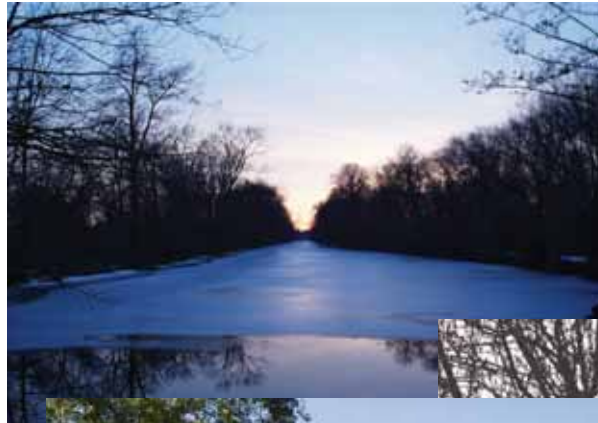


NEW JERSEY WATER SUPPLY AUTHORITY



2007 ANNUAL REPORT

AND THE

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE YEAR ENDED JUNE 30, 2007

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, 2006

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.



A handwritten signature in blue ink, appearing to read "Thomas J. Plann".

President

A handwritten signature in blue ink, appearing to read "Jeffrey R. Emer".

Executive Director

NEW JERSEY WATER SUPPLY AUTHORITY

2007 ANNUAL REPORT

AND THE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

A COMPONENT UNIT
OF THE STATE OF NEW JERSEY



FOR THE YEAR ENDED
JUNE 30, 2007

Prepared by:
Accounting and Administrative Staff

Henry S. Patterson III
Executive Director

2007 Annual Report

Governor
Jon S. Corzine



Authority Members

Lisa P. Jackson
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

Donald L. Correll

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

Robert J. Iacullo
Chair, Public Participation Committee

Staff

Henry S. Patterson III
Executive Director

Helene P. Chudzik, Esq.
Deputy Attorney General

2008 Monthly Meetings

The 2008 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 7, 2008

February 4, 2008

March 3, 2008

April 7, 2008

May 5, 2008

June 2, 2008 (Canal Office)

July 7, 2008 (Canal Office)

August 4, 2008 (Manasquan Office)

September 8, 2008

October 6, 2008

November 3, 2008

December 1, 2008

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

Cover

From top, clockwise: Winter view of D&R Canal; Bald Eagle at D&R Canal Towpath, Lambertville; Sunset at Spruce Run Reservoir; River-Friendly Native Grass Plantings at Spruce Run Reservoir; I/O Tower at Manasquan Reservoir; Center: Canal Spillway in Delaware Township.

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

 Printed on Recycled Paper

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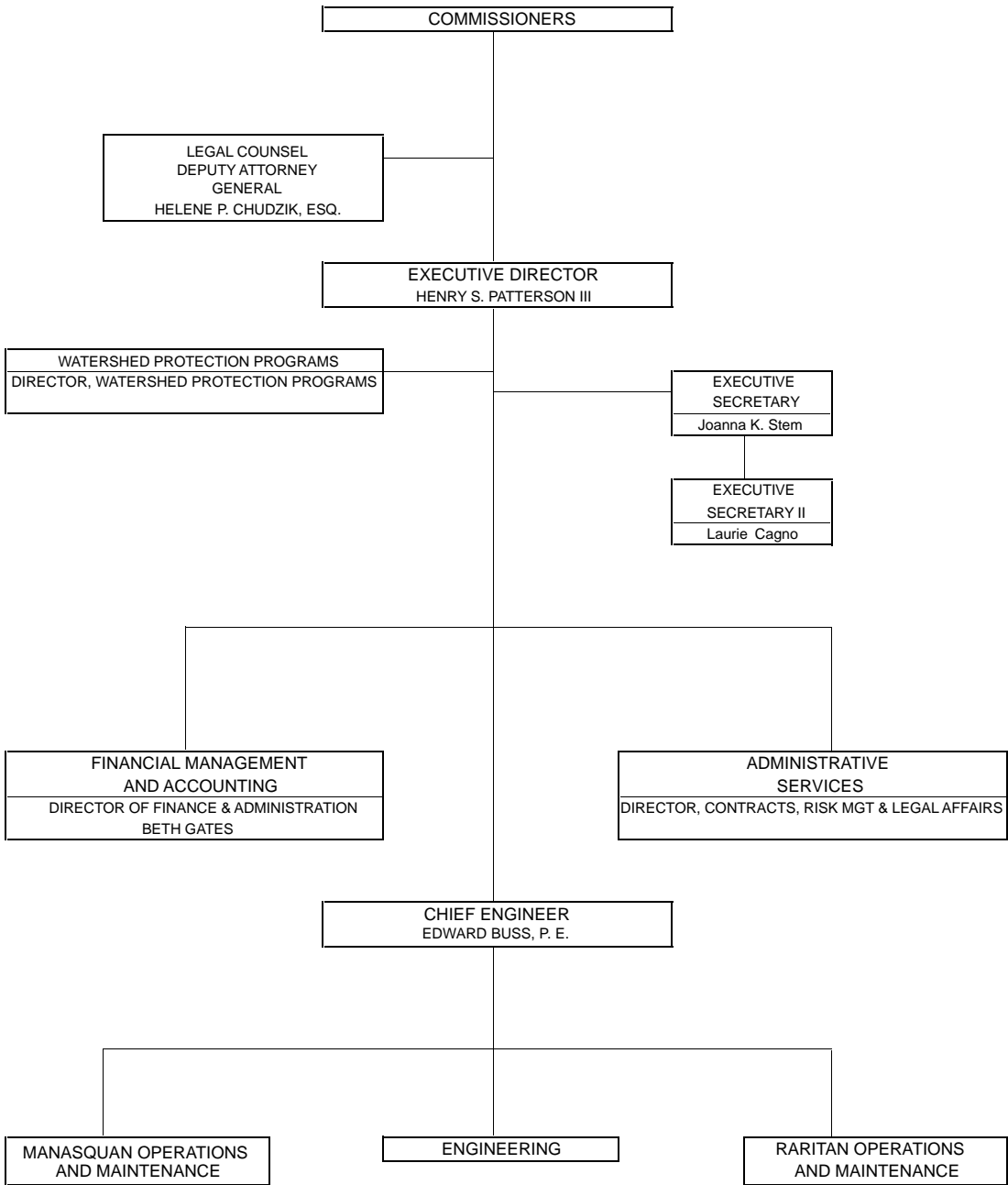
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NEW JERSEY WATER SUPPLY AUTHORITY
TABLE OF ORGANIZATION



Letter to Governor and Legislature



NEW JERSEY WATER SUPPLY AUTHORITY

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

February 2008

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

I am pleased to submit the 26th 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 FY2007.

Operations and maintenance activities at all Authority facilities have been typical with the exception of April flooding in the Raritan Basin. Timely rainfall has maintained sufficient storage in the reservoirs for the dry period in September and early October.

A Nor'easter on April 15th and 16th caused widespread flooding in central New Jersey. One of the hardest hit areas was along the Millstone and Raritan Rivers in Somerset and Middlesex counties. Damage to the Delaware and Raritan Canal in this area was not as extensive as recent flooding events in the Delaware Basin. Authority crews repaired the damage with no interruption of the Canal water supply. A Federal Major Disaster declaration was issued for several counties in the State including Somerset and Middlesex counties, making much of the Canal repairs eligible for emergency funding through FEMA.

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 almost 2,500 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.

In 2007, the Authority received the "Award for Engineering Excellence" for the Hoffman Park Stream Restoration Project from the American Council of Engineering Companies of New Jersey. In addition, the South Branch Watershed Association presented the Authority with their 2007 "Environmental Achievement Award." The Authority was presented with the "Certificate of Achievement for Excellence in Financial Reporting Award" from the Government Finance Officers Association for FY2006, our 15th consecutive award.

Sincerely,

Lisa P. Jackson
Chair New Jersey Water Supply Authority, and
Commissioner New Jersey Department of
Environmental Protection

Operations

April Flood

A coastal storm center passed the State of New Jersey resulting in severe weather conditions. The incident period was April 14-20, 2007. Damage caused by the flooding of the Millstone River was widespread along the Canal from the area between Port Mercer Gates and the New Brunswick Spillway. Damages to the Canal included accumulated sediments and debris, pathway erosion, felled trees and washouts.

A Federal Major Disaster declaration was originated for Mercer, Middlesex and Somerset counties allowing affected parties to apply for funding through the Federal Emergency Management Agency (FEMA). The Authority has applied to FEMA for reimbursement of expenses associated with flood damages and is optimistic that the application will be approved.

Authority maintenance crews repaired the majority of the damage to the Canal embankment during May and June.

Pipeline Management

The Raritan System includes two pipelines, a force main and a release pipeline. The force main is comprised of 17,000 feet of 108-inch diameter pre-stressed concrete cylinder pipe that begins at the South Branch Pumping Station and extends to the Round Valley Reservoir. Ongoing inspections and non-destructive testing is being used to assess the condition of the pipeline.

A third round of nondestructive sonic/ultrasonic testing on the 1,062 pipe sections was conducted June 11 through June 21, 2007.

Test results of the sonic/ultrasonic methods show the Force Main to be aging non-uniformly witnessed by an increase in the number of anomalies for certain pipe. Based on the sonic/ultrasonic testing, a few

pipes are of concern since their conditions appears to have worsened. No sections of pipe were identified as being in a state of incipient failure that warrants immediate replacement. Several pipe sections were recommended for additional investigation and monitoring because of the continuing deterioration.

A program will be developed to prioritize these pipe sections and implement the recommended actions.

Dam Inspections

In accordance with the State Dam Safety Regulations, the 2007 Formal Dam Inspection at the Spruce Run and Round Valley Reservoirs was conducted on June 27, 2007. The Engineering staff conducted the annual dam inspection at the Manasquan Reservoir on May 22, 2007. 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.

Raritan Basin Water Supply System Safe Yield Evaluation and Operation Model

Staff at the Authority's Watershed Protection Programs Unit developed a Safe Yield Model to analyze the availability of water supplies in the Basin during a repeat of the drought of record. The RiverWare® Model indicates that the safe yield from the Raritan Basin is 241mgd. The increase in safe yield of 16mgd is attributed to differences in stream flow estimation techniques, increases in return flows and the approach to simulating precipitation and evaporation.

The NJDEP has approved the model and the revised safe yield.

A similar modeling effort for the Manasquan Reservoir System is ongoing; the model will help assist the impacts of various flow conditions, pumping operations and drought conditions on safe yield for the System.

Manasquan Water Treatment Plant Operations

The Manasquan Water Treatment Plant (MWTP) utilizes three clarification/filtration package units for particulate removal in the treatment process. In 2007, the Authority received approval from the NJDEP for a permanent change in the primary coagulant from aluminum sulfate (ALUM) to polyaluminum chloride (PACL) following a one-year test operation to observe the impacts of different water quality conditions on the operations of the clarifier/filter units.

Ozone System at the Manasquan Water Treatment Plant

The Manasquan Water Treatment Plant treats raw water from the Manasquan River and the Manasquan Reservoir. Each raw water source can contain significant levels of naturally occurring organic compounds and color as well as iron and manganese. As an initial part of the treatment process, ozone is dissolved into the raw water to prevent the potential occurrence of forming taste and odor compounds while reducing the iron and manganese to particulate formations. Ozone usage has additional benefits such that its dilution into the raw water effectively acts as a disinfectant to kill off bacteria, viruses, and protozoan while its by-product compounds reduce the potential to form harmful chlorinated by-products.

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 future water quality regulations.

A consultant was retained to evaluate the system and make appropriate recommendations to achieve the necessary results.

Watershed Protection Programs Unit

In 1999, the Authority formed its Watershed Protection Programs Unit, which works to preserve and improve water supply resources for the Raritan and Manasquan River Basins, and the Delaware & Raritan Canal and its tributary watersheds.

During Fiscal Year 2007, the Authority continued work on a variety of watershed protection and restoration projects, and provided input to several critical state policy efforts.

The Authority continued work under the USEPA Targeted Watershed Grant, which will be completed and submitted to the USEPA by the end of 2007. Monitoring and maintenance of the three stream restoration projects (Old Farm Road riparian buffer, Crystal Springs stream restoration and Hoffman Park stream restoration) were performed by Watershed Protection Unit and Grounds Maintenance Staff. Significant plantings were installed at Crystal Springs and Hoffman Park, and adaptive management was performed at Hoffman Park.

The Authority's pollution prevention programs continue to grow. The River-Friendly Resident program was launched during 2007; 17 residents joined the program and two were certified. Quail Brook Golf Course was the first River-Friendly golf course certified by the Authority. Several additional farms joined the River-Friendly Farm program; three were certified during 2007. The Authority formed a new partner-

ship with the Local Transportation Assistance Program, and co-sponsored a winter roads maintenance workshop. The public is also educated through a Web-based newsletter, the *Basin Bulletin*.

The Authority is also working with more than 20 municipalities to improve master plans and local regulatory ordinances to protect, preserve and enhance watershed resources through the Targeted Watershed grant, the Raritan Highlands 604(b) grant and our Section 319(h) Nonpoint Source Grants. The staff continued to assist municipalities with implementation of the municipal assessment report recommendations.

Other efforts in the Spruce Run Reservoir Watersheds were linked to the Spruce Run Initiative and efforts by other organizations. One effort is the Mulhockaway Creek Watershed Restoration and Stormwater Management Project, and another is the development of recommendations for implementation of NJDEP Fecal Coliform TMDL for the Spruce Run and Rocky Run based on source track down monitoring, remote sensing analysis, and field investigations.

The Authority also participated in the project committees for several watershed protection efforts led by various organizations. These efforts are funded by several different grant programs, including Section 319(h) Nonpoint Source grants from NJDEP, the Association of New Jersey Environmental Commissions, the Natural Resources Conservation Service and USEPA.

The Authority's critical areas preservation program successfully preserved more properties this year, in partnership with State, county, municipal and non-profit partners. This program is funded by the Source Water Protection component of the Authority's rate. This dedicated rate, paid for by our customers, allows the Authority to finance these acquisitions through the

Environmental Infrastructure Financing Program at very favorable interest rates.

The Authority's source water protection efforts for the Delaware & Raritan Canal continued in 2007. NJDEP committed \$1.8 million in State and Federal funds toward implementation of the Delaware & Raritan Canal Nonpoint Source Management Plan, which addressed sediment and turbidity levels in the final 11 miles of the Canal. The Authority is working with its partners, the Township of Franklin and Borough of South Bound Brook (Somerset County), and others to begin implementation of stormwater retrofit projects for the top 15 priority infalls with that funding. The Authority continued work on the watershed-based stormwater management plan for the Cedar Grove Brook, the last major tributary to the Canal upstream of the last Canal users' intakes. The Authority completed water quality and flow monitoring, and continued the development 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.

The Authority continues its efforts to help protect the Manasquan Reservoir water supply, through its Manasquan Source Water Protection Fund. This work builds on the Authority's long association with the Manasquan River Watershed Association and its predecessor, and the Manasquan Watershed Management Group. Recently, source water coloration has necessitated increased treatment at the Manasquan Water Supply System, increasing chemical applications and the associated residual solids for color removal. The Authority initiated both chemical analyses and land disturbance assessments to determine the origin of the coloration. Turbidity monitoring was conducted to further isolate sources of total

phosphorus and total suspended solids based on temporal and spatial comparisons. In addition, the Authority, in association with a contractor, continued a detailed analysis of non-point source loadings and sources. The report will be completed in FY2008.

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 FY2007 the Authority committed to \$2,367,165 to purchase and preserve 279 acres within the Raritan Basin. To date, almost 2,500 acres are either closed or authorized to be preserved.

The Authority worked with the Delaware River Basin Flood Mitigation Task Force to develop stormwater recommendations for the Flood Mitigation Plan. The Authority also worked closely with NJDEP on the development of the Safe Yield Guidance Manual and provided comments on the Water Quality Management Planning Rules. The Authority also worked with NJDEP-Land use regulation and the NJ American Water Resources Association Stream Restoration Committee to develop section of the technical manual associated with the new Flood Hazard Area rules.

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. In 2007, the Raritan Basin System Safe Yield was increased by 16mgd to 241mgd total based on the results of the operations model

developed by the Authority. Work continues on the operations model for the Manasquan Reservoir System. These models are and will be used in support of future water allocation permit applications and System operations.

During 2007, 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 2007, the Authority undertook several steps to implement cost savings measures. The Authority reviewed staffing levels and determined to unfund two positions within operations and maintenance, which have been vacant for some time. This resulted in an annual savings to ratepayers of \$127,000. In addition, the Authority sought quotes for its Employee Assistance Program, and although a relatively small line item, the savings of \$1,000 represents 30 percent of the cost of the program. Insurance Broker Services were bid for a three-year period and the first year of the program in 2007 generated a \$6,000 savings. Several outdated subscriptions were cancelled for a savings of \$1,700. Finally a thorough review of the capital equipment budget for the year forestalled the purchase of dredging equipment for a savings of \$400,000.

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Letter of Transmittal - Chief Financial Officer



NEW JERSEY WATER SUPPLY AUTHORITY

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www.njwsa.org FAX • (908) 638-5241

September 17, 2007

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, 2007 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 107 employees of the Raritan Basin System and 26 employees of the Manasquan Reservoir System.

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

Accounting System and Budgetary Control

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

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

The Authority's By-laws also set out standards for procurement, which have been codified in policies and procedures. The standards include a threshold, after which the Board of Directors must approve all transactions. The Authority is in compliance with Executive Order No. 37 (2006) with respect to procurement, and has amended its procedures to ensure 100%

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, 2007 were \$215,002,286, an increase of less than one percent over the previous year's total of \$213,729,195. The Capital Assets, net of accumulated depreciation decreased \$1,015,691, less than one percent, from \$145,274,697 to \$144,259,006.

The total of cash, cash equivalents and investments for the Authority increased \$2,137,148, or five percent, from \$45,190,066 to \$47,327,214. The increase in cash is mainly attributable to the receipt of \$1,072,162 from FEMA for reimbursement of O & M expenses due to a flood event.

Current liabilities decreased \$618,219, or six percent, from \$10,231,778 to \$9,613,559. The decrease is primarily due to the 1981 Bond Fund loan last payment on November 1, 2006. Total Net Assets of the Authority increased \$3,565,167, or three percent, from \$100,584,996 to \$104,150,163.

Total Operating Revenues decreased by \$484,034 or two percent, from \$25,093,185 to \$24,609,151 due to a decrease in overdraft water billing in both Systems. Total Operating Expenses increased \$2,388,176, or thirteen percent, from \$18,911,050 to \$21,299,226 due to increases in salary and fringe benefits, and O & M expenses.

Nonoperating revenues increased \$1,491,737 or 61 percent, from \$2,456,177 to \$3,947,914 due to the FEMA reimbursement of \$1,072,162. Nonoperating expenses decreased \$1,767,981, or 32 percent, from \$5,460,653 to \$3,692,672 due to a decrease in the reduction in costs to be recovered from future revenues. Contained in the following paragraphs is an explanation of changes in revenue and expense for each System.

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, 2008.

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 2007 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

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, 2006. This was the 15th 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.

Acknowledgements

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 2007, the Authority supplied water to 25 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 179.932 to 179.978 million gallons per day for fiscal year 2008, and the total sales base for the Manasquan Reservoir System was increased from 20.559 to 20.560 million gallons per day. Roxiticus Golf Club for .046mgd became an additional water user within the Raritan Basin System. Shorelands Water Company adjusted their delayed water user contract from .027mgd to .028mgd within the Manasquan System. We are expecting our major water customers in both Systems to continue to increase their contractual water allocations in the future. Payments for uninterruptible service are based upon the mgd amount specified in each water user contract, and are payable to the Authority whether or not the water user actually withdraws the full amount of water available as defined in the contract as daily uninterruptible service.



Henry S. Patterson III
Executive Director



Beth Gates
Director Finance and Administration



Michael R. Citarelli
Chief Financial Officer

Financial Section

Report of Independent Auditors

Basic Financial Statements

Management's Discussion and Analysis

Statements of Net Assets

Statements of Revenues, Expenses and

Changes in Net Assets

Statements of Cash Flows

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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, 2007 and 2006. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 audit provides 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, 2007 and 2006, 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 2, 2007, 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. CONWAY, CPA*
CONRAD L. DRISLER, CPA
EDMOND S. DRISLER, CPA
EUGENE J. ELIAS, CPA, RMA
JACK H. FINK, CPA*
MARGUERITE L. MOORE, CPA*, CGW
ROBERT J. WAHL, CPA*
SHERISE D. RITTER, CPA*
DAVID L. STAFFORD, CPA*
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COMMITMENT TO EXCELLENCE IN SERVICE TO THE COMMUNITY

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

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

Mercaderes, P.C.
Certified Public Accountants

October 2, 2007



MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2007

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, 2007. Please read it in conjunction with the Authority's basic financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- Operating revenue for fiscal year 2007 was \$24.6 million, a decrease of 1.93% over fiscal year 2006, which was the result of a 37% decrease in overdraft revenue. In the Raritan Basin System, rates increased 6.05% to \$228.00 per million gallons, and the sales base increased less than 1%, from 179.409 million gallons per day to 179.932 million gallons per day. Manasquan Reservoir System rates decreased 6.90%, from \$895.01 per million gallons to \$833.27 per million gallons. The fiscal year 2007 sales base increased by less than 1%, from 20.532 million gallons per day to 20.559 million gallons per day.
- Cash and cash equivalents for fiscal year 2007 were \$31.1 million, an increase of 6.55% over fiscal year 2006. Within both Systems, interest earnings on certain Authority funds increased by 14% over fiscal year 2006.
- Total liabilities for fiscal year 2007 were \$110.8 million, a decrease of 2.02% from fiscal year 2006. The Authority continues to pay down long-term debt in both systems.
- Total operating expenses for fiscal year 2007 increased to \$21.3 million, which represents a 12.63% increase over fiscal year 2006. Payroll and fringe benefits increased 8.93% because of union contract requirements and rising pension and health benefit expenses. Operations and maintenance expenses increased 40% to \$7.3 million because of rising electrical, fuel and D&R Canal flood repairs. Headquarters overhead increased 2.85% to \$848,100 because of forecasted increases in payroll and fringe benefits.
- Other changes for fiscal year 2007 include the following: non-operating revenue increased 60.73% to \$3,947,914; investment income increased 14.44% because of improved market conditions; and grant programs increased 53.30% from the previous year. Other income increased 425.79% because of the FEMA reimbursement of \$1,072,162 from the June 2006 flooding event at the D&R Canal.
- Non-operating expenses for fiscal year 2007 decreased 32.38% to \$3.7 million. The interest component of debt service decreased 14.10% 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, 2007

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 \$104.1 million as of June 30, 2007. In fiscal year 2007, total assets increased .59% to \$215.0 million, and total liabilities decreased 2.02% to \$110.8 million. Total net assets as of June 30, 2006, were approximately \$100.6 million. Total assets that year increased .98% to \$213.7 million, and total liabilities decreased .96% to \$113.1 million. Changes in assets, liabilities and net assets between June 30, 2007, 2006 and 2005, are summarized in the following table:

| | 2007 | 2006 | 2005 | Percentage Change 2007-2006 |
|-------------------------------------|----------------------|---------------|--------------|--|
| Current assets | \$ 37,981,903 | \$ 37,416,567 | \$29,835,264 | 1.51% |
| Capital assets, net | 144,259,006 | 145,274,697 | 146,956,762 | (.70) |
| Other non-current assets | 32,761,377 | 31,037,931 | 34,861,780 | 5.55 |
| Total assets | 215,002,286 | 213,729,195 | 211,653,806 | .60 |
| Long-term debt | 101,238,564 | 102,912,421 | 104,368,236 | (1.63) |
| Other liabilities | 9,613,559 | 10,231,778 | 9,878,233 | (6.04) |
| Total liabilities | 110,852,123 | 113,144,199 | 114,246,469 | (2.03) |
| Net assets invested in | | | | |
| capital assets, net of related debt | 38,594,390 | 36,451,123 | 37,445,316 | 5.88 |
| Restricted | 12,388,041 | 11,900,344 | 12,045,911 | 4.10 |
| Unrestricted | 53,167,732 | 52,233,529 | 47,916,110 | 1.79 |
| Total net assets | \$104,150,163 | \$100,584,996 | \$97,407,337 | 3.54 |



MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2007

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 2007 and 2006 Authority meetings, respectively:

| | Rate 7/01/2007 | Rate 7/01/2006 | Percent Change |
|----------------------------|---------------------------|---------------------------|---------------------------|
| Raritan Basin System | \$ 228.00/mg | \$ 228.00/mg | 0% |
| Manasquan Reservoir System | | | |
| Initial Users | \$ 846.06/mg | \$ 833.27/mg | 1.53% |
| Delayed Water Users | \$ 1,081.96/mg | \$ 1,074.02/mg | .74% |

The Water Treatment Plant and Transmission System operating budget for fiscal year 2008 (July 1, 2007-June 30, 2008) is \$2,153,338, which represents an 17.37% increase from the previous budget of \$1,834,585.

The Authority's total operating revenue for fiscal year 2007 was \$24.6 million, a decrease of 1.93% over fiscal year 2006. The Authority's total operating expenses for fiscal year 2007 were \$21.3 million, an increase of 12.63% over fiscal year 2006. The Authority's total operating revenue for fiscal year 2006 was \$25.1 million, an increase of 5.60% from fiscal year 2005. The Authority's total operating expenses for fiscal year 2006 were \$18.9 million, an increase of 2.43% from fiscal year 2005. The following table summarizes the changes in revenue, expenses and net assets between fiscal years 2007, 2006 and 2005:



New Jersey Water Supply Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2007

| | 2007 | 2006 | 2005 | Percentage Change 2007-2006 |
|--|---------------|---------------|--------------|-----------------------------------|
| Operating revenue: | | | | |
| Water sales | \$ 22,508,685 | \$23,249,130 | \$22,037,389 | (3.18)% |
| Reimbursement of operating expenses | 2,100,466 | 1,844,055 | 1,723,723 | 13.90 |
| Total operating revenue | 24,609,151 | 25,093,185 | 23,761,112 | (1.93) |
| Non-operating revenues: | | | | |
| State of New Jersey - Grant Programs | 741,038 | 483,380 | 147,605 | 53.30 |
| Investment income | 1,923,033 | 1,680,324 | 824,492 | 14.44 |
| Rental income | 66,021 | 60,858 | 62,222 | 8.48 |
| Other income | 1,217,822 | 231,615 | 80,941 | 425.80 |
| Total non-operating revenues | 3,947,914 | 2,456,177 | 1,115,260 | 60.73 |
| Total revenue | 28,557,065 | 27,549,362 | 24,876,372 | 3.66 |
| Operating expenses: | | | | |
| Payroll | 6,780,804 | 6,371,403 | 6,079,585 | 6.43 |
| Operations and maintenance | 7,294,625 | 5,212,438 | 4,513,044 | 39.95 |
| Fringe benefits | 2,896,326 | 2,512,696 | 2,346,763 | 15.27 |
| Depreciation | 4,327,471 | 4,814,513 | 5,522,279 | (10.12) |
| Total operating expenses | 21,299,226 | 18,911,050 | 18,461,671 | 12.63 |
| Non-operating expenses: | | | | |
| Interest component of debt service of the State of New Jersey | 2,961,286 | 3,447,322 | 4,220,414 | (14.10) |
| 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 | 65,318 | 19,272 | 14,100 | 238.93 |
| Reduction in costs to be recovered from future revenues | 640,839 | 1,968,830 | 891,930 | (67.45) |
| Total non-operating expenses | 3,692,672 | 5,460,653 | 5,151,673 | (32.38) |
| Total expenses | 24,991,898 | 24,371,703 | 23,613,344 | 2.54 |
| Change in net assets | 3,565,167 | 3,177,659 | 1,263,028 | 12.19 |
| Contributed capital | - | - | 1,904,908 | - |
| Net assets, beginning of year | 100,584,996 | 97,407,337 | 94,239,401 | 3.26 |
| Net assets, end of year | \$104,150,163 | \$100,584,996 | \$97,407,337 | 3.54 |



MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2007

CAPITAL ASSETS AND DEBT ADMINISTRATION

At June 30, 2007, the Authority had a total of \$144,259,006 invested in the Systems that it operates: \$77,877,585 invested in the Raritan Basin System and \$66,381,421 invested in the Manasquan System. This total amount represents a .70% reduction from last year.

The following table summarizes the changes in capital assets, net of depreciation, between fiscal years 2007, 2006 and 2005:

| | 2007 | 2006 | 2005 | Percentage Change 2007-2006 |
|--|----------------------|----------------------|----------------------|-----------------------------------|
| Land and land rights | \$ 15,168,002 | \$ 12,848,490 | \$ 11,851,159 | 18.05% |
| Dams | 55,388,753 | 56,188,510 | 56,988,266 | (1.42) |
| Building, structures and improvements | 67,818,247 | 66,507,351 | 69,604,308 | 1.97 |
| D&R canal dredging | - | - | 519,902 | - |
| Machinery and equipment | 1,801,854 | 1,667,275 | 1,127,914 | 8.07 |
| Construction work in progress | 4,082,150 | 8,063,071 | 6,865,213 | (49.37) |
| Total capital assets, net | <u>\$144,259,006</u> | <u>\$145,274,697</u> | <u>\$146,956,762</u> | (.70) |

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 2007, 2006 and 2005:

| | 2007 | 2006 | 2005 | Percentage Change 2007-2006 |
|---|----------------------|----------------------|----------------------|-----------------------------------|
| Bonds payable | \$ 63,248,673 | \$ 67,239,147 | \$ 19,226,345 | (5.93)% |
| Notes payable | 33,664,850 | 35,462,545 | 88,068,432 | (5.07) |
| Loans payable | 8,751,093 | 6,121,882 | 2,216,669 | 42.95 |
| Total bonds, notes and loans payable | <u>\$105,664,616</u> | <u>\$108,823,574</u> | <u>\$109,511,446</u> | (2.90) |

At year end, the Authority had \$105,664,616 in bonds, notes and loans principal outstanding, compared to \$108,823,574 at June 30, 2006. This change represents a decrease of 2.90%, as shown in the table.

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



New Jersey Water Supply Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2007

CURRENT AND NEW BUSINESS

During fiscal year 2007, the Authority supplied water to 25 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, 2007, there was the addition of Roxiticus Golf Club (.046mgd) to the sales base (contract date July 1, 2006). This will increase the total sales base for the Raritan Basin System to 179.978mgd as of June 30, 2008, up from 179.932mgd at June 30, 2007. In addition, during fiscal year 2007, 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, 2007, 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 | |
|---|----------------------|----------------------|
| | 2007 | 2006 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 28,618,434 | \$ 27,382,621 |
| Unbilled sales | 880,412 | 788,049 |
| Accounts receivable, less allowance for doubtful accounts of \$1,000 at June 30, 2007 and 2006 | 6,042,272 | 5,124,491 |
| Interest receivable | 7,198 | 68,772 |
| Prepaid expenses and other current assets | 961,445 | 997,578 |
| Costs to be recovered from future revenues | 1,472,142 | 3,055,056 |
| Total current assets | <u>37,981,903</u> | <u>37,416,567</u> |
| Non-current assets: | | |
| Restricted assets: | | |
| Cash equivalents | 2,576,713 | 1,894,237 |
| Investments | 12,546,659 | 12,194,767 |
| Investments | 3,585,408 | 3,718,441 |
| Costs to be recovered from future revenues | 13,337,854 | 12,455,342 |
| Deferred issuance cost | 714,743 | 775,144 |
| Capital assets, net | 144,259,006 | 145,274,697 |
| Total non-current assets | <u>177,020,383</u> | <u>176,312,628</u> |
| Total assets | <u>215,002,286</u> | <u>213,729,195</u> |
| Liabilities | | |
| Current liabilities: | | |
| Current portion of bonds, notes and loans payable | 4,426,052 | 5,911,153 |
| Accounts payable | 535,581 | 380,504 |
| Accrued liabilities | 1,916,595 | 1,751,461 |
| Unearned revenue | 2,735,331 | 2,188,660 |
| Total current liabilities | <u>9,613,559</u> | <u>10,231,778</u> |
| Non-current liabilities: | | |
| Long-term portion of bonds, notes and loans payable | 101,238,564 | 102,912,421 |
| Total liabilities | <u>110,852,123</u> | <u>113,144,199</u> |
| Net Assets | | |
| Invested in capital assets, net of related debt | 38,594,390 | 36,451,123 |
| Restricted for repayment of debt principal and interest | 12,388,041 | 11,900,344 |
| Unrestricted | 53,167,732 | 52,233,529 |
| Total net assets | <u>\$104,150,163</u> | <u>\$100,584,996</u> |

See accompanying notes.

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

| | Year ended June 30 | |
|---|---------------------------|---------------|
| | 2007 | 2006 |
| Operating revenues: | | |
| Water sales | \$ 22,508,685 | \$ 23,249,130 |
| Reimbursement of operating expenses | 2,100,466 | 1,844,055 |
| Total operating revenue | 24,609,151 | 25,093,185 |
| Operating expenses: | | |
| Payroll | 6,780,804 | 6,371,403 |
| Operations and maintenance | 7,294,625 | 5,212,438 |
| Fringe benefits | 2,896,326 | 2,512,696 |
| Depreciation | 4,327,471 | 4,814,513 |
| Total operating expenses | 21,299,226 | 18,911,050 |
| Income from operations | 3,309,925 | 6,182,135 |
| Non-operating revenue: | | |
| State of New Jersey – Grant Programs | 741,038 | 483,380 |
| Investment income | 1,923,033 | 1,680,324 |
| Rental income | 66,021 | 60,858 |
| Other income | 1,217,822 | 231,615 |
| Total non-operating revenue | 3,947,914 | 2,456,177 |
| Non-operating expenses: | | |
| Interest component of debt service to the State of New Jersey | 2,961,286 | 3,447,322 |
| Amortization of issuance costs - D & R System Revenue Refunding Bonds, Series 1998 | 25,229 | 25,229 |
| Amortization of issuance costs - Manasquan State Loan Notes | 65,318 | 19,272 |
| Reduction in costs to be recovered from future revenue | 640,839 | 1,968,830 |
| Total non-operating expenses | 3,692,672 | 5,460,653 |
| Change in net assets | 3,565,167 | 3,177,659 |
| Net assets, beginning of year | 100,584,996 | 97,407,337 |
| Net assets, end of year | \$104,150,163 | \$100,584,996 |

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 | |
|---|---------------------|---------------------|
| | 2007 | 2006 |
| Cash flows from operating activities | | |
| Cash received from water sales | \$22,507,794 | \$23,243,159 |
| Cash received from reimbursable expenses | 1,968,559 | 1,915,470 |
| Cash received from rental income | 22,763 | 30,973 |
| Cash paid to or on behalf of employees | (8,275,707) | (8,945,233) |
| Cash paid to suppliers | (7,141,475) | (5,105,981) |
| Net cash provided by operating activities | <u>9,081,934</u> | <u>11,138,388</u> |
| Cash flows from noncapital financing activities | | |
| Cash received for grant programs | 1,381,235 | 487,147 |
| Net cash provided by noncapital financing activities | <u>1,381,235</u> | <u>487,147</u> |
| Cash flows from capital and related financing activities | | |
| Proceeds from borrowing | 2,844,363 | 53,702,662 |
| Principal paid on bonds, notes and loans | (6,048,213) | (54,390,534) |
| Interest paid on bonds, notes and loans | (3,005,990) | (3,843,273) |
| Issuance costs paid on refunding | (1,804) | (300,883) |
| Acquisition and construction of capital assets | (4,137,324) | (5,178,472) |
| Proceeds from sale of capital assets | 38,340 | 81,740 |
| Net cash used in financing activities | <u>(10,310,628)</u> | <u>(9,928,760)</u> |
| Cash flows from investing activities | | |
| Sale of investment securities | 17,305,813 | 21,062,839 |
| Purchase of investment securities | (17,524,672) | (20,939,257) |
| Interest received on investments | 1,984,607 | 1,616,273 |
| Net cash provided by investing activities | <u>1,765,748</u> | <u>1,739,855</u> |
| Net increase in cash and cash equivalents | 1,918,289 | 3,436,630 |
| Cash and cash equivalents, beginning of year | 29,276,858 | 25,840,228 |
| Cash and cash equivalents, end of year | <u>\$31,195,147</u> | <u>\$29,276,858</u> |
| Reconciliation of income from operations to net cash provided by operating activities: | | |
| Income from operations | \$ 3,309,925 | \$ 6,182,135 |
| Adjustments to reconcile income from operations to net cash provided by operating activities: | | |
| Non-cash items expensed to operations and maintenance | 66,021 | 60,858 |
| Cash received for operating activity shown in other income | 1,179,482 | 149,875 |
| Depreciation | 4,327,471 | 4,814,513 |
| Increase (decrease) in cash from: | | |
| Unbilled sales | (92,363) | 138,039 |
| Accounts receivable | (45,331) | (73,389) |
| Prepaid expenses and other current assets | 36,133 | (73,813) |
| Accounts payable | 108,171 | 51,339 |
| Accrued liabilities | 8,489 | (2,929) |
| Accrued payroll and taxes | 183,936 | (108,240) |
| Net cash provided by operating activities | <u>\$ 9,081,934</u> | <u>\$11,138,388</u> |
| Non cash investing activities | | |
| (Decrease) increase in fair value of investments | <u>\$ (131,951)</u> | <u>\$ 3,391</u> |
| <i>See accompanying notes.</i> | | |

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 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 collectible. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible. At June 30, 2007, account receivable included amounts due from the New Jersey Environmental Infrastructure Trust for approximately \$3.2 million.

Notes to Financial Statements (continued)

During fiscal years 2007 and 2006, respectively, two customers accounted for approximately 94% of total Raritan Basin System accounts receivable, and three customers accounted for approximately 92% 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, 2007 and 2006, were determined as follows:

| | <u>2007</u> | <u>2006</u> |
|---|---------------------|---------------------|
| Raritan Basin System | | |
| Cost excluded from rate model: | | |
| Depreciation of debt-financed capital assets recoverable from rate payers | \$ 1,061,721 | \$ 1,586,047 |
| Excess vacation expense over vacation paid | 12,541 | 34,690 |
| | <u>1,074,262</u> | <u>1,620,737</u> |
| Cost included in rate model: | | |
| Debt principal repayment | (3,039,195) | (3,446,000) |
| | <u>(1,964,933)</u> | <u>(1,825,263)</u> |
| Manasquan System | | |
| Cost excluded from rate model: | | |
| Depreciation of debt-financed capital assets recoverable from rate payers | 1,549,698 | 1,550,658 |
| Excess vacation expense over vacation paid | 4,872 | (4,225) |
| | <u>1,554,570</u> | <u>1,546,433</u> |
| Cost included in rate model: | | |
| Debt principal repayment | (290,039) | (1,611,449) |
| | <u>1,264,531</u> | <u>(65,016)</u> |
| Total Raritan Basin and Manasquan | <u>(700,402)</u> | <u>(1,890,279)</u> |
| Balance, beginning of year | 15,510,398 | 17,400,677 |
| Balance, end of year | <u>\$14,809,996</u> | <u>\$15,510,398</u> |

As shown in the statements of revenue, expenses and changes in net assets for the years ended June 30, 2007 and 2006, respectively, the reduction in costs to be recovered from future revenue of \$640,839 and \$1,968,830 includes a credit balance of \$76,976 and a debit balance of \$48,086 of Manasquan Water Treatment Plant deferred revenue, which is not part of the rate model, and does not include a credit balance of \$17,413 and \$30,465 of accrued vacation.

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).

Notes to Financial Statements (continued)

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, 2007 and 2006, unearned revenue amounting to \$407,586 and \$484,562, respectively, was determined as follows:

| | 2007 | 2006 |
|-------------------------------------|-------------------|-------------------|
| Reimbursement of operating expenses | \$2,163,236 | \$ 1,897,324 |
| Operating expenses | 2,240,212 | 1,849,238 |
| Unearned revenue | (76,976) | 48,086 |
| Balance, beginning of year | 484,562 | 436,476 |
| Balance, end of year | <u>\$ 407,586</u> | <u>\$ 484,562</u> |

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, 2007 and 2006, the amount included in unearned revenue was \$1,307,293 and \$1,323,843, respectively.

Accounting for Watershed Protection Program

For the fiscal years ended June 30, 2007 and 2006, the Authority received \$556,890 and \$470,940, 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, 2007 and 2006, the balance of restricted cash equivalents and unearned revenue is \$6,687 and \$9,957, respectively.

Accounting for No Name Dam No. 31 Fund

During fiscal year ended June 30, 2007 and 2002, the Authority received \$800,000 and \$430,000, respectively, from the New Jersey Department of Environmental Protection 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, 2007 and 2006, the balance of restricted cash equivalents and unearned revenue associated with the No Name Dam No. 31 was \$1,013,765 and \$370,298, respectively.

Notes to Financial Statements (continued)

3. Capital Assets

Capital assets activity for the years ended June 30, 2007 and 2006, was as follows:

| | 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 | 20,911,561 | 2,806,949 | (4,468,358) | 19,250,152 |
| 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 | 220,637,603 | 4,973,189 | (159,421) | 225,451,371 |
| 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 | (96,274,467) | (4,327,471) | 159,421 | (100,442,517) |
| Total capital assets, being depreciated, net | 124,363,136 | 645,718 | - | 125,008,854 |
| Total capital assets, net | \$145,274,697 | \$ 3,452,667 | \$ (4,468,358) | \$144,259,006 |

Notes to Financial Statements (continued)

| | 2006 Beginning Balance | Additions | Retirements | 2006 Ending Balance |
|--|------------------------------|----------------|-------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 11,851,159 | \$ 997,331 | \$ - | \$ 12,848,490 |
| Construction work in progress | 6,865,213 | 1,197,858 | - | 8,063,071 |
| Total capital assets not being depreciated | 18,716,372 | 2,195,189 | - | 20,911,561 |
| Capital assets being depreciated: | | | | |
| Dams | 77,369,160 | - | - | 77,369,160 |
| Building, structures and improvements | 116,546,881 | 13,618 | - | 116,560,499 |
| D & R canal dredging | 21,160,274 | - | - | 21,160,274 |
| Machinery and equipment | 5,125,558 | 931,596 | (509,484) | 5,547,670 |
| Total capital assets being depreciated | 220,201,873 | 945,214 | (509,484) | 220,637,603 |
| Less accumulated depreciation for: | | | | |
| Dams | (20,380,894) | (799,756) | - | (21,180,650) |
| Building, structures and improvements | (46,942,573) | (3,110,575) | - | (50,053,148) |
| D & R canal dredging | (20,640,372) | (519,902) | - | (21,160,274) |
| Machinery and equipment | (3,997,644) | (384,280) | 501,529 | (3,880,395) |
| Total accumulated depreciation | (91,961,483) | (4,814,513) | 501,529 | (96,274,467) |
| Total capital assets, being depreciated, net | 128,240,390 | (3,869,299) | (7,955) | 124,363,136 |
| Total capital assets, net | \$146,956,762 | \$ (1,674,110) | \$ (7,955) | \$145,274,697 |

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, 2007 and 2006, the Authority's bank balance was \$950,958 and \$1,089,053, respectively, of which \$100,000 was covered through the FDIC. The remaining balance of \$850,958 and \$989,053 as of June 30, 2007 and 2006, respectively, was not collateralized, and the cash balance per the statement of net assets is shown exclusive of outstanding checks totaling \$207,856 and \$103,656, respectively. The statements of net assets amount includes petty cash totaling \$350 as of June 30, 2007 and 2006.

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 \$950,958 and \$1,089,053 as of June 30, 2007 and 2006, respectively, was exposed to custodial credit risk as follows:

| | 2007 | 2006 |
|--------------------------------|------------------|------------------|
| Uninsured and uncollateralized | <u>\$850,958</u> | <u>\$989,053</u> |

c. Investments and Cash Equivalents

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

As of June 30, 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 | 3,592,606 | - | 3,592,606 |
| Total | \$46,590,960 | \$42,998,354 | \$3,592,606 |

As of June 30, 2006, 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 | \$36,945,111 | \$36,945,111 | \$ - |
| U.S. Agencies | 7,224,324 | 3,437,111 | 3,787,213 |
| Total | \$44,169,435 | \$40,382,222 | \$3,787,213 |

d. Investment Income

The following comprises investment income of \$1,923,033 and \$1,680,324 for the years ended June 30, 2007 and 2006, respectively:

| | 2007 | 2006 |
|---|--------------------|--------------------|
| Interest earned bank accounts and certificates of deposit | \$1,477,546 | \$1,193,014 |
| Interest earned on securities | 577,438 | 483,919 |
| Decrease (increase) in fair value of securities | (131,951) | 3,391 |
| | <u>\$1,923,033</u> | <u>\$1,680,324</u> |

Notes to Financial Statements (continued)

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:

1. The December 12, 1985 loan of \$19,600,000, which was obtained from the 1981 bond appropriation of \$20,550,000 for the purpose of financing improvements to the Delaware and Raritan Canal. The outstanding principal and interest on this loan amounted to \$1,796,000 and \$50,108, respectively, as of June 30, 2006. The loan bore interest at 5.58%, and the final payment was made on November 1, 2006.
2. 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, 2007 and 2006.

Notes to Financial Statements (continued)

At June 30, 2007 and 2006, the State Loan Notes and Completion Notes are summarized as follows:

| State Loan Notes | 2007 | 2006 |
|-----------------------------|---------------------|---------------------|
| Current Notes | \$ 86,977 | \$ - |
| Deferred Notes | 30,365,115 | 30,455,263 |
| Completion Notes | | |
| Current Notes | 9,185 | - |
| Deferred Notes | 3,201,777 | 3,211,282 |
| | <u>\$33,663,054</u> | <u>\$33,666,545</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 pre-pay \$49,293,438 in Current Manasquan State Loan Notes and Completion Notes.

The Revenue Bonds, Series 2005, have a principal balance of \$45,465,000 at June 30, 2007, carry a bond yield of 3.95%, and mature in incremental annual principal amounts through 2031. Principal maturities for the year ending June 30, 2008, are \$2,135,000. 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, 2007 and 2006, interest expense on the 2005 Bonds amounted to \$2,101,372 and \$1,849,147, respectively, and the related interest income earned on the restricted investments amounted to \$91,931 and \$85,504, 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 \$15,710,000 are outstanding at June 30, 2007, 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, 2008, are \$1,925,000. 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, 2007 and 2006, interest expense on the Refunding Bonds amounted to \$882,575 and \$957,724, respectively, and the related interest income earned on the restricted investments amounted to \$173,287 and \$127,339, 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”) Series 2003A

On November 6, 2003, the New Jersey Water Supply Authority, a Component Unit of the State of New Jersey, obtained an \$862,019 loan from the New Jersey Environmental Infrastructure Trust (the “Trust”) for the acquisition of source water watershed properties located in Lebanon Township critical to the Spruce Run Reservoir. 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% of the lowest available rate.

The Authority obtained 75% of the principal, or \$627,019, from the State Revolving Fund and 25%, or \$235,000, from the Trust. The result is a blended interest rate of 1.19% over the life of the 20-year loan.

The bonds have a principal balance of \$746,699 outstanding as of June 30, 2007. Semi-annual level debt payments are made every February 1 and August 1 through 2023. Principal maturities for the year ending June 30, 2008, are \$43,782. The property and revenue of the system are pledged as collateral for the bonds.

E. New Jersey Environmental Infrastructure Financing Program Series 2004A

On November 4, 2004, the New Jersey Water Supply Authority, a Component Unit of the State of New Jersey, obtained a \$1,380,000 loan from the Trust for the acquisition of source water watershed properties critical to Spruce Run Reservoir. 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% of the lowest available rate.

The Authority obtained 75% of the principal, or \$1,030,000, from the State Revolving Fund and 25%, or \$350,000, from the Trust. The result is a blended interest rate of 1.310% over the life of the 20-year loan.

The bonds have a principal balance of \$1,280,621 outstanding as of June 30, 2007. Semi-annual level debt payments are made every February 1 and August 1 through 2024. Principal maturities for the year ending June 30, 2008, are \$58,292. The property and revenue of the Raritan System are pledged as collateral for the bonds.

Notes to Financial Statements (continued)

F. New Jersey Environmental Infrastructure Financing Program Series 2005A

On November 10, 2005, the New Jersey Water Supply Authority, a Component Unit of the State of New Jersey obtained a \$3,990,974 loan from the Trust for the acquisition of source water watershed properties critical to Spruce Run Reservoir. 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% of the lowest available rate.

The Authority obtained 75% of the principal, or \$2,940,974, from the State Revolving Fund and 25%, or \$1,050,000, from the Trust. The result is a blended interest rate of 1.251% over the life of the 20-year loan.

The bonds have a principal balance of \$3,879,409 outstanding as of June 30, 2007. Semi-annual level debt payments are made every February 1 and August 1 through 2025. Principal maturities for the year ending June 30, 2008, are \$182,978. The property and revenues of the Raritan System are pledged as collateral for the bonds.

G. New Jersey Environmental Infrastructure Financing Program Series 2006A

On November 11, 2006, the New Jersey Water Supply Authority, a Component Unit of the State of New Jersey obtained a \$2,844,363 loan from the Trust for the acquisition of source water watershed properties critical to Spruce Run Reservoir. 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% of the lowest available rate.

The Authority obtained 75% of the principal, or \$2,099,363, from the State Revolving Fund and 25%, or \$745,000, from the Trust. The result is a blended interest rate of 1.26% over the life of the 20-year loan.

The bonds have a principal balance of \$2,844,363 outstanding as of June 30, 2007. Semi-annual level debt payments are made every February 1 and August 1 through 2026. Principal maturities for the year ending June 30, 2008, are \$79,203. The property and revenues of the Raritan System are pledged as collateral for the bonds.

Notes to Financial Statements (continued)

The following table summarizes the changes in bonds, notes and loans payable between fiscal years 2006 and 2007:

| | Fiscal Year 2006 | Less Payments | Debt Issued | Fiscal Year 2007 | Due Within One Year |
|---------------|-----------------------------|--------------------------|------------------------|-----------------------------|--------------------------------|
| Bonds Payable | \$ 67,239,147 | \$3,990,474 | \$ - | \$ 63,248,673 | \$4,060,000 |
| Notes Payable | 35,462,545 | 1,797,695 | - | 33,664,850 | 1,796 |
| Loans Payable | 6,121,882 | 215,152 | 2,844,363 | 8,751,093 | 364,256 |
| | <u>\$108,823,574</u> | <u>\$6,003,321</u> | <u>\$ 2,844,363</u> | <u>\$105,664,616</u> | <u>\$4,426,052</u> |

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 |
|---------------------------------------|-------------------------------------|---|--|---|----------------------|
| 2008 | \$ 478,624 | \$ 7,580 | \$ 2,711,294 | \$ 4,173,298 | \$ 7,370,796 |
| 2009 | 540,546 | 7,577 | 2,702,738 | 4,175,441 | 7,426,302 |
| 2010 | 529,099 | 7,574 | 2,698,931 | 4,170,560 | 7,406,164 |
| 2011 | 531,291 | 7,570 | 2,688,218 | 4,172,817 | 7,399,896 |
| 2012 | 532,343 | 7,566 | 2,680,266 | 4,171,688 | 7,391,863 |
| 2013-2017 | 2,588,340 | 37,766 | 5,340,872 | 20,845,625 | 28,812,603 |
| 2018-2022 | 2,622,951 | 37,631 | - | 17,378,375 | 20,038,957 |
| 2023-2027 | 2,076,368 | 37,450 | - | 3,608,125 | 5,721,943 |
| 2028-2032 | - | 37,209 | - | 3,570,000 | 3,607,209 |
| Deferred Portion | - | 33,566,892 | - | - | 33,566,892 |
| Subtotal | <u>9,899,562</u> | <u>33,754,815</u> | <u>18,822,319</u> | <u>66,265,929</u> | <u>128,742,625</u> |
| Less amounts representing interest | 1,148,469 | 89,965 | 3,112,319 | 20,800,929 | 25,151,682 |
| Unamortized deferral amount | - | - | 323,162 | 456,260 | 779,422 |
| Plus unamortized bond premium | - | - | 347,455 | 2,505,640 | 2,853,095 |
| Subtotal | <u>8,751,093</u> | <u>33,664,850</u> | <u>15,734,293</u> | <u>47,514,380</u> | <u>105,664,616</u> |
| Less: | | | | | |
| Current principal portion | 364,256 | 1,796 | 1,925,000 | 2,135,000 | 4,426,052 |
| Total | <u>\$8,386,837</u> | <u>\$33,663,054</u> | <u>\$13,809,293</u> | <u>\$45,379,380</u> | <u>\$101,238,564</u> |

Notes to Financial Statements (continued)

6. Employee Benefits

Pension and Retirement Plans

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

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. 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% 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, 2007, 2006 and 2005, was \$6,561,709, \$6,086,147 and \$5,892,928, respectively. The Authority's total payroll for the years ended June 30, 2007, 2006 and 2005, was \$6,828,440, \$6,661,390 and \$6,118,003, respectively. The actuarial contribution requirements and the contributions made for the years ended June 30, 2007, 2006 and 2005, were \$707,230, \$521,873 and \$348,923, respectively, which consisted of \$379,630, \$210,530 and \$111,065 from the Authority and \$327,600, \$311,343 and \$237,858 from the employees, respectively. The employer and employee contributions represented 5.78% and 4.99% of covered payroll for the year ended June 30, 2007, 3.46% and 5.12% of covered payroll for the year ended June 30, 2006, and 1.88% and 4.04% of covered payroll for the year ended June 30, 2005. Contributions were made in accordance with the actuarial funding requirement.

Notes to Financial Statements (continued)

Post-Retirement Health Care Benefits

The Authority provides continued health care benefits to employees retiring after twenty-five years of service and their eligible dependents. Benefits, contributions, funding and the manner of administration are determined by the State Legislature. The 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 36, 34 and 33 at June 30, 2007, 2006 and 2005, respectively. Total cost for these post-retirement benefits, included in fringe benefits, approximated \$387,756, \$365,236 and \$356,285 for the years ended June 30, 2007, 2006 and 2005, respectively.

7. Major Water Customers

During fiscal years 2007 and 2006, respectively, the Authority supplied water to approximately 25 customers of the Raritan Basin System and 13 customers of the Manasquan System.

During fiscal years 2007 and 2006, 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 has applied for a reimbursement of \$1,750,000 from their insurance company based on the damage to the D&R Canal during the April 2005 flood. The Authority will also be submitting a claim to FEMA based on the damage to the D&R Canal during the April 2007 flood. It is uncertain at this time whether any of the flood damage claims will be recovered.

10. New Pronouncements

GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions," requires that state and local governmental employers account for and report the annual cost of other postemployment benefits ("OPEB") and the outstanding obligations and commitments related to other postemployment benefits in the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of this statement do not require governments to fund their OPEB plans.

Notes to Financial Statements (continued)

Statement No. 45 also establishes disclosure requirements for information about plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time.

The Authority is required to implement GASB Statement No. 45 for the year ending June 30, 2008.

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, 2007 | | |
|--|----------------------------|-------------------------------------|--|
| | Raritan Basin System | Manasquan Water Supply System | Manasquan Water Treatment Plant |
| Condensed statement of net assets | | | |
| Assets: | | | |
| Current assets | \$ 30,179,758 | \$ 7,802,145 | \$ - |
| Restricted assets | 6,779,990 | 8,343,382 | - |
| Capital assets | 77,877,585 | 66,381,421 | - |
| Other non-current assets | (4,505,897) | 22,143,902 | - |
| Total assets | 110,331,436 | 104,670,850 | - |
| Liabilities: | | | |
| Current liabilities | 4,509,100 | 5,104,459 | - |
| Non-current liabilities | 22,196,130 | 79,042,434 | - |
| Total liabilities | 26,705,230 | 84,146,893 | - |
| Net assets: | | | |
| Invested in capital assets, net of related debt | 53,392,199 | (14,797,809) | - |
| Restricted | 5,759,538 | 6,628,503 | - |
| Unrestricted | 24,681,413 | 28,486,319 | - |
| Total net assets | \$ 83,833,150 | \$20,317,013 | \$ - |

Notes to Financial Statements (continued)

| | Year ended June 30, 2007 | | |
|---|----------------------------|-------------------------------------|--|
| | Raritan Basin System | Manasquan Water Supply System | Manasquan Water Treatment Plant |
| Condensed statement of revenue, expenses and changes in net assets | | | |
| Total operating revenue | \$15,865,773 | \$ 6,642,912 | \$2,100,466 |
| Operating expenses | 12,134,231 | 2,597,312 | 2,240,212 |
| Depreciation | 2,673,077 | 1,654,394 | - |
| Operating income | 1,058,465 | 2,391,206 | (139,746) |
| Non-operating revenue | 3,391,796 | 493,348 | 62,770 |
| Non-operating expense | 3,038,011 | 731,637 | (76,976) |
| Change in net assets | 1,412,250 | 2,152,917 | - |
| Net assets, beginning of year | 82,420,900 | 18,164,096 | - |
| Net assets, end of year | <u>\$83,833,150</u> | <u>\$20,317,013</u> | <u>\$ -</u> |
| Condensed statement of cash flows | | | |
| Net cash provided by: | | | |
| Operating activities | \$ 5,064,340 | \$ 4,017,594 | \$ - |
| Non-capital financing activities | 1,381,235 | - | - |
| Capital and related financing activities | (6,089,023) | (4,221,605) | - |
| Investing activities | 1,570,341 | 195,407 | - |
| Net increase (decrease) in cash and cash equivalents | 1,926,893 | (8,604) | - |
| Beginning cash and cash equivalent balances | 22,435,322 | 6,841,536 | - |
| Ending cash and cash equivalent balances | <u>\$24,362,215</u> | <u>\$ 6,832,932</u> | <u>\$ -</u> |

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Supplemental Information

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

June 30, 2007

| | Raritan Basin System | Manasquan Reservoir System | Elimination Entries | Combined Total |
|--|-------------------------------------|---|--------------------------------|---------------------------|
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$23,341,763 | \$ 5,276,671 | \$ - | \$ 28,618,434 |
| Unbilled sales | 880,412 | - | - | 880,412 |
| Accounts receivable, less allowance for doubtful accounts of \$1,000 at June 30, 2007 | 4,611,782 | 1,637,434 | (206,944) | 6,042,272 |
| Interest receivable | 5,636 | 1,562 | - | 7,198 |
| Prepaid expenses and other current assets | 664,247 | 297,198 | - | 961,445 |
| Costs to be recovered from future revenue | 882,862 | 589,280 | - | 1,472,142 |
| Total current assets | 30,386,702 | 7,802,145 | (206,944) | 37,981,903 |
| Non-current assets: | | | | |
| Restricted assets: | | | | |
| Cash equivalents | 1,020,452 | 1,556,261 | - | 2,576,713 |
| Investments | 5,759,538 | 6,787,121 | - | 12,546,659 |
| Investments | 2,807,239 | 778,169 | - | 3,585,408 |
| Costs to be recovered from future revenue | (7,473,083) | 20,810,937 | - | 13,337,854 |
| Deferred issuance cost | 159,947 | 554,796 | - | 714,743 |
| Capital assets, net of accumulated depreciation of \$100,442,517 at June 30, 2007 | 77,877,585 | 66,381,421 | - | 144,259,006 |
| Total non-current assets | 80,151,678 | 96,868,705 | - | 177,020,383 |
| Total assets | 110,538,380 | 104,670,850 | (206,944) | 215,002,286 |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Current portion of bonds, notes and loans payable | 2,289,256 | 2,136,796 | - | 4,426,052 |
| Accounts payable | 311,385 | 431,140 | (206,944) | 535,581 |
| Accrued liabilities | 888,007 | 1,028,588 | - | 1,916,595 |
| Unearned revenue | 1,020,452 | 1,714,879 | - | 2,735,331 |
| Total current liabilities | 4,509,100 | 5,311,403 | (206,944) | 9,613,559 |
| Non-current liabilities: | | | | |
| Long-term portion of bonds, notes and loans payable | 22,196,130 | 79,042,434 | - | 101,238,564 |
| Total liabilities | 26,705,230 | 84,353,837 | (206,944) | 110,852,123 |
| Net assets | | | | |
| Invested in capital assets, net of related debt | 53,392,199 | (14,797,809) | - | 38,594,390 |
| Restricted | 5,759,538 | 6,628,503 | - | 12,388,041 |
| Unrestricted | 24,681,413 | 28,486,319 | - | 53,167,732 |
| Total net assets | \$83,833,150 | \$20,317,013 | \$ - | \$104,150,163 |

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, 2007

| | Raritan Basin System | Manasquan Reservoir System | Manasquan Water Treatment Plant | Combined Total |
|--|-------------------------------------|---|--|---------------------------|
| Operating revenues: | | | | |
| Water sales | \$15,865,773 | \$ 6,642,912 | \$ - | \$ 22,508,685 |
| Reimbursement of operating expenses | - | - | 2,100,466 | 2,100,466 |
| Total operating revenues | 15,865,773 | 6,642,912 | 2,100,466 | 24,609,151 |
| Operating expenses: | | | | |
| Payroll | 5,408,979 | 655,293 | 716,532 | 6,780,804 |
| Operations and maintenance (direct) | 5,243,788 | 874,324 | 1,048,066 | 7,166,178 |
| Operations and maintenance (general and administrative) | - | 77,748 | 50,699 | 128,447 |
| Fringe benefits | 2,329,564 | 267,047 | 299,715 | 2,896,326 |
| Headquarters overhead | (848,100) | 722,900 | 125,200 | - |
| Depreciation | 2,673,077 | 1,654,394 | - | 4,327,471 |
| Total operating expenses | 14,807,308 | 4,251,706 | 2,240,212 | 21,299,226 |
| Income from operations | 1,058,465 | 2,391,206 | (139,746) | 3,309,925 |
| Non-operating revenues: | | | | |
| State of New Jersey – Grant Programs | 741,038 | - | - | 741,038 |
| Investment income | 1,377,841 | 482,422 | 62,770 | 1,923,033 |
| Rental income | 66,021 | - | - | 66,021 |
| Other income | 1,206,896 | 10,926 | - | 1,217,822 |
| Total non-operating revenues | 3,391,796 | 493,348 | 62,770 | 3,947,914 |
| Non-operating expenses: | | | | |
| Interest component of debt service to the State of New Jersey | 1,035,308 | 1,925,978 | - | 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 | - | 65,318 | - | 65,318 |
| Costs to be recovered from future revenue | 1,977,474 | (1,259,659) | (76,976) | 640,839 |
| Total non-operating expenses | 3,038,011 | 731,637 | (76,976) | 3,692,672 |
| Income before contributions | 1,412,250 | 2,152,917 | - | 3,565,167 |
| Net assets, beginning of year | 82,420,900 | 18,164,096 | - | 100,584,996 |
| Net assets, end of year | \$83,833,150 | \$20,317,013 | \$ - | \$104,150,163 |

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, 2007

| | Operating Fund | | | | |
|---|-----------------------|--------------------------|------------------------|-----------------------|----------------------------|
| | Revenue Fund | Operating Account | Payroll Account | Operating Fund | Reserve for O&M |
| Cash and investments - July 1, 2006 | \$56,973 | \$452,077 | \$20,711 | \$1,074,754 | \$4,109,462 |
| Cash receipts: | | | | | |
| Water sales operations and maintenance | 8,523,006 | - | - | - | - |
| Water sales debt service | 4,085,926 | - | - | - | - |
| Water sales capital fund | 1,372,148 | - | - | - | - |
| Water sales source water protection fund | 852,967 | - | - | - | - |
| Water sales overdrafts | 871,655 | - | - | - | - |
| Rental income | 22,763 | - | - | - | - |
| Manasquan reservoir support | - | - | - | - | 27,731 |
| Headquarters overhead | - | - | - | 853,007 | - |
| Disposition of property | - | - | - | - | - |
| Recycling revenue | 208 | - | - | - | - |
| Nonrefundable bid deposits | - | - | - | - | - |
| Insurance reimbursement | - | - | - | - | 1,072,162 |
| Miscellaneous expense reimbursement | 11,465 | - | - | 4,035 | 515,326 |
| Transfers: | | | | | |
| Contributions from operating fund | - | 7,989,100 | 3,383,814 | (20,418,465) | (94,815) |
| Contributions to operating fund | - | - | - | 4,753,042 | (1,550,000) |
| Transfers for operations | (15,734,705) | - | - | 15,734,705 | - |
| Transfers for investments | - | - | - | - | - |
| Distribution from reserves to operations | - | 2,738,730 | - | - | - |
| Investment income | - | - | - | 39,819 | 215,266 |
| Per resolution, Section 603: | | | | | |
| Investment income, transfer from | 556,750 | - | - | (39,703) | (214,085) |
| Investment income, transfer to | (556,750) | - | - | - | 367,507 |
| Unrealized loss on fair value | - | - | - | - | (63,893) |
| Total cash receipts | 5,433 | 10,727,830 | 3,383,814 | 926,440 | 275,199 |
| Total available cash and investments | \$62,406 | \$11,179,907 | \$3,404,525 | \$2,001,194 | \$4,384,661 |

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, 2007

| Self-Insurance Reserve | Depreciation Reserve | Pumping Reserve | Capital Improvements Investments II | Watershed Management Fund | Source Water Protection Fund | Subtotal |
|-----------------------------------|---------------------------------|----------------------------|--|--|---|-----------------|
| \$886,024 | \$3,549,800 | \$215,137 | \$5,623,862 | \$9,957 | \$3,023,775 | \$19,022,532 |
| - | - | - | - | - | - | 8,523,006 |
| - | - | - | - | - | - | 4,085,926 |
| - | - | - | - | - | - | 1,372,148 |
| - | - | - | - | - | - | 852,967 |
| - | - | - | - | - | - | 871,655 |
| - | - | - | - | - | - | 22,763 |
| - | - | - | - | - | - | 27,731 |
| - | - | - | - | - | - | 853,007 |
| - | 31,050 | - | - | - | - | 31,050 |
| - | - | - | - | - | - | 208 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | 1,072,162 |
| - | - | 84,000 | - | - | 2,132,607 | 2,747,433 |
| - | 144,815 | 50,000 | - | - | 492,272 | (8,453,279) |
| - | (5,602) | - | - | (3,706) | (923,914) | 2,269,820 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | (352,951) | - | - | - | - | 2,385,779 |
| 47,837 | 181,792 | 16,001 | 284,308 | 436 | 91,467 | 876,926 |
| (47,837) | (12,943) | - | - | - | - | 242,182 |
| - | 12,943 | - | - | - | - | (176,300) |
| (31,690) | (8,577) | - | - | - | - | (104,160) |
| (31,690) | (9,473) | 150,001 | 284,308 | (3,270) | 1,792,432 | 17,501,024 |
| \$854,334 | \$3,540,327 | \$365,138 | \$5,908,170 | \$6,687 | \$4,816,207 | \$36,523,556 |

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, 2007

| | Subtotal | NJEIT Debt Service | No Name Dam Fund | Major Rehabilitation | Water Reuse & Recycling Fund | Capital Improvement Fund |
|---|---------------------|-----------------------------------|---------------------------------|---------------------------------|---|---|
| Cash and investments - July 1, 2006 | \$19,022,532 | \$ - | \$370,298 | \$1,797,303 | \$215,552 | \$3,615,296 |
| Cash receipts: | | | | | | |
| Water sales operations and maintenance | 8,523,006 | - | - | - | - | - |
| Water sales debt service | 4,085,926 | - | - | - | - | - |
| Water sales capital fund | 1,372,148 | - | - | - | - | - |
| Water sales source water protection fund | 852,967 | - | - | - | - | - |
| Water sales overdrafts | 871,655 | - | - | - | - | - |
| Rental income | 22,763 | - | - | - | - | - |
| Manasquan reservoir support | 27,731 | - | - | - | - | - |
| Headquarters overhead | 853,007 | - | - | - | - | - |
| Disposition of property | 31,050 | - | - | - | - | - |
| Recycling revenue | 208 | - | - | - | - | - |
| Nonrefundable bid deposits | - | - | - | - | - | - |
| Insurance reimbursement | 1,072,162 | - | - | - | - | - |
| Miscellaneous expense reimbursement | 2,747,433 | - | 800,000 | - | - | 40,000 |
| Transfers: | | | | | | |
| Contributions from operating fund | (8,453,279) | 361,504 | - | - | - | 1,379,180 |
| Contributions to operating fund | 2,269,820 | - | (180,442) | - | - | - |
| Transfers for operations | - | - | - | - | - | - |
| Transfers for investments | - | - | - | - | - | - |
| Distribution from reserves to operations | 2,385,779 | - | - | (298,295) | - | (214,262) |
| Investment income | 876,926 | 11,421 | 23,909 | 86,967 | 10,897 | 218,431 |
| Per resolution, Section 603: | | | | | | |
| Investment income, transfer from | 242,182 | - | - | - | - | - |
| Investment income, transfer to | (176,300) | - | - | - | - | 176,300 |
| Unrealized gain on fair value | (104,160) | - | - | - | - | - |
| Total cash receipts | 17,501,024 | 372,925 | 643,467 | (211,328) | 10,897 | 1,599,649 |
| Total available cash and investments | \$36,523,556 | \$372,925 | \$1,013,765 | \$1,585,975 | \$226,449 | \$5,214,945 |

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, 2007

| Employment Benefit Funds | 1998 Bonds Debt Service Account | 1998 Bonds Debt Service Reserve | 1981 Debt Service Fund | Rate Stabilization Fund | Totals |
|---|--|--|---------------------------------------|--|---------------|
| \$325,739 | \$702,345 | \$2,746,276 | \$503,277 | \$1,897,921 | \$31,196,539 |
| - | - | - | - | - | 8,523,006 |
| - | - | - | - | - | 4,085,926 |
| - | - | - | - | - | 1,372,148 |
| - | - | - | - | - | 852,967 |
| - | - | - | - | - | 871,655 |
| - | - | - | - | - | 22,763 |
| - | - | - | - | - | 27,731 |
| - | - | - | - | - | 853,007 |
| - | - | - | - | - | 31,050 |
| - | - | - | - | - | 208 |
| - | - | - | - | - | - |
| - | - | - | - | - | 1,072,162 |
| - | - | - | - | - | 3,587,433 |
| 359,948 | 2,712,575 | - | 1,333,301 | 2,306,771 | - |
| (198,784) | - | - | - | (1,890,594) | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| (27,113) | - | - | (1,846,109) | - | - |
| 17,670 | 40,729 | 132,558 | 19,185 | 65,714 | 1,504,407 |
| - | (40,352) | (135,948) | - | (65,882) | - |
| - | - | - | - | - | - |
| - | - | - | - | - | (104,160) |
| 151,721 | 2,712,952 | (3,390) | (493,623) | 416,009 | 22,700,303 |
| \$477,460 | \$3,415,297 | \$2,742,886 | \$9,654 | \$2,313,930 | \$53,896,842 |

**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, 2007

| | Revenue Fund | Operating Fund | | | |
|---|-----------------|-------------------|-----------------|------------------|--------------------|
| | | Operating Account | Payroll Account | Operating Fund | Reserve for O&M |
| Total available cash and investments | \$62,406 | \$11,179,907 | \$3,404,525 | \$2,001,194 | \$4,384,661 |
| Cash disbursements: | | | | | |
| Payroll | - | - | 3,384,525 | - | - |
| Fringe benefits | - | 2,402,511 | - | 1,121,641 | - |
| Employee deferred comp. and credit union | - | 436,148 | - | 270,392 | - |
| Operations and maintenance | - | 4,199,340 | - | - | - |
| Prepaid insurance | - | 996,371 | - | - | - |
| Miscellaneous disbursements | - | 10,698 | - | - | - |
| Watershed Management Fund | - | - | - | - | - |
| Capital improvements: | | | | | |
| Capital assets | - | 535,632 | - | - | - |
| New five-year construction project | - | 454,685 | - | - | - |
| Principal on 1981 bonds | - | 1,796,000 | - | - | - |
| Interest on 1981 bonds | - | 50,108 | - | - | - |
| Principal on 1998 revenue bonds | - | - | - | - | - |
| Interest on 1998 revenue bonds | - | - | - | - | - |
| Principal on NJEIT revenue bonds | - | - | - | - | - |
| Interest on NJEIT revenue bonds | - | - | - | - | - |
| Total cash disbursements | - | 10,881,493 | 3,384,525 | 1,392,033 | - |
| Cash and investments - June 30, 2007 | \$62,406 | \$298,414 | \$20,000 | \$609,161 | \$4,384,661 |
| Summary of cash and investments: | | | | | |
| Cash | \$62,406 | \$298,414 | \$20,000 | \$ - | \$ - |
| Short-term investments | - | - | - | 609,161 | 2,662,665 |
| Long-term investments | - | - | - | - | 1,721,996 |
| Restricted investments (current) | - | - | - | - | - |
| Total cash and investments | \$62,406 | \$298,414 | \$20,000 | \$609,161 | \$4,384,661 |

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, 2007

| Self-Insurance Reserve | Depreciation Reserve | Pumping Reserve | Capital Improvements Investments | Watershed Management Fund | Source Water Protection Fund | Subtotal |
|-----------------------------------|---------------------------------|----------------------------|---|--|---|-----------------|
| \$854,334 | \$3,540,327 | \$365,138 | \$5,908,170 | \$6,687 | \$4,816,207 | \$36,523,556 |
| - | - | - | - | - | - | 3,384,525 |
| - | - | - | - | - | - | 3,524,152 |
| - | - | - | - | - | - | 706,540 |
| - | - | - | - | - | - | 4,199,340 |
| - | - | - | - | - | - | 996,371 |
| - | - | - | - | - | 2,349 | 13,047 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | 2,251,842 | 2,787,474 |
| - | - | - | - | - | - | 454,685 |
| - | - | - | - | - | - | 1,796,000 |
| - | - | - | - | - | - | 50,108 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | 200,088 | 200,088 |
| - | - | - | - | - | 102,402 | 102,402 |
| - | - | - | - | - | 2,556,681 | 18,214,732 |
| \$854,334 | \$3,540,327 | \$365,138 | \$5,908,170 | \$6,687 | \$2,259,526 | \$18,308,824 |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$380,820 |
| 262 | 3,309,156 | 365,138 | 5,908,170 | 6,687 | 2,259,526 | 15,120,765 |
| 854,072 | 231,171 | - | - | - | - | 2,807,239 |
| - | - | - | - | - | - | - |
| \$854,334 | \$3,540,327 | \$365,138 | \$5,908,170 | \$6,687 | \$2,259,526 | \$18,308,824 |

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, 2007

| | Subtotal | NJEIT Debt Service | No Name Dam Fund | Major Rehabilitation | Water Reuse & Recycling Fund | Capital Improvement Fund |
|---|---------------------|-----------------------------------|---------------------------------|---------------------------------|---|---|
| Total available cash and investments | \$36,523,556 | \$372,925 | \$1,013,765 | \$1,585,975 | \$226,449 | \$5,214,945 |
| Cash disbursements: | | | | | | |
| Payroll | 3,384,525 | - | - | - | - | - |
| Fringe benefits | 3,524,152 | - | - | - | - | - |
| Employee deferred comp. and credit union | 706,540 | - | - | - | - | - |
| Operations and maintenance | 4,199,340 | - | - | - | - | - |
| Prepaid insurance | 996,371 | - | - | - | - | - |
| Miscellaneous disbursements | 13,047 | - | - | - | - | - |
| Watershed Management Fund | - | - | - | - | - | - |
| Capital improvements: | | | | | | |
| Capital assets | 2,787,474 | - | - | - | - | - |
| New five-year construction project | 454,685 | - | - | - | - | - |
| Principal on 1981 bonds | 1,796,000 | - | - | - | - | - |
| Interest on 1981 bonds | 50,108 | - | - | - | - | - |
| Principal on 1998 revenue bonds | - | - | - | - | - | - |
| Interest on 1998 revenue bonds | - | - | - | - | - | - |
| Principal on NJEIT revenue bonds | 200,008 | - | - | - | - | - |
| Interest on NJEIT revenue bonds | 102,402 | - | - | - | - | - |
| Total cash disbursements | 18,214,732 | - | - | - | - | - |
| Cash & investments - June 30, 2007 | \$18,308,824 | \$372,925 | \$1,013,765 | \$1,585,975 | \$226,449 | \$5,214,945 |
| Summary of cash and investments: | | | | | | |
| Cash | \$380,820 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Short-term investments | 15,120,765 | 372,925 | 1,013,765 | 1,585,975 | 226,449 | 5,214,945 |
| Long-term investments | 2,807,239 | - | - | - | - | - |
| Restricted investments (current) | - | - | - | - | - | - |
| Total cash and investments | \$18,308,824 | \$372,925 | \$1,013,765 | \$1,585,975 | \$226,449 | \$5,214,945 |

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, 2007

| Employment Benefit Funds | 1998 Bonds Debt Service Account | 1998 Bonds Debt Service Reserve | 1981 Debt Service Fund | Rate Stabilization Fund | Totals |
|---|--|--|---------------------------------------|--|---------------|
| \$477,460 | \$3,415,297 | \$2,742,886 | \$9,654 | \$2,313,930 | \$53,896,842 |
| - | - | - | - | - | 3,384,525 |
| - | - | - | - | - | 3,524,152 |
| - | - | - | - | - | 706,540 |
| - | - | - | - | - | 4,199,340 |
| - | - | - | - | - | 996,371 |
| 30,889 | - | - | 9,654 | - | 53,590 |
| - | - | - | - | - | - |
| - | - | - | - | - | 2,787,474 |
| - | - | - | - | - | 454,685 |
| - | - | - | - | - | 1,796,000 |
| - | - | - | - | - | 50,108 |
| - | 1,830,000 | - | - | - | 1,830,000 |
| - | 882,575 | - | - | - | 882,575 |
| - | - | - | - | - | 200,088 |
| - | - | - | - | - | 102,402 |
| 30,889 | 2,712,575 | - | 9,654 | - | 20,967,850 |
| \$446,571 | \$702,722 | \$2,742,886 | \$ - | \$2,313,930 | \$32,928,992 |
| \$3,178 | \$ - | \$ - | \$ - | \$ - | \$383,998 |
| 443,393 | - | - | - | - | 23,978,217 |
| - | - | - | - | - | 2,807,239 |
| - | 702,722 | 2,742,886 | - | 2,313,930 | 5,759,538 |
| \$446,571 | \$702,722 | \$2,742,886 | \$ - | \$2,313,930 | \$32,928,992 |

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, 2007

| | Revenue Fund | Operating Account | Payroll Account | Operating Fund | Reserve for O&M |
|---|-------------------------|------------------------------|----------------------------|-----------------------|--------------------------------|
| Cash and investments - July 1, 2006 | \$89,007 | \$48,456 | \$20,000 | \$530,402 | \$650,530 |
| Cash receipts: | | | | | |
| Water sales operations and maintenance | 2,220,244 | - | - | - | - |
| Water sales debt service | 4,470,170 | - | - | - | - |
| Source water protection | 112,737 | - | - | - | - |
| Water sales overdrafts | - | - | - | - | - |
| NJ-American pumping costs | - | - | - | - | 276,744 |
| Headquarters overhead | - | - | - | - | - |
| Reimbursement of WTP capital expenses | - | - | - | - | - |
| Disposition of assets | - | - | - | - | 5,602 |
| Sale of investment securities | - | - | - | - | - |
| Miscellaneous reimbursement | - | - | - | - | 11,455 |
| Transfers: | | | | | |
| Contributions from operating fund | - | 3,221,668 | 889,296 | (9,890,886) | (5,602) |
| Contributions to operating fund | - | - | - | 2,483,016 | (295,000) |
| Transfers for operations | (6,892,155) | - | - | 6,892,155 | - |
| Distribution from reserves to operations | - | 78,374 | - | - | - |
| Investment income | - | - | - | 25,767 | 34,008 |
| Per resolution, Section 603: | | | | | |
| Investment income, transfer from | 126,182 | - | - | (25,502) | (33,715) |
| Investment income, transfer to | (126,182) | - | - | 64,952 | 40,023 |
| Unrealized (loss) gain on fair value | - | - | - | - | (16,106) |
| Total cash receipts | (89,004) | 3,300,042 | 889,296 | (450,498) | 17,409 |
| Total available cash and investments | \$3 | \$3,348,498 | \$909,296 | \$79,904 | \$667,939 |

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, 2007

| Self- Insurance Reserve | Renewal & Replacement Account | Water Reuse & Recycling | Source Water Protection | Depreciation Reserve | Pumping Reserve | Sediment Reserve | Subtotal |
|--|--|--|--|---------------------------------|----------------------------|-----------------------------|-----------------|
| \$235,266 | \$2,602,526 | \$27,094 | \$233,008 | \$490,367 | \$94,187 | \$55,807 | \$5,076,650 |
| - | - | - | - | - | - | - | 2,220,244 |
| - | - | - | - | - | - | - | 4,470,170 |
| - | - | - | - | - | - | - | 112,737 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 276,744 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 5,602 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 11,455 |
| - | 120,000 | - | 112,530 | 5,602 | - | - | (5,547,392) |
| - | - | - | 411,749 | - | - | - | 2,599,765 |
| - | - | - | - | - | - | - | - |
| - | (3,966) | - | (16,773) | (2,624) | - | - | 55,011 |
| 12,655 | 137,271 | 1,370 | 37,076 | 25,408 | 4,864 | 2,767 | 281,186 |
| (12,650) | - | - | - | (4,750) | (4,836) | (2,745) | 41,984 |
| - | - | - | - | 3,547 | - | - | (17,660) |
| (8,050) | - | - | - | (3,149) | (1,571) | - | (28,876) |
| (8,045) | 253,305 | 1,370 | 544,582 | 24,034 | (1,543) | 22 | 4,480,970 |
| \$227,221 | \$2,855,831 | \$28,464 | \$777,590 | \$514,401 | \$92,644 | \$55,829 | \$9,557,620 |

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, 2007

| | | 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, 2006 | \$5,076,650 | \$294,311 | \$836 | \$9,703 | \$100,726 | \$255,892 | \$852,514 |
| Cash receipts: | | | | | | | |
| Water sales operations and maintenance | 2,220,244 | - | - | - | - | - | - |
| Water sales debt service | 4,470,170 | - | - | - | - | - | - |
| Source water protection | 112,737 | - | - | - | - | - | - |
| Water sales overdrafts | - | - | - | - | - | - | - |
| NJ-American pumping costs | 276,744 | - | - | - | - | - | - |
| Headquarters overhead | - | - | 1,983,248 | - | - | - | - |
| Reimbursement of WTP capital expenses | - | - | 66,166 | - | - | - | 50,000 |
| Disposition of assets | 5,602 | - | - | - | - | - | - |
| Sale of investment securities | - | - | - | - | - | - | - |
| Miscellaneous reimbursement | 11,455 | - | - | - | - | - | - |
| Transfers: | | | | | | | |
| Contributions from operating fund | (5,547,392) | 1,090,098 | (1,022,288) | - | - | - | (1,857) |
| Contributions to operating fund | 2,599,765 | (200) | (906,426) | - | - | - | (15,760) |
| Transfers for operations | - | - | - | - | - | - | - |
| Distribution from reserves to operations | 55,011 | - | (29) | - | - | - | - |
| Investment income | 281,186 | - | 1,282 | 478 | 4,966 | 12,615 | 44,371 |
| Per resolution, Section 603: | | | | | | | |
| Investment income, transfer from | 41,984 | - | - | (464) | (4,865) | (12,331) | - |
| Investment income, transfer to | (17,660) | - | 17,660 | - | - | - | - |
| Unrealized (loss) gain on fair value | (28,876) | - | - | - | - | - | - |
| Total cash receipts | 4,480,970 | 1,089,898 | 139,613 | 14 | 101 | 284 | 76,754 |
| Total cash and investments | \$9,557,620 | \$1,384,209 | \$140,449 | \$9,717 | \$100,827 | \$256,176 | \$929,268 |

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, 2007

| 2005 Debt Service Account | 2005 Debt Service Reserve | Debt Service Account | Debt Service Reserve | Rebate Fund | General Reserve Fund | Employment Benefit Funds | Totals |
|--|--|---------------------------------|---------------------------------|------------------------|-------------------------------------|---|---------------|
| \$2,714,700 | \$3,494,719 | \$ - | \$ - | \$135,529 | \$949,359 | \$108,588 | \$13,993,527 |
| - | - | - | - | - | - | - | 2,220,244 |
| - | - | - | - | - | - | - | 4,470,170 |
| - | - | - | - | - | - | - | 112,737 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 276,744 |
| - | - | - | - | - | - | - | 1,983,248 |
| - | - | - | - | - | - | - | 116,166 |
| - | - | - | - | - | - | - | 5,602 |
| - | 3,441,000 | - | - | - | - | - | 3,441,000 |
| - | - | - | - | - | - | - | 11,455 |
| 4,372,939 | (57,608) | 39,587 | 825 | - | 1,043,426 | 82,270 | - |
| - | - | - | - | - | (1,677,379) | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | (54,982) | - |
| 91,931 | 86,162 | 744 | 7 | 6,851 | 23,957 | 5,816 | 560,366 |
| - | - | - | - | - | (24,324) | - | - |
| - | - | - | - | - | - | - | - |
| - | 1,082 | - | - | - | - | - | (27,794) |
| 4,464,870 | 3,470,636 | 40,331 | 832 | 6,851 | (634,320) | 33,104 | 13,169,938 |
| \$7,179,570 | \$6,965,355 | \$40,331 | \$832 | \$142,380 | \$315,039 | \$141,692 | \$27,163,465 |

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, 2007

| | | | Operating Fund | | |
|---|---------------------|--------------------------|------------------------|-----------------------|----------------------------|
| | Revenue Fund | Operating Account | Payroll Account | Operating Fund | Reserve for O&M |
| Total available cash and investments | \$3 | \$3,348,498 | \$909,296 | \$79,904 | \$667,939 |
| Cash disbursements: | | | | | |
| Payroll | - | - | 889,296 | - | - |
| Fringe benefits | - | 1,745,029 | - | (1,508,663) | - |
| Employee deferred comp. and credit union | - | 216,412 | - | 159,978 | - |
| Operations and maintenance | - | 891,841 | - | 387,022 | - |
| NJ-American pumping costs | - | 218,008 | - | - | - |
| Prepaid insurance | - | 204,204 | - | - | - |
| Headquarters overhead | - | - | - | 718,175 | - |
| Capital assets reservoir | - | 34,243 | - | - | - |
| Capital improvement program (reservoir) | - | 3,966 | - | - | - |
| Purchase of Investments securities | - | - | - | - | - |
| Principal on bonds | - | - | - | - | - |
| Interest on bonds | - | - | - | - | - |
| Total cash disbursements | - | 3,313,703 | 889,296 | (243,488) | - |
| Cash and investments - June 30, 2007 | \$3 | \$34,795 | \$20,000 | \$323,392 | \$667,939 |

Summary of cash and investments:

| | | | | | |
|------------------------------------|------------|-----------------|-----------------|------------------|------------------|
| Cash (Manasquan) | \$3 | \$34,795 | \$20,000 | \$ - | \$ - |
| Cash (Water Treatment Plant/TS) | - | - | - | - | - |
| Short-term investments | - | - | - | 323,392 | 233,880 |
| Short-term investments (WTP/TS) | - | - | - | - | - |
| Long-term investments | - | - | - | - | 434,059 |
| Restricted investments (current) | - | - | - | - | - |
| Restricted investments (long-term) | - | - | - | - | - |
| Total cash and investments | \$3 | \$34,795 | \$20,000 | \$323,392 | \$667,939 |

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, 2007

| Self- Insurance Reserve | Renewal and Replacement Account | Water Reuse & Recycling | Source Water Protection | Depreciation Reserve | Pumping Reserve | Sediment Reserve | Subtotal |
|-------------------------------|---------------------------------------|----------------------------|----------------------------|-------------------------|--------------------|---------------------|-------------|
| \$227,221 | \$2,855,831 | \$28,464 | \$777,590 | \$514,401 | \$92,644 | \$55,829 | \$9,557,620 |
| - | - | - | - | - | - | - | 889,296 |
| - | - | - | - | - | - | - | 236,366 |
| - | - | - | - | - | - | - | 376,390 |
| - | - | - | - | - | - | - | 1,278,863 |
| - | - | - | - | - | - | - | 218,008 |
| - | - | - | - | - | - | - | 204,204 |
| - | - | - | - | - | - | - | 718,175 |
| - | - | - | - | - | - | - | 34,243 |
| - | - | - | - | - | - | - | 3,966 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 3,959,511 |
| \$227,221 | \$2,855,831 | \$28,464 | \$777,590 | \$514,401 | \$92,644 | \$55,829 | \$5,598,109 |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$54,798 |
| - | - | - | - | - | - | - | - |
| 10,288 | 2,855,831 | 28,464 | 777,590 | 429,552 | 50,316 | 55,829 | 4,765,142 |
| - | - | - | - | - | - | - | - |
| 216,933 | - | - | - | 84,849 | 42,328 | - | 778,169 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| \$227,221 | \$2,855,831 | \$28,464 | \$777,590 | \$514,401 | \$92,644 | \$55,829 | \$5,598,109 |

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, 2007

| | Subtotal | Water Treatment Plant/Transmission System | | | | | |
|---|--------------------|---|----------------|-------------------|-----------------------|------------------------|-----------------------------|
| | | Operating Account | Operating Fund | Residuals Reserve | Carbon Filter Reserve | Self-Insurance Reserve | Capital Improvement Reserve |
| Total available cash and investments | \$9,557,620 | \$1,384,209 | \$140,449 | \$9,717 | \$100,827 | \$256,176 | \$929,268 |
| Cash disbursements: | | | | | | | |
| Payroll | 889,296 | - | - | - | - | - | - |
| Fringe benefits | 236,366 | - | - | - | - | - | - |
| Employee deferred comp. and credit union | 376,390 | - | - | - | - | - | - |
| Operations and maintenance | 1,278,863 | 1,017,452 | - | - | - | - | 50,000 |
| NJ-American pumping costs | 218,008 | - | - | - | - | - | - |
| Prepaid insurance | 204,204 | 62,101 | - | - | - | - | - |
| Headquarters overhead | 718,175 | - | 134,832 | - | - | - | - |
| Capital assets reservoir | 34,243 | - | - | - | - | - | - |
| Capital improvement program (reservoir) | 3,966 | - | - | - | - | - | - |
| Purchase of Investments securities | - | - | - | - | - | - | - |
| Principal on bonds | - | - | - | - | - | - | - |
| Interest on bonds | - | - | - | - | - | - | - |
| Total cash disbursements | 3,959,511 | 1,079,553 | 134,832 | - | - | - | 50,000 |
| Cash and investments - June 30, 2007 | \$5,598,109 | \$304,656 | \$5,617 | \$9,717 | \$100,827 | \$256,176 | \$879,268 |

Summary of cash and investments:

| | | | | | | | |
|------------------------------------|--------------------|------------------|----------------|----------------|------------------|------------------|------------------|
| Cash (Manasquan) | \$54,798 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Cash (Water Treatment Plant/TS) | - | 304,656 | - | - | - | - | - |
| Short-term investments | 4,765,142 | - | - | - | - | - | - |
| Short-term investments (WTP/TS) | - | - | 5,617 | 9,717 | 100,827 | 256,176 | 879,268 |
| Long-term investments | 778,169 | - | - | - | - | - | - |
| Restricted investments (current) | - | - | - | - | - | - | - |
| Restricted investments (long-term) | - | - | - | - | - | - | - |
| Total cash and investments | \$5,598,109 | \$304,656 | \$5,617 | \$9,717 | \$100,827 | \$256,176 | \$879,268 |

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, 2007

| 2005 Debt Service Account | 2005 Debt Service Reserve | Debt Service Account | Debt Service Reserve | Rebate Fund | General Reserve Fund | Employment Benefit Funds | Totals |
|--|--|---------------------------------|---------------------------------|------------------------|-------------------------------------|---|---------------|
| \$7,179,570 | \$6,965,355 | \$40,331 | \$832 | \$142,380 | \$315,039 | \$141,692 | \$27,163,465 |
| - | - | - | - | - | - | - | 889,296 |
| - | - | - | - | - | - | - | 236,366 |
| - | - | - | - | - | - | - | 376,390 |
| - | - | - | - | - | - | - | 2,346,315 |
| - | - | - | - | - | - | - | 218,008 |
| - | - | - | - | - | - | - | 266,305 |
| - | - | - | - | - | - | - | 853,007 |
| - | - | - | - | - | - | - | 34,243 |
| - | - | - | - | - | - | - | 3,966 |
| - | 3,364,866 | - | - | - | - | - | 3,364,866 |
| 2,070,000 | - | 1,695 | - | - | - | - | 2,071,695 |
| 2,101,372 | - | 3,414 | - | - | - | - | 2,104,786 |
| 4,171,372 | 3,364,866 | 5,109 | - | - | - | - | 12,765,243 |
| \$3,008,198 | \$3,600,489 | \$35,222 | \$832 | \$142,380 | \$315,039 | \$141,692 | \$14,398,222 |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$54,798 |
| - | - | - | - | - | - | - | 304,656 |
| - | - | - | - | - | 315,039 | 141,692 | 5,221,873 |
| - | - | - | - | - | - | - | 1,251,605 |
| - | - | - | - | - | - | - | 778,169 |
| 3,008,198 | 3,600,489 | 35,222 | 832 | 142,380 | - | - | 6,787,121 |
| - | - | - | - | - | - | - | - |
| \$3,008,198 | \$3,600,489 | \$35,222 | \$832 | \$142,380 | \$315,039 | \$141,692 | \$14,398,222 |

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Statistical Section

FINANCIAL TREND DATA

| | |
|--|-------------|
| Summary of Financial Information | 1998 - 2007 |
| Summary of Raritan Basin System Water Use Contracts | 1998 - 2007 |
| Summary of Manasquan Water Supply System Water Use Contracts ... | 1998 - 2007 |

DEBT CAPACITY DATA

| | |
|--|-------------|
| Raritan Basin System Revenue Bond Coverage | 1998 - 2007 |
| Manasquan System Revenue Bond Coverage | 2002 - 2007 |

REVENUE CAPACITY DATA

| | |
|---|-------------|
| Raritan Basin System Water Charges | 1990 - 2007 |
| Manasquan Water Supply System Water Charges | 1993 - 2007 |

OPERATING INFORMATION

| | |
|--|-------------|
| Spruce Run Rain Gauge | 1998 - 2007 |
| West Windsor Rain Gauge | 1998 - 2007 |
| Spruce Run Reservoir Storage | 1998 - 2007 |
| Round Valley Reservoir Storage | 1998 - 2007 |
| Manasquan System Rainfall | 1998 - 2007 |
| Manasquan Reservoir Storage Data | 1998 - 2007 |

New Jersey Water Supply Authority

SUMMARY OF FINANCIAL INFORMATION 1998 - 2007

| | 1998 | 1999 | 2000 | 2001 | 2002 |
|--|--------------|--------------|--------------|--------------|--------------|
| REVENUE AND EXPENSES | | | | | |
| Water sales | \$18,550,163 | \$18,237,398 | \$17,963,202 | \$18,248,873 | \$19,912,921 |
| Reimbursement of operating exp | 1,245,507 | 1,316,804 | 1,414,821 | 1,339,167 | 1,419,068 |
| Total operating revenues | 19,795,670 | 19,554,202 | 19,378,023 | 19,588,040 | 21,331,989 |
| Operating expense | 14,133,556 | 14,480,879 | 15,632,775 | 15,523,478 | 16,450,755 |
| Income from operations | 5,662,114 | 5,073,323 | 3,745,248 | 4,064,562 | 4,881,234 |
| Nonoperating revenues | 2,003,192 | 1,629,293 | 4,709,579 | 2,826,090 | 1,687,459 |
| Nonoperating expenses | 5,403,594 | 4,096,607 | 4,787,230 | 4,779,364 | 4,981,693 |
| Change in net assets | 2,261,712 | 2,606,009 | 4,007,768 | 1,848,817 | 1,587,000 |
| Net assets, beginning of year | 82,066,286 | 84,327,998 | 86,934,007 | 90,941,775 | 92,790,592 |
| Net assets, end of year | 84,327,998 | 86,934,007 | 90,941,775 | 92,790,592 | 94,377,592 |
| ASSETS | | | | | |
| Current assets | 17,986,650 | 20,002,203 | 23,716,294 | 23,159,792 | 24,575,360 |
| Noncurrent assets | 204,817,282 | 202,985,659 | 199,107,133 | 197,300,073 | 193,044,591 |
| Total assets | 222,803,932 | 222,987,862 | 222,823,427 | 220,459,865 | 217,619,951 |
| LIABILITIES | | | | | |
| Current liabilities | 5,930,253 | 7,164,444 | 7,234,800 | 7,503,563 | 7,055,124 |
| Noncurrent liabilities | 132,545,681 | 128,889,411 | 124,646,852 | 120,165,710 | 116,187,235 |
| Total liabilities | 138,475,934 | 136,053,855 | 131,881,652 | 127,669,273 | 123,242,359 |
| NET ASSETS | | | | | |
| Invested in capital assets, net of related debt | 34,093,007 | 33,814,869 | 34,304,082 | 34,993,065 | 34,845,644 |
| Restricted | - | - | - | 10,158,116 | 10,804,128 |
| Unrestricted | 50,234,991 | 53,119,138 | 56,637,693 | 47,639,411 | 48,727,820 |
| Total net assets | \$84,327,998 | \$86,934,007 | \$90,941,775 | \$92,790,592 | \$94,377,592 |

New Jersey Water Supply Authority

SUMMARY OF FINANCIAL INFORMATION 1998 - 2007

| 2003 | 2004 | 2005 | 2006 | 2007 |
|--------------|--------------|--------------|---------------|---------------|
| \$19,564,798 | \$20,258,371 | \$22,037,389 | \$23,249,130 | \$22,508,685 |
| 1,463,670 | 1,578,686 | 1,723,723 | 1,844,055 | 2,100,466 |
| 21,028,468 | 21,837,057 | 23,761,112 | 25,093,185 | 24,609,151 |
| 17,339,427 | 17,905,912 | 18,461,671 | 18,911,050 | 21,299,226 |
| 3,689,041 | 3,931,145 | 5,299,441 | 6,182,135 | 3,309,925 |
| 907,349 | 584,425 | 3,020,168 | 2,456,177 | 3,947,914 |
| 4,534,643 | 4,715,508 | 5,151,673 | 5,460,653 | 3,692,672 |
| 61,747 | (199,938) | 3,167,936 | 3,177,659 | 3,565,167 |
| 94,377,592 | 94,439,339 | 94,239,401 | 97,407,337 | 100,584,996 |
| 94,439,339 | 94,239,401 | 97,407,337 | 100,584,996 | 104,150,163 |
| 23,535,975 | 27,718,480 | 29,835,264 | 37,416,567 | 37,981,903 |
| 191,875,994 | 183,664,331 | 181,818,542 | 176,312,628 | 177,020,383 |
| 215,411,969 | 211,382,811 | 211,653,806 | 213,729,195 | 215,002,286 |
| 9,077,827 | 9,066,943 | 9,878,233 | 10,231,778 | 9,613,559 |
| 111,894,803 | 108,076,467 | 104,368,236 | 102,912,421 | 101,238,564 |
| 120,972,630 | 117,143,410 | 114,246,469 | 113,144,199 | 110,852,123 |
| 35,978,635 | 36,025,900 | 37,445,316 | 36,451,123 | 38,594,390 |
| 11,721,789 | 11,089,206 | 12,045,911 | 11,900,344 | 12,388,041 |
| 46,738,915 | 47,124,295 | 47,916,110 | 52,233,529 | 53,167,732 |
| \$94,439,339 | \$94,239,401 | \$97,407,337 | \$100,584,996 | \$104,150,163 |

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>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</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 |
| ELIZABETHTOWN WATER COMPANY | 102.000 | 102.000 | 102.000 | 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 |
| FLEMINGTON FILM PRODUCTS | 0.012 | 0.012 | 0.012 | 0.012 | 0.012 |
| DUKE FARMS | - | - | - | - | - |
| 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 | - | - | - | - | - |
| SYSTEM TOTAL | 149.797 | 149.797 | 149.797 | 151.797 | 152.333 |

New Jersey Water Supply Authority

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

| 2003 | 2004 | 2005 | 2006 | 2007 |
|---------|---------|---------|---------|---------|
| 0.200 | 0.200 | 0.490 | 0.490 | 0.490 |
| 0.100 | 0.100 | 0.132 | 0.132 | 0.132 |
| 0.250 | 0.250 | 0.250 | 0.250 | 0.250 |
| 0.135 | 0.135 | - | - | - |
| 0.500 | 0.500 | 0.500 | 0.500 | 0.500 |
| 8.000 | 8.000 | 8.000 | 8.000 | 8.000 |
| 0.100 | 0.100 | 0.025 | 0.025 | 0.025 |
| 104.000 | 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 |
| 20.000 | 27.000 | 27.000 | 27.000 | 27.000 |
| 0.536 | 0.536 | 0.536 | 0.536 | 0.536 |
| 0.012 | 0.012 | - | - | - |
| 0.058 | 0.058 | 0.058 | 0.058 | 0.058 |
| - | - | - | 0.008 | 0.008 |
| - | - | 0.111 | 0.111 | 0.111 |
| - | - | 0.074 | 0.074 | 0.074 |
| - | - | 0.261 | 0.261 | 0.261 |
| - | - | 0.012 | 0.012 | 0.012 |
| - | - | 0.011 | 0.011 | 0.011 |
| - | - | 0.116 | 0.116 | 0.116 |
| - | - | 0.080 | 0.080 | 0.080 |
| - | - | 0.079 | 0.079 | 0.079 |
| - | - | 0.010 | 0.010 | 0.010 |
| - | - | - | - | 0.025 |
| 152.391 | 179.491 | 180.345 | 180.353 | 180.378 |

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

| | 1998 | 1999 | 2000 | 2001 | 2002 |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| 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 JERSEYAMERICAN WATER CO. | 7.765 | 8.065 | 8.065 | 9.065 | 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 | 0.300 | - | - | - | - |
| 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 |
| | 16.097 | 16.097 | 16.097 | 17.097 | 19.032 |
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| WALL TOWNSHIP | 2.300 | 2.300 | 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 | 1.900 | 1.927 |
| NEW JERSEYAMERICAN WATER CO. | 11.000 | 11.000 | 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 | 0.450 | 0.425 | 0.425 | 0.425 |
| BOROUGH OF BELMAR | 0.650 | 0.650 | 0.650 | 0.650 | 0.650 |
| BOROUGH OF BRIELLE | 0.400 | 0.400 | 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 |
| | 19.032 | 19.032 | 20.532 | 20.532 | 20.559 |

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 |
|--------------------|----------------------|---------------------------|---|------------------------------|-----------------|
| 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 |
| 1998 | \$14,402,400 | \$8,433,400 | \$5,969,000 | \$3,150,000 | 1.89 |

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 |
|------------------------|--------------------------|-------------------------------|---|--------------------------------------|-----------------|
| 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>7/1/90</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> |
|-----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| RATE PER MGD | \$188.60 | \$201.33 | \$214.86 | \$220.47 | \$229.50 | \$220.78 | \$211.16 | \$211.16 | \$211.16 |

| <u>EFFECTIVE DATE</u> | <u>7/1/99</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> |
|-----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| RATE PER MGD | \$205.00 | \$205.00 | \$205.00 | \$205.00 | \$210.00 | \$215.00 | \$215.00 | \$228.00 | \$228.00 |

New Jersey Water Supply Authority

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

| <u>EFFECTIVE DATE</u> | <u>7/01/93</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> |
|-----------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| RATE PER MGD | \$1,064.33 | \$1,096.75 | \$1,114.98 | \$1,105.47 | \$1,065.15 | \$938.92 | \$832.92 | \$695.31 |

| <u>EFFECTIVE DATE</u> | <u>7/01/00</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> |
|-----------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| RATE PER MGD | \$728.81 | \$797.92 | \$794.97 | \$794.97 | \$921.64 | \$895.01 | \$833.27 | \$846.06 |
| (Delayed Contracts) | - | \$1,035.50 | \$1,047.96 | \$1,065.45 | \$1,186.00 | \$1,164.26 | \$1,074.02 | \$1,081.96 |

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 |
|---------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| 2007 | 3.28 | 1.03 | 2.99 | 9.59 | 1.57 | 3.73 | 5.24 | 4.56 | 0.82 | 2.45 | 2.84 | 4.83 | 42.93 |
| 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 |
| 1998 | 3.70 | 4.50 | 3.60 | 5.20 | 5.60 | 3.60 | 1.40 | 4.20 | 2.50 | 3.50 | 1.20 | 0.80 | 39.80 |
| TOTAL | 33.34 | 23.35 | 33.08 | 37.99 | 33.78 | 40.05 | 32.50 | 32.57 | 43.03 | 39.57 | 31.53 | 30.04 | 410.83 |
| AVERAGE | 3.33 | 2.34 | 3.31 | 3.80 | 3.38 | 4.01 | 3.25 | 3.26 | 4.30 | 3.96 | 3.15 | 3.00 | 41.08 |
| MAXIMUM | 6.00 | 4.50 | 4.40 | 9.59 | 5.60 | 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 | 0.80 | 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 |
|---------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| 2007 | 3.24 | 2.02 | 4.24 | 11.56 | 2.60 | 4.64 | 4.17 | 3.84 | 1.50 | 1.72 | 2.45 | 5.84 | 47.82 |
| 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 |
| 1998 | 4.70 | 3.30 | 5.50 | 3.80 | 8.00 | 4.90 | 1.80 | 3.50 | 1.90 | 1.50 | 1.40 | 1.10 | 41.40 |
| TOTAL | 40.04 | 26.22 | 39.84 | 39.63 | 37.26 | 43.64 | 36.67 | 35.14 | 47.76 | 39.36 | 33.65 | 36.46 | 455.67 |
| AVERAGE | 4.00 | 2.62 | 3.98 | 3.96 | 3.73 | 4.36 | 3.67 | 3.51 | 4.78 | 3.94 | 3.37 | 3.65 | 45.57 |
| MAXIMUM | 7.60 | 5.20 | 6.30 | 11.56 | 8.00 | 9.30 | 8.00 | 6.80 | 11.00 | 11.40 | 5.40 | 6.10 | 53.00 |
| MINIMUM | 2.00 | 0.60 | 1.30 | 1.60 | 1.80 | 0.60 | 1.00 | 1.00 | 1.50 | 0.50 | 0.80 | 1.10 | 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 |
|---------|------|------|------|------|------|------|------|------|------|------|------|------|
| 2007 | 11.1 | 11.0 | 10.1 | 11.0 | 11.0 | 11.0 | 10.6 | 10.0 | 9.6 | 7.2 | 7.9 | 9.7 |
| 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 |
| 1998 | 5.6 | 6.9 | 8.6 | 10.7 | 11.0 | 11.0 | 11.0 | 9.2 | 6.4 | 4.3 | 3.9 | 3.9 |
| AVERAGE | 8.6 | 8.9 | 9.4 | 10.0 | 10.3 | 10.5 | 10.3 | 9.7 | 8.7 | 8.1 | 8.1 | 8.6 |
| 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 | 6.4 | 4.3 | 3.9 | 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 |
|---------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2007 | 53.1 | 53.2 | 53.1 | 53.5 | 54.3 | 54.3 | 54.4 | 54.5 | 54.2 | 53.5 | 53.1 | 53.4 |
| 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 |
| 1998 | 54.4 | 54.6 | 54.8 | 54.8 | 55.1 | 54.4 | 54.6 | 54.4 | 54.4 | 54.4 | 52.8 | 51.1 |
| AVERAGE | 50.87 | 50.98 | 51.37 | 52.02 | 52.98 | 53.42 | 53.50 | 52.72 | 51.69 | 51.49 | 51.24 | 50.99 |
| MAXIMUM | 55.0 | 55.0 | 55.0 | 55.2 | 55.1 | 55.2 | 55.1 | 55.3 | 55.0 | 55.0 | 54.7 | 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 |
|---------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 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 |
| 1998 | 5.56 | 7.51 | 6.17 | 5.19 | 5.82 | 6.22 | 3.11 | 1.95 | 2.88 | 1.37 | 1.24 | 0.94 |
| TOTAL | 36.68 | 26.63 | 43.09 | 42.56 | 30.48 | 46.43 | 40.45 | 36.98 | 41.39 | 47.30 | 33.12 | 33.39 |
| AVERAGE | 3.67 | 2.66 | 4.31 | 4.26 | 3.05 | 4.64 | 4.05 | 3.70 | 4.14 | 4.73 | 3.31 | 3.34 |
| MAXIMUM | 7.03 | 7.51 | 9.00 | 9.60 | 5.82 | 7.33 | 6.41 | 5.86 | 7.93 | 15.60 | 6.60 | 5.91 |
| MINIMUM | 1.18 | 0.88 | 1.25 | 1.81 | 1.39 | 1.47 | 1.05 | 1.71 | 0.38 | 1.08 | 0.68 | 0.94 |

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 |
|---------|------|------|------|------|------|------|------|------|------|------|------|------|
| 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 |
| 1998 | 4.40 | 4.56 | 4.66 | 4.64 | 4.62 | 4.59 | 4.51 | 4.43 | 4.27 | 4.17 | 3.88 | 3.81 |
| AVERAGE | 4.25 | 4.37 | 4.49 | 4.60 | 4.57 | 4.51 | 4.35 | 4.11 | 3.94 | 3.92 | 3.96 | 4.07 |
| MAXIMUM | 4.62 | 4.60 | 4.66 | 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 | 3.43 | 3.16 | 3.00 |

MAXIMUM CAPACITY 4.7 BG

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

10 0 10 20 30 Miles

Map Prepared by NJWSA, October, 2004





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