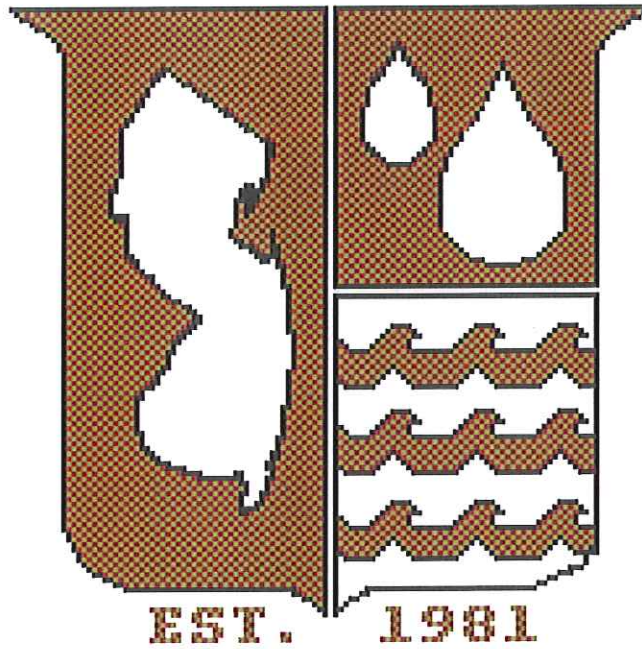


NEW JERSEY WATER SUPPLY AUTHORITY



MANASQUAN RESERVOIR SYSTEM

FISCAL YEAR 2014 BUDGET

(July 1, 2013 - June 30, 2014)

Proposed
May 6, 2013
Adoption
June 3, 2013

NEW JERSEY WATER SUPPLY AUTHORITY
MANASQUAN RESERVOIR SYSTEM

PROPOSED

FISCAL YEAR 2014 BUDGET
(July 1, 2013-June 30, 2014)

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NEW JERSEY WATER SUPPLY AUTHORITY
MANASQUAN RESERVOIR SYSTEM

PROPOSED

FISCAL YEAR 2014 BUDGET SUMMARY
(7/1/13-6/30/14)

	<u>ADOPTED F/Y13 RESERVOIR BUDGET</u>	<u>PROPOSED F/Y14 RESERVOIR BUDGET</u>
Proposed Operating Expense Budget (Schedule 2)	\$2,292,200	\$2,338,800
Proposed Capital Equipment Budget (Schedule 13)	61,900	57,500
Allocation of Headquarters General & Administrative Expenses charged to the Manasquan Reservoir System (Schedule 5)	<u>570,400</u>	<u>642,400</u>
Total Operating Expense Budget & Capital Equipment Budget	<u>\$2,924,500</u>	<u>\$3,038,700</u>
Contributions to Debt Service and Reserve Funds:		
Renewal & Replacement	120,000	120,000
Sediment Reserve	10,000	10,000
Formal Dam Inspection Reserve	3,000	3,000
Initial Debt Service Fund (120 percent coverage)	3,646,321	3,648,322
Delayed Debt Service Fund (120 percent coverage)	1,249,889	1,250,439
NJEIFP Debt Service	265,806	183,257
Source Water Protection Program	<u>112,566</u>	<u>112,566</u>
Total Contributions to Debt Service and Reserve Funds	<u>\$5,407,582</u>	<u>\$5,327,584</u>
Total Proposed Budget	<u>\$8,332,082</u>	<u>\$8,366,284</u>
Revenues:		
Operating and Maintenance Component	\$2,819,012	\$2,447,092
Adjustment for F/Y12 Salary & Fringe Expenses to be paid to the WTP/TS Account	0	55,756
Adjustment for F/Y11 Salary & Fringe Expenses to be paid from the WTP/TS Account	(109,189)	0
Appropriation from General Fund (Rate Stabilization)	337,377	576,003
Debt Service (120 percent coverage)	3,646,321	3,648,322
Delayed Debt Service (120 percent coverage)	1,249,889	1,250,439
NJEIFP Debt Service	265,806	265,806
Source Water Protection Program Component	112,566	112,566
F/Y13 interest earnings were estimated at .50 percent, long-term investments were estimated at 1.15 percent.	10,300	0
F/Y14 interest earnings on funds estimated at .25 percent, long-term investments are estimated at 1.30 percent.	<u>0</u>	<u>10,300</u>
Total Revenue	<u>\$8,332,082</u>	<u>\$8,366,284</u>

Table 1

**New Jersey Water Supply Authority
Manasquan Reservoir Water Supply System
Rate History of
Water Charges per Million Gallons of Raw Water Daily
FY1997-FY2014**

INITIAL WATER PURCHASER 16.097 mgd JULY 1, 1990
SHORELANDS .028mgd JULY 1, 2006

Effective Date	O&M Charge	Source Water Protection	Debt Repayment 2/1/91-8/01/20	NJEIFP Debt Component	Total Charge per MG	Percent Increase (Decrease)
July 1, 1996	316.58		748.57		\$1,065.15	-3.65%
July 1, 1997	284.09		654.83		\$938.92	-11.85%
July 1, 1998	263.56		569.36		\$832.92	-11.29%
July 1, 1999	114.13		581.18		\$695.31	-16.52%
July 1, 2000	145.81		583.00		\$728.81	4.82%
July 1, 2001	212.29		585.63		\$797.92	9.48%
July 1, 2002	212.35		582.62		\$794.97	-0.37%
July 1, 2003	201.14	15.00	578.83		\$794.97	0.00%
July 1, 2004	321.69	15.00	584.95		\$921.64	15.93%
July 1, 2005	295.41	15.00	584.60		\$895.01	-2.89%
July 1, 2006	295.41	15.00	522.86		\$833.27	-6.90%
July 1, 2007	302.52	15.00	528.54		\$846.06	1.53%
July 1, 2008	302.52	15.00	566.59		\$884.11	4.50%
July 1, 2009	396.79	15.00	568.26		\$980.05	10.85%
July 1, 2010	396.79	15.00	568.69		\$980.48	0.04%
July 1, 2011	347.39	15.00	618.09	35.42	\$1,015.90	3.61%
July 1, 2012	345.95	15.00	619.53	35.42	\$1,015.90	0.00%
July 1, 2013	356.61	15.00	619.87	24.42	\$1,015.90	0.00%

Table 2

**New Jersey Water Supply Authority
Manasquan Reservoir Water Supply System
Rate History of
Water Charges per Million Gallons of Raw Water Daily
FY2002-FY2014**

DELAYED WATER PURCHASER NJ-AMERICAN 1mgd JULY 1, 2001
1.935mgd OCTOBER 1, 2002
1.500mgd JANUARY 1, 2005

Effective Date	O&M Charge	Source Water Protection	Debt Repayment 2/1/02-8/01/31	NJEIFP Debt Component	Total Charge per MG	Percent Increase (Decrease)
July 1, 2001	199.88		835.62		\$1,035.50	
July 1, 2002	212.35		835.61		\$1,047.96	1.20%
July 1, 2003	201.14	15.00	849.31		\$1,065.45	1.67%
July 1, 2004	321.69	15.00	849.31		\$1,186.00	11.31%
July 1, 2005	295.41	15.00	853.85		\$1,164.26	-1.83%
July 1, 2006	295.41	15.00	763.61		\$1,074.02	-7.75%
July 1, 2007	302.52	15.00	764.44		\$1,081.96	0.74%
July 1, 2008	302.52	15.00	762.28		\$1,079.80	-0.20%
July 1, 2009	396.79	15.00	763.24		\$1,175.03	8.82%
July 1, 2010	396.79	15.00	756.19		\$1,167.98	-0.60%
July 1, 2011	347.39	15.00	770.90	35.42	\$1,168.71	0.06%
July 1, 2012	345.95	15.00	772.12	35.42	\$1,168.49	-0.02%
July 1, 2013	356.61	15.00	772.46	24.42	\$1,168.49	0.00%

NEW JERSEY WATER SUPPLY AUTHORITY
 MANASQUAN RESERVOIR SYSTEM
 2005 BOND DEBT SERVICE COVERAGE
 FISCAL YEAR 2014
 (7/1/13-6/30/14)

	<u>Budgeted</u> <u>F/Y 2014</u>
<u>Revenues</u>	
Uninterruptible Water Sales	\$7,870,690
Interest Income/Other	<u>10,300</u>
Total Revenues	<u>\$7,880,990</u>
Prior Years Surplus	\$ <u>576,003</u>
 <u>Expenses</u>	
O&M Costs	\$2,338,800
Overhead Allocation	<u>642,400</u>
Total O&M	<u>\$2,981,200</u>
Cash Available for Debt Service - A	\$5,475,793
Net Debt Service Expense - B	\$4,082,274
Debt Service Coverage Calculation - A/B	1.34
Cash After Debt Service A-B	\$1,393,519

NEW JERSEY WATER SUPPLY AUTHORITY
MANASQUAN RESERVOIR SYSTEM

TOTAL OPERATIONS & MAINTENANCE BUDGET

FISCAL YEAR 2014
(7/01/13-6/30/14)

	ADOPTED F/Y13 <u>RESERVOIR</u>	PROPOSED F/Y14 <u>RESERVOIR</u>
Salaries & Fringes (Schedule 6)	\$1,241,800	\$1,290,900
O & M Direct Expense (Schedule 3)	946,400	934,700
G & A Expenses (Schedule 4)	<u>104,025</u>	<u>113,185</u>
Total Operations & Maintenance Budget	<u>\$2,292,225</u>	<u>\$2,338,785</u>
Estimate	<u>\$2,292,200</u>	<u>\$2,338,800</u>

NEW JERSEY WATER SUPPLY AUTHORITY
MANASQUAN RESERVOIR SYSTEM

PROPOSED OPERATIONS & MAINTENANCE DIRECT EXPENSE BUDGET (40)

FISCAL YEAR 2014
(7/01/13-6/30/14)

		<u>RESERVOIR DIRECT</u>	
<u>CODE</u>	<u>ACCOUNT DESCRIPTION</u>	<u>ADOPTED F/Y13</u>	<u>PROPOSED F/Y14</u>
5200	On-site Residences	\$	\$
5211	Heating Fuel		
5220	Utility Electric	72,500	60,700
5230	Utility Gas Service & Water	8,500	4,600
5240	Utility Propane		
5250	Electricity for Pumping	357,000	346,900
5260	Fuel Vehicular		
5270	Oil & Grease		
5280	Tires		
5290	Maintenance Supplies	2,000	2,000
5300	Maintenance Supplies Vehicle Equip		
5310	Vehicle Service Repair-Major		
5320	Agriculture Supplies		
5330	Maintenance of Equipment	45,500	45,500
5340	Service Maintenance Contracts	39,500	21,000 (Sch 9)
5350	Equipment Rental	6,500	6,500
5360	Safety Supplies	500	500
5380	Special & Professional Services	76,000	76,000 (Sch 11)
5390	Protective Services	199,000	231,600 (Sch 14)
5400	Telephone	5,000	5,000
5410	Postage & Freight		
5420	Data Processing		
5430	Printing & Office Supplies	1,500	1,500
5440	Scientific & Photography	5,000	5,000
5450	Dues & Subscriptions		
5460	Advertising & Promotion	1,500	1,500
5470	Travel & Subsistence		
5480	Staff Training		
5490	Fees & Permits	33,600	33,600
5500	Pay In-Lieu Taxes	36,800	36,800
5510	Sediment Removal	<u>56,000</u>	<u>56,000</u>
TOTAL O & M DIRECT EXPENSE BUDGET		\$ <u>946,400</u>	\$ <u>934,700</u>

NEW JERSEY WATER SUPPLY AUTHORITY
MANASQUAN RESERVOIR SYSTEM

PROPOSED GENERAL & ADMINISTRATIVE EXPENSE BUDGET (60)

FISCAL YEAR 2014
(7/01/13-6/30/14)

<u>CODE</u>	<u>ACCOUNT DESCRIPTION</u>	ADOPTED G & A <u>F/Y13</u>	PROPOSED G & A <u>F/Y14</u>
	Salaries & Fringe Benefits	\$2,579,400	\$2,707,350
5200	On-site Residences		
5211	Heating Fuel		
5220	Utility Electric		
5230	Utility Gas Service & Water		
5240	Utility Propane		
5250	Electricity for Pumping		
5260	Fuel Vehicular	36,300	40,300
5270	Oil & Grease	3,700	5,900
5280	Tires	4,500	5,500
5290	Maintenance Supplies	25,000	27,300
5300	Maintenance Supplies Vehicle Equip	5,500	6,500
5310	Vehicle Service Repair-Major	19,000	20,000
5320	Agriculture Supplies	4,700	5,200
5330	Maintenance of Equipment	15,300	16,000
5340	Service Maintenance Contracts	15,000 (Sch 10)	16,500
5350	Equipment Rental	3,500	3,400
5360	Safety Supplies	8,500	8,500
5380	Special & Professional Services	3,000 (Sch 12)	3,100
5390	Protective Services		
5400	Telephone	7,000	6,500
5410	Postage & Freight	1,800	1,500
5420	Data Processing	8,700	9,100
5430	Printing & Office Supplies	5,900	6,900
5440	Scientific & Photography	300	300
5450	Dues & Subscriptions	1,200	2,200
5460	Advertising & Promotion	1,300	1,500
5470	Travel & Subsistence	500	500
5480	Staff Training	8,500	11,400
5490	Fees & Permits	3,300	3,300
5500	Pay In-Lieu Taxes		
5510	Sediment Removal		
	SUB-TOTAL G & A EXPENSE BUDGET	\$ 182,500	\$ 201,400
	TOTAL G & A WITH SALARIES & FRINGES	\$ 2,761,900	\$ 2,908,750

Allocation of Direct General & Administrative Expense Budget - See Appendix I for basis of Allocation. (Page 6, Columns 2, 3, 4 & 5)

Reservoir System	\$ 104,025	\$ 113,185
Treatment/Transmission System	\$ 78,475	\$ 88,215
Total	\$ 182,500	\$ 201,400

NEW JERSEY WATER SUPPLY AUTHORITY
**RECAP OF ALLOCATION OF HEADQUARTERS
 GENERAL AND ADMINISTRATIVE EXPENSES CHARGED
 TO THE MANASQUAN RESERVOIR WATER SUPPLY SYSTEM**

FISCAL YEAR 2014
 (7/01/13-6/30/14)

	<u>TOTAL HEADQUARTERS CHARGE</u>	<u>MANASQUAN RESERVOIR SYSTEM</u>	<u>MANASQUAN WTP/TS</u>
Budgeted - Appendix I, Page 5, amount to be charged to Manasquan System for F/Y14 (7/01/13-6/30/14)	\$ 776,545	\$ 673,945	\$ 102,600
F/Y12 Adjustment as per audited Expenditures:			
Budgeted as per rate schedule for F/Y12 (7/01/11-6/30/12). Amounts paid during F/Y10 to Raritan Basin System	714,529	620,123	94,406
Actual allocation based upon audited expenditures F/Y12 (7/01/11-6/30/12) Appendix II, Page 5	<u>678,128</u>	<u>588,531</u>	<u>89,597</u>
Adjustments F/Y12	\$ <u>(36,401)</u>	\$ <u>(31,592)</u>	\$ <u>(4,809)</u>
Net Allocation for F/Y14 Budget	\$ <u>740,144</u>	\$ <u>642,353</u>	\$ <u>97,791</u>
PROPOSED	\$ <u>740,100</u>	\$ <u>642,400</u>	\$ <u>97,700</u>

Manasquan Water Supply System
PROPOSED CAPITAL EQUIPMENT BUDGET
 Fiscal Year 2014

Description	(A)Addition (R)Replacement	Year of Purchase Vehicle/Equipment	Dollar Value	%	Manasquan Reservoir	Manasquan WTP/TS	Reservoir Depreciation Reserve	WTP/TS Depreciation Reserve
(1) NJWA-56 DODGE PICKUP	(R) TRN413	2004	18,000	50/50	9,000	9,000	3,648	10,945
(1) NJWA-29 RSO VEHICLE - FORD ESCAPE	(R) TRN477	2009	34,000	95/5	32,300	1,700	23,312	1,227
(1) NJWA-54 MASON DUMP	(R) TRN429	2005	47,000	100/0	47,000		30,067	
(1) ROTARY TILLER KUHN 83"	(R) TRN232	22 YEARS	6,200	0/100		6,200		
(1) ZERO TURN MOWER	(R) TRN408	2003	38,000	84/16	31,920	6,080	5,653	
TOTAL			143,200					

*Per Resolution #861, dated 7/12/93 Asset Definition minimum is \$1,000.	0	
Less Amount charged to Reservoir Depreciation Reserve	62,680	
Less Amount charged to WTP/TS Depreciation Reserve		12,172

Total 57,540 10,808

Estimate \$57,500 \$10,800

NEW JERSEY WATER SUPPLY AUTHORITY
MANASQUAN RESERVOIR SYSTEM
DIRECT EXPENSE BUDGET (40)

PROPOSED OPERATING EXPENSE BUDGET FOR FISCAL YEAR 2014
AND EXPENDITURES THROUGH 3/31/13 FOR FISCAL YEAR 2013

CODE	ACCOUNT	ADOPTED BUDGET FY13	PROPOSED BUDGET FY14	EXPENDITURES THRU 3/31/13
5200	ON-SITE RESIDENCE			
5211	HEATING FUEL			810
5220	UTILITIES-ELECTRICAL SERVICE	72,500	60,700	44,370
5230	UTILITIES-GAS SERVICE & WATER	8,500	4,600	2,275
5240	UTILITIES-PROPANE			
5250	ELECTRICITY FOR PUMPING	357,000	346,900	132,724
5260	VEHICULAR FUEL			
5270	OIL & GREASE			
5280	TIRES			
5290	MAINTENANCE SUPPLIES	2,000	2,000	1,701
5300	MAINT. SUPPLIES-VEHICULAR EQUIPMENT			
5310	MAJOR SPECIAL VEHICLE SERVICE & REPAIR			
5320	AGRICULTURAL SUPPLIES			
5330	MAINTENANCE OF EQUIPMENT	45,500	45,500	22,021
5340	SERVICE & MAINTENANCE CONTRACTS	39,500	21,000	10,173
5350	EQUIPMENT RENTAL	6,500	6,500	
5360	HOUSEHOLD-SAFETY & PROTECTIVE SUPPLIES	500	500	84
5370	UNIFORMS			
5380	SPECIAL & PROFESSIONAL SERVICES	76,000	76,000	43,895
5390	INSURANCE	199,000	231,600	133,179
5400	TELEPHONE	5,000	5,000	3,296
5410	POSTAGE & FREIGHT			
5420	DATA PROCESSING			
5430	PRINTING & OFFICE SUPPLIES	1,500	1,500	165
5440	SCIENTIFIC & PHOTOGRAPHIC	5,000	5,000	254
5450	DUES & SUBSCRIPTIONS			
5460	ADVERTISING	1,500	1,500	287
5470	TRAVEL & SUBSISTENCE			
5480	STAFF TRAINING & TUITION AID			
5490	FEES & PERMITS	33,600	33,600	31,080
5500	IN-LIEU TAXES	36,800	36,800	36,755
5510	SEDIMENT REMOVAL	56,000	56,000	38,585
	TOTALS	\$946,400	\$934,700	\$501,654

NEW JERSEY WATER SUPPLY AUTHORITY
MANASQUAN RESERVOIR SYSTEM
GENERAL & ADMINISTRATIVE EXPENSE BUDGET (60)

PROPOSED OPERATING EXPENSE BUDGET FOR FISCAL YEAR 2014
AND EXPENDITURES THROUGH 3/31/13 FOR FISCAL YEAR 2013

CODE	ACCOUNT	ADOPTED BUDGET FY13	PROPOSED BUDGET FY14	EXPENDITURES THRU 3/31/13
5110	REGULAR SALARIES & WAGES	\$1,621,500	\$1,607,750	\$926,215
5120	OVERTIME-SALARIES & WAGES	80,000	89,900	67,329
5150	FRINGE BENEFITS	773,000	878,800	512,863
5160	RETIREE HEALTH BENEFITS	99,900	125,900	62,906
5168	WORKERS' COMP. (SELF INSURED)	5,000	5,000	583
	TOTAL SALARY, OVERTIME & FRINGE BENEFITS	\$2,579,400	\$2,707,350	\$1,569,896
5201	ON-SITE RESIDENCE (WINDELER HOUSE)			
5210	HEATING FUEL			
5220	UTILITIES-ELECTRICAL SERVICE			
5230	UTILITIES-GAS SERVICE & WATER			
5240	UTILITIES-PROPANE			
5250	ELECTRICITY FOR PUMPING			
5260	VEHICULAR FUEL	36,300	40,300	25,987
5270	OIL & GREASE	3,700	5,900	3,861
5280	TIRES	4,500	5,500	3,885
5290	MAINTENANCE SUPPLIES	25,000	27,300	6,076
5300	MAINT. SUPPLIES-VEHICULAR EQUIPMENT	5,500	6,500	4,415
5310	MAJOR SPECIAL VEHICLE SERVICE & REPAIR	19,000	20,000	13,810
5320	AGRICULTURAL SUPPLIES	4,700	5,200	1,380
5330	MAINTENANCE OF EQUIPMENT	15,300	16,000	4,490
5340	SERVICE & MAINTENANCE CONTRACTS	15,000	16,500	6,191
5350	EQUIPMENT RENTAL	3,500	3,400	1,151
5360	HOUSEHOLD-SAFETY & PROTECTIVE SUPPLIES	8,500	8,500	6,672
5370	UNIFORMS			
5380	SPECIAL & PROFESSIONAL SERVICES	3,000	3,100	1,236
5390	INSURANCE			
5400	TELEPHONE	7,000	6,500	3,536
5410	POSTAGE & FREIGHT	1,800	1,500	622
5420	DATA PROCESSING	8,700	9,100	5,809
5430	PRINTING & OFFICE SUPPLIES	5,900	6,900	2,781
5440	SCIENTIFIC & PHOTOGRAPHIC	300	300	1,038
5450	DUES & SUBSCRIPTIONS	1,200	2,200	
5460	ADVERTISING	1,300	1,500	163
5470	TRAVEL & SUBSISTENCE	500	500	93
5480	STAFF TRAINING & TUITION AID	8,500	11,400	4,909
5490	FEES & PERMITS	3,300	3,300	1,949
5500	IN-LIEU TAXES			
5510	SEDIMENT REMOVAL			
	SUB TOTALS	\$182,500	\$201,400	\$100,054
	TOTALS	\$2,761,900	\$2,908,750	\$1,669,950

NEW JERSEY WATER SUPPLY AUTHORITY
MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

**LIST OF CATEGORY 5340 ITEMS
RECOMMENDED SERVICE & MAINTENANCE CONTRACTS
FOR RESERVOIR (40)**

FISCAL YEAR 2014

	ADOPTED F/Y13	PROPOSED F/Y14
1. HVAC/Dehumidifier Service	\$ 500	\$ 500
2. Electrical Service Contract	15,000	0
3. Instrumentation & Control System Service/Upgrade	2,000	2,000
4. Electrical Upgrade & Repair	4,000	4,000
5. Overhead Crane Service & Inspection	1,000	1,000
6. Fire & Intrusion Alarm Service	1,500	1,500
7. Potable Well/Septic Service	500	500
8. Fertilization - Dam/Dike	5,500	2,000
9. Dam/Dike – Roadway Crack Sealing.....	2,500	1,500
10. Dam/Dike – Wood Debris Removal.....	1,500	2,500
11. Intake Facilities – Access Roadway Repairs.....	2,500	2,500
12. Roofing Systems – Maintenance & Repair	<u>3,000</u>	<u>3,000</u>
Total Service & Maintenance Contracts	\$ <u>39,500</u>	\$ <u>21,000</u>

NEW JERSEY WATER SUPPLY AUTHORITY
MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

**LIST OF CATEGORY 5340 ITEMS
RECOMMENDED SERVICE & MAINTENANCE CONTRACTS
FOR G & A (60)**

FISCAL YEAR 2014

		ADOPTED <u>F/Y13</u>	PROPOSED <u>F/Y14</u>
1.	Refuse & Waste Disposal	\$ 2,200	\$ 2,200
2.	Office Equipment/Computers	2,000	2,100
3.	Waste Oil Disposal	400	1,600
4.	Fire Extinguisher Service	1,100	1,100
5.	UST Monitors Service	1,000	1,000
6.	Building Maintenance	1,000	1,000
7.	Internet Service.....	3,000	3,000
8.	Janitorial Service	2,100	3,100
9.	Vehicle Lift.....	400	400
10.	Lawn Maintenance	800	0
11.	Generator Service & Maintenance	<u>1,000</u>	<u>1,000</u>
	Total Service & Maintenance Contracts	\$ <u>15,000</u>	\$ <u>16,500</u>

NEW JERSEY WATER SUPPLY AUTHORITY
MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

**LIST OF CATEGORY 5380 ITEMS
RECOMMENDED SPECIAL & PROFESSIONAL SERVICES
FOR RESERVOIR (40)**

FISCAL YEAR 2014

	ADOPTED <u>F/Y13</u>	PROPOSED <u>F/Y14</u>
1. Laboratory Services - Water Quality Sampling	\$ 2,000	\$ 2,000
2. Consultants Services	7,000	7,000
3. Services - USGS Cooperative Agreement - Allenwood.....	30,800	30,800
4. Annual Trustee Fund – The Bank of New York	9,500	9,500
5. Dam Management - Surveying	2,500	2,500
6. Wetland Monitoring	1,200	1,200
7. Lake Management Consultants	19,500	19,500
8. Engineering Services	2,500	2,500
9. Financial Advisory Services	<u>1,000</u>	<u>1,000</u>
Total Special & Professional Services	\$ <u>76,000</u>	\$ <u>76,000</u>

NEW JERSEY WATER SUPPLY AUTHORITY
MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

LIST OF CATEGORY 5380 ITEMS
RECOMMENDED SPECIAL & PROFESSIONAL SERVICES
FOR G & A (60)

FISCAL YEAR 2014

	ADOPTED <u>F/Y13</u>	PROPOSED <u>F/Y14</u>
1. Pulmonary Testing	\$ 1,500	\$ 1,500
2. CDL Medical Testing	400	500
3. EAS Service	700	700
4. Pre-Employment Physicals.....	<u>400</u>	<u>400</u>
Total Special & Professional Services	\$ <u>3,000</u>	\$ <u>3,100</u>

PROJECTED FY 2014 NEW JERSEY WATER SUPPLY AUTHORITY INSURANCE PROGRAM

<u>Type of Coverage</u>	<u>Raritan Basin System</u>	<u>Manasquan Reservoir System</u>	<u>Manasquan Water Treatment Plant and Transmission System</u>	<u>Total Premium</u>
Property Limit \$150 million Deduct: \$100k/\$250k general/dams	\$499,145	\$167,798	\$41,064	\$708,007
General/Products Liability Limit \$1 million Deduct: \$150k/no agg	\$29,063	\$2,717	\$564	\$32,344
Professional Environmental Consultants Liability Limit \$1 million Deduct: \$25k	\$19,205	\$1,796	\$373	\$21,374
Environmental Impairment Liability Limit \$10 million Deduct: \$100k	\$28,678	\$2,681	\$557	\$31,916
Workers' Compensation Limit \$1 million	\$181,584	\$23,344	\$24,459	\$229,387
Employer Liability Limit \$1 million	Included in Workers' Comp	Included in Workers' Comp	Included in Workers' Comp	Included in Workers' Comp
Umbrella Liability Limit \$23 million	\$228,656	\$21,378	\$4,439	\$254,473
Business Automobile Limit: \$1 million combined single limit Deduct: \$2k	\$42,437	\$7,534	\$1,725	\$51,696
Public Officials Liability Limit \$5 million/\$1million c. crime Deduct: \$50k/\$50k c. crime	\$45,469	\$4,251	\$4,144	\$53,864
Travel Accident Limit \$2 million	<u>\$854</u>	<u>\$80</u>	<u>\$17</u>	<u>\$951</u>
TOTAL:	<u>\$1,075,091</u>	<u>\$231,579</u>	<u>\$77,342</u>	<u>\$1,384,012</u>
ESTIMATE	\$1,075,100	\$231,600	\$77,300	\$1,384,000

NEW JERSEY WATER SUPPLY AUTHORITY
 MANASQUAN RESERVOIR WATER SUPPLY SYSTEM

UNANTICIPATED REVENUE

FUNDS TO BE APPROPRIATED INTO RATE STABILIZATION FUND FOR FISCAL YEAR 2014

	<u>AMOUNT</u>
F/Y2012 Net Year-End Balance	\$569,200.00

<u>OVERDRAFT</u>	<u>INVOICE NO.</u>	<u>RECEIVED</u>	<u>AMOUNT</u>
NJ American	MM-204	09/13/12	\$ 4,790.98
	MM-205	09/06/12	2,011.48

TOTAL AVAILABLE	<u>\$576,002.46</u>
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ESTIMATE FOR FY14	<u>\$576,003.00</u>
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NEW JERSEY WATER SUPPLY AUTHORITY
 MANASQUAN WATER SUPPLY SYSTEM
 MANASQUAN RESERVOIR SYSTEM

DEFINITIONS AND EXPLANATION OF THE FISCAL YEAR 2014 OPERATING EXPENSE ACCOUNTS

ACCOUNT
 CODE

TITLE

5110 SALARIES AND WAGES

The following is a comparison of the subject expenditures for Fiscal Year 2014.

	<u>Adopted F/Y13</u>	<u>Proposed F/Y14</u>
Budgeted Positions	27	27
Expenditures:		
Regular Salaries	\$1,621,500	\$1,607,750
Overtime	80,000	89,900
Fringe Benefits	773,000	878,800
Retiree Health Benefits	99,900	125,900
Worker's Compensation (self-insured)	<u>5,000</u>	<u>5,000</u>
Total Salaries and Fringe Benefits	<u>\$2,579,400</u>	<u>\$2,707,350</u>
Allocation to Reservoir	<u>\$1,241,400</u>	<u>\$1,290,900</u>
Anticipated Increase for F/Y14	\$ 49,500	

5120- OVERTIME
 5140

5150 FRINGE BENEFITS

These expense items cover the fringe benefits based upon the compensation schedule currently in effect.

The fringe benefit account specifically covers all required and approved expenses such as employer contributions for social security, public employee retirement system, unemployment and temporary disability insurance as well as the health benefits program including prescription drugs, dental and vision care programs and allowances for unused sick leave and vacation balances upon retirement and annual allowances required by union agreement.

5211 HEATING FUEL

This account covers the cost of heating oil.

DEFINITIONS AND EXPLANATION OF THE FISCAL YEAR 2014 OPERATING EXPENSE ACCOUNTS

<u>ACCOUNT CODE</u>	<u>TITLE</u>
5220	<u>UTILITIES - ELECTRICAL SERVICE (OTHER THAN PUMPING)</u> This account covers facilities electrical usage at the Administration Building, Reservoir Pump Station, Flow Meter/Valve Chamber, Inlet/Outlet Tower, On-Site Residences, and access roadway lighting for security and safety purposes.
5230	<u>NATURAL GAS</u> This account covers the cost of heating portions of the Administration Building.
5240	<u>PROPANE</u> This account covers the cost of propane fuel.
5250	<u>ELECTRICITY FOR PUMPING</u> This account covers the cost of electricity to operate pumps at the Intake Pump Station and Reservoir Pump Station.
5260	<u>VEHICULAR FUEL</u> This account covers the cost of unleaded regular and diesel fuel used by the Authority's motor vehicle fleet.
5270	<u>OIL AND GREASE</u> This account covers the amount of oil and grease used by the Authority's motor vehicles and equipment. Also included in this account is mineral oil and those specialty oils used in the pumps and motors at the Intake Pump Station, Reservoir Pump Station, Flow Meter/Valve Chamber, Inlet/Outlet Tower and Water Treatment Plant.
5280	<u>TIRES</u> This account covers the cost of tires used on the Authority's motor vehicles including cars, trucks, trailers and construction equipment. Also included in this account is tire repair, tubes, etc.
5290	<u>MAINTENANCE SUPPLIES</u> This account covers the entire spectrum of materials and tools used in the maintenance and repair of the Authority's assets. The types of material included in this account are kerosene, lumber, fasteners, masonry products, paint and related products, plumbing, (heating and cooling) products, insulation products, electrical items, lighting supplies, fixtures, signs, posts, fencing and fencing material, road, ditch, culvert and bank repair materials, emergency response supplies, small hand and power tools and welding gases.

DEFINITIONS AND EXPLANATION OF THE FISCAL YEAR 2014 OPERATING EXPENSE ACCOUNTS

<u>ACCOUNT CODE</u>	<u>TITLE</u>
5300	<u>MAINTENANCE SUPPLIES - VEHICULAR EQUIPMENT</u> This account covers spare parts for vehicular and marine equipment, as well as, small maintenance equipment, pumps generators, chain saws, hand mowers and valve operators. Also included in this account are batteries and vehicular fluids.
5310	<u>MAJOR - SPECIALIZED VEHICLE SERVICE AND REPAIR</u> This account is a supplement to account code 5300 and includes those services requiring vendors specializing in items such as body and fender work, major repairs to transmissions, front end alignments, radiator repairs and major power train overhauls. This account also includes vehicle and equipment preventive maintenance labor costs as performed by Raritan Basin System personnel or by a vendor.
5320	<u>AGRICULTURE SUPPLIES</u> This account covers those supplies used in maintaining the appearance and control of the grounds, such as grass seed, lime, fertilizers, shrubs, trees, pest and weed control, and aquatic weed control.
5330	<u>MAINTENANCE OF EQUIPMENT</u> This account covers normal repair and service to calculators, typewriters and other office machines and furniture which are not covered under service and maintenance of radio equipment. Also included in this account is maintenance of radio equipment, building maintenance, repairs to engineering and surveying equipment, service to system components of Intake and Reservoir Pumping Stations, Flow Meter/Valve Chamber, Inlet/Outlet Tower, confined space entry equipment, telemarks, recorders and flow meters and all spare parts needed at the reservoir system facilities to sustain continuous and dependable operations.
5340	<u>SERVICE AND MAINTENANCE CONTRACTS</u> This account covers the contracts used for servicing plumbing (heating and cooling), electrical and instrumentation equipment, fire and intrusion alarms, appliances, exterminators, overhead cranes, well and septic systems, UST monitoring system, embankment fertilization, shop machinery and office equipment such as the copier and computers. Also included in this account is refuse disposal and waste removal by private contractors.
5350	<u>EQUIPMENT RENTAL</u> This account covers the rental of specialized construction equipment such as pumps, compressors, etc., specialized office equipment, pagers, entry rugs, the postage machine, the parts washer, and gas cylinders.

DEFINITIONS AND EXPLANATION OF THE FISCAL YEAR 2014 OPERATING EXPENSE ACCOUNTS

ACCOUNT
CODE

TITLE

5360 HOUSEHOLD, SAFETY AND PROTECTIVE SUPPLIES

This account covers the cost of materials and supplies of a consumable nature. Covered in this account are such items as janitorial and sanitary supplies, locks and keys, fire extinguishers, first aid and safety supplies, film rentals and related costs for in-house programs, and materials handling and labeling supplies.

5380 SPECIAL AND PROFESSIONAL SERVICES

This account covers the estimated cost of professional services such as attorneys, physicians, annual audit fee, Governor's Authority Unit, court reporters, temporary services, engineers, consultants, laboratory services, gaging station agreement, CSL testing service, employee assistance services, etc.

5390 PROTECTIVE SERVICES

This account covers the yearly cost of insurance premiums prorated to the Manasquan Reservoir System, covering General Liability, Workmen's Compensation, Vehicular, etc.

5400 TELEPHONE

This account covers direct telephone charges including charges for repairs, equipment rental and related expenses.

5410 POSTAGE AND FREIGHT

This account covers all postage costs including express and overnight mail. Also covered in this account are charges for incoming and outgoing freight when applicable.

5420 DATA PROCESSING

This account covers charges for production of payrolls and required reports under contract with ADP.

5430 PRINTING AND OFFICE

This account covers the cost of computer supplies, computer software, letterhead, envelopes, publication costs and forms, archiving of our records, duplication products and all other stationery materials and supplies necessary for the operation of the office. Items that are classified as furniture and equipment with a value of \$1,000 or more are not to be included in this account. Items ordered directly from a vendor or withdrawn from inventory shall be included in this account.

DEFINITIONS AND EXPLANATION OF THE FISCAL YEAR 2014 OPERATING EXPENSE ACCOUNTS

<u>ACCOUNT CODE</u>	<u>TITLE</u>
5440	<u>SCIENTIFIC AND PHOTOGRAPHIC</u> This account covers the cost of video and photographic supplies, blueprinting supplies, laboratory supplies, surveying and engineering supplies and recording charts and pens.
5450	<u>DUES AND SUBSCRIPTION</u> This account covers the cost of subscriptions to newspapers, magazines, periodicals, reference books, other publications and membership fees in professional societies and associations.
5460	<u>ADVERTISING</u> This account covers the cost of legal and classified advertising in newspapers for bids, recruiting, and public notifications.
5470	<u>TRAVEL AND SUBSISTENCE</u> This account covers the cost of travel and subsistence expenses reimbursable to an employee or chargeable to the Authority under the provisions of "The Regulations Governing Employee Expense Reimbursements". It includes travel expenses, employee allowances, entertainment of business quests, staff and departmental meal expenses.
5480	<u>STAFF TRAINING AND TUITION AID</u> This account provides funds for employees' attendance at various technically related and approved courses, training programs, conferences, etc.
5490	<u>FEES AND PERMITS</u> This account covers the estimated cost of fees for UST registration, physical connection, water diversion and stream encroachment permits from the NJDEP and small unclassified items such as notaries, hearing rooms and transcripts, easement renewals, vehicle and equipment registrations, etc.
5500	<u>IN-LIEU TAXES</u> This account covers the funds for Reservoir and Intake Facilities in-lieu tax payment.
5510	<u>SEDIMENT REMOVAL</u> This account covers the yearly costs associated with residuals handling, removal, moisture reduction and ultimate disposal as it pertains to river sediment.

DESCRIPTION OF RESERVE ACCOUNTS

Self Insurance Reserve (Liability)

This reserve is used to cover any excess liability payment above the Self-Insurance Retainer. Therefore, a Self-Insurance Fund was established and fully funded at \$250,000.

Depreciation Reserve Account

This reserve is intended to provide for the replacement of Authority machinery and equipment with a value of \$1,000 or more and a useful life in a range from three to ten years. The annual contribution to this reserve fund is predicated on the actual and/or estimated useful lives of three to ten years, depending upon the nature of this equipment. Depreciation has been determined for each such asset. These funds are needed to cushion the impact of replacement equipment purchases in order to provide more stable rates.

Reserve for Operations and Maintenance

A working cash reserve must be established at a level which reflects the amount of the regular annual operating costs plus an allowance for possible extraordinary requirements. The level of this reserve shall not exceed 25 percent of the amount appropriated by the Annual Budget for Operations and Maintenance Expenses for the current fiscal year.

Renewal and Replacement Reserve

The Renewal and Replacement Reserve is to be used for costs of Capital Improvements including repairs to facilities not covered by insurance and payment of extraordinary O & M costs. As per the terms of the project financing this Reserve is to be funded by the excess Debt Service Coverage revenues after 50 percent of the Debt Service Reserve amount has been accumulated.

Sediment Reserve

This reserve account is intended to provide in case extraordinary expenses are encountered with the sediment removal process from within the Intake Pumping Station. The reserve account may also be used to offset costs of future sediment removal projects from the Manasquan River or the sediment intake pool. The reserve account also provides funds that may be necessary to landfill the sediments if quality testing demonstrates some problem material. The reserve account has been determined to be held at a level near \$100,000.

Reserve for Formal Dam Inspection

This reserve, created in FY12, will receive annual contributions equal to one third the cost of the formal dam inspection which occurs every three years. The intention is to level the expenditure and eliminate the spike in expense that would otherwise occur every three years.

NEW JERSEY WATER SUPPLY AUTHORITY
FORECASTED COST ALLOCATION SCHEDULES
YEAR ENDING JUNE 30, 2014

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Commissioners of
New Jersey Water Supply Authority

At your request, we have performed certain agreed-upon procedures, as enumerated below, with respect to the accompanying forecasted cost allocation schedules of the New Jersey Water Supply Authority (the "Authority") for the fiscal year ending June 30, 2014. These procedures, which were agreed to by the Commissioners and Authority management, were performed solely to assist you in evaluating the forecasted cost allocation schedules in connection with the setting of water rates for each of the three operating systems (Raritan, Manasquan Reservoir and Manasquan Treatment Plant/Transmission). The Authority's management is responsible for the schedules. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Authority's management. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose:

1. We were provided with the fiscal year 2014 budgeted expenses for each of the three operating systems by the Authority's chief financial officer, who advised us that the fiscal year 2014 budgeted expenses are based upon preliminary budgets that are subject to approval by the Authority's Commissioners. We performed no procedures in regard to these fiscal year 2014 budgeted expenses.
2. We recalculated the allocated costs on the schedules.
3. We compared the methodologies used for cost allocation on the forecasted schedules to the methodologies used in the Authority's cost allocation schedules for the year ended June 30, 2012, and found them to be consistent.

- AN INDEPENDENTLY OWNED MEMBER,
MCGGLADREY ALLIANCE
- AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
- NEW JERSEY SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
- NEW YORK SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
- PENNSYLVANIA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
- AICPA'S PRIVATE COMPANIES PRACTICE
SECTION
- AICPA'S CENTER FOR AUDIT QUALITY
- REGISTERED WITH THE PCAOB

REPORT OF INDEPENDENT ACCOUNTANTS (CONTINUED)

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying forecasted cost allocation schedules. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. Furthermore, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

This report is intended solely for the information and use of the Commissioners and management of New Jersey Water Supply Authority and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Mercaderes, P.C.
Certified Public Accountants

September 11, 2012

NEW JERSEY WATER SUPPLY AUTHORITY
 SCHEDULE OF FORECASTED COST CENTER EXPENSE RECLASSIFICATION
 YEAR ENDING JUNE 30, 2014

RECLASSIFICATIONS

DEPT. #	DEPT./COST CENTER	1	2	3	4	5	6	7	8	9	REVISED COST CENTER COSTS
		HEATING/ELECTRIC	VEHICULAR FUEL	PROFESSIONAL FEES	INSURANCE	TELEPHONE	PERMITS	WORKERS' COMP.	IN LIEU TAXES	CHIEF ENGINEER SALARY & FRINGE	
	BUILDING HQ	\$118,000									118,000
	TELEPHONE HQ					\$72,400					72,400
36	SAFETY	189,500		(\$5,000)							184,500
37	SECURITY	929,600									928,600
14	HUMAN RESOURCES	415,000		(\$4,200)				(\$10,000)			400,800
16	PURCHASING	538,000	(\$154,500)			(72,400)	(\$16,000)				295,100
17	INFORMATION SYSTEMS	187,000									187,000
15	CONTRACTS & RISK MGMT.	1,526,800		(31,000)	(\$1,075,100)		(85,800)		(\$18,700)		316,200
13	FINANCIAL MGMT	930,600		(5,700)							924,900
34	AUTO SHOP	196,600	154,500				16,000				357,100
35	AUTO SHOP-CANAL	185,800									185,800
10	EXEC OFFICE	250,800	4,757								255,557
20 30 31 32 33	WATERSHED, ENGINEERING & O&M (RARITAN SYSTEM)	7,549,550	(122,757)	45,900	1,075,100		85,800	10,000	18,700	(13,746)	8,648,548
		12,889,250	0	0	0	0	0	0	0	(13,746)	12,875,504
40-60	MANASQUAN SYSTEM	4,944,350								13,746	4,958,096
		\$17,833,600	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$17,833,600

See accompanying notes to Financial Schedules.

NEW JERSEY WATER SUPPLY AUTHORITY
 SCHEDULE OF FORECASTED SYSTEM-WIDE ALLOCATED COSTS
 YEAR ENDING JUNE 30, 2014

ALLOCATION BASIS

DEPT. #	DEPT./COST CENTER	REVISED COST CENTER COSTS	SQ. FT. #	# OF TELEPHONES	# OF EMPLOYEES	# OF EMPLOYEES	100 % RARITAN O&M	# OF P.O.s	# OF COMPUTERS	MGD CONTRACTS	O&M BUDGET	# OF VEHICLES	# OF VEHICLES	TIME ESTIMATE	ALLOCATED COST CENTER COSTS
	BUILDING HQ	\$118,000	(\$118,000)												
	TELEPHONE HQ	\$72,400	0		(\$72,400)										
36	SAFETY	\$184,500	886	787	(\$186,173)										
37	SECURITY	\$929,600	4,533	3,148	15,372	(\$952,659)									
14	HUMAN RESOURCES	\$400,800	5,459	3,148	5,124	0	(\$414,531)								
16	PURCHASING	\$295,100	5,022	2,361	3,416	0	8,547	(\$315,448)							
17	INFORMATION SYSTEMS	\$187,000	1,256	787	1,708	0	4,274	5,444	(\$200,469)						
15	CONTRACTS & RISK MGMT.	\$316,200	3,921	1,574	3,418	0	8,547	6,238	8,718	(\$348,610)					
13	FINANCIAL MGMT	\$924,900	11,424	6,296	11,958	0	28,915	9,601	30,506	0	(\$1,024,598)				
34	AUTO SHOP	\$357,100	18,908	1,574	1,708	0	4,274	16,035	4,358	0	28,400	(\$429,055)			
35	AUTO SHOP-CANAL	\$185,900	0	1,574	1,708	0	4,274	11,690	0	0	13,215	0	(\$218,251)		
10	EXEC OFFICE	\$255,557	15,832	5,509	1,708	0	4,274	3,167	4,358	0	18,177	0	0	(\$308,582)	
20 30 31 32 33	WATERSHED, ENGINEERING & O&M (RARITAN SYSTEM)	\$8,648,548	50,061	45,842	95,649	952,653	289,315	147,478	104,593	313,275	615,148	429,055	218,251	253,037	\$12,112,706
40-60	MANASQUAN SYSTEM	\$4,958,098	0	0	44,408	0	111,111	115,805	47,938	35,335	352,657	0	0	55,545	5,720,885
		\$17,833,600	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$17,833,600

See accompanying notes to Financial Schedules.

NEW JERSEY WATER SUPPLY AUTHORITY
 SCHEDULE OF FORECASTED COST ALLOCATION FACTORS
 YEAR ENDING JUNE 30, 2014

REQUIRED STATISTICS

DEPT. #	ALLOCATION OF:	BUILDING HQ	TELEPHONES	SAFETY	HUMAN RESOURCES	PURCHASING	INFORMATION SYSTEMS	CONTRACTS & RISK MGMT	FINANCE C&M	AUTO SHOP	AUTO SHOP	EXEC. OFF
	ALLOCATION BASIS:	SQ. FT. #	# OF TELEPHONES	# OF EMPLOYEES	# OF EMPLOYEES	# OF P.O.'S	# OF COMPUTERS	MGD CONTRACTS	FUNCTIONAL COST	# OF VEHICLES	# OF VEHICLES	TIME ESTIMATE
DEPT./COST CENTER												
	BUILDING HQ											
	TELEPHONE HQ											
36	SAFETY	110	1									
37	SECURITY	563	4	9								
14	HUMAN RESOURCES	678	4	3								
16	PURCHASING	748	3	2	2							
17	INFORMATION SYSTEMS	158	1	1	1	55						
15	CONTRACTS & RISK MGMT.	487	2	2	2	63	2					
13	FINANCIAL MGMT	1,419	8	7	7	97	7	0				
34	AUTO SHOP	2,311	2	1	1	162	1	0	\$357,100			
35	AUTO SHOP-CANAL	0	2	1	1	118	0	0	\$185,800			
10	EXEC OFFICE	1,967	7	1	1	32	1	0	255,557	0		
20 30 31 32 33	WATERSHED, ENGINEERING & O&M (RARITAN SYSTEM)	6,218	58	56	56	1,490	24	182	8,048,548	43	43	82.00
40-60	MANASQUAN SYSTEM			26	26	1,170	11	21	4,958,096			18.00
		14,857	92	109	87	3,167	46	203	\$14,405,100	43	43	100 %

See accompanying notes to Financial Schedules.

NEW JERSEY WATER SUPPLY AUTHORITY
 SCHEDULE OF FORECASTED MANASQUAN SYSTEM ALLOCATED COSTS
 YEAR ENDING JUNE 30, 2014

COSTS	ALLOCATION BASIS					ALLOCATED COSTS
	1 TIME STUDY	2 \$ VALUE OF VEHICLES	3 \$ VALUE OF EQUIPMENT	4 TIME STUDY	5 VALUE OF WATER CONTRACTS	
<u>GENERAL & ADMINISTRATIVE</u>						
SALARIES & FRINGES	\$2,722,450					
VEHICLE RELATED	78,200	(\$78,200)				
MAINT. SUPPLIES & RELATED	76,900		(\$76,900)			
OFFICE & MISC.	46,300			(\$46,300)		
H.Q. OVERHEAD	776,545				(\$776,545)	
RESERVOIR	949,700	54,208	36,904	22,073	673,945	\$3,034,730
TREAT./TRANS.	1,070,800	23,992	39,996	24,227	102,600	2,686,165
	<u>\$5,720,895</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5,720,895</u>

See accompanying notes and summary of underlying assumptions.

NEW JERSEY WATER SUPPLY AUTHORITY
NOTES AND SUMMARY OF UNDERLYING ASSUMPTIONS
YEAR ENDING JUNE 30, 2014

A. GENERAL

The New Jersey Water Supply Authority as part of its annual budget and rate making process performs a two step cost allocation calculation. During the first step the Authority forecasts its actual expenses by Cost Center. For purposes of this calculation the Authority uses the following Cost Centers:

- Building Headquarters
- Telephone Headquarters
- Safety
- Security
- Human Resources
- Purchasing
- Information Systems
- Contracts & Risk Management
- Financial Management
- Auto Shop
- Auto Shop - Canal
- Executive Office
- Engineering, Watershed Management, Operations and Maintenance (Raritan System)
- Manasquan System

In deriving expenses by Cost Center several expense reclassifications are made on the Schedule of Forecasted Cost Center Expense Reclassification as follows:

1. Heating and electricity expenses related to Building Headquarters (HQ) and Executive Office are reclassified from Engineering and Operations & Maintenance (O & M).
2. Vehicular fuel expense related to Auto Shop is reclassified from Purchasing.
3. Professional fees related to O & M are reclassified from the various departments to which they have been charged.
4. Insurance premium expense related to the Raritan System is reclassified from Contracts and Risk Management.
5. Telephone expense is reclassified from Purchasing to a separate Telephone HQ cost center.
6. Permit expense related to the Raritan System is reclassified from Contracts and Risk Management and Purchasing.

7. Workers' compensation expense related to the Raritan System is reclassified from Contracts and Risk Management.
8. In-lieu taxes related to the Raritan System are reclassified from Contracts and Risk Management.
9. Chief Engineer Salary & Fringe Expenses related to the Manasquan System are reclassified from the Engineering Department.

The second step entails a step-down allocation of eleven of the Authority's Cost Centers to the Raritan and Manasquan System Cost Centers. In making this step-down allocation the Authority allocates cost as follows:

1. Building HQ is allocated to each of the cost centers based on the amount of space utilized.
2. Telephone HQ is allocated to each of the cost centers based on the number of telephones utilized.
3. Safety is allocated to each of the Cost Centers based on the number of employees.
4. Security is allocated entirely to the Raritan System.
5. Human Resources is allocated to each of the Cost Centers based on the number of employees.
6. Purchasing is allocated to each of the respective Cost Centers based on the number of purchase orders issued.
7. Information Systems is allocated to each of the Cost Centers based on the number of computers.
8. Contracts and Risk Management is allocated to each of the Cost Centers based on the number of employees.
9. Financial Management is allocated based on a percentage of the four remaining cost centers' budgets.
10. Auto Shop and Auto Shop-Canal are allocated based on the number of vehicles used.
11. Executive Office is allocated based on the amount of executive time utilized in managing each of the systems.

B. MANASQUAN SYSTEM ALLOCATED COST

The Manasquan Water Supply System's direct and allocated costs are then allocated between the Reservoir System and the Water Treatment Plant/Transmission System. In making this allocation the Authority adds to each System's direct expenses, the indirect costs allocated as follows:

1. Salaries and Fringe Benefits are allocated based on actual time studies performed by each employee throughout Fiscal Year 2012.
2. Vehicle related expenses are allocated based on the dollar value of vehicles held by each System.
3. Maintenance Supplies and related expenses are allocated based on the dollar value of capital equipment held by each System.
4. Office and miscellaneous expenses are allocated based on the time studies performed by each employee throughout Fiscal Year 2012.
5. Headquarters Overhead expenses are allocated based on the value of water contracts for each System.

C. SUMMARY OF UNDERLYING ASSUMPTIONS

In allocating cost center costs for the Forecasted Cost Allocation for Fiscal Year 2014, the Authority will review the statistics used for allocating Fiscal Year 2012 cost center costs and will make changes if necessary. There are 99 Raritan and 27 Manasquan employees for FY2014, which is used to allocate the cost centers. The O&M Functional Cost will be updated and changes made if necessary. The budgeted amounts for Fiscal Year 2014 as estimated at the time this report was created have been used in place of the actual amounts incurred during Fiscal Year 2012.

The Fiscal Year 2014 Raritan Basin System budget provides for an increase of one percent in salary expenses due to the union contract and the July 2012 MOA. Fringe benefit expenses are anticipated to increase eight percent for Fiscal Year 2014 primarily due to an increase in pension, group medical, retirees health, and prescription benefits. Operations and Maintenance expenses are anticipated to decrease three percent for Fiscal Year 2014 primarily due to estimated decreases in vehicle fuel, maintenance supplies and insurance.

The Fiscal Year 2014 Manasquan Reservoir System budget provides for an increase of three percent in salary expenses due to the union contract and the July 2012 MOA. Fringe benefit expenses are anticipated to increase five percent for Fiscal Year 2014 primarily due to an increase in group medical, pension, retiree health benefits, and prescription benefits. Operations and Maintenance expenses are anticipated to decrease six percent for Fiscal Year 2014 primarily due to estimated decreases in electricity for pumping.

NEW JERSEY WATER SUPPLY AUTHORITY
COST ALLOCATION SCHEDULES
YEAR ENDED JUNE 30, 2012

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REPORT OF INDEPENDENT ACCOUNTANTS

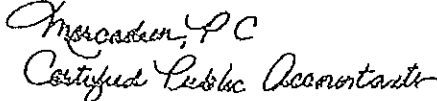
To the Commissioners of
New Jersey Water Supply Authority

We have examined the financial schedules of New Jersey Water Supply Authority (the "Authority") for the year ended June 30, 2012, listed in the foregoing table of contents. The Authority's management is responsible for the financial schedules. Our responsibility is to express an opinion on the conformity of the financial schedules with the cost allocation criteria set forth in Note A.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary under the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial schedules referred to above present the Authority's allocation of costs to the Raritan and Manasquan Systems in conformity with the cost allocation criteria set forth in Note A.

This report is intended for the information and use of the Commissioners and management of New Jersey Water Supply Authority and is not intended to be and should not be used by anyone other than these specified parties.


Mercadieu, P.C.
Certified Public Accountants

September 11, 2012

- AN INDEPENDENTLY OWNED MEMBER,
MCGLAUREY ALLIANCE
- AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
- NEW JERSEY SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
- NEW YORK SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
- PENNSYLVANIA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
- AICPA'S PRIVATE COMPANIES PRACTICE
SECTION
- AICPA'S CENTER FOR AUDIT QUALITY
- REGISTERED WITH THE PCAOB

NEW JERSEY WATER SUPPLY AUTHORITY
SCHEDULE OF COST CENTER EXPENSE RECLASSIFICATION
YEAR ENDED JUNE 30, 2012

		RECLASSIFICATIONS										
DEPT. #	DEPT./COST CENTER	COST CENTER COSTS	1	2	3	4	5	6	7	8	9	REVISED COST CENTER COSTS
			HEATING/ELECTRIC	VEHICULAR FUEL	PROFESSIONAL FEES	INSURANCE	TELEPHONE	PERMITS	WORKERS' COMP.	IN LIEU TAXES	CHIEF ENGINEER SALARY & FRINGE	
	BUILDING HQ		\$79,394									79,394
	TELEPHONE HQ						\$71,109					71,109
36	SAFETY	159,698										159,698
37	SECURITY	829,339										829,339
14	HUMAN RESOURCES	359,955			(\$3,105)				(\$1,259)			355,597
16	PURCHASING	546,011		(\$195,154)				(\$16,821)				262,927
17	INFORMATION SYSTEMS	144,341										144,341
15	CONTRACTS & RISK MGMT.	1,411,302			(25,693)	(\$989,403)		(82,132)		(\$18,669)		295,384
13	FINANCIAL MGMT	849,540			(5,824)							843,916
34	AUTO SHOP	203,732		195,154				16,821				415,707
35	AUTO SHOP-CANAL	194,984										194,984
10	EXEC OFFICE	228,756	4,722									233,477
20 30 31 32 33	WATERSHED, ENGINEERING & O&M (RARITAN SYSTEM)	5,558,131	(84,116)		34,421	989,403		82,132	1,255	18,689	(13,167)	7,586,747
		11,485,789	0	0	0	0	0	0	0	0	(13,167)	11,472,622
40-60	MANASQUAN SYSTEM	4,215,062									13,167	4,228,229
		\$15,700,851	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$15,700,851

See accompanying notes to Financial Schedules.

NEW JERSEY WATER SUPPLY AUTHORITY
 SCHEDULE OF SYSTEM-WIDE ALLOCATED COSTS
 YEAR ENDED JUNE 30, 2012

ALLOCATION BASIS

DEPT. #	DEPT./COST CENTER	REVISED COST CENTER COSTS	SQ. FT. #	# OF TELEPHONES	# OF EMPLOYEES	100 % RARITAN O&M	# OF EMPLOYEES	# OF P.O.'s	# OF COMPUTERS	MGD CONTRACTS	O&M BUDGET	# OF VEHICLES	# OF VEHICLES	TIME ESTIMATE	ALLOCATED COST CENTER COSTS
	BUILDING HQ	\$79,394	(879,394)												
	TELEPHONE HQ	\$71,109	0	(371,109)											
36	SAFETY	\$159,698	596	773	(\$161,067)										
37	SECURITY	\$829,339	3,060	3,092	13,299	(\$848,760)									
14	HUMAN RESOURCES	\$355,597	3,673	3,092	4,433	0	(\$366,795)								
16	PURCHASING	\$262,927	4,052	2,319	2,955	0	7,563	(\$279,816)							
17	INFORMATION SYSTEMS	\$144,341	845	773	1,478	0	3,781	4,829	(\$156,047)						
15	CONTRACTS & RISK MGMT.	\$295,384	2,838	1,548	2,855	0	7,563	5,531	6,785	(\$322,402)					
13	FINANCIAL MGMT	\$943,916	7,687	6,183	10,344	0	26,470	8,517	23,746	0	(\$926,893)				
34	AUTO SHOP	\$415,707	12,519	1,546	1,478	0	3,781	14,223	3,392	0	30,437	(\$493,063)			
35	AUTO SHOP-CANAL	\$194,984	0	1,546	1,478	0	3,781	10,360	0	0	14,276	0	(\$226,425)		
10	EXEC OFFICE	\$233,477	10,652	5,410	1,478	0	3,781	2,810	3,392	0	17,094	0	0	(\$278,094)	
20 30 31 32 33	WATERSHED, ENGINEERING & O&M (RARITAN SYSTEM)	\$7,589,747	33,692	44,928	82,749	848,760	211,759	130,921	81,416	299,692	555,478	483,083	226,425	232,208	\$10,807,660
40-60	MANASQUAN SYSTEM	\$4,228,229	0	0	38,420	0	98,316	102,725	37,316	32,720	306,578	0	0	45,886	4,893,100
		\$15,700,851	(\$0)	(\$0)	(\$0)	\$0	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	\$15,700,849

See accompanying notes to Financial Schedules.

NEW JERSEY WATER SUPPLY AUTHORITY
 SCHEDULE OF COST ALLOCATION FACTORS
 YEAR ENDED JUNE 30, 2012

REQUIRED STATISTICS

ALLOCATION OF: ALLOCATION BASIS;	BUILDING HQ SQ. FT. #	TELEPHONES # OF TELEPHONES	SAFETY # OF EMPLOYEES	HUMAN RESOURCES # OF EMPLOYEES	PURCHASING # OF P.O.'S	INFORMATION SYSTEMS # OF COMPUTERS	RISK MGMT MSD CONTRACTS	FINANCE O&M FUNCTIONAL COST	AUTO SHOP # OF VEHICLES	AUTO SHOP CANAL # OF VEHICLES	EXEC. OFF TIME ESTIMATE
DEPT. #											
DEPT./COST CENTER											
BUILDING HQ											
TELEPHONE HQ											
36 SAFETY	110	1									
37 SECURITY	583	4	9								
14 HUMAN RESOURCES	678	4	3								
16 PURCHASING	748	3	2	2							
17 INFORMATION SYSTEMS	156	1	1	1	55						
15 CONTRACTS & RISK MGMT.	487	2	2	2	63	2					
13 FINANCIAL MGMT	1,419	8	7	7	97	7	0				
34 AUTO SHOP	2,311	2	1	1	162	1	0	\$415,707			
35 AUTO SHOP-CANAL	0	2	1	1	118	0	0	\$194,984			
10 EXEC OFFICE	1,967	7	1	1	32	1	0	233,477	0		
20 30 31 32 33 WATERSHED, ENGINEERING & O&M (RARIAN SYSTEM)	5,218	58	56	56	1,490	24	182	7,586,747	43	43	83.50
40-60 MANASQUAN SYSTEM			26	26	1,170	11	21	4,228,229			16.50
	14,657	92	109	97	3,187	46	203	\$12,659,144	43	43	100 %

See accompanying notes to Financial Schedules.

NEW JERSEY WATER SUPPLY AUTHORITY
 SCHEDULE OF MANASQUAN SYSTEM ALLOCATED COSTS
 YEAR ENDED JUNE 30, 2012

COSTS	ALLOCATION BASIS					ALLOCATED COSTS
	1 TIME STUDY	2 \$ VALUE OF VEHICLES	3 \$ VALUE OF EQUIPMENT	4 TIME STUDY	5 VALUE OF WATER CONTRACTS	
<u>GENERAL & ADMINISTRATIVE</u>						
SALARIES & FRINGES	\$2,446,407					
VEHICLE RELATED	78,537	<u>(\$78,537)</u>				
MAINT. SUPPLIES & RELATED	51,388		<u>(\$51,388)</u>			
OFFICE & MISC.	51,413			<u>(\$51,413)</u>		
H.Q. OVERHEAD	678,128				<u>(\$678,128)</u>	
RESERVOIR	686,040		24,661	24,358	588,531	\$2,598,582
TREAT./TRANS.	901,276	24,095	26,727	27,055	89,597	2,294,607
	<u>\$4,893,188</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,893,189</u>

See accompanying notes Financial Schedules.

NEW JERSEY WATER SUPPLY AUTHORITY
NOTES TO SCHEDULES
YEAR ENDED JUNE 30, 2012

A. GENERAL

The New Jersey Water Supply Authority as part of its annual budget and rate making process performs a two step cost allocation calculation. During the first step the Authority calculates its actual expenses by Cost Center. For purposes of this calculation the Authority uses the following Cost Centers:

- Building Headquarters
- Telephone Headquarters
- Safety
- Security
- Human Resources
- Purchasing
- Information Systems
- Risk Management
- Financial Management & Administration
- Auto Shop
- Auto Shop - Canal
- Executive Office
- Engineering, Watershed Management, Operations and Maintenance (Raritan System)
- Manasquan System

In deriving expenses by Cost Center several expense reclassifications are made on the Schedule of Cost Center Expense Reclassification as follows:

1. Heating and electricity expenses related to Building Headquarters (HQ) and Executive Office are reclassified from Engineering & Operations and Maintenance (O & M).
2. Vehicular fuel expense related to Auto Shop is reclassified from Purchasing.
3. Professional fees related to O & M are reclassified from the various departments to which they have been charged.
4. Insurance premium expense related to the Raritan System is reclassified from Risk Management.
5. Telephone expense is reclassified from Purchasing to a separate Telephone HQ cost center.
6. Permit expense related to the Raritan System is reclassified from Risk Management and Purchasing.

7. Workers' compensation expense related to the Raritan System is reclassified from Risk Management.
8. In-lieu taxes related to the Raritan System are reclassified from Risk Management.
9. Chief Engineer Salary & Fringe Expenses related to the Manasquan System are reclassified from the Engineering Department.

The second step entails a step-down allocation of eleven of the Authority's Cost Centers to the Raritan and Manasquan System Cost Centers. In making this step-down allocation the Authority allocates cost as follows:

1. Building HQ is allocated to each of the cost centers based on the amount of space utilized.
2. Telephone HQ is allocated to each of the cost centers based on the number of telephones utilized.
3. Safety is allocated to each of the Cost Centers based on the number of employees.
4. Security is allocated entirely to the Raritan System.
5. Human Resources is allocated to each of the Cost Centers based on the number of employees.
6. Purchasing is allocated to each of the respective Cost Centers based on the number of purchase orders issued.
7. Information Systems is allocated to each of the Cost Centers based on the number of computers.
8. Risk Management is allocated to each of the Cost Centers based on the number of employees.
9. Financial Management is allocated based on a percentage of the four remaining cost centers' budgets.
10. Auto Shop and Auto Shop-Canal is allocated based on the number of vehicles used.
11. Executive Office is allocated based on the amount of executive time utilized in managing each of the systems.

B. MANASQUAN SYSTEM ALLOCATED COST

The Manasquan Water Supply System's direct and allocated costs are then allocated between the Reservoir System and the Water Treatment Plant/Transmission System. In making this allocation the Authority adds to each System's direct expenses, the indirect costs allocated as follows:

1. Salaries and Fringe Benefits are allocated based on actual time studies performed by each employee throughout Fiscal Year 2012.
2. Vehicle related expenses are allocated based on the dollar value of vehicles held by each System.
3. Maintenance Supplies and related expenses are allocated based on the dollar value of capital equipment held by each System.
4. Office and miscellaneous expenses are allocated based on the time studies performed by each employee throughout Fiscal Year 2012.
5. Headquarters Overhead expenses are allocated based on the value of water contracts for each System.