

NEW JERSEY WATER SUPPLY AUTHORITY



2009 ANNUAL REPORT

AND THE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2009

Certificate of Achievement for Excellence in Financial Reporting

Presented to

New Jersey Water Supply Authority

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

NEW JERSEY WATER SUPPLY AUTHORITY

2009 ANNUAL REPORT

AND THE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

A COMPONENT UNIT
OF THE STATE OF NEW JERSEY



FOR THE YEAR ENDED
JUNE 30, 2009

Prepared by:
Finance and Accounting Staff

Henry S. Patterson
Executive Director

2009 Annual Report

Governor

Chris Christie



Authority Members

Bob Martin
Chair

Gary Sondermeyer
Acting Chair

Steven J. Picco
Vice Chair
Chair, Audit Committee

Shing-Fu Hsueh
Secretary
Chair, Insurance Committee

Louis C. Mai
Treasurer
Chair, Finance Committee
Chair, Capital Projects Committee

Susan Blew
Chair, Watershed Lands Acquisition Committee
Chair, Personnel Committee

Robert J. Iacullo
Chair, Public Participation Committee

Staff

Henry S. Patterson
Executive Director

Helene P. Chudzik, Esq.
Sr. Deputy Attorney General

2010 Monthly Meetings

The 2010 Monthly Meetings of the New Jersey Water Supply Authority are scheduled to be held in the Conference Room of the Authority's Clinton Administration Building, 1851 Highway 31, Clinton, New Jersey, unless otherwise indicated, beginning at 2:00 p.m. on the following Mondays:

January 4, 2010

February 1, 2010

March 1, 2010

April 5, 2010

May 3, 2010

June 7, 2010 (Canal Office)

July 12, 2010 (Canal Office)

August 2, 2010 (Manasquan Office)

September 13, 2010

October 4, 2010

November 1, 2010

December 6, 2010

The period from 12:00 p.m. to 2:00 p.m. on the above dates is set aside, as needed, for separate Committee meetings of the Personnel, Finance, Capital Projects and other Committees of the Authority.

Cover

From top left, clockwise: Administration Building, Wetlands Area, Intake Outlet Tower, Traveling Water Screen at Intake Pump Station, Intake Pool, Cormorant at Manasquan Reservoir. Center: entrance sign to Manasquan Water Supply System.

The New Jersey Water Supply Authority was created on October 7, 1981 (P.L. 1981, c. 293) to operate, on a self-supporting basis, the existing State water supply facilities and to develop future State water supply projects as recommended in the State Water Supply Master Plan. The Authority's Spruce Run/Round Valley Reservoirs System and the Delaware and Raritan Canal Water Transmission Complex (the Raritan Basin System), provides the basic source of water supply to a number of public and private water utilities serving more than 1,500,000 people in central New Jersey. The Manasquan Water Supply System in Monmouth County commenced delivery of this new surface water supply to a number of public and private water utilities, serving more than 250,000 people in the Monmouth County area, on July 1, 1990. Under agreement with the Monmouth County Improvement Authority, the Authority also operates and maintains a four million gallon per day water treatment plant and distribution system for five municipalities in Monmouth County.

 Printed on Recycled Paper

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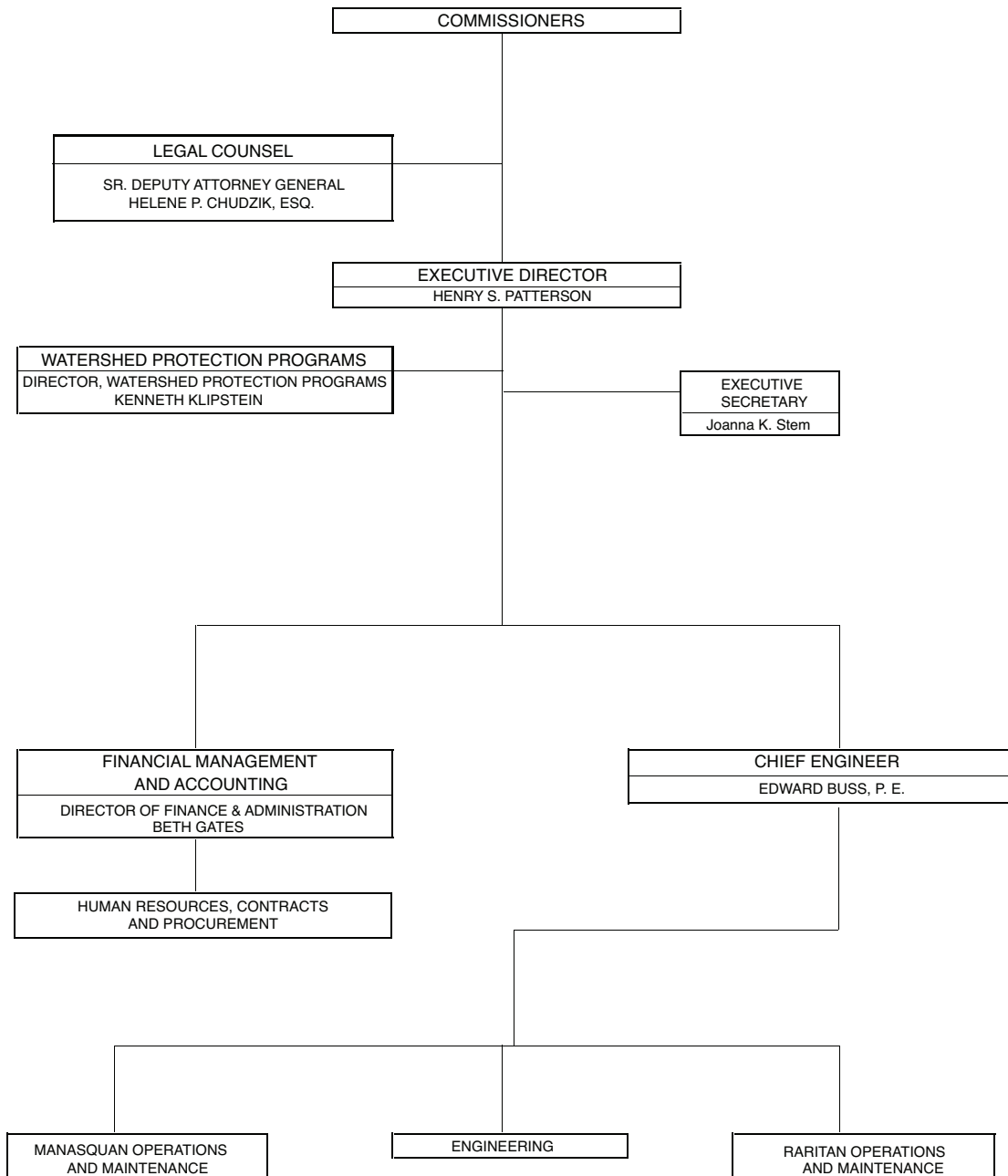
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NEW JERSEY WATER SUPPLY AUTHORITY TABLE OF ORGANIZATION



Letter to Governor and Legislature



NEW JERSEY WATER SUPPLY AUTHORITY

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February 2010

To the Honorable Chris Christie, Governor and Members of the New Jersey Legislature

I am pleased to submit the 28th Annual Report of the New Jersey Water Supply Authority. The Authority was created on October 7, 1981 (P.L. 1981, c.293) and was established in but not of the Department of Environmental Protection of the State of New Jersey. The "New Jersey Water Supply Authority Act" under N.J.S.A. 58:1 B-20 calls for the Authority to publish an Annual Report of its finances on or before the last day of February for the preceding calendar year. This report contains the Authority's Independent Auditor's Report, and all required reporting to be in compliance with Executive Order No. 37 (2006), for FY2009.

Operations and maintenance activities at all Authority facilities have been typical. Above average summer rainfall kept all reservoirs above historic averages for 2009.

The New Jersey Water Supply Authority, along with its governmental and non-profit partners, has continued with the acquisition of critical watershed properties within the Highlands region and the Spruce Run Initiative. To date, the Authority, along with its partners, has under contract or closed on over 3,022 acres of critical watershed property. The Authority has dedicated \$8 per million gallons from the Source Water Protection Component of the rate to fund the acquisition of these watershed properties.

The Authority was presented with the "Certificate of Achievement for Excellence in Financial Reporting Award" from the Government Finance Officers Association for FY2008, our 17th consecutive award. The Authority was awarded a "Certificate of Appreciation" in recognition of its outstanding contributions to the Delaware and Raritan Canal State Park on the occasion of the 175th anniversary of the Canal. The Authority entered its GIS source water protection mapping criteria in the New Jersey Department of Environmental Protection's 22nd Annual Map competition in April of 2009. The Authority won first place for the "Best Analytical Presentation" category.

Sincerely,

Henry S. Patterson
Executive Director

Operations

No significant isolated weather events affected the operations and maintenance of the facilities during 2009. The typical dry summer months of May-August were unusually wet in 2009 and only minimal releases were needed from any of the Raritan or Manasquan Basin Reservoirs.

Dam Inspections

In accordance with the State Dam Safety Regulations, the engineering staff conducted the 2009 annual dam inspection at the Spruce Run and Round Valley Reservoirs on May 27th and 28th. An outside engineering consultant conducted the 2009 formal dam inspection at the Manasquan Reservoir on June 2nd. All embankments at the Spruce Run, Round Valley and Manasquan Reservoirs were characterized as "safe" and only minor routine repairs were recommended. The Authority also continued its program of quarterly inspections of the dams, dikes and appurtenances in accordance with the Authority's Internal Management Program.

Ozone System at the Manasquan Water Treatment Plant

The raw water supply for the Manasquan Water Treatment Plant (MWTP) contains significant levels of color, organic compounds, iron and manganese. There is also potential for the formation of taste and odor causing compounds. Ozone is used as the pre-disinfectant at the plant.

The Authority has embarked on a project to improve and optimize the ozone system, thereby achieving the following benefits: reducing operations and maintenance costs, correcting system

deficiencies, extending system life and facilitating compliance with current and future water quality regulations.

This project has two phases of design and construction each with its own schedule for completion. The first phase includes concrete repairs to the pre-ozone chamber. This work was completed February 2009. The second phase encompasses conversion of the ozone system to pure oxygen rather than the dried air as supplied to the current ozone system. Planning documents have been submitted to the NJ Environmental Infrastructure Trust for funding of this project during the 2009 funding cycle. If funding is approved through either the American Recovery and Reinvestment Act of 2009 or the usual EIT funding source, bidding will commence. Shutdown of the plant for construction activities is expected to take place in February 2011.

Instrumentation System Upgrade

The asset management plan also highlighted the need to upgrade the instrumentation at the MWTP. The instrumentation at the plant is outdated and replacement parts are difficult to obtain. Any failure of the instrumentation system has the potential of shutting down the treatment plant. Planning documents have been submitted to the NJ Environmental Infrastructure Trust for funding of this project during the 2009 funding cycle. If funding is approved through either the American Recovery and Reinvestment Act of 2009 or the usual EIT funding source, bidding will commence. Shutdown of the plant for construction activities is expected to take place in February 2011.

Asset Management Planning

The South Branch Pumping Station was completed in 1965 as a part of the Spruce Run/Round Valley Reservoir Complex in the Raritan River Basin. It is located on the South Branch Raritan River, about three miles downstream from the Spruce Run Reservoir. It is used to pump water from the South Branch Raritan River to the Round Valley Reservoir. Ten 40 mgd pumps, each operated by a 2,000 HP motor, can transfer up to 350 mgd to the Reservoir through a 3.2-mile long, 108-inch diameter force main.

A professional services contract was awarded in October to prepare plans to rehabilitate the pumps and motors and to prepare an asset management plan.

Dredging of the Canal

Flow in the 10.5-mile section of the Canal between Kingston at Lincoln Highway (Route 27) and the Amwell Road, near Millstone Borough, both in Franklin Township, Somerset County is being impeded by sediment accumulation. This is compounded by the growth of weeds during the summer months when flow demand is the greatest. The water surface elevation is typically raised during these periods, which causes water to discharge over the lower elevation spillways.

The Authority has solicited proposals from engineering firms to design the project and obtain necessary permits for the sediment removal. A contract for the engineering and environmental services should be awarded early in 2010.

Watershed Protection Programs Unit

The Watershed Protection Programs Unit is responsible for managing source water protection in the watersheds that the Authority relies upon for a clean water supply. Guided by the results of the Raritan Basin and Manasquan Basin Watershed Protection Plans, the unit began developing more detailed protection plans for the priority sub-watersheds that provide water to the Raritan Reservoir System, the D&R Canal and the Manasquan System. These more detailed sub-watershed protection plans have been completed for the last 11 miles of the D&R Canal, the Lockatong and Wickecheoke Creeks, and the Mulhockaway Creek watersheds. Sub-watershed scale plans are under development for the Neshanic River, the Cedar Grove Brook, the Peters Brook, the Manalapan Brook and the Mingamahone/Marsh Bog Brooks. As each of these sub-watershed plans is completed the Authority works with a variety of organizations to implement the recommended strategies. The Unit's core activities are funded by the Source Water Protection component of the Authority's rate. This dedicated rate, paid by our customers, allows the Authority to leverage these dollars to attract matching sources of State and Federal funds. In 2009, the Authority working with collaborative organizations attracted more than \$1.5 million in new funds directed to source water protection projects.

During Fiscal Year 2009, the Authority put an emphasis on expanding programs that are designed to address agricultural runoff. Runoff from agricultural land use was identified in the Raritan Basin Plan and subsequent sub-watershed

plans as a major contributor to exceedances in water quality standards. The centerpiece of this effort is the River Friendly Farm Program that is administered through North Jersey Resource Conservation and Development Council (NJRC&D) and funded in part through the Authority's "Source Water Protection Fund." To enhance the effectiveness of this program the Authority and NJRC&D have worked to identify funding for practice implementation designed to encourage farmer participation. State funding of \$750,000 and Federal funding of \$400,000 was obligated in 2009 for farm practice implementation and other agricultural related projects in the Mulhockaway, Neshanic and South Branch of the Raritan watersheds. Through 2009 the River Friendly Farm Program has more than 41 farm tracts participating in the program totaling 2,054 acres.

Planning in the Cedar Grove Brook, the Peters Brook, the Manalapan Brook and the Manasquan River is focused on understanding and designing programs that will be effective in mitigating impacts of urban/suburban stormwater runoff. The Authority continues to refine and expand the effectiveness of our suite of River Friendly outreach programs tailored to the urban/suburban land uses. These programs include outreach to business campuses, golf course operations and residential communities, and seek to implement best management practices and environmentally sound stewardship practices through an evaluation and certification process. Each land use type (business, golf course, and residence) has specific criteria that must be met in order to qualify for certification. Since the inception of these programs seven (7) business campuses and seven (7) golf

courses are participating in the programs representing approximately 3,754 acres of urban/suburban land uses. Additionally, our re-invigorated River Friendly Resident Program reached more than 500 individuals over the past year.

Best Management Practice implementation to reduce sediment and pollutant transport in the last 11 miles of the Delaware & Raritan Canal System above the intakes progressed, but more slowly than hoped over the past year. Integrated stormwater management practices were implemented at the Rutgers Preparatory School, and design work was advanced for projects in South Bound Brook and Franklin Township. The Cedar Grove Brook plan is near completion and the priority implementation projects identified in this plan will prove very beneficial in reducing sediment loads in the Canal. The measurable effects of this work will be seen at the new gauging station planned for installation near the Landing Lane Bridge in New Brunswick and of course at our customers' intakes.

On the feeder end of the Canal, the Authority completed the Lockatong and Wickecheoke Creeks Watershed Restoration and Protection Plan. These watersheds located in southwestern Hunterdon County, are the largest watersheds feeding into the Canal other than the Delaware River itself. The Lockatong and Wickecheoke Creeks Watershed Plan was accepted by the Department of Environmental Protection as eligible for implementation funding through the Federal 319(h) Non-point Source Program. The level of funding that the Authority will receive from the Department for implementation is yet to be determined. Restoration projects identified in the plan total more than

\$4.25 million. We continue to work our way along the Canal to identify opportunities to improve and protect water quality. To that end, during 2009 we partnered with the D&R Canal Commission to undertake data collection along an additional 14.5 miles of the Canal.

The priority source water issue facing the Authority in the Manasquan continues to be the occurrence of excessive color and turbidity in the river. In 2009, a watershed study, funded by the Manasquan Source Water Protection Fund, was completed. Implementation strategies focused mainly on addressing under regulated land disturbance to reduce the occurrence of excessive color and turbidity was presented to the Department of Environmental Protection. In response, the Authority and the Department are working out the details of a grant agreement to expand and refine the initial study. Discussions of regulatory responses to address the issue continue to be considered.

In watershed areas where water quality is of high quality and land use intensity is low the Authority applies a two-part strategy designed for the long-term protection of the source water. We work with local decision makers to strengthen municipal land use controls and we partner with other agencies and non-profit organizations to preserve critical water resource sensitive land.

The Authority, working with municipalities and regional planning groups, has developed a municipal assessment methodology to evaluate opportunities to improve the local land use decision-making framework to better protect our sensitive water supply. The methodology was adapted from similar efforts undertaken by the Stony Brook Millstone Watershed Association and

expanded under the EPA Targeted Watershed Grant for the Raritan. An initial municipal assessment report is developed for each target municipality and is the starting point for mitigating the impacts of new development. This work also respects and complements the detailed planning recommendations found in the Highlands Regional Master Plan and is a fundamental component of each of the watershed protection plans developed by the Authority.

Land preservation guided by the Authority's methodology for identifying sensitive water resource areas is the other significant component to maintaining a clean source of water into the future. The Watershed Protection Programs Unit works very closely with the Authority's Land Acquisition Administrator to identify and preserve critical water resource areas. The Land Acquisition Team then works in partnership with State, county, municipal and non-profit partners to preserve the land in perpetuity. The Source Water Protection component of the Authority's rate, paid for by our customers, allows the Authority to finance these acquisitions through the Environmental Infrastructure Financing Program at very favorable interest rates. In 2009, refinements were made in the technical approach used to identify sensitive water resource areas. These refinements were adopted by the Board and were designed to provide the best available data for decision-making.

Finally, in 2009 a new initiative was launched by Rutgers University titled "Sustainable Raritan." The Authority is an active participant in this larger effort to bring attention to the many issues facing the health of the River. We continue to work with the Raritan Basin Watershed Alliance and all other

organizations that have an interest in restoring and protecting water resources that we rely on for our drinking water. The ever-increasing demands on our water resources are closely linked to the degradation of water quality. The finite availability of fresh water, coupled with the demands placed on watersheds for drinking water supply, irrigation, etc., generate the need for improved management to prevent regional shortages and avoid the ecological impacts of water over-use. Because the Raritan basin supports a variety of ecological systems and provides both potable and industrial-use water, it is critical to understand the water quality situation within the Basin and to manage and protect the resources accordingly.

Policies and Economic Growth Strategies of the State of New Jersey

The Highlands Water Protection and Planning Act, N.J.S.A. 13:20-1 et seq. protects drinking water for over 5.4 million people and helps preserve New Jersey's dwindling open space. Approximately 17 percent of the Raritan Basin is in the Highlands, providing nearly all of the water stored in Round Valley and Spruce Run Reservoirs. During 2009, the Authority committed \$616,000 to purchase and preserve along with its partners, 92 acres within the Raritan Basin. To date, almost 3,000 acres are either closed or authorized to be preserved.

One of the stated goals of the NJDEP is to ensure that adequate, safe and reliable water supplies are provided to the people of the State of New Jersey. Specifically, the State ensures that surface and ground water diversions do not exceed the sustainable yield of available water resources. The Raritan Basin Safe

Yield Model was developed based on the results of the Authority's operations model, and the Manasquan Reservoir System Safe Yield Model, currently under development, will be used in support of future water allocation permit applications and System operations.

During 2009, the Authority's operations continued to support the sustainability of the State's water resources through its operation of the reservoir systems, through managing passing flow requirements at certain stations along the river system, and through continuous maintenance and dredging of the Delaware and Raritan Canal to assure adequate flow and the long-term integrity of that structure.

Annual Review of Authority Operations

Each year during the budget process, senior management of the Authority reviews operations to identify inefficiencies and cost savings which, when implemented, will provide direct benefit to the Authority's customers. During 2009, the Authority undertook several steps to implement cost savings measures. The Authority reviewed staffing levels and determined to eliminate funding for one position within Human Resources in recognizing that two staff positions are at present time sufficient to serve the Human Resource needs of the Authority. This resulted in an annual savings of \$64,000. Insurance Broker Services were bid for a three-year period and the third year of savings during FY2009 totaled \$23,000. Finally, the Authority determined to fund electricity for pumping, which is a bi-annual event, from reserves rather than a direct line item and saved \$290,000 in the FY2009 budget.

Letter of Transmittal - Chief Financial Officer



NEW JERSEY WATER SUPPLY AUTHORITY

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October 2, 2009

Formal Transmittal of the CAFR

To the Commissioners of the New Jersey Water Supply Authority

The Comprehensive Annual Financial Report of the New Jersey Water Supply Authority ("Authority") for the year ended June 30, 2009 is submitted herewith. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and are reported in a manner designed to present fairly the Authority's financial position, results of operations, and cash flows in accordance with generally accepted accounting principles. In accordance with these accounting principles, the Authority is a component unit of the State of New Jersey and, as such, is included in the State of New Jersey's Annual Report.

Profile of the Government

Reporting Entity and its Services

The Authority was created on October 7, 1981 (P.L. 1981, c.293) and was established in but not of the Department of Environmental Protection of the State of New Jersey. This "New Jersey Water Supply Authority Act" established the Authority to acquire, finance, construct,

and operate water systems under certain circumstances, and authorizes the issuance of bonds of the Authority.

The Authority operates three separate systems: the Raritan Basin System, the Manasquan Water Supply System, and the Manasquan Water Treatment Plant and Transmission System. The Manasquan Water Treatment Plant and Transmission System is owned by the Monmouth County Improvement Authority (MCIA), and is operated and maintained by the Authority under the terms of an operating agreement. Each of these systems provides sufficient revenues to cover their own operating expenses, and each system's debt service.

A seven member Board of Commissioners governs the Authority. The Authority's Executive Director heads a full-time staff of professional, technical, and operational personnel totaling 133 employees, consisting of 106 employees of the Raritan Basin System and 27 employees of the Manasquan Reservoir System.

The meetings of the Authority are normally scheduled for the first working Monday of each month. Four members of the Authority constitute a quorum at any meeting. Action may be taken, and motions and resolutions adopted by the Authority at any meeting by the affirmative vote of at least four members of the Authority. All meetings held by the Authority are in accordance with the Open

Public Meetings Act, which requires that all meetings of public bodies be open to the public.

Accounting System and Budgetary Control

The Authority's financial statements are prepared in accordance with generally accepted accounting principles. The Authority operates and reports as a single enterprise fund utilizing the accrual basis of accounting. The enterprise fund concept is similar to how private business enterprises are financed and operated. The intent is that the costs of providing service to water users on a continuing basis be financed primarily through user charges.

In an effort to ensure compliance with the Authority's By-laws and to safeguard its assets, an internal control structure has been developed and implemented by management. The internal control structure is outlined in Accounting Policies and Procedures Manuals maintained by the Authority and include: description of methods, procedures and accounting principles to be followed with explanations and examples of principal transactions; standard setting out authorization levels for expenditure of Authority funds and very specific procedures to follow when executing purchase orders, receiving goods and payment for services; separation of accounts payable and receivable function; limitations on access to the vendor management system; bank reconciliation review; controls over deposits and generation of automated and manual checks. The internal control structure also includes approved organization structures, and approved budgets for capital and operating expenditures.

The Authority's By-laws also set out standards for procurement, which have

been codified in policies and procedures. The standards include a threshold, after which the Board of Directors must approve all transactions. The Authority is in compliance with Executive Order No. 37 (2006) with respect to procurement, and has amended its procedures to ensure 100 percent compliance.

To the best of our knowledge and belief, the Authority followed all of its standards, procedures and internal control safeguards for the year in question.

The Authority adopts an annual budget for its operations and establishes water rates accordingly.

Information Useful in Assessing the Government's Economic Condition

Financial Position

The total assets of the Authority as of June 30, 2009 were \$214,578,143 a decrease of 1.5 percent over the previous year's total of \$217,870,604. The Capital Assets, net of accumulated depreciation decreased \$3,292,461, or two percent, from \$148,088,768 to \$147,744,318.

The total of cash, cash equivalents and investments for the Authority increased \$269,207, or less than one percent, from \$49,092,570 to \$49,361,777. The increase in cash is mainly attributable to the increase of \$997,007 in the Raritan Source Water Protection Fund offset by the decrease of \$657,015 in the WTP/TS Capital Improvement Fund.

Current liabilities decreased \$62,344, or less than one percent, from \$8,881,283 to \$8,818,939. The decrease is primarily due to the FASB 71 calculation (see note 2). Total Net Assets of the Authority increased \$851,965, or less than one percent, from \$109,423,668 to \$110,275,633.

Total Operating Revenues decreased by \$356,153 or one percent, from \$25,844,008 to \$25,487,855 due to a decrease in overdraft water billing in the Raritan Basin

System. Total Operating Expenses increased \$13,073, or less than one percent, from \$20,849,880 to \$20,862,953 due to increases in salary and fringe benefits offset by decreases in storm related repairs along the D&R Canal. Nonoperating Revenues decreased \$4,046,637 or 84 percent, from \$4,841,828 to \$795,191 due to the previous year FEMA reimbursement of \$196,837, the insurance company reimbursement of \$1,750,000, and the No Name Dam grant of \$150,000. Investment income decreased \$869,461, or 68 percent from the previous year. Nonoperating expenses increased \$5,677, or less than one percent, from \$4,562,451 to \$4,568,128 due to an increase in the reduction in costs to be recovered from future revenues (see note 2).

Risk Management

The Authority carries property 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 Liability Insurance and Automotive coverage, with self-insured retainers as it deems appropriate. Public Officials Liability coverage with enhanced Employment Liability coverage is also maintained with deductibles. Workers' Compensation coverage is also maintained as required by State law. The Authority hired a Risk Management Consultant to assist the Authority in the remarketing of the insurance program for March 1, 2010.

Independent Audit

In accordance with the "New Jersey Water Supply Authority Act" (P.L. 1981, c.293), before the last day of February, an Annual Report of the Authority's activities of the preceding calendar year is due to the Governor and the Legislature. This Annual Report must include an audit of

the Authority's books and accounts. Mercadien, P.C., Certified Public Accountants, was retained to perform an audit of the 2009 Fiscal Year in accordance with Auditing Standards generally accepted in the United States and *Government Auditing Standards* issued by the Comptroller General of the United States. In June 1999, the GASB adopted their Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. The Authority adopted GASB Statement No. 34 in Fiscal Year 2001, including the Management's Discussion and Analysis ("MD&A"). The MD&A is considered to be required supplemental data and precedes the financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Authority's MD&A can be found immediately following the Report of Independent Auditors. Mercadien, P.C. reports directly to the Audit Committee of the Board of Commissioners. Mercadien, P.C., also performed, as part of the annual audit, a review of the internal control.

The Authority has previously established rates, and intends to continue establishing rates on the basis of its cash needs in any fiscal year to meet its requirements for Operations and Maintenance Expenses, Debt Service, Capital Fund and the Source Water Component.

Awards and Acknowledgments

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the New Jersey Water Supply Authority for its Comprehensive Annual Financial Report for the fiscal year ended

June 30, 2008. This was the 17th consecutive year that the Authority has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the Financial and Accounting staff of the New Jersey Water Supply Authority. Any financial report is also only as good as the accounting records that supply its supporting data. The Authority's entire staff deserves recognition for their dedication, perseverance and attention to detail that results in the Authority's records being kept in a manner which reflects credit on the staff as a unit as well as each employee individually.

Economic Outlook

The continuing economic viability of the Authority is ensured by the water contracts the Authority maintains with our water users. The water users have entered into long-term contracts for a supply of water for their respective systems, which they are authorized to continuously withdraw without interruption, for potable or industrial water supply purposes. During Fiscal Year 2009, the Authority

supplied water to 26 contractual customers of the Raritan Basin System, which provided water to approximately 1,500,000 people in central New Jersey, and 13 contractual customers of the Manasquan System, which provides water to approximately 250,000 people in the Monmouth County area. Two customers accounted for approximately 84 percent of total Raritan Basin System operating revenues. Three customers accounted for approximately 81 percent of total Manasquan System operating revenues.

The total sales base for the Raritan Basin System will decrease from 182.170 to 182.154 million gallons per day for fiscal year 2010, and the total sales base for the Manasquan Reservoir System was unchanged at 20.560 million gallons per day. NJ Department of Corrections for .025mgd, and Duke Farms for .017mgd became additional water users within the Raritan Basin System, also two other water users reduced their contracts by .058mgd. We are expecting our major water customers in both Systems to continue to increase their contractual water allocations in the future. Payments for uninterruptible service are based upon the mgd amount specified in each water user contract, and are payable to the Authority whether or not the water user actually withdraws the full amount of water available as defined in the contract as daily uninterruptible service.



Henry S. Patterson
Executive Director



Beth Gates
Director Finance and Administration



Michael R. Citarelli
Chief Financial Officer
Director Finance and Administration

Financial Section

Report of Independent Auditors

Management's Discussion and Analysis

Basic Financial Statements

Statements of Net Assets

Statements of Revenues, Expenses and
Changes in Net Assets

Statements of Cash Flows

Notes to Financial Statements

Combining Statements and Schedules



INDEPENDENT AUDITORS' REPORT

To the Commissioners of the
NEW JERSEY WATER SUPPLY AUTHORITY

We have audited the accompanying financial statements of New Jersey Water Supply Authority (the "Authority"), as of and for the years ended June 30, 2009 and 2008. These financial statements are the responsibility of Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Jersey Water Supply Authority as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2009, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

DONALD F. CONWAY, CPA*
CONRAD L. DRUKER, CPA
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OVER 40 YEARS OF SERVICE TO THE COMMUNITY

INDEPENDENT AUDITORS' REPORT (CONTINUED)

The Management's Discussion and Analysis on pages 18 through 23 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Mercaderes, P.C.
Certified Public Accountants

October 1, 2009



New Jersey Water Supply Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2009

This section of the Annual Financial Report of the New Jersey Water Supply Authority (the "Authority"), a Component Unit of the State of New Jersey, presents discussion and analysis of the Authority's financial performance during the fiscal year ended on June 30, 2009. Please read it in conjunction with the Authority's basic financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- Operating revenue for fiscal year 2009 was \$25.5 million, a decrease of 1.38% over fiscal year 2008, which was the result of a 58.98% decrease in overdraft revenue. In the Raritan Basin System, rates increased 1.32% from \$228.00 per million gallons to \$231.00 per million gallons, and the sales base increased 1.22%, from 179.978 million gallons per day to 182.170 million gallons per day. Manasquan Reservoir System rates increased 4.50%, from \$846.06 per million gallons to \$884.11 per million gallons. The fiscal year 2009 sales base remained the same at 20.560 million gallons per day.
- Cash and cash equivalents for fiscal year 2009 were \$33.3 million, a decrease of less than 1% over fiscal year 2008. Income from operations decreased for the Raritan System 2.92% and increased 2.27% for the Manasquan System.
- Total liabilities for fiscal year 2009 were \$104.3 million, a decrease of 3.82% from fiscal year 2008. The Authority continues to pay down long-term debt in both systems.
- Total operating expenses for fiscal year 2009 increased to \$20.9 million, which represents less than 1% increase over fiscal year 2008. Payroll and fringe benefits increased 4.86% because of union contract requirements and rising pension and health benefit expenses. Operations and maintenance expenses decreased 5.84% to \$6.3 million because of a reduction in fuel and energy costs and no further flood repairs.
- Other changes for fiscal year 2009 include the following: non-operating revenue decreased 83.58% to \$795,191, investment income decreased 68.33% because of receding market conditions; and the receipt of grant programs decreased 81.05% from the previous year, due to the completion of No Name Dam. Other income decreased 98.40% because of the receipt from FEMA and the insurance settlement in the previous year.
- Non-operating expenses for fiscal year 2009 increased .12% to \$4.6 million. The interest component of debt service decreased 5.70% with the continued pay-down of the system debt. There was an increase in the reduction in costs to be recovered from future revenue, and the change in the rate model is outlined in Note 2 to the basic financial statements.



New Jersey Water Supply Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2009

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the financial statements. The Authority is a self-supporting entity and follows enterprise fund accounting. The enterprise fund concept is similar to the manner in which private business enterprises are financed and operated. The Authority presents its financial statements on the accrual basis of accounting. The statements offer short and long-term financial information about the activities and operations of the Authority. The intent is that the costs of providing service to water users on a continuing basis are financed primarily through user charges. The Authority has established certain restricted "funds or accounts," as directed by internal resolution and bond indentures. In an effort to ensure compliance with the Authority's by-laws and to safeguard its assets, internal controls have been developed and implemented by management. These internal controls include policies, procedures, approved organizational structures and approved budgets for capital and operating expenditures.

FINANCIAL ANALYSIS OF THE AUTHORITY

The Authority's total net assets were approximately \$110.3 million as of June 30, 2009. In fiscal year 2009, total assets decreased 1.51% to \$214.6 million due to a 13.00% decrease in costs to be recovered from future revenues, and total liabilities decreased 3.82% to \$104.3 million, due to the continued pay down of long-term debt. Total net assets as of June 30, 2008, were approximately \$109.4 million. Total assets that year increased 1.33% to \$217.9 million, and total liabilities decreased 2.17% to \$108.4 million. Changes in assets, liabilities and net assets between June 30, 2009, 2008 and 2007, are summarized in the following table:

	2009	2008	2007	Percentage Change 2009-2008
Current assets	\$ 39,944,371	\$ 40,411,128	\$ 37,981,903	(1.16)%
Capital assets, net	147,744,318	148,088,768	144,259,006	(.23)
Other non-current assets	26,889,454	29,370,708	32,761,377	(8.45)
Total assets	214,578,143	217,870,604	215,002,286	(1.51)
Long-term debt	95,483,571	99,565,653	101,238,564	(4.10)
Other liabilities	8,818,939	8,881,283	9,613,559	(.70)
Total liabilities	104,302,510	108,446,936	110,852,123	(3.82)
Net assets invested in				
capital assets, net of related debt	47,277,890	43,790,111	38,594,390	7.96
Restricted	12,447,252	12,082,047	12,388,041	3.02
Unrestricted	50,550,491	53,551,510	53,167,732	(5.60)
Total net assets	\$110,275,633	\$ 109,423,668	\$ 104,150,163	.78



New Jersey Water Supply Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2009

OPERATING ACTIVITIES

The Authority operates three separate systems: the Raritan Basin System, the Manasquan Water Supply System, and the Manasquan Water Treatment Plant and Transmission System. The Manasquan Water Treatment Plant and Transmission System is owned by the Monmouth County Improvement Authority, which sets the rates, and is operated and maintained by the Authority under the terms of an operating agreement. Each system must generate sufficient revenue each year to cover its own operating expenses and debt service. The following rates were adopted at the April 2009 and 2008 Authority meetings, respectively based on anticipated operating expenses:

	<u>Rate</u> <u>7/01/2009</u>	<u>Rate</u> <u>7/01/2008</u>	<u>Percent</u> <u>Change</u>
Raritan Basin System	\$ 231.00/mg	\$ 231.00/mg	-%
Manasquan Water Supply System			
Initial Users	\$ 980.05/mg	\$ 884.11/mg	10.85%
Delayed Water Users	\$ 1,175.03/mg	\$ 1,079.80/mg	8.82%

The Authority's total operating revenue for fiscal year 2009 was \$25.5 million, a decrease of 1.38% over fiscal year 2008, due to a 4.18% decrease in Raritan water sales. The Authority's total operating expenses for fiscal year 2009 were \$20.9 million, an increase of .06% over fiscal year 2008, because of increases in salary & fringe benefits. The Authority's total operating revenue for fiscal year 2008 was \$25.8 million, an increase of 5.02% from fiscal year 2007. The Authority's total operating expenses for fiscal year 2008 were \$20.8 million, a decrease of 2.11% from fiscal year 2007. The following table summarizes the changes in revenue, expenses and net assets between fiscal years 2009, 2008 and 2007:



New Jersey Water Supply Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2009

				Percentage Change 2009-2008
	2009	2008	2007	
Operating revenue:				
Water sales	\$ 22,975,438	\$ 23,466,842	\$ 22,508,685	(2.09)%
Reimbursement of operating expenses	2,512,417	2,377,166	2,100,466	5.69
Total operating revenue	25,487,855	25,844,008	24,609,151	(1.38)
Non-operating revenues:				
State of New Jersey - Grant Programs	293,485	1,548,680	741,038	(81.05)
Investment income	403,057	1,272,518	1,923,033	(68.33)
Rental income	67,352	69,605	66,021	(3.24)
Other income	31,297	1,951,025	1,217,822	(98.40)
Total non-operating revenues	795,191	4,841,828	3,947,914	(83.58)
Total revenue	26,283,046	30,685,836	28,557,065	(14.35)
Operating expenses:				
Payroll	7,134,275	6,842,649	6,780,804	4.26
Operations and maintenance	6,314,068	6,705,594	7,294,625	(5.84)
Fringe benefits	3,037,613	2,857,620	2,896,326	6.30
Depreciation	4,376,997	4,444,017	4,327,471	(1.51)
Total operating expenses	20,862,953	20,849,880	21,299,226	.06
Non-operating expenses:				
Interest component of debt service of the State of New Jersey	2,620,507	2,778,770	2,961,286	(5.70)
Amortization of issuance costs-D&R System Revenue Refunding Bonds, Series 1998	25,229	25,229	25,229	-
Amortization of issuance costs-Manasquan State Loan Notes	65,319	65,319	65,318	-
Reduction in costs to be recovered from future revenues	1,857,073	1,693,133	640,839	9.68
Total non-operating expenses	4,568,128	4,562,451	3,692,672	.12
Total expenses	25,431,081	25,412,331	24,991,898	.07
Change in net assets	851,965	5,273,505	3,565,167	(83.84)
Net assets, beginning of year	109,423,668	104,150,163	100,584,996	5.06
Net assets, end of year	\$110,275,633	\$ 109,423,668	\$104,150,163	.78



New Jersey Water Supply Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2009

CAPITAL ASSETS AND DEBT ADMINISTRATION

At June 30, 2009, the Authority had a total of \$147,744,318 invested in the Systems that it operates: \$84,387,967 invested in the Raritan Basin System and \$63,356,351 invested in the Manasquan System. This total amount represents a 2.33% increase from last year.

The following table summarizes the changes in capital assets, net of depreciation, between fiscal years 2009, 2008 and 2007:

	2009	2008	2007	Percentage Change 2009-2008
Land and land rights	\$ 21,025,293	\$ 19,527,858	\$ 15,168,002	7.67%
Dams	53,790,979	54,589,326	55,388,753	(1.46)
Building, structures and improvements	64,103,267	64,941,636	67,818,247	(1.29)
D&R canal dredging	-	-	-	-
Machinery and equipment	1,458,960	1,664,059	1,801,854	(12.33)
Construction work in progress	7,365,819	7,365,889	4,082,150	-
Total capital assets, net	<u>\$147,744,318</u>	<u>\$148,088,768</u>	<u>\$144,259,006</u>	(.23)

More detailed information about the Authority's capital assets is presented in Note 3 to the basic financial statements.

The following table summarizes the changes in capital debt between fiscal years 2009, 2008 and 2007:

	2009	2008	2007	Percentage Change 2009-2008
Bonds payable	\$ 54,751,978	\$ 59,088,203	\$ 63,248,673	(6.96)%
Notes payable	33,661,151	33,663,054	33,664,850	-
Loans payable	12,053,299	11,547,400	8,751,093	2.47
Total bonds, notes and loans payable	<u>\$100,466,428</u>	<u>\$104,298,657</u>	<u>\$105,664,616</u>	(3.67)

At year-end, the Authority had \$100,466,428 in bonds, notes and loans principal outstanding, compared to \$104,298,657 at June 30, 2008. This change represents a decrease of 3.67%, as shown in the above table.

More detailed information about the Authority's long-term debt is presented in Note 5 to the basic financial statements.



New Jersey Water Supply Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2009

CURRENT AND NEW BUSINESS

During fiscal year 2009, the Authority supplied water to 26 contractual customers of the Raritan Basin System, who, in turn, supplied water to approximately 1,500,000 people in central New Jersey. Two customers accounted for approximately 84% of total Raritan Basin System operating revenue. Effective July 1, 2009, there was the addition of Duke Farms (.017mgd), NJ Department of Corrections (.025mgd), and a decrease of Mercer County Park (Ski) (.033mgd), and Selody Sod Farms (.025mgd) for a decrease of (.016mgd) to the sales base. This will decrease the total sales base for the Raritan Basin System to 182.154mgd as of June 30, 2010, down from 182.170mgd at June 30, 2009. In addition, during fiscal year 2009, the Authority provided water to 13 contractual customers of the Manasquan Water Supply System, who provided water to approximately 250,000 people in the Monmouth County area. Three customers accounted for approximately 81% of total Manasquan System operating revenue. Effective July 1, 2009, the total sales base for the Manasquan Reservoir System remains unchanged at 20.560mgd.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the water customers, New Jersey citizens, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability as a self-supporting entity. If you have questions about this report or need additional financial information, you can contact the New Jersey Water Supply Authority at 1851 Highway 31, P.O. Box 5196, Clinton, New Jersey 08809, (908) 638-6121 or visit our website at www.njwsa.org.

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Statements of Net Assets

	June 30,	
	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 32,676,409	\$ 31,991,504
Unbilled sales	871,245	987,581
Accounts receivable, less allowance for doubtful accounts of \$1,000 at June 30, 2009 and 2008	3,414,158	4,766,576
Interest receivable	39,666	20,629
Prepaid expenses and other current assets	951,650	924,252
Costs to be recovered from future revenues	1,991,243	1,720,586
Total current assets	<u>39,944,371</u>	<u>40,411,128</u>
Non-current assets:		
Restricted assets:		
Cash equivalents	635,168	1,355,653
Investments	13,077,444	12,506,316
Investments	2,972,756	3,239,097
Costs to be recovered from future revenues	9,613,753	11,617,103
Deferred issuance cost	590,333	652,539
Capital assets, net	147,744,318	148,088,768
Total non-current assets	<u>174,633,772</u>	<u>177,459,476</u>
Total assets	<u>214,578,143</u>	<u>217,870,604</u>
Liabilities		
Current liabilities:		
Current portion of bonds, notes and loans payable	4,982,857	4,733,004
Accounts payable	486,111	415,593
Accrued liabilities	2,084,611	1,952,764
Unearned revenue	1,265,360	1,779,922
Total current liabilities	<u>8,818,939</u>	<u>8,881,283</u>
Non-current liabilities:		
Long-term portion of bonds, notes and loans payable	95,483,571	99,565,653
Total liabilities	<u>104,302,510</u>	<u>108,446,936</u>
Net Assets		
Invested in capital assets, net of related debt	47,277,890	43,790,111
Restricted for repayment of debt principal and interest	12,447,252	12,082,047
Unrestricted	50,550,491	53,551,510
Total net assets	<u>\$110,275,633</u>	<u>\$109,423,668</u>

See accompanying notes.

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

	Year Ended June 30,	
	2009	2008
Operating revenue:		
Water sales	\$ 22,975,438	\$ 23,466,842
Reimbursement of operating expenses	2,512,417	2,377,166
Total operating revenue	<u>25,487,855</u>	<u>25,844,008</u>
Operating expenses:		
Payroll	7,134,275	6,842,649
Operations and maintenance	6,314,068	6,705,594
Fringe benefits	3,037,613	2,857,620
Depreciation	4,376,997	4,444,017
Total operating expenses	<u>20,862,953</u>	<u>20,849,880</u>
Income from operations	<u>4,624,902</u>	<u>4,994,128</u>
Non-operating revenue:		
State of New Jersey – Grant Programs	293,485	1,548,680
Investment income	403,057	1,272,518
Rental income	67,352	69,605
Other income	31,297	1,951,025
Total non-operating revenue	<u>795,191</u>	<u>4,841,828</u>
Non-operating expenses:		
Interest component of debt service to the State of		
New Jersey	2,620,507	2,778,770
Amortization of issuance costs - D & R System		
Revenue Refunding Bonds, Series 1998	25,229	25,229
Amortization of issuance costs - Manasquan State		
Loan Notes	65,319	65,319
Reduction in costs to be recovered from future revenue	1,857,073	1,693,133
Total non-operating expenses	<u>4,568,128</u>	<u>4,562,451</u>
Change in net assets	851,965	5,273,505
Net assets, beginning of year	109,423,668	104,150,163
Net assets, end of year	<u><u>\$110,275,633</u></u>	<u><u>\$109,423,668</u></u>

See accompanying notes.

New Jersey Water Supply Authority

A Component Unit of the State of New Jersey

Statements of Cash Flows

	Year Ended June 30,	
	2009	2008
Cash flows from operating activities		
Cash received from water sales	\$22,856,374	\$23,702,635
Cash received from reimbursable expenses	2,510,132	4,279,729
Cash received from rental income	52,950	39,441
Cash paid to or on behalf of employees	(9,959,016)	(9,592,246)
Cash paid to suppliers	(6,520,862)	(6,703,828)
Net cash provided by operating activities	<u>8,939,578</u>	<u>11,725,731</u>
Cash flows from noncapital financing activities		
Cash received for grant programs	290,713	532,999
Net cash provided by noncapital financing activities	<u>290,713</u>	<u>532,999</u>
Cash flows from capital and related financing activities		
Proceeds from borrowing	1,012,000	3,160,563
Principal paid on bonds, notes and loans	(5,520,848)	(4,715,586)
Interest paid on bonds, notes and loans	(2,657,026)	(2,808,589)
Acquisition and construction of capital assets	(2,208,073)	(7,406,800)
Proceeds from sale of capital assets	28,843	17,951
Net cash used in capital and related financing activities	<u>(9,345,104)</u>	<u>(11,752,461)</u>
Cash flows from investing activities		
Sale of investment securities	12,601,813	9,456,047
Purchase of investment securities	(12,906,600)	(9,069,393)
Interest received on investments	384,020	1,259,087
Net cash provided by investing activities	<u>79,233</u>	<u>1,645,741</u>
Net (decrease) increase in cash and cash equivalents	(35,580)	2,152,010
Cash and cash equivalents, beginning of year	33,347,157	31,195,147
Cash and cash equivalents, end of year	<u>\$33,311,577</u>	<u>\$33,347,157</u>
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	\$ 4,624,902	\$ 4,994,128
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Non-cash items expensed to operations and maintenance	(236,221)	118,249
Cash received for operating activity included in other income	69,806	1,933,074
Depreciation	4,376,997	4,444,017
Increase (decrease) in cash from:		
Unbilled sales	116,336	(107,169)
Accounts receivable	(235,049)	316,769
Prepaid expenses and other current assets	(27,398)	37,193
Accounts payable	69,732	(76,684)
Accrued liabilities	(1,848)	562
Accrued payroll and taxes	182,321	65,592
Net cash provided by operating activities	<u>\$ 8,939,578</u>	<u>\$11,725,731</u>
Non cash investing activities		
Decrease in fair value of investments	<u>\$ (211,937)</u>	<u>\$ (346,311)</u>

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 the budget does not constitute a legal budget or establish spending limitations.

The Authority does not have component units that should be included within its financial statements.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Authority derives most of its revenue from water user charges and is considered to be an enterprise fund; accordingly, the Authority presents its financial statements on the accrual basis of accounting. In addition, the Authority has established certain restricted "funds or accounts" as directed by internal resolution and bond indentures.

In its accounting and financial reporting, the Authority follows the pronouncements of the Governmental Accounting Standards Board ("GASB"). In addition, the Authority follows the pronouncements of all applicable Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Authority has elected not to apply pronouncements issued by FASB after November 30, 1989.

Other significant accounting policies are:

Revenue

Charges for wholesale water usage are established to provide revenue sufficient for services, essential repairs and improvements to the utility plant, and repayment of debt service on certain long-term obligations used for plant construction. Sales are recognized as revenue when water is made available to customers, and the customers are billed in the following month or quarter.

Notes to Financial Statements (continued)

The Authority distinguishes operating revenue and expenses from non-operating items. Operating revenue and expenses result from the sale of water to customers. Operating expenses include costs of providing water, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Capital Assets

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

Depreciation

Capital assets are depreciated on the straight-line basis over the estimated useful lives of the various classes of plant, as follows:

Dams	100 years
Buildings, structures and improvements	15-40 years
D&R canal dredging	20 years
Machinery and equipment	3-10 years

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Authority considers short-term investments that have original maturities of three months 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*.

Accounts Receivable

The Authority considers most of its accounts receivable to be collectible; accordingly, the change in net assets is charged with an allowance for estimated uncollectible accounts based on past experience and an analysis of current accounts receivable collectibility. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible. At June 30, 2009, accounts receivable included amounts due from the New Jersey Environmental Infrastructure Trust for approximately \$650,000.

Notes to Financial Statements (continued)

During fiscal years 2009 and 2008, respectively, two customers accounted for approximately 85% of total Raritan Basin System accounts receivable, and six customers accounted for approximately 88% of total Manasquan System accounts receivable.

Compensated Absences

All full-time employees accumulate vacation benefits in varying annual amounts up to a maximum allowable accumulation of two years benefit. Unused sick leave benefits are earned by all full-time employees at a rate of 15 days per year and may be accumulated without limit. In the event of termination, an employee is reimbursed for all accumulated vacation days. Unused sick leave benefits do not vest but are payable only upon retirement 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 Assets

Net assets represent the difference between assets and liabilities and are classified into three categories:

- *Invested in Capital Assets, Net of Related Debt* – This reflects the net assets of the Authority that are invested in capital assets, net of related debt. This indicates that these net assets are not accessible for other purposes.
- *Restricted Net Assets* – This represents the net assets that are not accessible for general use because their use is subject to restrictions enforceable by third parties.
- *Unrestricted Net Assets* – This represents those net assets that are available for general use.

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.

Notes to Financial Statements (continued)

Costs to be Recovered from Future Revenue

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 FASB Statement No. 71, 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. The deferred costs will be recovered through future revenue in accordance with the rate model. The deferred amount for the years ended June 30, 2009 and 2008, were determined as follows:

	<u>2009</u>	<u>2008</u>
Raritan Basin System		
Cost excluded from rate model:		
Depreciation of debt-financed capital assets recoverable from rate payers	\$ 961,601	\$ 1,042,138
Excess vacation expense over vacation paid	<u>(16,636)</u>	<u>5,948</u>
	<u>944,965</u>	1,048,086
Cost included in rate model:		
Debt principal repayment	<u>(2,020,000)</u>	(1,925,000)
	<u>(1,075,035)</u>	(876,914)
Manasquan System		
Cost excluded from rate model:		
Depreciation of debt-financed capital assets recoverable from rate payers	1,544,717	1,547,516
Excess vacation expense over vacation paid	<u>4,528</u>	<u>(6,113)</u>
	<u>1,549,245</u>	1,541,403
Cost included in rate model:		
Debt principal repayment	<u>(2,206,903)</u>	(2,136,796)
	<u>(657,658)</u>	(595,393)
Total Raritan Basin and Manasquan	<u>(1,732,693)</u>	(1,472,307)
Balance, beginning of year	<u>13,337,689</u>	14,809,996
Balance, end of year	<u><u>\$11,604,996</u></u>	<u><u>\$13,337,689</u></u>

As shown in the statements of revenue, expenses and changes in net assets for the years ended June 30, 2009 and 2008, respectively, the costs to be recovered from future revenue of \$1,857,073 and \$1,693,133 includes a debit balance of \$136,488, and a debit balance of \$220,991 of Manasquan Water Treatment Plant deferred revenue, which is not part of the rate model, and does not include a debit balance of \$12,108, and \$165 of accrued vacation.

Notes to Financial Statements (continued)

Accounting for Monmouth County Improvement Authority Agreement

The Authority operates and maintains a Water Treatment Plant/Transmission System for the Monmouth County Improvement Authority (the "MCIA"). The MCIA is charged for budgeted operating expenses expected to be incurred by the Authority during the MCIA's fiscal year (January 1 through December 31).

Because of the difference resulting from billing the MCIA for budgeted expenses versus actual expenses appearing in the financial statements, the Authority includes unearned costs (actual costs exceeding MCIA billings) or unearned revenue (MCIA billings exceeding actual costs) in its statements of net assets. These excess costs or billings will be recovered or recognized in future periods. As of June 30, 2009 and 2008, unearned revenue amounting to \$765,065 and \$628,577, respectively, was determined as follows:

	2009	2008
Reimbursement of operating expenses	\$2,523,284	\$2,421,507
Operating expenses	2,386,796	2,200,516
Unearned revenue	136,488	220,991
Balance, beginning of year	628,577	407,586
Balance, end of year	\$ 765,065	\$ 628,577

During the fiscal years ended June 30, 2006 and 2005, the Authority received \$39,966 and \$191,877, respectively. These funds are restricted for use by the MCIA for costs associated in operating the Water Treatment Plant. As of June 30, 2009 and 2008, the amount included in unearned revenue was \$498,296 and \$1,146,574, respectively.

Accounting for Watershed Protection Program

For the fiscal years ended June 30, 2009 and 2008, the Authority received \$290,673 and \$360,253, 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 June 30, 2009 and 2008, the balance of restricted cash equivalents and unearned revenue is \$1,999 and \$4,771, respectively.

Accounting for No Name Dam No. 31 Fund

During fiscal years ended June 30, 2008, 2007 and 2002, the Authority received \$150,000 from Clinton Township, and \$800,000 and \$430,000 from the New Jersey Department of Environmental Protection, respectively, for the costs associated with bringing the No Name Dam No. 31 into compliance with the requirements of the New Jersey Dam Safety Standards. These funds are restricted for specific engineering and construction expenses. The funds were recognized as revenue as the related costs were incurred. As of June 30, 2008, all of the funds received had been recognized as revenue.

Notes to Financial Statements (continued)

Other Post Employment Benefits ("OPEB") Other than Pensions

On July 1, 2007, the Authority implemented Governmental Accounting 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 a multiple-employer cost-sharing plan (Public Employees' 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 billings from the State PERS. Required financial statement disclosure requirements are included in Note 6 of these audited financial statements.

3. Capital Assets

Capital assets activity for the years ended June 30, 2009 and 2008, was as follows:

	2009 Beginning Balance	Additions	Retirements	2009 Ending Balance
Capital assets not being depreciated:				
Land	\$ 19,527,858	\$1,497,435	\$ -	\$ 21,025,293
Construction work in progress	7,365,889	2,570,382	(2,570,452)	7,365,819
Total capital assets not being depreciated	26,893,747	4,067,817	(2,570,452)	28,391,112
Capital assets being depreciated:				
Dams	77,369,160	-	-	77,369,160
Building, structures and improvements	121,311,950	2,313,350	(37,033)	123,588,267
D & R canal dredging	21,160,274	-	-	21,160,274
Machinery and equipment	5,897,239	234,489	(241,902)	5,889,826
Total capital assets being depreciated	225,738,623	2,547,839	(278,935)	228,007,527
Less accumulated depreciation for:				
Dams	(22,779,834)	(798,347)	-	(23,578,181)
Building, structures and improvements	(56,370,315)	(3,151,718)	37,033	(59,485,000)
D & R canal dredging	(21,160,273)	-	-	(21,160,273)
Machinery and equipment	(4,233,180)	(426,932)	229,245	(4,430,867)
Total accumulated depreciation	(104,543,602)	(4,376,997)	266,278	(108,654,321)
Total capital assets, being depreciated, net	121,195,021	(1,829,158)	(12,657)	119,353,206
Total capital assets, net	\$148,088,768	\$2,238,659	\$(2,583,109)	\$147,744,318

Notes to Financial Statements (continued)

	2008 Beginning Balance	Additions	Retirements	2008 Ending Balance
Capital assets not being depreciated:				
Land	\$ 15,168,002	\$ 4,359,856	\$ -	\$ 19,527,858
Construction work in progress	4,082,150	3,722,120	(438,381)	7,365,889
Total capital assets not being depreciated	19,250,152	8,081,976	(438,381)	26,893,747
Capital assets being depreciated:				
Dams	77,369,160	-	-	77,369,160
Building, structures and improvements	120,975,501	338,630	(2,181)	121,311,950
D & R canal dredging	21,160,274	-	-	21,160,274
Machinery and equipment	5,946,436	291,554	(340,751)	5,897,239
Total capital assets being depreciated	225,451,371	630,184	(342,932)	225,738,623
Less accumulated depreciation for:				
Dams	(21,980,408)	(799,426)	-	(22,779,834)
Building, structures and improvements	(53,157,254)	(3,215,242)	2,181	(56,370,315)
D & R canal dredging	(21,160,273)	-	-	(21,160,273)
Machinery and equipment	(4,144,582)	(429,349)	340,751	(4,233,180)
Total accumulated depreciation	(100,442,517)	(4,444,017)	342,932	(104,543,602)
Total capital assets, being depreciated, net	125,008,854	(3,817,565)	-	121,195,021
Total capital assets, net	\$144,259,006	\$ 4,268,143	\$ (438,381)	\$148,088,768

4. Cash and Cash and Equivalents and Investments

New Jersey statutes permit the deposit of public funds in the State of New Jersey Cash Management Fund 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 certificates of deposit of commercial banks that are members of the Federal Reserve System, investments in the State of New Jersey Cash Management Fund and direct and general obligations of any state that meets the minimum requirements of the resolution.

a. Cash

As of June 30, 2009 and 2008, the Authority's bank balance was \$2,549,189 and \$2,062,908, respectively, of which \$250,000 and \$100,000 was covered through the FDIC. The remaining balance of \$2,299,189 and \$1,962,908, as of June 30, 2009 and 2008, respectively, was not collateralized, and the cash balance per the statement of net assets is shown exclusive of outstanding checks totaling \$283,140 and \$233,298, respectively. The statements of net assets amount includes petty cash totaling \$350 as of June 30, 2009 and 2008.

Notes to Financial Statements (continued)

b. Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. The Authority's bank balance of \$2,549,189 and \$2,062,908 as of June 30, 2009 and 2008, respectively, was exposed to custodial credit risk as follows:

	2009	2008
Uninsured and uncollateralized	<u>\$2,299,189</u>	<u>\$1,962,908</u>

c. Investments and Cash Equivalents

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

As of June 30, 2009, the Authority had the following investments and maturities:

Investment and Cash Equivalent Type	Fair Value	<u>Investment Maturities (In Years)</u>	
		Less than 1	1-5
U.S. Treasuries	\$44,122,622	\$44,122,622	\$ -
U.S. Treasury Note	3,012,422	-	3,012,422
Total	<u>\$47,135,044</u>	<u>\$44,122,622</u>	<u>\$3,012,422</u>

As of June 30, 2008, the Authority had the following investments and maturities:

Investment and Cash Equivalent Type	Fair Value	<u>Investment Maturities (In Years)</u>	
		Less than 1	1-5
U.S. Treasuries	\$44,023,513	\$44,023,513	\$ -
U.S. Agencies (SLM Corp)	3,259,726	-	3,259,726
Total	<u>\$47,283,239</u>	<u>\$44,023,513</u>	<u>\$3,259,726</u>

Credit and Custodial Credit Risk

In order to limit exposure to credit risk, the Authority follows the investment policies set forth by the State of New Jersey Cash Management Fund (NJCMF). These policies allow investment in securities that achieve a certain rating from the three major ratings organizations as determined annually by the governing board of the NJCMF, as well as limiting investments to certain types of marketable securities.

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

The New Jersey Water Supply Authority as of June 30, 2009, has entered into an agreement with TD Bank to collateralize all deposits held at TD Bank at a market rate equal to 102% of the daily combined total of all deposits.

Notes to Financial Statements (continued)

d. Investment Income

The following comprises investment income of \$403,057 and \$1,272,518 for the years ended June 30, 2009 and 2008, respectively:

	2009	2008
Interest earned on bank accounts and certificates of deposit	\$457,240	\$1,288,789
Interest earned on securities	157,754	330,040
Decrease in fair value of securities	(211,937)	(346,311)
	<u>\$403,057</u>	<u>\$1,272,518</u>

5. Bonds, Notes and Loans Payable

A. Notes due to State of New Jersey

The Authority has a contractual obligation to repay the following debt:

The \$63,600,000 of Manasquan Reservoir Water Supply System State Loan Notes (the "State Loan Notes") issued June 3, 1987, pursuant to the terms of the State Loan Agreement between the Authority and the State of New Jersey (the "State Loan Agreement"), from monies authorized by the 1981 bond appropriation of \$72,000,000 for construction of the Manasquan System and the \$7,416,000 of Interim Advance Notes issued September 12, 1988, from monies made available from the General Fund of the State to finance completion costs of the Manasquan System. The State Loan Notes and the Completion Loan Notes bear interest at 5.93% and 6.24%, respectively, and are collateralized by the property and revenues of the Manasquan System.

In accordance with the terms of the State Loan Agreement, the State Loan Notes are classified as either Current Debt Service Portion Notes ("Current Notes") or Deferred Debt Service Portion Notes ("Deferred Notes"). Principal of the Deferred Notes will be discharged solely by exchange for Current Notes or by the expiration of a period of forty years from the date of their issuance, which was June 3, 1987. The Deferred Notes must be exchanged for Current Notes on a pro rata basis to the extent that the Authority enters into additional long-term contracts to sell water from the Manasquan System on an annual basis. Such Current Notes are payable over a thirty-year period commencing from such date as is defined in the State Loan.

Interest on the Deferred Notes accreted as principal through July 31, 1993, and is not payable until they have been exchanged for Current Notes. The interest that accreted as principal through July 31, 1990, accrued interest; however, the interest that accreted for the period from August 1, 1990 through July 31, 1993, did not accrue interest. The accretion of interest to the principal amount for the Current Notes and the Deferred Notes is \$25,563,184 at June 30, 2009 and 2008.

Notes to Financial Statements (continued)

At June 30, 2009 and 2008, the State Loan Notes and Completion Notes are summarized as follows:

State Loan Notes	2009	2008
Current Notes	\$ 83,418	\$ 85,249
Deferred Notes	30,365,115	30,365,115
Completion Notes		
Current Notes	8,825	9,011
Deferred Notes	3,201,777	3,201,777
	<u>\$33,659,135</u>	<u>\$33,661,152</u>

B. Manasquan Reservoir Water Supply System Revenue Bonds, Series 2005

On August 5, 2005, the Authority issued \$47,535,000 in Manasquan Reservoir Water Supply System Revenue Bonds, Series 2005. The proceeds, together with other monies on deposit, were used to prepay \$49,293,438 in Current Manasquan State Loan Notes and Completion Notes.

The Revenue Bonds, Series 2005, have a principal balance of \$41,125,000 at June 30, 2009, carry a bond yield of 3.95%, and mature in incremental annual principal amounts through 2031. Principal maturities for the year ending June 30, 2010, are \$2,270,000. The property and revenue of the Manasquan System are pledged as collateral for the 2005 Bonds.

The balance of the defeased current Manasquan State Loan Notes and Completion Notes is \$0.

For the years ended June 30, 2009 and 2008, interest expense on the 2005 Bonds amounted to \$1,970,441 and \$2,038,297, respectively, and the related interest income earned on the restricted investments amounted to \$20,635 and \$80,286, respectively.

C. D & R System Revenue Refunding Bonds, Series 1998

On August 4, 1998, the Authority issued Water System Revenue Refunding Bonds, Series 1998 (the "Refunding Bonds") in the amount of \$28,290,000. The Refunding Bonds are serial bonds of which \$11,765,000 are outstanding at June 30, 2009, and that bear interest at varying rates from 4.5% to 5.375% and mature in incremental annual principal amounts through 2013. Principal maturities for the year ending June 30, 2010, are \$2,125,000. The Refunding Bonds maturing on or after November 1, 2009, are subject to redemption prior to their stated maturity dates at the option of the Authority on or after November 1, 2008. The property and revenue of the Raritan System are pledged as collateral for the Refunding Bonds.

The balance of the defeased 1988 Delaware and Raritan System Revenue Bonds is \$0.

For the years ended June 30, 2009 and 2008, interest expense on the Refunding Bonds amounted to \$682,738 and \$786,294, respectively, and the related interest income earned on the restricted investments amounted to \$22,663 and \$123,014, respectively.

Notes to Financial Statements (continued)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$6,029,573. The difference is reported with bonds payable on the statements of net assets and is being charged to operations using a method that approximates the effective interest method over the shorter of the remaining life of the old debt or the life of the new debt. The economic gain was a net present value debt savings of \$4,207,590.

D. New Jersey Environmental Infrastructure Financing Program ("NJEIFP")

The New Jersey Water Supply Authority, a Component Unit of the State of New Jersey, obtained loans from the New Jersey Environmental Infrastructure Trust (the "Trust") for the acquisition of source water watershed properties critical to the Raritan Basin System. Under the NJEIFP, the borrowers benefit from a loan formula under which participants borrow a percentage of the cost from the State Revolving Fund maintained by the NJ Department of Environmental Protection at zero interest and the remaining percentage from the Trust at the same interest rate the Trust pays on its bonds. Under the State's Smart Growth Initiative, the interest rate is equivalent to 25 percent of the lowest available rate. Each NJEIFP loan carries a 20-year life, property and revenue of the Raritan Basin System are pledged as collateral for the loans.

The following table summarizes the NJEIFP loans outstanding as of June 30, 2009:

NJEIFP Series	Date of Issuance	State Revolving Fund Principal	Percent	Trust Principal	Percent	Blended Interest Rate	Outstanding Principal	Maturity
2003A	11/06/2003	\$627,019	75%	\$235,000	25%	1.194%	\$659,994	8/1/2023
2004A	11/04/2004	1,030,000	75%	350,000	25%	1.310%	1,150,756	8/1/2024
2005A	11/10/2005	2,940,974	75%	1,050,000	25%	1.251%	3,502,054	8/1/2025
2006A	11/09/2006	2,099,363	75%	745,000	25%	1.260%	2,634,585	8/1/2026
2007A	11/08/2007	1,740,563	75%	620,000	25%	1.055%	2,293,910	8/1/2027
2008A	11/06/2008	1,152,000	64%	660,000	36%	1.740%	1,812,000	8/1/2028
TOTAL		\$9,589,919		\$3,660,000			\$12,053,299	

The following table summarizes the changes in bonds, notes and loans payable between fiscal years 2009 and 2008:

	Fiscal Year 2008	Less Payments, Net of Amortization	Debt Issued	Fiscal Year 2009	Due Within One Year
Bonds payable	\$ 59,088,203	\$4,336,225	\$ -	\$ 54,751,978	\$4,395,000
Notes payable	33,663,054	1,903	-	33,661,151	2,016
Loans payable	11,547,400	506,101	1,012,000	12,053,299	585,841
TOTAL	\$ 104,298,657	\$4,844,229	\$ 1,012,000	\$100,466,428	\$4,982,857

Notes to Financial Statements (continued)

Principal and interest on aggregate maturities and bonds, notes and loans, net of unamortized issuance cost and unamortized deferral, are as follows:

Year ending June 30,	Raritan Basin System	Notes Payable Manasquan System	Delaware & Raritan 1998 Water Revenue Refunding Bonds	Manasquan System Revenue Bonds Series 2005	Totals
2010	\$ 754,924	\$ 7,574	\$ 2,698,931	\$ 4,170,560	\$ 7,631,989
2011	785,995	7,570	2,688,218	4,172,817	7,654,600
2012	781,456	7,566	2,680,266	4,171,688	7,640,976
2013	772,360	7,562	2,670,997	4,166,125	7,617,044
2014	753,205	7,558	2,669,875	4,171,500	7,602,138
2015-2019	3,852,764	37,716	-	20,837,500	24,727,980
2020-2024	3,880,683	37,565	-	10,498,375	14,416,623
2025-2029	2,125,886	37,362	-	3,591,500	5,754,748
2030-2034	-	22,292	-	2,137,125	2,159,417
Deferred Portion	-	33,566,892	-	-	33,566,892
Subtotal	13,707,273	33,739,657	13,408,287	57,917,190	118,772,407
Less amounts representing interest	1,653,974	78,506	1,643,287	16,792,190	20,167,957
Unamortized deferral amount	-	-	170,628	399,574	570,202
Plus unamortized bond premium	-	-	237,843	2,194,337	2,432,180
Subtotal	12,053,299	33,661,151	11,832,215	42,919,763	100,466,428
Less:					
Current principal portion	585,841	2,016	2,125,000	2,270,000	4,982,857
Total	\$11,467,458	\$33,659,135	\$9,707,215	\$40,649,763	\$95,483,571

6. Employee Benefits

Pension and Retirement Plans

Full-time employees of the Authority are covered by the Public Employees' Retirement System of the State of New Jersey ("PERS"). The Division of Pensions within the Treasury Department of the State of New Jersey is the administrator of PERS and charges employers annually for their respective contributions. PERS provides retirement and disability benefits, annual cost of living adjustments and benefits to plan members and beneficiaries. PERS is a cost-sharing, multiple-employer defined benefit plan and, as such, does not maintain separate records for each employer in the state; therefore, the actuarial data for the Authority is not available. The Division of Pensions issues a publicly available financial report for PERS, including financial statements and required supplementary information. Please refer to State website www.state.nj.us for more information regarding the plan. The PERS financial report may be obtained by writing to the State of New Jersey, Department of The Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Notes to Financial Statements (continued)

As a condition of employment, all Authority full-time employees are required to be members of PERS. A member may retire on a service retirement allowance as early as age 60; no minimum service is required. The formula for benefits is an annual allowance in the amount equal to years of service, divided by 55, times the final average salary. For a few employees hired after July 1, 2008, the formula changes and years of service is divided by 62, times the final average salary. Final average salary means the average of the salaries received by the member for the last three years of creditable membership service preceding retirement or the highest three fiscal years of membership service, whichever provides the largest benefit. Pension benefits fully vest on reaching 10 years of service. Vested employees who have established 25 years or more of creditable service may retire without penalty at or after age 55 and receive full retirement benefits. PERS also provides death and disability benefits. Benefits are established by State statute.

Covered Authority employees are required by PERS to contribute 5.5% of their salaries. State statute requires the Authority to contribute the remaining amounts necessary to pay benefits when due. The amount of the Authority's contribution is certified each year by PERS on the recommendation of the actuary, who makes an annual actuarial valuation. The valuation is based on a determination of the financial condition of the retirement system. It includes the computation of the present dollar value of benefits payable to former and present members and the present dollar value of future employer and employee contributions, giving effect to mortality among active and retired members and also to the rates of disability, retirement, withdrawal, former service, salary and interest.

The payroll for employees covered by PERS for the years ended June 30, 2009, 2008 and 2007, was \$6,895,114, \$6,620,758 and \$6,561,709, respectively. The Authority's total payroll for the years ended June 30, 2009, 2008 and 2007, was \$7,152,187, \$6,873,868 and \$6,828,440, respectively. The actuarial contribution requirements and the contributions made for the years ended June 30, 2009, 2008 and 2007, were \$953,625, \$881,519 and \$707,230, respectively, which consisted of \$572,225, \$520,205 and \$379,630 from the Authority and \$381,400, \$361,314 and \$327,600 from the employees, respectively. The employer and employee contributions represented 8.29% and 5.53% of covered payroll for the year ended June 30, 2009, 7.86% and 5.46% of covered payroll for the year ended June 30, 2008, and 5.78% and 4.99% of covered payroll for the year ended June 30, 2007, respectively. Contributions were made in accordance with the actuarial funding requirement.

Notes to Financial Statements (continued)

Post-Retirement Health Care Benefits

The Authority provides continued health care benefits to employees retiring after twenty-five years of service and their eligible dependents. Benefits, contributions, funding and the manner of administration are determined by the State Legislature. The Authority's portion of this liability and cost will be included in the State of New Jersey comprehensive annual financial report on an annual basis. As such the liability for Authority employees is covered under the State plan. The Division of Pensions within the New Jersey Treasury Department administers the funds. Monthly, the Division of Pensions charges the Authority for its contribution. The total number of employees receiving benefits was 38, 38 and 36 at June 30, 2009, 2008 and 2007, respectively. Total cost for these post-retirement benefits, included in fringe benefits, approximated \$408,978, \$397,626 and \$387,756 for the years ended June 30, 2009, 2008 and 2007, respectively.

7. Major Water Customers

During fiscal years 2009 and 2008, the Authority supplied water to approximately 26 customers of the Raritan Basin System and 13 customers of the Manasquan System.

During fiscal years 2009 and 2008, two customers accounted for approximately 84% of total Raritan Basin System operating revenue. Three customers accounted for approximately 81% of total Manasquan System operating revenue.

8. Risk Management

The Authority carries insurance for all of its facilities, covering direct physical loss or damage and loss of revenue resulting therefrom, with such deductibles as it deems appropriate. The Authority also carries General and Umbrella Public Liability Insurance with such self-insured retainers as it deems appropriate. Automotive and Public Officials Liability coverage is also maintained with deductibles. Workers' Compensation coverage is also maintained, as required by State law. Settled claims resulting from the aforementioned risks have not exceeded insurance coverage in any of the past three fiscal years.

9. Contingencies

The Authority is party to various legal actions and disputes. Although the ultimate effect, if any, of these matters is not presently determinable, management believes that collectively they will not have a material effect on the results of operations or the financial position of the Authority.

Notes to Financial Statements (continued)

10. New Pronouncements

GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets" requires that intangible assets be classified as capital assets. The standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software and water rights. The standard requires that an intangible asset be recognized in the statement of net assets only if it is considered identifiable, and establishes specific guidance for the amortization of intangible assets.

The Authority is required to implement GASB Statement No. 51 for the year ending June 30, 2010.

11. Information by Business Segment

The Authority issued revenue bonds to finance the construction of various capital assets, including the construction of the reservoir systems for both the Manasquan and Raritan Basin Systems. Each of these Systems must provide sufficient revenue each year to cover its own operating expenses and debt service. Investors in the revenue bonds rely solely on the revenue generated by the individual activities for repayment. Summary financial information for the operating segments are presented below:

	June 30, 2009	
	Raritan Basin System	Manasquan Water Supply System
Condensed statement of net assets		
Assets:		
Current assets	\$31,216,229	\$ 8,728,142
Restricted assets	5,819,988	7,892,624
Capital assets	84,387,967	63,356,351
Other non-current assets	(7,365,456)	20,542,298
Total assets	114,058,728	100,519,415
Liabilities:		
Current liabilities	4,081,152	4,737,787
Non-current liabilities	21,174,673	74,308,898
Total liabilities	25,255,825	79,046,685
Net assets:		
Invested in capital assets, net of related debt	60,502,453	(13,224,563)
Restricted	5,817,989	6,629,263
Unrestricted	22,608,249	27,942,242
Total net assets	\$88,928,691	\$ 21,346,942

Notes to Financial Statements (continued)

	June 30, 2009	
	Raritan Basin System	Manasquan Water Supply System
Condensed statement of revenue, expenses and changes in net assets		
Total operating revenue	\$ 16,014,972	\$ 6,960,466
Operating expenses	11,584,061	2,515,099
Depreciation	2,718,657	1,658,340
Operating income	1,712,254	2,787,027
Non-operating revenue	518,897	265,427
Non-operating expense	1,914,191	2,517,449
Change in net assets	316,960	535,005
Net assets, beginning of year	88,611,731	20,811,937
Net assets, end of year	\$88,928,691	\$21,346,942
Condensed statement of cash flows		
Net cash provided by (used in):		
Operating activities	\$ 4,704,600	\$ 4,234,978
Non-capital financing activities	290,713	-
Capital and related financing activities	(4,241,514)	(5,103,590)
Investing activities	(72,250)	151,483
Net increase (decrease) in cash and cash equivalents	681,549	(717,129)
Beginning cash and cash equivalent balances	26,037,502	7,309,655
Ending cash and cash equivalent balances	\$26,719,051	\$ 6,592,526

Supplemental Information

New Jersey Water Supply Authority

A Component Unit of the State of New Jersey

Combining Schedule of Net Assets

June 30, 2009

	Raritan Basin System	Manasquan Reservoir System	Elimination Entries	Combined Total
Assets				
Current assets:				
Cash and cash equivalents	\$26,726,235	\$ 5,950,174	\$ -	\$ 32,676,409
Unbilled sales	871,245	-	-	871,245
Accounts receivable, less allowance for doubtful accounts of \$1,000	1,757,724	1,782,222	(125,788)	3,414,158
Interest receivable	31,072	8,594	-	39,666
Prepaid expenses and other current assets	694,307	257,343	-	951,650
Costs to be recovered from future revenue	1,261,434	729,809	-	1,991,243
Total current assets	31,342,017	8,728,142	(125,788)	39,944,371
Non-current assets:				
Restricted assets:				
Cash equivalents	1,999	633,169	-	635,168
Investments	5,817,989	7,259,455	-	13,077,444
Investments	2,328,660	644,096	-	2,972,756
Costs to be recovered from future revenue	(9,803,604)	19,417,357	-	9,613,753
Deferred issuance cost	109,488	480,845	-	590,333
Capital assets, net of accumulated depreciation of \$108,654,321	84,387,967	63,356,351	-	147,744,318
Total non-current assets	82,842,499	91,791,273	-	174,633,772
Total assets	114,184,516	100,519,415	(125,788)	214,578,143
Liabilities				
Current liabilities:				
Current portion of bonds, notes and loans payable	2,710,841	2,272,016	-	4,982,857
Accounts payable	308,740	303,159	(125,788)	486,111
Accrued liabilities	1,059,572	1,025,039	-	2,084,611
Unearned revenue	1,999	1,263,361	-	1,265,360
Total current liabilities	4,081,152	4,863,575	(125,788)	8,818,939
Non-current liabilities:				
Long-term portion of bonds, notes and loans payable	21,174,673	74,308,898	-	95,483,571
Total liabilities	25,255,825	79,172,473	(125,788)	104,302,510
Net assets				
Invested in capital assets, net of related debt	60,502,453	(13,224,563)	-	47,277,890
Restricted	5,817,989	6,629,263	-	12,447,252
Unrestricted	22,608,249	27,942,242	-	50,550,491
Total net assets	\$88,928,691	\$21,346,942	\$ -	\$110,275,633

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Combining Schedule of Revenue, Expenses
and Changes in Net Assets

Year Ended June 30, 2009

	Raritan Basin System	Manasquan Reservoir System	Manasquan Water Treatment Plant	Combined Total
Operating revenue:				
Water sales	\$16,014,972	\$ 6,960,466	\$ -	\$ 22,975,438
Reimbursement of operating expenses	-	-	2,512,417	2,512,417
Total operating revenue	16,014,972	6,960,466	2,512,417	25,487,855
Operating expenses:				
Payroll	5,626,124	722,942	785,209	7,134,275
Operations and maintenance (direct)	4,074,911	944,111	1,142,960	6,161,982
Operations and maintenance (general and administrative)	-	87,034	65,052	152,086
Fringe benefits	2,432,326	291,312	313,975	3,037,613
Headquarters overhead	(549,300)	469,700	79,600	-
Depreciation	2,718,657	1,658,340	-	4,376,997
Total operating expenses	14,302,718	4,173,439	2,386,796	20,862,953
Income from operations	1,712,254	2,787,027	125,621	4,624,902
Non-operating revenue:				
State of New Jersey – Grant Programs	293,485	-	-	293,485
Investment income	129,245	262,945	10,867	403,057
Rental income	67,352	-	-	67,352
Other income	28,815	2,482	-	31,297
Total non-operating revenue	518,897	265,427	10,867	795,191
Non-operating expenses:				
Interest component of debt service to the State of New Jersey	830,563	1,789,944	-	2,620,507
Amortization of issuance costs - D&R System Revenue Refunding Bonds, Series 1998	25,229	-	-	25,229
Amortization of issuance costs - Manasquan State Loan Notes	-	65,319	-	65,319
Costs to be recovered from future revenue	1,058,399	662,186	136,488	1,857,073
Total non-operating expenses	1,914,191	2,517,449	136,488	4,568,128
Change in net assets	316,960	535,005	-	851,965
Net assets, beginning of year	88,611,731	20,811,937	-	109,423,668
Net assets, end of year	\$88,928,691	\$21,346,942	\$ -	\$110,275,633

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Schedule of Changes in Cash and Investments
Raritan Basin System

Year Ended June 30, 2009

		Operating Fund			
	Revenue Fund	Operating Account	Payroll Account	Operating Fund	Reserve for O&M
Cash and investments - July 1, 2008	\$212,832	\$1,036,505	\$20,000	\$123,394	\$5,043,388
Cash receipts:					
Water sales operations and maintenance	9,486,347	-	-	-	-
Water sales debt service	2,718,219	-	-	-	-
Water sales capital fund	2,201,056	-	-	-	-
Water sales source water protection fund	1,000,479	-	-	-	-
Water sales overdrafts	777,305	-	-	-	-
Rental income	53,412	-	-	-	-
Manasquan reservoir support	-	-	-	-	68,290
Headquarters overhead	-	-	-	554,300	-
Disposition of property	-	-	-	-	-
Recycling revenue	-	-	-	-	-
Nonrefundable bid deposits	-	-	-	-	-
Insurance reimbursement	-	-	-	-	-
Miscellaneous expense reimbursement	652	-	-	-	503,554
Transfers:					
Contributions from operating fund	-	7,461,259	3,443,633	(17,441,637)	5,888
Contributions to operating fund	-	-	-	2,776,630	-
Transfers for operations	(16,178,196)	(100)	-	16,178,296	-
Transfers for investments	-	-	-	-	-
Distribution from reserves to operations	-	2,508,813	-	-	(2,379,987)
Investment income	-	-	-	14,408	62,817
Per resolution, Section 603:					
Investment income, transfer from	127,306	-	-	(13,452)	(63,848)
Investment income, transfer to	(127,306)	-	-	-	99,456
Unrealized loss on fair value	-	-	-	-	195,572
Total cash receipts	59,274	9,969,972	3,443,633	2,068,545	(1,508,258)
Total available cash and investments	\$272,106	\$11,006,477	\$3,463,633	\$2,191,939	\$3,535,130

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Schedule of Changes in Cash and Investments
Raritan Basin System (continued)

Year Ended June 30, 2009

Self-Insurance Reserve	Depreciation Reserve	Pumping Reserve	Capital Improvements Investments II	Watershed Management Fund	Source Water Protection Fund	Subtotal
\$771,840	\$3,562,164	\$529,892	\$6,111,685	\$4,771	\$2,398,141	\$19,814,612
-	-	-	-	-	-	9,486,347
-	-	-	-	-	-	2,718,219
-	-	-	-	-	-	2,201,056
-	-	-	-	-	-	1,000,479
-	-	-	-	-	-	777,305
-	-	-	-	-	-	53,412
-	-	-	-	-	-	68,290
-	-	-	-	-	-	554,300
-	21,820	-	-	-	-	21,820
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	2,360,954	2,865,160
2,217	50,000	150,000	-	-	258,006	(6,070,634)
-	-	(216,452)	-	(2,813)	(169,961)	2,387,404
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	(72,005)	-	-	-	-	56,821
16,501	37,653	5,579	59,000	41	24,632	220,631
(16,500)	(5,447)	-	-	-	-	28,059
-	5,447	-	-	-	-	(22,403)
97,014	25,347	-	-	-	-	317,933
99,232	62,815	(60,873)	59,000	(2,772)	2,473,631	16,664,199
\$871,072	\$3,624,979	\$469,019	\$6,170,685	\$1,999	\$4,871,772	\$36,478,811

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Schedule of Changes in Cash and Investments
Raritan Basin System (continued)

Year Ended June 30, 2009

	Subtotal	Parity SWP Bond Fund	Subordinated SWP Bond Fund	Major Rehabilitation	Water Reuse & Recycling Fund
Cash and investments - July 1, 2008	\$19,814,612	\$309,861	\$233,269	\$1,508,942	\$234,250
Cash receipts:					
Water sales operations and maintenance	9,486,347	-	-	-	-
Water sales debt service	2,718,219	-	-	-	-
Water sales capital fund	2,201,056	-	-	-	-
Water sales source water protection fund	1,000,479	-	-	-	-
Water sales overdrafts	777,305	-	-	-	-
Rental income	53,412	-	-	-	-
Manasquan reservoir support	68,290	-	-	-	-
Headquarters overhead	554,300	-	-	-	-
Disposition of property	21,820	-	-	-	-
Recycling revenue	-	-	-	-	-
Nonrefundable bid deposits	-	-	-	-	-
Insurance reimbursement	-	-	-	-	-
Miscellaneous expense reimbursement	2,865,160	-	-	-	-
Transfers:					
Contributions from operating fund	(6,070,634)	360,000	296,421	-	-
Contributions to operating fund	2,387,404	-	-	-	-
Transfers for operations	-	-	-	-	-
Transfers for investments	-	-	-	-	-
Distribution from reserves to operations	56,821	-	-	(75,368)	-
Investment income	220,631	1,254	1,328	14,417	2,261
Per resolution, Section 603:					
Investment income, transfer from	28,059	-	-	-	-
Investment income, transfer to	(22,403)	-	-	-	-
Unrealized loss on fair value	317,933	-	-	-	-
Total cash receipts	16,664,199	361,254	297,749	(60,951)	2,261
Total available cash and investments	\$36,478,811	\$671,115	\$531,018	\$1,447,991	\$236,511

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Schedule of Changes in Cash and Investments
Raritan Basin System (continued)

Year Ended June 30, 2009

Capital Improvement Fund	Employment Benefit Fund	1998 Bonds Debt Service Account	1998 Bonds Debt Service Reserve	Rate Stabilization Fund	Totals
\$5,960,545	\$512,113	\$698,662	\$2,743,826	\$1,981,496	\$33,997,576
-	-	-	-	-	9,486,347
-	-	-	-	-	2,718,219
-	-	-	-	-	2,201,056
-	-	-	-	-	1,000,479
-	-	-	-	-	777,305
-	-	-	-	-	53,412
-	-	-	-	-	68,290
-	-	-	-	-	554,300
-	-	-	-	-	21,820
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	2,000	-	-	-	2,867,160
2,194,238	517,269	2,702,706	-	-	-
-	(413,123)	-	-	(1,974,281)	-
-	-	-	-	-	-
-	-	-	-	-	-
(2,326,639)	(24,384)	-	-	2,369,570	-
57,493	5,710	6,991	15,672	4,144	329,901
-	-	(4,479)	(17,925)	(5,655)	-
22,403	-	-	-	-	-
-	-	-	-	-	317,933
(52,505)	87,472	2,705,218	(2,253)	393,778	20,396,222
\$5,908,040	\$599,585	\$3,403,880	\$2,741,573	\$2,375,274	\$54,393,798

New Jersey Water Supply Authority
A Component Unit of State of New Jersey
Schedule of Changes in Cash and Investments
Raritan Basin System (Continued)

Year Ended June 30, 2009

	Revenue Fund	Operating Fund			Reserve for O&M
		Operating Account	Payroll Account	Operating Fund	
Total available cash and investments	\$272,106	\$11,006,477	\$3,463,633	\$2,191,939	\$3,535,130
Cash disbursements:					
Payroll	-	-	3,433,633	-	-
Fringe benefits	-	2,730,039	-	1,555,126	-
Employee deferred comp. and credit union	-	447,265	-	245,608	-
Operations and maintenance	-	2,512,485	-	-	-
Prepaid insurance	-	1,040,961	-	-	-
Miscellaneous disbursements	-	-	-	(391,752)	3,392
Watershed Management Fund	-	-	-	-	-
Capital improvements:					
Capital assets	-	146,157	-	-	-
New five-year construction project	-	2,395,586	-	-	-
Purchase of investments securities	-	-	-	-	327,233
Principal on 1981 bonds	-	-	-	-	-
Interest on 1981 bonds	-	-	-	-	-
Principal on 1998 revenue bonds	-	-	-	-	-
Interest on 1998 revenue bonds	-	-	-	-	-
Principal on NJEIT revenue bonds	-	-	-	-	-
Interest on NJEIT revenue bonds	-	-	-	-	-
Total cash disbursements	-	9,272,493	3,433,633	1,408,982	330,625
Cash and investments - June 30, 2009	\$272,106	\$1,733,984	\$30,000	\$782,957	\$3,204,505
Summary of cash and investments:					
Cash	\$272,106	\$1,733,984	\$30,000	\$ -	\$ -
Short-term investments	-	-	-	782,957	1,774,608
Long-term investments	-	-	-	-	1,429,897
Restricted investments (current)	-	-	-	-	-
Total cash and investments	\$272,106	\$1,733,984	\$30,000	\$782,957	\$3,204,505

New Jersey Water Supply Authority
A Component Unit of State of New Jersey
Schedule of Changes in Cash and Investments
Raritan Basin System (Continued)

Year Ended June 30, 2009

Self-Insurance Reserve	Depreciation Reserve	Pumping Reserve	Capital Improvements Investments II	Watershed Management Fund	Source Water Protection Fund	Subtotal
\$871,072	\$3,624,979	\$469,019	\$6,170,685	\$1,999	\$4,871,772	\$36,478,811
-	-	-	-	-	-	3,433,633
-	-	-	-	-	-	4,285,165
-	-	-	-	-	-	692,873
-	-	-	-	-	-	2,512,485
-	-	-	-	-	-	1,040,961
-	630	-	-	-	-	(387,730)
-	-	-	-	-	-	-
-	-	-	-	-	1,476,625	1,622,782
-	-	-	-	-	-	2,395,586
162,302	43,932	-	-	-	-	533,467
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
162,302	44,562	-	-	-	1,476,625	16,129,222
\$708,770	\$3,580,417	\$469,019	\$6,170,685	\$1,999	\$3,395,147	\$20,349,589
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,036,090
263	3,390,161	469,019	6,170,685	1,999	3,395,147	15,984,839
708,507	190,256	-	-	-	-	2,328,660
-	-	-	-	-	-	-
\$708,770	\$3,580,417	\$469,019	\$6,170,685	\$1,999	\$3,395,147	\$20,349,589

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Schedule of Changes in Cash and Investments
Raritan Basin System (continued)

Year Ended June 30, 2009

	Subtotal	Parity SWP Bond Fund	Subordinated SWP Bond Fund	Major Rehabilitation	Water Reuse & Recycling Fund
Total available cash and investments	\$36,478,811	\$671,115	\$531,018	\$1,447,991	\$236,511
Cash disbursements:					
Payroll	3,433,633	-	-	-	-
Fringe benefits	4,285,165	-	-	-	-
Employee deferred comp. and credit union	692,873	-	-	-	-
Operations and maintenance	2,512,485	-	-	-	-
Prepaid insurance	1,040,961	-	-	-	-
Miscellaneous disbursements	(387,730)	-	-	-	-
Watershed Management Fund	-	-	-	-	-
Capital improvements:					
Capital assets	1,622,782	-	-	-	-
New five-year construction project	2,395,586	-	-	-	-
Purchase of investment securities	533,467	-	-	-	-
Principal on 1981 bonds	-	-	-	-	-
Interest on 1981 bonds	-	-	-	-	-
Principal on 1998 revenue bonds	-	-	-	-	-
Interest on 1998 revenue bonds	-	-	-	-	-
Principal on NJEIT revenue bonds	-	308,873	197,228	-	-
Interest on NJEIT revenue bonds	-	68,479	65,735	-	-
Total cash disbursements	16,129,222	377,352	262,963	-	-
Cash & investments - June 30, 2009	\$20,349,589	\$293,763	\$268,055	\$1,447,991	\$236,511
Summary of cash and investments:					
Cash	\$2,036,090	\$ -	\$ -	\$ -	\$ -
Short-term investments	15,984,839	293,763	268,055	1,447,991	236,511
Long-term investments	2,328,660	-	-	-	-
Restricted investments (current)	-	-	-	-	-
Total cash and investments	\$20,349,589	\$293,763	\$268,055	\$1,447,991	\$236,511

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Schedule of Changes in Cash and Investments
Raritan Basin System (continued)

Year Ended June 30, 2009

Capital Improvement Funds	Employment Benefit Funds	1998 Bonds Debt Service Account	1998 Bonds Debt Service Reserve	Rate Stabilization Fund	Totals
\$5,908,040	\$599,585	\$3,403,880	\$2,741,573	\$2,375,274	\$54,393,798
-	-	-	-	-	3,433,633
-	-	-	-	-	4,285,165
-	-	-	-	-	692,873
-	-	-	-	-	2,512,485
-	-	-	-	-	1,040,961
-	46,640	-	-	-	(341,090)
-	-	-	-	-	-
-	-	-	-	-	1,622,782
-	-	-	-	-	2,395,586
-	-	-	-	-	533,467
-	-	-	-	-	-
-	-	-	-	-	-
-	-	2,020,000	-	-	2,020,000
-	-	682,738	-	-	682,738
-	-	-	-	-	506,101
-	-	-	-	-	134,214
-	46,640	2,702,738	-	-	19,518,915
\$5,908,040	\$552,945	\$701,142	\$2,741,573	\$2,375,274	\$34,874,883
\$ -	\$2,538	\$ -	\$ -	\$ -	\$2,038,628
5,908,040	550,407	-	-	-	24,689,606
-	-	-	-	-	2,328,660
-	-	701,142	2,741,573	2,375,274	5,817,989
\$5,908,040	\$552,945	\$701,142	\$2,741,573	\$2,375,274	\$34,874,883

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Schedule of Changes in Cash and Investments
Manasquan Water Supply System

Year Ended June 30, 2009

	Revenue Fund	Operating Fund			Reserve for O&M
		Operating Account	Payroll Account	Operating Fund	
Cash and investments - July 1, 2008	\$369,349	\$6,688	\$20,000	\$41,736	\$432,616
Cash receipts:					
Water sales operations and maintenance	2,198,288	-	-	-	-
Water sales debt service	4,395,006	-	-	-	-
Source water protection	108,984	-	-	-	-
Water sales overdrafts	7,601	-	-	-	-
NJ-American pumping costs	120,777	-	-	-	187,316
Headquarters overhead	-	-	-	-	-
Reimbursement of WTP capital expenses	-	-	-	-	-
Disposition of assets	-	-	-	-	-
Sale of investment securities	-	-	-	-	-
Miscellaneous reimbursement	-	-	-	-	408
Transfers:					
Contributions from operating fund	-	3,599,533	974,228	(9,278,532)	745
Contributions to operating fund	-	-	-	2,370,169	(1,745)
Transfers for operations	(7,200,000)	-	-	7,200,000	-
Distribution from reserves to operations	-	340,469	-	-	-
Investment income	-	-	-	10,177	9,447
Per resolution, Section 603:					
Investment income, transfer from	35,876	-	-	(9,109)	(9,269)
Investment income, transfer to	(35,876)	-	-	13,683	13,816
Unrealized (loss) gain on fair value	-	-	-	-	49,314
Total cash receipts	(369,344)	3,940,002	974,228	306,388	250,032
Total cash and investments	\$5	\$3,946,690	\$994,228	\$348,124	\$682,648

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Schedule of Changes in Cash and Investments
Manasquan Water Supply System (continued)

Year Ended June 30, 2009

Self- Insurance Reserve	Renewal & Replacement Account	Water Reuse & Recycling	Source Water Protection	Alternate Energy Source	Depreciation Reserve	Pumping Reserve	Sediment Reserve	Subtotal
\$243,783	\$3,056,382	\$29,445	\$855,778	\$12,703	\$524,066	\$144,832	\$55,820	\$5,793,198
-	-	-	-	-	-	-	-	2,198,288
-	-	-	-	-	-	-	-	4,395,006
-	-	-	-	-	-	-	-	108,984
-	-	-	-	-	-	-	-	7,601
-	-	-	-	-	-	-	-	308,093
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	630	-	-	630
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	408
12,500	(60,000)	-	113,245	12,500	191	18,750	7,500	(4,599,340)
-	(190,000)	-	(14,620)	(25,260)	-	-	-	2,138,544
-	-	-	-	-	-	-	-	-
-	(177,520)	-	-	-	(49,232)	-	-	113,717
4,856	27,577	284	8,634	82	5,892	2,338	553	69,840
(4,805)	-	-	-	-	(1,639)	(2,244)	(497)	8,313
-	-	-	-	-	1,639	-	-	(6,738)
24,604	-	-	-	-	9,639	4,490	-	88,047
37,155	(399,943)	284	107,259	(12,678)	(32,880)	23,334	7,556	4,831,393
\$280,938	\$2,656,439	\$29,729	\$963,037	\$25	\$491,186	\$168,166	\$63,376	\$10,624,591

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Schedule of Changes in Cash and Investments
Manasquan Water Supply System (continued)

Year Ended June 30, 2009

	Water Treatment Plant/Transmission System						
	Subtotal	Operating Account	Operating Fund	Residuals Reserve	Carbon Filter Reserve	Self-Insurance Reserve	Capital Improvement Reserve
Cash and investments - July 1, 2008	\$5,793,198	\$160,989	\$55,008	\$9,584	\$99,445	\$252,666	\$773,190
Cash receipts:							
Water sales operations and maintenance	2,198,288	-	-	-	-	-	-
Water sales debt service	4,395,006	-	-	-	-	-	-
Source water protection	108,984	-	-	-	-	-	-
Water sales overdrafts	7,601	-	-	-	-	-	-
NJ-American pumping costs	308,093	-	-	-	-	-	-
Headquarters overhead	-	-	2,477,635	-	-	-	-
Reimbursement of WTP capital expenses	-	-	2,470	-	-	-	-
Disposition of assets	630	-	-	-	-	-	-
Sale of investment securities	-	-	-	-	-	-	-
Miscellaneous reimbursement	408	1,898	21,433	-	-	-	-
Transfers:							
Contributions from operating fund	(4,599,340)	1,795,000	(1,798,329)	-	-	-	-
Contributions to operating fund	2,138,544	-	(651,565)	-	-	(24,260)	(663,305)
Transfers for operations	-	-	-	-	-	-	-
Distribution from reserves to operations	113,717	-	(963)	-	-	-	-
Investment income	69,840	-	1,105	92	956	2,425	6,290
Per resolution, Section 603:							
Investment income, transfer from	8,313	-	-	(180)	(1,847)	(4,711)	-
Investment income, transfer to	(6,738)	-	6,738	-	-	-	-
Unrealized (loss) gain on fair value	88,047	-	-	-	-	-	-
Total cash receipts	<u>4,831,393</u>	<u>1,796,898</u>	<u>58,524</u>	<u>(88)</u>	<u>(891)</u>	<u>(26,546)</u>	<u>(657,015)</u>
Total cash and investments	<u>\$10,624,591</u>	<u>\$1,957,887</u>	<u>\$113,532</u>	<u>\$9,496</u>	<u>\$98,554</u>	<u>\$226,120</u>	<u>\$116,175</u>

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Schedule of Changes in Cash and Investments
Manasquan Water Supply System (continued)

Year Ended June 30, 2009

2005 Debt Service Account	2005 Debt Service Reserve	Debt Service Account	Debt Service Reserve	Rebate Fund	General Reserve Fund	Employment Benefit Funds	Totals
\$3,273,276	\$3,626,786	\$33,015	\$1,971	\$147,284	\$705,942	\$162,640	\$15,094,994
-	-	-	-	-	-	-	2,198,288
-	-	-	-	-	-	-	4,395,006
-	-	-	-	-	-	-	108,984
-	-	-	-	-	-	-	7,601
-	-	-	-	-	-	-	308,093
-	-	-	-	-	-	-	2,477,635
-	-	-	-	-	-	-	2,470
-	-	-	-	-	-	-	630
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	23,739
4,243,965	-	4,551	1,148	-	229,754	123,251	-
-	(135,000)	-	-	-	(664,414)	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	(112,754)	-
20,635	150,755	173	12	1,422	1,579	1,778	257,062
-	-	-	-	-	(1,575)	-	-
-	-	-	-	-	-	-	-
-	72,480	-	-	-	-	-	160,527
4,264,600	88,235	4,724	1,160	1,422	(434,656)	12,275	9,940,035
\$7,537,876	\$3,715,021	\$37,739	\$3,131	\$148,706	\$271,286	\$174,915	\$25,035,029

New Jersey Water Supply Authority
A Component of the State of New Jersey
Schedule of Changes in Cash and Investments
Manasquan Water Supply System (continued)

Year Ended June 30, 2009

	Revenue Fund	Operating Fund			Reserve for O&M
		Operating Account	Payroll Account	Operating Fund	
Total available cash and investments	\$5	\$3,946,690	\$994,228	\$348,124	\$682,648
Cash disbursements:					
Payroll	-	-	974,228	-	-
Fringe benefits	-	1,962,228	-	(1,555,125)	-
Employee deferred comp. and credit union	-	147,794	-	447,682	-
Operations and maintenance	-	1,075,472	-	99,329	-
NJ-American pumping costs	-	258,313	-	-	-
Prepaid insurance	-	203,963	-	-	-
Headquarters overhead	-	-	-	474,700	-
Capital assets reservoir	-	66,374	-	-	-
Capital improvement program (reservoir)	-	173,673	-	-	-
Purchase of Investments securities	-	-	-	-	82,488
Principal on bonds	-	-	-	-	-
Interest on bonds	-	-	-	-	-
Total cash disbursements	-	3,887,817	974,228	(533,414)	82,488
Cash and investments - June 30, 2009	\$5	\$58,873	\$20,000	\$881,538	\$600,160

Summary of cash and investments:

Cash (Manasquan)	\$5	\$58,873	\$20,000	\$ -	\$ -
Cash (Water Treatment Plant/TS)	-	-	-	-	-
Short-term investments	-	-	-	881,538	240,456
Short-term investments (WTP/TS)	-	-	-	-	-
Long-term investments	-	-	-	-	359,704
Restricted investments (current)	-	-	-	-	-
Restricted investments (long-term)	-	-	-	-	-
Total cash and investments	\$5	\$58,873	\$20,000	\$881,538	\$600,160

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Schedule of Changes in Cash and Investments
Manasquan Water Supply System (continued)

Year Ended June 30, 2009

Self- Insurance Reserve	Renewal and Replacement Account	Water Reuse & Recycling	Source Water Protection	Alternate Energy Source	Depreciation Reserve	Pumping Reserve	Sediment Reserve	Subtotal
\$280,938	\$2,656,439	\$29,729	\$963,037	\$25	\$491,186	\$168,166	\$63,376	\$10,624,591
-	-	-	-	-	-	-	-	974,228
-	-	-	-	-	-	-	-	407,103
-	-	-	-	-	-	-	-	595,476
-	-	-	-	-	-	-	-	1,174,801
-	-	-	-	-	-	-	-	258,313
-	-	-	-	-	-	-	-	203,963
-	-	-	-	-	-	-	-	474,700
-	-	-	-	-	-	-	-	66,374
-	-	-	-	-	-	-	-	173,673
41,227	-	-	-	-	16,128	8,048	-	147,891
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
41,227	-	-	-	-	16,128	8,048	-	4,476,522
\$239,711	\$2,656,439	\$29,729	\$963,037	\$25	\$475,058	\$160,118	\$63,376	\$6,148,069
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$78,878
-	-	-	-	-	-	-	-	-
60,356	2,656,439	29,729	963,037	25	404,703	125,436	63,376	5,425,095
-	-	-	-	-	-	-	-	-
179,355	-	-	-	-	70,355	34,682	-	644,096
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
\$239,711	\$2,656,439	\$29,729	\$963,037	\$25	\$475,058	\$160,118	\$63,376	\$6,148,069

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Schedule of Changes in Cash and Investments
Manasquan Water Supply System (continued)

Year Ended June 30, 2009

	Water Treatment Plant/Transmission System						
	Subtotal	Operating Account	Operating Fund	Residuals Reserve	Carbon Filter Reserve	Self-Insurance Reserve	Capital Improvement Reserve
Total available cash and investments	\$10,624,591	\$1,957,887	\$113,532	\$9,496	\$98,554	\$226,120	\$116,175
Cash disbursements:							
Payroll	974,228	-	-	-	-	-	-
Fringe benefits	407,103	-	-	-	-	-	-
Employee deferred comp. and credit union	595,476	-	-	-	-	-	-
Operations and maintenance	1,174,801	1,808,995	-	-	-	-	-
NJ-American pumping costs	258,313	-	-	-	-	-	-
Prepaid insurance	203,963	-	-	-	-	-	-
Headquarters overhead	474,700	-	79,600	-	-	-	-
Capital assets reservoir	66,374	-	-	-	-	-	-
Capital improvement program (reservoir)	173,673	-	-	-	-	-	-
Purchase of Investments securities	147,891	-	-	-	-	-	-
Principal on bonds	-	-	-	-	-	-	-
Interest on bonds	-	-	-	-	-	-	-
Total cash disbursements	4,476,522	1,808,995	79,600	-	-	-	-
Cash and investments - June 30, 2009	\$6,148,069	\$148,892	\$33,932	\$9,496	\$98,554	\$226,120	\$116,175

Summary of cash and investments:

Cash (Manasquan)	\$78,878	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash (Water Treatment Plant/TS)	-	148,892	-	-	-	-	-
Short-term investments	5,425,095	-	-	-	-	-	-
Short-term investments (WTP/TS)	-	-	33,932	9,496	98,554	226,120	116,175
Long-term investments	644,096	-	-	-	-	-	-
Restricted investments (current)	-	-	-	-	-	-	-
Restricted investments (long-term)	-	-	-	-	-	-	-
Total cash and investments	\$6,148,069	\$148,892	\$33,932	\$9,496	\$98,554	\$226,120	\$116,175

New Jersey Water Supply Authority
A Component of the State of New Jersey
Schedule of Changes in Cash and Investments
Manasquan Water Supply System (continued)

Year Ended June 30, 2009

2005 Debt Service Account	2005 Debt Service Reserve	Debt Service Account	Debt Service Reserve	Rebate Fund	General Reserve Fund	Employment Benefit Funds	Totals
\$7,537,876	\$3,715,021	\$37,739	\$3,131	\$148,706	\$271,286	\$174,915	\$25,035,029
-	-	-	-	-	-	-	974,228
-	-	-	-	-	-	-	407,103
-	-	-	-	-	-	-	595,476
-	-	-	-	-	-	-	2,983,796
-	-	-	-	-	-	-	258,313
-	-	-	-	-	-	-	203,963
-	-	-	-	-	-	-	554,300
-	-	-	-	-	-	-	66,374
-	-	-	-	-	-	-	173,673
-	-	-	-	-	-	-	147,891
2,205,000	-	1,903	-	-	-	-	2,206,903
1,970,441	-	5,674	-	-	-	-	1,976,115
4,175,441	-	7,577	-	-	-	-	10,548,135
\$3,362,435	\$3,715,021	\$30,162	\$3,131	\$148,706	\$271,286	\$174,915	\$14,486,894
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$78,878
-	-	-	-	-	-	-	148,892
-	-	-	-	-	271,286	174,915	5,871,296
-	-	-	-	-	-	-	484,277
-	-	-	-	-	-	-	644,096
3,362,435	3,715,021	30,162	3,131	148,706	-	-	7,259,455
-	-	-	-	-	-	-	-
\$3,362,435	\$3,715,021	\$30,162	\$3,131	\$148,706	\$271,286	\$174,915	\$14,486,894

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Statistical Section

FINANCIAL TREND DATA

Summary of Financial Information	2000 - 2009
Summary of Raritan Basin System Water Use Contracts	2000 - 2009
Summary of Manasquan Water Supply System Water Use Contracts .	2000 - 2009

DEBT CAPACITY DATA

Raritan Basin System Revenue Bond Coverage	2000 - 2009
Manasquan System Revenue Bond Coverage	2002 - 2009

REVENUE CAPACITY DATA

Raritan Basin System Water Charges	1992 - 2009
Manasquan Water Supply System Water Charges	1995 - 2009

OPERATING INFORMATION

Spruce Run Rain Gauge	2000 - 2009
West Windsor Rain Gauge	2000 - 2009
Spruce Run Reservoir Storage	2000 - 2009
Round Valley Reservoir Storage	2000 - 2009
Manasquan System Rainfall	2000 - 2009
Manasquan Reservoir Storage Data	2000 - 2009

New Jersey Water Supply Authority

SUMMARY OF FINANCIAL INFORMATION 2000 - 2009

	2000	2001	2002	2003	2004
REVENUE AND EXPENSES					
Water sales	\$17,963,202	\$18,248,873	\$19,912,921	\$19,564,798	\$20,258,371
Reimbursement of operating exp	\$1,414,821	\$1,339,167	\$1,419,068	\$1,463,670	\$1,578,686
Total operating revenues	19,378,023	19,588,040	21,331,989	21,028,468	21,837,057
Operating expense	15,632,775	15,523,478	16,450,755	17,339,427	17,905,912
Income from operations	3,745,248	4,064,562	4,881,234	3,689,041	3,931,145
Nonoperating revenues	4,709,579	2,826,090	1,687,459	907,349	584,425
Nonoperating expenses	4,787,230	4,779,364	4,981,693	4,534,643	4,715,508
Change in net assets	4,007,768	1,848,817	1,587,000	61,747	(199,938)
Net assets, beginning of year	86,934,007	90,941,775	92,790,592	94,377,592	94,439,339
Net assets, end of year	90,941,775	92,790,592	94,377,592	94,439,339	94,239,401
ASSETS					
Current assets	23,716,294	23,159,792	24,575,360	23,535,975	27,718,480
Noncurrent assets	199,107,133	197,300,073	193,044,591	191,875,994	183,664,331
Total assets	222,823,427	220,459,865	217,619,951	215,411,969	211,382,811
LIABILITIES					
Current liabilities	7,234,800	7,503,563	7,055,124	9,077,827	9,066,943
Noncurrent liabilities	124,646,852	120,165,710	116,187,235	111,894,803	108,076,467
Total liabilities	131,881,652	127,669,273	123,242,359	120,972,630	117,143,410
NET ASSETS					
Invested in capital assets, net of related debt	34,304,082	34,993,065	34,845,644	35,978,635	36,025,900
Restricted	-	10,158,116	10,804,128	11,721,789	11,089,206
Unrestricted	56,637,693	47,639,411	48,727,820	46,738,915	47,124,295
Total net assets	\$90,941,775	\$92,790,592	\$94,377,592	\$94,439,339	\$94,239,401

New Jersey Water Supply Authority

SUMMARY OF FINANCIAL INFORMATION 2000 - 2009

2005	2006	2007	2008	2009
\$22,037,389	\$23,249,130	\$22,508,685	\$23,466,842	\$22,975,438
\$1,723,723	\$1,844,055	\$2,100,466	\$2,377,166	\$2,512,417
23,761,112	25,093,185	24,609,151	25,844,008	25,487,855
18,461,671	18,911,050	21,299,226	20,849,880	20,862,953
5,299,441	6,182,135	3,309,925	4,994,128	4,624,902
3,020,168	2,456,177	3,947,914	4,841,828	795,191
5,151,673	5,460,653	3,692,672	4,562,451	4,568,128
3,167,936	3,177,659	3,565,167	5,273,505	851,965
94,239,401	97,407,337	100,584,996	104,150,163	109,423,668
97,407,337	100,584,996	104,150,163	109,423,668	110,275,633
29,835,264	37,416,567	37,981,903	40,411,128	39,944,371
181,818,542	176,312,628	177,020,383	177,459,476	174,633,772
211,653,806	213,729,195	215,002,286	217,870,604	214,578,143
9,878,233	10,231,778	9,613,559	8,881,283	8,818,939
104,368,236	102,912,421	101,238,564	99,565,653	95,483,571
114,246,469	113,144,199	110,852,123	108,446,936	104,302,510
37,445,316	36,451,123	38,594,390	43,790,111	47,277,890
12,045,911	11,900,344	12,388,041	12,082,047	12,447,252
47,916,110	52,233,529	53,167,732	53,551,510	50,550,491
\$97,407,337	\$100,584,996	\$104,150,163	\$109,423,668	\$110,275,633

New Jersey Water Supply Authority

RARITAN BASIN SYSTEM SUMMARY OF WATER USE CONTRACTS DAILY CONTRACT IN MILLIONS GALLONS PER DAY - MGD

<u>WATER USER</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
UNITED WATER LAMBERTVILLE, INC	0.200	0.200	0.200	0.200	0.200
MERCER COUNTY PARK COMMISSION	0.100	0.100	0.100	0.100	0.100
TRENTON COUNTRY CLUB	0.250	0.250	0.250	0.250	0.250
MERCER COUNTY PARK COMMISSION	0.135	0.135	0.135	0.135	0.135
PRINCETON UNIVERSITY	0.500	0.500	0.500	0.500	0.500
NORTH BRUNSWICK TOWNSHIP	8.000	8.000	8.000	8.000	8.000
SELODY SOD FARMS, INC.	0.100	0.100	0.100	0.100	0.100
NEW JERSEY AMERICAN WATER	102.000	104.000	104.000	104.000	124.100
EAST BRUNSWICK TOWNSHIP	8.000	8.000	8.000	8.000	8.000
NEW BRUNSWICK, CITY OF	10.500	10.500	10.500	10.500	10.500
MIDDLESEX WATER COMPANY	20.000	20.000	20.000	20.000	27.000
ROYCE BROOK GOLF CLUB	-	-	0.536	0.536	0.536
FLEMINGTON FILM PRODUCTS	0.012	0.012	0.012	0.012	0.012
DUKE FARMS	-	-	-	0.058	0.058
BOROUGH OF GLEN GARDNER	-	-	-	-	-
RIDGE AT BACK BROOK	-	-	-	-	-
ROXBURY WATER COMPANY	-	-	-	-	-
HUNTERDON COUNTY (HERON GLEN GOLF)	-	-	-	-	-
RARITAN VALLEY COUNTRY CLUB	-	-	-	-	-
EAST WINDSOR MUA	-	-	-	-	-
SOMERSET CTY (NESCHANIC VALLEY GOLF)	-	-	-	-	-
TRUMP NATIONAL GOLF CLUB	-	-	-	-	-
MORRIS COUNTY MUA	-	-	-	-	-
APPLIED WATER MGMT (MT. OLIVE TWP)	-	-	-	-	-
WASHINGTON TOWNSHIP MUA	-	-	-	-	-
ROXITICUS GOLF CLUB	-	-	-	-	-
HAMILTON FARM GOLF CLUB	-	-	-	-	-
SPRINGDALE GOLF CLUB	-	-	-	-	-
SYSTEM TOTAL	149.797	151.797	152.333	152.391	179.491

New Jersey Water Supply Authority

RARITAN BASIN SYSTEM SUMMARY OF WATER USE CONTRACTS DAILY CONTRACT IN MILLIONS GALLONS PER DAY - MGD

2005	2006	2007	2008	2009
0.490	0.490	0.490	0.490	0.490
0.132	0.132	0.132	0.132	0.132
0.250	0.250	0.250	0.250	0.126
-	-	-	-	-
0.500	0.500	0.500	0.500	0.150
8.000	8.000	8.000	8.000	8.000
0.025	0.025	0.025	0.025	0.025
124.100	124.100	124.100	124.100	126.600
8.000	8.000	8.000	8.000	8.000
10.500	10.500	10.500	10.500	10.500
27.000	27.000	27.000	27.000	27.000
0.536	0.536	0.536	0.536	0.165
-	-	-	-	-
0.058	0.058	0.058	0.058	0.058
-	0.008	0.008	0.008	0.008
0.111	0.111	0.111	0.111	0.111
0.074	0.074	0.074	0.074	0.074
0.261	0.261	0.261	0.261	0.261
0.012	0.012	0.012	0.012	0.012
0.011	0.011	0.011	0.011	0.011
0.116	0.116	0.116	0.116	0.116
0.080	0.080	0.080	0.080	0.080
0.079	0.079	0.079	0.079	0.079
0.010	0.010	0.010	0.010	0.010
-	-	0.025	0.025	0.025
-	-	0.046	0.046	0.046
-	-	-	-	0.138
-	-	-	-	0.098
180.345	180.353	180.424	180.424	182.315

**New Jersey Water Supply Authority
MANASQUAN WATER SUPPLY SYSTEM
SUMMARY OF WATER USE CONTRACTS
DAILY CONTRACT IN MILLIONS GALLONS PER DAY - MGD**

	2000	2001	2002	2003	2004
WALL TOWNSHIP	2.300	2.300	2.300	2.300	2.300
BOROUGH OF AVON	0.142	0.142	0.142	0.142	0.142
SHORELANDS WATER COMPANY	1.900	1.900	1.900	1.900	1.900
NEW JERSEY-AMERICAN WATER CO.	8.065	9.065	11.000	11.000	11.000
BOROUGH OF RED BANK	0.778	0.778	0.778	0.778	0.778
BOROUGH OF SEA GIRT	0.075	0.075	0.075	0.075	0.075
BOROUGH OF SPRING LAKE	0.310	0.310	0.310	0.310	0.310
BOROUGH OF SPRING LAKE HEIGHTS	0.450	0.450	0.450	0.450	0.450
BOROUGH OF BELMAR	0.650	0.650	0.650	0.650	0.650
BOROUGH OF BRIELLE	0.400	0.400	0.400	0.400	0.400
BOROUGH OF KEYPORT	0.458	0.458	0.458	0.458	0.458
BOROUGH OF MATAWAN	0.469	0.469	0.469	0.469	0.469
BOROUGH OF LAKE COMO	0.100	0.100	0.100	0.100	0.100
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	16.097	17.097	19.032	19.032	19.032

	2005	2006	2007	2008	2009
WALL TOWNSHIP	2.275	2.275	2.275	2.275	2.275
BOROUGH OF AVON	0.142	0.142	0.142	0.142	0.142
SHORELANDS WATER COMPANY	1.900	1.900	1.927	1.928	1.928
NEW JERSEY-AMERICAN WATER CO.	12.500	12.500	12.500	12.500	12.500
BOROUGH OF RED BANK	0.778	0.778	0.778	0.778	0.778
BOROUGH OF SEA GIRT	0.075	0.075	0.075	0.075	0.075
BOROUGH OF SPRING LAKE	0.310	0.310	0.310	0.310	0.310
BOROUGH OF SPRING LAKE HEIGHTS	0.425	0.425	0.425	0.425	0.425
BOROUGH OF BELMAR	0.650	0.650	0.650	0.650	0.650
BOROUGH OF BRIELLE	0.450	0.450	0.450	0.450	0.450
BOROUGH OF KEYPORT	0.458	0.458	0.458	0.458	0.458
BOROUGH OF MATAWAN	0.469	0.469	0.469	0.469	0.469
BOROUGH OF LAKE COMO	0.100	0.100	0.100	0.100	0.100
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	20.532	20.532	20.559	20.560	20.560

NOTE: The Manasquan System started operations July 1, 1990.

New Jersey Water Supply Authority

RARITAN BASIN SYSTEM

SERIES 1988, D & R SYSTEM REVENUE BOND COVERAGE* **SERIES 1998, D & R SYSTEM REVENUE REFUNDING BOND COVERAGE**

Fiscal Year	Gross Revenue	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Payments	Coverage
2009	\$17,796,183	\$11,642,975	\$6,153,208	\$2,702,738	2.28
2008	\$18,213,509	\$11,627,200	\$6,586,309	\$2,711,294	2.43
2007	\$17,212,347	\$10,645,350	\$6,566,997	\$2,712,575	2.42
2006	\$17,058,438	\$9,672,400	\$7,386,038	\$2,716,950	2.72
2005	\$16,411,434	\$9,811,800	\$6,599,634	\$2,727,325	2.42
2004	\$15,097,578	\$9,328,400	\$5,769,178	\$2,728,966	2.11
2003	\$14,295,861	\$8,232,300	\$6,063,561	\$2,731,369	2.22
2002	\$13,978,577	\$7,638,000	\$6,340,577	\$2,735,506	2.32
2001	\$14,928,628	\$7,623,800	\$7,304,828	\$2,738,631	2.67
2000	\$14,467,229	\$7,187,900	\$7,279,329	\$2,745,394	2.65

Note 1. Section 713 of the Delaware & Raritan Canal - Spruce Run/Round Valley Reservoirs System Bond Resolution, adopted November 17, 1988, requires that the Net Revenues in each fiscal year be at least 120% of the Debt Service on the 1988 bonds for the twelve month period in such fiscal year.

* Numbers to calculate bond coverage were extracted from the corresponding budget for the applicable fiscal year.

New Jersey Water Supply Authority

MANASQUAN RESERVOIR SYSTEM

SERIES 2005, MANASQUAN SYSTEM REVENUE BOND COVERAGE*

Fiscal Year	Gross Revenue	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Payments	Coverage
2009	\$7,452,307	\$2,700,800	\$4,751,507	\$3,807,244	1.250
2008	\$7,793,042	\$2,589,700	\$5,203,468	\$4,218,907	1.230
2007	\$7,125,334	\$1,874,412	\$5,250,922	\$4,205,323	1.250
2006	\$7,581,966	\$2,515,900	\$5,066,066	\$4,198,013	1.207
2005	\$7,515,228	\$2,380,100	\$5,135,128	\$4,199,978	1.223
2004	\$7,022,230	\$1,957,433	\$5,064,797	\$4,177,707	1.212
2003	\$6,902,135	\$1,998,208	\$4,903,927	\$3,812,921	1.286
2002	\$6,771,999	\$1,908,340	\$4,863,659	\$3,561,736	1.366

Note 1. Section 712 of the Manasquan Reservoir System Bond Resolution, adopted June 6, 2005, requires that the Net Revenues in each fiscal year be at least 120% of the Debt Service on the 2005 Bonds for the twelve-month period in such fiscal year.

* Numbers to calculate bond coverage were extracted from the corresponding budget for the applicable fiscal year.

New Jersey Water Supply Authority

DELAWARE AND RARITAN CANAL - SPRUCE RUN/ROUND VALLEY RESERVOIRS SYSTEM WATER CHARGES PER MILLION GALLONS OF RAW WATER DAILY

EFFECTIVE DATE	7/1/92	7/1/93	7/1/94	7/1/95	7/1/96	7/1/97	7/1/98	7/1/99	7/1/00
RATE PER MGD	\$214.86	\$220.47	\$229.50	\$220.78	\$211.16	\$211.16	\$211.16	\$205.00	\$205.00

EFFECTIVE DATE	7/1/01	7/1/02	7/1/03	7/1/04	7/1/05	7/1/06	7/1/07	7/1/08	7/1/09
RATE PER MGD	\$205.00	\$205.00	\$210.00	\$215.00	\$215.00	\$228.00	\$228.00	\$231.00	\$231.00

New Jersey Water Supply Authority

MANASQUAN WATER SUPPLY SYSTEM WATER CHARGES PER MILLION GALLONS OF RAW WATER DAILY

EFFECTIVE DATE	7/01/95	7/01/96	7/01/97	7/01/98	7/01/99	7/01/00	7/01/01	7/01/02
RATE PER MGD	\$1,105.47	\$1,065.15	\$938.92	\$832.92	\$695.31	\$728.81	\$797.92	\$794.97
(Delayed Contracts)							\$1,035.50	\$1,047.96

EFFECTIVE DATE	7/01/03	7/01/04	7/01/05	7/01/06	7/01/07	7/01/08	7/01/09
RATE PER MGD	\$794.97	\$921.64	\$895.01	\$833.27	\$846.06	\$884.11	\$980.05
(Delayed Contracts)	\$1,065.45	\$1,186.00	\$1,164.26	\$1,074.02	\$1,081.96	\$1,079.80	\$1,175.03

NOTE: The Manasquan System started operations JULY 1,1990.

New Jersey Water Supply Authority

RARITAN BASIN SYSTEM SPRUCE RUN RAIN GAUGE (INCHES)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
2009	1.93	0.52	1.43	2.70	4.73	6.58	8.69	7.62	2.73	4.66	0.91	5.85	48.35
2008	1.60	4.45	5.97	2.23	3.87	1.93	4.89	2.46	7.94	3.90	2.96	5.54	47.74
2007	3.28	1.03	2.99	9.59	1.57	3.73	6.67	4.56	0.98	7.56	2.84	4.83	49.63
2006	5.46	1.42	0.89	4.30	3.21	8.02	4.16	1.71	3.81	5.22	4.72	1.80	44.72
2005	3.80	2.50	3.70	4.90	1.10	1.50	2.00	2.40	0.30	13.30	4.27	3.11	42.88
2004	1.80	2.60	2.50	2.70	2.80	2.90	6.70	1.50	7.70	0.80	5.20	2.40	39.60
2003	2.10	3.90	4.20	1.80	4.20	6.30	4.80	3.50	7.10	5.00	3.40	5.80	52.10
2002	1.60	0.30	3.40	2.90	5.10	3.60	0.40	2.80	3.90	4.20	3.80	3.70	35.70
2001	2.70	2.20	4.40	1.10	3.70	5.80	3.60	3.50	4.30	0.50	0.80	1.90	34.50
2000	2.90	2.00	3.20	2.90	4.70	4.10	4.00	4.80	2.00	0.90	2.60	3.70	37.80
TOTAL	27.17	20.92	32.68	35.12	34.98	44.46	45.91	34.85	40.76	46.04	31.50	38.63	433.02
AVERAGE	2.72	2.09	3.27	3.51	3.50	4.45	4.59	3.49	4.08	4.60	3.15	3.86	43.30
MAXIMUM	5.46	4.45	5.97	9.59	5.10	8.02	8.69	7.62	7.94	13.30	5.20	5.85	52.10
MINIMUM	1.60	0.30	0.89	1.10	1.10	1.50	0.40	1.50	0.30	0.50	0.80	1.80	34.50

New Jersey Water Supply Authority

RARITAN BASIN SYSTEM WEST WINDSOR RAIN GAUGE (INCHES)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
2009	2.57	0.50	1.25	3.17	6.58	8.09	7.46	8.90	2.10	5.76	1.60	6.21	54.19
2008	2.59	5.95	5.20	2.58	4.76	2.65	5.38	2.04	8.85	4.02	3.62	6.17	53.81
2007	3.24	2.02	4.24	11.56	2.60	4.64	4.17	3.84	1.50	5.58	2.45	5.84	51.68
2006	6.20	1.40	1.30	3.67	3.76	9.30	2.90	1.00	3.76	8.04	5.40	2.52	49.25
2005	4.20	2.80	3.70	4.80	1.80	3.80	4.70	1.80	2.40	11.40	3.50	3.50	48.40
2004	2.00	3.00	2.80	4.20	2.30	1.70	8.00	2.20	6.60	1.80	5.30	3.30	43.20
2003	2.50	5.20	3.60	3.00	4.70	6.80	2.80	3.70	5.90	4.00	4.70	6.10	53.00
2002	3.50	0.60	4.50	1.60	3.50	4.60	2.30	3.80	5.70	6.00	4.90	4.30	45.30
2001	3.20	2.10	6.30	1.70	2.70	3.50	3.00	2.40	2.30	0.50	0.80	2.20	30.70
2000	2.90	2.30	3.70	3.10	4.60	3.80	6.00	6.10	6.70	0.80	3.20	3.90	47.10
TOTAL	32.90	25.87	36.59	39.38	37.30	48.88	46.71	35.78	45.81	47.90	35.47	44.04	476.63
AVERAGE	3.29	2.59	3.66	3.94	3.73	4.89	4.67	3.58	4.58	4.79	3.55	4.40	47.66
MAXIMUM	6.20	5.95	6.30	11.56	6.58	9.30	8.00	8.90	8.85	11.40	5.40	6.21	54.19
MINIMUM	2.00	0.50	1.25	1.60	1.80	1.70	2.30	1.00	1.50	0.50	0.80	2.20	30.70

New Jersey Water Supply Authority

RARITAN BASIN SYSTEM SPRUCE RUN RESERVOIR STORAGE BILLION GALLONS

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2009	9.5	10.1	10.0	10.6	10.7	11.1	11.1	11.1	10.7	10.4	10.8	10.7
2008	9.7	10.0	10.6	10.3	11.0	11.0	10.6	9.2	7.6	6.4	7.1	9.5
2007	11.1	11.0	10.1	11.0	11.0	11.0	10.6	10.0	9.6	7.2	7.2	7.9
2006	10.9	11.1	11.0	11.0	10.8	11.0	11.0	11.0	9.1	9.8	10.7	11.0
2005	11.1	11.1	11.0	11.1	11.1	10.9	10.3	9.7	8.2	8.1	9.2	10.9
2004	11.0	10.2	11.0	11.0	11.0	11.0	10.7	10.9	9.2	9.4	8.9	10.2
2003	8.2	9.0	9.8	11.0	11.0	11.1	11.0	10.9	10.8	10.9	11.0	11.0
2002	3.6	3.7	3.8	4.5	5.3	7.1	7.8	7.6	7.0	5.3	5.5	6.4
2001	10.4	10.3	11.0	11.0	11.0	11.0	11.0	10.1	8.7	7.0	4.8	3.7
2000	10.0	10.4	11.1	10.9	11.0	11.0	11.0	10.2	11.0	11.0	10.4	10.3
AVERAGE	9.6	9.7	9.9	10.2	10.4	10.6	10.5	10.1	9.2	8.5	8.6	9.2
MAXIMUM	11.1	11.1	11.1	11.1	11.1	11.1	11.1	11.1	11.0	11.0	11.0	11.0
MINIMUM	3.6	3.7	3.8	4.5	5.3	7.1	7.8	7.6	7.0	5.3	4.8	3.7

MAXIMUM CAPACITY 11.0 BG

New Jersey Water Supply Authority

RARITAN BASIN SYSTEM ROUND VALLEY RESERVOIR STORAGE BILLION GALLONS

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2009	51.2	51.3	51.3	51.5	52.8	53.8	54.1	54.4	54.6	54.7	54.5	54.4
2008	53.4	53.4	53.9	54.4	54.5	54.6	54.5	53.5	51.1	51.0	56.1	51.3
2007	53.1	53.2	53.1	53.5	54.3	54.3	54.4	54.5	54.2	53.5	53.2	53.1
2006	49.1	49.5	49.5	49.4	50.6	52.1	52.6	52.9	52.7	52.7	52.8	53.1
2005	55.0	55.0	55.0	55.2	55.0	54.9	54.5	54.3	51.2	48.9	49.1	49.1
2004	53.8	53.8	54.0	54.1	54.7	54.8	55.0	55.3	55.0	55.0	54.7	54.9
2003	45.1	45.1	45.4	46.4	50.3	52.1	52.5	52.7	52.8	53.1	53.2	53.4
2002	51.4	50.9	50.6	50.7	51.1	51.8	51.9	48.9	44.5	44.6	44.7	44.9
2001	54.4	54.5	54.7	55.0	55.0	55.2	55.1	54.9	55.0	54.9	54.4	52.7
2000	43.0	43.6	46.8	51.1	53.6	54.4	54.6	54.6	54.8	54.7	54.4	54.3
AVERAGE	50.95	51.03	51.43	52.13	53.19	53.80	53.92	53.60	52.59	52.31	52.72	52.12
MAXIMUM	55.0	55.0	55.0	55.2	55.0	55.2	55.1	55.3	55.0	55.0	56.1	54.9
MINIMUM	43.0	43.6	45.4	46.4	50.3	51.8	51.9	48.9	44.5	44.6	44.7	44.9

MAXIMUM CAPACITY 55.0 BG

New Jersey Water Supply Authority

MANASQUAN SYSTEM RAINFALL INCHES

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2009	4.00	0.47	2.13	6.04	3.48	6.83	5.42	3.67	5.89	4.83	2.51	10.47
2008	2.31	4.30	3.55	2.46	4.54	4.37	3.77	1.79	6.93	1.81	5.08	6.91
2007	3.37	2.17	4.12	9.60	1.39	5.91	5.69	2.96	0.38	4.20	2.01	5.91
2006	5.48	1.34	1.25	3.89	3.40	5.89	3.45	2.92	7.93	5.74	6.60	2.21
2005	3.07	2.19	4.06	4.14	2.71	4.13	4.44	1.71	1.99	15.60	3.77	3.97
2004	1.18	2.97	4.27	6.92	2.04	2.44	6.41	5.86	5.58	2.84	4.22	3.85
2003	2.63	3.27	3.38	3.40	4.36	7.33	3.49	4.22	4.57	3.90	4.21	4.58
2002	2.90	0.88	5.17	2.94	4.19	4.70	2.21	4.18	4.51	8.36	4.86	4.64
2001	3.60	2.54	9.00	1.81	1.57	5.65	4.49	4.61	2.51	1.23	0.68	2.14
2000	1.86	1.54	2.70	2.60	3.30	2.69	6.11	4.29	6.18	1.08	3.80	2.63
TOTAL	30.40	21.67	39.63	43.80	30.98	49.94	45.48	36.21	46.47	49.59	37.74	47.31
AVERAGE	3.04	2.17	3.96	4.38	3.10	4.99	4.55	3.62	4.65	4.96	3.77	4.73
MAXIMUM	5.48	4.30	9.00	9.60	4.54	7.33	6.41	5.86	7.93	15.60	6.60	10.47
MINIMUM	1.18	0.47	1.25	1.81	1.39	2.44	2.21	1.71	0.38	1.08	0.68	2.14

NOTE: The Manasquan System started operations July 1, 1990

New Jersey Water Supply Authority

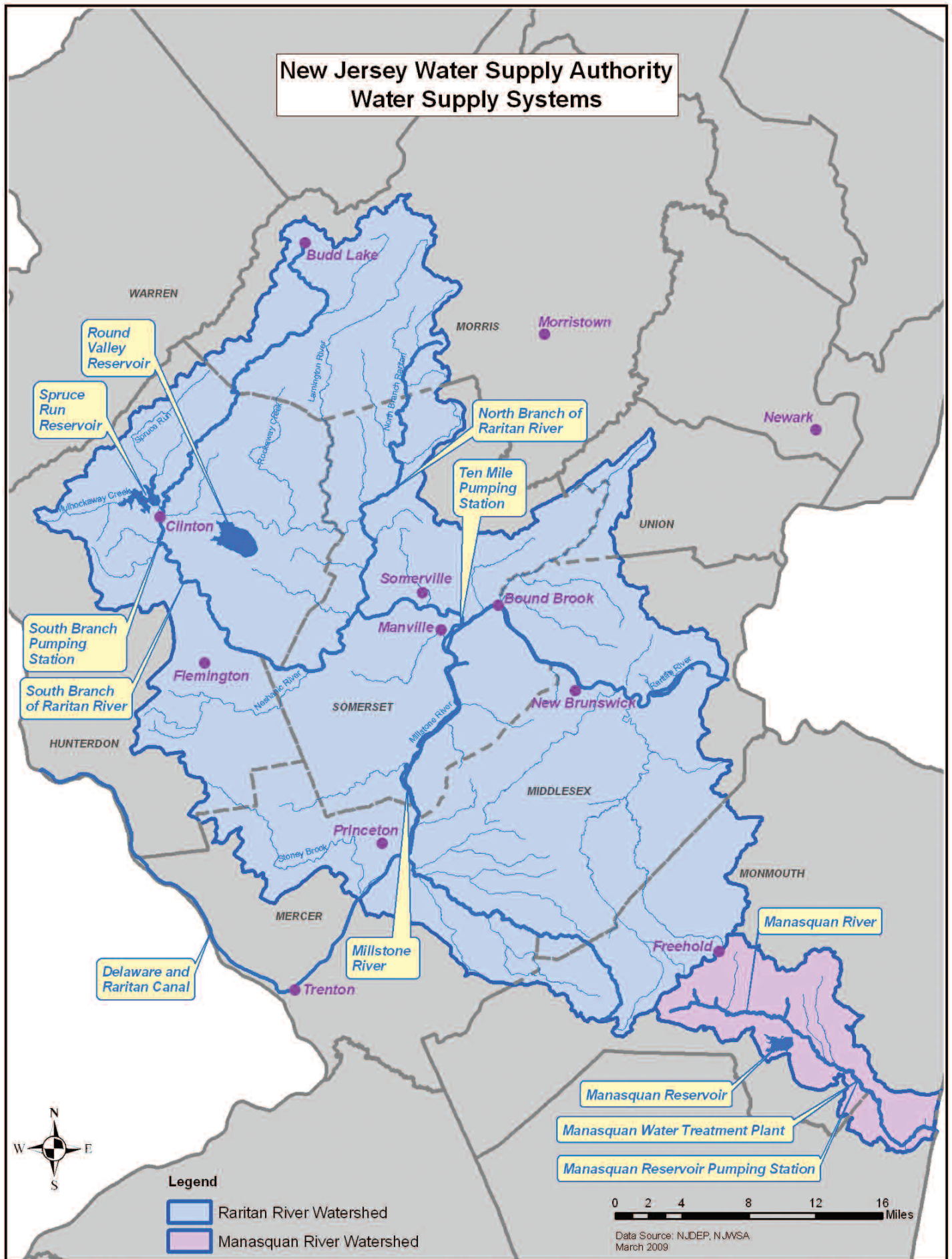
MANASQUAN RESERVOIR STORAGE DATA BILLION GALLONS

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2009	4.60	4.63	4.61	4.63	4.62	4.59	4.51	4.42	4.26	4.44	4.47	4.65
2008	4.24	4.55	4.58	4.61	4.60	4.49	4.19	3.84	3.49	3.42	3.43	3.90
2007	4.57	4.45	4.55	4.61	4.44	4.19	4.12	4.04	3.81	3.43	3.26	3.49
2006	4.62	4.60	4.57	4.56	4.56	4.56	4.54	4.14	4.21	4.40	4.42	4.29
2005	4.55	4.46	4.57	4.66	4.62	4.55	4.52	4.24	3.71	3.63	4.17	4.29
2004	4.24	4.37	4.58	4.60	4.61	4.53	4.37	4.31	4.18	4.36	4.33	4.52
2003	4.58	4.55	4.64	4.64	4.59	4.60	4.38	4.24	4.17	4.13	4.12	4.37
2002	3.03	3.29	3.51	4.43	4.59	4.54	4.27	3.66	3.43	3.52	4.18	4.62
2001	4.31	4.57	4.64	4.64	4.52	4.55	4.51	4.21	3.83	3.52	3.16	3.00
2000	4.08	4.34	4.63	4.63	4.64	4.61	4.43	4.57	4.41	4.39	4.34	4.39
AVERAGE	4.28	4.38	4.49	4.60	4.58	4.52	4.38	4.17	3.95	3.92	3.99	4.15
MAXIMUM	4.62	4.63	4.64	4.66	4.64	4.61	4.54	4.57	4.41	4.44	4.47	4.65
MINIMUM	3.03	3.29	3.51	4.43	4.44	4.19	4.12	3.66	3.43	3.42	3.16	3.00

MAXIMUM CAPACITY 4.7 BG

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New Jersey Water Supply Authority
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