basin System accounts receivable and five customers accounted for approximately 87% of the Manasquan Reservoir accounts receivable. During fiscal year 2015, two customers accounted for approximately 84% of the total Raritan Basin System accounts receivable, and five customers accounted for approximately 88% of the Manasquan Reservoir accounts receivable.

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

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 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 and state income taxes.

Net Position

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

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

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

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 Statement 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, and accrued sick pay, 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 nine months ended March 31, 2017 and the year ended June 30, 2016, were determined as follows:

| | March 31, 2017 | June 30, 2016 |
|---|-------------------|------------------|
| Raritan Basin System | | |
| Cost excluded from rate model: | | |
| Depreciation of debt-financed capital assets recoverable from rate payers | \$626,407 | \$835,209 |
| Excess vacation expense over vacation paid | (24,546) | 27,016 |
| Accrued Sick pay | - | 186,576 |
| | 601,861 | 1,048,801 |
| Cost included in rate model: | | |
| Debt principal repayment | - | - |
| | 601,861 | 1,048,801 |
| Manasquan System | | |
| Cost excluded from rate model: | | |
| Depreciation of debt-financed capital assets recoverable from rate payers | 1,155,641 | 1,540,854 |
| Excess vacation expense over vacation paid | 1,666 | (2,006) |
| Accrued sick pay | - | 14,337 |
| | 1,157,307 | 1,553,185 |
| Cost included in rate model: | | |
| Debt principal repayment | (172,500) | (2,942,853) |
| | 984,807 | (1,389,668) |
| Total Raritan Basin and Manasquan | 1,586,668 | (340,867) |
| Balance, beginning of year | (1,231,135) | (890,268) |
| Balance, end of year | \$355,533 | (\$1,231,135) |

As shown in the statement of revenue, expenses and changes in net position for the nine months ended March 31, 2017 and the year ended June 30, 2016, respectively, a credit balance of \$1,512,491 and a debit balance of \$716,783 of deferred inflows of resources include a debit balance of \$97,057, and a debit balance of \$149,993 of Water Treatment Plant deferred revenue, which is not part of the rate model, and does not include a debit balance of \$22,880 and a credit balance of \$225,923 of accrued vacation and accrued sick pay.

Deferred Inflows/Outflows of Resource - Debt Refunding

Deferred charges for debt refunding result from the difference between the net carrying amount of refunded bonds and the amount deposited to escrow to defease the bonds. In accordance with GASB 23, the Authority has deferred the difference between the reacquisition price and the net carrying amount of the Manasquan Reservoir Water Supply System Revenue Bonds, Series 2005. The deferred amount is reported as a deferred inflow of resources and amortized as a component of interest expense over the remaining life of the Manasquan Reservoir Water Supply System Revenue Bonds, Series 2016.

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

Deferred Inflows/Outflows of Resources - Pensions

Deferred charges for the 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 the 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.

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 March 31, 2017 and 2016, unearned revenue amounting to \$2,144,652 and \$2,151,750, respectively, was determined as follows:

| | 2017 | 2016 |
|-------------------------------------|-------------|-------------|
| Reimbursement of operating expenses | \$1,985,865 | \$1,984,593 |
| Operating expenses | 1,888,808 | 1,730,445 |
| Unearned revenue | 97,057 | 254,148 |
| | | |
| Balance, beginning of year | 2,047,595 | 1,897,602 |
| Balance, end of year | \$2,144,652 | \$2,151,750 |

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 March 31, 2017 and 2016, the amount included in unearned revenue was \$793,757 and \$1,140,857, respectively.

Accounting for Watershed Protection Program

For the nine months ended March 31, 2017 and 2016, the Authority received \$15,293 and \$8,364 respectively, from the New Jersey Department of Environmental Protection 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 March 31, 2017, all the funds received had been recognized as revenue.

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, which provide post employment benefits other than pensions. Since the Authority participates in the State of New Jersey's multiple-employer cost-sharing plan (Public Employee's Retirement System), the Authority's portion of this liability and cost is calculated and recorded at the State of New Jersey level and included in the State's Comprehensive Annual Financial Report. The Authority records OPEB expense based on the billings from the State PERS. Required financial statement disclosures are included in Note 6 of these audited financial statements.

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

3. Capital Assets

Capital assets activity for the nine months ended March 31, 2017 and the year ended June 30, 2016, was as follows:

| | 2017 Beginning Balance | Additions | Retirements | 2017 Ending Balance |
|---|---------------------------------------|--------------------|--------------------|------------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$26,444,952 | \$ - | \$ - | \$26,444,952 |
| Construction work in progress | 12,713,786 | 2,554,073 | - | 15,267,859 |
| Total capital assets not being depreciated | <u>39,158,738</u> | <u>2,554,073</u> | <u>-</u> | <u>41,712,811</u> |
| Capital assets being depreciated: | | | | |
| Dams | 77,369,160 | - | - | 77,369,160 |
| Building, structures and improvements | 133,475,474 | - | (2,964) | 133,472,510 |
| D & R canal dredging | 21,160,274 | - | - | 21,160,274 |
| Machinery and equipment | 6,391,874 | 398,036 | (209,854) | 6,580,056 |
| Total capital assets being depreciated | <u>238,396,782</u> | <u>398,036</u> | <u>(212,818)</u> | <u>238,582,000</u> |
| Less accumulated depreciation for: | | | | |
| Dams | (29,164,145) | (598,496) | - | (29,762,641) |
| Building, structures and improvements | (81,761,134) | (2,471,083) | 2,964 | (84,229,253) |
| D & R canal dredging | (21,160,273) | - | - | (21,160,273) |
| Machinery and equipment | (5,087,883) | (256,520) | 203,367 | (5,141,036) |
| Total accumulated depreciation | <u>(137,173,435)</u> | <u>(3,326,099)</u> | <u>206,331</u> | <u>(140,293,203)</u> |
| Total capital assets being depreciated, net | <u>101,223,347</u> | <u>(2,928,063)</u> | <u>(6,487)</u> | <u>98,288,797</u> |
| Total capital assets, net | <u>\$140,382,085</u> | <u>(\$373,990)</u> | <u>(\$6,487)</u> | <u>\$140,001,608</u> |
| | | | | |
| | 2016 Beginning Balance | Additions | Retirements | 2016 Ending Balance |
| Capital assets not being depreciated: | | | | |
| Land | \$25,566,853 | \$ 878,099 | \$ - | \$26,444,952 |
| Construction work in progress | 10,445,244 | 2,268,542 | - | 12,713,786 |
| Total capital assets not being depreciated | <u>36,012,097</u> | <u>3,146,641</u> | <u>-</u> | <u>39,158,738</u> |
| Capital assets being depreciated: | | | | |
| Dams | 77,369,160 | - | - | 77,369,160 |
| Building, structures and improvements | 133,475,474 | - | - | 133,475,474 |
| D & R canal dredging | 21,160,274 | - | - | 21,160,274 |
| Machinery and equipment | 6,320,308 | 439,543 | (367,977) | 6,391,874 |
| Total capital assets being depreciated | <u>238,325,216</u> | <u>439,543</u> | <u>(367,977)</u> | <u>238,396,782</u> |
| Less accumulated depreciation for: | | | | |
| Dams | (28,366,150) | (797,995) | - | (29,164,145) |
| Building, structures and improvements | (78,436,800) | (3,324,334) | - | (81,761,134) |
| D & R canal dredging | (21,160,273) | - | - | (21,160,273) |
| Machinery and equipment | (5,136,697) | (319,163) | 367,977 | (5,087,883) |
| Total accumulated depreciation | <u>(133,099,920)</u> | <u>(4,441,492)</u> | <u>367,977</u> | <u>(137,173,435)</u> |
| Total capital assets being depreciated, net | <u>105,225,296</u> | <u>(4,001,949)</u> | <u>-</u> | <u>101,223,347</u> |
| Total capital assets, net | <u>\$141,237,393</u> | <u>(\$855,308)</u> | <u>\$ -</u> | <u>\$140,382,085</u> |

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

4. Cash 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 United States 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 certificate 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 March 31, 2017 and June 30, 2016, the Authority's bank balance was \$5,456,276 and \$4,038,014, respectively, of which \$250,000 was covered through the FDIC. The remaining balance of \$5,206,276 and \$3,788,014 as of March 31, 2017 and June 30, 2016, respectively, was collateralized, and the cash balance per the statement of net position is shown exclusive of outstanding checks totaling \$66,519 and \$159,916, respectively. The statement of net position amount includes petty cash totaling \$300 as of March 31, 2017 and June 30, 2016, respectively.

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 \$5,456,276 and \$4,038,014 as of March 31, 2017 and June 30, 2016, respectively, was exposed to custodial credit risk as follows:

| | March 31, 2017 | June 30, 2016 |
|--------------------------------|-------------------|------------------|
| Uninsured and uncollateralized | \$ - | \$ - |

c. Investments and Cash Equivalents

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

The Authority categorizes its fair value measurement within fair value hierarchy established by generally accepted accounting principals. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of March 31, 2017, the Authority had the following recurring fair value measurements using quoted market prices for U.S. Treasuries (Level 1 inputs) and using current sales prices or sale prices of comparable securities for New Jersey General Obligation Bonds (Level 2 inputs) for investments and cash equivalents, and maturities:

| Investment and Cash Equivalent Type | Fair Value | Investment Maturities (in Years) | |
|--|--------------|----------------------------------|--------------|
| | | Less than 1 | 1-5 |
| U.S. Treasuries | \$48,385,259 | \$48,385,259 | \$ - |
| N/J G/O Bonds | 11,350,146 | - | 11,350,146 |
| Total | \$59,735,405 | \$48,385,259 | \$11,350,146 |

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

As of June 30, 2016, the Authority had the following recurring fair value measurements using quoted market prices for U.S. Treasuries (Level 1 inputs) and using current sales prices or sale prices of comparable securities for New Jersey General Obligation Bonds (Level 2 inputs) for investments and cash equivalents, and maturities:

| Investment and Cash Equivalent Type | Fair Value | Investment Maturities (in Years) | |
|--|---------------------|----------------------------------|--------------------|
| | | Less than 1 | 1-5 |
| U.S. Treasuries | \$44,298,616 | \$44,298,616 | \$ - |
| N/J G/O Bonds | 11,799,616 | 4,001,505 | 7,798,111 |
| Total | \$56,098,232 | \$48,300,121 | \$7,798,111 |

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 NJCMF, as well as limiting investments to certain types of marketable securities.

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

The Authority entered into an agreement with PNC Bank and TD Bank to collateralize all deposits held at market rate equal to 102% of the daily combined total of all deposits. As of March 31, 2017, all deposits were collateralized.

d. Investment Income

The following comprises investment income for the year ended March 31, 2017 and 2016, respectively:

| | 2017 | 2016 |
|--|-------------------|------------------|
| Interest earned on bank accounts and certificates of deposit | (213,039) | 199,086 |
| Interest earned on securities | 391,667 | 434,825 |
| Increase (decrease) in fair value of securities | (260,107) | (59,210) |
| | <u>(\$81,479)</u> | <u>\$574,701</u> |

5. Major Water Customers

During fiscal years 2016 and 2015, the Authority supplied water to approximately 29 customers of the Raritan Basin System and 13 customers of the Manasquan System.

During fiscal years 2016 and 2015, 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.

6. Risk Management

The Authority carries insurance for all of its facilities covering direct physical loss or damage and loss of revenue resulting therefrom, with deductibles as it deems appropriate. The Authority also carries General and Umbrella Public Liability Insurance with 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.

Supplemental Information

New Jersey Water Supply Authority

Combining Schedule of Net Position

March 31, 2017

Unaudited

| | Raritan Basin System | Manasquan Reservoir System | Elimination Entries | Combined Total |
|---|----------------------------|----------------------------------|------------------------|----------------------|
| Assets | | | | |
| Current assets: | | | | |
| Unrestricted assets: | | | | |
| Cash and cash equivalents | \$33,066,166 | \$12,343,388 | \$ - | \$45,409,554 |
| Unbilled sales | 1,554,948 | - | - | 1,554,948 |
| Accounts receivable, less allowance for doubtful accounts of \$1,000 at March 31, 2017 | 258,907 | 1,857,174 | (228,842) | 1,887,239 |
| Interest receivable | 125,371 | 11,841 | - | 137,212 |
| Prepaid expenses and other current assets | 1,076,685 | 289,470 | - | 1,366,155 |
| Total unrestricted current assets | <u>36,082,077</u> | <u>14,501,873</u> | <u>(228,842)</u> | <u>50,355,108</u> |
| Restricted assets: | | | | |
| Cash equivalents | 1,552,172 | 2,399,465 | - | 3,951,637 |
| Investments | - | 4,414,125 | - | 4,414,125 |
| Total restricted current assets | <u>1,552,172</u> | <u>6,813,590</u> | <u>-</u> | <u>8,365,762</u> |
| Total current assets | <u>37,634,249</u> | <u>21,315,463</u> | <u>(228,842)</u> | <u>58,720,870</u> |
| Non-current assets: | | | | |
| Investments | 10,346,681 | 866,253 | - | 11,212,934 |
| Capital assets net of accumulated depreciation of \$140,293,204 at March 31, 2017 | 83,741,834 | 56,259,774 | - | 140,001,608 |
| Total non-current assets | <u>94,088,515</u> | <u>57,126,027</u> | <u>-</u> | <u>151,214,542</u> |
| Deferred outflows of resources | 2,863,364 | 856,234 | - | 3,719,598 |
| Total assets and deferred outflows of resources | <u>\$134,586,128</u> | <u>\$79,297,724</u> | <u>(\$228,842)</u> | <u>\$213,655,010</u> |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Current portion of bonds, notes and loans payable | \$ - | \$ - | \$ - | \$ - |
| Accounts payable | 2,070,263 | 573,626 | (228,842) | 2,415,047 |
| Accrued liabilities | 1,305,667 | 493,923 | - | 1,799,590 |
| Unearned revenue | - | 2,938,409 | - | 2,938,409 |
| Total current liabilities | <u>3,375,930</u> | <u>4,005,958</u> | <u>(228,842)</u> | <u>7,153,046</u> |
| Non-current liabilities: | | | | |
| Non-current portion of bonds, notes and loans payable | 10,000,976 | 54,760,432 | - | 64,761,408 |
| Net pension liability | 16,561,317 | 4,946,985 | - | 21,508,302 |
| Total non-current liabilities | <u>26,562,293</u> | <u>59,707,417</u> | <u>-</u> | <u>86,269,710</u> |
| Deferred inflows of resources | | | | |
| Cost recovery | 13,597,663 | (13,953,196) | - | (355,533) |
| Pension related | 786,187 | 234,835 | - | 1,021,022 |
| Gain on refunding | - | 739,153 | - | 739,153 |
| Total deferred inflow of resources | <u>14,383,850</u> | <u>(12,979,208)</u> | <u>-</u> | <u>1,404,642</u> |
| Net position | | | | |
| Net investment in capital assets | 73,740,858 | 26,323,373 | - | 100,064,231 |
| Restricted for debt service, investment, and unearned revenue | 1,552,172 | 3,875,181 | - | 5,427,353 |
| Unrestricted | 14,971,025 | (1,634,997) | - | 13,336,028 |
| Total net position | <u>90,264,055</u> | <u>28,563,557</u> | <u>-</u> | <u>118,827,612</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$134,586,128</u> | <u>\$79,297,724</u> | <u>(\$228,842)</u> | <u>\$213,655,010</u> |

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

March 31, 2017

Unaudited

| | Raritan Basin System | Manasquan Reservoir System | Manasquan Water Treatment Plant | Combined Total |
|---|----------------------------|----------------------------------|--|----------------------|
| Operating revenues: | | | | |
| Water Sales | \$12,893,389 | \$6,292,904 | \$ - | \$19,186,293 |
| Reimbursement of operating expenses | | | 1,981,800 | 1,981,800 |
| Total operating revenues | <u>12,893,389</u> | <u>6,292,904</u> | <u>1,981,800</u> | <u>21,168,093</u> |
| Operating expenses: | | | | |
| Payroll | 4,253,518 | 633,667 | 679,556 | 5,566,741 |
| Operations and maintenance (direct) | 2,269,758 | 863,566 | 595,064 | 3,528,408 |
| Operations and maintenance (general and administrative) | - | 48,248 | 39,282 | 87,530 |
| Fringe benefits | 3,395,478 | 463,060 | 496,903 | 4,355,441 |
| Headquarters overhead | (558,003) | 480,000 | 78,003 | - |
| Depreciation | 2,053,911 | 1,272,189 | - | 3,326,100 |
| Total operating expenses | <u>11,414,662</u> | <u>3,560,750</u> | <u>1,888,808</u> | <u>16,864,220</u> |
| Income from operations | <u>1,478,727</u> | <u>2,732,154</u> | <u>92,992</u> | <u>4,303,873</u> |
| Non-operating revenue: | | | | |
| State of New Jersey - Grant Programs | 15,293 | - | - | 15,293 |
| Investment income | 186,123 | (271,667) | 4,065 | (81,479) |
| Rental income | 46,501 | - | - | 46,501 |
| Other income/(loss) | (239,282) | 20,479 | - | (218,803) |
| Total non-operating revenue | <u>8,635</u> | <u>(251,188)</u> | <u>4,065</u> | <u>(238,488)</u> |
| Non-operating expenses: | | | | |
| Interest component of debt service to the State of New Jersey | 125,111 | 221,409 | - | 346,520 |
| Bond discount/insurance premium expense | - | 12,491 | - | 12,491 |
| Recovery of deferred inflows of resources | (626,407) | (983,141) | 97,057 | (1,512,491) |
| Total non-operating expenses | <u>(501,296)</u> | <u>(749,241)</u> | <u>97,057</u> | <u>(1,153,480)</u> |
| Changes in net position | <u>1,988,658</u> | <u>3,230,207</u> | <u>-</u> | <u>5,218,865</u> |
| Net position, beginning of year | <u>88,275,397</u> | <u>25,333,350</u> | <u>-</u> | <u>113,608,747</u> |
| Net position, end of year | <u>\$90,264,055</u> | <u>\$28,563,557</u> | <u>\$ -</u> | <u>\$118,827,612</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
For the nine months ended March 31, 2017

| | Revenue Fund | Operating Fund | | | | | | Pumping Reserve | Capital Improvements II | Source Water Protection Fund | Subtotal |
|---|--------------------|---------------------|--------------------|--------------------|--------------------|------------------------|----------------------|--------------------|-------------------------|------------------------------|---------------------|
| | | Operating Account | Payroll Account | Operating Fund | Reserve for O&M | Self-Insurance Reserve | Depreciation Reserve | | | | |
| Cash and investments - July 1, 2016 | \$784,554 | \$2,192,156 | \$162,771 | \$816,063 | \$3,601,232 | \$978,497 | \$3,930,446 | \$1,078,640 | \$6,642,657 | \$3,415,738 | \$23,602,754 |
| Cash receipts: | | | | | | | | | | | |
| Water sales operations and maintenance | 9,075,858 | | | | | | | | | | 9,075,858 |
| Water sales debt service | 1,342,342 | | | | | | | | | | 1,342,342 |
| Water sales capital fund | 1,771,890 | | | | | | | | | | 1,771,890 |
| Water sales source water protection fund | 1,176,237 | | | | | | | | | | 1,176,237 |
| Water sales overdrafts | 304,040 | | | | | | | | | | 304,040 |
| Rental income | 35,496 | | | | | | | | | | 35,496 |
| Manasquan reservoir support | 234,138 | | | 14,689 | | | | | | | 248,827 |
| Headquarters overhead | | | | 558,003 | | | | | | | 558,003 |
| Disposition of property | 278,184 | | | | | | | | | | 278,184 |
| Recycling revenue | | | | | | | | | | | - |
| Sale of investment securities | | | | | 328,830 | 689,815 | 477,925 | | | | 1,496,570 |
| Nonrefundable bid deposits | | | | | | | | | | | - |
| Insurance reimbursement | | | | | | | | | | | - |
| Miscellaneous expense reimbursement | 147,906 | 22,710 | | | | | | | | | 170,616 |
| Transfers: | | | | | | | | | | | |
| Contributions from operating fund | | 9,568,860 | 2,368,998 | (17,547,985) | | | 558,982 | 112,500 | | 387,000 | (4,551,645) |
| Contributions to operating fund | | | | 3,603,402 | | | (195,706) | | | (31,677) | 3,376,019 |
| Transfers for operations | (13,910,660) | | | 15,480,660 | | | | | | | 1,570,000 |
| Transfers for investments | | | | | | | | | | | - |
| Distribution from reserves to operations | | 9,360 | | | | | | | | | 9,360 |
| Investment income | | | | 3,487 | 97,972 | 37,414 | 103,400 | 2,089 | 287,547 | 6,840 | 538,749 |
| Per resolution, Section 603: | | | | | | | | | | | |
| Investment income, transfer from | 523,162 | | | (2,451) | (96,635) | (37,276) | (99,300) | | (287,500) | | - |
| Investment income, transfer to | (5,498) | | | | 5,498 | | | | | | - |
| Unrealized gain/(loss) on fair value | | | | | 121,500 | 102,842 | 231,968 | | (156,554) | | 299,756 |
| Total cash receipts | 973,095 | 9,600,930 | 2,368,998 | 2,109,805 | 457,165 | 792,795 | 1,077,269 | 114,589 | (156,507) | 362,163 | 17,700,302 |
| Total available cash and investments | \$1,757,649 | \$11,793,086 | \$2,531,769 | \$2,925,868 | \$4,058,397 | \$1,771,292 | \$5,007,715 | \$1,193,229 | \$6,486,150 | \$3,777,901 | \$41,303,056 |

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)
For the nine months ended March 31, 2017

| | Subtotal | Parity SWP Bond Fund | Subordinated SWP Bond Fund | Major Rehabilitation | Capital Improvement Fund | D&R Mitigation Fund | D&R Canal Dredging | Capital Equipment Reserve | Rate Stabilization Fund | Employment Benefit Funds | Totals |
|---|---------------------|----------------------------|----------------------------------|-------------------------|--------------------------------|---------------------------|--------------------------|---------------------------------|-------------------------------|--------------------------------|---------------------|
| Total cash and investments | \$23,602,754 | \$293,831 | \$538,692 | \$1,378,196 | \$13,268,885 | \$20,157 | \$1,852,067 | \$300,387 | \$85,956 | \$1,246,398 | \$42,587,323 |
| Cash receipts: | | | | | | | | | | | |
| Water sales operations and maintenance | 9,075,858 | | | | | | | | | | 9,075,858 |
| Water sales debt service | 1,342,342 | | | | | | | | | | 1,342,342 |
| Water sales capital fund | 1,771,890 | | | | | | | | | | 1,771,890 |
| Water sales source water protection fund | 1,176,237 | | | | | | | | | | 1,176,237 |
| Water sales overdrafts | 304,040 | | | | | | | | | | 304,040 |
| Rental income | 35,496 | | | | | | | | | | 35,496 |
| Manasquan reservoir support | 248,827 | | | | | | | | | | 248,827 |
| Headquarters overhead | 558,003 | | | | | | | | | | 558,003 |
| Disposition of property | 278,184 | | | | | | | | | | 278,184 |
| Recycling revenue | - | | | | | | | | | | - |
| Sale of investment securities | 1,496,570 | | | | | | | | | | 1,496,570 |
| Nonrefundable bid deposits | - | | | | | | | | | | - |
| Insurance reimbursement | - | | | | | | | | | | - |
| Miscellaneous expense reimbursement | 170,616 | | | | | | | | | | 170,616 |
| Transfers: | | | | | | | | | | | |
| Contributions from operating fund | (4,551,645) | 279,900 | 531,000 | | 1,647,207 | | 1,247,884 | 112,500 | | 733,154 | - |
| Contributions to operating fund | 3,376,019 | | | | (2,694,660) | | | | | (681,359) | - |
| Transfers for operations | 1,570,000 | | | | | | (1,570,000) | | | | - |
| Transfers for investments | - | | | | | | | | | | - |
| Distribution from reserves to operations | 9,360 | | | | | | | | | (9,360) | - |
| Investment income | 538,749 | 209 | 345 | 2,583 | 25,311 | 35 | 2,029 | 575 | 70 | 2,520 | 572,426 |
| Per resolution, Section 603: | | | | | | | | | | | |
| Investment income, transfer from | - | | | | | | | | | | - |
| Investment income, transfer to | - | | | | | | | | | | - |
| Unrealized gain/(loss) on fair value | 299,756 | | | | | | | | | | 299,756 |
| Total cash receipts | 17,700,302 | 280,109 | 531,345 | 2,583 | (1,022,142) | 35 | (320,087) | 113,075 | 70 | 44,955 | 17,330,245 |
| Total available cash and investments | \$41,303,056 | \$573,940 | \$1,070,037 | \$1,380,779 | \$12,246,743 | \$20,192 | \$1,531,980 | \$413,462 | \$86,026 | \$1,291,353 | \$59,917,568 |

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)
For the nine months ended March 31, 2017

| | Revenue Fund | Operating Fund | | | | | Pumping Reserve | Capital Improvements II | Source Water Protection Fund | Subtotal | |
|---|--------------|-------------------|-----------------|----------------|-----------------|------------------------|-----------------|-------------------------|------------------------------|-------------|----------------------|
| | | Operating Account | Payroll Account | Operating Fund | Reserve for O&M | Self-Insurance Reserve | | | | | Depreciation Reserve |
| Total available cash and investments | \$1,757,649 | \$11,793,086 | \$2,531,769 | \$2,925,868 | \$4,058,397 | \$1,771,292 | \$5,007,715 | \$1,193,229 | \$6,486,150 | \$3,777,901 | \$41,303,056 |
| Cash disbursements: | | | | | | | | | | | |
| Payroll | | | 2,501,769 | | | | | | | | 2,501,769 |
| Fringe benefits | | 26,372 | | 498,189 | | | | | | | 524,561 |
| Employee deferred compensation and credit union | | 1,449,112 | | 84,756 | | | | | | | 1,533,868 |
| Operations and maintenance | | 7,235,647 | | | | | | | | | 7,235,647 |
| Prepaid insurance | | | | | | | | | | | - |
| Miscellaneous disbursements | | | | | | | | | | | - |
| Watershed Management Fund | | | | | | | | | | | - |
| Capital improvements: | | | | | | | | | | | |
| Capital assets | | | | | | | | | | | - |
| New five year construction project | | | | | | | | | | | - |
| Purchase of investments securities | | | | | 472,481 | 822,339 | 770,273 | | | | 2,065,093 |
| Principal on 1981 bonds | | | | | | | | | | | - |
| Interest on 1981 bonds | | | | | | | | | | | - |
| Principal on 1998 bonds | | | | | | | | | | | - |
| Interest on 1998 revenue bonds | | | | | | | | | | | - |
| Principal on NJEIT bonds | | | | | | | | | | | - |
| Interest on NJEIT revenue bonds | | | | | | | | | | | - |
| Total cash disbursements | - | 8,711,131 | 2,501,769 | 582,945 | 472,481 | 822,339 | 770,273 | - | - | - | 13,860,938 |
| Cash and investments - March 31, 2017 | \$1,757,649 | \$3,081,955 | \$30,000 | \$2,342,923 | \$3,585,916 | \$948,953 | \$4,237,442 | \$1,193,229 | \$6,486,150 | \$3,777,901 | \$27,442,118 |
| Summary of cash and investments: | | | | | | | | | | | |
| Cash | \$1,757,649 | \$3,081,955 | \$30,000 | | | | | | | | \$4,869,604 |
| Short-term investments | | | | \$2,342,923 | \$2,183,013 | \$296,817 | \$2,357,356 | \$1,193,229 | \$74,594 | \$3,777,901 | 12,225,833 |
| Long-term investments | | | | | 1,402,903 | 652,136 | 1,880,086 | | 6,411,556 | | 10,346,681 |
| Restricted Investments (current) | | | | | | | | | | | - |
| Restricted Investments (long-term) | | | | | | | | | | | - |
| Total cash and investments | \$1,757,649 | \$3,081,955 | \$30,000 | \$2,342,923 | \$3,585,916 | \$948,953 | \$4,237,442 | \$1,193,229 | \$6,486,150 | \$3,777,901 | \$27,442,118 |

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)
For the nine months ended March 31, 2017

| | Subtotal | Parity SWP Bond Fund | Subordinated SWP Bond Fund | Major Rehabilitation | Capital Improvement Fund | D&R Mitigation Fund | D&R Canal Dredging | Capital Equipment Reserve | Rate Stabilization Fund | Employment Benefit Funds | Totals |
|---|---------------------|----------------------------|----------------------------------|-------------------------|--------------------------------|---------------------------|--------------------------|---------------------------------|-------------------------------|--------------------------------|---------------------|
| Total available cash and investments | \$41,303,056 | \$573,940 | \$1,070,037 | \$1,380,779 | \$12,246,743 | \$20,192 | \$1,531,980 | \$413,462 | \$86,026 | \$1,291,353 | \$59,917,568 |
| Cash disbursements: | | | | | | | | | | | |
| Payroll | 2,501,769 | | | | | | | | | | 2,501,769 |
| Fringe benefits | 524,561 | | | | | | | | | | 524,561 |
| Employee deferred compensation and credit union | 1,533,868 | | | | | | | | | | 1,533,868 |
| Operations and maintenance | 7,235,647 | | | | | | | | | | 7,235,647 |
| Prepaid insurance | - | | | | | | | | | | - |
| Miscellaneous disbursements | - | | | | | | | | | 35,503 | 35,503 |
| Watershed Management Fund | - | | | | | | | | | | - |
| Capital improvements: | | | | | | | | | | | |
| Capital assets | - | | | | | | | | | | - |
| New five year construction project | - | | | | | | | | | | - |
| Purchase of investments securities | 2,065,093 | | | | | | | | | | 2,065,093 |
| Principal on 1981 bonds | - | | | | | | | | | | - |
| Interest on 1981 bonds | - | | | | | | | | | | - |
| Principal on 1998 bonds | - | | | | | | | | | | - |
| Interest on 1998 revenue bonds | - | | | | | | | | | | - |
| Principal on NJEIT bonds | - | 293,696 | 471,075 | | | | | | | | 764,771 |
| Interest on NJEIT revenue bonds | - | 72,145 | 219,192 | | | | | | | | 291,337 |
| Total cash disbursements | 13,860,938 | 365,841 | 690,267 | - | - | - | - | - | - | 35,503 | 14,952,549 |
| Cash and investments - March 31, 2017 | \$27,442,118 | \$208,099 | \$379,770 | \$1,380,779 | \$12,246,743 | \$20,192 | \$1,531,980 | \$413,462 | \$86,026 | \$1,255,850 | \$44,965,019 |
| Summary of cash and investments: | | | | | | | | | | | |
| Cash | \$4,869,604 | | | | | | | | | \$40,878 | \$4,910,482 |
| Short-term investments | 12,225,833 | \$208,099 | \$379,770 | \$1,380,779 | \$12,246,743 | \$20,192 | \$1,531,980 | \$413,462 | \$86,026 | 1,214,972 | 29,707,856 |
| Long-term investments | 10,346,681 | | | | | | | | | | 10,346,681 |
| Restricted Investments (current) | - | | | | | | | | | | - |
| Restricted Investments (long-term) | - | | | | | | | | | | - |
| Total cash and investments | \$27,442,118 | \$208,099 | \$379,770 | \$1,380,779 | \$12,246,743 | \$20,192 | \$1,531,980 | \$413,462 | \$86,026 | \$1,255,850 | \$44,965,019 |

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
For the nine months ended March 31, 2017

| | Operating Fund | | | | | Self-Insurance Reserve | Renewal and Replacement Account | Water Reuse & Recycling | Source Water Protection | Depreciation Reserve | Pumping Reserve | Sediment Reserve | Subtotal |
|--|----------------|-------------------|-----------------|----------------|-----------------|------------------------|---------------------------------|-------------------------|-------------------------|----------------------|-----------------|------------------|--------------|
| | Revenue Fund | Operating Account | Payroll Account | Operating Fund | Reserve for O&M | | | | | | | | |
| Cash and Investments - July 1, 2016 | \$11,149 | \$449,497 | \$61,845 | \$5,141,613 | \$1,634,549 | \$232,632 | \$1,580,171 | \$30,123 | \$1,499,503 | \$539,819 | \$168,843 | \$166,297 | \$11,506,041 |
| Cash receipts: | | | | | | | | | | | | | |
| Water sales operations and maintenance | 2,340,398 | | | | | | | | | | | | 2,340,398 |
| Water sales debt service | 3,726,514 | | | | | | | | | | | | 3,726,514 |
| Source water protection | 55,989 | | | | | | | | | | | | 55,989 |
| Water sales debt service NJEIT | 139,981 | | | | | | | | | | | | 139,981 |
| Water sales overdrafts | 214,900 | | | | | | | | | | | | 214,900 |
| NJ-American pumping costs | 123,357 | | | | | | | | | | | | 123,357 |
| Headquarters overhead | | | | | | | | | | | | | - |
| Reimbursement of WTP capital expenses | | | | | | | | | | | | | - |
| Disposition of assets | 7,500 | | | | | | | | | | | | 7,500 |
| Reimbursement from Raritan Basin | 8,690 | | | | | | | | | | | | 8,690 |
| Sale of investments securities | | | | | 792,644 | 395,659 | | | | 595,095 | 67,042 | | 1,850,440 |
| Nonrefundable bid deposits | | | | | | | | | | | | | - |
| Miscellaneous reimbursement | 367,211 | | | | | | | | | | | | 367,211 |
| Transfers: | | | | | | | | | | | | | |
| Contributions from operating fund | | 2,621,977 | 740,867 | (8,993,181) | | | 2,165,000 | | 53,274 | 82,622 | | 22,500 | (3,306,941) |
| Contributions to operating fund | | 324 | | 1,838,956 | | | (473,762) | | (794) | (47,962) | | | 1,316,762 |
| Transfers for operations | (7,036,807) | | | 7,076,807 | | | | | (40,000) | | | | - |
| Distribution from reserves to operations | | 515,019 | | | | | | | | | | | 515,019 |
| Investment income | | | | 7,858 | 21,930 | 10,552 | 5,970 | 52 | 2,802 | 15,331 | 1,854 | 213 | 66,562 |
| Per resolution, Section 603: | | | | | | | | | | | | | |
| Investment income, transfer from | 54,455 | | | (5,148) | (21,177) | (10,531) | | | | (14,962) | (1,799) | (149) | 689 |
| Investment income, transfer to | (628) | | | | | | | | | | | | (628) |
| Unrealized gain/(loss) on fair value | | | | 58,848 | 33,756 | | | | | 45,276 | 5,865 | | 143,745 |
| Total cash receipts | 1,560 | 3,137,320 | 740,867 | (74,708) | 852,245 | 429,436 | 1,697,208 | 52 | 15,282 | 675,400 | 72,962 | 22,564 | 7,570,188 |
| Total cash and investments | \$12,709 | \$3,586,817 | \$802,712 | \$5,066,905 | \$2,486,794 | \$662,068 | \$3,277,379 | \$30,175 | \$1,514,785 | \$1,215,219 | \$231,805 | \$188,861 | \$19,076,229 |

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)
For the nine months ended March 31, 2017

| | Water Treatment Plant/Transmission System | | | | | | | | | | | | | Totals | |
|--|---|--------------------|--------------------|-------------------|-----------------------|------------------------|-----------------------------|--------------------|-----------------------|---------------------------|---------------------------|------------------|----------------------|------------------|--------------------------|
| | Subtotal | Operating Account | Operating Fund | Residuals Reserve | Carbon Filter Reserve | Self-Insurance Reserve | Capital Improvement Reserve | NJEIT Debt Service | 2016 Cost of Issuance | 2016 Debt Service Account | 2016 Debt Service Reserve | Rebate Fund | General Reserve Fund | | Employment Benefit Funds |
| Cash and investments - July 1, 2016 | \$11,508,041 | \$172,434 | \$1,206,935 | \$9,490 | \$98,457 | \$253,259 | \$928,772 | \$146,851 | \$47,280 | \$49,838 | \$1,711,765 | \$535,285 | \$41,197 | \$409,260 | \$17,116,864 |
| Cash receipts: | | | | | | | | | | | | | | | |
| Water sales operations and maintenance | 2,340,398 | | | | | | | | | | | | | | 2,340,398 |
| Water sales debt service | 3,726,514 | | | | | | | | | | | | | | 3,726,514 |
| Source water protection | 55,989 | | | | | | | | | | | | | | 55,989 |
| Water sales debt service NJEIT | 139,981 | | | | | | | | | | | | | | 139,981 |
| Water sales overdrafts | 214,900 | | | | | | | | | | | | | | 214,900 |
| NJ-American pumping costs | 123,357 | | | | | | | | | | | | | | 123,357 |
| Headquarters overhead | - | | 1,981,800 | | | | | | | | | | | | 1,981,800 |
| Reimbursement of WTP capital expenses | - | | | | | | | | | | | | | | - |
| Disposition of assets | 7,500 | | | | | | | | | | | | | | 7,500 |
| Reimbursement from Raritan Basin | 8,690 | | | | | | | | | | | | | | 8,690 |
| Sale of investments securities | 1,850,440 | | | | | | | | | | | | | | 1,850,440 |
| Nonrefundable bid deposits | - | | | | | | | | | | | | | | - |
| Miscellaneous reimbursement | 367,211 | | 40,186 | | | | | | | | | | | | 407,397 |
| Transfers: | | | | | | | | | | | | | | | |
| Contributions from operating fund | (3,306,941) | 875,000 | (871,360) | | | | (10,793) | 133,166 | | 2,991,978 | | | | 188,950 | - |
| Contributions to operating fund | 1,316,762 | | (1,006,298) | | | | (310,464) | | (34,789) | | 34,789 | | | | - |
| Transfers for operations | - | | | | | | | | | | | | | | - |
| Distribution from reserves to operations | 515,019 | | | | | | | | | | | (293,082) | | (221,937) | - |
| Investment income | 66,562 | | 1,900 | 17 | 93 | 395 | 1,661 | 122 | | 2 | | 501 | 83 | 792 | 72,128 |
| Per resolution, Section 603: | | | | | | | | | | | | | | | |
| Investment income, transfer from | 689 | | | (21) | (117) | (491) | | | | | | | (60) | | - |
| Investment income, transfer to | (628) | | 628 | | | | | | | | | | | | - |
| Unrealized gain/(loss) on fair value | 143,745 | | | | | | | | | | | | | | 143,745 |
| Total cash receipts | 7,570,188 | 875,000 | 146,856 | (4) | (24) | (96) | (319,596) | 133,288 | (34,789) | 2,991,980 | 34,789 | (292,581) | 23 | (32,195) | 11,072,839 |
| Total cash and investments | \$19,076,229 | \$1,047,434 | \$1,353,791 | \$9,486 | \$98,433 | \$253,163 | \$609,176 | \$280,139 | \$12,491 | \$3,041,818 | \$1,746,554 | \$242,704 | \$41,220 | \$377,065 | \$28,189,703 |

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)
For the nine months ended March 31, 2017

| | Revenue Fund | Operating Fund | | | | Self-Insurance Reserve | Renewal and Replacement Account | Water Reuse & Recycling | Source Water Protection | Depreciation Reserve | Pumping Reserve | Sediment Reserve | Subtotal |
|---|--------------|-------------------|-----------------|----------------|-----------------|------------------------|---------------------------------|-------------------------|-------------------------|----------------------|-----------------|------------------|--------------|
| | | Operating Account | Payroll Account | Operating Fund | Reserve for O&M | | | | | | | | |
| Total available cash and investments | \$12,709 | \$3,586,817 | \$802,712 | \$5,066,905 | \$2,486,794 | \$662,068 | \$3,277,379 | \$30,175 | \$1,514,785 | \$1,215,219 | \$231,805 | \$188,861 | \$19,076,229 |
| Cash disbursements: | | | | | | | | | | | | | |
| Payroll | | | 782,712 | | | | | | | | | | 782,712 |
| Fringe benefits | | 1,456,537 | | (1,067,321) | | | | | | | | | 389,216 |
| Employee deferred compensation and credit union | | | | 172,571 | | | | | | | | | 172,571 |
| Operations and maintenance | | 1,836,834 | | 583,883 | | | | | | | | | 2,420,717 |
| NJ-American pumping costs | | | | | | | | | | | | | - |
| Prepaid insurance | | | | | | | | | | | | | - |
| Headquarters overhead | | | | 480,000 | | | | | | | | | 480,000 |
| Capital assets reservoir | | | | | | | | | | | | | - |
| Capital improvement program (reservoir) | | | | | | | | | | | | | - |
| Purchase of investments securities | | | | | 869,908 | 437,428 | | | | 655,771 | 76,550 | | 2,039,657 |
| Principal on bonds | | | | | | | | | | | | | - |
| Interest on bonds | | | | | | | | | | | | | - |
| Total cash disbursements | - | 3,293,371 | 782,712 | 169,133 | 869,908 | 437,428 | - | - | - | 655,771 | 76,550 | - | 6,284,873 |
| Cash and Investments - March 31, 2017 | \$12,709 | \$293,446 | \$20,000 | \$4,897,772 | \$1,616,886 | \$224,640 | \$3,277,379 | \$30,175 | \$1,514,785 | \$559,448 | \$155,255 | \$188,861 | \$12,791,356 |

Summary of cash and investments:

| | | | | | | | | | | | | | |
|---|----------|-----------|----------|-------------|-------------|-----------|-------------|----------|-------------|-----------|-----------|-----------|--------------|
| Cash (Manasquan) | \$12,709 | \$293,446 | \$20,000 | | | | | | | | | | \$326,155 |
| Cash (Water Treatment Plant/TS) | | | | | | | | | | | | | - |
| Short-term investments | | | | \$4,897,772 | \$1,245,692 | \$37,706 | \$3,277,379 | \$30,175 | \$1,514,785 | \$281,871 | \$124,707 | \$188,861 | 11,598,948 |
| Short-term investments (Water Treatment Plant/TS) | | | | | | | | | | | | | - |
| Long-term investments | | | | | 371,194 | 186,934 | | | | 277,577 | 30,548 | | 866,253 |
| Restricted Investments (current) | | | | | | | | | | | | | - |
| Restricted Investments (long-term) | | | | | | | | | | | | | - |
| Total cash and investments | \$12,709 | \$293,446 | \$20,000 | \$4,897,772 | \$1,616,886 | \$224,640 | \$3,277,379 | \$30,175 | \$1,514,785 | \$559,448 | \$155,255 | \$188,861 | \$12,791,356 |

New Jersey Water Supply Authority
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Schedule of Changes in Cash and Investments
Manasquan Water Supply System (continued)
For the nine months ended March 31, 2017

| | Water Treatment Plant/Transmission System | | | | | | | | | | | | | Totals | |
|---|---|-------------------|--------------------|-------------------|-----------------------|------------------------|-----------------------------|--------------------|-----------------------|---------------------------|---------------------------|------------------|----------------------|------------------|--------------------------|
| | Subtotal | Operating Account | Operating Fund | Residuals Reserve | Carbon Filter Reserve | Self-Insurance Reserve | Capital Improvement Reserve | NJEIT Debt Service | 2016 Cost of Issuance | 2006 Debt Service Account | 2006 Debt Service Reserve | Rebate Fund | General Reserve Fund | | Employment Benefit Funds |
| Total available cash and investments | \$19,076,229 | \$1,047,434 | \$1,353,791 | \$9,486 | \$98,433 | \$253,163 | \$609,176 | \$280,139 | \$12,491 | \$3,041,818 | \$1,746,554 | \$242,704 | \$41,220 | \$377,065 | \$28,189,703 |
| Cash disbursements: | | | | | | | | | | | | | | | |
| Payroll | 782,712 | | | | | | | | | | | | | | 782,712 |
| Fringe benefits | 389,216 | | | | | | | | | | | | | | 389,216 |
| Employee deferred compensation and credit union | 172,571 | | | | | | | | | | | | | | 172,571 |
| Operations and maintenance | 2,420,717 | 894,015 | | | | | | | 12,491 | | | | | | 3,327,223 |
| NJ-American pumping costs | - | | | | | | | | | | | | | | - |
| Prepaid insurance | - | | | | | | | | | | | | | | - |
| Headquarters overhead | 480,000 | | 78,003 | | | | | | | | | | | | 558,003 |
| Capital assets reservoir | - | | | | | | | | | | | | | | - |
| Capital improvement program (reservoir) | - | | | | | | | | | | | | | | - |
| Purchase of Investments securities | 2,039,657 | | | | | | | | | | | | | | 2,039,657 |
| Principal on bonds | - | | | | | | | 108,381 | | 230,000 | | | | | 338,381 |
| Interest on bonds | - | | | | | | | 70,177 | | 488,532 | | | | | 558,709 |
| Total cash disbursements | 6,284,873 | 894,015 | 78,003 | - | - | - | - | 178,558 | 12,491 | 718,532 | - | - | - | - | 8,166,472 |
| Cash and Investments - March 31, 2017 | \$12,791,356 | \$153,419 | \$1,275,788 | \$9,486 | \$98,433 | \$253,163 | \$609,176 | \$101,581 | \$0 | \$2,323,286 | \$1,746,554 | \$242,704 | \$41,220 | \$377,065 | \$20,023,231 |
| Summary of cash and investments: | | | | | | | | | | | | | | | |
| Cash (Manasquan) | \$326,155 | | | | | | | | | | | | | | \$326,155 |
| Cash (Water Treatment Plant/TS) | - | \$153,419 | | | | | | | | | | | | | 153,419 |
| Short-term investments | 11,698,948 | | | | | | | | | | | | \$41,220 | \$377,065 | 12,017,233 |
| Short-term investments (Water Treatment Plant/TS) | - | | \$1,275,788 | \$9,486 | \$98,433 | \$253,163 | \$609,176 | | | | | | | | 2,246,046 |
| Long-term Investments | 866,253 | | | | | | | | | | | | | | 866,253 |
| Restricted Investments (current) | - | | | | | | | \$101,581 | \$0 | \$2,323,286 | \$1,746,554 | \$242,704 | | | 4,414,125 |
| Restricted Investments (long-term) | - | | | | | | | | | | | | | | - |
| Total cash and investments | \$12,791,356 | \$153,419 | \$1,275,788 | \$9,486 | \$98,433 | \$253,163 | \$609,176 | \$101,581 | \$0 | \$2,323,286 | \$1,746,554 | \$242,704 | \$41,220 | \$377,065 | \$20,023,231 |