

NEW JERSEY WATER SUPPLY AUTHORITY



2008 ANNUAL REPORT

AND THE

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2008

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, 2007

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.



Charles S. Cox

President

Jeffrey R. Evers

Executive Director

NEW JERSEY WATER SUPPLY AUTHORITY

2008 ANNUAL REPORT

AND THE
COMPREHENSIVE ANNUAL FINANCIAL REPORT

A COMPONENT UNIT
OF THE STATE OF NEW JERSEY



FOR THE YEAR ENDED
JUNE 30, 2008

Prepared by:
Accounting and Administrative Staff

Henry S. Patterson
Executive Director

2008 Annual Report

Governor

Jon S. Corzine



Authority Members

Mark N. Mauriello
Chair

Gary Sondermeyer
Acting Chair

Steven J. Picco
Vice Chair
Chair, Audit Committee

Shing-Fu Hsueh
Secretary
Chair, Insurance Committee

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

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

Robert J. Iacullo
Chair, Public Participation Committee

Staff

Henry S. Patterson
Executive Director

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

2009 Monthly Meetings

The 2009 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 5, 2009

February 2, 2009

March 2, 2009

April 6, 2009

May 4, 2009

June 1, 2009 (Canal Office)

July 6, 2009 (Canal Office)

August 3, 2009 (Manasquan Office)

September 14, 2009

October 5, 2009

November 2, 2009

December 7, 2009

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 left to right: Lock Structure at Raven Rock, Canal Downstream of Raven Rock, Stone Armoring above culvert at Prallsville Mills, Lock Structure at Prallsville Mills, Parkside Avenue Aqueduct street level and Parkside Avenue Aqueduct canal level.

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

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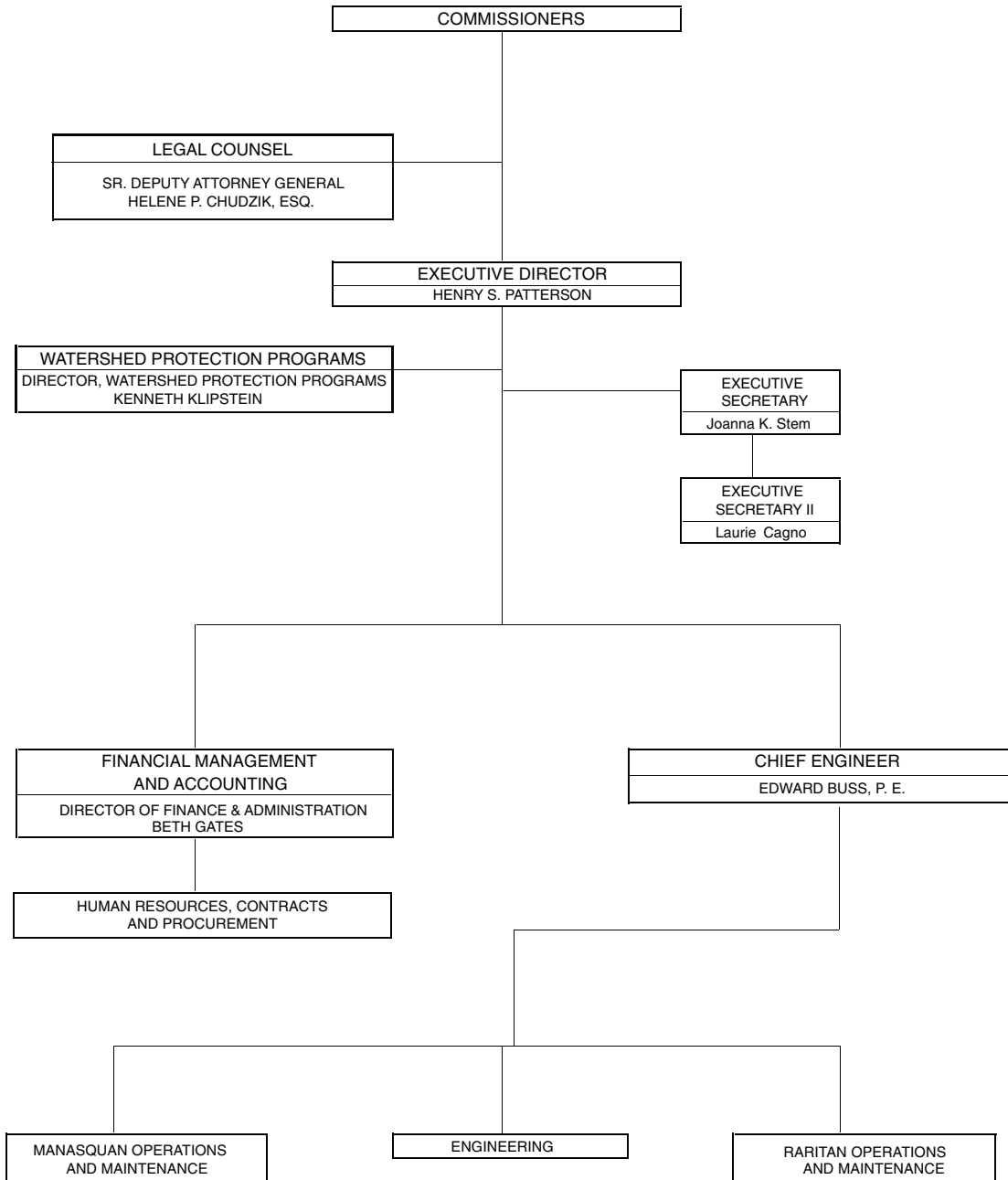
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Letter to Governor and Legislature



NEW JERSEY WATER SUPPLY AUTHORITY

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

February 2009

To the Honorable Jon S. Corzine, Governor and Members of the New Jersey Legislature

I am pleased to submit the 27th 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 FY2008.

Operations and maintenance activities at all Authority facilities have been typical. Storage in the reservoirs provided adequate supplies during the dry summer period.

The New Jersey Water Supply Authority, along with its governmental and non-profit partners, has continued with the acquisition of critical watershed properties within the Highlands region. To date, the Authority, along with its partners has under contract or closed on over 2,900 acres of critical watershed property. The Authority has dedicated \$8 per million gallons from the Source Water Protection Component 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 FY2007, our 16th consecutive award.

Sincerely,

A handwritten signature in blue ink that reads "Mark N. Mauriello". The signature is written in a cursive style.

Mark N. Mauriello
Chair

Operations

No significant weather events affected the operations and maintenance of the facilities during 2008. Typical summer dry periods required releases from the reservoirs. These dry periods were followed by periods of normal precipitations.

The absence of high flow events in the Delaware River was beneficial in the completion of two Canal projects that were highly dependent on flow in the river-rehabilitation of the Canal embankment at Station 122+00 in Delaware Township, Hunterdon County and the rehabilitation of the Canal embankment at the Alexauken Creek Aqueduct in Lambertville, Hunterdon County. Both projects were successfully completed during the year.

Dam Inspections

In accordance with the State Dam Safety Regulations, the Engineering staff conducted the 2008 annual dam inspection at the Spruce Run and Round Valley Reservoirs on September 23rd. Engineering staff conducted the 2008 annual dam inspection at the Manasquan Reservoir on September 29th. 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.

Improvements to No Name Dam No. 31 were completed during 2008. No Name Dam No. 31 is the driveway to the South Branch Pumping Station and is considered a high hazard dam. The dam and appurtenances are jointly owned by the Authority and Clinton Township.

Prior analyses have identified that the structure was not capable of passing the spillway design flood without overtopping the embankment. The embankment was armored with articulated concrete block to prevent erosion during an overtopping event. Funding for this project was provided by the Authority through its Capital Improvement Program, the NJ Department of Environmental Protection through the Dam Safety Section and Clinton Township.

Ozone System at the Manasquan Water Treatment Plant

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

The Authority has embarked on a project to improve and optimize the ozone system, thereby achieving the following benefits: reducing operations and maintenance costs, correcting system deficiencies, extending system life and facilitating compliance with current and future water quality regulations.

This project has two phases of design and construction each with its own schedule for completion. The first phase includes concrete repairs to the pre-ozone chamber. This work is planned to be under construction in February-March 2009. The second phase encompasses conversion of the ozone system to pure oxygen rather than the dried air as supplied to the current ozone system. Planning documents have been submitted to the NJ Environmental Infrastructure Trust for funding of this project during the 2009 funding cycle.

Asset Management Planning

The Authority completed an asset management plan for the Manasquan Water Treatment Plant (MWTP). 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 the plant 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) a projected capital expenditure for the MWTP over the next twenty years.

The asset management plan was presented to the MCIA for their acceptance so essential projects such as the replacement of the ozone system and the instrumentation could proceed.

Instrumentation System Upgrade

The asset management plan 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. Given the high priority and cost of this project, it is prudent from a funding standpoint to bundle this project with the ozone system replacement project through the Infrastructure Loan Program.

Watershed Protection Programs Unit

The Watershed Protection Programs Unit was formed in 1999 to administer a systematic source water protection program for the watersheds that the Authority relies upon for its water supply. The Unit's primary objectives include the development and implementation of projects that afford protection of the quantity and quality of the source water in the Raritan and Manasquan River Basins, and the Delaware & Raritan Canal and its tributaries for the benefit of the Authority and its customers.

During fiscal year 2008, the Watershed Protection Unit focused on the implementation of watershed protection and restoration projects in priority watersheds. Building on the success of the Spruce Run Initiative in the Raritan, work was completed on the Mulhockaway Creek Watershed Restoration and Stormwater Management Plan that identified three watershed-wide and 14 site-specific projects. State funding of \$300,000 was secured in 2008 to implement the highest priority projects from this plan, including an agricultural assistance program and a septic management program. An additional \$450,000 in State grant funding was received to implement an Agricultural Best Management Practices Mini Grant Program in the Raritan Basin.

Working with its partners, Franklin Township, South Bound Brook and others, efforts for the Delaware & Raritan Canal System accelerated in 2008 as the Authority began implementing \$1.8 million in stormwater retrofit projects on 15 priority infalls identified in the D&R Canal Nonpoint Source Management Plan, to address sediment and turbidity levels in the final 11 miles of the Canal. Work also continued on the stormwater management

plan for the Cedar Grove Brook, a major tributary to the Canal upstream of the last Canal user's intake.

At the Delaware River end of the Canal, the Authority completed the final draft of a watershed restoration and protection plan for the Lockatong and Wickecheoke Creeks in southwestern Hunterdon County. These are the largest watersheds contributing to the Canal other than the Delaware River. A request for \$700,000 was submitted to the State seeking grant funding to implement the highest priority projects identified in that plan.

The Authority continued its efforts to help protect the Manasquan Reservoir water supply, through the development of a watershed management plan funded by its Manasquan Source Water Protection Fund. The project was expanded through a \$90,000 grant to the Manasquan River Watershed Association, providing an opportunity to conduct further source track down and identification. A final watershed management plan is scheduled for completion in 2009. Implementation strategies to reduce the occurrence of color and turbidity issues at the water supply intake have already been developed and presented to the NJ Department of Environmental Protection.

In 2008, the Authority expanded its River Friendly programs to reach a larger audience over an increased geographic area. The River Friendly programs include outreach to businesses, golf courses, farms and residential communities. Originally launched as part of the USEPA Targeted Watershed Grant, this program seeks to implement best management practices and environmentally sound stewardship practices through an evaluation and certification process.

The Watershed Protection Unit continued its pollution prevention work with municipalities and regional planning groups by evaluating opportunities to improve the local land use decision-making framework through a municipal assessment process. With the passage of the Highland Regional Master Plan, the Authority has put a priority on coordinating with Highlands municipalities in conforming to the stringent environmental goals and objectives detailed in the regional master plan. This work builds on the \$411,000 NJDEP funded Raritan Highlands Planning Grant the Authority received in 2004.

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 2008, the Authority committed \$1,830,000 to purchase and preserve 286 acres within the Raritan Basin. To date, almost 2,900 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, 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 2008, 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 2008, the Authority undertook several steps to implement cost saving measures. The Authority reviewed staffing levels and determined to unfund one position and consolidate two other positions within operations and maintenance and property administration respectively. This resulted in annual savings of \$94,000. Insurance Broker Services were bid for a three-year period and the second year of savings during FY2008 totaled \$19,000. Finally, because of GASB requirements, the FY08 audit required significantly more tests of internal controls than prior years. The Authority anticipated a 15 to 30 percent increase in auditor fieldwork and commensurate cost increases. The Audit Committee bid auditing services and estimates \$2,200 in savings on the engagement.

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Letter of Transmittal - Chief Financial Officer



NEW JERSEY WATER SUPPLY AUTHORITY

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

October 7, 2008

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, 2008 is submitted herewith. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and are reported in a manner designed to present fairly the Authority's financial position, results of operations, and cash flows in accordance with generally accepted accounting principles. In accordance with these accounting principles, the Authority is a component unit of the State of New Jersey and, as such, is included in the State of New Jersey's Annual Report.

Profile of the Government

Reporting Entity and its Services

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

of bonds of the Authority.

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

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

The meetings of the Authority are normally scheduled for the first working Monday of each month. Four members of the Authority constitute a quorum at any meeting. Action may be taken, and motions and resolutions adopted by the Authority at any meeting by the affirmative vote of at least four members of the Authority. All meetings held by the Authority are in accordance with the Open Public Meetings Act, which requires that all meetings of public bodies be open to the public.

Accounting System and Budgetary Control

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

In an effort to ensure compliance with the Authority's By-laws and to safeguard its assets, an internal control structure has been developed and implemented by management. The internal control structure is outlined in Accounting Policies and Procedures Manuals maintained by the Authority and include: description of methods, procedures and accounting principles to be followed with explanations and examples of principal transactions; 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, 2008 were \$217,870,604, an increase of one percent over the previous year's total of \$215,002,286. The Capital Assets, net of accumulated depreciation increased \$3,829,762, or three percent, from \$144,259,006 to \$148,088,768.

The total of cash, cash equivalents and investments for the Authority increased \$1,765,356, or four percent, from \$47,327,214 to \$49,092,570. The increase in cash is mainly attributable to the receipt of \$1,946,837 from our insurance company and FEMA for reimbursement of O & M expenses due to two flood events (see note 9).

Current liabilities decreased \$732,276, or eight percent, from \$9,613,559 to \$8,881,283. The decrease is primarily due to the FASB 71 calculation (see note 2). Total Net Assets of the Authority increased \$5,273,505, or five percent, from \$104,150,163 to \$109,423,668.

Total Operating Revenues decreased by \$1,234,857 or five percent, from \$24,609,151 to \$25,844,008 due to an increase in overdraft water billing in the Raritan Basin System. Total Operating Expenses decreased \$449,346, or two percent, from \$21,299,226 to \$20,849,880 due to decreases in storm related repairs

along the D&R Canal. Nonoperating revenues increased \$891,914 or 23 percent, from \$3,949,914 to \$4,841,828 due to the FEMA reimbursement of \$196,837 and the insurance company reimbursement of \$1,750,000.

Nonoperating expenses increased \$869,779, or 24 percent, from \$3,692,672 to \$4,562,451 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 renewing of the insurance program for March 1, 2009.

Independent Audit

In accordance with the "New Jersey Water Supply Authority Act" (P.L. 1981, c.293), before the last day of February, an Annual Report of the Authority's activities of the preceding calendar year is due to the Governor and the Legislature. This Annual Report must include an audit of the Authority's books and accounts. Mercadien, P.C., Certified Public Accountants, was retained to perform an audit of the 2008 Fiscal Year in accordance with Auditing Standards generally accepted in the United States and Government Auditing Standards issued by the

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

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

Awards and Acknowledgments

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the New Jersey Water Supply Authority for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. This was the 16th 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 Administrative staff of the New Jersey Water Supply Authority. Any financial report is also only as good as the accounting records that supply its supporting data. The Authority's entire staff deserves recognition for their dedication, perseverance and attention to detail that results in the Authority's records being kept in a manner which reflects credit on the staff as a unit as well as each employee individually.

Economic Outlook

The continuing economic viability of the Authority is ensured by the water contracts the Authority maintains with our water users. The water users have entered into long-term contracts for a supply of water for their respective systems, which they are authorized to continuously withdraw without interruption, for potable or industrial water supply purposes. During Fiscal Year 2008, the Authority supplied water to 26 contractual customers of the Raritan Basin System, which provided water to approximately 1,300,000 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 increase from 179.978 to 182.170 million gallons per day for fiscal year 2009, and the total sales base for the Manasquan Reservoir System was unchanged at 20.560 million gallons per day. NJ American Water Company for 2.5mgd, Roxiticus Golf Club for .046mgd, Hamilton Farm Golf Club for .138mgd, and Springdale Golf Club for .098mgd became additional water users within the Raritan Basin System, also four other water users reduced their contracts by .544mgd. We are expecting our major water customers in both Systems to continue to increase their contractual water allocations in the future. Payments for uninterrupted 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 uninterrupted service.



Henry S. Patterson
Executive Director



Beth Gates
Director Finance and Administration



Michael R. Citarelli
Chief Financial Officer

Financial Section

Report of Independent Auditors

Management's Discussion and Analysis

Basic Financial Statements

Statements of Net Assets

Statements of Revenues, Expenses and
Changes in Net Assets

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Combining Statements and Schedules

INDEPENDENT AUDITORS' REPORT

To the Commissioners of the
NEW JERSEY WATER SUPPLY AUTHORITY

We have audited the accompanying financial statements of NEW JERSEY WATER SUPPLY AUTHORITY (the "Authority"), as of and for the years ended June 30, 2008 and 2007. These financial statements are the responsibility of Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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, 2008 and 2007, 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 7, 2008, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "*Government Auditing Standards*" and should be considered in assessing the results of our audit.

Donald E. Conroy, CPA*
Conrad E. Dreyer, CPA
Edmond S. Dreyer, CPA
Eugene J. Elias, CPA, RMA
Jack H. Fox, CPA*
Marguerite L. Mount, CPA*, CGW
Robert J. Rahn, CPA*
Sergei D. Ritter, CPA*
David L. Stafford, CPA*
Richard S. Wellinger, CPA

*CPA in NJ and PA
* CPA in NY
* CPA in NJ and NY

Pennsylvania Office:
86 Duck Road
Holland, PA 18946
215-355-4860

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

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

Amercader, P.C.
Certified Public Accountants

October 7, 2008



MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2008

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, 2008. Please read it in conjunction with the Authority's basic financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- Operating revenue for fiscal year 2008 was \$25.8 million, an increase of 5.02% over fiscal year 2007, which was the result of an 80.41% increase in overdraft revenue. In the Raritan Basin System, rates stayed the same at \$228.00 per million gallons, and the sales base increased less than 1%, from 179.932 million gallons per day to 179.978 million gallons per day. Manasquan Reservoir System rates increased 1.53%, from \$833.27 per million gallons to \$846.06 per million gallons. The fiscal year 2008 sales base increased by less than 1%, from 20.559 million gallons per day to 20.560 million gallons per day.
- Cash and cash equivalents for fiscal year 2008 were \$33.3 million, an increase of 6.90% over fiscal year 2007. Within both Systems water sales and reimbursable expenses have increased 5.02% over fiscal year 2007.
- Total liabilities for fiscal year 2008 were \$108.4 million, a decrease of 2.17% from fiscal year 2007. The Authority continues to pay down long-term debt in both systems.
- Total operating expenses for fiscal year 2008 decreased to \$20.8 million, which represents a 2.11% decrease over fiscal year 2007. Payroll and fringe benefits increased less than 1% because of union contract requirements and rising pension and health benefit expenses offset by open positions. Operations and maintenance expenses decreased 8.07% to \$6.7 million because of the completion of D&R Canal flood repairs during June 30, 2007.
- Other changes for fiscal year 2008 include the following: non-operating revenue increased 22.64% to \$4,841,828, investment income decreased 33.83% because of receding market conditions; and the receipt of grant programs increased 108.99% from the previous year. Other income increased 60.21% because of the FEMA reimbursement of \$196,837 from the April 2007 flooding event at the D&R Canal, and the insurance settlement of \$1,750,000 from the April 2005 flooding event at the D&R Canal.
- Non-operating expenses for fiscal year 2008 increased 23.55% to \$4.5 million. The interest component of debt service decreased 6.16% with the continued pay-down of the system debt and the refinancing of the Manasquan State Loan Notes. There was a decrease in the costs to be recovered from future revenue, and the change in the rate model is outlined in Note 2 to the basic financial statements.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2008

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 \$109.4 million as of June 30, 2008. In fiscal year 2008, total assets increased 1.33% to \$217.9 million due to a 5.3% increase in Raritan water sales, and total liabilities decreased 2.17% to \$108.4 million, due to the continued pay down of long-term debt. Total net assets as of June 30, 2007, were approximately \$104.1 million. Total assets that year increased .59% to \$215.0 million, and total liabilities decreased 2.02% to \$110.8 million. Changes in assets, liabilities and net assets between June 30, 2008, 2007 and 2006, are summarized in the following table:

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>Percentage Change 2008-2007</u>
Current assets	\$ 40,411,128	\$ 37,981,903	\$ 37,416,567	6.40%
Capital assets, net	148,088,768	144,259,006	145,274,697	2.65
Other non-current assets	29,370,708	32,761,377	31,037,931	(10.35)
Total assets	<u>217,870,604</u>	<u>215,002,286</u>	<u>213,729,195</u>	1.33
Long-term debt	99,565,653	101,238,564	102,912,421	(1.65)
Other liabilities	8,881,283	9,613,559	10,231,778	(7.62)
Total liabilities	<u>108,446,936</u>	<u>110,852,123</u>	<u>113,144,199</u>	(2.17)
Net assets invested in				
capital assets, net of related debt	43,790,111	38,594,390	36,451,123	13.46
Restricted	12,082,047	12,388,041	11,900,344	(2.47)
Unrestricted	53,551,510	53,167,732	52,233,529	.72
Total net assets	<u>\$109,423,668</u>	<u>\$104,150,163</u>	<u>\$100,584,996</u>	5.06



MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2008

OPERATING ACTIVITIES

The Authority operates three separate systems: the Raritan Basin System, the Manasquan Water Supply System, and the Manasquan Water Treatment Plant and Transmission System. The Manasquan Water Treatment Plant and Transmission System is owned by the Monmouth County Improvement Authority, which sets the rates, and is operated and maintained by the Authority under the terms of an operating agreement. Each system must generate sufficient revenue each year to cover its own operating expenses and debt service. The following rates were adopted at the April 2008 and 2007 Authority meetings, respectively based on anticipated operating expenses:

	<u>Rate</u> <u>7/01/2008</u>	<u>Rate</u> <u>7/01/2007</u>	<u>Percent</u> <u>Change</u>
Raritan Basin System	\$ 231.00/mg	\$ 228.00/mg	1.32%
Manasquan Reservoir System			
Initial Users	\$ 884.11/mg	\$ 846.06/mg	4.50%
Delayed Water Users	\$ 1,079.80/mg	\$ 1,081.96/mg	(.20)%

The Authority's total operating revenue for fiscal year 2008 was \$25.8 million, an increase of 5.02% over fiscal year 2007, due to a 5.3% increase in Raritan water sales. The Authority's total operating expenses for fiscal year 2008 were \$20.8 million, a decrease of 2.11% over fiscal year 2007, because of the completion of the D&R Canal flood repairs. The Authority's total operating revenue for fiscal year 2007 was \$24.6 million, a decrease of 1.93% from fiscal year 2006. The Authority's total operating expenses for fiscal year 2007 were \$21.3 million, an increase of 12.63% from fiscal year 2006. The following table summarizes the changes in revenue, expenses and net assets between fiscal years 2008, 2007 and 2006:



MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2008

	2008	2007	2006	Percentage Change 2008-2007
Operating revenue:				
Water sales	\$ 23,466,842	\$ 22,508,685	\$ 23,249,130	4.26%
Reimbursement of operating expenses	2,377,166	2,100,466	1,844,055	13.17
Total operating revenue	25,844,008	24,609,151	25,093,185	5.02
Non-operating revenues:				
State of New Jersey - Grant Programs	1,548,680	741,038	483,380	108.99
Investment income	1,272,518	1,923,033	1,680,324	(33.83)
Rental income	69,605	66,021	60,858	5.43
Other income	1,951,025	1,217,822	231,615	60.21
Total non-operating revenues	4,841,828	3,947,914	2,456,177	22.64
Total revenue	30,685,836	28,557,065	27,549,362	7.45
Operating expenses:				
Payroll	6,842,649	6,780,804	6,371,403	.91
Operations and maintenance	6,705,594	7,294,625	5,212,438	(8.07)
Fringe benefits	2,857,620	2,896,326	2,512,696	(1.34)
Depreciation	4,444,017	4,327,471	4,814,513	2.69
Total operating expenses	20,849,880	21,299,226	18,911,050	(2.11)
Non-operating expenses:				
Interest component of debt service of the State of New Jersey	2,778,770	2,961,286	3,447,322	(6.16)
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	65,318	19,272	-
Reduction in costs to be recovered from future revenues	1,693,133	640,839	1,968,830	164.21
Total non-operating expenses	4,562,451	3,692,672	5,460,653	23.55
Total expenses	25,412,331	24,991,898	24,371,703	1.68
Change in net assets	5,273,505	3,565,167	3,177,659	47.92
Net assets, beginning of year	104,150,163	100,584,996	97,407,337	3.54
Net assets, end of year	109,423,668	\$104,150,163	\$100,584,996	5.06



MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2008

CAPITAL ASSETS AND DEBT ADMINISTRATION

At June 30, 2008, the Authority had a total of \$148,088,768 invested in the Systems that it operates: \$83,315,091 invested in the Raritan Basin System and \$64,773,677 invested in the Manasquan System. This total amount represents a 2.65% increase from last year.

The following table summarizes the changes in capital assets, net of depreciation, between fiscal years 2008, 2007 and 2006:

	2008	2007	2006	Percentage Change 2008-2007
Land and land rights	\$ 19,527,858	\$ 15,168,002	\$ 12,848,490	28.74%
Dams	54,589,326	55,388,753	56,188,510	(1.44)
Building, structures and improvements	64,941,636	67,818,247	66,507,351	(4.24)
D&R canal dredging	-	-	-	-
Machinery and equipment	1,664,059	1,801,854	1,667,275	(7.65)
Construction work in progress	7,365,889	4,082,150	8,063,071	80.44
Total capital assets, net	\$148,088,768	\$144,259,006	\$145,274,697	2.65

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 2008, 2007 and 2006:

	2008	2007	2006	Percentage Change 2008-2007
Bonds payable	\$ 59,088,203	\$ 63,248,673	\$ 67,239,147	(6.58)%
Notes payable	33,663,054	33,664,850	35,462,545	-
Loans payable	11,547,400	8,751,093	6,121,882	31.95
Total bonds, notes and loans payable	\$104,298,657	\$105,664,616	\$108,823,574	(1.29)

At year-end, the Authority had \$104,298,657 in bonds, notes and loans principal outstanding, compared to \$105,664,616 at June 30, 2007. This change represents a decrease of 1.29%, 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.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2008

CURRENT AND NEW BUSINESS

During fiscal year 2008, the Authority supplied water to 26 contractual customers of the Raritan Basin System, who, in turn, supplied water to approximately 1,300,000 people in central New Jersey. Two customers accounted for approximately 84% of total Raritan Basin System operating revenue. Effective July 1, 2008, there was the addition of Hamilton Farm Golf Club (.138mgd), Springdale Golf Club (.098mgd), and Elizabethtown Water for an additional (2.5mgd) to the sales base. This will increase the total sales base for the Raritan Basin System to 182.170mgd as of June 30, 2009, up from 179.978mgd at June 30, 2008. In addition, during fiscal year 2008, 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, 2008, 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	
	2008	2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 31,991,504	\$ 28,618,434
Unbilled sales	987,581	880,412
Accounts receivable, less allowance for doubtful accounts of \$1,000 at June 30, 2008 and 2007	4,766,576	6,042,272
Interest receivable	20,629	7,198
Prepaid expenses and other current assets	924,252	961,445
Costs to be recovered from future revenues	1,720,586	1,472,142
Total current assets	40,411,128	37,981,903
Non-current assets:		
Restricted assets:		
Cash equivalents	1,355,653	2,576,713
Investments	12,506,316	12,546,659
Investments	3,239,097	3,585,408
Costs to be recovered from future revenues	11,617,103	13,337,854
Deferred issuance cost	652,539	714,743
Capital assets, net	148,088,768	144,259,006
Total non-current assets	177,459,476	177,020,383
Total assets	217,870,604	215,002,286
Liabilities		
Current liabilities:		
Current portion of bonds, notes and loans payable	4,733,004	4,426,052
Accounts payable	415,593	535,581
Accrued liabilities	1,952,764	1,916,595
Unearned revenue	1,779,922	2,735,331
Total current liabilities	8,881,283	9,613,559
Non-current liabilities:		
Long-term portion of bonds, notes and loans payable	99,565,653	101,238,564
Total liabilities	108,446,936	110,852,123
Net Assets		
Invested in capital assets, net of related debt	43,790,111	38,594,390
Restricted for repayment of debt principal and interest	12,082,047	12,388,041
Unrestricted	53,551,510	53,167,732
Total net assets	\$109,423,668	\$ 104,150,163

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	
	2008	2007
Operating revenue:		
Water sales	\$ 23,466,842	\$ 22,508,685
Reimbursement of operating expenses	2,377,166	2,100,466
Total operating revenue	25,844,008	24,609,151
Operating expenses:		
Payroll	6,842,649	6,780,804
Operations and maintenance	6,705,594	7,294,625
Fringe benefits	2,857,620	2,896,326
Depreciation	4,444,017	4,327,471
Total operating expenses	20,849,880	21,299,226
Income from operations	4,994,128	3,309,925
Non-operating revenue:		
State of New Jersey – Grant Programs	1,548,680	741,038
Investment income	1,272,518	1,923,033
Rental income	69,605	66,021
Other income	1,951,025	1,217,822
Total non-operating revenue	4,841,828	3,947,914
Non-operating expenses:		
Interest component of debt service to the State of New Jersey	2,778,770	2,961,286
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	65,318
Reduction in costs to be recovered from future revenue	1,693,133	640,839
Total non-operating expenses	4,562,451	3,692,672
Change in net assets	5,273,505	3,565,167
Net assets, beginning of year	104,150,163	100,584,996
Net assets, end of year	\$109,423,668	\$104,150,163

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	
	2008	2007
Cash flows from operating activities		
Cash received from water sales	\$23,702,635	\$22,507,794
Cash received from reimbursable expenses	4,279,729	1,968,559
Cash received from rental income	39,441	22,763
Cash paid to or on behalf of employees	(9,592,246)	(8,275,707)
Cash paid to suppliers	(6,703,828)	(7,141,475)
Net cash provided by operating activities	11,725,731	9,081,934
Cash flows from noncapital financing activities		
Cash received for grant programs	532,999	1,381,235
Net cash provided by noncapital financing activities	532,999	1,381,235
Cash flows from capital and related financing activities		
Proceeds from borrowing	3,160,563	2,844,363
Principal paid on bonds, notes and loans	(4,715,586)	(6,048,213)
Interest paid on bonds, notes and loans	(2,808,589)	(3,005,990)
Issuance costs paid on refunding	-	(1,804)
Acquisition and construction of capital assets	(7,406,800)	(4,137,324)
Proceeds from sale of capital assets	17,951	38,340
Net cash used in capital and related financing activities	(11,752,461)	(10,310,628)
Cash flows from investing activities		
Sale of investment securities	9,456,047	17,305,813
Purchase of investment securities	(9,069,393)	(17,524,672)
Interest received on investments	1,259,087	1,984,607
Net cash provided by investing activities	1,645,741	1,765,748
Net increase in cash and cash equivalents	2,152,010	1,918,289
Cash and cash equivalents, beginning of year	31,195,147	29,276,858
Cash and cash equivalents, end of year	\$33,347,157	\$31,195,147
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	\$ 4,994,128	\$ 3,309,925
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Non-cash items expensed to operations and maintenance	118,249	66,021
Cash received for operating activity shown in other income	1,933,074	1,179,482
Depreciation	4,444,017	4,327,471
Increase (decrease) in cash from:		
Unbilled sales	(107,169)	(92,363)
Accounts receivable	316,769	(45,331)
Prepaid expenses and other current assets	37,193	36,133
Accounts payable	(76,684)	108,171
Accrued liabilities	562	8,489
Accrued payroll and taxes	65,592	183,936
Net cash provided by operating activities	\$11,725,731	\$ 9,081,934
Non cash investing activities		
Decrease in fair value of investments	\$ (346,311)	\$ (131,951)

See accompanying notes.

New Jersey Water Supply Authority

A Component Unit of the State of New Jersey

Notes to Financial Statements

1. Organization and Operations

The New Jersey Water Supply Authority (the "Authority"), a Component Unit of the State of New Jersey (the "State"), consisting of the Spruce Run/Round Valley Reservoirs Complex, the Delaware and Raritan Canal Transmission Complex (the "Raritan Basin System") and the Manasquan Reservoir Water Supply System (the "Manasquan System"), is a public body, corporate and politic, constituted as an instrumentality of the State of New Jersey, exercising public and essential governmental functions. The Authority was created by the New Jersey Water Supply Authority Act (the "Act") on October 7, 1981, and in connection with the Act, all water supply facilities owned or operated by the State (i.e., Raritan Basin System) were transferred or leased to the Authority. The Act empowers the Authority to acquire, finance, construct and operate water systems and issue bonds. Members of the Authority consist of the Commissioner of the New Jersey Department of Environmental Protection ("NJDEP") (ex officio member) and six public members appointed by the Governor upon the advice and consent of the New Jersey Senate. The public members represent the agricultural community, industrial water users, residential water users, private watershed associations, public finance, and water resource management and distribution. The Authority prepares an annual budget that is used to establish rates and as a management tool but the budget does not constitute a legal budget or establish spending limitations.

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

2. Summary of Significant Accounting Policies

Basis of Accounting

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

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

Other significant accounting policies are:

Revenue

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

Notes to Financial Statements (continued)

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

Capital Assets

Capital assets are stated at original cost and consist primarily of amounts expended to license, construct, acquire, complete and place in operation the projects of the Authority. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such expenditures include labor, materials, services and indirect costs. Normal maintenance and repair costs are charged to operations and maintenance expense. Improvements and replacements are capitalized. Costs of computer hardware and purchased software 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 asset, is offset to accumulated depreciation.

Depreciation

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

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

Cash and Cash Equivalents

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

Investments

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

Accounts Receivable

The Authority considers most of its accounts receivable to be collectible; accordingly, the change in net assets is charged with an allowance for estimated uncollectible accounts based on past experience and an analysis of current accounts receivable collectibility. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible. At June 30, 2008, accounts receivable included amounts due from the New Jersey Environmental Infrastructure Trust for approximately \$2.3 million.

Notes to Financial Statements (continued)

During fiscal years 2008 and 2007, respectively, three customers accounted for approximately 91% of total Raritan Basin System accounts receivable, and six customers accounted for approximately 91% of total Manasquan System accounts receivable.

Compensated Absences

All full-time employees accumulate vacation benefits in varying annual amounts up to a maximum allowable accumulation of two years benefit. Unused sick leave benefits are earned by all full-time employees at a rate of 15 days per year and may be accumulated without limit. In the event of termination, an employee is reimbursed for all accumulated vacation days. Unused sick leave benefits do not vest but are payable only upon retirement to a maximum of \$15,000. A liability is accrued in the financial statements when incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Income Taxes

The Authority is exempt from federal income taxes under the Internal Revenue Code, Section 115, and from state income taxes under N.J.S.A. 27:25-16, and accordingly, no provision is recorded for federal and state income taxes.

Net Assets

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

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

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first and then unrestricted resources, as they are needed.

Notes to Financial Statements (continued)

Costs to be Recovered from Future Revenue

The Authority's cost recovery rate model used to establish rates, fees and charges includes an amount for debt principal repayment (but not for depreciation on the related debt financed assets) and also includes vacation amounts paid. In accordance with FASB Statement No. 71, the Authority has deferred the excess of current depreciation on assets financed with debt proceeds over the costs for debt principal repayment and the excess of vacation expense over vacation paid. The deferred costs will be recovered through future revenue in accordance with the rate model. The deferred amount for the years ended June 30, 2008 and 2007, were determined as follows:

	2008	2007
Raritan Basin System		
Cost excluded from rate model:		
Depreciation of debt-financed capital assets recoverable from rate payers	\$ 1,042,138	\$ 1,061,721
Excess vacation expense over vacation paid	5,948	12,541
	1,048,086	1,074,262
Cost included in rate model:		
Debt principal repayment	(1,925,000)	(3,039,195)
	(876,914)	(1,964,933)
Manasquan System		
Cost excluded from rate model:		
Depreciation of debt-financed capital assets recoverable from rate payers	1,547,516	1,549,698
Excess vacation expense over vacation paid	(6,113)	4,872
	1,541,403	1,554,570
Cost included in rate model:		
Debt principal repayment	(2,136,796)	(290,039)
	(595,393)	1,264,531
Total Raritan Basin and Manasquan	(1,472,307)	(700,402)
Balance, beginning of year	14,809,996	15,510,398
Balance, end of year	\$13,337,689	\$14,809,996

As shown in the statements of revenue, expenses and changes in net assets for the years ended June 30, 2008 and 2007, respectively, the costs to be recovered from future revenue of \$1,693,133 and \$640,839 includes a debit balance of \$220,991 and a credit balance of \$76,976 and of Manasquan Water Treatment Plant deferred revenue, which is not part of the rate model, and does not include a debit balance of \$165 and a credit balance of \$17,413 of accrued vacation.

Notes to Financial Statements (continued)

Accounting for Monmouth County Improvement Authority Agreement

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

Because of the difference resulting from billing the MCIA for budgeted expenses versus actual expenses appearing in the financial statements, the Authority includes unearned costs (actual costs exceeding MCIA billings) or unearned revenue (MCIA billings exceeding actual costs) in its statements of net assets. These excess costs or billings will be recovered or recognized in future periods. As of June 30, 2008 and 2007, unearned revenue amounting to \$628,577 and \$407,586, respectively, was determined as follows:

	2008	2007
Reimbursement of operating expenses	\$2,421,507	\$2,163,236
Operating expenses	2,200,516	2,240,212
Unearned revenue	220,991	(76,976)
Balance, beginning of year	407,586	484,562
Balance, end of year	\$ 628,577	\$ 407,586

During the fiscal years ended June 30, 2006 and 2005, the Authority received \$39,966 and \$191,877, respectively. These funds are restricted for use by the MCIA for costs associated in operating the Water Treatment Plant. As of June 30, 2008 and 2007, the amount included in unearned revenue was \$1,146,574 and \$1,307,292, respectively.

Accounting for Watershed Protection Program

For the fiscal years ended June 30, 2008 and 2007, the Authority received \$360,253 and \$556,890, 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, 2008 and 2007, the balance of restricted cash equivalents and unearned revenue is \$4,771 and \$6,687, respectively.

Accounting for No Name Dam No. 31 Fund

During fiscal years ended June 30, 2008, 2007 and 2002, the Authority received \$150,000 from Clinton Township, and \$800,000 and \$430,000 from the New Jersey Department of Environmental Protection, respectively, for the costs associated with bringing the No Name Dam No. 31 into compliance with the requirements of the New Jersey Dam Safety Standards. These funds are restricted for specific engineering and construction expenses. The funds will be recognized as revenue as the related costs are incurred. As of June 30, 2008 and 2007, the balance of restricted cash equivalents and unearned revenue associated with the No Name Dam No. 31 is \$0 and \$1,013,765, respectively.

Notes to Financial Statements (continued)

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

On July 1, 2007, the Authority implemented Governmental Accounting Standards Board Statement ("GASB") Number 45, which covers accounting and financial reporting requirements for government employers, which provide Post employment benefits other than, pensions. Since the Authority participates in a multiple-employer cost-sharing plan (Public Employees' Retirement System), the Authority's portion of this liability and cost is calculated and recorded at the State of New Jersey level and included in the State's Comprehensive Annual Financial Report. The Authority records OPEB expense based on billings from the State PERS. Required financial statement disclosure requirements are included in Note 6 of these audited financial statements.

3. Capital Assets

Capital assets activity for the years ended June 30, 2008 and 2007, was as follows:

	2008 Beginning Balance	Additions	Retirements	2008 Ending Balance
Capital assets not being depreciated:				
Land	\$ 15,168,002	\$4,359,856	\$ -	\$ 19,527,858
Construction work in progress	4,082,150	3,722,120	(438,381)	7,365,889
Total capital assets not being depreciated	<u>19,250,152</u>	<u>8,081,976</u>	<u>(438,381)</u>	<u>26,893,747</u>
Capital assets being depreciated:				
Dams	77,369,160	-	-	77,369,160
Building, structures and improvements	120,975,501	338,630	(2,181)	121,311,950
D & R canal dredging	21,160,274	-	-	21,160,274
Machinery and equipment	5,946,436	289,688	(338,885)	5,897,239
Total capital assets being depreciated	<u>225,451,371</u>	<u>628,318</u>	<u>(341,066)</u>	<u>225,738,623</u>
Less accumulated depreciation for:				
Dams	(21,980,408)	(799,426)	-	(22,779,834)
Building, structures and improvements	(53,157,254)	(3,215,242)	2,181	(56,370,315)
D & R canal dredging	(21,160,273)	-	-	(21,160,273)
Machinery and equipment	(4,144,582)	(429,349)	340,751	(4,233,180)
Total accumulated depreciation	<u>(100,442,517)</u>	<u>(4,444,017)</u>	<u>342,932</u>	<u>(104,543,602)</u>
Total capital assets, being depreciated, net	<u>125,008,854</u>	<u>(3,815,699)</u>	<u>1,866</u>	<u>121,195,021</u>
Total capital assets, net	<u>\$144,259,006</u>	<u>\$4,266,277</u>	<u>\$(436,515)</u>	<u>\$148,088,768</u>

Notes to Financial Statements (continued)

	2007 Beginning Balance	Additions	Retirements	2007 Ending Balance
Capital assets not being depreciated:				
Land	\$ 12,848,490	\$2,319,512	\$ -	\$ 15,168,002
Construction work in progress	8,063,071	487,437	(4,468,358)	4,082,150
Total capital assets not being depreciated	<u>20,911,561</u>	<u>2,806,949</u>	<u>(4,468,358)</u>	<u>19,250,152</u>
Capital assets being depreciated:				
Dams	77,369,160	-	-	77,369,160
Building, structures and improvements	116,560,499	4,415,002	-	120,975,501
D & R canal dredging	21,160,274	-	-	21,160,274
Machinery and equipment	5,547,670	558,187	(159,421)	5,946,436
Total capital assets being depreciated	<u>220,637,603</u>	<u>4,973,189</u>	<u>(159,421)</u>	<u>225,451,371</u>
Less accumulated depreciation for:				
Dams	(21,180,650)	(799,757)	-	(21,980,407)
Building, structures and improvements	(50,053,148)	(3,104,106)	-	(53,157,254)
D & R canal dredging	(21,160,274)	-	-	(21,160,274)
Machinery and equipment	(3,880,395)	(423,608)	159,421	(4,144,582)
Total accumulated depreciation	<u>(96,274,467)</u>	<u>(4,327,471)</u>	<u>159,421</u>	<u>(100,442,517)</u>
Total capital assets, being depreciated, net	<u>124,363,136</u>	<u>645,718</u>	<u>-</u>	<u>125,008,854</u>
Total capital assets, net	<u>\$145,274,697</u>	<u>\$3,452,667</u>	<u>\$(4,468,358)</u>	<u>\$144,259,006</u>

4. Cash 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, 2008 and 2007, the Authority's bank balance was \$2,062,908 and \$950,958, respectively, of which \$100,000 was covered through the FDIC. The remaining balance of \$1,962,908 and \$850,958 as of June 30, 2008 and 2007, respectively, was not collateralized, and the cash balance per the statement of net assets is shown exclusive of outstanding checks totaling \$233,298 and \$207,856, respectively. The statements of net assets amount includes petty cash totaling \$350 as of June 30, 2008 and 2007.

Notes to Financial Statements (continued)

b. Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. The Authority's bank balance of \$2,062,908 and \$950,958 as of June 30, 2008 and 2007, respectively, was exposed to custodial credit risk as follows:

	2008	2007
Uninsured and uncollateralized	\$1,962,908	\$850,958

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, 2008, the Authority had the following investments and maturities:

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

As of June 30, 2007, the Authority had the following investments and maturities:

Investment and Cash Equivalent Type	Fair Value	<u>Investment Maturities (In Years)</u>	
		Less than 1	1-5
U.S. Treasuries	\$42,998,354	\$42,998,354	\$ -
U.S. Agencies (SLM Corp)	3,592,606	-	3,592,606
Total	\$46,590,960	\$42,998,354	\$3,592,606

Credit and Custodial Credit Risk

The Authority's 3.3 million dollar investment in Sallie Mae asset-backed securities is not federally insured. As Sallie Mae was initially chartered by congress as a government-sponsored entity, the federal government implies an interest in the securities that Sallie Mae issues, but the liabilities of Sallie Mae are not backed by the full faith and credit of the federal government. In 2004, Sallie Mae terminated its status as a government-sponsored entity and became a publicly held corporation, which may impact the implied interest of the federal government. As of June 30, 2008, the Authority's investments in Sallie Mae securities were rated Baa2 by Moody's Investors Service, BBB by Fitch Ratings, and BBB- by Standard & Poor's. The Authority historically has not experienced any credit-related losses with respect to its investment in Sallie Mae securities. U.S. Treasury notes are explicitly guaranteed by the U.S. government and are not subject to credit risk or custodial credit risk.

Notes to Financial Statements (continued)

d. Investment Income

The following comprises investment income of \$1,272,518 and \$1,923,033 for the years ended June 30, 2008 and 2007, respectively:

	2008	2007
Interest earned bank accounts and certificates of deposit	\$1,288,789	\$1,477,546
Interest earned on securities	330,040	577,438
(Decrease) increase in fair value of securities	(346,311)	(131,951)
	<u>\$1,272,518</u>	<u>\$1,923,033</u>

5. Bonds, Notes and Loans Payable

A. Notes due to State of New Jersey

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

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

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

Interest on the Deferred Notes accreted as principal through July 31, 1993, and is not payable until they have been exchanged for Current Notes. The interest that accreted as principal through July 31, 1990, accrued interest; however, the interest that accreted for the period from August 1, 1990 through July 31, 1993, did not accrue interest. The accretion of interest to the principal amount for the Current Notes and the Deferred Notes is \$25,563,184 at June 30, 2008 and 2007.

Notes to Financial Statements (continued)

At June 30, 2008 and 2007, the State Loan Notes and Completion Notes are summarized as follows:

State Loan Notes	2008	2007
Current Notes	\$ 85,249	\$ 86,977
Deferred Notes	30,365,115	30,365,115
Completion Notes		
Current Notes	9,011	9,185
Deferred Notes	3,201,777	3,201,777
	<u>\$33,661,152</u>	<u>\$33,663,054</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 \$43,330,000 at June 30, 2008, carry a bond yield of 3.95%, and mature in incremental annual principal amounts through 2031. Principal maturities for the year ending June 30, 2009, are \$2,205,000. 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, 2008 and 2007, interest expense on the 2005 Bonds amounted to \$2,038,297 and \$2,101,372, respectively, and the related interest income earned on the restricted investments amounted to \$80,286 and \$91,931, 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 \$13,785,000 are outstanding at June 30, 2008, 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, 2009, are \$2,020,000. The Refunding Bonds maturing on or after November 1, 2009, are subject to redemption prior to their stated maturity dates at the option of the Authority on or after November 1, 2008. The property and revenue of the Raritan System are pledged as collateral for the Refunding Bonds.

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

For the years ended June 30, 2008 and 2007, interest expense on the Refunding Bonds amounted to \$786,294 and \$882,575, respectively, and the related interest income earned on the restricted investments amounted to \$123,014 and \$173,287, respectively.

Notes to Financial Statements (continued)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$6,029,573. The difference is reported with bonds payable on the statements of net assets and is being charged to operations using a method that approximates the effective interest method over the shorter of the remaining life of the old debt or the life of the new debt. The economic gain is 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, 2008:

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%	\$702,917	8/1/2023
2004A	11/04/2004	1,030,000	75%	350,000	25%	1.310%	1,222,329	8/1/2024
2005A	11/10/2005	2,940,974	75%	1,050,000	25%	1.251%	3,696,431	8/1/2025
2006A	11/09/2006	2,099,363	75%	745,000	25%	1.260%	2,765,159	8/1/2026
2007A	11/08/2007	1,740,563	75%	620,000	25%	1.055%	2,360,563	8/1/2027
2008A*	06/26/2008	0	0%	800,000	100%	0%	800,000	8/1/2028
TOTAL		\$8,437,919		\$3,800,000			\$11,547,399	

* This principal amount was advanced prior to November 2008 closing, to allow for purchase of a property.

The following table summarizes the changes in bonds, notes and loans payable between fiscal years 2007 and 2008:

	Fiscal Year 2007	Less Payments, Net of Amortization	Debt Issued	Fiscal Year 2008	Due Within One Year
Bonds payable	\$ 63,248,673	\$4,160,470	\$ -	\$ 59,088,203	\$4,225,000
Notes payable	33,664,850	1,796	-	33,663,054	1,903
Loans payable	8,751,093	364,256	3,160,563	11,547,400	506,101
	\$105,664,616	\$4,526,522	\$3,160,563	\$104,298,657	\$4,733,004

Notes to Financial Statements (continued)

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

Year ending June 30,	Raritan Basin System	Notes Payable Manasquan System	Delaware & Raritan 1998 Water Revenue Refunding Bonds	Manasquan System Revenue Bonds Series 2005	Totals
2009	\$ 1,443,840	\$ 7,577	\$ 2,702,738	\$ 4,175,441	\$ 8,329,596
2010	662,688	7,574	2,698,931	4,170,560	7,539,753
2011	675,805	7,570	2,688,218	4,172,817	7,544,410
2012	673,332	7,566	2,680,266	4,171,688	7,532,852
2013	656,231	7,562	2,670,997	4,166,125	7,500,915
2014-2018	3,274,945	37,742	2,669,875	20,847,375	26,829,937
2019-2023	3,306,916	37,599	-	13,936,875	17,281,390
2024-2028	2,224,578	37,407	-	3,600,375	5,862,360
2029-2033	-	29,746	-	2,851,375	2,881,121
Deferred Portion	-	33,566,892	-	-	33,566,892
Subtotal	12,918,335	33,747,235	16,111,025	62,092,631	124,869,226
Less amounts					
representing interest	1,370,936	84,180	2,326,025	18,762,631	22,543,772
Unamortized deferral					
amount	-	-	241,519	427,917	669,436
Plus unamortized					
bond premium	-	-	292,649	2,349,990	2,642,639
Subtotal	11,547,399	33,663,055	13,836,130	45,252,073	104,298,657
Less:					
Current principal					
portion	506,101	1,903	2,020,000	2,205,000	4,733,004
Total	\$11,041,298	\$33,661,152	\$11,816,130	\$43,047,073	\$99,565,653

6. Employee Benefits

Pension and Retirement Plans

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

Notes to Financial Statements (continued)

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

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

The payroll for employees covered by PERS for the years ended June 30, 2008, 2007 and 2006, was \$6,620,758, \$6,561,709 and \$6,086,147, respectively. The Authority's total payroll for the years ended June 30, 2008, 2007 and 2006, was \$6,873,868, \$6,828,440 and \$6,661,390, respectively. The actuarial contribution requirements and the contributions made for the years ended June 30, 2008, 2007 and 2006, were \$881,519, \$707,230 and \$521,873, respectively, which consisted of \$520,205, \$379,630 and \$210,530 from the Authority and \$361,314, \$327,600 and \$311,343 from the employees, respectively. The employer and employee contributions represented 7.86% and 5.46% of covered payroll for the year ended June 30, 2008, 5.78% and 4.99% of covered payroll for the year ended June 30, 2007, and 3.46% and 5.12% of covered payroll for the year ended June 30, 2006. 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 38, 36 and 34 at June 30, 2008, 2007 and 2006, respectively. Total cost for these post-retirement benefits, included in fringe benefits, approximated \$397,626, \$387,756 and \$365,236 for the years ended June 30, 2008, 2007 and 2006, respectively.

Notes to Financial Statements (continued)

7. Major Water Customers

During fiscal years 2008 and 2007, respectively, the Authority supplied water to approximately 26 and 25, respectively, customers of the Raritan Basin System and 13 customers of the Manasquan System.

During fiscal years 2008 and 2007, respectively, two customers accounted for approximately 84% of total Raritan Basin System operating revenue. Three customers accounted for approximately 81% of total Manasquan System operating revenue.

8. Risk Management

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

9. Contingencies

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

The Authority received \$1,750,000 on July 31, 2007, from its insurance company based on the damage to the D&R Canal during the April 2005 flood. The Authority received \$196,837 on December 11, 2007, from FEMA based on the damage to the D&R Canal during the April 2007 flood. At this time there are no further flood damage claims to be recovered.

10. New Pronouncements

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

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

Notes to Financial Statements (continued)

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:

	Year ended June 30, 2008		
	Raritan Basin System	Manasquan Water Supply System	Manasquan Water Treatment Plant
Condensed statement of net assets			
Assets:			
Current assets	\$31,016,248	\$ 7,674,129	\$ -
Restricted assets	5,428,755	8,433,214	-
Capital assets	83,315,091	64,773,677	-
Other non-current assets	(4,802,275)	22,031,765	-
Total assets	114,957,819	102,912,785	-
Liabilities:			
Current liabilities	3,623,629	5,257,654	-
Non-current liabilities	22,857,430	76,708,223	-
Total liabilities	26,481,059	81,965,877	-
Net assets:			
Invested in capital assets, net of related debt	57,931,560	(14,141,449)	-
Restricted	5,423,984	6,658,063	-
Unrestricted	25,256,187	28,295,323	-
Total net assets	\$88,611,731	\$20,811,937	\$ -

Notes to Financial Statements (continued)

	Year Ended June 30, 2008		
	Raritan Basin System	Manasquan Water Supply System	Manasquan Water Treatment Plant
Condensed statement of revenue, expenses and changes in net assets			
Net operating revenue	\$ 16,713,001	\$ 6,753,841	\$ 2,377,166
Operating expenses	11,734,953	2,470,394	2,200,516
Depreciation	2,780,729	1,663,288	-
Operating income	2,197,319	2,620,159	176,650
Non-operating revenue	4,405,122	392,365	44,341
Non-operating expense	1,823,860	2,517,600	220,991
Change in net assets	4,778,581	494,924	-
Net assets, beginning of year	83,833,150	20,317,013	-
Net assets, end of year	\$88,611,731	\$20,811,937	\$ -
Condensed statement of cash flows			
Net cash provided by (used in):			
Operating activities	\$ 6,994,216	\$ 4,731,515	\$ -
Non-capital financing activities	532,999	-	-
Capital and related financing activities	(7,286,134)	(4,466,327)	-
Investing activities	1,434,206	211,535	-
Net increase in cash and cash equivalents	1,675,287	476,723	-
Beginning cash and cash equivalent balances	24,362,215	6,832,932	-
Ending cash and cash equivalent balances	\$26,037,502	\$ 7,309,655	\$ -

Supplemental Information

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

June 30, 2008

	Raritan Basin System	Manasquan Reservoir System	Elimination Entries	Combined Total
Assets				
Current assets:				
Cash and cash equivalents	\$26,032,731	\$ 5,958,773	\$ -	\$ 31,991,504
Unbilled sales	987,581	-	-	987,581
Accounts receivable, less allowance for doubtful accounts of \$1,000 at June 30, 2008	3,444,561	1,456,986	(134,971)	4,766,576
Interest receivable	16,152	4,477	-	20,629
Prepaid expenses and other current assets	664,246	260,006	-	924,252
Costs to be recovered from future revenue	1,058,399	662,187	-	1,720,586
Total current assets	<u>32,203,670</u>	<u>8,342,429</u>	<u>(134,971)</u>	<u>40,411,128</u>
Non-current assets:				
Restricted assets:				
Cash equivalents	4,771	1,350,882	-	1,355,653
Investments	5,423,984	7,082,332	-	12,506,316
Investments	2,536,090	703,007	-	3,239,097
Costs to be recovered from future revenue	(8,525,534)	20,142,637	-	11,617,103
Deferred issuance cost	134,718	517,821	-	652,539
Capital assets, net of accumulated depreciation of \$104,543,602 at June 30, 2008	83,315,091	64,773,677	-	148,088,768
Total non-current assets	<u>82,889,120</u>	<u>94,570,356</u>	<u>-</u>	<u>177,459,476</u>
Total assets	<u>115,092,790</u>	<u>102,912,785</u>	<u>(134,971)</u>	<u>217,870,604</u>
Liabilities				
Current liabilities:				
Current portion of bonds, notes and loans payable	2,526,101	2,206,903	-	4,733,004
Accounts payable	154,280	396,284	(134,971)	415,593
Accrued liabilities	938,477	1,014,287	-	1,952,764
Unearned revenue	4,771	1,775,151	-	1,779,922
Total current liabilities	<u>3,623,629</u>	<u>5,392,625</u>	<u>(134,971)</u>	<u>8,881,283</u>
Non-current liabilities:				
Long-term portion of bonds, notes and loans payable	22,857,430	76,708,223	-	99,565,653
Total liabilities	<u>26,481,059</u>	<u>82,100,848</u>	<u>(134,971)</u>	<u>108,446,936</u>
Net assets				
Invested in capital assets, net of related debt	57,931,560	(14,141,449)	-	43,790,111
Restricted	5,423,984	6,658,063	-	12,082,047
Unrestricted	25,256,187	28,295,323	-	53,551,510
Total net assets	<u>\$88,611,731</u>	<u>\$20,811,937</u>	<u>\$ -</u>	<u>\$109,423,668</u>

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, 2008

	Raritan Basin System	Manasquan Reservoir System	Manasquan Water Treatment Plant	Combined Total
Operating revenues:				
Water sales	\$16,713,001	\$ 6,753,841	\$ -	\$ 23,466,842
Reimbursement of operating expenses	-	-	2,377,166	2,377,166
Total operating revenues	<u>16,713,001</u>	<u>6,753,841</u>	<u>2,377,166</u>	<u>25,844,008</u>
Operating expenses:				
Payroll	5,411,047	700,239	731,363	6,842,649
Operations and maintenance (direct)	4,605,197	918,495	1,044,144	6,567,836
Operations and maintenance (general and administrative)	-	80,269	57,489	137,758
Fringe benefits	2,282,609	281,691	293,320	2,857,620
Headquarters overhead	(563,900)	489,700	74,200	-
Depreciation	2,780,729	1,663,288	-	4,444,017
Total operating expenses	<u>14,515,682</u>	<u>4,133,682</u>	<u>2,200,516</u>	<u>20,849,880</u>
Income from operations	<u>2,197,319</u>	<u>2,620,159</u>	<u>176,650</u>	<u>4,994,128</u>
Non-operating revenues:				
State of New Jersey – Grant Programs	1,548,680	-	-	1,548,680
Investment income	838,019	390,158	44,341	1,272,518
Rental income	69,605	-	-	69,605
Other income	1,948,818	2,207	-	1,951,025
Total non-operating revenues	<u>4,405,122</u>	<u>392,365</u>	<u>44,341</u>	<u>4,841,828</u>
Non-operating expenses:				
Interest component of debt service to the State of New Jersey	915,769	1,863,001	-	2,778,770
Amortization of issuance costs - D&R System Revenue Refunding Bonds, Series 1998	25,229	-	-	25,229
Amortization of issuance costs - Manasquan State Loan Notes	-	65,319	-	65,319
Costs to be recovered from future revenue	882,862	589,280	220,991	1,693,133
Total non-operating expenses	<u>1,823,860</u>	<u>2,517,600</u>	<u>220,991</u>	<u>4,562,451</u>
Change in net assets	4,778,581	494,924	-	5,273,505
Net assets, beginning of year	83,833,150	20,317,013	-	104,150,163
Net assets, end of year	<u>\$88,611,731</u>	<u>\$20,811,937</u>	<u>\$ -</u>	<u>\$109,423,668</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, 2008

	Revenue Fund	Operating Fund			Reserve for O&M
		Operating Account	Payroll Account	Operating Fund	
Cash and investments - July 1, 2007	\$62,406	\$298,414	\$20,000	\$609,161	\$4,384,661
Cash receipts:					
Water sales operations and maintenance	9,545,463	-	-	-	-
Water sales debt service	2,632,811	-	-	-	-
Water sales capital fund	2,077,430	-	-	-	-
Water sales source water protection fund	980,197	-	-	-	-
Water sales overdrafts	1,523,049	-	-	-	-
Rental income	37,193	-	-	-	-
Manasquan reservoir support	-	-	-	-	40,974
Headquarters overhead	-	-	-	632,668	-
Disposition of property	-	-	-	-	15,277
Recycling revenue	546	-	-	-	693
Nonrefundable bid deposits	100	-	-	-	350
Insurance reimbursement	-	-	-	-	14,556
Miscellaneous expense reimbursement	7,225	-	-	-	609,231
Transfers:					
Contributions from operating fund	-	8,817,929	3,277,241	(20,553,508)	(2,070)
Contributions to operating fund	-	-	-	4,075,043	(125,000)
Transfers for operations	(16,653,588)	-	-	16,653,588	-
Transfers for investments	-	-	-	-	-
Distribution from reserves to operations	-	3,786,512	-	-	-
Investment income	-	3,090	-	56,290	156,666
Per resolution, Section 603:					
Investment income, transfer from	507,277	-	-	(57,009)	(148,053)
Investment income, transfer to	(507,277)	-	-	-	263,358
Unrealized loss on fair value	-	-	-	-	(166,326)
Total cash receipts	150,426	12,607,531	3,277,241	807,072	659,656
Total available cash and investments	\$212,832	\$12,905,945	\$3,297,241	\$1,416,233	\$5,044,317

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, 2008

<u>Self-Insurance</u> <u>Reserve</u>	<u>Depreciation</u> <u>Reserve</u>	<u>Pumping</u> <u>Reserve</u>	<u>Capital</u> <u>Improvements</u> <u>Investments II</u>	<u>Watershed</u> <u>Management</u> <u>Fund</u>	<u>Source Water</u> <u>Protection</u> <u>Fund</u>	<u>Subtotal</u>
\$854,334	\$3,540,327	\$365,138	\$5,908,170	\$6,687	\$2,259,526	\$18,308,824
-	-	-	-	-	-	9,545,463
-	-	-	-	-	-	2,632,811
-	-	-	-	-	-	2,077,430
-	-	-	-	-	-	980,197
-	-	-	-	-	-	1,523,049
-	-	-	-	-	-	37,193
-	-	-	-	-	-	40,974
-	-	-	-	-	-	632,668
-	3,150	-	-	-	-	18,427
-	-	-	-	-	-	1,239
-	-	-	-	-	-	450
-	-	-	-	-	-	14,556
-	-	-	-	-	4,320,750	4,937,206
-	52,070	150,000	-	-	353,637	(7,904,701)
-	-	-	-	(2,121)	(140,873)	3,807,049
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	(132,644)	-	-	-	(2,627)	3,651,241
26,949	121,590	14,754	203,515	205	74,856	657,915
(26,949)	(7,292)	-	-	-	-	267,974
-	7,292	-	-	-	-	(236,627)
(82,494)	(22,329)	-	-	-	-	(271,149)
(82,494)	21,837	164,754	203,515	(1,916)	4,605,743	22,413,365
\$771,840	\$3,562,164	\$529,892	\$6,111,685	\$4,771	\$6,865,269	\$40,722,189

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, 2008

	Subtotal	Parity SWP Bond Fund	Subordinated SWP Bond Fund	No Name Dam Fund	Major Rehabilitation	Water Reuse & Recycling Fund
Cash and investments - July 1, 2007	\$18,308,824	\$ 271,448	\$101,477	\$1,013,765	\$1,585,975	\$226,449
Cash receipts:						
Water sales operations and maintenance	9,545,463	-	-	-	-	-
Water sales debt service	2,632,811	-	-	-	-	-
Water sales capital fund	2,077,430	-	-	-	-	-
Water sales source water protection fund	980,197	-	-	-	-	-
Water sales overdrafts	1,523,049	-	-	-	-	-
Rental income	37,193	-	-	-	-	-
Manasquan reservoir support	40,974	-	-	-	-	-
Headquarters overhead	632,668	-	-	-	-	-
Disposition of property	18,427	-	-	-	-	-
Recycling revenue	1,239	-	-	-	-	-
Nonrefundable bid deposits	450	-	-	-	-	-
Insurance reimbursement	14,556	-	-	-	-	-
Miscellaneous expense reimbursement	4,937,206	-	-	150,000	-	-
Transfers:						
Contributions from operating fund	(7,904,701)	381,721	250,022	-	-	-
Contributions to operating fund	3,807,049	-	-	(1,186,307)	-	-
Transfers for operations	-	-	-	-	-	-
Transfers for investments	-	-	-	-	-	-
Distribution from reserves to operations	3,651,241	-	-	-	(128,899)	-
Investment income	657,915	5,209	3,980	22,542	51,866	7,801
Per resolution, Section 603:						
Investment income, transfer from	267,974	-	-	-	-	-
Investment income, transfer to	(236,627)	-	-	-	-	-
Unrealized loss on fair value	(271,149)	-	-	-	-	-
Total cash receipts	22,413,365	386,930	254,002	(1,013,765)	(77,033)	7,801
Total available cash and investments	\$40,722,189	\$658,378	\$355,479	\$0	\$1,508,942	\$234,250

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, 2008

Capital Improvement Fund	Employment Benefit Fund	1998 Bonds Debt Service Account	1998 Bonds Debt Service Reserve	Rate Stabilization Fund	Totals
\$5,214,945	\$446,571	\$702,722	\$2,742,886	\$2,313,930	\$32,928,992
-	-	-	-	-	9,545,463
-	-	-	-	-	2,632,811
-	-	-	-	-	2,077,430
-	-	-	-	-	980,197
-	-	-	-	-	1,523,049
-	-	-	-	-	37,193
-	-	-	-	-	40,974
-	-	-	-	-	632,668
-	-	-	-	-	18,427
-	-	-	-	-	1,239
-	-	-	-	-	450
1,750,000	-	-	-	-	1,764,556
-	-	-	-	-	5,087,206
2,167,835	419,295	2,711,547	-	1,974,281	-
-	(313,971)	-	-	(2,306,771)	-
-	-	-	-	-	-
-	-	-	-	-	-
(3,499,894)	(22,448)	-	-	-	-
201,272	16,397	31,161	91,853	31,403	1,121,399
-	-	(35,474)	(90,913)	(31,347)	110,240
126,387	-	-	-	-	(110,240)
-	-	-	-	-	(271,149)
745,600	99,273	2,707,234	940	(332,434)	25,191,913
\$5,960,545	\$545,844	\$3,409,956	\$2,743,826	\$1,981,496	\$58,120,905

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, 2008

	Revenue Fund	Operating Fund			Reserve for O&M
		Operating Account	Payroll Account	Operating Fund	
Total available cash and investments	\$212,832	\$12,905,945	\$3,297,241	\$1,416,233	\$5,044,317
Cash disbursements:					
Payroll	-	-	3,277,241	-	-
Fringe benefits	-	2,538,081	-	1,507,997	-
Employee deferred comp. and credit union	-	506,644	-	250,387	-
Operations and maintenance	-	4,023,478	-	-	-
Prepaid insurance	-	999,052	-	-	-
Miscellaneous disbursements	-	-	-	(465,545)	929
Watershed Management Fund	-	-	-	-	-
Capital improvements:					
Capital assets	-	288,231	-	-	-
New five-year construction project	-	3,513,954	-	-	-
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	-	11,869,440	3,277,241	1,292,839	929
Cash and investments - June 30, 2008	\$212,832	\$1,036,505	\$20,000	\$123,394	\$5,043,388
Summary of cash and investments:					
Cash	\$212,832	\$1,036,505	\$20,000	\$-	\$-
Short-term investments	-	-	-	123,394	3,487,718
Long-term investments	-	-	-	-	1,555,670
Restricted investments (current)	-	-	-	-	-
Total cash and investments	\$212,832	\$1,036,505	\$20,000	\$123,394	\$5,043,388

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, 2008

<u>Self-Insurance</u> <u>Reserve</u>	<u>Depreciation</u> <u>Reserve</u>	<u>Pumping</u> <u>Reserve</u>	<u>Capital</u> <u>Improvements</u> <u>Investments II</u>	<u>Watershed</u> <u>Management</u> <u>Fund</u>	<u>Source Water</u> <u>Protection</u> <u>Fund</u>	<u>Subtotal</u>
\$771,840	\$3,562,164	\$529,892	\$6,111,685	\$4,771	\$6,865,269	\$40,722,189
-	-	-	-	-	-	3,277,241
-	-	-	-	-	-	4,046,078
-	-	-	-	-	-	757,031
-	-	-	-	-	-	4,023,478
-	-	-	-	-	-	999,052
-	-	-	-	-	-	(464,616)
-	-	-	-	-	-	-
-	-	-	-	-	4,467,128	4,755,359
-	-	-	-	-	-	3,513,954
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	4,467,128	20,907,577
\$771,840	\$3,562,164	\$529,892	\$6,111,685	\$4,771	\$2,398,141	\$19,814,612
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,269,337
262	3,353,322	529,892	6,111,685	4,771	2,398,141	16,009,185
771,578	208,842	-	-	-	-	2,536,090
-	-	-	-	-	-	-
\$771,840	\$3,562,164	\$529,892	\$6,111,685	\$4,771	\$2,398,141	\$19,814,612

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, 2008

	Subtotal	Parity SWP Bond Fund	Subordinated SWP Bond Fund	No Name Dam Fund	Major Rehabilitation	Water Reuse & Recycling Fund
Total available cash and investments	\$40,722,189	\$658,378	\$355,479	\$0	\$1,508,942	\$234,250
Cash disbursements:						
Payroll	3,277,241	-	-	-	-	-
Fringe benefits	4,046,078	-	-	-	-	-
Employee deferred comp. and credit union	757,031	-	-	-	-	-
Operations and maintenance	4,023,478	-	-	-	-	-
Prepaid insurance	999,052	-	-	-	-	-
Miscellaneous disbursements	(464,616)	-	-	-	-	-
Watershed Management Fund	-	-	-	-	-	-
Capital improvements:						
Capital assets	4,755,359	-	-	-	-	-
New five-year construction project	3,513,954	-	-	-	-	-
Principal on 1981 bonds	-	-	-	-	-	-
Interest on 1981 bonds	-	-	-	-	-	-
Principal on 1998 revenue bonds	-	-	-	-	-	-
Interest on 1998 revenue bonds	-	-	-	-	-	-
Principal on NJEIT revenue bonds	-	284,513	79,204	-	-	-
Interest on NJEIT revenue bonds	-	64,004	43,006	-	-	-
Total cash disbursements	20,907,577	348,517	122,210	-	-	-
Cash & investments - June 30, 2008	\$19,814,612	\$309,861	\$233,269	\$0	\$1,508,942	\$234,250
Summary of cash and investments:						
Cash	\$1,269,377	\$ -	\$ -	\$ -	\$ -	\$ -
Short-term investments	16,009,185	309,861	233,269	0	1,508,942	234,250
Long-term investments	2,536,090	-	-	-	-	-
Restricted investments (current)	-	-	-	-	-	-
Total cash and investments	\$19,814,612	\$309,861	\$233,269	\$0	\$1,508,942	\$234,250

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, 2008

Capital Improvement Funds	Employment Benefit Funds	1998 Bonds Debt Service Account	1998 Bonds Debt Service Reserve	Rate Stabilization Fund	Totals
\$5,960,545	\$545,844	\$3,409,956	\$2,743,826	\$1,981,496	\$58,120,905
-	-	-	-	-	3,277,241
-	-	-	-	-	4,046,078
-	-	-	-	-	757,031
-	-	-	-	-	4,023,478
-	-	-	-	-	999,052
-	33,731	-	-	-	(430,885)
-	-	-	-	-	-
-	-	-	-	-	4,755,359
-	-	-	-	-	3,513,954
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,925,000	-	-	1,925,000
-	-	786,294	-	-	786,294
-	-	-	-	-	363,717
-	-	-	-	-	107,010
-	33,731	2,711,294	-	-	24,123,329
\$5,960,545	\$512,113	\$698,662	\$2,743,826	\$1,981,496	\$33,997,576
\$ -	\$3,598	\$ -	\$ -	\$ -	\$1,272,935
5,960,545	508,515	-	-	-	24,764,567
-	-	-	-	-	2,536,090
-	-	698,662	2,743,826	1,981,496	5,423,984
\$5,960,545	\$512,113	\$698,662	\$2,743,826	\$1,981,496	\$33,997,576

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, 2008

	Revenue Fund	Operating Fund			Reserve for O&M
		Operating Account	Payroll Account	Operating Fund	
Cash and investments - July 1, 2007	\$3	\$34,795	\$20,000	\$323,392	\$667,939
Cash receipts:					
Water sales operations and maintenance	2,342,408	-	-	-	-
Water sales debt service	4,488,240	-	-	-	-
Source water protection	116,727	-	-	-	-
Water sales overdrafts	3,748	-	-	-	609
NJ-American pumping costs	108,535	-	-	-	234,439
Headquarters overhead	-	-	-	-	-
Reimbursement of WTP capital expenses	-	-	-	-	-
Disposition of assets	-	-	-	-	2,790
Sale of investment securities	-	-	-	-	-
Miscellaneous reimbursement	178	-	-	-	5,104
Transfers:					
Contributions from operating fund	-	3,212,547	925,143	(9,318,533)	67,791
Contributions to operating fund	-	-	-	1,907,059	(525,609)
Transfers for operations	(6,690,490)	-	-	6,690,490	-
Distribution from reserves to operations	-	132,269	-	-	-
Investment income	-	-	-	9,876	23,474
Per resolution, Section 603:					
Investment income, transfer from	72,051	-	-	(10,219)	(23,864)
Investment income, transfer to	(72,051)	-	-	40,315	21,869
Unrealized (loss) gain on fair value	-	-	-	-	(41,926)
Total cash receipts	369,346	3,344,816	925,143	(681,012)	(235,323)
Total cash and investments	\$369,349	\$3,379,611	\$945,143	(\$357,620)	\$432,616

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, 2008

Self- Insurance Reserve	Renewal & Replacement Account	Water Reuse & Recycling	Source Water Protection	Alternate Energy Source	Depreciation Reserve	Pumping Reserve	Sediment Reserve	Subtotal
\$227,221	\$2,855,831	\$28,464	\$777,590	\$-	\$514,401	\$92,644	\$55,829	\$5,598,109
-	-	-	-	-	-	-	-	2,342,408
-	-	-	-	-	-	-	-	4,488,240
-	-	-	-	-	-	-	-	116,727
-	-	-	-	-	-	-	-	4,357
-	-	-	-	-	-	-	-	342,974
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	2,790
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	5,282
37,500	144,600	-	114,599	37,500	2,790	56,250	-	(4,719,813)
-	-	-	(63,904)	(25,173)	-	-	-	1,292,373
-	-	-	-	-	-	-	-	-
-	(45,929)	-	-	-	(2,510)	-	-	83,830
7,605	101,880	981	27,493	376	17,581	3,666	1,902	194,834
(7,590)	-	-	-	-	(2,676)	(3,640)	(1,911)	22,151
-	-	-	-	-	2,676	-	-	(7,191)
(20,953)	-	-	-	-	(8,196)	(4,088)	-	(75,163)
16,562	200,551	981	78,188	12,703	9,665	52,188	(9)	4,093,799
\$243,783	\$3,056,382	\$29,445	\$855,778	\$12,703	\$524,066	\$144,832	\$55,820	\$9,691,908

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, 2008

	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, 2007	\$5,598,109	\$304,656	\$5,617	\$9,717	\$100,827	\$256,176	\$879,268
Cash receipts:							
Water sales operations and maintenance	2,342,408	-	-	-	-	-	-
Water sales debt service	4,488,240	-	-	-	-	-	-
Source water protection	116,727	-	-	-	-	-	-
Water sales overdrafts	4,357	-	-	-	-	-	-
NJ-American pumping costs	342,974	-	-	-	-	-	-
Headquarters overhead	-	-	2,352,407	-	-	-	-
Reimbursement of WTP capital expenses	-	-	-	-	-	-	-
Disposition of assets	2,790	-	1,500	-	-	-	-
Sale of investment securities	-	-	-	-	-	-	-
Miscellaneous reimbursement	5,282	3,635	20,405	-	-	-	-
Transfers:							
Contributions from operating fund	(4,719,813)	1,103,000	(1,101,724)	-	-	-	-
Contributions to operating fund	1,292,373	-	(1,157,154)	-	-	-	(135,219)
Transfers for operations	-	-	-	-	-	-	-
Distribution from reserves to operations	83,830	-	(621)	-	-	-	-
Investment income	194,834	978	1,815	329	3,411	8,666	29,141
Per resolution, Section 603:							
Investment income, transfer from	22,151	-	-	(462)	(4,793)	(12,176)	-
Investment income, transfer to	(7,191)	-	17,431	-	-	-	-
Unrealized (loss) gain on fair value	(75,163)	-	-	-	-	-	-
Total cash receipts	<u>4,093,799</u>	<u>1,107,613</u>	<u>134,059</u>	<u>(133)</u>	<u>(1,382)</u>	<u>(3,510)</u>	<u>(106,078)</u>
Total cash and investments	<u>\$9,691,908</u>	<u>\$1,412,269</u>	<u>\$139,676</u>	<u>\$9,584</u>	<u>\$99,445</u>	<u>\$252,666</u>	<u>\$773,190</u>

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

Year Ended June 30, 2008

2005 Debt Service Account	2005 Debt Service Reserve	Debt Service Account	Debt Service Reserve	Rebate Fund	General Reserve Fund	Employment Benefit Funds	Totals
\$3,008,198	\$3,600,489	\$35,222	\$832	\$142,380	\$315,039	\$141,692	\$14,398,222
-	-	-	-	-	-	-	2,342,408
-	-	-	-	-	-	-	4,488,240
-	-	-	-	-	-	-	116,727
-	-	-	-	-	-	-	4,357
-	-	-	-	-	-	-	342,974
-	-	-	-	-	-	-	2,352,407
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	4,290
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	29,322
4,358,089	(135,000)	4,291	1,106	-	391,114	98,937	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	(83,209)	-
80,287	161,297	1,083	33	4,904	14,749	5,220	506,747
-	-	-	-	-	(14,960)	-	(10,240)
-	-	-	-	-	-	-	10,240
-	-	-	-	-	-	-	(75,163)
4,438,376	26,297	5,374	1,139	4,904	390,903	20,948	10,112,309
\$7,446,574	\$3,626,786	\$40,596	\$1,971	\$147,284	\$705,942	\$162,640	\$24,510,531

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, 2008

	Revenue Fund	Operating Fund			Reserve for O&M
		Operating Account	Payroll Account	Operating Fund	
Total available cash and investments	\$369,349	\$3,379,611	\$945,143	(\$357,620)	\$432,616
Cash disbursements:					
Payroll	-	-	925,143	-	-
Fringe benefits	-	1,868,194	-	(1,507,997)	-
Employee deferred comp. and credit union	-	143,404	-	171,436	-
Operations and maintenance	-	910,485	-	389,205	-
NJ-American pumping costs	-	205,985	-	-	-
Prepaid insurance	-	191,254	-	-	-
Headquarters overhead	-	-	-	548,000	-
Capital assets reservoir	-	7,672	-	-	-
Capital improvement program (reservoir)	-	45,929	-	-	-
Purchase of Investments securities	-	-	-	-	-
Principal on bonds	-	-	-	-	-
Interest on bonds	-	-	-	-	-
Total cash disbursements	-	3,372,923	925,143	(399,356)	-
Cash and investments - June 30, 2008	\$369,349	\$6,688	\$20,000	\$41,736	\$432,616

Summary of cash and investments:

Cash (Manasquan)	\$369,349	\$6,688	\$20,000	\$ -	\$ -
Cash (Water Treatment Plant/TS)	-	-	-	-	-
Short-term investments	-	-	-	41,736	40,482
Short-term investments (WTP/TS)	-	-	-	-	-
Long-term investments	-	-	-	-	392,134
Restricted investments (current)	-	-	-	-	-
Restricted investments (long-term)	-	-	-	-	-
Total cash and investments	\$369,349	\$6,688	\$20,000	\$41,736	\$432,616

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, 2008

Self- Insurance Reserve	Renewal and Replacement Account	Water Reuse & Recycling	Source Water Protection	Alternate Energy Source	Depreciation Reserve	Pumping Reserve	Sediment Reserve	Subtotal
\$243,783	\$3,056,382	\$29,445	\$855,778	\$12,703	\$524,066	\$144,832	\$55,820	\$9,691,908
-	-	-	-	-	-	-	-	925,143
-	-	-	-	-	-	-	-	360,197
-	-	-	-	-	-	-	-	314,840
-	-	-	-	-	-	-	-	1,299,690
-	-	-	-	-	-	-	-	205,985
-	-	-	-	-	-	-	-	191,254
-	-	-	-	-	-	-	-	548,000
-	-	-	-	-	-	-	-	7,672
-	-	-	-	-	-	-	-	45,929
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	3,898,710
\$243,783	\$3,056,382	\$29,445	\$855,778	\$12,703	\$524,066	\$144,832	\$55,820	\$5,793,198
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$396,037
-	-	-	-	-	-	-	-	-
47,803	3,056,382	29,445	855,778	12,703	447,413	106,592	55,820	4,694,154
-	-	-	-	-	-	-	-	-
195,980	-	-	-	-	76,653	38,240	-	703,007
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
\$243,783	\$3,056,382	\$29,445	\$855,778	\$12,703	\$524,066	\$144,832	\$55,820	\$5,793,198

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, 2008

	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	\$9,691,908	\$1,412,269	\$139,676	\$9,584	\$99,445	\$252,666	\$773,190
Cash disbursements:							
Payroll	925,143	-	-	-	-	-	-
Fringe benefits	360,197	-	-	-	-	-	-
Employee deferred comp. and credit union	314,840	-	-	-	-	-	-
Operations and maintenance	1,299,690	1,251,280	-	-	-	-	-
NJ-American pumping costs	205,985	-	-	-	-	-	-
Prepaid insurance	191,254	-	-	-	-	-	-
Headquarters overhead	548,000	-	84,668	-	-	-	-
Capital assets reservoir	7,672	-	-	-	-	-	-
Capital improvement program (reservoir)	45,929	-	-	-	-	-	-
Purchase of Investments securities	-	-	-	-	-	-	-
Principal on bonds	-	-	-	-	-	-	-
Interest on bonds	-	-	-	-	-	-	-
Total cash disbursements	3,898,710	1,251,280	84,668	-	-	-	-
Cash and investments - June 30, 2008	\$5,793,198	\$160,989	\$55,008	\$9,584	\$99,445	\$252,666	\$773,190
Summary of cash and investments:							
Cash (Manasquan)	\$396,037	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash (Water Treatment Plant/TS)	-	160,989	-	-	-	-	-
Short-term investments	4,694,154	-	-	-	-	-	-
Short-term investments (WTP/TS)	-	-	55,008	9,584	99,445	252,666	773,190
Long-term investments	703,007	-	-	-	-	-	-
Restricted investments (current)	-	-	-	-	-	-	-
Restricted investments (long-term)	-	-	-	-	-	-	-
Total cash and investments	\$5,793,198	\$160,989	\$55,008	\$9,584	\$99,445	\$252,666	\$773,190

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, 2008

2005 Debt Service Account	2005 Debt Service Reserve	Debt Service Account	Debt Service Reserve	Rebate Fund	General Reserve Fund	Employment Benefit Funds	Totals
\$7,446,574	\$3,626,786	\$40,596	\$1,971	\$147,284	\$705,942	\$162,640	\$24,510,531
-	-	-	-	-	-	-	925,143
-	-	-	-	-	-	-	360,197
-	-	-	-	-	-	-	314,840
-	-	-	-	-	-	-	2,550,970
-	-	-	-	-	-	-	205,985
-	-	-	-	-	-	-	191,254
-	-	-	-	-	-	-	632,668
-	-	-	-	-	-	-	7,672
-	-	-	-	-	-	-	45,929
-	-	-	-	-	-	-	-
2,135,000	-	1,796	-	-	-	-	2,136,796
2,038,298	-	5,785	-	-	-	-	2,044,083
4,173,298	-	7,581	-	-	-	-	9,415,537
\$3,273,276	\$3,626,786	\$33,015	\$1,971	\$147,284	\$705,942	\$162,640	\$15,094,994
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$396,037
-	-	-	-	-	-	-	160,989
-	-	-	-	-	705,942	162,640	5,562,736
-	-	-	-	-	-	-	1,189,893
-	-	-	-	-	-	-	703,007
3,273,276	3,626,786	33,015	1,971	147,284	-	-	7,082,332
-	-	-	-	-	-	-	-
\$3,273,276	\$3,626,786	\$33,015	\$1,971	\$147,284	\$705,942	\$162,640	\$15,094,994

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Statistical Section

FINANCIAL TREND DATA

Summary of Financial Information	1999 - 2008
Summary of Raritan Basin System Water Use Contracts	1999 - 2008
Summary of Manasquan Water Supply System Water Use Contracts	1999 - 2008

DEBT CAPACITY DATA

Raritan Basin System Revenue Bond Coverage	1999 - 2008
Manasquan System Revenue Bond Coverage	2002 - 2008

REVENUE CAPACITY DATA

Raritan Basin System Water Charges	1991 - 2008
Manasquan Water Supply System Water Charges	1994 - 2008

OPERATING INFORMATION

Spruce Run Rain Gauge	1999 - 2008
West Windsor Rain Gauge	1999 - 2008
Spruce Run Reservoir Storage	1999 - 2008
Round Valley Reservoir Storage	1999 - 2008
Manasquan System Rainfall	1999 - 2008
Manasquan Reservoir Storage Data	1999 - 2008

New Jersey Water Supply Authority

SUMMARY OF FINANCIAL INFORMATION 1999 - 2008

	1999	2000	2001	2002	2003
REVENUE AND EXPENSES					
Water sales	\$18,237,398	\$17,963,202	\$18,248,873	\$19,912,921	\$19,564,798
Reimbursement of operating exp	\$1,316,804	\$1,414,821	\$1,339,167	\$1,419,068	\$1,463,670
Total operating revenues	19,554,202	19,378,023	19,588,040	21,331,989	21,028,468
Operating expense	14,480,879	15,632,775	15,523,478	16,450,755	17,339,427
Income from operations	5,073,323	3,745,248	4,064,562	4,881,234	3,689,041
Nonoperating revenues	1,629,293	4,709,579	2,826,090	1,687,459	907,349
Nonoperating expenses	4,096,607	4,787,230	4,779,364	4,981,693	4,534,643
Change in net assets	2,606,009	4,007,768	1,848,817	1,587,000	61,747
Net assets, beginning of year	84,327,998	86,934,007	90,941,775	92,790,592	94,377,592
Net assets, end of year	86,934,007	90,941,775	92,790,592	94,377,592	94,439,339
ASSETS					
Current assets	20,002,203	23,716,294	23,159,792	24,575,360	23,535,975
Noncurrent assets	202,985,659	199,107,133	197,300,073	193,044,591	191,875,994
Total assets	222,987,862	222,823,427	220,459,865	217,619,951	215,411,969
LIABILITIES					
Current liabilities	7,164,444	7,234,800	7,503,563	7,055,124	9,077,827
Noncurrent liabilities	128,889,411	124,646,852	120,165,710	116,187,235	111,894,803
Total liabilities	136,053,855	131,881,652	127,669,273	123,242,359	120,972,630
NET ASSETS					
Invested in capital assets, net of related debt	33,814,869	34,304,082	34,993,065	34,845,644	35,978,635
Restricted	-	-	10,158,116	10,804,128	11,721,789
Unrestricted	53,119,138	56,637,693	47,639,411	48,727,820	46,738,915
Total net assets	\$86,934,007	\$90,941,775	\$92,790,592	\$94,377,592	\$94,439,339

New Jersey Water Supply Authority

SUMMARY OF FINANCIAL INFORMATION 1999 - 2008

2004	2005	2006	2007	2008
\$20,258,371	\$22,037,389	\$23,249,130	\$22,508,685	\$23,466,842
\$1,578,686	\$1,723,723	\$1,844,055	\$2,100,466	\$2,377,166
21,837,057	23,761,112	25,093,185	24,609,151	25,844,008
17,905,912	18,461,671	18,911,050	21,299,226	20,849,880
3,931,145	5,299,441	6,182,135	3,309,925	4,994,128
584,425	3,020,168	2,456,177	3,947,914	4,841,828
4,715,508	5,151,673	5,460,653	3,692,672	4,562,451
(199,938)	3,167,936	3,177,659	3,565,167	5,273,505
94,439,339	94,239,401	97,407,337	100,584,996	104,150,163
94,239,401	97,407,337	100,584,996	104,150,163	109,423,668
27,718,480	29,835,264	37,416,567	37,981,903	40,411,128
183,664,331	181,818,542	176,312,628	177,020,383	177,459,476
211,382,811	211,653,806	213,729,195	215,002,286	217,870,604
9,066,943	9,878,233	10,231,778	9,613,559	8,881,283
108,076,467	104,368,236	102,912,421	101,238,564	99,565,653
117,143,410	114,246,469	113,144,199	110,852,123	108,446,936
36,025,900	37,445,316	36,451,123	38,594,390	43,790,111
11,089,206	12,045,911	11,900,344	12,388,041	12,082,047
47,124,295	47,916,110	52,233,529	53,167,732	53,551,510
\$94,239,401	\$97,407,337	\$100,584,996	\$104,150,163	\$109,423,668

New Jersey Water Supply Authority

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

<u>WATER USER</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
UNITED WATER LAMBERTVILLE, INC	0.200	0.200	0.200	0.200	0.200
MERCER COUNTY PARK COMMISSION	0.100	0.100	0.100	0.100	0.100
TRENTON COUNTRY CLUB	0.250	0.250	0.250	0.250	0.250
MERCER COUNTY PARK COMMISSION	0.135	0.135	0.135	0.135	0.135
PRINCETON UNIVERSITY	0.500	0.500	0.500	0.500	0.500
NORTH BRUNSWICK TOWNSHIP	8.000	8.000	8.000	8.000	8.000
SELODY SOD FARMS, INC.	0.100	0.100	0.100	0.100	0.100
NEW JERSEY AMERICAN WATER	102.000	102.000	104.000	104.000	104.000
EAST BRUNSWICK TOWNSHIP	8.000	8.000	8.000	8.000	8.000
NEW BRUNSWICK, CITY OF	10.500	10.500	10.500	10.500	10.500
MIDDLESEX WATER COMPANY	20.000	20.000	20.000	20.000	20.000
ROYCE BROOK GOLF CLUB	-	-	-	0.536	0.536
FLEMINGTON FILM PRODUCTS	0.012	0.012	0.012	0.012	0.012
DUKE FARMS	-	-	-	-	0.058
BOROUGH OF GLEN GARDNER	-	-	-	-	-
RIDGE AT BACK BROOK	-	-	-	-	-
ROXBURY WATER COMPANY	-	-	-	-	-
HUNTERDON COUNTY (HERON GLEN GOLF)	-	-	-	-	-
RARITAN VALLEY COUNTRY CLUB	-	-	-	-	-
EAST WINDSOR MUA	-	-	-	-	-
SOMERSET CTY (NESCHANIC VALLEY GOLF)	-	-	-	-	-
TRUMP NATIONAL GOLF CLUB	-	-	-	-	-
MORRIS COUNTY MUA	-	-	-	-	-
APPLIED WATER MGMT (MT. OLIVE TWP)	-	-	-	-	-
WASHINGTON TOWNSHIP MUA	-	-	-	-	-
ROXITICUS GOLF CLUB	-	-	-	-	-
SYSTEM TOTAL	149.797	149.797	151.797	152.333	152.391

New Jersey Water Supply Authority

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

2004	2005	2006	2007	2008
0.200	0.490	0.490	0.490	0.490
0.100	0.132	0.132	0.132	0.132
0.250	0.250	0.250	0.250	0.250
0.135	-	-	-	-
0.500	0.500	0.500	0.500	0.500
8.000	8.000	8.000	8.000	8.000
0.100	0.025	0.025	0.025	0.025
124.100	124.100	124.100	124.100	124.100
8.000	8.000	8.000	8.000	8.000
10.500	10.500	10.500	10.500	10.500
27.000	27.000	27.000	27.000	27.000
0.536	0.536	0.536	0.536	0.536
0.012	-	-	-	-
0.058	0.058	0.058	0.058	0.058
-	-	0.008	0.008	0.008
-	0.111	0.111	0.111	0.111
-	0.074	0.074	0.074	0.074
-	0.261	0.261	0.261	0.261
-	0.012	0.012	0.012	0.012
-	0.011	0.011	0.011	0.011
-	0.116	0.116	0.116	0.116
-	0.080	0.080	0.080	0.080
-	0.079	0.079	0.079	0.079
-	0.010	0.010	0.010	0.010
-	-	-	0.025	0.025
-	-	-	0.046	0.046
179.491	180.345	180.353	180.424	180.424

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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
WALL TOWNSHIP	2.300	2.300	2.300	2.300	2.300
BOROUGH OF AVON	0.142	0.142	0.142	0.142	0.142
SHORELANDS WATER COMPANY	1.900	1.900	1.900	1.900	1.900
NEW JERSEY-AMERICAN WATER CO.	8.065	8.065	9.065	11.000	11.000
BOROUGH OF RED BANK	0.778	0.778	0.778	0.778	0.778
BOROUGH OF SEA GIRT	0.075	0.075	0.075	0.075	0.075
BOROUGH OF SPRING LAKE	0.310	0.310	0.310	0.310	0.310
BOROUGH OF SPRING LAKE HEIGHTS	0.450	0.450	0.450	0.450	0.450
BOROUGH OF BELMAR	0.650	0.650	0.650	0.650	0.650
BOROUGH OF BRIELLE	0.400	0.400	0.400	0.400	0.400
ADELPHIA WATER COMPANY	-	-	-	-	-
BOROUGH OF KEYPORT	0.458	0.458	0.458	0.458	0.458
BOROUGH OF MATAWAN	0.469	0.469	0.469	0.469	0.469
BOROUGH OF LAKE COMO	0.100	0.100	0.100	0.100	0.100
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	16.097	16.097	17.097	19.032	19.032
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
WALL TOWNSHIP	2.300	2.275	2.275	2.275	2.275
BOROUGH OF AVON	0.142	0.142	0.142	0.142	0.142
SHORELANDS WATER COMPANY	1.900	1.900	1.900	1.927	1.928
NEW JERSEY-AMERICAN WATER CO.	11.000	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	0.450	0.425	0.425	0.425	0.425
BOROUGH OF BELMAR	0.650	0.650	0.650	0.650	0.650
BOROUGH OF BRIELLE	0.400	0.450	0.450	0.450	0.450
ADELPHIA WATER COMPANY	-	-	-	-	-
BOROUGH OF KEYPORT	0.458	0.458	0.458	0.458	0.458
BOROUGH OF MATAWAN	0.469	0.469	0.469	0.469	0.469
BOROUGH OF LAKE COMO	0.100	0.100	0.100	0.100	0.100
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	19.032	20.532	20.532	20.559	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
2008	\$18,213,509	\$11,627,200	\$6,586,309	\$2,711,294	2.43
2007	\$17,212,347	\$10,645,350	\$6,566,997	\$2,712,575	2.42
2006	\$17,058,438	\$9,672,400	\$7,386,038	\$2,716,950	2.72
2005	\$16,411,434	\$9,811,800	\$6,599,634	\$2,727,325	2.42
2004	\$15,097,578	\$9,328,400	\$5,769,178	\$2,728,966	2.11
2003	\$14,295,861	\$8,232,300	\$6,063,561	\$2,731,369	2.22
2002	\$13,978,577	\$7,638,000	\$6,340,577	\$2,735,506	2.32
2001	\$14,928,628	\$7,623,800	\$7,304,828	\$2,738,631	2.67
2000	\$14,467,229	\$7,187,900	\$7,279,329	\$2,745,394	2.65
1999	\$14,073,166	\$8,433,100	\$5,640,066	\$3,151,000	1.79

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

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

New Jersey Water Supply Authority

MANASQUAN RESERVOIR SYSTEM

SERIES 2005, MANASQUAN SYSTEM REVENUE BOND COVERAGE*

Fiscal Year	Gross Revenue	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Payments	Coverage
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

<u>EFFECTIVE DATE</u>	<u>7/1/91</u>	<u>7/1/92</u>	<u>7/1/93</u>	<u>7/1/94</u>	<u>7/1/95</u>	<u>7/1/96</u>	<u>7/1/97</u>	<u>7/1/98</u>	<u>7/1/99</u>
RATE PER MGD	\$201.33	\$214.86	\$220.47	\$229.50	\$220.78	\$211.16	\$211.16	\$211.16	\$205.00

<u>EFFECTIVE DATE</u>	<u>7/1/00</u>	<u>7/1/01</u>	<u>7/1/02</u>	<u>7/1/03</u>	<u>7/1/04</u>	<u>7/1/05</u>	<u>7/1/06</u>	<u>7/1/07</u>	<u>7/1/08</u>
RATE PER MGD	\$205.00	\$205.00	\$205.00	\$210.00	\$215.00	\$215.00	\$228.00	\$228.00	\$231.00

New Jersey Water Supply Authority

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

<u>EFFECTIVE DATE</u>	<u>2/01/94</u>	<u>7/01/94</u>	<u>7/01/95</u>	<u>7/01/96</u>	<u>7/01/97</u>	<u>7/01/98</u>	<u>7/01/99</u>	<u>7/1/00</u>
RATE PER MGD	\$1,096.75	\$1,114.98	\$1,105.47	\$1,065.15	\$938.92	\$832.92	\$695.31	\$728.81

<u>EFFECTIVE DATE</u>	<u>7/01/01</u>	<u>7/01/02</u>	<u>7/01/03</u>	<u>7/01/04</u>	<u>7/01/05</u>	<u>7/01/06</u>	<u>7/01/07</u>	<u>7/01/08</u>
RATE PER MGD	\$797.92	\$794.97	\$794.97	\$921.64	\$895.01	\$833.27	\$846.06	\$884.11
(Delayed Contracts)	\$1,035.50	\$1,047.96	\$1,065.45	\$1,186.00	\$1,164.26	\$1,074.02	\$1,081.96	\$1,079.80

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
2008	1.60	4.45	5.97	2.23	3.87	1.93	4.89	2.46	7.94	3.90	2.96	5.54	47.74
2007	3.28	1.03	2.99	9.59	1.57	3.73	6.67	4.56	0.98	7.56	2.84	4.83	49.63
2006	5.46	1.42	0.89	4.30	3.21	8.02	4.16	1.71	3.81	5.22	4.72	1.80	44.72
2005	3.80	2.50	3.70	4.90	1.10	1.50	2.00	2.40	0.30	13.30	4.27	3.11	42.88
2004	1.80	2.60	2.50	2.70	2.80	2.90	6.70	1.50	7.70	0.80	5.20	2.40	39.60
2003	2.10	3.90	4.20	1.80	4.20	6.30	4.80	3.50	7.10	5.00	3.40	5.80	52.10
2002	1.60	0.30	3.40	2.90	5.10	3.60	0.40	2.80	3.90	4.20	3.80	3.70	35.70
2001	2.70	2.20	4.40	1.10	3.70	5.80	3.60	3.50	4.30	0.50	0.80	1.90	34.50
2000	2.90	2.00	3.20	2.90	4.70	4.10	4.00	4.80	2.00	0.90	2.60	3.70	37.80
1999	6.00	2.90	4.20	2.60	1.80	0.50	0.20	3.60	10.60	3.70	2.70	2.00	40.80
TOTAL	31.24	23.30	35.45	35.02	32.05	38.38	37.42	30.83	48.63	45.08	33.29	34.78	425.47
AVERAGE	3.12	2.33	3.55	3.50	3.21	3.84	3.74	3.08	4.86	4.51	3.33	3.48	42.55
MAXIMUM	6.00	4.45	5.97	9.59	5.10	8.02	6.70	4.80	10.60	13.30	5.20	5.80	52.10
MINIMUM	1.60	0.30	0.89	1.10	1.10	0.50	0.20	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
2008	2.59	5.95	5.20	2.58	4.76	2.65	5.38	2.04	8.85	4.02	3.62	6.17	53.81
2007	3.24	2.02	4.24	11.56	2.60	4.64	4.17	3.84	1.50	5.58	2.45	5.84	51.68
2006	6.20	1.40	1.30	3.67	3.76	9.30	2.90	1.00	3.76	8.04	5.40	2.52	49.25
2005	4.20	2.80	3.70	4.80	1.80	3.80	4.70	1.80	2.40	11.40	3.50	3.50	48.40
2004	2.00	3.00	2.80	4.20	2.30	1.70	8.00	2.20	6.60	1.80	5.30	3.30	43.20
2003	2.50	5.20	3.60	3.00	4.70	6.80	2.80	3.70	5.90	4.00	4.70	6.10	53.00
2002	3.50	0.60	4.50	1.60	3.50	4.60	2.30	3.80	5.70	6.00	4.90	4.30	45.30
2001	3.20	2.10	6.30	1.70	2.70	3.50	3.00	2.40	2.30	0.50	0.80	2.20	30.70
2000	2.90	2.30	3.70	3.10	4.60	3.80	6.00	6.10	6.70	0.80	3.20	3.90	47.10
1999	7.60	3.50	4.20	2.20	3.30	0.60	1.00	6.80	11.00	3.60	2.00	3.70	49.50
TOTAL	37.93	28.87	39.54	38.41	34.02	41.39	40.25	33.68	54.71	45.74	35.87	41.53	471.94
AVERAGE	3.79	2.89	3.95	3.84	3.40	4.14	4.03	3.37	5.47	4.57	3.59	4.15	47.19
MAXIMUM	7.60	5.95	6.30	11.56	4.76	9.30	8.00	6.80	11.00	11.40	5.40	6.17	53.81
MINIMUM	2.00	0.60	1.30	1.60	1.80	0.60	1.00	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
2008	9.7	10.0	10.6	10.3	11.0	11.0	10.6	9.2	7.6	6.4	7.1	9.5
2007	11.1	11.0	10.1	11.0	11.0	11.0	10.6	10.0	9.6	7.2	7.2	7.9
2006	10.9	11.1	11.0	11.0	10.8	11.0	11.0	11.0	9.1	9.8	10.7	11.0
2005	11.1	11.1	11.0	11.1	11.1	10.9	10.3	9.7	8.2	8.1	9.2	10.9
2004	11.0	10.2	11.0	11.0	11.0	11.0	10.7	10.9	9.2	9.4	8.9	10.2
2003	8.2	9.0	9.8	11.0	11.0	11.1	11.0	10.9	10.8	10.9	11.0	11.0
2002	3.6	3.7	3.8	4.5	5.3	7.1	7.8	7.6	7.0	5.3	5.5	6.4
2001	10.4	10.3	11.0	11.0	11.0	11.0	11.0	10.1	8.7	7.0	4.8	3.7
2000	10.0	10.4	11.1	10.9	11.0	11.0	11.0	10.2	11.0	11.0	10.4	10.3
1999	3.7	5.5	6.4	8.2	9.4	9.9	8.1	7.4	6.6	8.2	8.7	9.3
AVERAGE	9.0	9.2	9.6	10.0	10.3	10.5	10.2	9.7	8.8	8.3	8.3	9.0
MAXIMUM	11.1	11.1	11.1	11.1	11.1	11.1	11.0	11.0	11.0	11.0	11.0	11.0
MINIMUM	3.6	3.7	3.8	4.5	5.3	7.1	7.8	7.4	6.6	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
2008	53.4	53.4	53.9	54.4	54.5	54.6	54.5	53.5	51.1	51.0	56.1	51.3
2007	53.1	53.2	53.1	53.5	54.3	54.3	54.4	54.5	54.2	53.5	53.2	53.1
2006	49.1	49.5	49.5	49.4	50.6	52.1	52.6	52.9	52.7	52.7	52.8	53.1
2005	55.0	55.0	55.0	55.2	55.0	54.9	54.5	54.3	51.2	48.9	49.1	49.1
2004	53.8	53.8	54.0	54.1	54.7	54.8	55.0	55.3	55.0	55.0	54.7	54.9
2003	45.1	45.1	45.4	46.4	50.3	52.1	52.5	52.7	52.8	53.1	53.2	53.4
2002	51.4	50.9	50.6	50.7	51.1	51.8	51.9	48.9	44.5	44.6	44.7	44.9
2001	54.4	54.5	54.7	55.0	55.0	55.2	55.1	54.9	55.0	54.9	54.4	52.7
2000	43.0	43.6	46.8	51.1	53.6	54.4	54.6	54.6	54.8	54.7	54.4	54.3
1999	49.4	49.6	49.8	50.0	50.1	50.2	49.8	44.7	42.3	43.1	43.1	43.0
AVERAGE	50.77	50.86	51.28	51.98	52.92	53.44	53.49	52.63	51.36	51.15	51.58	50.98
MAXIMUM	55.0	55.0	55.0	55.2	55.0	55.2	55.1	55.3	55.0	55.0	56.1	54.9
MINIMUM	43.0	43.6	45.4	46.4	50.1	50.2	49.8	44.7	42.3	43.1	43.1	43.0

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
2008	2.31	4.30	3.55	2.46	4.54	4.37	3.77	1.79	6.93	1.81	5.08	6.91
2007	3.37	2.17	4.12	9.60	1.39	5.91	5.69	2.96	0.38	4.20	2.01	5.91
2006	5.48	1.34	1.25	3.89	3.40	5.89	3.45	2.92	7.93	5.74	6.60	2.21
2005	3.07	2.19	4.06	4.14	2.71	4.13	4.44	1.71	1.99	15.60	3.77	3.97
2004	1.18	2.97	4.27	6.92	2.04	2.44	6.41	5.86	5.58	2.84	4.22	3.85
2003	2.63	3.27	3.38	3.40	4.36	7.33	3.49	4.22	4.57	3.90	4.21	4.58
2002	2.90	0.88	5.17	2.94	4.19	4.70	2.21	4.18	4.51	8.36	4.86	4.64
2001	3.60	2.54	9.00	1.81	1.57	5.65	4.49	4.61	2.51	1.23	0.68	2.14
2000	1.86	1.54	2.70	2.60	3.30	2.69	6.11	4.29	6.18	1.08	3.80	2.63
1999	7.03	2.22	2.97	2.07	1.70	1.47	1.05	4.28	4.86	2.98	1.73	2.52
TOTAL	33.43	23.42	40.47	39.83	29.20	44.58	41.11	36.82	45.44	47.74	36.96	39.36
AVERAGE	3.34	2.34	4.05	3.98	2.92	4.46	4.11	3.68	4.54	4.77	3.70	3.94
MAXIMUM	7.03	4.30	9.00	9.60	4.54	7.33	6.41	5.86	7.93	15.60	6.60	6.91
MINIMUM	1.18	0.88	1.25	1.81	1.39	1.47	1.05	1.71	0.38	1.08	0.68	2.14

NOTE: The Manasquan System started operations July 1, 1990

New Jersey Water Supply Authority

MANASQUAN RESERVOIR STORAGE DATA BILLION GALLONS

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2008	4.24	4.55	4.58	4.61	4.60	4.49	4.19	3.84	3.49	3.42	3.43	3.90
2007	4.57	4.45	4.55	4.61	4.44	4.19	4.12	4.04	3.81	3.43	3.26	3.49
2006	4.62	4.60	4.57	4.56	4.56	4.56	4.54	4.14	4.21	4.40	4.42	4.29
2005	4.55	4.46	4.57	4.66	4.62	4.55	4.52	4.24	3.71	3.63	4.17	4.29
2004	4.24	4.37	4.58	4.60	4.61	4.53	4.37	4.31	4.18	4.36	4.33	4.52
2003	4.58	4.55	4.64	4.64	4.59	4.60	4.38	4.24	4.17	4.13	4.12	4.37
2002	3.03	3.29	3.51	4.43	4.59	4.54	4.27	3.66	3.43	3.52	4.18	4.62
2001	4.31	4.57	4.64	4.64	4.52	4.55	4.51	4.21	3.83	3.52	3.16	3.00
2000	4.08	4.34	4.63	4.63	4.64	4.61	4.43	4.57	4.41	4.39	4.34	4.39
1999	4.16	4.50	4.54	4.56	4.53	4.33	3.85	3.30	3.41	3.67	3.73	3.90
AVERAGE	4.24	4.37	4.48	4.59	4.57	4.50	4.32	4.06	3.87	3.85	3.91	4.08
MAXIMUM	4.62	4.60	4.64	4.66	4.64	4.61	4.54	4.57	4.41	4.40	4.42	4.62
MINIMUM	3.03	3.29	3.51	4.43	4.44	4.19	3.85	3.30	3.41	3.42	3.16	3.00

MAXIMUM CAPACITY 4.7 BG

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New Jersey Water Supply Authority Water Supply Systems



- NJWSA Water Supply Systems
- 1 SR/RV Reservoirs (Raritan Basin System)
 - 2 Delaware & Raritan Canal (Raritan Basin System)
 - 3 Manasquan Water Supply System
 - 4 Lake Hopatcong Emergency Interconnection System





New Jersey Water Supply Authority
1851 Highway 31
P.O. Box 5196
Clinton, NJ 08809