

NEW JERSEY WATER SUPPLY AUTHORITY



2006 ANNUAL REPORT

AND THE

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2006

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, 2005

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Caren E. Perry

President

Jeffrey R. Enos

Executive Director

NEW JERSEY WATER SUPPLY AUTHORITY

2006 ANNUAL REPORT

AND THE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

A COMPONENT UNIT
OF THE STATE OF NEW JERSEY



FOR THE YEAR ENDED
JUNE 30, 2006

Prepared by:
Accounting and Administrative Staff

Henry S. Patterson III
Executive Director

2006 Annual Report



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Vice Chair
Chair, Audit Committee

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Secretary
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Chair, Watershed Lands Acquisition Committee

Robert J. Iacullo

Staff

Henry S. Patterson III
Executive Director

Helene P. Chudzik, Esq.
Deputy Attorney General

2007 Monthly Meetings

The 2007 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 8, 2007

February 5, 2007

March 5, 2007

April 2, 2007

May 7, 2007

June 4, 2007 (Canal Office)

July 2, 2007 (Canal Office)

August 6, 2007 (Manasquan Office)

September 10, 2007

October 1, 2007

November 5, 2007

December 3, 2007

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 Photo

A view from within the Round Valley Park overlooking the reservoir near the south dam.

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

Contents

Introductory Section

Letter to Governor and Legislature	5
Operations	6
Watershed Protection Programs Unit	7
Letter of Transmittal	
Chief Financial Officer	11

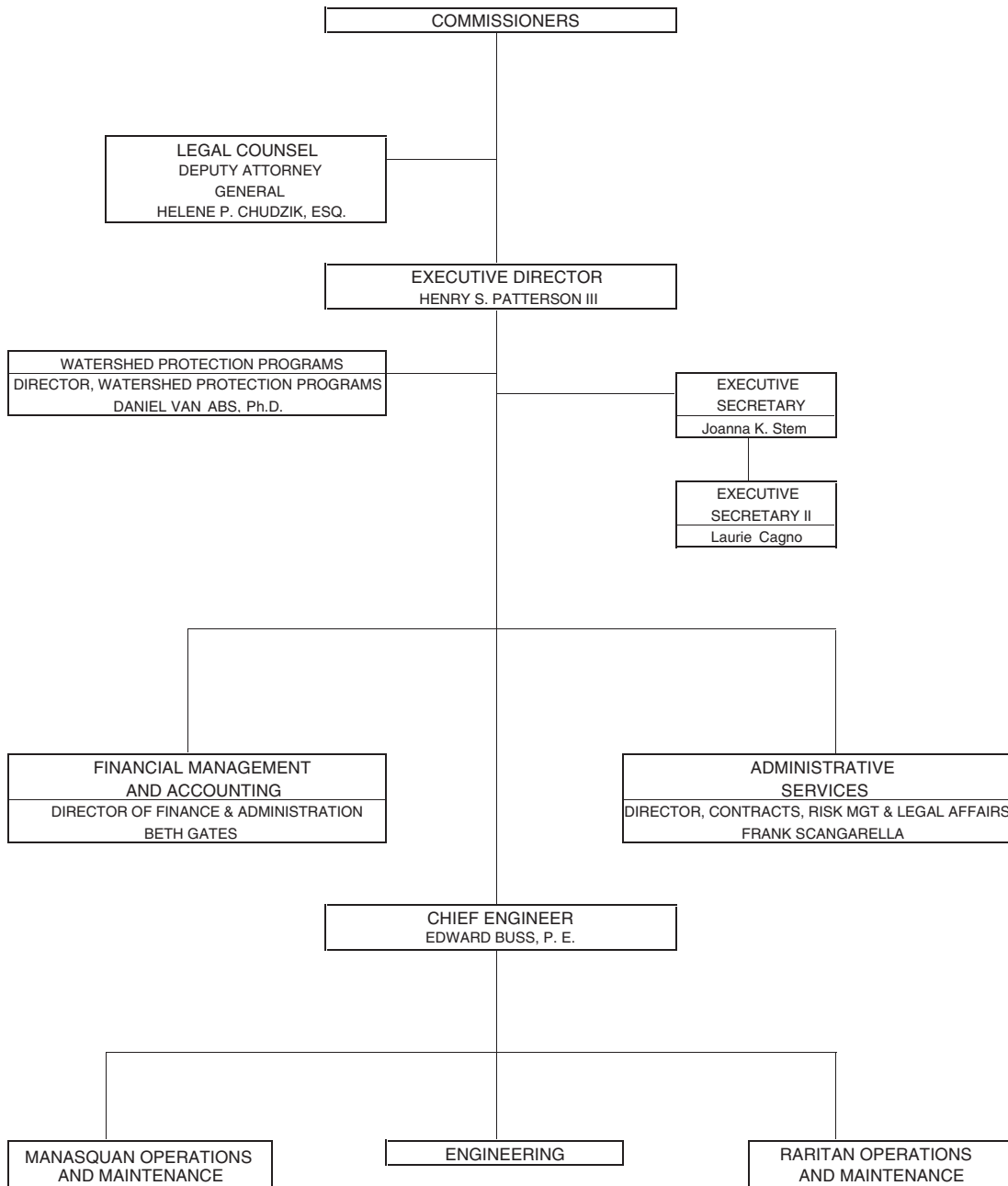
Financial Section

Annual Financial Report for the Year Ended June 30, 2006	
Report of Independent Auditors	18
Basic Financial Statements	
Management's Discussion and Analysis	20
Statements of Net Assets	26
Statements of Revenues, Expenses & Changes in Net Assets	27
Statements of Cash Flows	28
Notes to Financial Statements	29
Supplemental Information	45

Statistical Section

Summary of Financial Information	66
Summary of Raritan Basin System Water Use Contracts	68
Summary of Manasquan Water Supply System Water Use Contracts	70
Raritan Basin System Revenue Bond Coverage	71
Manasquan System Revenue Bond Coverage	72
Raritan Basin System Water Changes	73
Manasquan Water Supply System Water Charges	73
Spruce Run Rain Gauge	74
West Windsor Rain Gauge	74
Spruce Run Reservoir Storage	75
Round Valley Reservoir Storage	75
Manasquan Reservoir Rainfall	76
Manasquan Reservoir Storage Data	76

NEW JERSEY WATER SUPPLY AUTHORITY TABLE OF ORGANIZATION



Letter to Governor and Legislature



NEW JERSEY WATER SUPPLY AUTHORITY

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February 2007

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

I am pleased to submit the 25th 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 Act" under NJSA 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.

The Authority experienced a wide range of operational and maintenance issues during 2006. Below average precipitation during the winter months resulted in low stream flows throughout the State and led to the declaration of a statewide drought warning on May 8, 2006. However, the drought warning was short lived, above average precipitation in June and July increased stream flows and reservoir storage to normal levels. The above average precipitation in June caused the third major flooding event on the Delaware River in less than two years causing widespread damage up and down the river. The Canal embankment also suffered damage between its inlet in Kingwood Township and Lambertville. A Federal Major Disaster declaration was issued for the region making the repairs to the Canal 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 almost 2,300 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 2006, the Authority received the first Highlands Preservation Area Approval granted by NJDEP, which authorized a major stream restoration project to protect the Spruce Run Reservoir watershed. This project received an award from the New Jersey Association of Flood Plain Management for the Authority's innovative work in stream restoration. The U.S. Environmental Protection Agency and the Authority's Source Water Protection Fund funded this project. The Authority was presented with the Certificate of Achievement for Excellence in Financial Reporting Award from the Government Finance Officers Association for FY2005, our 14th consecutive award.

Finally, the Authority is in substantial compliance with Executive Order No. 37 (2006), has made several adjustments to this annual report to comport with its requirements and is working to effect other necessary policy revisions to be in complete compliance.

Sincerely,

Lisa P. Jackson

Chair New Jersey Water Supply Authority, and
Commissioner New Jersey Department of
Environmental Protection

Operations

Weather Events

There were two notable weather events in 2006, the winter drought watch and the flooding of the Delaware River in June.

Winter Drought Watch

Below average precipitation in February and March and unseasonably low stream flows prompted a Drought Watch designation by the New Jersey Department of Environmental Protection (NJDEP) throughout the State on May 8, 2006. Abundant rainfall throughout the summer months including a significant rainfall event in June brought an end to the Drought Watch designation on July 20, 2006.

Flooding of the Delaware River

Heavy rains in the Delaware River Basin and its tributaries caused major flooding in the river for the third time in less than two years. The flooding in late June and early July caused water levels in the Delaware River at Trenton to crest at the fifth highest level since 1904 and less than three inches below the flood levels of April 2005.

Flooding was experienced on both sides of the Delaware River along its entire length. Damage caused by the flooding was widespread including a breach of the Canal embankment in Stockton Borough in Hunterdon County, and damage to the embankment that was repaired following the April 2005 breach. Damage was also experienced at many of the bridges that cross the Canal between the Inlet at Bulls Island and Trenton.

A Federal Major Disaster declaration was issued for the Delaware Basin making affected parties eligible for funding through the Federal Emergency

Management Agency (FEMA). The Authority has applied to FEMA for reimbursement of expenses associated with flood damage and is optimistic that the application will be approved.

Pipeline Management

The Raritan System includes two pipelines, a force main and a release pipeline. The force main is composed of 17,000 feet of 108-inch diameter prestressed concrete cylinder pipe that begins at the South Branch Pumping Station and extends to the Round Valley Reservoir. Ongoing inspections and non-destructive testing has identified certain pipe sections that are a cause of concern. One section of pipe, located on the pumping station property, was replaced in November 2005 and was dismantled and tested in January 2006.

The remainder of the force main will continue to be monitored and appropriate action taken as necessary.

Dam Inspections

In accordance with the State Dam Safety Regulations, the Authority's engineering staff conducted the 2006 dam inspection at the Spruce Run and Round Valley Reservoirs on September 27, 2006. An outside engineering consultant conducted the 2006 formal dam inspection at the Manasquan Reservoir on September 19, 2006. 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.

Authority engineering staff also conducted a regular inspection of the No Name Dam No. 31 at the South Branch Pumping Station on June 14, 2006. Clinton Township and the Authority jointly own the No Name Dam No. 31. Under an agreement with the NJDEP, the Authority is undertaking improvements to the dam that are designed to safely pass the Spillway Design Flood. The improvements include armoring the crest and downstream slope with articulated block.

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. Although the Authority is awaiting final approval from the NJDEP, 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 increase in safe yield has altered the urgency of the development of the Confluence Pumping Station/Pipeline Water Supply Development Project.

A similar modeling effort for the Manasquan Reservoir System has begun; the model will help assess 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/filtra-

tion package units for particulate removal in the treatment process. Recently, the primary coagulant at the MWTP was changed 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. The need to change the primary coagulant arose from the formation of mudballs in the filter units. The Authority has requested approval from the NJDEP for this permanent change in the plant operation.

Watershed Protection Programs Unit

The Authority formed its Watershed Protection Programs Unit, which works to preserve and improve water supply resources for the Raritan River Basin, the Manasquan River Watershed, and the Delaware & Raritan Canal and its tributary watersheds. Primary functions of the unit are development and implementation of projects that improve protection of water supply (both quantity and quality) for the Authority and its customers, planning for watershed protection, and involvement with related State regulatory and planning issues. The Authority's Administrative Services Division is also involved in these functions as lead for critical areas property acquisition.

During Fiscal Year 2006, the Authority moved forward on a variety of watershed protection and restoration projects, and launched its first major stream restoration project. Restoration projects occurred during the summer of 2006 in the Spruce Run Reservoir watersheds, in Hunterdon County parks. At the Crystal Springs Section of the Teetertown Preserve a section of the Spruce Run was restored by replacing a piped culvert with an open culvert that allows the stream to flow nat-

urally. The Grounds Maintenance staff of the Authority implemented the project with the help of the Engineering Office, based on a consultant project design. For the Hoffman Park project, 700 feet of the stream was restored using a combination of structural and bioengineering techniques. This stream segment was badly eroded and degraded; the new design provides more natural flow, better flood plain storage and improved sediment transport. This project received the NJDEP's first Highlands Preservation Area Approval. Both projects were funded in part by an USEPA Targeted Watersheds Grant and in part by the Authority.

Several additional efforts took place in the Spruce Run Reservoir watersheds, all linked to the Spruce Run Initiative and the USEPA Targeted Watersheds Grant. The Authority used a federal grant to convert 12 acres of mowed lawn to native grassland habitat, with both water quality and ecosystem benefits. The Watershed Protection Unit continued working with local governments and landowners to improve water quality and streams in parks and preserved farms. The Mulhockaway Creek Stormwater Management Project completed a detailed inventory of existing stormwater facilities and their effectiveness in protection of water quality, and initiated a water quality monitoring effort. This project will help the Spruce Run Initiative partners identify and correct non-point source pollution problems in the Mulhockaway watershed.

The Authority is also working with municipalities to improve master plans and zoning ordinances to protect, preserve and enhance watershed resources, and actively worked with ten communities, and completed municipal assessment reports in several townships including Bethlehem,

Lebanon, Chester and Union. Among other local actions, the Authority helped Union Township implement improved zoning and site plan requirements for the Interstate 78 corridor to better safeguard the reservoir, based on a recent Authority report.

The Authority's award-winning program for critical areas preservation successfully preserved many properties this year, in partnership with State, county, municipal and non-profit partners. This unique program is funded by a 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 program focuses on the Spruce Run Reservoir watersheds, but also addresses critical areas in the Raritan Highlands and other areas.

The Authority also advanced its source water protection efforts for the Delaware & Raritan Canal. NJDEP approved the Authority's D&R Canal Nonpoint Source Management Plan, which identified ways to significantly reduce sediment and turbidity levels in the last 11 miles of the Canal before New Brunswick. NJDEP then committed \$350,000 in Federal funds toward implementation of the plan, and the Legislature approved additional state funding in the FY2007 budget. The Authority is working with its partners, the Township of Franklin and Borough of South Bound Brook (Somerset County), and others to begin implementation. The Authority continued to develop a watershed-based stormwater management plan for the Cedar Grove Brook, the last major tributary to the Canal upstream of the last Canal users' intakes. Finally, the Authority

began development of a watershed restoration and protection plan for the Lockatong and Wickecheoke Creeks in southwestern Hunterdon County, the largest watersheds contributing to the Canal other than the Delaware River. The Authority initiated water quality and flow monitoring at stream sites throughout the watersheds for isolating locations that exhibit elevated concentrations of nutrients, solids and bacteria.

In a separate project, the NJDEP-funded Raritan Highlands Wastewater Management Planning Project, the Authority and five partners (Hunterdon, Morris and Somerset County Planning Boards, South Branch Watershed Association and Upper Raritan Watershed Association) developed a guidance system that will help Highlands municipalities and utility authorities prepare improved Wastewater Management Plans as required by NJDEP regulations. The project partners are developing three wastewater management plans to test the guidance system.

Work continued on another aspect of the USEPA Targeted Watershed Grant, helping businesses, golf courses and residents protect water quality by improving management of their properties using the Authority's adaptation of the Stony Brook-Millstone Watershed Association's River-Friendly Program. Through a USEPA Targeted Watersheds Grant, we are supporting similar work by the South Branch Watershed Association upstream of the Spruce Run and Round Valley Reservoirs. In addition, the Authority funded development by the North Jersey Resource Conservation & Development Council of a similar program for farms, which achieved its first River-Friendly Farm certification. The Authority also educates the public through a Web-based newsletter, the *Basin*

Bulletin.

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. A detailed analysis of nonpoint source loadings and sources, including stream erosion, began during this year. The report will be completed in FY2007. In addition, a turbidity monitoring system was designed for the intake to the Manasquan Water Supply System to provide an early warning of increasing turbidity levels for the treatment plant operators.

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 FY2006 the Authority committed to \$3.9 million to purchase and preserve 825 acres within the Raritan Basin. To date, almost 2,300 acres are either closed or under contract to be preserved.

One of the stated goals of the New Jersey Department of Environmental Protection (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. During 2006, the

Authority completed a safe yield model for the Raritan System and began work on a model for the Manasquan Reservoir System. These models will be used in support of future water allocation permit applications and System operations.

During 2006, 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 2006, the Authority undertook several steps to implement cost savings measures. The refunding of Manasquan Reservoir System debt provided \$6.2 million in net present value savings to the ratepayers of that System. The purchase of household and safety items was consolidated within one department to better manage inventory and reduce duplicative purchasing. The Authority reviewed its benefits and joined the State Health Benefits Program for prescription drug and dental coverage to take advantage of economies of scale and control growth in those programs. Pumping of water into Round Valley Reservoir was accomplished off peak to eliminate demand charges. The Authority purchased five alternate fuel vehicles during 2006 in

an effort to lower fuel consumption. For those purchases, the Authority received \$18,500 in rebates from the New Jersey Board of Public Utilities. The Authority reviewed staffing levels generally, and reorganized the Manasquan System upon the retirement of senior staff, which resulted in an overall reduction of the salary budget for that System. The Authority is committed to the cost effective delivery of water to its customers.

Letter of Transmittal - Chief Financial Officer



NEW JERSEY WATER SUPPLY AUTHORITY

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August 25, 2006

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, 2006 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.

The Annual Report is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section contains a reproduction of the Authority's Government Finance Officers Association Certificate of Achievement, a list of principal officials, the organizational chart, a letter to the Governor, and operational and maintenance information on the Raritan Basin System, the Manasquan Water Supply

System and the Manasquan Water Treatment Plant and Transmission System, and the Watershed Protection Programs Unit. The Financial Section contains the Independent Auditor's Report, Management's Discussion and Analysis, and the Financial Statements for Fiscal Year 2006, and comparative data for Fiscal Year 2005, as well as notes and supplemental information to the Financial Statements. The Statistical Section contains historical, financial, and operational data on a multi-year basis.

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; standards setting out authorization levels for expenditure of Authority funds and very specific procedures to follow when executing purchase orders, receiving goods and payment for services; separation of accounts payable and receivable function; limitations on access to the vendor management system; bank reconciliation review; controls over deposits and generation of automated and manual checks. The internal control structure also includes approved organization structures, and approved budgets for capital and operating expenditures.

The Authority's By-laws also set out standards for procurement, which have been codified in policies and procedures. The standards include a threshold, after which the Board of Directors must approve all transactions. The Authority is in substantial compliance with Executive Order No. 37 (2006) with respect to procurement, and is amending 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, 2006 were \$213,729,195, an increase of one percent over the previous year's total of \$211,653,806. The Capital Assets, net of accumulated depreciation decreased \$1,682,065, one percent, from \$146,956,762 to \$145,274,697.

The total of cash, cash equivalents and investments for the Authority increased \$3,308,327, or eight percent, from \$41,881,739 to \$45,190,066. The increase in cash is mainly attributable to the fully funded \$3.4 million Debt Service Reserve Fund from the Manasquan refinancing.

Current liabilities increased \$353,545, or four percent, from \$9,878,233 to \$10,231,778. The increase is primarily due to the increase in NJEIT loans payable based on the Source Water Protection Program. Total Net Assets of the Authority increased \$3,177,659, or three percent, from \$97,407,337 to \$100,584,996.

Total Operating Revenues increased by \$1,332,073 or six percent, from \$23,761,112 to \$25,093,185 due to an increase in water billing in both Systems. Total Operating Expenses increased \$449,379, or two percent, from \$18,461,671 to \$18,911,050 due to increases in salary and fringe benefits. Nonoperating revenues increased \$1,340,917, or 120 percent, from \$1,115,260 to \$2,456,177 due to an increase in Investment Income because of current market conditions. Nonoperating expenses increased \$308,980, or six percent, from \$5,151,673 to \$5,460,653 due to an increase in the reduction in costs to be recovered from future revenues. Contained in the following paragraphs is an explana-

tion of changes in revenue and expense for each System.

Cash Management

The Raritan Basin System had a total of \$31,192,778 in cash and investments as of June 30, 2006. These funds generated interest income of \$1,191,795.

The Manasquan Water Supply System had a total of \$12,479,553 in cash and investments as of June 30, 2006. These funds generated interest income of \$384,026.

The Manasquan Water Treatment Plant and Transmission System had a total of \$1,513,982 in cash and investments, which consisted of operating funds held by the Authority, as of June 30, 2006. These funds generated interest income of \$53,269.

Funds of \$5,849,819 of the Raritan Basin System, and \$6,210,501 of the Manasquan Reservoir System are held by JPMorgan, the trustees, in accordance with bond resolutions and are invested in securities of the U.S. Government and its agencies and are collateralized at 102 percent of the carrying amount. Funds of \$21,902,003 of the Raritan Basin System, \$5,304,966 of the Manasquan Reservoir System, and \$1,219,671 of the Manasquan Water Treatment Plant and Transmission System were invested at Commerce Bank. To gain a higher rate of return than what is earned at Commerce Bank, the Authority had elected to invest \$2,907,887 of funds from the Raritan Basin System and \$806,069 of funds from the Manasquan Reservoir System in (non-callable) Student Loan Marketing Association Agency Bonds, due June 15, 2010. Funds of \$533,069 of the Raritan Basin System, \$158,017 of the Manasquan Reservoir System, and \$294,311 of the Manasquan Water Treatment Plant and Transmission System were held at PNC Bank representing the Revenue, Operating and Payroll accounts as of June 30, 2006.

Debt Service

The Raritan Basin System has the obligation to repay the following debt.

On December 12, 1985, the Authority obtained a loan of \$19,600,000 from a 1981 State of New Jersey Water Supply Bond Appropriation of \$20,550,000 for the purpose of financing the Dredging Program for the Delaware and Raritan Canal. The 1981 Bond Fund obligation has a remaining principal and interest balance of \$1,796,000 and \$50,108, respectively, as of June 30, 2006. Debt Service payments are made semi-annually and range from \$50,108 to \$1,846,108 through November 1, 2006.

The Authority decided to take advantage of favorable market rates on the call date of November 1, 1998, and issue \$28,290,000 in 15 year Water System Revenue Refunding Bonds, Series 1998 to refund on a current basis \$28,465,000 in Water System Revenue Bonds, Series 1988.

The Series 1998 Revenue Refunding Bonds have a Bond yield of 4.78 percent; the remaining principal and interest balance is \$17,540,000, and \$3,994,894, respectively, at June 30, 2006. Semi-annual payments range from \$69,875 to \$2,669,875 through November 1, 2013.

On November 6, 2003, the New Jersey Water Supply Authority obtained an \$862,019 loan from the New Jersey Environmental Infrastructure Trust (the "Trust") for the acquisition of source water watershed properties. The bonds have a principal balance of \$791,340 outstanding as of June 30, 2006. Semi-annual payments range from \$1,291 to \$55,666 through August 1, 2023.

On November 4, 2004, the New Jersey Water Supply Authority obtained a second loan of \$1,380,000 from the Trust for the acquisition of source water watershed

properties. The bonds have a principal balance of \$1,339,568 outstanding as of June 30, 2006. Semi-annual payments range from \$1,570 to \$73,354 through August 1, 2024.

On November 10, 2005, the New Jersey Water Supply Authority obtained a third loan of \$3,990,974 from the Trust for the acquisition of source water watershed properties. The bonds have a principal balance of \$3,990,974 outstanding as of June 30, 2006. Semi-annual payments range from \$4,949 to \$231,203 through August 1, 2025.

The Manasquan Reservoir Water Supply System was originally financed with \$63,600,000 in State Loan Notes issued June 3, 1987 and \$7,416,000 in Completion Loan Notes issued September 12, 1988.

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

The Revenue Bonds, Series 2005, have a principal balance of \$47,535,000 at June 30, 2006, carry a bond yield of 3.95 percent, and mature in incremental annual principal amounts through 2031. Principal maturities for the year ending June 30, 2007, are \$2,070,000. The property and revenue of the System are pledged as collateral for the 2005 Bonds.

The Manasquan Reservoir System still has the obligation to repay \$30,455,263 in deferred State Loan Notes and \$3,211,282 in deferred Completion Loan Notes as of June 30, 2006. The Current Portion of the debt is defined as the ratio of the present water purchased under contract divided by the total system yield of 30mgd. At present the Manasquan Reservoir System has 20.532mgd sold under contract. The Authority has the obligation only to repay

the Current Portion of the loans as defined in the terms of the State Loan Agreement. The Deferred Portion will be converted to current when more water is sold under contract.

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 has hired a Risk Management Consultant to assist the Authority in the remarketing of the insurance program for March 1, 2007.

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 2006 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 Source Water Component.

Awards and Acknowledgments

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the New Jersey Water Supply Authority for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. This was the 14th 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 2006, 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 179.899 to 179.932 million gallons per day for fiscal year 2007, and the total sales base for the Manasquan Reservoir System was increased from 20.532 to 20.559 million gallons per day. Washington Township Municipal Utilities Authority for .025mgd, and the Borough of Glen Gardner for .008mgd, both became additional water users within the Raritan Basin System. Shorelands Water Company entered into a delayed water user contract for .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

Notes to Financial Statements

Combining Statements and Schedules

INDEPENDENT AUDITORS' REPORT

To the Commissioners of the
NEW JERSEY WATER SUPPLY AUTHORITY:

We have audited the accompanying financial statements of **NEW JERSEY WATER SUPPLY AUTHORITY** as of and for the years ended June 30, 2006 and 2005. These financial statements are the responsibility of **NEW JERSEY WATER SUPPLY AUTHORITY'S** management. Our responsibility is to express an opinion on these financial statements based on our audit.

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, 2006 and 2005, and the changes in financial position and cash flows thereof for the year 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 August 9, 2006, on our consideration of **NEW JERSEY WATER SUPPLY AUTHORITY'S** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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EDMUND S. DRYER, CPA
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* SEC PRACTICE SECTION

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OVER 40 YEARS OF SERVICE TO THE COMMUNITY

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Management's Discussion and Analysis on pages 20 through 25 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 audit 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

August 9, 2006



MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2006

This section of the Annual Financial Report of the New Jersey Water Supply Authority's (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, 2006. Please read it in conjunction with the Authority's basic financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- Operating revenue for fiscal year 2006 was \$25.1 million, an increase of 5.61% over fiscal year 2005, which resulted from sales base and overdraft increases made effective on July 1, 2005. In the Raritan Basin System, rates remained the same at \$215.00 per million gallons, and the sales base increased less than 1%, from 179.219 million gallons per day to 179.409 million gallons per day. Manasquan Reservoir System rates decreased 2.89%, from \$921.64 per million gallons to \$895.01 per million gallons. The fiscal year 2006 sales base increased by 7.88%, from 19.032 million gallons per day to 20.532 million gallons per day.
- Cash and cash equivalents for fiscal year 2006 were \$29.3 million, an increase of 13.30% over fiscal year 2005. Within both Systems, interest earnings on certain Authority funds increased by 78% over fiscal year 2005.
- Total liabilities for fiscal year 2006 were \$113.1 million, a decrease of .96% from fiscal year 2005. The Authority continues to pay down long-term debt in both systems.
- Total operating expenses for fiscal year 2006 increased to \$18.9 million, which represents a 2.43% increase over fiscal year 2005. Payroll and fringe benefits increased 5.43% because of union contract requirements and rising pension and health benefit expenses. Operations and maintenance expenses increased 15.5% to \$5.2 million because of rising electrical, fuel and insurance expenses. Headquarters overhead increased 21.44% to \$824,600 because of forecasted increases in payroll and fringe benefits.
- Other changes for fiscal year 2006 include the following: non-operating revenue increased 120.23% to \$2,456,177; investment income increased 103.80% because of changes in investments and improved market conditions; and grant programs increased 227.48% from the previous year.
- Non-operating expenses for fiscal year 2006 increased 6.0% to \$5.5 million. The interest component of debt service decreased 18.32% 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, 2006

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 \$100.6 million as of June 30, 2006. In fiscal year 2006, total assets increased .98% to \$213.7 million, and total liabilities decreased .96% to \$113.1 million. Total net assets as of June 30, 2005, were approximately \$97.4 million. Total assets that year increased .13% to \$211.7 million, and total liabilities decreased 2.47% to \$114.2 million. Changes in assets, liabilities and net assets between June 30, 2006, 2005 and 2004, are summarized in the following table:

	2006	2005	2004	Percentage Change 2006-2005
Current assets	\$ 37,416,567	\$29,835,264	\$27,718,480	25.41 %
Capital assets, net	145,274,697	146,956,762	148,845,658	(1.14)
Other noncurrent assets	31,037,931	34,861,780	34,818,673	(10.97)
Total assets	213,729,195	211,653,806	211,382,811	.98
Long-term debt	102,912,421	104,368,236	108,076,467	(1.39)
Other liabilities	10,231,778	9,878,233	9,066,943	3.58
Total liabilities	113,144,199	114,246,469	117,143,410	(.96)
Net assets invested in				
capital assets, net of related debt	36,451,123	37,445,316	36,025,900	(2.66)
Restricted	11,900,344	12,045,911	11,089,206	(1.21)
Unrestricted	52,233,529	47,916,110	47,124,295	9.01
Total net assets	\$100,584,996	\$97,407,337	\$94,239,401	3.26



MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2006

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 2006 and 2005, Authority meetings, respectively:

	<u>Rate</u> <u>7/01/2006</u>	<u>Rate</u> <u>7/01/2005</u>	<u>Percent</u> <u>Change</u>
Raritan Basin System	\$ 228.00/mg	\$ 215.00/mg	6.05%
Manasquan Reservoir System			
Initial Users	\$ 833.27/mg	\$ 895.01/mg	(6.90%)
Delayed Water Users	\$1,074.02/mg	\$1,164.26/mg	(7.75%)

The Water Treatment Plant and Transmission System operating budget for fiscal year 2007 (July 1, 2006-June 30, 2007) is \$1,834,585, which represents an 8.75% increase from the previous budget of \$1,687,045.

The Authority's total operating revenue for fiscal year 2006 was \$25.1 million, an increase of 5.61% over fiscal year 2005. The Authority's total operating expenses for fiscal year 2006 was \$18.9 million, an increase of 2.43% over fiscal year 2005. The Authority's total operating revenue for fiscal year 2005 was \$23.8 million, an increase of 8.81% from fiscal year 2004. The Authority's total operating expenses for fiscal year 2005 were \$18.5 million, an increase of 3.10% from fiscal year 2004. The following table summarizes the changes in revenue, expenses and net assets between fiscal years 2006, 2005 and 2004:



New Jersey Water Supply Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2006

	2006	2005	2004	Percentage Change 2006-2005
Operating revenue:				
Water sales	\$ 23,249,130	\$22,037,389	\$20,258,371	5.50%
Reimbursement of operating expenses	1,844,055	1,723,723	1,578,686	6.98
Total operating revenue	25,093,185	23,761,112	21,837,057	5.61
Non-operating revenues:				
State of New Jersey - Grant Programs	483,380	147,605	100,709	227.48
Investment income	1,680,324	824,492	344,130	103.80
Rental income	60,858	62,222	58,138	(2.19)
Other income	231,615	80,941	81,448	186.15
Total non-operating revenues	2,456,177	1,115,260	584,425	120.23
Total revenue	27,549,362	24,876,372	22,421,482	10.75
Operating expenses:				
Payroll	6,371,403	6,079,585	5,773,718	4.80
Operations and maintenance	5,212,438	4,513,044	4,523,590	15.50
Fringe benefits	2,512,696	2,346,763	2,059,073	7.07
Depreciation	4,814,513	5,522,279	5,549,531	(12.82)
Total operating expenses	18,911,050	18,461,671	17,905,912	2.43
Non-operating expenses:				
Interest component of debt service of the State of New Jersey	3,447,322	4,220,414	4,315,127	(18.32)
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	19,272	14,100	14,099	36.68
Reduction in costs to be recovered from future revenues	1,968,830	891,930	361,053	120.74
Total non-operating expenses	5,460,653	5,151,673	4,715,508	6.00
Total expenses	24,371,703	23,613,344	22,621,420	3.21
Change in net assets	3,177,659	1,263,028	(199,938)	151.59
Contributed capital	-	1,904,908	-	(100.00)
Net assets, beginning of year	97,407,337	94,239,401	94,439,339	3.36
Net assets, end of year	\$100,584,996	\$97,407,337	\$94,239,401	3.26



MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2006

CAPITAL ASSETS AND DEBT ADMINISTRATION

At June 30, 2006, the Authority had a total of \$145,274,697 invested in the Systems that it operates: \$77,276,982 invested in the Raritan Basin System and \$67,997,715 invested in the Manasquan System. This total amount represents a 1.14% reduction from last year.

The following table summarizes the changes in capital assets, net of depreciation, between fiscal years 2006, 2005 and 2004:

	2006	2005	2004	Percentage Change 2006-2005
Land and land rights	\$ 12,848,490	\$ 11,851,159	\$ 10,054,420	8.42%
Dams	56,188,510	56,988,266	57,788,421	(1.40)
Building, structures and improvements	66,507,351	69,604,308	71,851,671	(4.45)
D&R canal dredging	-	519,902	1,559,705	(100.00)
Machinery and equipment	1,667,275	1,127,914	1,339,842	47.82
Construction work in progress	8,063,071	6,865,213	6,251,599	17.45
Total capital assets, net	<u>\$145,274,697</u>	<u>\$146,956,762</u>	<u>\$148,845,658</u>	(1.14)

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 2006, 2005 and 2004:

	2006	2005	2004	Percentage Change 2006-2005
Bonds payable	\$ 67,239,147	\$ 19,226,345	\$ 20,841,366	249.72%
Notes payable	35,462,545	88,068,432	91,116,373	(59.73)
Loans payable	6,121,882	2,216,669	862,019	176.17
Total bonds, notes and loans payable	<u>\$108,823,574</u>	<u>\$109,511,446</u>	<u>\$112,819,758</u>	(.63)

At year end, the Authority had \$108,823,574 in bonds, notes and loans principal outstanding, compared to \$109,511,446 at June 30, 2005. This change represents a decrease of .63%, 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.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2006

CURRENT AND NEW BUSINESS

During fiscal year 2006, 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, 2006, there were some slight changes to existing customer contracts and the addition of East Windsor Municipal Utilities Authority (.11mgd), Somerset County Park Commission (.116mgd), Lamington Farms (.08mgd), Morris County Municipal Utilities Authority (.079mgd), Applied Waste Water Management (.01mgd), Washington Township Municipal Utilities Authority (.025mgd) and Borough of Glen Gardner (.008mgd). This increased the total sales base for the Raritan Basin System to 179.932mgd as of June 30, 2007, up from 179.409mgd at June 30, 2006. In addition, during fiscal year 2006, 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, 2006, Shorelands increased its capacity by .028mgd under a fourth delayed water purchase contract with the Authority, bringing its total capacity to 1.928mgd. This increased the total sales base for the Manasquan Reservoir System to 20.560mgd as of June 30, 2007, up from 20.532mgd at June 30, 2006.

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	
	2006	2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 27,382,621	\$23,941,941
Unbilled sales	788,049	926,088
Accounts receivable, less allowance for doubtful accounts of \$1,000 at June 30, 2006 and 2005	5,124,491	3,046,012
Interest receivable	68,772	4,721
Prepaid expenses and other current assets	997,578	923,765
Costs to be recovered from future revenues	3,055,056	992,737
Total current assets	<u>37,416,567</u>	<u>29,835,264</u>
Non-current assets:		
Restricted assets:		
Cash equivalents	1,894,237	1,898,287
Investments	12,194,767	12,322,822
Investments	3,718,441	3,713,968
Costs to be recovered from future revenues	12,455,342	16,407,940
Deferred issuance cost	775,144	518,763
Capital assets, net	145,274,697	146,956,762
Total non-current assets	<u>176,312,628</u>	<u>181,818,542</u>
Total assets	<u>213,729,195</u>	<u>211,653,806</u>
Liabilities		
Current liabilities:		
Current portion of bonds, notes and loans payable	5,911,153	5,143,210
Accounts payable	380,504	331,709
Accrued liabilities	1,751,461	2,228,116
Unearned revenue	2,188,660	2,175,198
Total current liabilities	<u>10,231,778</u>	<u>9,878,233</u>
Non-current liabilities:		
Long-term portion of bonds, notes and loans payable	102,912,421	104,368,236
Total liabilities	<u>113,144,199</u>	<u>114,246,469</u>
Net Assets		
Invested in capital assets, net of related debt	36,451,123	37,445,316
Restricted	11,900,344	12,045,911
Unrestricted	52,233,529	47,916,110
Total net assets	<u>\$100,584,996</u>	<u>\$97,407,337</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	
	2006	2005
Operating revenues:		
Water sales	\$ 23,249,130	\$22,037,389
Reimbursement of operating expenses	<u>1,844,055</u>	<u>1,723,723</u>
Total operating revenues	<u>25,093,185</u>	<u>23,761,112</u>
Operating expenses:		
Payroll	6,371,403	6,079,585
Operations and maintenance	5,212,438	4,513,044
Fringe benefits	2,512,696	2,346,763
Depreciation	<u>4,814,513</u>	<u>5,522,279</u>
Total operating expenses	<u>18,911,050</u>	<u>18,461,671</u>
Income from operations	<u>6,182,135</u>	<u>5,299,441</u>
Non-operating revenues:		
State of New Jersey – Grant Programs	483,380	147,605
Investment income	1,680,324	824,492
Rental income	60,858	62,222
Other income	<u>231,615</u>	<u>80,941</u>
Total non-operating revenues	<u>2,456,177</u>	<u>1,115,260</u>
Non-operating expenses:		
Interest component of debt service to the State of		
New Jersey	3,447,322	4,220,414
Amortization of issuance costs - D & R System		
Revenue Refunding Bonds, Series 1998	25,229	25,229
Amortization of issuance costs - Manasquan State		
Loan Notes	19,272	14,100
Reduction in costs to be recovered from future revenues	<u>1,968,830</u>	<u>891,930</u>
Total non-operating expenses	<u>5,460,653</u>	<u>5,151,673</u>
Change in net assets	3,177,659	1,263,028
Contributed capital	-	1,904,908
Net assets, beginning of year	<u>97,407,337</u>	<u>94,239,401</u>
Net assets, end of year	<u><u>\$100,584,996</u></u>	<u><u>\$97,407,337</u></u>

See accompanying notes.

New Jersey Water Supply Authority
A Component Unit of the State of New Jersey
Statements of Cash Flows

	Year ended June 30	
	2006	2005
Cash flows from operating activities		
Cash received from water sales	\$23,243,159	\$20,863,168
Cash received from reimbursable expenses	1,915,470	1,660,579
Cash received from rental income	30,973	29,087
Cash paid to or on behalf of employees	(8,945,233)	(8,190,109)
Cash paid to suppliers	(5,105,981)	(4,268,673)
Net cash provided by operating activities	<u>11,138,388</u>	<u>10,094,052</u>
Cash flows from noncapital financing activities		
Cash received for grant programs	487,147	127,420
Net cash provided by noncapital financing activities	<u>487,147</u>	<u>127,420</u>
Cash flows from capital and related financing activities		
Contributed Capital	-	1,904,908
Proceeds from borrowing	53,702,662	1,380,000
Principal paid on bonds, notes and loans	(54,390,534)	(4,688,312)
Interest paid on bonds, notes and loans	(3,843,273)	(4,104,443)
Issuance costs paid on refunding	(300,883)	-
Acquisition and construction of capital assets	(5,178,472)	(3,861,619)
Proceeds from sale of capital assets	81,740	23,926
Net cash used in financing activities	<u>(9,928,760)</u>	<u>(9,345,540)</u>
Cash flows from investing activities		
Sale of investment securities	21,062,839	23,737,796
Purchase of investment securities	(20,939,257)	(24,758,495)
Interest received on investments	1,616,273	908,475
Net cash provided by (used in) investing activities	<u>1,739,855</u>	<u>(112,224)</u>
Net increase in cash and cash equivalents	3,436,630	763,708
Cash and cash equivalents, beginning of year	25,840,228	25,076,520
Cash and cash equivalents, end of year	<u>\$29,276,858</u>	<u>\$25,840,228</u>
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	\$ 6,182,135	\$ 5,299,441
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Non-cash items expensed to operations and maintenance	60,858	47,890
Cash received for operating activity shown in other income	149,875	119,237
Depreciation	4,814,513	5,522,279
Increase (decrease) in cash from:		
Unbilled sales	138,039	34,901
Accounts receivable	(73,389)	(1,274,807)
Prepaid expenses	(73,813)	137,419
Accounts payable	51,339	98,964
Accrued liabilities	(2,929)	(1,827)
Accrued payroll and taxes	(108,240)	110,555
Net cash provided by operating activities	<u>\$11,138,388</u>	<u>\$10,094,052</u>
Non cash investing activities		
Increase in fair value of investments	\$ 3,391	\$ 134,392

See accompanying notes.

New Jersey Water Supply Authority

A Component Unit of the State of New Jersey

Notes to Financial Statements

1. Organization and Operations

The New Jersey Water Supply Authority (the "Authority"), a Component Unit of the State of New Jersey (the "State"), consisting of the Spruce Run/Round Valley Reservoirs Complex and 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 (the "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 (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 ("APB") Opinions, and Accounting Research Bulletins ("ARBs") 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, 2006, accounts receivable included amounts due from the New Jersey Environmental Infrastructure Trust for approximately \$2.3 million.

Notes to Financial Statements (continued)

During fiscal years 2006 and 2005, 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 NJSA27:25-16, 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, 2006 and 2005, were determined as follows:

	<u>2006</u>	<u>2005</u>
Raritan Basin System		
Cost excluded from rate model:		
Depreciation of debt-financed capital assets recoverable from rate payers	\$ 1,586,047	\$ 2,345,612
Excess vacation expense over vacation paid	34,690	31,112
	<u>1,620,737</u>	<u>2,376,724</u>
Cost included in rate model:		
Debt principal repayment	(3,446,000)	(3,281,000)
	<u>(1,825,263)</u>	<u>(904,276)</u>
Manasquan System		
Cost excluded from rate model:		
Depreciation of debt-financed capital assets recoverable from rate payers	1,550,658	1,550,658
Excess vacation expense over vacation paid	(4,225)	8,238
	<u>1,546,433</u>	<u>1,558,896</u>
Cost included in rate model:		
Debt principal repayment	(1,611,449)	(1,436,942)
	<u>(65,016)</u>	<u>121,954</u>
Total Raritan Basin and Manasquan	<u>(1,890,279)</u>	<u>(782,322)</u>
Balance, beginning of year	17,400,677	18,182,999
Balance, end of year	<u>\$15,510,398</u>	<u>\$17,400,677</u>

As shown in the income statement for the years ended June 30, 2006 and 2005, respectively, the cost to be recovered from future revenue of \$1,968,830 and \$891,930, includes \$48,086 and \$70,258 of Manasquan Water Treatment Plant deferred revenue, which is not part of the rate model, and does not include a credit balance of \$30,465 and \$39,350 of accrued vacation.

Accounting for Monmouth County Improvement Authority Agreement

The Authority operates and maintains a Water Treatment Plant/Transmission System ("WTP/TS") 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, 2006 and 2005, unearned revenue amounting to \$484,562 and \$436,476, respectively, were determined as follows:

	2006	2005
Reimbursement of operating expenses	\$1,897,324	\$1,750,831
Operating expenses	<u>1,849,238</u>	<u>1,680,573</u>
Unearned revenue	48,086	70,258
Balance, beginning of year	<u>436,476</u>	<u>366,218</u>
Balance, end of year	<u><u>\$ 484,562</u></u>	<u><u>\$ 436,476</u></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, 2006 and 2005, the amount included in unearned revenue was \$1,323,843 and \$1,362,234, respectively.

Accounting for Watershed Protection Program

For the fiscal years ended June 30, 2006 and 2005, the Authority received \$470,940 and \$119,052, 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, 2006 and 2005, the balance of restricted cash equivalents and unearned revenue is \$9,957 and \$16,839, respectively.

Accounting for No Name Dam No. 31 Fund

During fiscal year ended June 30, 2002, the Authority received \$430,000 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, 2006 and 2005, the balance of restricted cash equivalents and unearned revenue associated with the No Name Dam No. 31 is \$370,298 and \$359,649, respectively.

Notes to Financial Statements (continued)

3. Capital Assets

Capital assets activity for the year ended June 30, 2006 and 2005, was as follows:

	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

Notes to Financial Statements (continued)

	2005 Beginning Balance	Additions	Retirements	2005 Ending Balance
Capital assets not being depreciated:				
Land	\$10,054,420	\$1,796,739	\$ -	\$11,851,159
Construction work in progress	6,251,599	1,720,024	(1,106,410)	6,865,213
Total capital assets not being depreciated	16,306,019	3,516,763	(1,106,410)	18,716,372
Capital assets being depreciated:				
Dams	77,369,160	-	-	77,369,160
Building, structures and improvements	115,468,154	1,078,727	-	116,546,881
D & R canal dredging	21,160,274	-	-	21,160,274
Machinery and equipment	5,080,149	144,420	(99,011)	5,125,558
Total capital assets being depreciated	219,077,737	1,223,147	(99,011)	220,201,873
Less accumulated depreciation for:				
Dams	(19,580,739)	(800,155)	-	(20,380,894)
Building, structures and improvements	(43,616,483)	(3,326,090)	-	(46,942,573)
D & R canal dredging	(19,600,569)	(1,039,803)	-	(20,640,372)
Machinery and equipment	(3,740,307)	(356,231)	98,894	(3,997,644)
Total accumulated depreciation	(86,538,098)	(5,522,279)	98,894	(91,961,483)
Total capital assets, being depreciated, net	132,539,639	(4,299,132)	(117)	128,240,390
Total capital assets, net	<u>\$148,845,658</u>	<u>\$(782,369)</u>	<u>\$(1,106,527)</u>	<u>\$146,956,762</u>

4. Cash and Investments

New Jersey statutes permit the deposit of public funds in the State of New Jersey Cash Management Fund or in institutions located in New Jersey that are insured by the Federal Deposit Insurance Corporation (the "FDIC") or by any other agencies of the United States that insure deposits. All funds of the Authority may be invested in obligations of, or guaranteed by, the United States Government.

The Authority's bond resolutions limit the investment of restricted assets to obligations of the U.S. Government or its agencies, investments in certain certificates of deposit of commercial banks, that are members of the Federal Reserve System, investments in the State of New Jersey Cash Management Fund and direct and general obligations of any state that meets the minimum requirements of the resolution.

a. Cash

As of June 30, 2006 and 2005, the Authority's bank balance was \$1,089,053 and \$7,214,467, respectively, of which \$100,000 was covered through the FDIC. The remaining balance as of June 30, 2006 and 2005, of \$989,053 and \$7,114,467, respectively, was not collateralized and the cash balance per the statement of net assets is shown exclusive of outstanding checks totaling \$103,656 and \$273,259, respectively. The Statement of Net Assets at June 30, 2006 and 2005, amount includes petty cash totaling \$350 and \$400, respectively.

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 as of June 30, 2006 and 2005, respectively, of \$1,089,053 and \$7,214,467 was exposed to custodial credit risk as follows:

	<u>2006</u>	<u>2005</u>
Uninsured and uncollateralized	\$989,053	\$1,635,099
Pooled Investment Fund	-	5,479,368
Total	\$989,053	\$7,114,467

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, states that pooled investments are excluded from custodial credit risk.

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, 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

As of June 30, 2005, 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	\$31,221,443	\$31,221,443	\$ -
U.S. Agencies	3,718,688	-	3,718,688
Total	\$34,940,131	\$31,221,443	\$3,718,688

d. Investment Income

The following comprises investment income of \$1,680,324 and \$824,492 for the years ended June 30, 2006 and 2005, respectively:

	<u>2006</u>	<u>2005</u>
Interest earned bank accounts and certificates of deposit	\$1,193,014	\$410,303
Interest earned on securities	483,919	279,797
Increase in fair value of securities	3,391	134,392
	\$1,680,324	\$824,492

Notes to Financial Statements (continued)

5. Bonds, Notes and Loans Payable

A. 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 bears interest at 5.58% and is payable in semi-annual payments due November 1, 2006.
2. The \$63,600,000 of Manasquan Reservoir Water Supply System (the "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 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 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 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 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, 2006 and 2005.

Notes to Financial Statements (continued)

At June 30, 2006 and 2005, the State Loan Notes and Completion Notes are summarized as follows:

State Loan Notes	2006	2005
Current Notes	\$ -	\$46,030,908
Deferred Notes	30,455,263	30,455,263
 Completion Notes		
Current Notes	-	4,873,979
Deferred Notes	3,211,282	3,211,282
	<u>\$33,666,545</u>	<u>\$84,571,432</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 \$47,535,000 at June 30, 2006, carry a bond yield of 3.95%, and mature in incremental annual principal amounts through 2031. Principal maturities for the year ending June 30, 2007, are \$2,070,000. The property and revenue of the 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 year ended June 30, 2006, interest expense on the 2005 Bonds amounted to \$1,849,147, and the related interest income earned on the restricted investments amounted to \$85,504.

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 \$17,540,000 are outstanding at June 30, 2006, and that bear interest at varying rates from 4.5% to 5.375% and mature in incremental annual principal amounts through 2014. Principal maturities for the year ending June 30, 2006, are \$1,830,000. 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 Manasquan 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, 2006 and 2005, interest expense on the Refunding Bonds amounted to \$957,724 and \$1,057,325, respectively, and the related interest income earned on the restricted investments amounted to \$127,339 and \$52,709, respectively.

Notes to Financial Statements (continued)

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 \$791,340 outstanding as of June 30, 2006. Semi-annual level debt payments are made every February 1 and August 1 through 2023. Principal maturities for the year ending June 30, 2007, are \$44,641. 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 \$1,339,568 outstanding as of June 30, 2006. Semi-annual level debt payments are made every February 1 and August 1 through 2024. Principal maturities for the year ending June 30, 2007, are \$58,947. The property and revenue of the system are pledged as collateral for the bonds.

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.

Notes to Financial Statements (continued)

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 \$3,990,974 outstanding as of June 30, 2006. Semi-annual level debt payments are made every February 1 and August 1 through 2025. Principal maturities for the year ending June 30, 2007, are \$111,565. The property and revenues of the system are pledged as collateral for the bonds.

The following table summarizes the changes in bonds, notes and loans payable between fiscal years 2005 and 2006:

	Fiscal Year	Less	Debt Issued	Fiscal Year	Due Within
	2005	Payments	(Defeased)	2006	One Year
Bonds Payable	\$ 19,226,345	\$1,698,886	\$49,711,688	\$ 67,239,147	\$3,900,000
Notes Payable	88,068,432	3,312,450	(49,293,437)	35,462,545	1,796,000
Loans Payable	2,216,669	85,761	3,990,974	6,121,882	215,153
	<u>\$109,511,446</u>	<u>\$5,097,097</u>	<u>\$ 4,409,225</u>	<u>\$108,823,574</u>	<u>\$5,911,153</u>

Notes to Financial Statements (continued)

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

Year ending June 30	Raritan Basin System	Notes Payable Manasquan System	Delaware & Raritan 1998 Water Revenue Refunding Bonds	Manasquan System Revenue Bonds Series 2005	Totals
2007	\$2,148,598	\$ -	\$ 2,712,575	\$ 4,171,373	\$ 9,032,546
2008	356,458	-	2,711,294	4,173,298	7,241,050
2009	377,702	-	2,702,738	4,175,441	7,255,881
2010	369,099	-	2,698,931	4,170,560	7,238,590
2011	360,202	-	2,688,218	4,172,817	7,221,237
2012-2016	1,769,337	-	8,021,138	20,851,187	30,641,662
2017-2021	1,819,945	-	-	20,821,000	22,640,945
2022-2026	1,608,665	-	-	3,615,000	5,223,665
2027-2031	-	-	-	3,574,250	3,574,250
2032-2033	-	-	-	712,375	712,375
Deferred Portion	-	33,666,545	-	-	33,666,545
Subtotal	8,810,006	33,666,545	21,534,894	70,437,301	134,448,746
Less amounts representing interest	892,124	-	3,994,894	22,902,301	27,789,319
Unamortized deferral amount	-	-	414,802	484,603	899,405
Plus unamortized bond premium	-	-	402,261	2,661,291	3,063,552
Subtotal	7,917,882	33,666,545	17,527,459	49,711,688	108,823,574
Less:					
Current Principal Portion	2,011,153	-	1,830,000	2,070,000	5,911,153
Total	\$5,906,729	\$33,666,545	\$15,697,459	\$47,641,688	\$102,912,421

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. The plans provide retirement and disability benefits, annual cost of living adjustments and benefits to plan members and beneficiaries. The plan 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 the plan, including financial statements and required supplementary information. The reports may be obtained by writing to the State of New Jersey, Division of Pensions.

Notes to Financial Statements (continued)

As a condition of employment, all Authority full-time employees are required to be members of PERS. A member may retire on a service retirement allowance as early as age 60; no minimum service is required. The formula for benefits is an annual allowance in the amount equal to years of service, divided by 55, times the final average salary. 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, 2006 and 2005, was \$6,086,147 and \$5,892,928 respectively. The Authority's total payroll for the years ended June 30, 2006 and 2005, was \$6,661,390 and \$6,118,003, respectively. The actuarial contribution requirements and the contributions made for the years ended June 30, 2006 and 2005, were \$521,873 and \$348,923, respectively, which consisted of \$210,530 and \$111,065, from the Authority and \$311,343 and \$237,858, from the employees, respectively. The employer and employee contributions represented 3.46% and 5.12% of covered payroll for the year ended June 30, 2006, 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.

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 34, and 33 at June 30, 2006 and 2005, respectively. Total cost for these post-retirement benefits, included in fringe benefits, approximated \$365,236 and \$356,285 for the years ended June 30, 2006 and 2005, respectively.

Notes to Financial Statements (continued)

7. Major Water Customers

During fiscal years 2006 and 2005, respectively, the Authority supplied water to approximately 25 and 16 customers of the Raritan Basin System and 13 customers for both years of the Manasquan System.

During fiscal years 2006 and 2005, 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 submitted a claim for approximately \$3 million to its 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 for approximately \$1.2 million, based on the damage to the D&R Canal during the June 2006 flood. It is uncertain at this time whether any of these costs will be recovered.

10. 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:

Notes to Financial Statements (continued)

	Year ended June 30, 2006		
	Raritan Basin System	Manasquan Water Supply System	Manasquan Water Treatment Plant
Condensed statement of net assets			
Assets:			
Current assets	\$29,515,428	\$ 7,901,139	\$ -
Restricted assets	6,230,074	7,858,930	-
Capital assets	77,276,982	67,997,715	-
Other non-current assets	(4,063,330)	21,012,257	-
Total assets	108,959,154	104,770,041	-
Liabilities:			
Current liabilities	5,135,282	5,096,496	-
Non-current liabilities	21,604,188	81,308,233	-
Total liabilities	26,739,470	86,404,729	-
Net assets:			
Invested in capital assets, net of related debt	51,831,641	(15,380,518)	-
Restricted	5,849,819	6,050,525	-
Unrestricted	24,739,440	27,494,089	-
Total net assets	\$82,420,900	\$18,164,096	\$ -
Condensed statement of revenues, expenses and changes in new assets			
Total operating revenues	\$15,531,488	\$ 7,717,642	\$ 1,844,055
Operating expenses	9,817,770	2,429,529	1,849,238
Depreciation	3,155,828	1,658,685	-
Operating income	2,557,890	3,629,428	(5,183)
Non-operating revenue	1,927,731	475,177	53,269
Non-operating expense	3,079,929	2,332,638	48,086
Change in net assets	1,405,692	1,771,967	-
Net assets, beginning of year	81,015,208	16,392,129	-
Net assets, end of year	\$82,420,900	\$18,164,096	\$ -
Condensed statement of cash flows			
Net cash provided by:			
Operating activities	\$ 5,744,522	\$ 5,393,866	\$ -
Non-capital financing activities	487,147	-	-
Capital and related financing activities	(5,560,276)	(4,368,484)	-
Investing activities	2,039,339	(299,484)	-
Net increase in cash and cash equivalents	2,710,732	725,898	-
Beginning cash and cash equivalent balances	19,724,590	6,115,638	-
Ending cash and cash equivalent balances	\$22,435,322	\$ 6,841,536	\$ -

Supplemental Information

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

June 30, 2006

	Raritan Basin System	Manasquan Reservoir System	Elimination Entries	Combined Total
Assets				
Current assets:				
Cash and cash equivalents	\$22,055,067	\$ 5,327,554	\$ -	\$ 27,382,621
Unbilled sales	788,049	-	-	788,049
Accounts receivable, less allowance for doubtful accounts of \$1,000 at June 30, 2006	3,658,172	1,667,535	(201,216)	5,124,491
Interest receivable	3,696	65,076	-	68,772
Prepaid expenses and other current assets	677,044	320,534	-	997,578
Costs to be recovered from future revenue	2,534,616	520,440	-	3,055,056
Total current assets	29,716,644	7,901,139	(201,216)	37,416,567
Non-current assets:				
Restricted assets:				
Cash equivalents	380,255	1,513,982	-	1,894,237
Investments	5,849,819	6,344,948	-	12,194,767
Investments	2,911,398	807,043	-	3,718,441
Costs to be recovered from future revenues	(7,159,904)	19,615,246	-	12,455,342
Deferred issuance cost	185,176	589,968	-	775,144
Capital assets, net of accumulated depreciation of \$96,274,466 at June 30, 2006	77,276,982	67,997,715	-	145,274,697
Total non-current assets	79,443,726	96,868,902	-	176,312,628
Total assets	109,160,370	104,770,041	(201,216)	213,729,195
Liabilities				
Current liabilities:				
Current portion of bonds, notes and loans payable	3,841,153	2,070,000	-	5,911,153
Accounts payable	159,581	422,139	(201,216)	380,504
Accrued liabilities	754,293	997,168	-	1,751,461
Unearned revenue	380,255	1,808,405	-	2,188,660
Total current liabilities	5,135,282	5,297,712	(201,216)	10,231,778
Non-current liabilities:				
Long-term portion of bonds, notes and loans payable	21,604,188	81,308,233	-	102,912,421
Total liabilities	26,739,470	86,605,945	(201,216)	113,144,199
Net assets				
Invested in capital assets, net of related debt	51,831,641	(15,380,518)	-	36,451,123
Restricted	5,849,819	6,050,525	-	11,900,344
Unrestricted	24,739,440	27,494,089	-	52,233,529
Total net assets	\$82,420,900	\$18,164,096	\$ -	\$100,584,996

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, 2006

	Raritan Basin System	Manasquan Reservoir System	Manasquan Water Treatment Plant	Combined Total
Operating revenues:				
Water sales	\$15,531,488	\$ 7,717,642	\$ -	\$ 23,249,130
Reimbursement of operating expenses	-	-	1,844,055	1,844,055
Total operating revenues	15,531,488	7,717,642	1,844,055	25,093,185
Operating expenses:				
Payroll	5,068,175	660,661	642,567	6,371,403
Operations and maintenance (direct)	3,533,180	736,929	795,350	5,065,459
Operations and maintenance (general and administrative)	-	86,890	60,089	146,979
Fringe benefits	2,041,015	241,049	230,632	2,512,696
Headquarters overhead	(824,600)	704,000	120,600	-
Depreciation	3,155,828	1,658,685	-	4,814,513
Total operating expenses	12,973,598	4,088,214	1,849,238	18,911,050
Income from operations	2,557,890	3,629,428	(5,183)	6,182,135
Non-operating revenues:				
State of New Jersey – Grant Programs	483,380	-	-	483,380
Investment income	1,179,089	447,966	53,269	1,680,324
Rental income	60,858	-	-	60,858
Other income	204,404	27,211	-	231,615
Total non-operating revenues	1,927,731	475,177	53,269	2,456,177
Non-operating expenses:				
Interest component of debt service to the State of New Jersey	1,194,747	2,252,575	-	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	-	19,272	-	19,272
Costs to be recovered from future revenue	1,859,953	60,791	48,086	1,968,830
Total non-operating expenses	3,079,929	2,332,638	48,086	5,460,653
Income before contributions	1,405,692	1,771,967	-	3,177,659
Net assets, beginning of year	81,015,208	16,392,129	-	97,407,337
Net assets, end of year	\$82,420,900	\$18,164,096	\$ -	\$100,584,996

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, 2006

	Revenue Fund	Operating Fund			
		Operating Account	Payroll Account	Operating Fund	Reserve for O&M
Cash and investments - July 1, 2005	\$2,405	\$722,720	\$147,420	\$1,415,987	\$3,278,583
Cash receipts:					
Water sales operations and maintenance	7,544,982	-	-	-	-
Water sales debt service	4,312,041	-	-	-	-
Water sales capital fund	1,245,252	-	-	-	-
Water sales source water protection fund	812,569	-	-	-	-
Water sales overdrafts	1,544,159	-	-	-	-
Rental income	30,883	-	-	-	-
Manasquan reservoir support	-	-	-	2,435	50,207
Headquarters overhead	-	-	-	774,425	-
Disposition of property	12,555	-	-	-	-
Recycling revenue	-	-	-	-	-
Nonrefundable bid deposits	-	-	-	-	850
Insurance reimbursement	129,419	-	-	-	25,907
Miscellaneous expense reimbursement	2,034,637	26,684	-	-	426,661
Transfers:					
Contributions from operating fund	-	8,119,197	3,206,930	(22,207,635)	5,000
Contributions to operating fund	-	-	-	4,801,465	-
Transfers for operations	(17,601,685)	-	-	17,601,685	-
Transfers for investments	-	-	-	-	-
Distribution from reserves to operations	-	3,379,178	-	-	-
Investment income	-	-	-	82,784	155,292
Per resolution, Section 603:					
Investment income, transfer from	461,861	10,244	-	(81,017)	(164,541)
Investment income, transfer to	(472,105)	-	-	-	334,118
Unrealized gain on fair value	-	-	-	-	2,147
Total cash receipts	54,568	11,535,303	3,206,930	974,142	835,641
Total available cash and investments	\$56,973	\$12,258,023	\$3,354,350	\$2,390,129	\$4,114,224

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, 2006

Self-Insurance Reserve	Depreciation Reserve	Pumping Reserve	Capital Improvements Investments II	Watershed Management Fund	Source Water Protection Fund	Subtotal
\$884,958	\$3,632,140	\$157,126	\$5,389,587	\$16,838	\$1,424,278	\$17,072,042
-	-	-	-	-	-	7,544,982
-	-	-	-	-	-	4,312,041
-	-	-	-	-	-	1,245,252
-	-	-	-	-	-	812,569
-	-	-	-	-	-	1,544,159
-	-	-	-	-	-	30,883
-	-	-	-	-	-	52,642
-	-	-	-	-	-	774,425
-	17,573	-	-	-	-	30,128
-	-	-	-	-	-	-
-	-	-	-	-	-	850
-	-	-	-	-	-	155,326
-	-	-	-	-	2,830,517	5,318,499
-	188,895	50,000	-	-	2,572,546	(8,065,067)
-	-	-	-	(7,579)	(1,923,178)	2,870,708
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	(438,154)	-	-	-	-	2,941,024
39,278	154,548	8,011	234,275	698	72,813	747,699
(39,278)	(10,629)	-	-	-	-	176,640
-	10,628	-	-	-	-	(127,359)
1,066	289	-	-	-	-	3,502
1,066	(76,850)	58,011	234,275	(6,881)	3,552,698	20,368,903
\$886,024	\$3,555,290	\$215,137	\$5,623,862	\$9,957	\$4,976,976	\$37,440,945

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, 2006

	Subtotal	No Name Dam Fund	Major Rehabilitation	Water Reuse & Recycling Fund	Capital Improvement Fund
Cash and investments - July 1, 2005	\$17,072,042	\$359,649	\$1,908,333	\$206,573	\$2,885,001
Cash receipts:					
Water sales operations and maintenance	7,544,982	-	-	-	-
Water sales debt service	4,312,041	-	-	-	-
Water sales capital fund	1,245,252	-	-	-	-
Water sales source water protection fund	812,569	-	-	-	-
Water sales overdrafts	1,544,159	-	-	-	-
Rental income	30,883	-	-	-	-
Manasquan reservoir support	52,642	-	-	-	-
Headquarters overhead	774,425	-	-	-	-
Disposition of property	30,128	-	-	-	-
Recycling revenue	-	-	-	-	-
Nonrefundable bid deposits	850	-	-	-	-
Insurance reimbursement	155,326	-	-	-	-
Miscellaneous expense reimbursement	5,318,499	-	-	-	-
Transfers:					
Contributions from operating fund	(8,065,067)	-	-	-	1,340,129
Contributions to operating fund	2,870,708	(4,861)	-	-	-
Transfers for operations	-	-	-	-	-
Transfers for investments	-	-	-	-	-
Distribution from reserves to operations	2,941,024	-	(187,929)	-	(875,088)
Investment income	747,699	15,510	76,899	8,979	137,895
Per resolution, Section 603:					
Investment income, transfer from	176,640	-	-	-	-
Investment income, transfer to	(127,359)	-	-	-	127,359
Unrealized gain on fair value	3,502	-	-	-	-
Total cash receipts	20,368,903	10,649	(111,030)	8,979	730,295
Total available cash and investments	\$37,440,945	\$370,298	\$1,797,303	\$215,552	\$3,615,296

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, 2006

Employment Benefit Funds	1998 Bonds Debt Service Account	1998 Bonds Debt Service Reserve	1981 Debt Service Fund	Rate Stabilization Fund	Totals
\$200,888	\$702,418	\$2,746,223	\$485,795	\$2,779,135	\$29,346,057
-	-	-	-	-	7,544,982
-	-	-	-	-	4,312,041
-	-	-	-	-	1,245,252
-	-	-	-	-	812,569
-	-	-	-	-	1,544,159
-	-	-	-	-	30,883
1,200	-	-	-	-	53,842
-	-	-	-	-	774,425
-	-	-	-	-	30,128
-	-	-	-	-	-
-	-	-	-	-	850
-	-	-	-	-	155,326
33	-	-	-	-	5,318,532
268,719	2,716,950	-	1,848,675	1,890,594	-
(94,262)	-	-	-	(2,771,585)	-
-	-	-	-	-	-
-	-	-	-	-	-
(29,332)	-	-	(1,848,675)	-	-
10,933	29,323	98,016	17,482	49,058	1,191,794
-	(29,396)	(97,963)	-	(49,281)	-
-	-	-	-	-	-
-	-	-	-	-	3,502
157,291	2,716,877	53	17,482	(881,214)	23,018,285
\$358,179	\$3,419,295	\$2,746,276	\$503,277	\$1,897,921	\$52,364,342

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, 2006

	Operating Fund				
	Revenue Fund	Operating Account	Payroll Account	Operating Fund	Reserve for O&M
Total available cash and investments	\$56,973	\$12,258,023	\$3,354,350	\$2,390,129	\$4,114,224
Cash disbursements:					
Payroll	-	-	3,333,639	(333,037)	-
Fringe benefits	-	2,234,977	-	1,397,375	-
Employee deferred comp. and credit union	-	330,327	-	251,037	-
Operations and maintenance	-	2,546,070	-	-	-
Prepaid insurance	-	1,019,940	-	-	-
Miscellaneous disbursements	-	1,964,399	-	-	4,762
Capital improvements:					
Capital assets	-	812,039	-	-	-
New five year construction project	-	1,049,520	-	-	-
Principal on 1981 bonds	-	1,701,000	-	-	-
Interest on 1981 bonds	-	147,674	-	-	-
Principal on 1998 revenue bonds	-	-	-	-	-
Interest on 1998 revenue bonds	-	-	-	-	-
Principal on NJEIT revenue bonds	-	-	-	-	-
Interest on NJEIT revenue bonds	-	-	-	-	-
Total cash disbursements	-	11,805,946	3,333,639	1,315,375	4,762
Cash and investments - June 30, 2006	\$56,973	\$452,077	\$20,711	\$1,074,754	\$4,109,462
Summary of cash and investments:					
Cash	\$56,973	\$452,077	\$20,711	\$ -	\$ -
Short-term investments	-	-	-	1,074,754	2,323,574
Long-term investments	-	-	-	-	1,785,888
Restricted investments (current)	-	-	-	-	-
Total cash and investments	\$56,973	\$452,077	\$20,711	\$1,074,754	\$4,109,462

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, 2006

Self-Insurance Reserve	Depreciation Reserve	Pumping Reserve	Capital Improvements Investments	Watershed Management Fund	Source Water Protection Fund	Subtotal
\$886,024	\$3,555,290	\$215,137	\$5,623,862	\$9,957	\$4,976,976	\$37,440,945
-	-	-	-	-	-	3,000,602
-	-	-	-	-	-	3,632,352
-	-	-	-	-	-	581,364
-	-	-	-	-	-	2,546,070
-	-	-	-	-	-	1,019,940
-	5,490	-	-	-	1,835,279	3,809,930
-	-	-	-	-	-	812,039
-	-	-	-	-	-	1,049,520
-	-	-	-	-	-	1,701,000
-	-	-	-	-	-	147,674
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	85,761	85,761
-	-	-	-	-	32,161	32,161
-	5,490	-	-	-	1,953,201	18,418,413
\$886,024	\$3,549,800	\$215,137	\$5,623,862	\$9,957	\$3,023,775	\$19,022,532
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$529,761
262	3,310,052	215,137	5,623,862	9,957	3,023,775	15,581,373
885,762	239,749	-	-	-	-	2,911,398
-	-	-	-	-	-	-
\$886,024	\$3,549,800	\$215,137	\$5,623,862	\$9,957	\$3,023,775	\$19,022,532

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, 2006

	Subtotal	No Name Dam Fund	Major Rehabilitation	Water Reuse & Recycling Fund	Capital Improvement Fund
Total available cash and investments	\$37,440,945	\$370,298	\$1,797,303	\$215,552	\$3,615,296
Cash disbursements:					
Payroll	3,000,602	-	-	-	-
Fringe benefits	3,632,352	-	-	-	-
Employee deferred comp. and credit union	581,364	-	-	-	-
Operations and maintenance	2,546,070	-	-	-	-
Prepaid insurance	1,019,940	-	-	-	-
Miscellaneous disbursements	3,809,930	-	-	-	-
Capital improvements:					
Capital assets	812,039	-	-	-	-
New five year construction project	1,049,520	-	-	-	-
Principal on 1981 bonds	1,701,000	-	-	-	-
Interest on 1981 bonds	147,674	-	-	-	-
Principal on 1998 revenue bonds	-	-	-	-	-
Interest on 1998 revenue bonds	-	-	-	-	-
Principal on NJEIT revenue bonds	85,761	-	-	-	-
Interest on NJEIT revenue bonds	32,161	-	-	-	-
Total cash disbursements	18,418,413	-	-	-	-
Cash and investments - June 30, 2006	\$19,022,532	\$370,298	\$1,797,303	\$215,552	\$3,615,296

Summary of cash and investments:

Cash	\$529,761	\$ -	\$ -	\$ -	\$ -
Short-term investments	15,581,373	370,298	1,797,303	215,552	3,615,296
Long-term investments	2,911,398	-	-	-	-
Restricted investments (current)	-	-	-	-	-
Total cash and investments	\$19,022,532	\$370,298	\$1,797,303	\$215,552	\$3,615,296

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, 2006

Employment Benefit Funds	1998 Bonds Debt Service Account	1998 Bonds Debt Service Reserve	1981 Debt Service Fund	Rate Stabilization Fund	Totals
\$358,179	\$3,419,295	\$2,746,276	\$503,277	\$1,897,921	\$52,364,342
-	-	-	-	-	3,000,602
-	-	-	-	-	3,632,352
-	-	-	-	-	581,364
-	-	-	-	-	2,546,070
-	-	-	-	-	1,019,940
32,440	-	-	-	-	3,842,370
-	-	-	-	-	812,039
-	-	-	-	-	1,049,520
-	-	-	-	-	1,701,000
-	-	-	-	-	147,674
-	1,745,000	-	-	-	1,745,000
-	971,950	-	-	-	971,950
-	-	-	-	-	85,761
-	-	-	-	-	32,161
32,440	2,716,950	-	-	-	21,167,803
\$325,739	\$702,345	\$2,746,276	\$503,277	\$1,897,921	\$31,196,539
\$3,558	\$ -	\$ -	\$ -	\$ -	\$533,319
322,181	-	-	-	-	21,902,003
-	-	-	-	-	2,911,398
-	702,345	2,746,276	503,277	1,897,921	5,849,819
\$325,739	\$702,345	\$2,746,276	\$503,277	\$1,897,921	\$31,196,539

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, 2006

	Revenue Fund	Operating Fund			
		Operating Account	Payroll Account	Operating Fund	Reserve for O&M
Cash and investments - July 1, 2005	\$165,091	\$66,579	\$52,738	\$514,175	\$560,979
Cash receipts:					
Water sales operations and maintenance	2,247,277	-	-	-	-
Water sales debt service	4,843,544	-	-	-	-
Source water protection	111,931	-	-	-	-
Water sales overdrafts	570,082	-	-	-	-
NJ-American pumping costs	48,989	-	-	-	203,686
Headquarters overhead	-	-	-	-	-
Reimbursement of WTP capital expenses	-	-	-	-	-
Disposition of assets	-	-	-	-	-
Sale of investment securities	-	-	-	-	-
Miscellaneous reimbursement	973	-	-	-	5,604
Transfers:					
Contributions from operating fund	-	2,950,823	862,860	(9,794,395)	-
Contributions to operating fund	-	-	-	1,598,344	(156,140)
Transfers for operations	(7,898,880)	-	-	7,898,880	-
Distribution from reserves to operations	-	258,818	-	-	-
Investment income	-	-	-	35,319	26,523
Per resolution, Section 603:					
Investment income, transfer from	110,584	-	-	(35,421)	(26,441)
Investment income, transfer to	(110,584)	-	-	71,913	35,778
Unrealized gain/(loss) on fair value	-	-	-	-	541
Total cash receipts	(76,084)	3,209,641	862,860	(225,360)	89,551
Total cash and investments	\$89,007	\$3,276,220	\$915,598	\$288,815	\$650,530

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, 2006

Self- Insurance Reserve	Renewal and Replacement Account	Water Reuse & Recycling	Source Water Protection	Depreciation Reserve	Pumping Reserve	Sediment Reserve	Subtotal
\$234,994	\$2,513,071	\$25,965	\$187,746	\$534,818	\$94,131	\$55,846	\$5,006,133
-	-	-	-	-	-	-	2,247,277
-	-	-	-	-	-	-	4,843,544
-	-	-	-	-	-	-	111,931
-	-	-	-	-	-	-	570,082
-	-	-	-	-	-	-	252,675
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	50,850	-	-	50,850
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	6,577
-	-	-	-	-	-	-	-
-	120,356	-	112,413	-	-	-	(5,747,943)
-	-	-	(74,844)	(13,860)	-	-	1,353,500
-	(141,359)	-	-	(88,282)	-	-	29,177
10,413	110,458	1,129	10,129	21,977	4,096	2,386	222,430
(10,413)	-	-	-	(3,901)	(4,093)	(2,425)	27,890
-	-	-	-	-	-	-	(2,893)
272	-	-	-	106	53	-	972
272	89,455	1,129	47,698	(33,110)	56	(39)	3,966,069
\$235,266	\$2,602,526	\$27,094	\$235,444	\$501,708	\$94,187	\$55,807	\$8,972,202

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, 2006

	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, 2005	\$5,006,133	\$300,976	\$5,140	\$9,618	\$99,839	\$253,650	\$852,576
Cash receipts:							
Water sales operations and maintenance	2,247,277	-	-	-	-	-	-
Water sales debt service	4,843,544	-	-	-	-	-	-
Source water protection	111,931	-	-	-	-	-	-
Water sales overdrafts	570,082	-	-	-	-	-	-
NJ-American pumping costs	252,675	-	-	-	-	-	-
Headquarters overhead	-	-	1,865,539	-	-	-	-
Reimbursement of WTP capital expenses	-	-	36,486	-	-	-	39,966
Disposition of assets	50,850	-	-	-	-	-	-
Sale of investment securities	-	-	-	-	-	-	-
Miscellaneous reimbursement	6,577	-	-	-	-	-	-
Transfers:							
Contributions from operating fund	(5,747,943)	856,170	(856,170)	-	-	-	-
Contributions to operating fund	1,353,500	-	(962,923)	-	-	-	(76,817)
Transfers for operations	-	-	-	-	-	-	-
Distribution from reserves to operations	29,177	-	-	-	-	-	-
Investment income	222,430	-	998	410	4,257	10,814	36,789
Per resolution, Section 603:							
Investment income, transfer from	27,890	-	-	(325)	(3,370)	(8,572)	-
Investment income, transfer to	(2,893)	-	12,266	-	-	-	-
Unrealized gain on fair value	972	-	-	-	-	-	-
Total cash receipts	<u>3,966,069</u>	<u>856,170</u>	<u>96,196</u>	<u>85</u>	<u>887</u>	<u>2,242</u>	<u>(62)</u>
Total cash and investments	<u>\$8,972,202</u>	<u>\$1,157,146</u>	<u>\$101,336</u>	<u>\$9,703</u>	<u>\$100,726</u>	<u>\$255,892</u>	<u>\$852,514</u>

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

Year ended June 30, 2006

Debt Service Account	Debt Service Reserve	2005 Construction Account	2005 Revenue Account	Rebate Fund	General Reserve Fund	Employment Benefit Funds	Totals
\$3,164,197	\$2,315,171	\$ -	\$ -	\$129,883	\$313,819	\$79,959	\$12,530,961
-	-	-	-	-	-	-	2,247,277
-	-	-	-	-	-	-	4,843,544
-	-	-	-	-	-	-	111,931
-	-	-	-	-	-	-	570,082
-	-	-	-	-	-	-	252,675
-	-	-	-	-	-	-	1,865,539
-	-	-	-	-	-	-	76,452
-	-	-	-	-	-	-	50,850
-	-	-	49,736,688	-	-	-	49,736,688
-	-	-	-	-	-	-	6,577
4,683,926	65,080	(3,797)	(804)	-	948,425	55,113	-
-	-	-	-	-	(313,760)	-	-
-	-	-	-	-	-	-	-
(1,062,284)	1,046,093	328,875	(312,684)	-	-	(29,177)	-
55,120	69,457	805	804	5,646	25,871	3,893	437,294
-	-	-	-	-	(24,996)	-	(9,373)
-	-	-	-	-	-	-	9,373
-	(1,082)	-	-	-	-	-	(110)
3,676,762	1,179,548	325,883	49,424,004	5,646	635,540	29,829	60,198,799
\$6,840,959	\$3,494,719	\$325,883	\$49,424,004	\$135,529	\$949,359	\$109,788	\$72,729,760

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, 2006

	Revenue Fund	Operating Fund			Reserve for O&M
		Operating Account	Payroll Account	Operating Fund	
Total available cash and investments	\$89,007	\$3,276,220	\$915,598	\$288,815	\$650,530
Cash disbursements:					
Payroll	-	-	895,598	-	-
Fringe benefits	-	1,680,936	-	(1,045,457)	-
Employee deferred comp. and credit union	-	203,856	-	129,945	-
Operations and maintenance	-	731,842	-	-	-
NJ-American pumping costs	-	150,783	-	-	-
Prepaid insurance	-	195,490	-	-	-
Headquarters overhead	-	-	-	673,925	-
Capital assets reservoir	-	135,720	-	-	-
Capital improvement program (reservoir)	-	129,137	-	-	-
Purchase of Investments securities	-	-	-	-	-
Principal on bonds	-	-	-	-	-
Interest on bonds	-	-	-	-	-
Total cash disbursements	-	3,227,764	895,598	(241,587)	-
Cash and investments - June 30, 2006	\$89,007	\$48,456	\$20,000	\$530,402	\$650,530

Summary of cash and investments:

Cash (Manasquan)	\$89,007	\$48,456	\$20,000	\$ -	\$ -
Cash (Water Treatment Plant/TS)	-	-	-	-	-
Short-term investments	-	-	-	530,402	200,366
Short-term investments (WTP/TS)	-	-	-	-	-
Long-term investments	-	-	-	-	450,164
Restricted investments (current)	-	-	-	-	-
Restricted investments (long-term)	-	-	-	-	-
Total cash and investments	\$89,007	\$48,456	\$20,000	\$530,402	\$650,530

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, 2006

Self-Insurance Reserve	Renewal and Replacement Account	Water Reuse & Recycling	Source Water Protection	Depreciation Reserve	Pumping Reserve	Sediment Reserve	Subtotal
\$235,266	\$2,602,526	\$27,094	\$235,444	\$501,708	\$94,187	\$55,807	\$8,972,202
-	-	-	-	-	-	-	895,598
-	-	-	-	-	-	-	635,479
-	-	-	-	-	-	-	333,801
-	-	-	2,436	11,341	-	-	745,619
-	-	-	-	-	-	-	150,783
-	-	-	-	-	-	-	195,490
-	-	-	-	-	-	-	673,925
-	-	-	-	-	-	-	135,720
-	-	-	-	-	-	-	129,137
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	2,436	11,341	-	-	3,895,552
\$235,266	\$2,602,526	\$27,094	\$233,008	\$490,367	\$94,187	\$55,807	\$5,076,650
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$157,463
-	-	-	-	-	-	-	-
10,282	2,602,526	27,094	233,008	402,370	50,288	55,807	4,112,144
-	-	-	-	-	-	-	-
224,983	-	-	-	87,997	43,899	-	807,043
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$235,266	\$2,602,526	\$27,094	\$233,008	\$490,367	\$94,187	\$55,807	\$5,076,650

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, 2006

	Water Treatment Plant/Transmission System						
	Subtotal	Operating Account	Operating Fund	Residuals Reserve	Carbon Filter Reserve	Self-Insurance Reserve	Capital Improvement Reserve
Total available cash and investments	\$8,972,202	\$1,157,146	\$101,336	\$9,703	\$100,726	\$255,892	\$852,514
Cash disbursements:							
Payroll	895,598	-	-	-	-	-	-
Fringe benefits	635,479	-	-	-	-	-	-
Employee deferred comp. and credit union	333,801	-	-	-	-	-	-
Operations and maintenance	745,619	862,835	-	-	-	-	-
NJ-American pumping costs	150,783	-	-	-	-	-	-
Prepaid insurance	195,490	-	-	-	-	-	-
Headquarters overhead	673,925	-	100,500	-	-	-	-
Capital assets reservoir	135,720	-	-	-	-	-	-
Capital improvement program (reservoir)	129,137	-	-	-	-	-	-
Purchase of Investments securities	-	-	-	-	-	-	-
Principal on bonds	-	-	-	-	-	-	-
Interest on bonds	-	-	-	-	-	-	-
Total cash disbursements	3,895,552	862,835	100,500	-	-	-	-
Cash and investments - June 30, 2006	\$5,076,650	\$294,311	\$836	\$9,703	\$100,726	\$255,892	\$852,514

Summary of cash and investments:

Cash (Manasquan)	\$157,462	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash (Water Treatment Plant/TS)	-	294,311	-	-	-	-	-	-
Short-term investments	4,112,144	-	-	-	-	-	-	-
Short-term investments (WTP/TS)	-	-	836	9,703	100,726	255,892	852,514	-
Long-term investments	807,043	-	-	-	-	-	-	-
Restricted investments (current)	-	-	-	-	-	-	-	-
Restricted investments (long-term)	-	-	-	-	-	-	-	-
Total cash and investments	\$5,076,650	\$294,311	\$836	\$9,703	\$100,726	\$255,892	\$852,514	

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, 2006

1981 Bonds Debt Service Account	1981 Bonds Debt Service Reserve	2005 Construction Account	2005 Revenue Account	Rebate Fund	General Reserve Fund	Employment Benefit Funds	Totals
\$6,840,959	\$3,494,719	\$325,883	\$49,424,004	\$135,529	\$949,359	\$109,788	\$72,729,760
-	-	-	-	-	-	-	895,598
-	-	-	-	-	-	-	635,479
-	-	-	-	-	-	-	333,801
-	-	-	-	-	-	-	1,608,454
-	-	-	-	-	-	-	150,783
-	-	-	-	-	-	-	195,490
-	-	-	-	-	-	-	774,425
-	-	-	-	-	-	-	135,720
-	-	-	-	-	-	-	129,137
-	-	-	-	-	-	-	-
1,611,449	-	325,883	49,424,004	-	-	1,200	51,362,536
2,514,810	-	-	-	-	-	-	2,514,810
4,126,259	-	325,883	49,424,004	-	-	1,200	58,736,233
\$2,714,700	\$3,494,719	\$ -	\$ -	\$135,529	\$949,359	\$108,588	\$13,993,527
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 654	\$158,117
-	-	-	-	-	-	-	294,311
-	-	-	-	-	949,359	107,934	5,169,437
-	-	-	-	-	-	-	1,219,671
-	-	-	-	-	-	-	807,043
2,714,700	57,608	-	-	135,529	-	-	2,907,837
-	3,437,111	-	-	-	-	-	3,437,111
\$2,714,700	\$3,494,719	\$ -	\$ -	\$135,529	\$949,359	\$108,588	\$13,993,527

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Statistical Section

Summary of Financial Information	1997 - 2006
Summary of Raritan Basin System Water Use Contracts	1997 - 2006
Summary of Manasquan Water Supply System Water Use Contracts ...	1997 - 2006
Raritan Basin System Revenue Bond Coverage	1997 - 2006
Manasquan System Revenue Bond Coverage	2002 - 2006
Raritan Basin System Water Charges	1989 - 2006
Manasquan Water Supply System Water Charges	1993 - 2006
Spruce Run Rain Gauge	1997 - 2006
West Windsor Rain Gauge	1997 - 2006
Spruce Run Reservoir Storage	1997 - 2006
Round Valley Reservoir Storage	1997 - 2006
Manasquan System Rainfall	1997 - 2006
Manasquan Reservoir Storage Data	1997 - 2006

New Jersey Water Supply Authority

SUMMARY OF FINANCIAL INFORMATION 1997 - 2006

	1997	1998	1999	2000	2001
REVENUE AND EXPENSES					
Operating revenue	\$19,689,581	\$19,795,670	\$19,554,202	\$19,718,194	\$19,325,569
Operating expense	<u>14,595,697</u>	<u>14,133,556</u>	<u>14,480,879</u>	<u>15,632,775</u>	<u>15,523,478</u>
Income from operations	5,093,884	5,662,114	5,073,323	4,085,419	3,802,091
Nonoperating revenues	1,732,570	2,003,192	1,629,293	4,709,579	2,826,090
Nonoperating expenses	<u>5,662,454</u>	<u>5,403,594</u>	<u>4,096,607</u>	<u>4,787,230</u>	<u>4,779,364</u>
Change in net assets	1,164,000	2,261,712	2,606,009	4,007,768	1,848,817
Net assets, beginning of year	<u>80,902,286</u>	<u>82,066,286</u>	<u>84,327,998</u>	<u>86,934,007</u>	<u>90,941,775</u>
Net assets, end of year	82,066,286	84,327,998	86,934,007	90,941,775	92,790,592
ASSETS					
Current assets	29,399,350	17,986,650	20,002,203	23,716,294	23,159,792
Noncurrent assets	<u>194,796,155</u>	<u>204,817,282</u>	<u>202,985,659</u>	<u>199,107,133</u>	<u>197,300,073</u>
Total assets	224,195,505	222,803,932	222,987,862	222,823,427	220,459,865
LIABILITIES					
Current liabilities	6,249,610	5,930,253	7,164,444	7,234,800	7,503,563
Noncurrent liabilities	<u>135,879,609</u>	<u>132,545,681</u>	<u>128,889,411</u>	<u>124,646,852</u>	<u>120,165,710</u>
Total liabilities	142,129,219	138,475,934	136,053,855	131,881,652	127,669,273
NET ASSETS					
Invested in capital assets, net of related debt	34,576,571	34,093,007	33,814,869	34,304,082	34,993,065
Restricted	-	-	-	-	10,158,116
Unrestricted	<u>47,489,715</u>	<u>50,234,991</u>	<u>53,119,138</u>	<u>56,637,693</u>	<u>47,639,411</u>
Total net assets	\$82,066,286	\$84,327,998	\$86,934,007	\$90,941,775	\$92,790,592

New Jersey Water Supply Authority

SUMMARY OF FINANCIAL INFORMATION 1997 - 2006

2002	2003	2004	2005	2006
\$21,331,989	\$21,028,468	\$21,837,057	\$23,761,112	\$25,093,185
16,450,755	17,339,427	17,905,912	18,461,671	18,911,050
4,881,234	3,689,041	3,931,145	5,299,441	6,182,135
1,687,459	907,349	584,425	3,020,168	2,456,177
4,981,693	4,534,643	4,715,508	5,151,673	5,460,653
1,587,000	61,747	(199,938)	3,167,936	3,177,659
92,790,592	94,377,592	94,439,339	94,239,401	97,407,337
94,377,592	94,439,339	94,239,401	97,407,337	100,584,996
24,575,360	23,535,975	27,718,480	29,835,264	37,416,567
193,044,591	191,875,994	183,664,331	181,818,542	176,312,628
217,619,951	215,411,969	211,382,811	211,653,806	213,729,195
7,055,124	9,077,827	9,066,943	9,878,233	10,231,778
116,187,235	111,894,803	108,076,467	104,368,236	102,912,421
123,242,359	120,972,630	117,143,410	114,246,469	113,144,199
34,845,644	35,978,635	36,025,900	37,445,316	36,451,123
10,804,128	11,721,789	11,089,206	12,045,911	11,900,344
48,727,820	46,738,915	47,124,295	47,916,110	52,233,529
\$94,377,592	\$94,439,339	\$94,239,401	\$97,407,337	\$100,584,996

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>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</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	102.000	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
JOHNSON & JOHNSON CORPORATION	0.500	-	-	-	-
MIDDLESEX WATER COMPANY	20.000	20.000	20.000	20.000	20.000
ROYCE BROOK GOLF CLUB	-	-	-	-	-
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 COUNTY (NESHANIC VALLEY GOLF)	-	-	-	-	-
TRUMP NATIONAL GOLF CLUB	-	-	-	-	-
MORRIS COUNTY MUA	-	-	-	-	-
APPLIED WATER MGMT (MT. OLIVE TWP)	-	-	-	-	-
SYSTEM TOTAL	150.297	149.797	149.797	149.797	151.797

New Jersey Water Supply Authority

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

2002	2003	2004	2005	2006
0.200	0.200	0.200	0.490	0.490
0.100	0.100	0.100	0.132	0.132
0.250	0.250	0.250	0.250	0.250
0.135	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	0.100	0.025	0.025
104.000	104.000	124.000	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	20.000	27.000	27.000	27.000
0.536	0.536	0.536	0.536	0.536
0.012	0.012	0.012	-	-
-	0.058	0.058	0.058	0.058
-	-	-	-	0.008
-	-	-	0.111	0.111
-	-	-	0.074	0.074
-	-	-	0.261	0.261
-	-	-	0.012	0.012
-	-	-	0.011	0.011
-	-	-	0.116	0.116
-	-	-	0.080	0.080
-	-	-	0.079	0.079
-	-	-	0.010	0.010
152.333	152.391	179.491	180.345	180.353

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

	1997	1998	1999	2000	2001
WALL TOWNSHIP	2.300	2.300	2.300	2.300	2.300
BOROUGH OF AVON	0.142	0.142	0.142	0.142	0.142
SHORELANDS WATER COMPANY	1.900	1.900	1.900	1.900	1.900
NEW JERSEY AMERICAN WATER CO.	7.035	7.765	8.065	8.065	9.065
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
HOWELL TOWNSHIP	0.730	-	-	-	-
BOROUGH OF BRIELLE	0.400	0.400	0.400	0.400	0.400
ADELPHIA WATER COMPANY	0.300	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	16.097	17.097

	2002	2003	2004	2005	2006
WALL TOWNSHIP	2.300	2.300	2.300	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	1.900
NEW JERSEY AMERICAN WATER CO.	11.000	11.000	11.000	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	0.450	0.425	0.425
BOROUGH OF BELMAR	0.650	0.650	0.650	0.650	0.650
HOWELL TOWNSHIP	-	-	-	-	-
BOROUGH OF BRIELLE	0.400	0.400	0.400	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	19.032	20.532	20.532

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
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
1997	\$13,804,500	\$7,829,500	\$5,975,000	\$3,160,000	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
2006	\$7,581,966	\$2,515,900	\$5,066,066	\$4,198,013	1.207
2005	\$7,515,228	\$2,380,100	\$5,135,128	\$4,199,978	1.223
2004	\$7,022,230	\$1,957,433	\$5,064,797	\$4,177,707	1.212
2003	\$6,902,135	\$1,998,208	\$4,903,927	\$3,812,921	1.286
2002	\$6,771,999	\$1,908,340	\$4,863,659	\$3,561,736	1.366

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

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

New Jersey Water Supply Authority

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

EFFECTIVE DATE	7/1/89	7/1/90	7/1/91	7/1/92	7/1/93	7/1/94	7/1/95	7/1/96	7/1/97
RATE PER MGD	\$187.56	\$188.60	\$201.33	\$214.86	\$220.47	\$229.50	\$220.78	\$211.16	\$211.16

EFFECTIVE DATE	7/1/98	7/1/99	7/1/00	7/1/01	7/1/02	7/1/03	7/1/04	7/1/05	7/1/06
RATE PER MGD	\$211.16	\$205.00	\$205.00	\$205.00	\$205.00	\$210.00	\$215.00	\$215.00	\$228.00

New Jersey Water Supply Authority

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

EFFECTIVE DATE	2/01/93	7/01/93	2/01/94	7/01/94	7/01/95	7/01/96	7/01/97	7/01/98
RATE PER MGD	\$1,086.67	\$1,064.33	\$1,096.75	\$1,114.98	\$1,105.47	\$1,065.15	\$938.92	\$832.92

EFFECTIVE DATE	7/01/99	7/01/00	7/01/01	7/01/02	7/01/03	7/01/04	7/01/05	7/01/06
RATE PER MGD	\$695.31	\$728.81	\$797.92	\$794.97	\$794.97	\$921.64	\$895.01	\$833.27
(Delayed Contracts)	-	-	\$1,035.50	\$1,047.96	\$1,065.45	\$1,186.00	\$1,164.26	\$1,074.02

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
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
1997	3.20	1.60	2.80	2.40	3.00	2.30	6.90	4.10	1.70	1.70	3.20	3.80	36.70
TOTAL	33.26	23.92	32.89	30.80	35.21	38.62	34.16	32.11	43.91	38.82	31.89	29.01	404.60
AVERAGE	3.33	2.39	3.29	3.08	3.52	3.86	3.42	3.21	4.39	3.88	3.19	2.90	40.46
MAXIMUM	6.00	4.50	4.40	5.20	5.60	8.02	6.90	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
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
1997	3.70	2.60	1.60	3.50	3.50	2.50	5.70	1.80	1.30	1.80	3.00	3.90	34.90
TOTAL	40.50	26.80	37.20	31.57	38.16	41.50	38.20	33.10	47.56	39.44	34.20	34.52	442.75
AVERAGE	4.05	2.68	3.72	3.16	3.82	4.15	3.82	3.31	4.76	3.94	3.42	3.45	44.28
MAXIMUM	7.60	5.20	6.30	4.80	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	1.30	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
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
1997	11.0	10.9	11.0	11.0	11.0	11.0	10.3	9.1	8.0	6.5	4.6	5.0
AVERAGE	8.6	8.9	9.5	10.0	10.3	10.5	10.2	9.6	8.5	8.0	7.8	8.2
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
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
1997	54.3	54.4	54.5	54.9	55.0	54.5	54.6	54.7	54.7	54.6	54.4	54.3
AVERAGE	50.99	51.10	51.51	52.16	53.05	53.44	53.52	52.74	51.74	51.60	51.37	51.08
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
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
1997	2.48	3.45	4.63	3.99	2.97	2.42	4.27	7.50	3.13	2.80	4.67	3.57
TOTAL	35.79	27.91	43.60	36.95	32.06	42.94	39.03	41.52	44.14	45.90	35.78	31.05
AVERAGE	3.58	2.79	4.36	3.70	3.21	4.29	3.90	4.15	4.41	4.59	3.58	3.11
MAXIMUM	7.03	7.51	9.00	6.92	5.82	7.33	6.41	7.50	7.93	15.60	6.60	4.64
MINIMUM	1.18	0.88	1.25	1.81	1.57	1.47	1.05	1.71	1.99	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
2006	4.62	4.60	4.57	4.56	4.56	4.56	4.54	4.14	4.21	4.40	4.42	4.54
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
1997	4.51	4.61	4.63	4.65	4.56	4.51	4.27	4.11	3.96	3.77	3.81	3.95
AVERAGE	4.25	4.39	4.50	4.60	4.58	4.54	4.37	4.12	3.96	3.96	4.01	4.14
MAXIMUM	4.62	4.61	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	4.52	4.33	3.85	3.30	3.41	3.52	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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