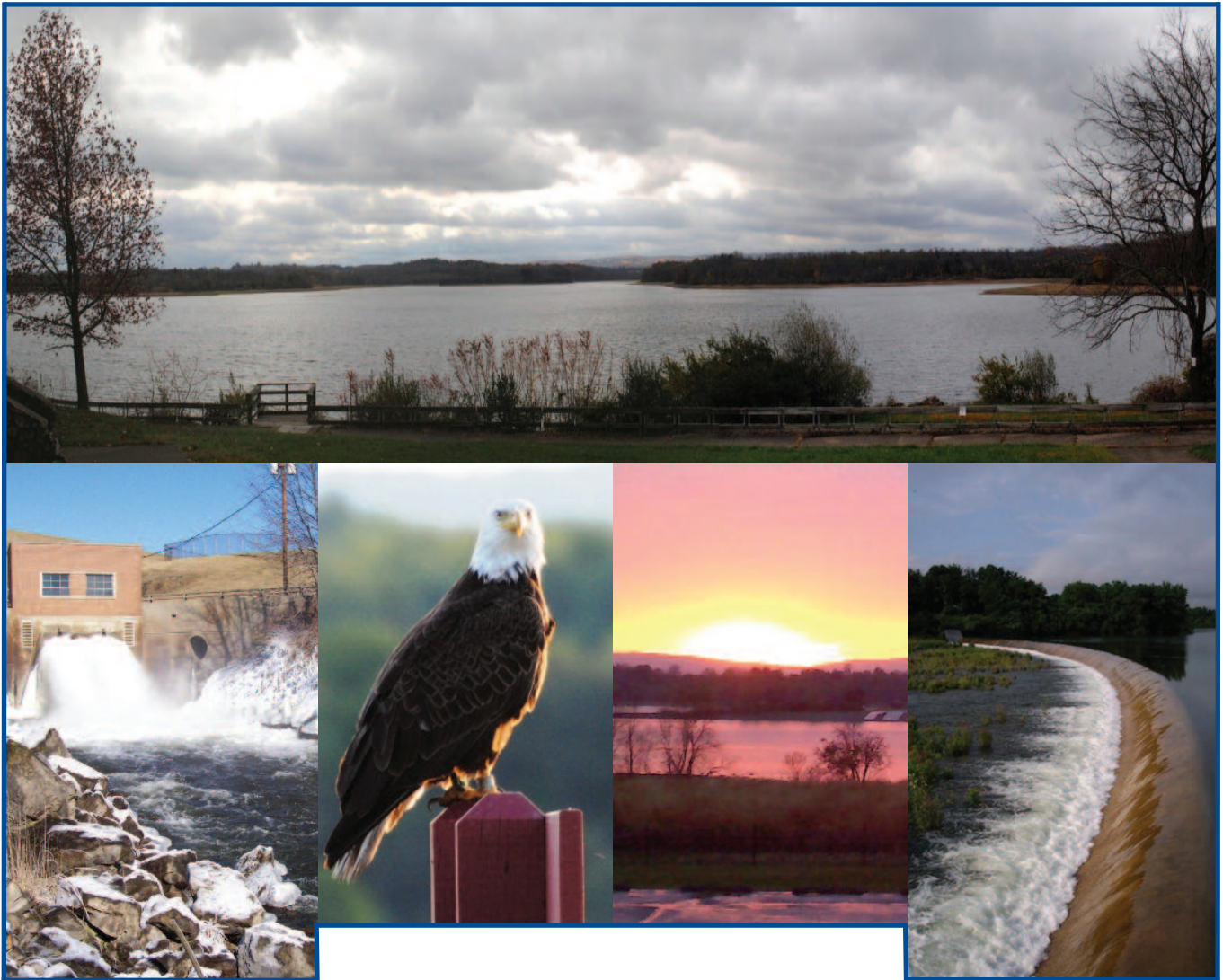


NEW JERSEY WATER SUPPLY AUTHORITY



2010 ANNUAL REPORT

AND THE

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2010

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, 2009

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
2010 ANNUAL REPORT

AND THE
COMPREHENSIVE ANNUAL FINANCIAL REPORT

A COMPONENT UNIT
OF THE STATE OF NEW JERSEY



FOR THE YEAR ENDED
JUNE 30, 2010

Prepared by:
Finance and Accounting Staff

Henry S. Patterson
Executive Director

2010 Annual Report

Governor
Chris Christie



Authority Members

Bob Martin
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

2011 Monthly Meetings

The 2011 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 3, 2011

February 7, 2011

March 7, 2011

April 4, 2011

May 2, 2011

June 6, 2011 (Canal Office)

July 11, 2011 (Canal Office)

August 1, 2011 (Manasquan Office)

September 12, 2011

October 3, 2011

November 7, 2011

December 5, 2011

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: Scenic Spruce Run Reservoir, Spruce Run Reservoir Spillway, Sunset at Spruce Run Reservoir, Perched Bald Eagle overlooking Spruce Run Reservoir and Spruce Run Reservoir Release.

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 Southeast Monmouth Municipal Utilities 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.

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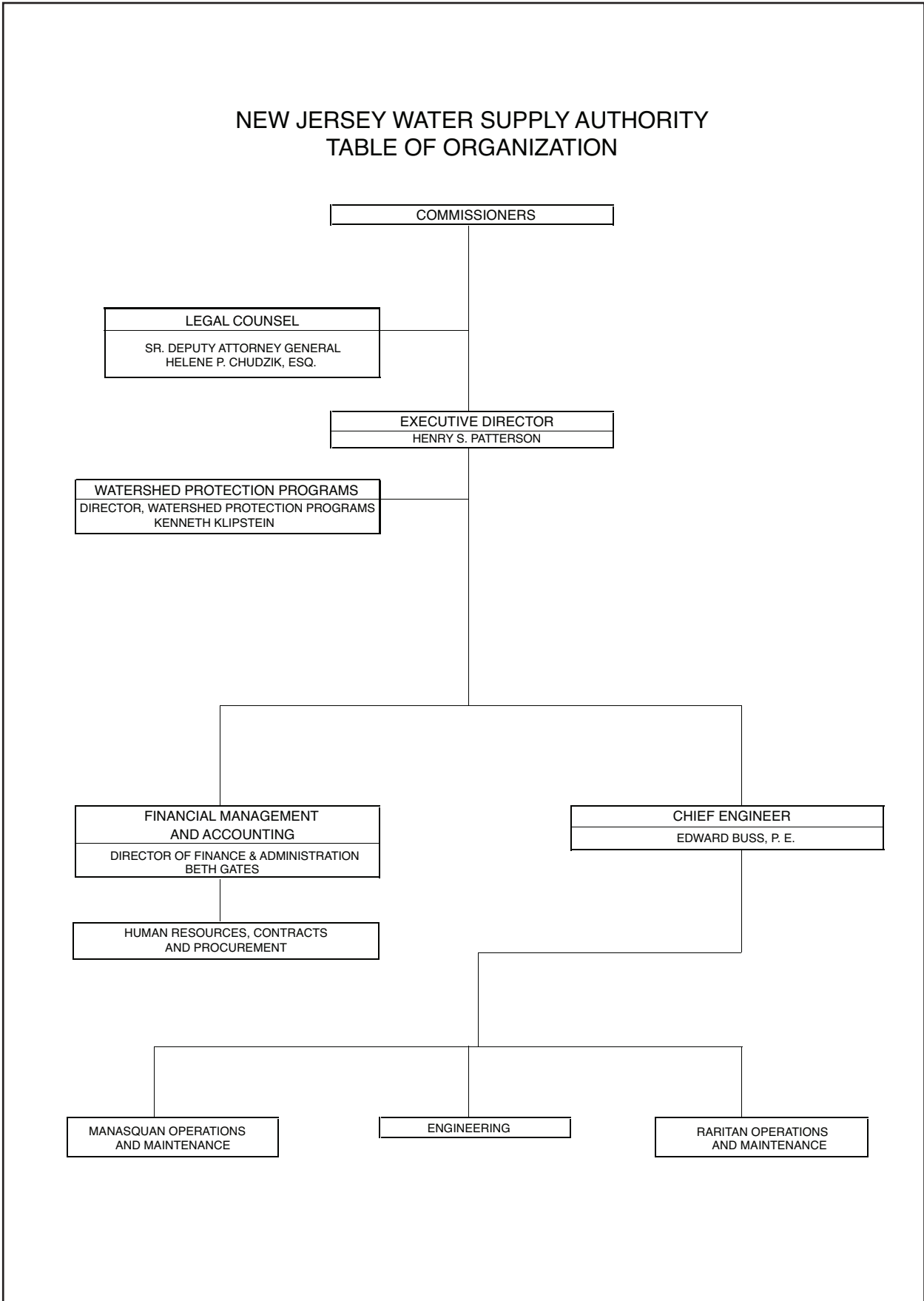
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NEW JERSEY WATER SUPPLY AUTHORITY TABLE OF ORGANIZATION



Letter to Governor and Legislature



NEW JERSEY WATER SUPPLY AUTHORITY

Post Office Box 5196 • Clinton, NJ 08809 • (908) 638-6121
www.njwsa.org FAX • (908) 638-5241

February 2011

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

I am pleased to submit the 29th 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 FY2010.

Operations and maintenance activities at all Authority facilities have been typical. March 2010 was a record wet month, as was the previous 12 months ending in March. The summer months produced record high temperatures and water demands, combined with below normal precipitation resulting in the issuance of a statewide drought watch on September 8, 2010. The Delaware River Basin Commission (DRBC) declared a lower basin drought warning on September 24, 2010. The drought watch for New Jersey was lifted for most of the State on October 26, 2010 and for the coastal north region on November 9, 2010. The DRBC lifted their drought warning on November 1, 2010.

The New Jersey Water Supply Authority, along with its governmental and non-profit partners, has continued with the acquisition of critical watershed properties. To date, the Authority, along with its partners, has under contract or closed on over 3,605 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 FY2009, our 18th consecutive award. The National Committee for Employer Support of the Guard and Reserve recognized the Authority as a patriotic employer for its support of employees participating in America's National Guard and Reserve Force.

Sincerely,

A handwritten signature in blue ink that reads "Henry S. Patterson". The signature is written in a cursive style.

Henry S. Patterson
Executive Director

Operations

Above average temperatures throughout the summer coupled with below average rainfall during August and early September placed high demands on the Delaware and Raritan Canal and both the Raritan and Manasquan Water Systems. The storage levels in the reservoirs dropped to their lowest levels since 2002. Similar conditions were experienced in other areas throughout the State.

The NJDEP issued a Statewide Drought Watch on September 8th. This step was taken to raise public awareness and encourage voluntary water conservation.

The Delaware River Basin Commission (DRBC) declared a lower basin drought warning on September 23rd. Under a lower basin drought warning, diversions by the Authority through the Canal are limited to 85 mgd on a running average.

On September 30th and October 1st, the remnants of Tropical Storm Nicole dumped between two (2) and five (5) inches of rain throughout the State replenishing some storage in Spruce Run Reservoir and providing river flow to be pumped into the Manasquan Reservoir.

The drought watch for New Jersey was lifted for most of the State on October 26, 2010, for the DRBC on November 1, 2010, and for the remainder of the State on November 9, 2010.

Dam Inspections

In accordance with the State Dam Safety Regulations, an outside engineering consultant conducted the 2010 formal dam inspection at the Spruce Run and Round Valley Reservoirs on July 20th. Staff conducted the 2010 annual dam inspection at the Manasquan facilities on September 29th. A formal inspection of the No Name Dam No. 31 was conducted on October 21,

2010. 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.

Asset Management Planning

The Authority developed an asset management plan for the Manasquan Water Treatment Plant (MWTP) in 2008. The asset management plan development included a thorough evaluation of the condition of the existing equipment and an analysis of proposed legislation or changes in regulations that could impact on plant operations.

Asset management planning is designed to prioritize rehabilitation programs at a facility to maximize use of financial resources while ensuring longevity of the equipment.

The asset management plan provided the Authority and the Monmouth County Improvement Authority (MCIA) predecessor of the Southeast Monmouth Municipal Utilities Authority (SMMUA), current owners of the MWTP, a projected capital expenditure plan for the MWTP over the next twenty years.

The asset management plan was presented to the customer communities for their acceptance so essential projects such as the replacement of the ozone system, the instrumentation, the chemical storage tanks, improvements to the sludge lagoon and recycle system and construction of new finished water storage could proceed.

Ozone System at the Manasquan Water Treatment Plant

The raw water supply for the 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 encompasses the installation of an entirely new ozone system including conversion of the ozone system to pure oxygen rather than the dried air as supplied to the current ozone system. The New Jersey Environmental Infrastructure Financing Program (NJEIFP) is providing a low interest rate loan to the SMMUA. A construction contract in the amount of \$3,360,000 was awarded for the ozone system project. 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. The NJEIFP is providing a low interest rate loan to the SMMUA. A construction contract in the amount of \$1,115,000 was awarded for the upgrade of the instrumentation system. Construction activities will be concurrent with the ozone system rehabilitation scheduled to take place in February 2011.

Improvements at the Manasquan Water Treatment Plant

The asset management plan identified the need to rehabilitate the existing caustic and zinc orthophosphate chemical storage and feed systems, the existing sludge lagoon and recycle system and to construct new finished water storage and a filter-to-waste system. The Authority is proceeding with these improvements.

A consultant was retained to design the project. Preliminary work includes developing recommendations for the sizes of the chemical storage tanks, the location and size of the finished water storage tank and enhancing the residuals handling and treatment alternatives.

The Authority will be submitting documentation to the NJEIFP for funding during the 2012 funding cycle.

Dredging of the D & R 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.

A program is being developed to remove an estimated 250,000 cubic yards of sediment from the Canal. The project includes sediment sampling and characterization, identifying staging areas, dredging and dewatering activities, sediment disposal options, and the preparation of an Environmental Information Document (EID). The anticipated project schedule is as follows: (1) Evaluation of dredging methodologies by December 2011, (2) Design work complete by July 2012, and (3)

Funding in place by November 2012. Two construction periods are expected starting in 2013.

Development of the program includes a proactive public participation element including meeting with stakeholders along the Canal and the setup of a website to keep the public informed about the status of the project. The website can be accessed at

http://www.njwsa.org/html/canal_dredging.html.

Asset Management Plan for the South Branch Pumping Station

The South Branch Pumping Station was completed in 1965 as a part of the Spruce Run/Round Valley Reservoirs Complex in the Raritan Basin. It is located on the South Branch Raritan River, about 3 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 program is being implemented to refurbish/rehabilitate the main pumps and motors including replacement of the baseplates for the refurbished units. The grout beneath the baseplates has failed and the units are vibrating and alignment between the pumps and motors cannot be maintained. Two units will be rehabilitated in 2011. Additional units will be rehabilitated in subsequent years.

Watershed Protection Programs Unit

The Watershed protection strategies are being pursued throughout the watersheds that our customers rely upon for clean water supply. Created in 1999, the unit's

core activities are guided by the results of the Raritan and Manasquan Basin Watershed Protection Plans and funded by the Source Water Protection Component of each System's rate. This dedicated portion of the rate allows the Authority to leverage these dollars to attract matching sources of publicly available grant funds. Since its creation 10 years ago the division has been awarded, either directly or indirectly through collaborative partnerships, grant assistance totaling more than \$6,750,000.

In 2010, the Authority raised the profile of efforts to mitigate the impacts of stormwater runoff in some of the more urbanized portions of our watersheds. Working with Rutgers University's School of Environmental and Biological Sciences, the Somerset Regional Center Partnership and the Boroughs of Somerville and Raritan and the Township of Bridgewater, the Authority launched a pilot urban stormwater retention program in the Peters Brook. The Peters Brook is the furthest downstream tributary to the Raritan River located upstream of the Raritan River water supply intakes.

This project focuses on older small lot subdivisions where the stormwater infrastructure is antiquated and detailed mapping of the system is available. The main goal of this project is to slow the rate at which stormwater and the associated pollutant loadings reach the receiving water body after a rain event. The primary method utilized is to disconnect roofs and driveways from the piped stormwater systems and redirect the runoff to homeowner managed rain barrels and rain gardens. To date, more than 100 rain barrels and two rain gardens have been constructed in targeted neighborhoods in the Peters Brook watershed. End of pipe flow monitoring will allow us to quantitatively measure the success of this

type of focused effort. These activities have generated considerable interest from the press and have been well received by the public.

The profile of an interest in our “River-Friendly” suite of programs has increased during the past year, and included an application for our first “River-Friendly” school certification. Van Derveer Elementary School in Somerville began taking action by installing two rain gardens with the help of the Authority, Rutgers Cooperative Extension and the Somerset County Park Commission. The River-Friendly Business, Golf Course and School programs now have approximately 5,000 acres enrolled. In 2010 alone, we added 1,157 acres to the program.

Through these programs, the Authority works with landowners to improve water resources by implementing actions in four categories:

- Water Quality Management & Nonpoint Source Pollution Management
- Water Conservation
- Native Habitat & Wildlife Enhancement
- Education & Outreach

The voluntary River-Friendly programs are a cooperative effort between the participants and the Authority. They provide an opportunity for landowners to become local stewards, to showcase positive environmental actions they have already taken and to work with the Authority to implement new practices. Participating landowners receive ongoing technical information and guidance for implementing environmental actions tailored to their unique location, resources and needs.

The River-Friendly Farm program, which is administered through an agreement with the North Jersey Resource Conservation and Development Council, also significantly increased participation using enhanced, more targeted marketing tools. Over the past year

the River-Friendly Farm staff has outreached to 124 farms in the agricultural dominated portions of the basin and has had a role in obligating \$224,000 in cost-share for agricultural best management practices that benefit water quality from available farm subsidy programs. Through 2010 there are 38 farms participating in the River-Friendly Farm Program affecting 3,765 acres.

Projects designed to reduce sediment loads going into the Delaware & Raritan Canal advanced towards implementation. The Authority began work on the implementation phase of the Lockatong and Wickecheoke Creeks Restoration plan. The Lockatong/ Wickecheoke Creeks provide 60 percent of the non-Delaware River water that flows through the D&R Canal each day. A \$952,500 grant from the New Jersey Department of Environmental Protection has allowed us to begin designing meaningful stormwater control projects in these two watersheds. It is estimated, when completed, to reduce sediment loading into the Canal by 23 tons per year.

On the Raritan River end of the Canal, the designs for the first priority projects to reduce sediment and pollutant transport deposited through infalls in the last 11 miles of the Canal have been completed. These stormwater treatment systems, located in South Bound Brook, have been approved and should be installed in early 2011. This will be the first of six lower canal projects to be implemented though a \$2.2 million non-point source grant from NJDEP. The restoration plan for the Cedar Grove Brook, a major tributary entering the last segment of the Canal was completed and submitted to NJDEP for approval. The priority implementation projects identified in this plan will also prove beneficial in reducing sediment loads in the Canal. The measureable effects of this work will be seen at the new gauging station planned for installation near the Landing Lane Bridge in New Brunswick.

The priority source water issue in the Manasquan Water Supply System continues to be the occurrence of excessive yellow color of the river water and the associated high cost of treatment. In 2010, the Authority contracted with Rutgers University to conduct a focused study on the chemical makeup of the colored water to determine the causal effect. Implementation strategies to date have focused mainly on strengthening the regulation of land disturbances. The Rutgers study results will help with the actual source track down so we can design a more effective and targeted solution.

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 2010, the Authority committed \$2,517,350 to purchase and preserve along with its partners, 1,001 acres within the Raritan Basin. To date, over 3,605 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 2010, 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 2010, the Authority undertook several steps to implement cost savings measures. The Authority reviewed staffing levels and determined to eliminate funding for two positions; one within Financial Management and Administration subsequent to a retirement where the duties of the Accounts Payable function were consolidated, and the second, after the responsibilities of the Administrative Services Unit were reorganized and consolidated within two other departments. This resulted in an annual savings of \$219,915. Additionally, funding for a gauging station along the Delaware and Raritan Canal was eliminated from the rate base to take advantage of the opportunity to fund this project through a grant thereby saving the ratepayers \$45,000. In 2010, the Authority implemented a furlough program, which saved \$327,401 in salary and fringe expense.

Letter of Transmittal - Chief Financial Officer



NEW JERSEY WATER SUPPLY AUTHORITY

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October 5, 2010

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, 2010 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 Southeast Monmouth Municipal Utilities Authority (SMMUA), 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 126 employees, consisting of 99 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; standards 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, 2010 were \$211,509,973 a decrease of 1.4 percent over the previous year's total of \$214,578,143. The Capital Assets, net of accumulated depreciation decreased \$2,787,737, or two percent, from \$147,744,318 to \$144,956,581.

The total of cash, cash equivalents and investments for the Authority increased \$2,569,687, or five percent, from \$49,361,777 to \$51,931,464. The increase in cash is mainly attributable to the increase of our compensating balance in the operating account of the Raritan Basin System, and the Capital Improvement Fund. Current liabilities increased \$562,624, or six percent, from \$8,818,939 to \$9,381,563. The increase is primarily due to the increase in unearned revenue. Total Net Assets of the Authority increased \$1,703,163, or one percent, from \$110,275,633 to \$111,978,796.

Total Operating Revenues increased by \$133,224 or one percent, from \$25,487,855 to \$25,621,079 due to an increase in overdraft water billing in the Manasquan

Reservoir System. Total Operating Expenses decreased \$1,060,113, or less than one percent, from \$20,862,953 to \$19,802,840 due to decreases in salary from a 10-day State mandated furlough and a hiring freeze. Non-operating Revenues decreased \$113,780 or 14 percent, from \$795,191 to \$681,411 due to the 30 percent decrease in State grants for our Watershed Protection Program. Investment income decreased \$56,326, or 14 percent from the previous year. Non-operating expenses increased \$228,359, or five percent, from \$4,568,128 to \$4,796,487 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 renewal of the insurance program for March 1, 2011.

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.

Mercadieu, P.C., Certified Public Accountants, was retained to perform an audit of the 2010 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. Mercadieu, P.C. reports directly to the Audit Committee of the Board of Commissioners. Mercadieu, 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, 2009. This was the 18th 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

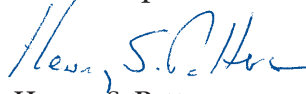
The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the Financial and Accounting staff of the New Jersey Water Supply Authority. Any financial report is also only as good as the accounting records that supply its supporting data. The Authority's entire staff deserves recognition for their dedication, perseverance and attention to detail that result 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 2010, 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 182.154 to 182.073 million gallons per day for fiscal year 2011, and the total sales base for the Manasquan Reservoir System was unchanged at 20.560 million gallons per day. Somerset County Park increased their existing water contract by .026mgd within the Raritan Basin System, also two other water users reduced their contracts by .107mgd. 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

Financial Section

Report of Independent Auditors

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INDEPENDENT AUDITOR'S REPORT

To the Commissioners of
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, 2010 and 2009. These financial statements are the responsibility of the 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, 2010 and 2009, 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 4, 2010, 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.

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OVER 45 YEARS OF SERVICE TO THE COMMUNITY

INDEPENDENT AUDITOR'S 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 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 4, 2010



New Jersey Water Supply Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2010

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, 2010. Please read it in conjunction with the Authority's basic financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- Operating revenue for fiscal year 2010 was \$25.6 million, an increase of .52% over fiscal year 2009, which was the result of a 10% increase in Manasquan sales. In the Raritan Basin System, there was no change in rate at \$231.00 per million gallons, and the sales base decreased .88%, from 182.170 million gallons per day to 182.154 million gallons per day. Manasquan Reservoir System rates increased 10.85%, from \$884.11 per million gallons to \$980.05 per million gallons. The fiscal year 2010 sales base remained the same at 20.560 million gallons per day.
- Cash and cash equivalents for fiscal year 2010 were \$28.5 million, a decrease of 14% from fiscal year 2009. Income from operations increased for the Raritan System 16.4% and increased 27.07% for the Manasquan System.
- Total liabilities for fiscal year 2010 were \$99.5 million, a decrease of 4.57% from fiscal year 2009. The Authority continues to pay down long-term debt in both systems.
- Total operating expenses for fiscal year 2010 decreased to \$19.8 million, which represents a 5.08% decrease from fiscal year 2009. Payroll decreased because of the State mandated 10-day furlough, which was offset by rising pension and health benefit expenses. Operations and maintenance expenses decreased 18.0% to \$5.2 million because of a reduction in fuel and energy costs and an absence of any flood repairs.
- Other changes for fiscal year 2010 include the following: non-operating revenue decreased 14.3% to \$681,411, investment income decreased 13.97% because of receding market conditions; and the receipt of grant programs decreased 30.21% from the previous year.
- Non-operating expenses for fiscal year 2010 increased 5.00% to \$4.8 million. The interest component of debt service decreased 7.3% 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, 2010

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 \$112 million as of June 30, 2010. In fiscal year 2010, total assets decreased 1.43% to \$211.5 million due to a 17.02% decrease in costs to be recovered from future revenues, and total liabilities decreased 4.57% to \$99.5 million, due to the continued pay down of long-term debt. Total net assets as of June 30, 2009, were approximately \$110.3 million. Total assets that year decreased 1.51% to \$214.6 million, and total liabilities decreased 3.82% to \$104.3 million. Changes in assets, liabilities and net assets between June 30, 2010, 2009 and 2008, are summarized in the following table:

	2010	2009	2008	Percentage Change 2010-2009
Current assets	\$ 33,994,171	\$ 39,944,371	\$ 40,411,128	(14.90)%
Capital assets, net	144,956,581	147,744,318	148,088,768	(1.89)
Other non-current assets	32,559,221	26,889,454	29,370,708	(21.09)
Total assets	<u>211,509,973</u>	<u>214,578,143</u>	<u>217,870,604</u>	(1.43)
Long-term debt	90,149,614	95,483,571	99,565,653	(5.59)
Other liabilities	9,381,563	8,818,939	8,881,283	6.38
Total liabilities	<u>99,531,177</u>	<u>104,302,510</u>	<u>108,446,936</u>	(4.57)
Net assets invested in				
capital assets, net of related debt	75,184,140	72,841,074	69,353,295	3.22
Restricted	12,006,417	12,447,252	12,082,047	(3.54)
Unrestricted	24,788,239	24,987,307	27,988,326	(.80)
Total net assets	<u>\$111,978,796</u>	<u>\$110,275,633</u>	<u>\$109,423,668</u>	1.54



New Jersey Water Supply Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2010

OPERATING ACTIVITIES

The Authority operates three separate systems: the Raritan Basin System, the Manasquan Water Supply System, and the Manasquan Water Treatment Plant and Transmission System. The Manasquan Water Treatment Plant and Transmission System is owned by the Southeast Monmouth Municipal Utilities Authority, which sets the rates, and is operated and maintained by the Authority under the terms of an operating agreement. Each system must generate sufficient revenue each year to cover its own operating expenses and debt service. The following rates were adopted at the April 2010 and 2009 Authority meetings, respectively, based on anticipated operating expenses:

	<u>Rate</u> <u>7/01/2010</u>	<u>Rate</u> <u>7/01/2009</u>	<u>Percent</u> <u>Change</u>
Raritan Basin System	\$ 231.00/mg	\$ 231.00/mg	-%
Manasquan Water Supply System			
Initial Users	\$ 980.48/mg	\$ 980.05/mg	.04%
Delayed Water Users	\$ 1,167.98/mg	\$ 1,175.03/mg	(.60)%

The Authority's total operating revenue for fiscal year 2010 was \$25.6 million, an increase of .52% over fiscal year 2009, due to a 10.2% increase in Manasquan water sales. The Authority's total operating expenses for fiscal year 2010 were \$19.8 million, a decrease of 5.08% from fiscal year 2009, because of decreases in Raritan salary and operations and maintenance. The Authority's total operating revenue for fiscal year 2009 was \$25.5 million, a decrease of 1.38% from fiscal year 2008. The Authority's total operating expenses for fiscal year 2009 were \$20.9 million, a slight increase of .06% from fiscal year 2008. The following table summarizes the changes in revenue, expenses and net assets between fiscal years 2010, 2009 and 2008:



New Jersey Water Supply Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2010

	2010	2009	2008	Percentage Change 2010-2009
Operating revenue:				
Water sales	\$ 23,031,803	\$ 22,975,438	\$ 23,466,842	.25%
Reimbursement of operating expenses	2,589,276	2,512,417	2,377,166	3.06
Total operating revenue	25,621,079	25,487,855	25,844,008	.52
Non-operating revenues:				
State of New Jersey - Grant Programs	204,820	293,485	1,548,680	(30.21)
Investment income	346,731	403,057	1,272,518	(13.97)
Rental income	65,509	67,352	69,605	(2.74)
Other income	64,351	31,297	1,951,025	105.61
Total non-operating revenues	681,411	795,191	4,841,828	(14.31)
Total revenue	26,302,490	26,283,046	30,685,836	.07
Operating expenses:				
Payroll	6,953,871	7,134,275	6,842,649	(2.53)
Operations and maintenance	5,175,847	6,314,068	6,705,594	(18.03)
Fringe benefits	3,260,980	3,037,613	2,857,620	7.35
Depreciation	4,412,142	4,376,997	4,444,017	.80
Total operating expenses	19,802,840	20,862,953	20,849,880	(5.08)
Non-operating expenses:				
Interest component of debt service of the State of New Jersey	2,428,362	2,620,507	2,778,770	(7.33)
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	65,319	-
Reduction in costs to be recovered from future revenues	2,277,577	1,857,073	1,693,133	22.64
Total non-operating expenses	4,796,487	4,568,128	4,562,451	5.00
Total expenses	24,599,327	25,431,081	25,412,331	(3.27)
Change in net assets	1,703,163	851,965	5,273,505	99.91
Net assets, beginning of year	110,275,633	109,423,668	104,150,163	.78
Net assets, end of year	\$111,978,796	\$110,275,633	\$109,423,668	1.54



New Jersey Water Supply Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2010

CAPITAL ASSETS AND DEBT ADMINISTRATION

At June 30, 2010, the Authority had a total of \$144,956,581 invested in the Systems that it operates: \$83,087,688 invested in the Raritan Basin System and \$61,868,893 invested in the Manasquan System. This total amount represents a 1.89% decrease from last year.

The following table summarizes the changes in capital assets, net of depreciation, between fiscal years 2010, 2009 and 2008:

	2010	2009	2008	Percentage Change 2010-2009
Land and land rights	\$ 21,257,327	\$ 21,025,293	\$ 19,527,858	1.10%
Dams	52,992,984	53,790,979	54,589,326	(1.48)
Building, structures and improvements	60,965,078	64,103,267	64,941,636	(4.90)
D&R canal dredging	-	-	-	-
Machinery and equipment	1,511,915	1,458,960	1,664,059	3.63
Construction work in progress	8,229,277	7,365,819	7,365,889	11.72
Total capital assets, net	<u>\$144,956,581</u>	<u>\$147,744,318</u>	<u>\$148,088,768</u>	(1.89)

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 2010, 2009 and 2008:

	2010	2009	2008	Percentage Change 2010-2009
Bonds payable	\$50,234,457	\$ 54,751,978	\$ 59,088,203	(8.25)%
Notes payable	33,659,135	33,661,151	33,663,054	(.01)
Loans payable	11,442,033	12,053,299	11,547,400	(5.07)
Total bonds, notes and loans payable	<u>\$95,335,625</u>	<u>\$100,466,428</u>	<u>\$104,298,657</u>	(5.11)

At year-end, the Authority had \$95,335,625 in bonds, notes and loans principal outstanding, compared to \$100,466,428 at June 30, 2009. This change represents a decrease of 5.11%, 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, 2010

CURRENT AND NEW BUSINESS

During fiscal year 2010, 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, 2010, there was the addition of NJ Department of Corrections (.025mgd), and a decrease of Duke Farms (.075mgd), for a decrease of (.05mgd) to the sales base. This will decrease the total sales base for the Raritan Basin System to 182.104mgd as of June 30, 2011, down from 182.154mgd at June 30, 2010. In addition, during fiscal year 2010, 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, 2010, 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,	
	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 27,341,917	\$ 32,676,409
Unbilled sales	870,373	871,245
Accounts receivable, less allowance for doubtful accounts of \$1,000 at June 30, 2010 and 2009	2,621,461	3,414,158
Interest receivable	23,310	39,666
Prepaid expenses and other current assets	948,935	951,650
Costs to be recovered from future revenues	2,188,175	1,991,243
Total current assets	33,994,171	39,944,371
Non-current assets:		
Restricted assets:		
Cash equivalents	1,152,716	635,168
Investments	12,635,290	13,077,444
Investments	10,801,541	2,972,756
Costs to be recovered from future revenue	7,441,546	9,613,753
Deferred issuance cost	528,128	590,333
Capital assets, net	144,956,581	147,744,318
Total non-current assets	177,515,802	174,633,772
Total assets	211,509,973	214,578,143
Liabilities		
Current liabilities:		
Current portion of bonds, notes and loans payable	5,186,011	4,982,857
Accounts payable	304,915	486,111
Accrued liabilities	2,109,048	2,084,611
Unearned revenue	1,781,589	1,265,360
Total current liabilities	9,381,563	8,818,939
Non-current liabilities:		
Long-term portion of bonds, notes and loans payable	90,149,614	95,483,571
Total liabilities	99,531,177	104,302,510
Net Assets		
Invested in capital assets, net of related debt	75,184,140	72,841,074
Restricted for repayment of debt principal and interest	12,006,417	12,447,252
Unrestricted	24,788,239	24,987,307
Total net assets	\$111,978,796	\$110,275,633

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,	
	2010	2009
Operating revenue:		
Water sales	\$ 23,031,803	\$ 22,975,438
Reimbursement of operating expenses	2,589,276	2,512,417
Total operating revenue	<u>25,621,079</u>	<u>25,487,855</u>
Operating expenses:		
Payroll	6,953,871	7,134,275
Operations and maintenance	5,175,847	6,314,068
Fringe benefits	3,260,980	3,037,613
Depreciation	4,412,142	4,376,997
Total operating expenses	<u>19,802,840</u>	<u>20,862,953</u>
Income from operations	<u>5,818,239</u>	<u>4,624,902</u>
Non-operating revenue:		
State of New Jersey - Grant Programs	204,820	293,485
Investment income	346,731	403,057
Rental income	65,509	67,352
Other income	64,351	31,297
Total non-operating revenue	<u>681,411</u>	<u>795,191</u>
Non-operating expenses:		
Interest component of debt service to the State of New Jersey	2,428,362	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
Reduction in costs to be recovered from future revenue	2,277,577	1,857,073
Total non-operating expenses	<u>4,796,487</u>	<u>4,568,128</u>
Change in net assets	1,703,163	851,965
Net assets, beginning of year	110,275,633	109,423,668
Net assets, end of year	<u>\$111,978,796</u>	<u>\$110,275,633</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,	
	2010	2009
Cash flows from operating activities		
Cash received from water sales	\$23,438,399	\$22,856,374
Cash received from reimbursable expenses	2,713,793	2,510,132
Cash received from rental income	49,225	52,950
Cash paid to or on behalf of employees	(10,106,749)	(9,959,016)
Cash paid to suppliers	(5,375,172)	(6,520,862)
Net cash provided by operating activities	<u>10,719,496</u>	<u>8,939,578</u>
Cash flows from noncapital financing activities		
Cash received for grant programs	202,821	290,713
Net cash provided by noncapital financing activities	<u>202,821</u>	<u>290,713</u>
Cash flows from capital and related financing activities		
Proceeds from borrowing	590,493	1,012,000
Principal paid on bonds, notes and loans	(5,517,745)	(5,520,848)
Interest paid on bonds, notes and loans	(2,498,267)	(2,657,026)
Acquisition and construction of capital assets	(1,339,361)	(2,208,073)
Proceeds from sale of capital assets	49,163	28,843
Net cash used in capital and related financing activities	<u>(8,715,717)</u>	<u>(9,345,104)</u>
Cash flows from investing activities		
Sale of investment securities	12,967,328	12,601,813
Purchase of investment securities	(20,353,959)	(12,906,600)
Interest received on investments	363,087	384,020
Net cash (used in) provided by investing activities	<u>(7,023,544)</u>	<u>79,233</u>
Net decrease in cash and cash equivalents	(4,816,944)	(35,580)
Cash and cash equivalents, beginning of year	33,311,577	33,347,157
Cash and cash equivalents, end of year	<u>\$28,494,633</u>	<u>\$33,311,577</u>
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	\$ 5,818,239	\$ 4,624,902
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Non-cash items expensed to operations and maintenance	65,509	(236,221)
Cash received for operating activity included in other income	15,188	69,806
Depreciation	4,412,142	4,376,997
Increase (decrease) in cash from:		
Unbilled sales	872	116,336
Accounts receivable	512,180	(235,049)
Prepaid expenses and other current assets	2,715	(27,398)
Accounts payable	(185,723)	69,732
Accrued liabilities	8,860	(1,848)
Accrued payroll and taxes	69,514	182,321
Net cash provided by operating activities	<u>\$ 10,719,496</u>	<u>\$ 8,939,578</u>
Non-cash investing activities		
Decrease in fair value of investments	<u>\$ (69,864)</u>	<u>\$ (211,937)</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") and other entities that promulgate accounting principles according to a hierarchy of sources of accounting principles. Per GASB Statement 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, priority is established as to which source of accounting principles to utilize in determining proper accounting treatment. The hierarchy is as follows: GASB Statements and Interpretations; GASB Technical Bulletins; American Institute of Certified Public Accountants ("AICPA") Industry Audit and Accounting Guides and AICPA Statements of Position, if applicable and cleared by GASB; AICPA Practice Bulletins, if applicable and cleared by GASB; Implementation Guides published by the GASB; AICPA pronouncements that are not specifically applicable to state and governmental entities; Financial Accounting Standards Board ("FASB") Statements and Interpretations; and Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure (issued on or before November 30, 1989). The Authority has elected not to follow FASB pronouncements issued after November 30, 1989. The Authority follows the hierarchy in determining accounting treatment.

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

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. 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. The Authority also holds several restricted easements for utility access, conservation and water rights. These easements are recorded at the lower of cost or fair market value upon acquisition.

Depreciation

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

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Authority considers short-term investments that have original maturities of three months or less to be cash equivalents.

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

Investments

Short-term investments and restricted investments used for construction and payment of interest consist of money market funds and U.S. Government-backed securities with various interest rates. Restricted investments are restricted under the terms of the Authority's bond indentures for the payment of debt service. All investments are carried at fair value, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Accounts Receivable

The Authority considers most of its accounts receivable to be collectible; accordingly, the change in net 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, 2010 and 2009, accounts receivable included amounts due from the New Jersey Environmental Infrastructure Trust for \$372,587 and \$647,890, respectively.

During fiscal years 2010 and 2009, respectively, two customers accounted for approximately 85% of total Raritan Basin System accounts receivable, and five customers accounted for approximately 88% of total Manasquan System accounts receivable.

Compensated Absences

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

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

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.

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, 2010 and 2009, were determined as follows:

	2010	2009
Raritan Basin System		
Cost excluded from rate model:		
Depreciation of debt-financed capital assets recoverable from rate payers	\$ 863,566	\$ 961,601
Excess vacation expense over vacation paid	10,755	(16,636)
	874,321	944,965
Cost included in rate model:		
Debt principal repayment	(2,125,000)	(2,020,000)
	(1,250,679)	(1,075,035)

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

	2010	2009
Manasquan System		
Cost excluded from rate model:		
Depreciation of debt-financed capital assets recoverable from rate payers	1,542,207	1,544,717
Excess vacation expense over vacation paid	5,213	4,528
	1,547,420	1,549,245
Cost included in rate model:		
Debt principal repayment	(2,272,016)	(2,206,903)
	(724,596)	(657,658)
Total Raritan Basin and Manasquan	(1,975,275)	(1,732,693)
Balance, beginning of year	11,604,996	13,337,689
Balance, end of year	\$ 9,629,721	\$ 11,604,996

As shown in the statements of revenue, expenses and changes in net assets for the years ended June 30, 2010 and 2009, respectively, the costs to be recovered from future revenue of \$2,277,577 and \$1,857,073 includes a debit balance of \$286,334, and a debit balance of \$136,488 of Manasquan Water Treatment Plant deferred revenue, which is not part of the rate model, and does not include a credit balance of \$15,968, and a debit balance of \$12,108 of accrued vacation.

Accounting for Southeast Monmouth Municipal Utilities Authority Agreement

The Authority operates and maintains a Water Treatment Plant/Transmission System for the Southeast Monmouth Municipal Utilities Authority (“SMMUA”). The SMMUA is charged for budgeted operating expenses expected to be incurred by the Authority during the SMMUA’s fiscal year (January 1 through December 31).

Because of the difference resulting from billing the SMMUA for budgeted expenses versus actual expenses appearing in the financial statements, the Authority includes unearned costs (actual costs exceeding SMMUA billings) or unearned revenue (SMMUA billings exceeding actual costs) in its statements of net assets. These excess costs or billings will be recovered or recognized in future periods. As of June 30, 2010 and 2009, unearned revenue amounting to \$1,051,399 and \$765,065, respectively, was determined as follows:

	2010	2009
Reimbursement of operating expenses	\$2,592,298	\$2,523,284
Operating expenses	2,305,964	2,386,796
Unearned revenue	286,334	136,488
Balance, beginning of year	765,065	628,577
Balance, end of year	\$1,051,399	\$ 765,065

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

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 SMMUA for costs associated in operating the Water Treatment Plant. As of June 30, 2010 and 2009, the amount included in unearned revenue was \$730,190 and \$498,296, respectively.

Accounting for Watershed Protection Program

For the fiscal years ended June 30, 2010 and 2009, the Authority received \$202,820 and \$290,673, 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, 2010, all the funds received had been recognized as revenue. The balance of restricted cash equivalents and unearned revenue at June 30, 2009, was \$1,999.

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 the State of New Jersey's 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 disclosures are included in Note 6 of these audited financial statements.

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

3. Capital Assets

Capital assets activity for the years ended June 30, 2010 and 2009, was as follows:

	2010 Beginning Balance	Additions	Retirements	2010 Ending Balance
Capital assets not being depreciated:				
Land	\$ 21,025,293	\$ 232,034	\$ -	\$ 21,257,327
Construction work in progress	7,365,819	863,458	-	8,229,277
Total capital assets not being depreciated	<u>28,391,112</u>	<u>1,095,492</u>	<u>-</u>	<u>29,486,604</u>
Capital assets being depreciated:				
Dams	77,369,160	-	-	77,369,160
Building, structures and improvements	123,588,267	26,180	-	123,614,447
D & R canal dredging	21,160,274	-	-	21,160,274
Machinery and equipment	5,889,826	502,733	(297,250)	6,095,309
Total capital assets being depreciated	<u>228,007,527</u>	<u>528,913</u>	<u>(297,250)</u>	<u>228,239,190</u>
Less accumulated depreciation for:				
Dams	(23,578,181)	(797,995)	-	(24,376,176)
Building, structures and improvements	(59,485,000)	(3,164,369)	-	(62,649,369)
D & R canal dredging	(21,160,273)	-	-	(21,160,273)
Machinery and equipment	(4,430,867)	(449,778)	297,250	(4,583,395)
Total accumulated depreciation	<u>(108,654,321)</u>	<u>(4,412,142)</u>	<u>297,250</u>	<u>(112,769,213)</u>
Total capital assets, being depreciated, net	<u>119,353,206</u>	<u>(3,883,229)</u>	<u>-</u>	<u>115,469,977</u>
Total capital assets, net	<u>\$147,744,318</u>	<u>\$(2,787,737)</u>	<u>\$ -</u>	<u>\$144,956,581</u>

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

	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	<u>26,893,747</u>	<u>4,067,817</u>	<u>(2,570,452)</u>	<u>28,391,112</u>
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	<u>225,738,623</u>	<u>2,547,839</u>	<u>(278,935)</u>	<u>228,007,527</u>
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	<u>(104,543,602)</u>	<u>(4,376,997)</u>	<u>266,278</u>	<u>(108,654,321)</u>
Total capital assets, being depreciated, net	<u>121,195,021</u>	<u>(1,829,158)</u>	<u>(12,657)</u>	<u>119,353,206</u>
Total capital assets, net	<u>\$148,088,768</u>	<u>\$2,238,659</u>	<u>\$(2,583,109)</u>	<u>\$147,744,318</u>

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, 2010 and 2009, the Authority's bank balance was \$5,349,847 and \$2,549,189, respectively, of which \$250,000 was covered through the FDIC. The remaining balance of \$5,099,847 and \$2,299,189 as of June 30, 2010 and 2009, respectively, was collateralized, and the cash balance on the statement of

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

net assets is shown exclusive of outstanding checks totaling \$115,254 and \$283,140, respectively. The statements of net assets amount includes petty cash totaling \$350 as of June 30, 2010 and 2009.

b. Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority’s deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. The Authority’s bank balance of \$5,349,847 and \$2,549,189 as of June 30, 2010 and 2009, respectively, was exposed to custodial credit risk as follows:

	2010	2009
Uninsured and uncollateralized	\$ -	\$2,299,189

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, 2010, the Authority had the following investments and cash equivalents, and maturities:

Investment and Cash Equivalent Type	Fair Value	<u>Investment Maturities (In Years)</u>	
		Less than 1	1-5
U.S. Treasuries	\$35,894,980	\$35,894,980	\$ -
U.S. Agencies	10,824,851	-	10,824,851
Total	\$46,719,831	\$35,894,980	\$10,824,851

As of June 30, 2009, the Authority had the following investments and cash equivalents, 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	\$47,135,044	\$44,122,622	\$3,012,422

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

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

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

The Authority as of June 30, 2010, has entered into an agreement with PNC Bank and TD Bank to collateralize all deposits held at a market rate equal to 102% of the daily combined total of all deposits.

d. Investment Income

The following comprises investment income of \$346,731 and \$403,057 for the years ended June 30, 2010 and 2009, respectively:

	2010	2009
Interest earned on bank accounts and certificates of deposit	\$188,422	\$457,240
Interest earned on securities	228,173	157,754
Decrease in fair value of securities	(69,864)	(211,937)
	\$346,731	\$403,057

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.

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

Interest on the Deferred Notes accreted as principal through July 31, 1993, and is not payable until they have been exchanged for Current Notes. The interest that accreted as principal through July 31, 1990, accrued interest; however, the interest that accreted for the period from August 1, 1990 through July 31, 1993, did not accrue interest. The accretion of interest to the principal amount for the Current Notes and the Deferred Notes is \$25,563,184 at June 30, 2010 and 2009.

At June 30, 2010 and 2009, the State Loan Notes and Completion Notes are summarized as follows:

State Loan Notes	2010	2009
Current Notes	\$ 81,480	\$ 83,418
Deferred Notes	30,365,115	30,365,115
Completion Notes		
Current Notes	8,627	8,825
Deferred Notes	3,201,777	3,201,777
	<u>\$33,656,999</u>	<u>\$33,659,135</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 \$38,855,000 at June 30, 2010, carry a bond yield of 3.95%, and mature in incremental annual principal amounts through 2031. Principal maturities for the year ending June 30, 2011, are \$2,345,000. 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, 2010 and 2009, interest expense on the 2005 Bonds amounted to \$1,900,560 and \$1,970,441, respectively, and the related interest income earned on the restricted investments amounted to \$122 and \$20,635, 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 \$9,640,000 are outstanding at June 30, 2010, 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, 2011 are \$2,230,000. 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.

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

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

For the years ended June 30, 2010 and 2009, interest expense on the Refunding Bonds amounted to \$573,931 and \$682,738, respectively, and the related interest income earned on the restricted investments amounted to \$155 and \$22,663 respectively.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$6,029,573. The difference is reported with bonds payable on the statements of net 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, 2010:

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%	\$617,931	8/1/2023
2004A	11/04/2004	1,030,000	75%	350,000	25%	1.310%	1,080,587	8/1/2024
2005A	11/10/2005	2,940,974	75%	1,050,000	25%	1.251%	2,695,050	8/1/2025
2006A	11/09/2006	2,099,363	75%	745,000	25%	1.260%	2,505,853	8/1/2026
2007A	11/08/2007	1,740,563	75%	620,000	25%	1.055%	2,187,708	8/1/2027
2008A	11/06/2008	1,152,000	64%	660,000	36%	1.740%	1,764,411	8/1/2028
2010A	03/10/2010	300,493	51%	290,000	49%	1.685%	590,493	8/1/2029
TOTAL		<u>\$9,890,412</u>		<u>\$3,950,000</u>			<u>\$11,442,033</u>	

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

The following table summarizes the changes in bonds, notes and loans payable between fiscal years 2010 and 2009:

	Fiscal Year 2009	Less Payments, Net of Amortization	Debt Issued	Fiscal Year 2010	Due Within One Year
Bonds payable	\$ 54,751,978	\$4,517,521	\$ -	\$50,234,457	\$ 4,575,000
Notes payable	33,661,151	2,016	-	33,659,135	2,136
Loans payable	12,053,299	1,341,225	729,959	11,442,033	608,875
TOTAL	\$100,466,428	\$5,860,762	\$729,959	\$95,335,625	\$ 5,186,011

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
2011	\$ 732,671	\$ 7,570	\$2,688,218	\$ 4,172,817	\$ 7,601,276
2012	735,367	7,566	2,680,266	4,171,688	7,594,887
2013	752,064	7,562	2,670,997	4,166,125	7,596,748
2014	789,684	7,558	2,669,875	4,171,500	7,638,617
2015	797,823	7,553	-	4,170,125	4,975,501
2016-2020	4,051,250	37,690	-	20,829,375	24,918,315
2021-2025	3,665,592	37,529	-	7,060,125	10,763,246
2026-2030	1,450,502	37,314	-	3,581,250	5,069,066
2031-2035	-	14,850	-	1,423,625	1,438,475
Deferred Portion	-	33,566,892	-	-	33,566,892
Subtotal	12,974,953	33,732,084	10,709,356	53,746,630	111,163,023
Less amounts representing interest	1,532,920	72,949	1,069,356	14,891,630	17,566,855
Unamortized deferral amount	-	-	111,035	371,231	482,266
Plus unamortized bond premium	-	-	183,037	2,038,686	2,221,723
Subtotal	11,442,033	33,659,135	9,712,002	40,522,455	95,335,625
Less: Current principal portion	608,875	2,136	2,230,000	2,345,000	5,186,011
Total	\$10,833,158	\$33,656,999	\$7,482,002	\$38,177,455	\$90,149,614

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

6. Employee Benefits

Pension and Retirement Plans

Full-time employees of the Authority are covered by the Public Employees' Retirement System of the State of New Jersey ("PERS"). 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.

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 May 21, 2010, the formula changes and years of service is divided by 60, 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. For employees hired after May 21, 2010, Final Average Salary means the average of the salaries received by the member for the last highest five fiscal years of membership service, whichever provides the largest benefit. Pension benefits fully vest on reaching 10 years of service. Vested employees who were enrolled prior to July 1, 2007 and who have established 25 years or more of creditable service may retire without penalty at or after age 55 and receive full retirement benefits. PERS also provides death and disability benefits. Benefits are established by State statute.

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.

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

The payroll for employees covered by PERS for the years ended June 30, 2010, 2009 and 2008, was \$6,664,220, \$6,895,114 and \$6,620,758, respectively. The Authority's total payroll for the years ended June 30, 2010, 2009 and 2008, was \$6,975,811, \$7,152,187 and \$6,873,868, respectively. The actuarial contribution requirements and the contributions made for the years ended June 30, 2010, 2009 and 2008, were \$985,309, \$962,626 and \$881,519, respectively, which consisted of \$604,475, \$581,226 and \$520,205 from the Authority and \$380,834, \$381,400 and \$361,314 from the employees, respectively. The employer and employee contributions represented 9.07% and 5.71% of covered payroll for the year ended June 30, 2010, 8.43% and 5.53% of covered payroll for the year ended June 30, 2009, and 7.86% and 5.46% of covered payroll for the year ended June 30, 2008, respectively. Contributions were made in accordance with the actuarial funding requirement.

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 42, 38 and 38 at June 30, 2010, 2009 and 2008, respectively. Total cost for these post-retirement benefits, included in fringe benefits, approximated \$456,045, \$408,978 and \$397,626 for the years ended June 30, 2010, 2009 and 2008, respectively.

7. Major Water Customers

During fiscal years 2010 and 2009, the Authority supplied water to approximately 26 customers of the Raritan Basin System and 13 customers of the Manasquan System.

During fiscal years 2010 and 2009, 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.

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

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.

10. Subsequent Event

Management has evaluated subsequent events that occurred after the statement of net assets date but before October 4, 2010, the date the financial statements were available to be issued. No matters were determined by management to require disclosure.

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, 2010	
	Raritan Basin System	Manasquan Water Supply System
Condensed statement of net assets		
Assets:		
Current assets	\$ 24,486,319	\$ 9,507,852
Restricted assets	5,427,220	8,360,786
Capital assets	83,087,688	61,868,893
Other non-current assets	(1,238,542)	20,009,757
Total assets	111,762,685	99,747,288
Liabilities:		
Current liabilities	4,070,597	5,310,966
Non-current liabilities	18,315,160	71,834,454
Total liabilities	22,385,757	77,145,420
Net assets:		
Invested in capital assets, net of related debt	61,933,653	13,250,487
Restricted	5,427,220	6,579,197
Unrestricted	22,167,054	2,621,185
Total net assets	\$ 89,527,927	\$22,450,869

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

	June 30, 2010	
	Raritan Basin System	Manasquan Water Supply System
Condensed statement of revenue, expenses and changes in net assets		
Total operating revenue	\$ 15,361,487	\$ 7,670,316
Operating expenses	10,611,994	2,472,740
Depreciation	2,756,072	1,656,070
Operating income	1,993,421	3,541,506
Non-operating revenue	598,453	79,936
Non-operating expense	1,992,638	2,517,515
Change in net assets	599,236	1,103,927
Net assets, beginning of year	88,928,691	21,346,942
Net assets, end of year	\$89,527,927	\$22,450,869
Condensed statement of cash flows		
Net cash provided by (used in):		
Operating activities	\$ 5,364,961	\$ 5,354,535
Non-capital financing activities	202,821	-
Capital and related financing activities	(4,605,373)	(4,110,344)
Investing activities	(6,851,751)	(171,793)
Net (decrease) increase in cash and cash equivalents	(5,889,342)	1,072,398
Beginning cash and cash equivalent balances	26,728,234	6,583,343
Ending cash and cash equivalent balances	\$20,838,892	\$ 7,655,741

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Supplemental Information

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

June 30, 2010

	Raritan Basin System	Manasquan Reservoir System	Elimination Entries	Combined Total
Assets				
Current assets:				
Cash and cash equivalents	\$20,838,892	\$ 6,503,025	\$ -	\$ 27,341,917
Unbilled sales	870,373	-	-	870,373
Accounts receivable, less allowance for doubtful accounts of \$1,000	793,746	1,978,714	(150,999)	2,621,461
Interest receivable	21,219	2,091	-	23,310
Prepaid expenses and other current assets	731,195	217,740	-	948,935
Costs to be recovered from future revenue	1,381,893	806,282	-	2,188,175
Total current assets	24,637,318	9,507,852	(150,999)	33,994,171
Non-current assets:				
Restricted assets:				
Cash equivalents	-	1,152,716	-	1,152,716
Investments	5,427,220	7,208,070	-	12,635,290
Investments	9,851,941	949,600	-	10,801,541
Costs to be recovered from future revenue	(11,174,742)	18,616,288	-	7,441,546
Deferred issuance cost	84,259	443,869	-	528,128
Capital assets, net of accumulated depreciation of \$112,769,212	83,087,688	61,868,893	-	144,956,581
Total non-current assets	87,276,366	90,239,436	-	177,515,802
Total assets	111,913,684	99,747,288	(150,999)	211,509,973
Liabilities				
Current liabilities:				
Current portion of bonds, notes and loans payable	2,838,875	2,347,136	-	5,186,011
Accounts payable	156,883	299,031	(150,999)	304,915
Accrued liabilities	1,074,839	1,034,209	-	2,109,048
Unearned revenue	-	1,781,589	-	1,781,589
Total current liabilities	4,070,597	5,461,965	(150,999)	9,381,563
Non-current liabilities:				
Long-term portion of bonds, notes and loans payable	18,315,160	71,834,454	-	90,149,614
Total liabilities	22,385,757	77,296,419	(150,999)	99,531,177
Net assets				
Invested in capital assets, net of related debt	61,933,653	13,250,487	-	75,184,140
Restricted	5,427,220	6,579,197	-	12,006,417
Unrestricted	22,167,054	2,621,185	-	24,788,239
Total net assets	\$89,527,927	\$22,450,869	\$ -	\$111,978,796

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, 2010

	Raritan Basin System	Manasquan Reservoir System	Manasquan Water Treatment Plant	Combined Total
Operating revenue:				
Water sales	\$15,361,487	\$ 7,670,316	\$ -	\$ 23,031,803
Reimbursement of operating expenses	-	-	2,589,276	2,589,276
Total operating revenue	<u>15,361,487</u>	<u>7,670,316</u>	<u>2,589,276</u>	<u>25,621,079</u>
Operating expenses:				
Payroll	5,441,224	745,501	767,146	6,953,871
Operations and maintenance (direct)	3,238,344	760,186	1,043,774	5,042,304
Operations and maintenance (general and administrative)	-	77,592	55,951	133,543
Fringe benefits	2,592,926	324,861	343,193	3,260,980
Headquarters overhead	(660,500)	564,600	95,900	-
Depreciation	2,756,072	1,656,070	-	4,412,142
Total operating expenses	<u>13,368,066</u>	<u>4,128,810</u>	<u>2,305,964</u>	<u>19,802,840</u>
Income from operations	<u>1,993,421</u>	<u>3,541,506</u>	<u>283,312</u>	<u>5,818,239</u>
Non-operating revenue:				
State of New Jersey - Grant Programs	204,820	-	-	204,820
Investment income	270,908	72,801	3,022	346,731
Rental income	65,509	-	-	65,509
Other income	57,216	7,135	-	64,351
Total non-operating revenue	<u>598,453</u>	<u>79,936</u>	<u>3,022</u>	<u>681,411</u>
Non-operating expenses:				
Interest component of debt service to the State of New Jersey	705,975	1,722,387	-	2,428,362
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	1,261,434	729,809	286,334	2,277,577
Total non-operating expenses	<u>1,992,638</u>	<u>2,517,515</u>	<u>286,334</u>	<u>4,796,487</u>
Change in net assets	599,236	1,103,927	-	1,703,163
Net assets, beginning of year	88,928,691	21,346,942	-	110,275,633
Net assets, end of year	<u>\$89,527,927</u>	<u>\$22,450,869</u>	<u>\$ -</u>	<u>\$111,978,796</u>

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

Year Ended June 30, 2010

	Revenue Fund	Operating Fund			Reserve for O&M
		Operating Account	Payroll Account	Operating Fund	
Cash and investments - July 1, 2009	\$272,106	\$1,733,984	\$30,000	\$782,957	\$3,204,505
Cash receipts:					
Water sales operations and maintenance	9,953,179	-	-	-	-
Water sales debt service	2,822,503	-	-	-	-
Water sales capital fund	2,293,192	-	-	-	-
Water sales source water protection fund	1,042,360	-	-	-	-
Water sales overdrafts	5,298	-	-	-	105,310
Rental income	49,225	-	-	-	-
Manasquan reservoir support	-	-	-	-	50,819
Headquarters overhead	-	-	-	636,775	-
Disposition of property	-	-	-	-	-
Recycling revenue	-	-	-	-	-
Sale of investment securities	-	-	-	-	2,290,979
Nonrefundable bid deposits	-	-	-	-	3,600
Insurance reimbursement	-	-	-	-	-
Miscellaneous expense reimbursement	-	-	-	3,703	200,647
Transfers:					
Contributions from operating fund	-	10,164,952	3,372,895	(22,445,466)	(715,000)
Contributions to operating fund	-	16,849	-	6,335,397	(2,167,013)
Transfers for operations	(16,377,211)	-	-	16,377,211	-
Transfers for investments	-	-	-	-	-
Distribution from reserves to operations	-	59,002	-	-	-
Investment income	-	-	-	3,272	54,978
Per resolution, Section 603:					
Investment income, transfer from	220,759	-	-	(4,646)	(56,354)
Investment income, transfer to	(220,759)	-	-	-	182,105
Unrealized loss on fair value	-	-	-	-	36,303
Total cash receipts	(211,454)	10,240,803	3,372,895	906,246	(13,626)
Total available cash and investments	\$60,652	\$11,974,787	\$3,402,895	\$1,689,203	\$3,190,879

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, 2010

Self-Insurance Reserve	Depreciation Reserve	Pumping Reserve	Capital Improvements Investments II	Watershed Management Fund	Source Water Protection Fund	Subtotal
\$708,770	\$3,580,417	\$469,019	\$6,170,685	\$1,999	\$3,395,147	\$20,349,589
-	-	-	-	-	-	9,953,179
-	-	-	-	-	-	2,822,503
-	-	-	-	-	-	2,293,192
-	-	-	-	-	-	1,042,360
-	-	-	-	-	-	110,608
-	-	-	-	-	-	49,225
-	-	-	-	-	-	50,819
-	-	-	-	-	-	636,775
-	-	-	-	-	-	-
-	241,162	-	-	-	-	2,532,141
-	-	-	-	-	-	3,600
-	-	-	-	-	-	-
-	-	-	-	-	217,906	422,256
715,000	100,000	150,000	-	-	86,493	(8,571,126)
-	(229,183)	-	-	(2,001)	(198,277)	3,755,772
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	(5,116)	-	-	-	-	53,886
24,780	45,295	2,060	102,167	2	12,813	245,367
(24,780)	(38,360)	-	(96,250)	-	-	369
-	38,360	-	-	-	-	(294)
17,878	10,347	-	13,965	-	-	78,493
732,878	162,505	152,060	19,882	(1,999)	118,935	15,479,125
\$1,441,648	\$3,742,922	\$621,079	\$6,190,567	\$0	\$3,514,082	\$35,828,714

**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, 2010

	Subtotal	Parity SWP Bond Fund	Subordinated SWP Bond Fund	Major Rehabilitation	Water Reuse & Recycling Fund
Cash and investments - July 1, 2009	\$20,349,589	\$293,763	\$268,055	\$1,447,991	\$236,511
Cash receipts:					
Water sales operations and maintenance	9,953,179	-	-	-	-
Water sales debt service	2,822,503	-	-	-	-
Water sales capital fund	2,293,192	-	-	-	-
Water sales source water protection fund	1,042,360	-	-	-	-
Water sales overdrafts	110,608	-	-	-	-
Rental income	49,225	-	-	-	-
Manasquan reservoir support	50,819	-	-	-	-
Headquarters overhead	636,775	-	-	-	-
Disposition of property	-	-	-	-	-
Recycling revenue	-	-	-	-	-
Sale of investment securities	2,532,141	-	-	-	-
Nonrefundable bid deposits	3,600	-	-	-	-
Insurance reimbursement	-	-	-	-	-
Miscellaneous expense reimbursement	422,256	-	-	-	-
Transfers:					
Contributions from operating fund	(8,571,126)	364,800	546,000	150,000	-
Contributions to operating fund	3,755,772	-	-	(182,330)	-
Transfers for operations	-	-	-	-	-
Transfers for investments	-	-	-	-	-
Distribution from reserves to operations	53,886	-	-	(7,938)	-
Investment income	245,367	617	847	5,450	898
Per resolution, Section 603:					
Investment income, transfer from	369	-	-	-	-
Investment income, transfer to	(294)	-	-	-	-
Unrealized loss on fair value	78,493	-	-	-	-
Total cash receipts	15,479,125	365,417	546,847	(34,818)	898
Total available cash and investments	\$35,828,714	\$659,180	\$814,902	\$1,413,173	\$237,409

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, 2010

Capital Improvement Fund	Employment Benefit Funds	1998 Bonds Debt Service Account	1998 Bonds Debt Service Reserve	Rate Stabilization Fund	Totals
\$5,908,040	\$552,945	\$701,142	\$2,741,573	\$2,375,274	\$34,874,883
-	-	-	-	-	9,953,179
-	-	-	-	-	2,822,503
-	-	-	-	-	2,293,192
-	-	-	-	-	1,042,360
-	-	-	-	-	110,608
-	-	-	-	-	49,225
-	-	-	-	-	50,819
-	-	-	-	-	636,775
-	-	-	-	-	-
-	-	-	-	-	2,532,141
-	-	-	-	-	3,600
-	-	-	-	-	-
-	-	-	-	-	422,256
2,194,045	599,671	2,098,931	-	2,617,679	-
(702,486)	(462,212)	-	-	(2,408,744)	-
-	-	-	-	-	-
-	-	-	-	-	-
(23,156)	(22,792)	-	-	-	-
25,526	2,475	155	417	93	281,845
-	-	-	(294)	(75)	-
294	-	-	-	-	-
-	-	-	-	-	78,493
1,494,223	117,142	2,099,086	123	208,953	20,276,996
\$7,402,263	\$670,087	\$2,800,228	\$2,741,696	\$2,584,227	\$55,151,879

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, 2010

	Revenue Fund	Operating Fund			Reserve for O&M
		Operating Account	Payroll Account	Operating Fund	
Total available cash and investments	\$60,652	\$11,974,787	\$3,402,895	\$1,689,203	\$3,190,879
Cash disbursements:					
Payroll	-	-	3,372,895	-	-
Fringe benefits	-	54,984	-	1,023,482	-
Employee deferred comp. and credit union	-	1,148,018	-	210,583	-
Operations and maintenance	-	7,046,780	-	-	-
Prepaid insurance	-	-	-	-	-
Miscellaneous disbursements	-	-	-	-	7,857
Watershed Management Fund	-	-	-	-	-
Capital improvements:					
Capital assets	-	-	-	-	-
New five-year construction project	-	-	-	-	-
Purchase of investments securities	-	-	-	-	1,474,479
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	-	8,249,782	3,372,895	1,234,065	1,482,336
Cash and investments - June 30, 2010	\$60,652	\$3,725,005	\$30,000	\$455,138	\$1,708,543
Summary of cash and investments:					
Cash	\$60,652	\$3,725,005	\$30,000	\$ -	\$ -
Short-term investments	-	-	-	455,138	185,047
Long-term investments	-	-	-	-	1,523,496
Restricted investments (current)	-	-	-	-	-
Total cash and investments	\$60,652	\$3,725,005	\$30,000	\$455,138	\$1,708,543

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, 2010

Self-Insurance Reserve	Depreciation Reserve	Pumping Reserve	Capital Improvements Investments II	Watershed Management Fund	Source Water Protection Fund	Subtotal
\$1,441,648	\$3,742,922	\$621,079	\$6,190,567	\$ -	\$3,514,082	\$35,828,714
-	-	-	-	-	-	3,372,895
-	-	-	-	-	-	1,078,466
-	-	-	-	-	-	1,358,601
-	-	-	-	-	-	7,046,780
-	-	-	-	-	-	-
-	5,895	-	26,678	-	-	40,430
-	-	-	-	-	-	-
-	-	-	-	-	217,906	217,906
-	-	-	-	-	-	-
728,003	205,228	-	-	-	-	2,407,710
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
728,003	211,123	-	26,678	-	217,906	15,522,788
\$713,645	\$3,531,799	\$621,079	\$6,163,889	\$ -	\$3,296,176	\$20,305,926
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,815,657
2,680	1,500,471	621,079	577,737	-	3,296,176	6,638,328
710,965	2,031,328	-	5,586,152	-	-	9,851,941
-	-	-	-	-	-	-
\$713,645	\$3,531,799	\$621,079	\$6,163,889	\$ -	\$3,296,176	\$20,305,926

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, 2010

	Subtotal	Parity SWP Bond Fund	Subordinated SWP Bond Fund	Major Rehabilitation	Water Reuse & Recycling Fund
Total available cash and investments	\$35,828,714	\$659,180	\$814,902	\$1,413,173	\$237,409
Cash disbursements:					
Payroll	3,372,895	-	-	-	-
Fringe benefits	1,078,466	-	-	-	-
Employee deferred comp. and credit union	1,358,601	-	-	-	-
Operations and maintenance	7,046,780	-	-	-	-
Prepaid insurance	-	-	-	-	-
Miscellaneous disbursements	40,430	-	-	-	-
Watershed Management Fund	-	-	-	-	-
Capital improvements:					
Capital assets	217,906	-	-	-	-
New five-year construction project	-	-	-	-	-
Purchase of investment securities	2,407,710	-	-	-	-
Principal on 1981 bonds	-	-	-	-	-
Interest on 1981 bonds	-	-	-	-	-
Principal on 1998 revenue bonds	-	-	-	-	-
Interest on 1998 revenue bonds	-	-	-	-	-
Principal on NJEIT revenue bonds	-	244,831	211,672	-	-
Interest on NJEIT revenue bonds	-	127,982	177,586	-	-
Total cash disbursements	15,522,788	372,813	389,258	-	-
Cash & investments - June 30, 2010	\$20,305,926	\$286,367	\$425,644	\$1,413,173	\$237,409
Summary of cash and investments:					
Cash	\$ 3,815,657	\$ -	\$ -	\$ -	\$ -
Short-term investments	6,638,328	286,367	425,644	1,413,173	237,409
Long-term investments	9,851,941	-	-	-	-
Restricted investments (current)	-	-	-	-	-
Total cash and investments	\$20,305,926	\$286,367	\$425,644	\$1,413,173	\$237,409

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, 2010

Capital Improvement Fund	Employment Benefit Funds	1998 Bonds Debt Service Account	1998 Bonds Debt Service Reserve	Rate Stabilization Fund	Totals
\$7,402,263	\$670,087	\$2,800,228	\$2,741,696	\$2,584,227	\$55,151,879
-	-	-	-	-	3,372,895
-	-	-	-	-	1,078,466
-	-	-	-	-	1,358,601
-	-	-	-	-	7,046,780
-	-	-	-	-	-
-	50,036	-	-	-	90,466
-	-	-	-	-	-
-	-	-	-	-	217,906
-	-	-	-	-	-
-	-	-	-	-	2,407,710
-	-	-	-	-	-
-	-	-	-	-	-
-	-	2,125,000	-	-	2,581,503
-	-	573,931	-	-	879,499
-	50,036	2,698,931	-	-	19,033,826
\$7,402,263	\$620,051	\$101,297	\$2,741,696	\$2,584,227	\$36,118,053
\$ -	\$ 10,968	\$ -	\$ -	\$ -	\$ 3,826,625
7,402,263	609,083	-	-	-	17,012,267
-	-	-	-	-	9,851,941
-	-	101,297	2,741,696	2,584,227	5,427,220
\$7,402,263	\$620,051	\$101,297	\$2,741,696	\$2,584,227	\$36,118,053

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, 2010

	Revenue Fund	Operating Fund			Reserve for O&M
		Operating Account	Payroll Account	Operating Fund	
Cash and investments - July 1, 2009	\$5	\$58,873	\$20,000	\$881,538	\$600,160
Cash receipts:					
Water sales operations and maintenance	2,759,691	-	-	-	-
Water sales debt service	4,491,442	-	-	-	-
Source water protection	110,292	-	-	-	-
Water sales overdrafts	1,372	-	-	-	-
NJ-American pumping costs	51,758	-	-	-	285,087
Headquarters overhead	-	-	-	-	-
Reimbursement of WTP capital expenses	-	-	-	-	-
Disposition of assets	-	-	-	-	-
Sale of investment securities	-	-	-	-	583,812
Miscellaneous reimbursement	-	1,135	-	3,754	30,258
Transfers:					
Contributions from operating fund	-	4,454,624	982,095	(10,283,406)	(215,975)
Contributions to operating fund	-	-	-	1,956,462	-
Transfers for operations	(7,414,555)	-	-	7,414,555	-
Distribution from reserves to operations	-	130,294	-	-	(2,513)
Investment income	-	-	-	3,837	14,737
Per resolution, Section 603:					
Investment income, transfer from	26,342	-	-	(4,881)	(4,827)
Investment income, transfer to	(26,342)	-	-	8,830	11,112
Unrealized (loss) gain on fair value	-	-	-	-	9,171
Total cash receipts	-	4,586,053	982,095	(900,849)	710,862
Total cash and investments	\$5	\$4,644,926	\$1,002,095	(\$19,311)	\$1,311,022

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, 2010

Self- Insurance Reserve	Renewal & Replacement Account	Water Reuse & Recycling	Source Water Protection	Alternate Energy Source	Depreciation Reserve	Pumping Reserve	Sediment Reserve	Subtotal
\$239,711	\$2,656,439	\$29,729	\$963,037	\$25	\$475,058	\$160,118	\$63,376	\$6,148,069
-	-	-	-	-	-	-	-	2,759,691
-	-	-	-	-	-	-	-	4,491,442
-	-	-	-	-	-	-	-	110,292
-	-	-	-	-	-	-	-	1,372
-	-	-	-	-	-	-	-	336,845
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	72,125	-	-	655,937
-	-	-	-	-	4,770	-	-	39,917
181,000	60,000	-	112,568	(25)	-	35,000	10,000	(4,664,119)
-	(297,569)	-	(5,801)	-	(12,411)	-	-	1,640,681
-	-	-	-	-	-	-	-	-
-	(3,325)	-	-	-	-	-	-	124,456
6,828	9,806	113	3,880	-	7,291	1,698	261	48,451
(6,901)	-	-	-	-	(5,251)	(1,849)	(334)	2,299
-	-	-	-	-	5,250	-	-	(1,150)
4,625	-	-	-	-	2,347	1,203	-	17,346
185,552	(231,088)	113	110,647	(25)	74,121	36,052	9,927	5,563,460
\$425,263	\$2,425,351	\$29,842	\$1,073,684	\$0	\$549,179	\$196,170	\$73,303	\$11,711,529

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, 2010

	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, 2009	\$6,148,069	\$148,892	\$33,932	\$9,496	\$98,554	\$226,120	\$116,175
Cash receipts:							
Water sales operations and maintenance	2,759,691	-	-	-	-	-	-
Water sales debt service	4,491,442	-	-	-	-	-	-
Source water protection	110,292	-	-	-	-	-	-
Water sales overdrafts	1,372	-	-	-	-	-	-
NJ-American pumping costs	336,845	-	-	-	-	-	-
Headquarters overhead	-	-	2,766,035	-	-	-	-
Reimbursement of WTP capital expenses	-	-	-	-	-	-	-
Disposition of assets	-	-	-	-	-	-	-
Sale of investment securities	655,937	-	-	-	-	-	-
Miscellaneous reimbursement	39,917	1,135	9,109	-	-	-	501,700
Transfers:							
Contributions from operating fund	(4,664,119)	1,465,000	(1,613,337)	-	-	-	145,000
Contributions to operating fund	1,640,681	-	(927,762)	-	-	(59,213)	(259,652)
Transfers for operations	-	-	-	-	-	-	-
Distribution from reserves to operations	124,456	-	11,155	-	-	(2,560)	(7,542)
Investment income	48,451	-	938	35	373	709	772
Per resolution, Section 603:							
Investment income, transfer from	2,299	-	-	(33)	(336)	(780)	-
Investment income, transfer to	(1,150)	-	1,150	-	-	-	-
Unrealized (loss) gain on fair value	17,346	-	-	-	-	-	-
Total cash receipts	5,563,460	1,466,135	247,288	2	37	(61,844)	380,278
Total cash and investments	\$11,711,529	\$1,615,027	\$281,220	\$9,498	\$98,591	\$164,276	\$496,453

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, 2010

2005 Debt Service Account	2005 Debt Service Reserve	Debt Service Account	Debt Service Reserve	Rebate Fund	General Reserve Fund	Employment Benefit Funds	Totals
\$3,362,435	\$3,715,021	\$30,162	\$3,131	\$148,706	\$271,286	\$174,915	\$14,486,894
-	-	-	-	-	-	-	2,759,691
-	-	-	-	-	-	-	4,491,442
-	-	-	-	-	-	-	110,292
-	-	-	-	-	-	-	1,372
-	-	-	-	-	-	-	336,845
-	-	-	-	-	-	-	2,766,035
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	655,937
-	-	-	-	-	-	-	551,861
4,210,393	-	4,644	1,160	-	304,266	146,993	-
-	(160,000)	-	-	-	(234,054)	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	(125,509)	-
122	142,340	5	-	565	833	773	195,916
-	-	-	-	-	(1,150)	-	-
-	-	-	-	-	-	-	-
-	(72,480)	-	-	-	-	-	(55,134)
4,210,515	(90,140)	4,649	1,160	565	69,895	22,257	11,814,257
\$7,572,950	\$3,624,881	\$34,811	\$4,291	\$149,271	\$341,181	\$197,172	\$26,301,151

**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, 2010

	Revenue Fund	Operating Fund			Reserve for O&M
		Operating Account	Payroll Account	Operating Fund	
Total available cash and investments	\$5	\$4,644,926	\$1,002,095	(\$19,311)	\$1,311,022
Cash disbursements:					
Payroll	-	-	982,095	-	-
Fringe benefits	-	1,716,987	-	(1,023,482)	-
Employee deferred comp. and credit union	-	144,288	-	178,930	-
Operations and maintenance	-	1,593,916	-	-	-
NJ-American pumping costs	-	-	-	-	-
Prepaid insurance	-	-	-	-	-
Headquarters overhead	-	-	-	540,875	-
Capital assets reservoir	-	-	-	-	-
Capital improvement program (reservoir)	-	-	-	-	-
Purchase of Investments securities	-	-	-	-	369,818
Principal on bonds	-	-	-	-	-
Interest on bonds	-	-	-	-	-
Total cash disbursements	-	3,455,191	982,095	(303,677)	369,818
Cash and investments - June 30, 2010	\$5	\$1,189,735	\$20,000	\$284,366	\$941,204
Summary of cash and investments:					
Cash (Manasquan)	\$5	\$1,189,735	\$20,000	\$ -	\$ -
Cash (Water Treatment Plant/TS)	-	-	-	-	-
Short-term investments	-	-	-	284,366	534,957
Short-term investments (WTP/TS)	-	-	-	-	-
Long-term investments	-	-	-	-	406,247
Restricted investments (current)	-	-	-	-	-
Restricted investments (long-term)	-	-	-	-	-
Total cash and investments	\$5	\$1,189,735	\$20,000	\$284,366	\$941,204

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, 2010

Self- Insurance Reserve	Renewal and Replacement Account	Water Reuse & Recycling	Source Water Protection	Alternate Energy Source	Depreciation Reserve	Pumping Reserve	Sediment Reserve	Subtotal
\$425,263	\$2,425,351	\$29,842	\$1,073,684	\$ -	\$549,179	\$196,170	\$73,303	\$11,711,529
-	-	-	-	-	-	-	-	982,095
-	-	-	-	-	-	-	-	693,505
-	-	-	-	-	-	-	-	323,218
-	-	-	-	-	-	-	-	1,593,916
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	540,875
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
184,453	-	-	-	-	73,409	35,968	-	663,648
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
184,453	-	-	-	-	73,409	35,968	-	4,797,257
\$240,810	\$2,425,351	\$29,842	\$1,073,684	\$ -	\$475,770	\$160,202	\$73,303	\$6,914,272
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,209,740
-	-	-	-	-	-	-	-	-
37,687	2,425,351	29,842	1,073,684	-	171,085	124,657	73,303	4,754,932
-	-	-	-	-	-	-	-	-
203,123	-	-	-	-	304,685	35,545	-	949,600
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
\$240,810	\$2,425,351	\$29,842	\$1,073,684	\$ -	\$475,770	\$160,202	\$73,303	\$6,914,272

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, 2010

	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	\$11,711,529	\$1,615,027	\$281,220	\$9,498	\$98,591	\$164,276	\$496,453
Cash disbursements:							
Payroll	982,095	-	-	-	-	-	-
Fringe benefits	693,505	-	-	-	-	-	-
Employee deferred comp. and credit union	323,218	-	-	-	-	-	-
Operations and maintenance	1,593,916	1,416,449	-	-	-	-	-
NJ-American pumping costs	-	-	-	-	-	-	-
Prepaid insurance	-	-	-	-	-	-	-
Headquarters overhead	540,875	-	95,900	-	-	-	-
Capital assets reservoir	-	-	-	-	-	-	-
Capital improvement program (reservoir)	-	-	-	-	-	-	-
Purchase of Investments securities	663,648	-	-	-	-	-	-
Principal on bonds	-	-	-	-	-	-	-
Interest on bonds	-	-	-	-	-	-	-
Total cash disbursements	4,797,257	1,416,449	95,900	-	-	-	-
Cash and investments - June 30, 2010	\$6,914,272	\$198,578	\$185,320	\$9,498	\$98,591	\$164,276	\$496,453
Summary of cash and investments:							
Cash (Manasquan)	\$1,209,740	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash (Water Treatment Plant/TS)	-	198,578	-	-	-	-	-
Short-term investments	4,754,932	-	-	-	-	-	-
Short-term investments (WTP/TS)	-	-	185,320	9,498	98,591	164,276	496,453
Long-term investments	949,600	-	-	-	-	-	-
Restricted investments (current)	-	-	-	-	-	-	-
Restricted investments (long-term)	-	-	-	-	-	-	-
Total cash and investments	\$6,914,272	\$198,578	\$185,320	\$9,498	\$98,591	\$164,276	\$496,453

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, 2010

2005 Debt Service Account	2005 Debt Service Reserve	Debt Service Account	Debt Service Reserve	Rebate Fund	General Reserve Fund	Employment Benefit Funds	Totals
\$7,572,950	\$3,624,881	\$34,811	\$4,291	\$149,271	\$341,181	\$197,172	\$26,301,151
-	-	-	-	-	-	-	982,095
-	-	-	-	-	-	-	693,505
-	-	-	-	-	-	-	323,218
-	-	-	-	-	-	-	3,010,365
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	636,775
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	663,648
2,270,000	-	2,016	-	-	-	-	2,272,016
1,900,560	-	5,558	-	-	-	-	1,906,118
4,170,560	-	7,574	-	-	-	-	10,487,740
\$3,402,390	\$3,624,881	\$27,237	\$4,291	\$149,271	\$341,181	\$197,172	\$15,813,411
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,209,740
-	-	-	-	-	-	-	198,578
-	-	-	-	-	341,181	197,172	5,293,285
-	-	-	-	-	-	-	954,138
-	-	-	-	-	-	-	949,600
3,402,390	3,624,881	27,237	4,291	149,271	-	-	7,208,070
-	-	-	-	-	-	-	-
\$3,402,390	\$3,624,881	\$27,237	\$4,291	\$149,271	\$341,181	\$197,172	\$15,813,411

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Statistical Section

FINANCIAL TREND DATA

These schedules contain trend information on the Authority's financial performance over time.

Summary of Financial Information	2001 - 2010
Summary of Raritan Basin System Water Use Contracts	2001 - 2010
Summary of Manasquan Water Supply System Water Use Contracts	2001 - 2010

DEBT CAPACITY DATA

The schedules present information on the Authority's current levels of outstanding debt and the ability to issue debt in the future.

Raritan Basin System Revenue Bond Coverage	2001 - 2010
Manasquan System Revenue Bond Coverage	2002 - 2010

REVENUE CAPACITY DATA

These schedules contain information on the Authority's most significant revenue source.

Raritan Basin System Water Charges	1997 - 2010
Manasquan Water Supply System Water Charges	1997 - 2010

OPERATING INFORMATION

These schedules contain operational and infrastructure data in relation to the services the Authority provides.

Spruce Run Rain Gauge	2001 - 2010
West Windsor Rain Gauge	2001 - 2010
Spruce Run Reservoir Storage	2001 - 2010
Round Valley Reservoir Storage	2001 - 2010
Manasquan System Rainfall	2001 - 2010
Manasquan Reservoir Storage Data	2001 - 2010

New Jersey Water Supply Authority

SUMMARY OF FINANCIAL INFORMATION 2001 - 2010

	2001	2002	2003	2004	2005
REVENUE AND EXPENSES					
Water sales	\$18,248,873	\$19,912,921	\$19,564,798	\$20,258,371	\$22,037,389
Reimbursement of operating exp	\$1,339,167	\$1,419,068	\$1,463,670	\$1,578,686	\$1,723,723
Total operating revenues	19,588,040	21,331,989	21,028,468	21,837,057	23,761,112
Operating expense	15,523,478	16,450,755	17,339,427	17,905,912	18,461,671
Income from operations	4,064,562	4,881,234	3,689,041	3,931,145	5,299,441
Nonoperating revenues	2,826,090	1,687,459	907,349	584,425	3,020,168
Nonoperating expenses	4,779,364	4,981,693	4,534,643	4,715,508	5,151,673
Change in net assets	1,848,817	1,587,000	61,747	(199,938)	3,167,936
Net assets, beginning of year	90,941,775	92,790,592	94,377,592	94,439,339	94,239,401
Net assets, end of year	92,790,592	94,377,592	94,439,339	94,239,401	97,407,337
ASSETS					
Current assets	23,159,792	24,575,360	23,535,975	27,718,480	29,835,264
Noncurrent assets	197,300,073	193,044,591	191,875,994	183,664,331	181,818,542
Total assets	220,459,865	217,619,951	215,411,969	211,382,811	211,653,806
LIABILITIES					
Current liabilities	7,503,563	7,055,124	9,077,827	9,066,943	9,878,233
Noncurrent liabilities	120,165,710	116,187,235	111,894,803	108,076,467	104,368,236
Total liabilities	127,669,273	123,242,359	120,972,630	117,143,410	114,246,469
NET ASSETS					
Invested in capital assets, net of related debt	34,993,065	34,845,644	35,978,635	36,025,900	37,445,316
Restricted	10,158,116	10,804,128	11,721,789	11,089,206	12,045,911
Unrestricted	47,639,411	48,727,820	46,738,915	47,124,295	47,916,110
Total net assets	\$92,790,592	\$94,377,592	\$94,439,339	\$94,239,401	\$97,407,337

New Jersey Water Supply Authority

SUMMARY OF FINANCIAL INFORMATION 2001 - 2010

2006	2007	2008	2009	2010
\$23,249,130	\$22,508,685	\$23,466,842	\$22,975,438	\$23,031,803
\$1,844,055	\$2,100,466	\$2,377,166	\$2,512,417	\$2,589,276
25,093,185	24,609,151	25,844,008	25,487,855	25,621,079
18,911,050	21,299,226	20,849,880	20,862,953	19,802,840
6,182,135	3,309,925	4,994,128	4,624,902	5,818,239
2,456,177	3,947,914	4,841,828	795,191	681,411
5,460,653	3,692,672	4,562,451	4,568,128	4,796,487
3,177,659	3,565,167	5,273,505	851,965	1,703,163
97,407,337	100,584,996	104,150,163	109,423,668	110,275,633
100,584,996	104,150,163	109,423,668	110,275,633	111,978,796
37,416,567	37,981,903	40,411,128	39,944,371	33,994,171
176,312,628	177,020,383	177,459,476	174,633,772	177,515,802
213,729,195	215,002,286	217,870,604	214,578,143	211,509,973
10,231,778	9,613,559	8,881,283	8,818,939	9,381,563
102,912,421	101,238,564	99,565,653	95,483,571	90,149,614
113,144,199	110,852,123	108,446,936	104,302,510	99,531,177
36,451,123	38,594,390	43,790,111	47,277,890	75,184,140
11,900,344	12,388,041	12,082,047	12,447,252	12,006,417
52,233,529	53,167,732	53,551,510	50,550,491	24,788,239
\$100,584,996	\$104,150,163	\$109,423,668	\$110,275,633	\$111,978,796

**New Jersey Water Supply Authority
RARITAN BASIN SYSTEM
SUMMARY OF WATER USE CONTRACTS
DAILY CONTRACT IN MILLION GALLONS PER DAY - MGD**

<u>WATER USER</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
UNITED WATER LAMBERTVILLE, INC	0.200	0.200	0.200	0.200	0.490
MERCER COUNTY PARK COMMISSION	0.100	0.100	0.100	0.100	0.132
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	-
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	0.025
NEW JERSEY AMERICAN WATER	104.000	104.000	104.000	124.100	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	27.000	27.000
ROYCE BROOK GOLF CLUB	-	0.536	0.536	0.536	0.536
FLEMINGTON FILM PRODUCTS	0.012	0.012	0.012	0.012	-
DUKE FARMS	-	-	0.058	0.058	0.058
RIDGE AT BACK BROOK	-	-	-	-	0.111
ROXBURY WATER COMPANY	-	-	-	-	0.074
HUNTERDON COUNTY (HERON GLEN GOLF)	-	-	-	-	0.261
RARITAN VALLEY COUNTRY CLUB	-	-	-	-	0.012
EAST WINDSOR MUA	-	-	-	-	0.011
SOMERSET CTY (NESCHANIC VALLEY GOLF)	-	-	-	-	0.116
TRUMP NATIONAL GOLF CLUB	-	-	-	-	0.080
MORRIS COUNTY MUA	-	-	-	-	0.079
APPLIED WATER MGMT (MT. OLIVE TWP)	-	-	-	-	0.010
SYSTEM TOTAL	151.797	152.333	152.391	179.491	180.345
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
UNITED WATER LAMBERTVILLE, INC	0.490	0.490	0.490	0.490	0.490
MERCER COUNTY PARK COMMISSION	0.132	0.132	0.132	0.132	0.132
TRENTON COUNTRY CLUB	0.250	0.250	0.250	0.126	0.126
MERCER COUNTY PARK COMMISSION	-	-	-	-	-
PRINCETON UNIVERSITY	0.500	0.500	0.500	0.150	0.150
NORTH BRUNSWICK TOWNSHIP	8.000	8.000	8.000	8.000	8.000
SELODY SOD FARMS, INC.	0.025	0.025	0.025	0.025	-
NEW JERSEY AMERICAN WATER	124.100	124.100	124.100	126.600	126.600
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	27.000	27.000	27.000	27.000	27.000
ROYCE BROOK GOLF CLUB	0.536	0.536	0.536	0.165	0.165
FLEMINGTON FILM PRODUCTS	-	-	-	-	-
DUKE FARMS	0.058	0.058	0.058	0.058	0.075
BOROUGH OF GLEN GARDNER	0.008	0.008	0.008	0.008	0.008
RIDGE AT BACK BROOK	0.111	0.111	0.111	0.111	0.111
ROXBURY WATER COMPANY	0.074	0.074	0.074	0.074	0.074
HUNTERDON COUNTY (HERON GLEN GOLF)	0.261	0.261	0.261	0.261	0.261
RARITAN VALLEY COUNTRY CLUB	0.012	0.012	0.012	0.012	0.012
EAST WINDSOR MUA	0.011	0.011	0.011	0.011	0.011
SOMERSET CTY (NESCHANIC VALLEY GOLF)	0.116	0.116	0.116	0.116	0.116
TRUMP NATIONAL GOLF CLUB	0.080	0.080	0.080	0.080	0.080
MORRIS COUNTY MUA	0.079	0.079	0.079	0.079	0.079
APPLIED WATER MGMT (MT. OLIVE TWP)	0.010	0.010	0.010	0.010	0.010
WASHINGTON TOWNSHIP MUA	-	0.025	0.025	0.025	0.025
ROXITICUS GOLF CLUB	-	0.046	0.046	0.046	0.046
HAMILTON FARM GOLF CLUB	-	-	-	0.138	0.138
SPRINGDALE GOLF CLUB	-	-	-	0.098	0.098
NJ DEPT OF CORRECTIONS	-	-	-	-	0.025
SYSTEM TOTAL	180.353	180.424	180.424	182.315	182.332

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

	2001	2002	2003	2004	2005
WALL TOWNSHIP	2.300	2.300	2.300	2.300	2.275
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.	9.065	11.000	11.000	11.000	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	0.450	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	0.450
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
	17.097	19.032	19.032	19.032	20.532
	2006	2007	2008	2009	2010
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	1.927	1.928	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
	20.532	20.559	20.560	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
2010	\$17,968,946	\$11,678,300	\$6,290,646	\$2,698,931	2.33
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

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.

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
2010	\$7,785,670	\$2,823,200	\$4,962,470	\$3,816,713	1.300
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	7/1/96	7/1/97	7/1/98	7/1/99	7/1/00	7/1/01	7/1/02	7/1/03
RATE PER MGD	\$211.16	\$211.16	\$211.16	\$205.00	\$205.00	\$205.00	\$205.00	\$210.00

EFFECTIVE DATE	7/1/04	7/1/05	7/1/06	7/1/07	7/1/08	7/1/09	7/1/10
RATE PER MGD	\$215.00	\$215.00	\$228.00	\$228.00	\$231.00	\$231.00	\$231.00

New Jersey Water Supply Authority

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

EFFECTIVE DATE	7/1/96	7/1/97	7/1/98	7/1/99	7/1/00	7/1/01	7/1/02	7/1/03
RATE PER MGD	\$1,065.15	\$938.92	\$832.92	\$695.31	\$728.81	\$797.92	\$794.97	\$794.97
(Delayed Contracts)						\$1,035.50	\$1,047.96	\$1,065.45

EFFECTIVE DATE	7/1/04	7/1/05	7/1/06	7/1/07	7/1/08	7/1/09	7/1/10
RATE PER MGD	\$921.64	\$895.01	\$833.27	\$846.06	\$884.11	\$980.05	\$980.48
(Delayed Contracts)	\$1,186.00	\$1,164.26	\$1,074.02	\$1,081.96	\$1,079.80	\$1,175.03	\$1,167.98

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
2010	2.30	1.90	7.40	3.10	3.60	3.50	8.20	1.30	3.30	4.30	1.94	2.52	43.36
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
TOTAL	26.57	20.82	36.88	35.32	33.88	43.86	50.11	31.35	42.06	49.44	30.84	37.45	438.58
AVERAGE	2.66	2.08	3.69	3.53	3.39	4.39	5.01	3.14	4.21	4.94	3.08	3.75	43.86
MAXIMUM	5.46	4.45	7.40	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
2010	2.70	2.90	10.30	3.20	3.00	2.20	2.70	2.60	2.90	4.80	2.31	2.97	37.30
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
TOTAL	32.70	26.47	43.19	39.48	35.70	47.28	43.41	32.28	42.01	51.90	34.58	43.11	472.11
AVERAGE	3.27	2.65	4.32	3.95	3.57	4.73	4.34	3.23	4.20	5.19	3.46	4.31	47.21
MAXIMUM	6.20	5.95	10.30	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
2010	10.7	10.5	10.7	11.2	11.0	11.0	10.5	9.3	7.9	6.1	7.4	8.2
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
AVERAGE	9.6	9.7	9.9	10.3	10.4	10.6	10.5	10.0	8.9	8.1	8.3	8.9
MAXIMUM	11.1	11.1	11.0	11.2	11.1	11.1	11.1	11.1	10.8	10.9	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
2010	54.7	54.8	55.0	55.1	54.8	55.1	54.6	53.4	50.5	48.4	48.2	48.1
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
AVERAGE	52.12	52.15	52.25	52.53	53.31	53.87	53.92	53.48	52.16	51.68	52.10	51.50
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	45.1	45.1	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
2010	2.52	3.85	10.47	2.51	3.58	1.17	5.88	0.97	3.99	4.23	1.98	4.75
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
TOTAL	31.06	23.98	47.40	43.71	31.26	48.42	45.25	32.89	44.28	52.74	35.92	49.43
AVERAGE	3.11	2.40	4.74	4.37	3.13	4.84	4.53	3.29	4.43	5.27	3.59	4.94
MAXIMUM	5.48	4.30	10.47	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	1.17	2.21	0.97	0.38	1.23	0.68	2.14

NOTE: The Manasquan System started operations July 1, 1990

New Jersey Water Supply Authority

**MANASQUAN RESERVOIR STORAGE DATA
BILLION GALLONS**

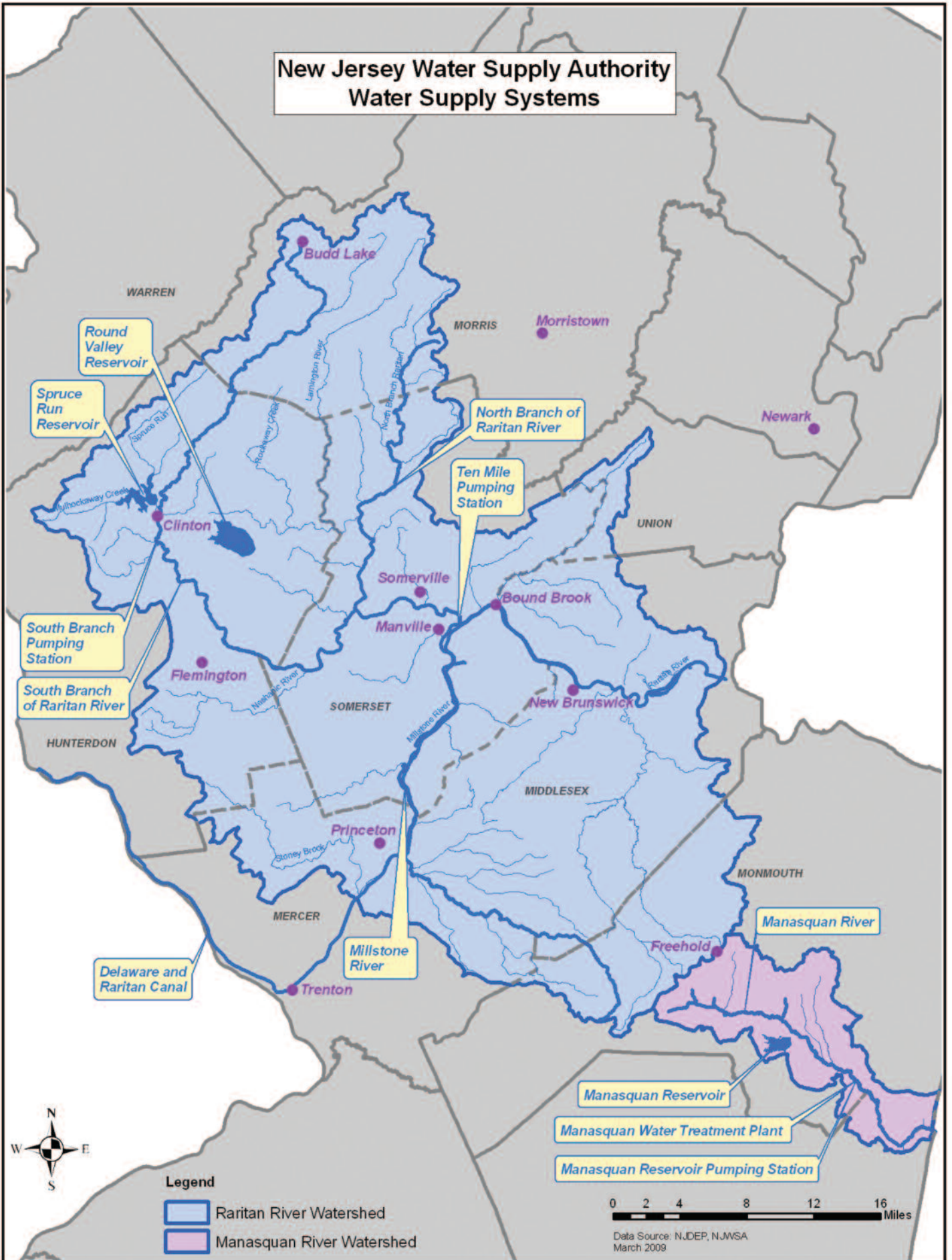
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2010	4.60	4.58	4.64	4.60	4.58	4.32	3.92	3.52	3.03	3.18	3.23	3.48
2009	4.60	4.63	4.61	4.63	4.62	4.59	4.51	4.42	4.26	4.44	4.47	4.65
2008	4.24	4.55	4.58	4.61	4.60	4.49	4.19	3.84	3.49	3.42	3.43	3.90
2007	4.57	4.45	4.55	4.61	4.44	4.19	4.12	4.04	3.81	3.43	3.26	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
AVERAGE	4.33	4.41	4.49	4.60	4.57	4.49	4.33	4.06	3.81	3.80	3.88	4.06
MAXIMUM	4.62	4.63	4.64	4.66	4.62	4.60	4.54	4.42	4.26	4.44	4.47	4.65
MINIMUM	3.03	3.29	3.51	4.43	4.44	4.19	3.92	3.52	3.03	3.18	3.16	3.00

MAXIMUM CAPACITY 4.7 BG

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New Jersey Water Supply Authority Water Supply Systems





New Jersey Water Supply Authority
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