

# **NEW JERSEY WATER SUPPLY AUTHORITY**



## **2005 ANNUAL REPORT AND THE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2005**

# 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, 2004

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*Nancy L. Zjella*

President

*Jeffrey R. Enow*

Executive Director

NEW JERSEY WATER SUPPLY AUTHORITY

# 2005 ANNUAL REPORT

AND THE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

A COMPONENT UNIT  
OF THE STATE OF NEW JERSEY



FOR THE YEAR ENDED  
JUNE 30, 2005

Prepared by:  
Accounting and Administrative Staff

Henry S. Patterson III  
Executive Director

# 2005 Annual Report

**Acting Governor**  
Jon S. Corzine



## Authority Members

Lisa P. Jackson  
Acting Chair

Steven J. Picco  
Vice Chair  
Chair, Audit Committee

Shing-Fu Hsueh  
Secretary  
Chair, Insurance Committee

Louis C. Mai  
Treasurer  
Chair, Finance Committee  
Chair, Personnel Committee

Donald L. Correll  
Chair, Capital Projects Committee

Susan Blew  
Chair, Public Participation Committee  
Chair, Watershed Lands Acquisition Committee

Robert J. Iacullo

## Staff

Henry S. Patterson III  
Executive Director

Helene P. Chudzik, Esq.  
Deputy Attorney General

## 2006 Monthly Meetings

The 2006 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 Route 31, Clinton, New Jersey, unless otherwise indicated, beginning at 2:00 p.m. on the following Mondays:

January 9, 2006

February 6, 2006

March 6, 2006

April 3, 2006

May 1, 2006

June 5, 2006 (Canal Office)

July 3, 2006 (Canal Office)

August 7, 2006 (Manasquan Office)

September 11, 2006

October 2, 2006

November 6, 2006

December 4, 2006

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

*The view upstream from 10-Mile Lock on the Delaware and Raritan Canal in Franklin Township, Somerset County.*

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

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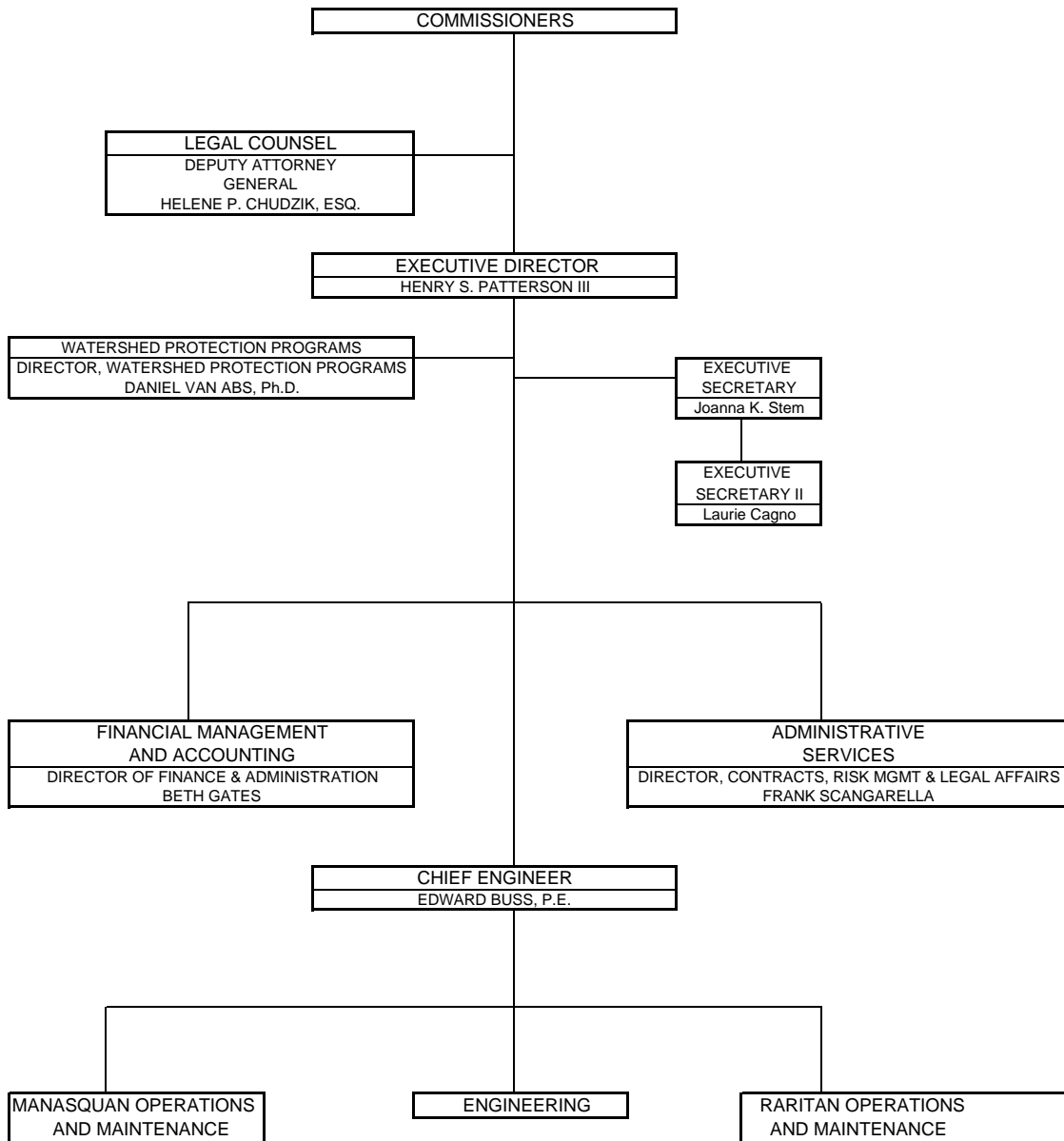
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# Letter to Governor and Legislature

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## **NEW JERSEY WATER SUPPLY AUTHORITY**

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

December 2005

### **To the Honorable Richard J. Codey, Acting Governor and Members of the New Jersey Legislature**

I am pleased to submit the 24<sup>th</sup> Annual Report of the New Jersey Water Supply Authority. The Authority was created on October 7, 1981 (P.L. 1981, c.293) and was established in but not of the Department of Environmental Protection of the State of New Jersey. The “New Jersey Water Supply Authority Act” under 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 typical range of maintenance issues during 2005. Below average precipitation during the summer required significant reservoir releases and resulted in a drought warning being issued statewide during September. Conversely, heavy precipitation, snowmelt and wet antecedent conditions caused major flooding in the Delaware River Basin in April, the second flood event in seven months, resulting in significant damage to the Canal between the Inlet in Kingwood Township, Hunterdon County, downstream to Hopewell Township, Mercer County and requiring repairs to the canal embankment. Effective July 1, 2005, the overall rate of \$215 per million gallons charged to the customers of the Raritan Basin System remained constant for the second year and the Manasquan Reservoir System rate decreased by 2.89 percent to \$895.01 per million gallons. In August of 2005, the Authority issued bonds to refund various loans from the State of New Jersey used to construct the Manasquan Reservoir System. The true interest cost of the refunding bonds is 4.218 percent and net present value savings is \$6.187 million. The customers of the Manasquan Reservoir System will see significant rate reduction beginning next fiscal year.

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 more than 2,000 acres of critical watershed property. To further expand this effort the Authority increased the dedicated land acquisition component of its rate from \$5 per million gallons to \$8 per million gallons in July 2005.

In 2005, the Authority was pleased to receive two awards for its “Spruce Run Initiative Highway Corridor Study,” an innovative approach to planning for both economic, vitality and environmental protection along Route 31 and Interstate 78 in the Spruce Run Reservoir watersheds. The Authority received, for the second year in a row, the Hermia Lechner Award for environmental planning from the Hunterdon County Planning Board, and also statewide recognition from the Association of New Jersey Environmental Commissions.

Sincerely,

Bradley M. Campbell  
Chair

## **Operations**

### ***Weather Events***

There were three notable weather events in 2005. Flooding of the Delaware River in April, and the summer dry spell and the record rainfall during October.

### ***April Floods***

Heavy rains and snowmelt in the upper reaches of the Delaware River combined to cause major flooding in the river for the second time in seven months. The flooding from the April 2 and 3, 2005 event caused water levels in the Delaware River to exceed the water levels that resulted from Hurricane Ivan in September 2004. This event caused flow levels at the Trenton River gauge on the Delaware River to be the third highest on record, exceeded only by the record levels in 1955 and the levels recorded in 1903.

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 upstream of Stockton Borough in Hunterdon County. Damage was also experienced at many of the bridges that cross the Canal between the Inlet at Bulls Island and Trenton. Other damage included major deposition of sediment in the Canal at the Inlet and other streams, bank erosion, felled trees, and stonewall washout. The damage did not affect our ability to pass water to downstream customers.

Repair work to damaged structures continued throughout the year.

### ***Summer Dry Spell***

The flooding in the early part of the year was followed by prolonged dry conditions in the summer and early fall. Natural stream flows throughout many

portions of the State were near record low levels. Releases were made from the Spruce Run, Round Valley and Manasquan Reservoirs to meet demands. The State issued a Drought Watch in September encompassing all six-drought regions in the State.

### ***Record Rainfall in October***

The Drought Watch was short lived. Record rainfall was experienced throughout the region during October. Up to 15.6 inches of rainfall was recorded along coastal communities including 10.5 inches during a three-day period. Rainfall in the western part of the State measured 13.3 inches for October at the Clinton gauge.

Storage levels in all Reservoirs recovered to near normal levels.

### ***Pipeline Management***

The Raritan System includes two pipelines, a Force Main and a release pipeline. The Force Main is comprised of 17,000 feet of 108-inch diameter 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 were a cause of concern. One section of pipe, located on the pumping station property, was replaced in November 2005 and will be examined in detail in December to understand its condition.

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

### ***Confluence Pumping Station/Pipeline Water Supply Development Project***

The Authority solicited the submission of Statements of Qualifications and

Technical Proposals for the development of the next water supply project that was endorsed by the NJ Statewide Water Supply Plan and authorized for implementation by the NJ Department of Environmental Protection. The Confluence Pumping Station/Pipeline Water Supply Development Project includes the construction of a pumping station and approximately 11 miles of pipe between the confluence of the North and South Branches of the Raritan River and the Round Valley Reservoir. Implementation of this project will increase the safe yield of the Raritan System by approximately 50 million gallons per day during a repeat of the 1960's drought of record.

#### ***Stage 2 Disinfectant Byproducts Rule***

The U.S. Environmental Protection Agency (EPA) has proposed the Stage 2 Disinfectant and Disinfection Byproducts Rule (Stage 2 DBP Rule). The Stage 2 DBP Rule will supplement existing regulations by requiring water systems to meet disinfection byproduct maximum contaminant levels (MCLs) at each monitoring site in the distribution system. The proposed regulation will affect the operation of the Manasquan Water Treatment Plant operated by the Authority for the Monmouth County Improvement Authority. The Authority is taking steps to prepare for the compliance requirements of the rule.

#### ***Manasquan Water Treatment Plant Operations***

Upgrade of the clarifier/filter units was completed in 2004. Mudballs have been observed in the filter units. Although the mudballs have not affected water quality, they have impacted the run times of the filters resulting in increased recycled water and costs for operations. The NJDEP has approved the use of a

different coagulant at the plant during a 10-month trial period intended to test operation during varying water quality periods. No problems have been experienced to date.

#### ***Emergency Generator***

A diesel-powered generator was installed to provide power back up source for power panel PP-4 located in the Flow Meter-Valve Chamber at the Manasquan System Administration Building. PP-4 is a primary service panel that feeds the power to the Administration Building and the modulating ball valve controls that release the reservoir water. Emergency power was made available for lighting, environmental systems (heating, ventilation, air conditioning, air handlers), telephone and two-way radio systems and fire and intrusion alarm systems in the Flow Meter-Valve Chamber, and through sub-panels, the Reservoir Pump Station and Administration Building.

#### ***Dam Inspections***

In accordance with the State Dam Safety Regulations, the Authority's engineering staff conducted the 2005 dam inspections at the Spruce Run and Round Valley Reservoirs on June 9, 2005 and at the Manasquan Reservoir on June 15, 2005. The dams were found to be in good condition and functioning well. 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.

## **Watershed Protection Programs Unit**

The New Jersey Water Supply Authority (Authority) formed its Watershed Protection Programs Division, which works to preserve and improve water 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 2005, the Authority focused considerable attention on the Delaware & Raritan Canal. The Authority and its partners, the Township of Franklin and Borough of South Bound Brook (Somerset County), completed a major report identifying ways to significantly reduce sediment and turbidity levels in the last 11 miles of the Canal before New Brunswick; implementation funds are now being sought. We continued our project to develop a watershed-based stormwater management plan for the Cedar Grove Brook. This brook is the last major tributary to the Canal upstream of the last Canal users' intake and is a major source of sediment and turbidity to the Canal. Finally, the Authority received a new NJDEP grant to develop 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.

Protection of the Spruce Run Reservoir continues as a major focus for the Authority. 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 (now \$8 per million gallons), paid for by our customers, allows us 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.

In addition to protecting existing natural lands, we are moving forward on improving water quality in the reservoir. Permits are in hand for a major stream restoration project in the Spruce Run watershed, and designs are in progress for a similar effort in the Mulhockaway Creek watershed. Both projects will take place in 2006. A successful riparian revegetation project was implemented near the latter site, in Union Township. The Authority has received a federal grant to convert 16 acres of mowed lawn to native grassland habitat, with both water quality and ecosystem benefits. We also began a new effort, working with local governments and landowners to improve water quality and streams in parks and preserved farms.

Extensive fieldwork was performed for both the Mulhockaway Creek Stormwater Management Project and the Spruce Run/Rocky Run Watershed Restoration and Management Plan projects, which will help the Spruce Run

Initiative partners, identify and correct nonpoint source pollution problems in these watersheds. The completion of the Authority's award-winning Spruce Run Initiative "Smart Growth" Highway Corridors Plan has helped local municipalities improve their master plans for the highway corridors to better manage commercial growth and protect the reservoir. The Authority is also working with municipalities here (and in the rest of the Raritan Highlands) to improve master plans and zoning ordinances to protect, preserve and enhance watershed resources.

In the broader New Jersey Highlands, the Authority is providing technical and planning support to the Highlands Council, especially with regard to water resource issues, under a Memorandum of Agreement between the two agencies. Approximately 17 percent of the Raritan Basin is in the Highlands, which supply nearly all of the water stored in Round Valley and Spruce Run Reservoirs. The Authority and five partners (Hunterdon, Morris and Somerset county Planning Boards, South Branch Watershed Association and Upper Raritan Watershed Association) have also developed an extensive guide to model municipal ordinances and planning guidance through the NJDEP-funded Raritan Highlands Wastewater Management Planning Project, and are developing a guidance system that will help Highlands municipalities and utility authorities prepare improved Wastewater Management Plans as required by NJDEP regulations.

The watersheds near the main Raritan water supply intakes are also a concern, and the Authority is working with municipalities to improve planning and implementation of stream corridor protection, municipal master plans and

ordinances, and property management. We are using the Stony Brook-Millstone Watershed Association's River-Friendly Program to encourage businesses, golf courses and residents to improve water quality by improving management of their properties. Through our share of a USEPA-funded targeted watershed grant, we are supporting similar work by the South Branch Watershed Association upstream of the Spruce Run and Round Valley Reservoirs. We also educate the public through a Web-based newsletter, the *Basin Bulletin*, and training for public works officials on road salt use.

In support of the Authority's newest water supply initiative, the Confluence Pumping Station and Pipeline, we have developed a new, sophisticated safe yield and operations model for the Raritan water supply system. This model will be used in the planning and design of the Confluence Project and in support of future water allocation permit applications. In consultation with the NJ Geological Survey, the Authority is already using the model to evaluate potential ecological flow goals, their impact on safe yield, and how to operate the system to achieve the flow goals if required.

Finally, the Authority has developed a major initiative to help protect the Manasquan Reservoir and water supply, through its Manasquan Source Water Protection Fund. The initial efforts will occur in Fiscal Year 2006, following this year of project organization. This work builds on our long association with the Manasquan River Watershed Association and its predecessor, the Manasquan Watershed Management Group.

# Letter of Transmittal - Chief Financial Officer

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## NEW JERSEY WATER SUPPLY AUTHORITY

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August 26, 2005

### *To the Commissioners of the New Jersey Water Supply Authority*

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The Comprehensive Annual Financial Report of the New Jersey Water Supply Authority ("Authority") for the year ended June 30, 2005 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 2005, and comparative data for Fiscal Year 2004, 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.

### *Reporting Entity and its Services*

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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***

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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. This internal control structure includes policies, procedures, approved

organizational structures, and approved budgets for capital and operating expenditures.

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

### ***Financial Position***

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The total assets of the Authority as of June 30, 2005 were \$211,653,806, an increase of less than one percent over the previous year's total of \$211,382,811. The Capital Assets, net of accumulated depreciation decreased \$1,888,896, one percent, from \$148,845,658 to \$146,956,762.

The total of cash and cash equivalents for the Authority increased \$1,700,424, or four percent, from \$40,181,315 to \$41,881,739. The increase in cash is mainly attributable to a receipt of a grant for \$1.9 million from the State of New Jersey for the Confluence Pumping Station.

Current liabilities increased \$811,290, or nine percent, from \$9,066,943 to \$9,878,233. The increase is primarily due to the increase in NJEIT loans payable. Total Net Assets of the Authority increased \$3,167,936, or three percent, from \$94,239,401 to \$97,407,337.

The Consolidated Revenues increased by \$1,924,055 or nine percent, from \$21,837,057 to \$23,761,112 due to an increase in water billing in both Systems. Total Operating Expenses increased \$555,759, or three percent, from \$17,905,912 to \$18,461,671 due to increases in salary and fringe benefits. Nonoperating revenues increased \$530,835, or ninety-one percent, from \$584,425 to \$1,115,260 due to an increase in Investment Income because of current market conditions. Nonoperating expenses increased \$436,165, or nine percent, from \$4,715,508 to \$5,151,673 due to an increase in the reduction in costs to be

recovered from future revenues. Contained in the following paragraphs is an explanation of changes in revenue and expense for each System.

The Raritan Basin System Revenues increased \$525,912, or four percent, from \$14,153,511 to \$14,679,423. The increase in revenues is due to an increase in revenue billing. Total Operating Expenses increased \$328,269, or three percent, from \$12,665,800 to \$12,994,069. Payroll and Fringe Benefits increased \$541,593, or nine percent, from \$6,175,576 to \$6,717,169 due to contractual salary increases and fringe benefit renewal increases. Operations and Maintenance expenses decreased \$165,979, or six percent, from \$2,563,927 to \$2,397,948, mostly due to a decrease in electricity for pumping.

The Manasquan Water Supply System Revenues increased \$1,253,106, or twenty-one percent, from \$6,104,860 to \$7,357,966. The increase in revenues is due to the increase of the water rate and sales base. Total Operating Expenses decreased \$206,361, or six percent, from \$3,580,667 to \$3,787,028. Payroll and Fringe Benefits increased \$120,239, or fifteen percent, from \$808,980 to \$929,219. The increase is due to the sharing of expenses between the Manasquan Reservoir System and Manasquan Water Treatment Plant expenses. Operations and Maintenance expenses increased \$66,029, or six percent, from \$1,148,453 to \$1,214,482, mostly due to an increase in electrical service and sediment removal.

Operating Revenue for the Manasquan Water Treatment Plant and Transmission System increased \$145,037, or nine percent, from \$1,578,686 to \$1,723,723 and total Operating Expenses increased \$21,129, or one percent, from \$1,659,445 to \$1,680,574. The Water Treatment Plant Payroll and

Fringe Benefits decreased \$68,275, or eight percent, from \$848,235 to \$779,960, and is subject to the same increases or decreases as the Manasquan Reservoir System depending upon the allocation of employee responsibilities between the two Systems. Operations and Maintenance expenses increased \$89,404, or eleven percent, from \$811,210 to \$900,614, due to increases in electricity, replacement of granular activated carbon, and chemical expenses.

The proposed Raritan Basin System rate for the fiscal year ending June 30, 2007, effective July 1, 2006, is \$228.00 per mg covering Operations and Maintenance, Debt Service, Capital Fund, and the Source Water Component. The proposed Fiscal Year 2007 rate represents an increase of 6.05 in the rate from the previous fiscal year.

The proposed Fiscal Year 2007 rate for the Manasquan Water Supply System initial water users (7/1/90) is \$833.27 per mg, effective July 1, 2006. The proposed rate of \$833.27 per mg, effective July 1, 2006, represents a decrease of 6.90 percent from the previous fiscal year of \$895.01 per mg.

The Authority proposed for Fiscal Year 2007 a rate of \$1,074.02 per mg, effective July 1, 2006 for all Delayed Water purchasers of the Manasquan Water Supply System. This rate represents a decrease of 7.75 percent from the previous fiscal year.

The Water Treatment Plant and Transmission System budget for calendar year 2005 is \$1,817,803, which represents an eleven percent increase or \$188,159, over calendar year 2004's budget of \$1,629,644.

### ***Cash Management***

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The Raritan Basin System had a total of \$29,345,747 in cash and investments as of June 30, 2005. These funds generated interest income of \$464,347.

The Manasquan Water Supply System had a total of \$11,009,059 in cash and investments as of June 30, 2005. These funds generated interest income of \$290,996.

The Manasquan Water Treatment Plant and Transmission System had a total of \$1,521,799 in cash and investments, which consisted of operating funds held by the Authority, as of June 30, 2005. These funds generated interest income of \$26,944.

Funds of \$6,713,571 of the Raritan Basin System, and \$5,479,368 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 \$18,848,989 of the Raritan Basin System, \$4,438,060 of the Manasquan Reservoir System, and \$1,220,822 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 \$875,301 of the Raritan Basin System, \$285,562 of the Manasquan Reservoir System, and \$300,977 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, 2005.

### ***Debt Service***

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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 \$3,497,000 and \$197,783, respectively, as of June 30, 2005. 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 \$19,285,000, and \$4,966,844, respectively, at June 30, 2005. 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 of \$836,669 outstanding as of June 30, 2005. 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 \$1,380,000 outstanding as of June 30, 2005. Semi-annual payments range from \$1,570 to \$73,354 through September 1, 2024.

The Manasquan Water Supply System has the obligation to repay the \$63,600,000 of

State Loan Notes, and the \$7,416,000 of Completion Loan Notes, which were sold to construct the Manasquan Reservoir Facilities. The Completion Loan Notes bear interest at 6.24 percent, converted from 7.16 percent Interim Advance Notes effective February 1, 1992. 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 State Loan Notes and the Completion Loan have a principal and interest balance of \$119,674,085, at June 30, 2005, which represents both the current and deferred portion. At June 30, 2005 the principal amount classified as the Current Notes with the Initial Water Purchasers was \$32,061,351 and are payable through semi-annual payments, including interest, which range from \$89,327 to \$3,102,025 through August 1, 2020 and the principal amount classified with the Current Notes with the Delayed Water Purchaser (7/1/01) was \$3,098,940 and are payable through annual installments which range from \$6,520 to \$226,421 through August 1, 2031, and the Current Notes with the Delayed Water Purchaser (10/1/02) was \$6,045,639 and are payable through annual installments which range from \$12,720 to \$441,719 through August 1, 2031, and the Current Notes with the Delayed Water Purchaser (1/01/05) was \$4,824,978 and are payable through annual installments which range from \$10,152 to \$352,532 through August 1, 2031, and the principal amount classified as the Deferred Notes was \$30,455,263. Per the terms of the Agreement dated September 12, 1989, the Completion Loan Notes are to be accounted

for in accordance with the terms of the State Loan Agreement. Accordingly, \$3,399,277 in Completion Loan Notes of the Initial Water Users have been classified as Current Loan Notes and are payable through annual installments which range from \$10,117 to \$334,394 through August 1, 2020, and \$327,539 in Completion Loan Notes of the Delayed Water Purchaser (7/1/01) have been classified as Current Notes and are payable through annual installments which range from \$746 to \$24,646 through August 1, 2031, and the Current Notes with the Delayed Water Purchaser (10/1/02) was \$638,405 and are payable through annual installments which range from \$1,453 to \$48,038 through August 1, 2031, and the Current Notes with the Delayed Water Purchaser (1/01/05) was \$508,758 and are payable through annual installments which range from \$1,158 to \$38,282 through August 1, 2031, and the principal amount classified as the Deferred Notes was \$3,211,282.

In August 2005, the Authority refinanced approximately \$50 million in Manasquan State Loan Notes with 2005 Manasquan Refunding Bonds. The 1981 Water Supply Bond Act provided the original financing. The net present value savings of this refinancing is about \$6.2 million. The Debt Service Component for the Manasquan Reservoir System will be reduced, effective July 2007.

### ***Risk Management***

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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, 2004.

### ***Independent Audit***

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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 2005 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.

### ***Certificate of Achievement for Excellence in Financial Reporting***

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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, 2004. This was the thirteenth 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***

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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 accounting staff deserves special 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. I would like to express my appreciation to all employees of the New Jersey Water Supply Authority who contributed to this report's preparation. The report also could not have been prepared without the full support and encouragement of the Chair and Members of the Board, and the Executive Director.

### ***Economic Outlook***

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The continuing economic viability of the Authority is ensured by the water contracts we maintain 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 2005, the Authority supplied water to 16 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 179.409 to 179.899 million gallons per day on January 1, 2006, and the total sales base for the Manasquan Reservoir System was increased on January 1, 2005 from 19.032 to 20.532

million gallons per day. East Windsor Municipal Utilities Authority for .011mgd, Neshanic Valley Golf Club for .116mgd, Trump National Golf Club for .08mgd, Morris County Municipal Utilities Authority for .079mgd, and Mount Olive Township for .01mgd, all became additional water users within the Raritan Basin System. NJ American Water entered into a third delayed water user contract for 1.5mgd 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.

The Authority also adopted rule amendments that provide for an Annual Overdraft Rate to apply when a customer's average daily diversions for any calendar year exceed its annual contractual uninterruptible supply. The Authority adopted an Annual Overdraft Rate of one hundred and fifteen percent of the total initial water purchase rate for each million gallons diverted or fraction thereof in excess of average daily uninterruptible service on an annualized basis.

Michael R. Citarelli  
Chief Financial Officer

# Financial Section

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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 year ended June 30, 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. The financial statements of **NEW JERSEY WATER SUPPLY AUTHORITY** for the year ended June 30, 2004, were audited by other auditors, whose report, dated August 10, 2004, expressed an unqualified opinion on those statements.

We conducted our audit 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 respective financial position of **NEW JERSEY WATER SUPPLY AUTHORITY** as of June 30, 2005, and the respective 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 8, 2005, 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

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

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.

Management's Discussion and Analysis on pages 3 through 8 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 audit was 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.

*Amercador, P.C.*  
*Certified Public Accountants*  
August 8, 2005



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Year ended June 30, 2005

This section of the New Jersey Water Supply Authority's (the "Authority") Annual Financial Report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended on June 30, 2005. Please read it in conjunction with the Authority's basic financial statements and accompanying notes.

### FINANCIAL HIGHLIGHTS

- Operating revenues for fiscal year 2005 were \$23.8 million, up 8.81% over fiscal year 2004, which increase resulted from rate and sales base increases on July 1, 2004. In the Raritan Basin System, rates increased 2.38%, from \$210.00 per million gallons to \$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 increased 15.93%, from \$794.97 per million gallons to \$921.64 per million gallons. The sales base increased by 7.88% on January 1, 2005, from 19.032 million gallons per day to 20.532 million gallons per day.
- Cash and Cash Equivalents for fiscal year 2005 were \$25.8 million, an increase of 3.04% over fiscal year 2004. Within both Systems, funds were transferred from the SNJ Cash Management Funds to Commerce Bank to increase interest earnings.
- Total liabilities for fiscal year 2005 were \$114.2 million, a decrease of 2.47% from fiscal year 2004. The Authority continues to pay down long-term debt in both systems.
- Total Operating Expenses for fiscal year 2005 increased to \$18.5 million, which represents a 3.10% increase over fiscal year 2004. Payroll and fringe benefits increased 7.58% because of contract requirements and rising health benefit expenses. Operations and Maintenance expenses decreased 1% to \$4.5 million because of tight budgetary controls. Headquarters Overhead increased 5.47% to \$679,000 because of forecasted increases in payroll and fringe benefits.
- Other changes for fiscal year 2005 include the following: non-operating revenues increased 90.83% to \$1,115,260; investment income increased 139.59% because of changes in investments and improved market conditions; and grant programs increased 46.57% from the previous year.
- Non-operating expenses for fiscal year 2005 increased 9.25% to \$5.2 million. The interest component of debt service decreased 2.19% with the continued pay down of the system debt. There was an increase in the costs to be recovered from future revenues, and the change in the rate model is outlined in Note 2.



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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Year ended June 30, 2005

**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 control 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 \$97.4 million as of June 30, 2005. In fiscal year 2005 total assets increased .13% to \$211.7 million and total liabilities decreased 2.47% to \$114.2 million. Total net assets as of June 30, 2004, were approximately \$94.2 million. Total assets that year decreased 1.87% to \$211.3 million, and total liabilities decreased 3.16% to \$117.1 million. Changes in assets, liabilities and net assets between June 30, 2005, 2004 and 2003, are summarized in the following table:

	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>Percentage Change 2005-2004</b>
Current assets	<b>\$29,835,264</b>	\$27,718,480	\$23,535,975	7.64%
Capital assets, net	<b>146,956,762</b>	148,845,658	152,235,806	(1.27)
Other noncurrent assets	<b>34,861,780</b>	34,818,673	39,640,188	.12
Total assets	<b>211,653,806</b>	211,382,811	215,411,969	.13
Long-term debt	<b>104,368,236</b>	108,076,467	111,894,803	(3.43)
Other liabilities	<b>9,878,233</b>	9,066,943	9,077,827	8.95
Total liabilities	<b>114,246,469</b>	117,143,410	120,972,630	(2.47)
Net assets invested in				
capital assets, net of related debt	<b>37,445,316</b>	36,025,900	35,978,635	3.94
Restricted	<b>12,045,911</b>	11,089,206	11,721,789	8.63
Unrestricted	<b>47,916,110</b>	47,124,295	46,738,915	1.68
Total net assets	<b>\$97,407,337</b>	\$94,239,401	\$94,439,339	3.36



MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2005

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 2005 Authority meeting:

	<b>Rate 7/01/2005</b>	<b>Rate 7/01/2004</b>	<b>Percent Change</b>
Raritan Basin System	\$ 215.00/mg	\$ 215.00/mg	N/A
Manasquan Reservoir System			
Initial Users	\$ 895.01/mg	\$ 921.64/mg	(2.89%)
Delayed Water Users	\$1,164.26/mg	\$1,186.00/mg	(1.83%)

The Water Treatment Plant and Transmission System budget for fiscal year 2006 (July 1, 2005-June 30, 2006) is \$1,687,045, which represents a 2.67% increase from the previous budget of \$1,643,090.

The Authority's total operating revenues for fiscal year 2005 were \$23.8 million, an increase of 8.81% over fiscal year 2004. The Authority's total operating expenses for fiscal year 2005 were \$18.5 million, an increase of 3.10% over fiscal year 2004. The Authority's total operating revenues for fiscal year 2004 were \$21.8 million, an increase of 3.85% from fiscal year 2003. The Authority's total operating expenses for fiscal year 2004 were \$17.9 million, an increase of 3.27% from fiscal year 2003. The following table summarizes the changes in revenues, expenses and net assets between fiscal years 2005, 2004 and 2003:

	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>Percentage Change 2005-2004</b>
Operating revenues:				
Water sales	<b>\$22,037,389</b>	\$20,258,371	\$19,564,798	8.78%
Reimbursement of operating expenses	<b>1,723,723</b>	1,578,686	1,463,670	9.19
Total operating revenues	<b>23,761,112</b>	21,837,057	21,028,468	8.81



## MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2005

	2005	2004	2003	Percentage Change 2005-2004
Operating expenses:				
Payroll	6,079,585	5,773,718	5,538,698	5.29
Operations and maintenance	4,513,044	4,523,590	4,557,900	(.23)
Fringe benefits	2,346,763	2,059,073	1,746,408	13.97
Depreciation	5,522,279	5,549,531	5,496,421	(.49)
Total operating expenses	18,461,671	17,905,912	17,339,427	3.10
Income from operations	5,299,441	3,931,145	3,689,041	34.81
Non-operating revenues:				
State of New Jersey-Grant Programs	147,605	100,709	141,405	46.57
Investment income	824,492	344,130	694,699	139.59
Rental income	62,222	58,138	60,687	7.02
Other income	80,941	81,448	10,558	(.62)
Total non-operating revenues	1,115,260	584,425	907,349	90.83
Non-operating expenses:				
Interest component of debt service of the State of New Jersey	4,220,414	4,315,127	4,434,065	(2.19)
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	14,100	14,099	14,100	-
Reduction in costs to be recovered from future revenues	891,930	361,053	61,249	147.04
Total non-operating expenses	5,151,673	4,715,508	4,534,643	9.25
Change in net assets	1,263,028	(199,938)	61,747	731.71
Contributed capital	1,904,908			-
Net assets, beginning of year	94,239,401	94,439,339	94,377,592	(.21)
Net assets, end of year	\$97,407,337	\$94,239,401	\$94,439,339	3.36




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**MANAGEMENT'S DISCUSSION AND ANALYSIS**


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Year ended June 30, 2005

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

At June 30, 2005, the Authority had a total of \$146,956,762 invested in the Systems that it operates: \$77,570,358 invested in the Raritan Basin System and \$69,386,404 invested in the Manasquan System. This total amount represents a 1.27% reduction from last year.

The following table summarizes the changes in capital assets, net of depreciation, between fiscal years 2005, 2004 and 2003:

	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>Percentage Change 2005-2004</b>
Land and land rights	<b>\$ 11,851,159</b>	\$ 10,054,420	\$ 9,981,170	17.87%
Dams	<b>56,988,266</b>	57,788,421	58,588,748	(1.38)
Building, structures and improvements	<b>69,604,308</b>	71,851,671	71,895,800	(3.13)
D&R canal dredging	<b>519,902</b>	1,559,705	2,701,820	(66.67)
Machinery and equipment	<b>1,127,914</b>	1,339,842	1,274,755	(15.82)
Construction work in progress	<b>6,865,213</b>	6,251,599	7,793,513	9.82
Total capital assets, net	<b><u>\$146,956,762</u></b>	<u>\$148,845,658</u>	<u>\$152,235,806</u>	(1.27)

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 2005, 2004 and 2003:

	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>Percentage Change 2005-2004</b>
Bonds payable	<b>\$ 19,226,345</b>	\$ 20,841,366	\$ 22,373,429	(7.75)%
Notes payable	<b>88,068,432</b>	91,116,373	93,883,742	(3.34)
Loans payable	<b>2,216,669</b>	862,019	0	157.15
Total bonds, notes and loans payable	<b><u>\$109,511,446</u></b>	<u>\$112,819,758</u>	<u>\$116,257,171</u>	(2.93)

At year-end, the Authority had \$109,511,446 in bonds, notes and loans principal outstanding, compared to \$112,819,758 at June 30, 2004. This change represents a decrease of 2.93%, as shown in the table.



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Year ended June 30, 2005

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

### CURRENT AND NEW BUSINESS

During fiscal year 2005, the Authority supplied water to 16 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 percent of total Raritan Basin System operating revenues. The total sales base for the Raritan Basin System is 179.219 million gallons per day (mgd). In addition, during fiscal year 2005, the Authority provides water to 13 contractual customers of the Manasquan Water Supply System, who provides water to approximately 250,000 people in the Monmouth County area. Three customers accounted for approximately 81 percent of total Manasquan System operating revenues. Effective January 1, 2005, the New Jersey American Water Company increased its capacity by 1.5mgd under a third delayed water purchase contract with the Authority bringing their total capacity to 12.5mgd. This increased the total sales base for the Manasquan Reservoir System to 20.532mgd as of June 30, 2005, up from 19.032mgd at June 30, 2004.

### 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 Route 31, P.O. Box 5196, Clinton, New Jersey 08809, (908) 638-6121, or visit our website at [www.njwsa.org](http://www.njwsa.org).

# New Jersey Water Supply Authority

## Statements of Net Assets

	<b>June 30</b>	
	<b>2005</b>	<b>2004</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$23,941,941	\$23,193,509
Unbilled sales	926,088	960,989
Accounts receivable, less allowance for doubtful accounts of \$1,000 at June 30, 2005 and 2004	3,046,012	1,592,574
Interest receivable	4,721	88,704
Prepaid expenses and other current assets	923,765	1,061,184
Costs to be recovered from future revenues	992,737	821,520
Total current assets	29,835,264	27,718,480
Non-current assets:		
Restricted assets:		
Cash equivalents	1,898,287	1,883,011
Investments	12,322,822	11,310,851
Investments	3,713,968	3,705,240
Costs to be recovered from future revenues	16,407,940	17,361,479
Deferred issuance cost	518,763	558,092
Capital assets, net	146,956,762	148,845,658
Total non-current assets	181,818,542	183,664,331
Total assets	211,653,806	211,382,811
<b>Liabilities</b>		
Current liabilities:		
Current portion of bonds, notes and loans payable	5,143,210	4,743,291
Accounts payable	331,709	234,460
Accrued liabilities	2,228,116	1,984,536
Unearned revenue	2,175,198	2,104,656
Total current liabilities	9,878,233	9,066,943
Non-current liabilities:		
Long-term portion of bonds, notes and loans payable	104,368,236	108,076,467
Total liabilities	114,246,469	117,143,410
<b>Net Assets</b>		
Invested in capital assets, net of related debt	37,445,316	36,025,900
Restricted	12,045,911	11,089,206
Unrestricted	47,916,110	47,124,295
Total net assets	\$97,407,337	\$94,239,401

*See accompanying notes.*

## New Jersey Water Supply Authority

### Statements of Revenues, Expenses and Changes in Net Assets

	<b>Year ended June 30</b>	
	<b>2005</b>	<b>2004</b>
Operating revenues:		
Water sales	<b>\$22,037,389</b>	\$20,258,371
Reimbursement of operating expenses	<b>1,723,723</b>	1,578,686
Total operating revenues	<b>23,761,112</b>	21,837,057
Operating expenses:		
Payroll	<b>6,079,585</b>	5,773,718
Operations and maintenance	<b>4,513,044</b>	4,523,590
Fringe benefits	<b>2,346,763</b>	2,059,073
Depreciation	<b>5,522,279</b>	5,549,531
Total operating expenses	<b>18,461,671</b>	17,905,912
Income from operations	<b>5,299,441</b>	3,931,145
Non-operating revenues:		
State of New Jersey – Grant Programs	<b>147,605</b>	100,709
Investment income	<b>824,492</b>	344,130
Rental income	<b>62,222</b>	58,138
Other income	<b>80,941</b>	81,448
Total non-operating revenues	<b>1,115,260</b>	584,425
Non-operating expenses:		
Interest component of debt service to the State of New Jersey	<b>4,220,414</b>	4,315,127
Amortization of issuance costs – D & R System Revenue Refunding Bonds, Series 1998	<b>25,229</b>	25,229
Amortization of issuance costs – Manasquan State Loan Notes	<b>14,100</b>	14,099
Reduction in costs to be recovered from future revenues	<b>891,930</b>	361,053
Total non-operating expenses	<b>5,151,673</b>	4,715,508
Income (loss) before Capital Contributions	<b>1,263,028</b>	(199,938)
Contributed capital	<b>1,904,908</b>	-
Change in net assets	<b>3,167,936</b>	(199,938)
Net assets, beginning of year	<b>94,239,401</b>	94,439,339
Net assets, end of year	<b>\$97,407,337</b>	\$94,239,401

*See accompanying notes.*

New Jersey Water Supply Authority  
Statements of Cash Flows

	<b>Year ended June 30</b>	
	<b>2005</b>	<b>2004</b>
<b>Cash flows from operating activities</b>		
Cash received from water sales	<b>\$20,863,168</b>	\$20,736,438
Cash received from reimbursable expenses	<b>1,660,579</b>	1,587,627
Cash received from rental income	<b>29,087</b>	34,878
Cash paid to or on behalf of employees	<b>(8,190,109)</b>	(7,680,198)
Cash paid to suppliers	<b>(4,268,673)</b>	(4,314,576)
Net cash provided by operating activities	<b>10,094,052</b>	10,364,169
<b>Cash flows from noncapital financing activities</b>		
Cash received for grant programs	<b>127,420</b>	39,979
Net cash provided by noncapital financing activities	<b>127,420</b>	39,979
<b>Cash flows from capital and related financing activities</b>		
Contributed capital	<b>1,904,908</b>	-
Proceeds from borrowing	<b>1,380,000</b>	862,019
Principal paid on bonds, notes and loans	<b>(4,688,312)</b>	(4,607,605)
Interest paid on bonds, notes and loans	<b>(4,104,443)</b>	(4,363,193)
Acquisition and construction of capital assets	<b>(3,861,619)</b>	(2,540,422)
Proceeds from sale of capital assets	<b>23,926</b>	65,182
Net cash used in financing activities	<b>(9,345,540)</b>	(10,584,019)
<b>Cash flows from investing activities</b>		
Sale of investment securities	<b>23,737,796</b>	16,806,242
Purchase of investment securities	<b>(24,758,495)</b>	(13,312,336)
Interest received on investments	<b>908,475</b>	417,804
Premium on matured investments	<b>-</b>	382
Net cash (used in) provided by investing activities	<b>(112,224)</b>	3,912,092
Net increase in cash and cash equivalents	<b>763,708</b>	3,732,221
Cash and cash equivalents, beginning of year	<b>25,076,520</b>	21,344,299
Cash and cash equivalents, end of year	<b>\$25,840,228</b>	\$25,076,520
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	<b>\$ 5,299,441</b>	\$ 3,931,145
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Non-cash items expensed to operations and maintenance	<b>47,890</b>	175,470
Cash received for operating activity included in other income	<b>119,237</b>	74,404
Depreciation	<b>5,522,279</b>	5,549,531
Increase (decrease) in cash from:		
Unbilled sales	<b>34,901</b>	(51,427)
Accounts receivable	<b>(1,274,807)</b>	536,735
Prepaid expenses	<b>137,419</b>	47,629
Accounts payable	<b>98,964</b>	(737)
Accrued liabilities	<b>(1,827)</b>	5,018
Accrued payroll and taxes	<b>110,555</b>	96,401
Net cash provided by operating activities	<b>\$10,094,052</b>	\$10,364,169
<b>Non cash investing activities</b>		
Increase (decrease) in fair value of investments	<b>\$ 134,392</b>	\$ (166,303)

See accompanying notes.

# New Jersey Water Supply Authority

## Notes to Financial Statements

June 30, 2005

### **1. Organization and Operations**

The New Jersey Water Supply Authority (the “Authority”), 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 is a component unit of the State of New Jersey. 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 it 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 revenues 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 the FASB after November 30, 1989.

# New Jersey Water Supply Authority

## Notes to Financial Statements (continued)

Other significant accounting policies are:

### **Revenues**

Charges for wholesale water usage are established to provide revenues 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 is billed in the following month or quarter.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues 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 revenues and expenses not meeting this definition are reported as non-operating revenues 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.

# New Jersey Water Supply Authority

## Notes to Financial Statements (continued)

### **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*.

### **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 is 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.

# New Jersey Water Supply Authority

## Notes to Financial Statements (continued)

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

### Costs to be Recovered from Future Revenues

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 revenues in accordance with the rate model. The deferred amount for the years ended June 30, 2005, and June 30, 2004, were determined as follows:

	<b>June 30</b>	
	<b>2005</b>	<b>2004</b>
<b>Raritan Basin System</b>		
Cost excluded from rate model:		
Depreciation of debt-financed capital assets recoverable from rate payers	\$ <b>2,345,612</b>	\$ 2,382,450
Excess vacation expense over vacation paid	<b>31,112</b>	(117)
	<b>2,376,724</b>	2,382,333
Cost included in rate model:		
Debt principal repayment	<b>(3,281,000)</b>	(3,026,000)
	<b>(904,276)</b>	(643,667)
<b>Manasquan System</b>		
Cost excluded from rate model:		
Depreciation of debt-financed capital assets recoverable from rate payers	<b>1,550,658</b>	1,550,938
Excess vacation expense over vacation paid	<b>8,238</b>	850
	<b>1,558,896</b>	1,551,788
Cost included in rate model:		
Debt principal repayment	<b>(1,436,942)</b>	(1,336,368)
	<b>121,954</b>	215,420
Total Raritan Basin and Manasquan	<b>(782,322)</b>	(428,247)
Balance, beginning of year	<b>18,182,999</b>	18,611,246
Balance, end of year	<b>\$ 17,400,677</b>	\$ 18,182,999

The cost to be recovered from future revenues of \$891,930 as shown in the income statement for the year ended June 30, 2005, includes \$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 \$39,350 of accrued vacation.

# New Jersey Water Supply Authority

## Notes to Financial Statements (continued)

### 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 (“MCIA”). The MCIA is charged for budgeted operating expenses expected to be incurred by the Authority during the MCIA’s fiscal year (January 1 through December 31).

Because of the difference resulting from billing the MCIA for budgeted expenses versus actual expenses appearing in the financial statements, the Authority includes unearned costs (actual costs exceed MCIA billings) or unearned revenues (MCIA billings exceed 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, 2005, unearned revenues amounted to \$436,476 and were determined as follows:

Reimbursement of operating expenses	\$1,750,831
Operating expenses	<u>1,680,573</u>
Unearned revenue	70,258
Balance, beginning of year	<u>366,218</u>
Balance, end of year	<u><u>\$ 436,476</u></u>

During the fiscal year ended June 30, 2005 and 2003 the Authority received \$191,877 and \$1,677,410, respectively. These funds are restricted for use by the MCIA for costs associated in operating the Water Treatment Plant. As of June 30, 2005, the amount included in unearned revenue is \$1,362,234.

### Accounting for Watershed Protection Program

For the fiscal years ended June 30, 2005 and 2004, the Authority received \$119,052 and \$35,534, 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, mapping out streams and other water sources and studying and implementing best land use practices to improve water quality. As of June 30, 2005 and 2004, the balance of restricted cash equivalents and unearned revenue is \$16,839 and \$23,084, 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, 2005 and 2004, the balance of restricted cash equivalents and unearned revenue associated with the No Name Dam No. 31 is \$359,649 and \$373,589, respectively.

# New Jersey Water Supply Authority

## Notes to Financial Statements (continued)

### New Pronouncements

In May 2004, the GASB issued Statement No. 44, *Economic Condition Reporting: the Statistical Section*. This Statement provides guidance on the tables and narrative explanations in the statistical section. The Authority will implement this Statement as required for the fiscal year beginning on July 1, 2005, and does not expect adoption of this statement to have a significant impact on its disclosure pertaining to its financial position, results of operations and cash flows.

### 3. Capital Assets

Capital assets activity for the year ended June 30, 2005 and 2004 was as follows:

	<b>2005 Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>2005 Ending Balance</b>
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	<u>16,306,019</u>	<u>3,516,763</u>	<u>(1,106,410)</u>	<u>18,716,372</u>
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	<u>219,077,737</u>	<u>1,223,147</u>	<u>(99,011)</u>	<u>220,201,873</u>
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	<u>(86,538,098)</u>	<u>(5,522,279)</u>	<u>98,894</u>	<u>(91,961,483)</u>
Total capital assets, being depreciated, net	<u>132,539,639</u>	<u>(4,299,132)</u>	<u>(117)</u>	<u>128,240,390</u>
Total capital assets, net	<u>\$148,845,658</u>	<u>\$ (782,369)</u>	<u>\$(1,106,527)</u>	<u>\$146,956,762</u>

# New Jersey Water Supply Authority

## Notes to Financial Statements (continued)

	<b>2004 Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>2004 Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 9,981,170	\$ 73,250	\$ -	\$ 10,054,420
Construction work in progress	7,793,513	1,831,413	(3,373,327)	6,251,599
Total capital assets not being depreciated	<u>17,774,683</u>	<u>1,904,663</u>	<u>(3,373,327)</u>	<u>16,306,019</u>
Capital assets being depreciated:				
Dams	77,369,160	-	-	77,369,160
Building, structures and improvements	112,239,383	3,228,771	-	115,468,154
D & R canal dredging	21,160,274	-	-	21,160,274
Machinery and equipment	5,038,458	399,276	(357,585)	5,080,149
Total capital assets being depreciated	<u>215,807,275</u>	<u>3,628,047</u>	<u>(357,585)</u>	<u>219,077,737</u>
Less accumulated depreciation for:				
Dams	(18,780,412)	(800,327)	-	(19,580,739)
Building, structures and improvements	(40,316,783)	(3,299,700)	-	(43,616,483)
D & R canal dredging	(18,527,380)	(1,073,189)	-	(19,600,569)
Machinery and equipment	(3,721,577)	(376,315)	357,585	(3,740,307)
Total accumulated depreciation	<u>(81,346,152)</u>	<u>(5,549,531)</u>	<u>357,585</u>	<u>(86,538,098)</u>
Total capital assets, being depreciated, net	<u>134,461,123</u>	<u>(1,921,484)</u>	<u>-</u>	<u>132,539,639</u>
Total capital assets, net	<u>\$152,235,806</u>	<u>\$ (16,821)</u>	<u>\$(3,373,327)</u>	<u>\$148,845,658</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 ("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 which 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 which meets the minimum requirements of the resolution.

##### a. Cash

The Authority's bank balance was \$7,214,467 at June 30, 2005, of which \$100,000 was covered through the FDIC. The remaining balance of \$7,114,467 was not collateralized. The cash balance per the statement of net assets is shown exclusive of outstanding checks totaling \$273,259. The Statement of Net Asset amount includes petty cash totaling \$400.

# New Jersey Water Supply Authority

## 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. As of June 30, 2005, \$7,114,467 of the Authority’s bank balance of \$7,214,467 was exposed to custodial credit risk as follows:

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

GASB 40 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, 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
<u>Total</u>	<u>\$34,940,131</u>	<u>\$31,221,443</u>	<u>\$3,718,688</u>

d. Investment Income

Investment income of \$824,492 and \$344,130 for the years ended June 30, 2005 and 2004, respectively, was comprised of the following:

	<u>2005</u>	<u>2004</u>
Interest earned on bank accounts and certificates of deposit	\$410,303	\$197,420
Interest earned on securities	279,797	313,013
Increase (decrease) in fair value of securities	134,392	(166,303)
	<u>\$824,492</u>	<u>\$344,130</u>

# New Jersey Water Supply Authority

## 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 \$3,497,000 and \$197,783, respectively, as of June 30, 2005. The loan bears interest at 5.58% and is payable in semi-annual payments that include interest and range from \$50,108 to \$1,846,108 through 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 (the "Current Notes") or Deferred Debt Service Portion Notes (the "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 which accreted as principal through July 31, 1990 accrued interest; however, the interest which 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, 2005 and 2004.

# New Jersey Water Supply Authority

## Notes to Financial Statements (continued)

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

### **State Loan Notes**

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Current Notes:

Initial Water Purchasers, maturing semi-annually through August 1, 2020, with principal and interest ranging from \$89,327 to \$3,102,025	\$32,061,351
First Delayed Water Purchaser, maturing annually through August 1, 2031, with principal and interest ranging from \$6,520 to \$226,421	3,098,940
Second Delayed Water Purchaser, maturing annually through August 1, 2031, with principal and interest ranging from \$12,720 to \$441,719	6,045,639
Third Delayed Water Purchaser, maturing annually through August 1, 2031, with principal and interest ranging from \$10,152 to \$352,532.04	4,824,978
Deferred Notes	30,455,263

### **Completion Notes**

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Current Notes:

Initial Water Purchasers, maturing annually through August 1, 2020, with principal and interest ranging from \$10,117 to \$334,394	3,399,277
First Delayed Water Purchaser, maturing annually through August 1, 2031, with principal and interest ranging from \$746 to \$24,646	327,539
Second Delayed Water Purchaser, maturing annually through August 1, 2031, with principal and interest ranging from \$1,453 to \$48,038	638,405
Third Delayed Water Purchaser, maturing annually through August 1, 2031, with principal and interest ranging from \$1,158 to \$38,282	508,758
Deferred Notes	<u>3,211,282</u>
	<u>\$84,571,432</u>

### B. 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 \$19,285,000 are outstanding at June 30, 2005, 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 \$1,745,000. 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 revenues of the 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 year ended June 30, 2005, interest expense on the Refunding Bonds amounted to \$1,057,325, and the related interest income earned on the restricted investments amounted to \$52,709.

## New Jersey Water Supply Authority

### Notes to Financial Statements (continued)

#### C. New Jersey Environmental Infrastructure Financing Program (NJEIFP) Series 2003A.

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 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 Environmental Infrastructure 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 \$836,669 outstanding as of June 30, 2005. Semi-annual level debt payments are made every February 1 and August 1 through 2023. Principal maturities for the year ending June 30, 2006, are \$45,329. The property and revenues of the system are pledged as collateral for the bonds.

#### D. New Jersey Environmental Infrastructure Financing Program (NJEIFP) Series 2004A.

On November 4, 2004, the New Jersey Water Supply Authority obtained a \$1,380,000 loan from the New Jersey Environmental Infrastructure Trust (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 Environmental Infrastructure 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 \$1,380,000 outstanding as of June 30, 2005. Semi-annual level debt payments are made every February 1 and August 1 through 2024. Principal maturities for the year ending June 30, 2006, are \$40,432. The property and revenues of the system are pledged as collateral for the bonds.

# New Jersey Water Supply Authority

## Notes to Financial Statements (continued)

The following table summarizes the changes in bonds, notes and loans payable between fiscal years 2004 and 2005:

	<b>Fiscal Year 2004</b>	<b>Less Payments</b>	<b>Debt Issued</b>	<b>Fiscal Year 2005</b>	<b>Due Within One Year</b>
Bonds Payable	\$ 20,841,366	\$1,615,021	\$ -	\$ 19,226,345	\$1,745,000
Notes Payable	91,116,373	3,047,941		88,068,432	3,312,450
Loans Payable	862,019	25,350	1,380,000	2,216,669	85,760
	<u>\$112,819,758</u>	<u>\$4,688,312</u>	<u>\$1,380,000</u>	<u>\$109,511,446</u>	<u>\$5,143,210</u>

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

<b>Year ending June 30</b>	<b>Raritan Basin System</b>	<b>Notes Payable Manasquan System</b>	<b>Bonds Payable Delaware &amp; Raritan 1998 Water Revenue Refunding Bonds</b>	<b>Totals</b>
2006	\$1,966,596	\$ 4,623,691	\$ 2,716,950	\$9,307,237
2007	1,976,008	4,593,502	2,712,575	9,282,085
2008	127,535	4,594,307	2,711,294	7,433,136
2009	138,882	4,594,460	2,702,738	7,436,080
2010	135,369	4,593,961	2,698,931	7,428,261
2011-2015	626,813	22,953,549	10,709,356	34,289,718
2016-2020	661,468	22,936,556		23,598,024
2021-2025	594,252	9,160,788		9,755,040
2026-2030		5,691,609		5,691,609
2031-2032		2,265,118		2,265,118
Deferred Portion		33,666,544		33,666,544
	<u>6,226,923</u>	<u>119,674,085</u>	<u>24,251,844</u>	<u>150,152,852</u>
Less amounts representing interest	513,254	35,102,653	4,966,844	40,582,751
Unamortized deferral amount			515,722	515,722
Plus unamortized bond premium			457,067	457,067
	<u>5,713,669</u>	<u>84,571,432</u>	<u>19,226,345</u>	<u>109,511,446</u>
Less: Current Principal Portion	1,786,761	1,611,449	1,745,000	5,143,210
	<u>\$3,926,908</u>	<u>\$82,959,983</u>	<u>\$17,481,345</u>	<u>\$104,368,236</u>

# New Jersey Water Supply Authority

## Notes to Financial Statements (continued)

### 6. Employee Benefits

#### Pension and Retirement Plans

Full-time employees of the Authority are covered by the Public Employees' Retirement System of the State of New Jersey ("PERS"). The Division of Pensions within the Treasury Department of the State of New Jersey is the administrator of PERS and charges employers annually for their respective contributions. 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 the State of New Jersey, Division of Pensions.

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

Covered Authority employees are required by PERS to contribute 5% of their salary. 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, 2005, 2004 and 2003, was \$5,892,928, \$5,560,703, and \$5,371,175, respectively. The Authority's total payroll for the years ended June 30, 2005, 2004 and 2003, was \$6,118,003, \$5,752,534 and \$5,592,341, respectively. The actuarial contribution requirements and the contributions made for the years ended June 30, 2005, 2004 and 2003, were \$348,923, \$210,744 and \$162,023 respectively, which consisted of \$111,065, \$38,339 and \$-0- from the Authority and \$237,858, \$172,405 and \$162,023 from the employees, respectively. The employer and employee contributions represented 1.88% and 4.04% of covered payroll for the year ended June 30, 2005, .69% and 3.01% of covered payroll for the year ended June 30, 2004, and 0% and 3.01% of covered payroll for the year ended June 30, 2003. Contributions were made in accordance with the actuarial funding requirement.

# New Jersey Water Supply Authority

## Notes to Financial Statements (continued)

### **Post-Retirement Health Care Benefits**

The Authority provides continued health care benefits to employees retiring after twenty-five years of service and their eligible dependents. Benefits, contributions, funding and the manner of administration are determined by the State Legislature. The Division of Pensions within the New Jersey Treasury Department administers the funds. Monthly, the Division of Pensions charges the Authority for its contribution. The total number of employees receiving benefits was 33, 32 and 30 at June 30, 2005, 2004 and 2003, respectively. Total cost for these post-retirement benefits, included in fringe benefits approximated \$356,285, \$298,072 and \$243,566 for the years ended June 30, 2005, 2004 and 2003, respectively.

### **7. Major Water Customers**

During fiscal year 2005, the Authority supplied water to approximately 16 customers of the Raritan Basin System and 13 customers of the Manasquan System.

Two customers accounted for approximately 84% of total Raritan Basin System operating revenues. Three customers accounted for approximately 81% of total Manasquan System operating revenues.

### **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.

# New Jersey Water Supply Authority

## Notes to Financial Statements (continued)

### 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 revenues 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:

	<b>Year ended June 30, 2005</b>		
	<b>Raritan Basin System</b>	<b>Manasquan Water Supply System</b>	<b>Manasquan Water Treatment Plant</b>
<b>Condensed statement of net assets</b>			
Assets:			
Current assets	\$23,222,498	\$ 6,612,766	\$ -
Restricted assets	7,090,059	7,131,050	
Capital assets	77,570,358	69,386,404	
Other non-current assets	(782,124)	21,422,795	
<b>Total assets</b>	<b>107,100,791</b>	<b>104,553,015</b>	<b>-</b>
Liabilities:			
Current liabilities	4,826,091	5,052,142	
Non-current liabilities	21,408,253	82,959,983	
<b>Total liabilities</b>	<b>26,234,344</b>	<b>88,012,125</b>	<b>-</b>
Net assets:			
Invested in capital assets, net of related debt	52,630,344	(15,185,028)	
Restricted	6,713,571	5,332,340	
Unrestricted	21,671,293	26,244,817	
<b>Total net assets</b>	<b>\$81,015,208</b>	<b>\$16,392,129</b>	<b>\$ -</b>

New Jersey Water Supply Authority

Notes to Financial Statements (continued)

	<b>Year ended June 30, 2005</b>		
	<b>Raritan Basin System</b>	<b>Manasquan Water Supply System</b>	<b>Manasquan Water Treatment Plant</b>
<b>Condensed statement of revenues, expenses and changes in net assets</b>			
Total operating revenues	\$14,679,423	\$ 7,357,966	\$1,723,723
Operating expenses	9,115,117	2,143,701	1,680,574
Depreciation	3,878,952	1,643,327	
Operating income	1,685,354	3,570,938	43,149
Non-operating revenues	826,933	261,218	27,109
Non-operating expenses	2,306,280	2,775,135	70,258
Change in net assets	206,007	1,057,021	-
Contributed capital	1,904,908		
Net assets, beginning of year	78,904,293	15,335,108	-
Net assets, end of year	<u>\$81,015,208</u>	<u>\$16,392,129</u>	<u>\$ -</u>
<b>Condensed statement of cash flows</b>			
Net cash provided by:			
Operating activities	\$ 5,942,872	\$ 4,151,180	\$ -
Non-capital financing activities	127,420	-	
Capital and related financing activities	(4,972,137)	(4,373,403)	
Investing activities	(70,666)	(41,558)	
Net increase (decrease) in cash and cash equivalents	1,027,489	(263,781)	
Beginning cash and cash equivalent balances	18,697,101	6,379,419	-
Ending cash and cash equivalent balances	<u>\$19,724,590</u>	<u>\$ 6,115,638</u>	<u>\$ -</u>

## Supplemental Information

New Jersey Water Supply Authority  
Combining Schedule of Net Assets

June 30, 2005

	<b>Raritan Basin System</b>	<b>Manasquan Reservoir System</b>	<b>Elimination Entries</b>	<b>Combined Total</b>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$19,348,102	\$4,593,839	\$ -	\$23,941,941
Unbilled sales	926,088			926,088
Accounts receivable, less allowance for doubtful accounts of \$1,000 at June 30, 2005	1,383,425	1,811,348	(148,761)	3,046,012
Interest receivable	3,696	1,025		4,721
Prepaid expenses and other current assets	609,548	314,217		923,765
Costs to be recovered from future revenue	1,100,400	(107,663)		992,737
Total current assets	<u>23,371,259</u>	<u>6,612,766</u>	<u>(148,761)</u>	<u>29,835,264</u>
Non-current assets:				
Restricted assets:				
Cash equivalents	376,488	1,521,799		1,898,287
Investments	6,713,571	5,609,251		12,322,822
Investments	2,907,896	806,072		3,713,968
Costs to be recovered from future revenues	(3,900,425)	20,308,365		16,407,940
Deferred issuance cost	210,405	308,358		518,763
Capital assets, net of accumulated depreciation of \$91,961,483 at June 30, 2005	77,570,358	69,386,404		146,956,762
Total non-current assets	<u>83,878,293</u>	<u>97,940,249</u>		<u>181,818,542</u>
Total assets	<u>107,249,552</u>	<u>104,553,015</u>	<u>(148,761)</u>	<u>211,653,806</u>
<b>Liabilities</b>				
Current liabilities:				
Current portion of bonds, notes and loans payable	3,531,761	1,611,449		5,143,210
Accounts payable	159,402	321,068	(148,761)	331,709
Accrued liabilities	758,440	1,469,676		2,228,116
Unearned revenue	376,488	1,798,710		2,175,198
Total current liabilities	<u>4,826,091</u>	<u>5,200,903</u>	<u>(148,761)</u>	<u>9,878,233</u>
Non-current liabilities:				
Long-term portion of bonds, notes and loans payable	21,408,253	82,959,983		104,368,236
Total liabilities	<u>26,234,344</u>	<u>88,160,886</u>	<u>(148,761)</u>	<u>114,246,469</u>
<b>Net assets</b>				
Invested in capital assets, net of related debt	52,630,344	(15,185,028)		37,445,316
Restricted	6,713,571	5,332,340		12,045,911
Unrestricted	21,671,293	26,244,817		47,916,110
Total net assets	<u>\$81,015,208</u>	<u>\$16,392,129</u>	<u>\$ -</u>	<u>\$97,407,337</u>

New Jersey Water Supply Authority  
Combining Schedule of Revenues, Expenses  
And Changes in Net Assets  
Year ended June 30, 2005

	<b>Raritan Basin System</b>	<b>Manasquan Reservoir System</b>	<b>Manasquan Water Treatment Plant</b>	<b>Combined Total</b>
Operating revenues:				
Water sales	\$14,679,423	\$ 7,357,966	\$ -	\$22,037,389
Reimbursement of operating expenses			1,723,723	1,723,723
Total operating revenues	<u>14,679,423</u>	<u>7,357,966</u>	<u>1,723,723</u>	<u>23,761,112</u>
Operating expenses:				
Payroll	4,810,002	689,475	580,108	6,079,585
Operations and maintenance (direct)	3,076,948	556,938	757,993	4,391,879
Operations and maintenance (general and administrative)		73,844	47,321	121,165
Fringe benefits	1,907,167	239,744	199,852	2,346,763
Headquarters overhead	(679,000)	583,700	95,300	-
Depreciation	3,878,952	1,643,327		5,522,279
Total operating expenses	<u>12,994,069</u>	<u>3,787,028</u>	<u>1,680,574</u>	<u>18,461,671</u>
Income from operations	1,685,354	3,570,938	43,149	5,299,441
Non-operating revenues:				
State of New Jersey – Grant Programs	147,605			147,605
Investment income	552,859	244,524	27,109	824,492
Rental income	62,222			62,222
Other income	64,247	16,694		80,941
Total non-operating revenues	<u>826,933</u>	<u>261,218</u>	<u>27,109</u>	<u>1,115,260</u>
Non-operating expenses:				
Interest component of debt service to the State of New Jersey	1,345,662	2,874,752		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		14,100		14,100
Costs to be recovered from future revenue	935,389	(113,717)	70,258	891,930
Total nonoperating expenses	<u>2,306,280</u>	<u>2,775,135</u>	<u>70,258</u>	<u>5,151,673</u>
Income (loss) before contributions	206,007	1,057,021	-	1,263,028
Contributed capital	1,904,908	-		1,904,908
Net assets, beginning of year	78,904,293	15,335,108	-	94,239,401
Net assets, end of year	<u>\$81,015,208</u>	<u>\$16,392,129</u>	<u>\$ -</u>	<u>\$97,407,337</u>

**New Jersey Water Supply Authority**  
**Schedule of Changes in Cash and Investments**

**Raritan Basin System**

Year ended June 30, 2005

	<b>Operating Fund</b>				
	<b>Revenue Fund</b>	<b>Operating Account</b>	<b>Payroll Account</b>	<b>Operating Fund</b>	<b>Reserve for O&amp;M</b>
Cash and investments - July 1, 2004	\$56,020	\$1,346,839	\$18,771	\$2,199,975	\$3,076,103
<b>Cash receipts:</b>					
Water sales operations and maintenance	7,961,269				
Water sales debt service	4,862,312				
Water sales capital fund	756,684				
Water sales source water protection fund	655,193				
Water sales overdrafts	485,443				
Rental income	29,087				
Manasquan reservoir support	22,488			166,096	4,747
Headquarters overhead				668,300	
Disposition of property					
Recycling revenue					
Nonrefundable bid deposits					
Insurance reimbursement	22,377				
Miscellaneous expense reimbursement	2,195,001	1,236,122			228
<b>Transfers:</b>					
Contributions from operating fund		5,176,302	3,207,757	(17,576,436)	
Contributions to operating fund				2,469,469	
Transfers for operations	(17,043,469)			15,138,561	
Transfers for investments					
Distribution from reserves to operations		3,486,315			
Investment income				40,661	20,714
Per resolution, Section 603:					
Investment income, transfer from	230,797			(75,402)	(88,960)
Investment income, transfer to	(230,797)			33,469	195,013
Unrealized gain on fair value					70,738
<b>Total cash receipts</b>	(53,615)	9,898,739	3,207,757	864,718	202,480
<b>Total available cash and investments</b>	\$2,405	\$11,245,578	\$3,226,528	\$3,064,693	\$3,278,583

**New Jersey Water Supply Authority**  
**Schedule of Changes in Cash and Investments**  
**Raritan Basin System (continued)**  
Year ended June 30, 2005

<u>Self-Insurance Reserve</u>	<u>Depreciation Reserve</u>	<u>Pumping Reserve</u>	<u>Capital Improvements Investments</u>	<u>Watershed Management Fund</u>	<u>Source Water Protection Fund</u>	<u>Subtotal</u>
\$882,694	\$3,392,637	\$104,180	\$3,389,400	\$23,084	\$973,695	\$15,463,398
						7,961,269
						4,862,312
						756,684
						655,193
						485,443
						29,087
						193,331
						668,300
	10,777					10,777
						-
						-
						22,377
					18,213	3,449,564
	208,618	50,000			678,498	(8,255,261)
			(487)	(6,679)	(271,762)	2,190,541
			1,904,908			-
						-
	(59,552)					3,426,763
(4,628)	70,164	2,946	95,766	433	26,298	252,354
(28,187)	(7,673)					30,575
	7,673					5,358
35,079	9,496					115,313
2,264	239,503	52,946	2,000,187	(6,246)	451,247	16,859,980
\$884,958	\$3,632,140	\$157,126	\$5,389,587	\$16,838	\$1,424,942	\$32,323,378

**New Jersey Water Supply Authority**  
**Schedule of Changes in Cash and Investments**  
**Raritan Basin System (continued)**  
Year ended June 30, 2005

	<b>Subtotal</b>	<b>No Name Dam Fund</b>	<b>Major Rehabilitation</b>	<b>Water Reuse &amp; Recycling Fund</b>	<b>Capital Improvement Fund</b>
Cash and investments - July 1, 2004	\$15,463,398	\$373,589	\$1,888,677	\$202,129	\$3,511,205
<b>Cash receipts:</b>					
Water sales operations and maintenance	7,961,269				
Water sales debt service	4,862,312				
Water sales capital fund	756,684				
Water sales source water protection fund	655,193				
Water sales overdrafts	485,443				
Rental income	29,087				
Manasquan reservoir support	193,331				
Headquarters overhead	668,300				
Disposition of property	10,777				
Recycling revenue	-				
Nonrefundable bid deposits	-				
Insurance reimbursement	22,377				
Miscellaneous expense reimbursement	3,449,564				
<b>Transfers:</b>					
Contributions from operating fund	(8,255,261)				800,025
Contributions to operating fund	2,190,541	(21,875)			487
Transfers for operations	-				
Transfers for investments	-				
Distribution from reserves to operations	3,426,763		(21,675)		(1,543,050)
Investment income	252,354	7,935	41,331	4,444	64,897
Per resolution, Section 603:					
Investment income, transfer from	30,575				
Investment income, transfer to	5,358				51,437
Unrealized gain on fair value	115,313				
<b>Total cash receipts</b>	<b>16,859,980</b>	<b>(13,940)</b>	<b>19,656</b>	<b>4,444</b>	<b>(626,204)</b>
<b>Total available cash and investments</b>	<b>\$32,323,378</b>	<b>\$359,649</b>	<b>\$1,908,333</b>	<b>\$206,573</b>	<b>\$2,885,001</b>

**New Jersey Water Supply Authority**  
**Schedule of Changes in Cash and Investments**  
**Raritan Basin System (continued)**  
Year ended June 30, 2005

Employment Benefit Funds	1998 Bonds Debt Service Account	1998 Bonds Debt Service Reserve	1981 Debt Service Fund	Rate Stabilization Fund	Totals
\$158,915	\$701,985	\$2,745,384	\$485,558	\$2,145,772	\$27,676,612
					7,961,269
					4,862,312
					756,684
					655,193
					485,443
					29,087
2,100					195,431
					668,300
					10,777
					-
					-
					22,377
					3,449,564
145,729	2,727,324		1,851,080	2,731,103	-
(30,042)				(2,139,111)	-
					-
(40,482)				40,482	-
(10,959)			(1,851,079)		-
3,617	11,495	41,214	5,797	31,262	464,346
	(11,061)	(40,375)	(5,561)	(30,373)	(56,795)
					56,795
					115,313
69,963	2,727,758	839	237	633,363	19,676,096
\$228,878	\$3,429,743	\$2,746,223	\$485,795	\$2,779,135	\$47,352,708

**New Jersey Water Supply Authority**  
**Schedule of Changes in Cash and Investments**

**Raritan Basin System (continued)**

Year ended June 30, 2005

**Operating Fund**

	<b>Revenue Fund</b>	<b>Operating Account</b>	<b>Payroll Account</b>	<b>Operating Fund</b>	<b>Reserve for O&amp;M</b>
Total available cash and investments	\$2,405	\$11,245,578	\$3,226,528	\$3,064,693	\$3,278,583
<b>Cash disbursements:</b>					
Payroll			3,079,108		
Fringe benefits		1,781,216		1,397,995	
Employee deferred comp. and credit union		298,175		237,593	
Operations and maintenance		2,210,396			
Prepaid insurance		944,368			
Miscellaneous disbursements		1,197		13,118	
Capital improvements:					
Capital assets		1,840,198			
New five year construction project		1,556,129			
Principal on 1981 bonds		1,611,000			
Interest on 1981 bonds		240,080			
Principal on 1998 revenue bonds					
Interest on 1998 revenue bonds					
Principal on NJEIT revenue bonds		25,350			
Interest on NJEIT revenue bonds		14,749			
<b>Total cash disbursements</b>	-	10,522,858	3,079,108	1,648,706	-
<b>Cash and investments - June 30, 2005</b>	<b>\$2,405</b>	<b>\$722,720</b>	<b>\$147,420</b>	<b>\$1,415,987</b>	<b>\$3,278,583</b>
<b>Summary of cash and investments:</b>					
Cash	\$2,405	\$722,720	\$147,420		
Short-term investments				\$1,415,987	\$1,494,843
Long-term investments					1,783,740
Restricted investments (current)					
<b>Total cash and investments</b>	<b>\$2,405</b>	<b>\$722,720</b>	<b>\$147,420</b>	<b>\$1,415,987</b>	<b>\$3,278,583</b>

**New Jersey Water Supply Authority**  
**Schedule of Changes in Cash and Investments**  
**Raritan Basin System (continued)**  
Year ended June 30, 2005

<u>Self-Insurance Reserve</u>	<u>Depreciation Reserve</u>	<u>Pumping Reserve</u>	<u>Capital Improvements Investments</u>	<u>Watershed Management Fund</u>	<u>Source Water Protection Fund</u>	<u>Subtotal</u>
\$884,958	\$3,632,140	\$157,126	\$5,389,587	\$16,838	\$1,424,942	\$32,323,378
						3,079,108
						3,179,211
						535,768
						2,210,396
						944,368
					664	14,979
						1,840,198
						1,556,129
						1,611,000
						240,080
						-
						-
						25,350
						14,749
-	-	-	-	-	664	15,251,336
\$884,958	\$3,632,140	\$157,126	\$5,389,587	\$16,838	\$1,424,278	\$17,072,042
						\$872,545
\$262	\$3,392,680	\$157,126	\$5,389,587	\$16,838	\$1,424,278	13,291,601
884,696	239,460					2,907,896
						-
\$884,958	\$3,632,140	\$157,126	\$5,389,587	\$16,838	\$1,424,278	\$17,072,042

**New Jersey Water Supply Authority**  
**Schedule of Changes in Cash and Investments**  
**Raritan Basin System (continued)**  
Year ended June 30, 2005

	<b>Subtotal</b>	<b>No Name Dam Fund</b>	<b>Major Rehabilitation</b>	<b>Water Reuse &amp; Recycling Fund</b>	<b>Capital Improvement Fund</b>
Total available cash and investments	\$32,323,378	\$359,649	\$1,908,333	\$206,573	\$2,885,001
<b>Cash disbursements:</b>					
Payroll	3,079,108				
Fringe benefits	3,179,211				
Employee deferred comp. and credit union	535,768				
Operations and maintenance	2,210,396				
Prepaid insurance	944,368				
Miscellaneous disbursements	14,979				
Capital improvements:					
Capital assets	1,840,198				
New five year construction project	1,556,129				
Principal on 1981 bonds	1,611,000				
Interest on 1981 bonds	240,080				
Principal on 1998 revenue bonds	-				
Interest on 1998 revenue bonds	-				
Principal on NJEIT revenue bonds	25,350				
Interest on NJEIT revenue bonds	14,749				
<b>Total cash disbursements</b>	<b>15,251,336</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash and investments - June 30, 2005</b>	<b>\$17,072,042</b>	<b>\$359,649</b>	<b>\$1,908,333</b>	<b>\$206,573</b>	<b>\$2,885,001</b>
<b>Summary of cash and investments:</b>					
Cash	\$872,545				
Short-term investments	13,291,601	\$359,649	\$1,908,333	\$206,573	\$2,885,001
Long-term investments	2,907,896				
Restricted investments (current)	-				
<b>Total cash and investments</b>	<b>\$17,072,042</b>	<b>\$359,649</b>	<b>\$1,908,333</b>	<b>\$206,573</b>	<b>\$2,885,001</b>

**New Jersey Water Supply Authority**  
**Schedule of Changes in Cash and Investments**  
**Raritan Basin System (continued)**  
Year ended June 30, 2005

<b>Employment Benefit Funds</b>	<b>1998 Bonds Debt Service Account</b>	<b>1998 Bonds Debt Service Reserve</b>	<b>1981 Debt Service Fund</b>	<b>Rate Stabilization Fund</b>	<b>Totals</b>
\$228,878	\$3,429,743	\$2,746,223	\$485,795	\$2,779,135	\$47,352,708
					3,079,108
27,990					3,207,201
					535,768
					2,210,396
					944,368
					14,979
					1,840,198
					1,556,129
					1,611,000
					240,080
	1,670,000				1,670,000
	1,057,325				1,057,325
					25,350
					14,749
27,990	2,727,325	-	-	-	18,006,651
\$200,888	\$702,418	\$2,746,223	\$485,795	\$2,779,135	\$29,346,057
					\$875,601
\$3,056					18,848,989
197,832					2,907,896
	\$702,418	\$2,746,223	\$485,795	\$2,779,135	6,713,571
\$200,888	\$702,418	\$2,746,223	\$485,795	\$2,779,135	\$29,346,057

**New Jersey Water Supply Authority**  
**Schedule of Changes in Cash and Investments**  
**Manasquan Water Supply System**  
Year ended June 30, 2005

	<b>Operating Fund</b>				
	<b>Revenue Fund</b>	<b>Operating Account</b>	<b>Payroll Account</b>	<b>Operating Fund</b>	<b>Reserve for O&amp;M</b>
Cash and investments - July 1, 2004	\$3	\$75,681	\$20,000	\$1,057,166	\$626,023
<b>Cash receipts:</b>					
Water sales operations and maintenance	1,899,470				
Water sales debt service	3,859,775				
Source water protection	91,420				
Water sales overdrafts	291,608				
NJ-American pumping costs	176,097				29,851
Headquarters overhead					
Reimbursement of WTP capital expenses					
Disposition of assets					
Sale of investment securities					
Miscellaneous reimbursement	1,472				2,865
<b>Transfers:</b>					
Contributions from operating fund		2,828,847	866,502	(8,640,531)	
Contributions to operating fund				1,395,039	(125,000)
Transfers for operations	(6,154,754)			6,154,754	
Distribution from reserves to operations		191,052			
Investment income				13,450	(758)
Per resolution, Section 603:					
Investment income, transfer from	184,956			(13,358)	(15,938)
Investment income, transfer to	(184,956)			22,989	26,107
Unrealized gain/(loss) on fair value					17,829
<b>Total cash receipts</b>	165,088	3,019,899	866,502	(1,067,657)	(65,044)
<b>Total cash and investments</b>	\$165,091	\$3,095,580	\$886,502	(\$10,491)	\$560,979

**New Jersey Water Supply Authority**  
**Schedule of Changes in Cash and Investments**  
**Manasquan Water Supply System (continued)**  
Year ended June 30, 2005

Self- Insurance Reserve	Renewal and Replacement Account	Water Reuse & Recycling	Source Water Protection	Depreciation Reserve	Pumping Reserve	Sediment Reserve	Subtotal
\$234,548	\$2,500,710	\$25,408	\$78,490	\$534,232	\$94,172	\$55,812	\$5,302,245
							1,899,470
							3,859,775
							91,420
							291,608
							205,948
							-
				13,118			13,118
							-
							4,337
	120,000		106,225				(4,718,957)
			(240)				1,269,799
							-
	(163,964)			(22,579)			4,509
(1,139)	56,325	557	3,271	9,635	865	1,217	83,423
(7,330)				(3,075)	(2,649)	(1,183)	141,423
							(135,860)
8,915				3,487	1,743		31,974
446	12,361	557	109,256	586	(41)	34	3,041,987
\$234,994	\$2,513,071	\$25,965	\$187,746	\$534,818	\$94,131	\$55,846	\$8,344,232

**New Jersey Water Supply Authority**  
**Schedule of Changes in Cash and Investments**  
**Manasquan Water Supply System (continued)**  
Year ended June 30, 2005

	<b>Water Treatment Plant/Transmission System</b>					
	<b>Subtotal</b>	<b>Operating Account</b>	<b>Operating Fund</b>	<b>Residuals Reserve</b>	<b>Carbon Filter Reserve</b>	<b>Self-Insurance Reserve</b>
Cash and investments - July 1, 2004	\$5,302,245	\$304,467	\$10,131	\$9,529	\$98,917	\$252,815
<b>Cash receipts:</b>						
Water sales operations and maintenance	1,899,470					
Water sales debt service	3,859,775					
Source water protection	91,420					
Water sales overdrafts	291,608					
NJ-American pumping costs	205,948					
Headquarters overhead	-		1,702,240			
Reimbursement of WTP capital expenses	-		10,818			
Disposition of assets	13,118					
Sale of investment securities	-					
Miscellaneous reimbursement	4,337					
<b>Transfers:</b>						
Contributions from operating fund	(4,718,957)	858,185	(856,080)			
Contributions to operating fund	1,269,799		(773,331)			
Transfers for operations	-					
Distribution from reserves to operations	4,509					
Investment income	83,423		653	207	2,157	5,492
Per resolution, Section 603:						
Investment income, transfer from	141,423			(118)	(1,235)	(4,657)
Investment income, transfer to	(135,860)		6,009			
Unrealized gain/(loss) on fair value	31,974					
<b>Total cash receipts</b>	<b>3,041,987</b>	<b>858,185</b>	<b>90,309</b>	<b>89</b>	<b>922</b>	<b>835</b>
<b>Total cash and investments</b>	<b>\$8,344,232</b>	<b>\$1,162,652</b>	<b>\$100,440</b>	<b>\$9,618</b>	<b>\$99,839</b>	<b>\$253,650</b>

**New Jersey Water Supply Authority**  
**Schedule of Changes in Cash and Investments**  
**Manasquan Water Supply System (continued)**  
Year ended June 30, 2005

<b>Capital Improvement Reserve</b>	<b>1981 Bonds Debt Service Account</b>	<b>1981 Bonds Debt Service Reserve</b>	<b>Rebate Fund</b>	<b>General Reserve Fund</b>	<b>Employment Benefit Funds</b>	<b>Totals</b>
\$810,479	\$2,977,988	\$2,130,103	\$127,089	\$319,897	\$72,339	\$12,415,999
						1,899,470
						3,859,775
						91,420
						291,608
						205,948
						1,702,240
192,042						202,860
						13,118
						-
						4,337
	4,203,083	179,048		302,620	32,101	-
(168,381)				(319,790)	(8,297)	-
						-
				11,140	(15,649)	-
18,436	42,471	155,229	2,794	5,514	1,563	317,939
		(135,825)		(5,562)		(5,974)
	135,825					5,974
	486	43,493				75,953
42,097	4,381,865	241,945	2,794	(6,078)	9,718	8,664,668
\$852,576	\$7,359,853	\$2,372,048	\$129,883	\$313,819	\$82,057	\$21,080,667

**New Jersey Water Supply Authority**  
**Schedule of Changes in Cash and Investments**  
**Manasquan Water Supply System (continued)**

Year ended June 30, 2005

	Operating Fund				
	Revenue Fund	Operating Account	Payroll Account	Operating Fund	Reserve for O&M
Total available cash and investments	\$165,091	\$3,095,580	\$886,502	(\$10,491)	\$560,979
<b>Cash disbursements:</b>					
Payroll			833,764		
Fringe benefits		1,764,733		(1,228,003)	
Employee deferred comp. and credit union		125,866		130,337	
Operations and maintenance		633,405			
NJ-American pumping costs		147,967			
Prepaid insurance		165,407			
Headquarters overhead				573,000	
Capital assets reservoir		28,016			
Capital improvement program (reservoir)		163,607			
Principal on 1981 bonds					
Interest on 1981 bonds					
<b>Total cash disbursements</b>	-	3,029,001	833,764	(524,666)	-
<b>Cash and investments - June 30, 2005</b>	<u>\$165,091</u>	<u>\$66,579</u>	<u>\$52,738</u>	<u>\$514,175</u>	<u>\$560,979</u>
 <b>Summary of cash and investments:</b>					
Cash (Manasquan)	\$165,091	\$66,579	\$52,738		
Cash (Water Treatment Plant/TS)					
Short-term investments				\$514,175	\$111,356
Short-term investments (WTP/TS)					
Long-term investments					449,623
Restricted investments (current)					
Restricted investments (long-term)					
<b>Total cash and investments</b>	<u>\$165,091</u>	<u>\$66,579</u>	<u>\$52,738</u>	<u>\$514,175</u>	<u>\$560,979</u>

**New Jersey Water Supply Authority**  
**Schedule of Changes in Cash and Investments**  
**Manasquan Water Supply System (continued)**  
Year ended June 30, 2005

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	\$8,344,232
							833,764
							536,730
							256,203
							633,405
							147,967
							165,407
							573,000
							28,016
							163,607
							-
							-
-	-	-	-	-	-	-	3,338,099
\$234,994	\$2,513,071	\$25,965	\$187,746	\$534,818	\$94,131	\$55,846	\$5,006,133
							\$284,408
							-
\$10,282	\$2,513,071	\$25,965	\$187,746	\$446,927	\$50,285	\$55,846	3,915,653
							-
224,712				87,891	43,846		806,072
							-
							-
\$234,994	\$2,513,071	\$25,965	\$187,746	\$534,818	\$94,131	\$55,846	\$5,006,133

**New Jersey Water Supply Authority**  
**Schedule of Changes in Cash and Investments**  
**Manasquan Water Supply System (continued)**  
Year ended June 30, 2005

	<b>Water Treatment Plant/Transmission System</b>					
	<b>Subtotal</b>	<b>Operating Account</b>	<b>Operating Fund</b>	<b>Residuals Reserve</b>	<b>Carbon Filter Reserve</b>	<b>Self-Insurance Reserve</b>
Total available cash and investments	\$8,344,232	\$1,162,652	\$100,440	\$9,618	\$99,839	\$253,650
<b>Cash disbursements:</b>						
Payroll	833,764					
Fringe benefits	536,730					
Employee deferred comp. and credit union	256,203					
Operations and maintenance	633,405	861,676				
NJ-American pumping costs	147,967					
Prepaid insurance	165,407					
Headquarters overhead	573,000		95,300			
Capital assets reservoir	28,016					
Capital improvement program (reservoir)	163,607					
Principal on 1981 bonds	-					
Interest on 1981 bonds	-					
<b>Total cash disbursements</b>	<b>3,338,099</b>	<b>861,676</b>	<b>95,300</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash and investments - June 30, 2005</b>	<b>\$5,006,133</b>	<b>\$300,976</b>	<b>\$5,140</b>	<b>\$9,618</b>	<b>\$99,839</b>	<b>\$253,650</b>
<b>Summary of cash and investments:</b>						
Cash (Manasquan)	\$284,408					
Cash (Water Treatment Plant/TS)	-	\$300,976				
Short-term investments	3,915,653					
Short-term investments (WTP/TS)	-		\$5,140	\$9,618	\$99,839	\$253,650
Long-term investments	806,072					
Restricted investments (current)	-					
Restricted investments (long-term)	-					
<b>Total cash and investments</b>	<b>\$5,006,133</b>	<b>\$300,976</b>	<b>\$5,140</b>	<b>\$9,618</b>	<b>\$99,839</b>	<b>\$253,650</b>

**New Jersey Water Supply Authority**  
**Schedule of Changes in Cash and Investments**  
**Manasquan Water Supply System (continued)**  
Year ended June 30, 2005

<b>Capital Improvement Reserve</b>	<b>1981 Bonds Debt Service Account</b>	<b>1981 Bonds Debt Service Reserve</b>	<b>Rebate Fund</b>	<b>General Reserve Fund</b>	<b>Employment Benefit Funds</b>	<b>Totals</b>
\$852,576	\$7,359,853	\$2,372,048	\$129,883	\$313,819	\$82,057	\$21,080,667
						833,764
					2,098	538,828
						256,203
						1,495,081
						147,967
						165,407
						668,300
						28,016
						163,607
	1,436,942					1,436,942
	2,758,714	56,877				2,815,591
-	4,195,656	56,877	-	-	2,098	8,549,706
\$852,576	\$3,164,197	\$2,315,171	\$129,883	\$313,819	\$79,959	\$12,530,961
					\$1,254	\$285,662
						300,976
				\$313,819	78,705	4,308,177
\$852,576						1,220,823
						806,072
	\$3,164,197	\$2,315,171	\$129,883			5,609,251
						-
\$852,576	\$3,164,197	\$2,315,171	\$129,883	\$313,819	\$79,959	\$12,530,961

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## Statistical Section

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**New Jersey Water Supply Authority**  
**SUMMARY OF FINANCIAL INFORMATION 1996 - 2005**

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
<b>REVENUE AND EXPENSES</b>					
Operating revenue	\$21,138,739	\$19,689,581	\$19,795,670	\$19,554,202	\$19,718,194
Operating expense	<u>14,737,181</u>	<u>14,595,697</u>	<u>14,133,556</u>	<u>14,480,879</u>	<u>15,632,775</u>
Income from operations	6,401,558	5,093,884	5,662,114	5,073,323	4,085,419
Nonoperating revenues	1,640,593	1,732,570	2,003,192	1,629,293	4,709,579
Nonoperating expenses	<u>3,685,788</u>	<u>5,662,454</u>	<u>5,403,594</u>	<u>4,096,607</u>	<u>4,787,230</u>
Change in net assets	4,356,363	1,164,000	2,261,712	2,606,009	4,007,768
Net assets, beginning of year	<u>88,108,187</u>	<u>80,902,286</u>	<u>82,066,286</u>	<u>84,327,998</u>	<u>86,934,007</u>
Net assets, end of year	92,464,550	82,066,286	84,327,998	86,934,007	90,941,775
<b>ASSETS</b>					
Current assets	15,478,480	29,399,350	17,986,650	20,002,203	23,716,294
Noncurrent assets	<u>222,215,188</u>	<u>194,796,155</u>	<u>204,817,282</u>	<u>202,985,659</u>	<u>199,107,133</u>
Total assets	237,693,668	224,195,505	222,803,932	222,987,862	222,823,427
<b>LIABILITIES</b>					
Current liabilities	6,194,871	6,249,610	5,930,253	7,164,444	7,234,800
Noncurrent liabilities	<u>139,034,247</u>	<u>135,879,609</u>	<u>132,545,681</u>	<u>128,889,411</u>	<u>124,646,852</u>
Total liabilities	145,229,118	142,129,219	138,475,934	136,053,855	131,881,652
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	34,890,453	34,576,571	34,093,007	33,814,869	34,304,082
Restricted Unrestricted	<u>57,574,097</u>	<u>47,489,715</u>	<u>50,234,991</u>	<u>53,119,138</u>	<u>56,637,693</u>
Total net assets	\$92,464,550	\$82,066,286	\$84,327,998	\$86,934,007	\$90,941,775

**New Jersey Water Supply Authority**  
**SUMMARY OF FINANCIAL INFORMATION 1996 - 2005**

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
\$19,325,569	\$21,331,989	\$21,028,468	\$21,837,057	\$23,761,112
<u>15,523,478</u>	<u>16,450,755</u>	<u>17,339,427</u>	<u>17,905,912</u>	<u>18,461,671</u>
3,802,091	4,881,234	3,689,041	3,931,145	5,299,441
2,826,090	1,687,459	907,349	584,425	3,020,168
<u>4,779,364</u>	<u>4,981,693</u>	<u>4,534,643</u>	<u>4,715,508</u>	<u>5,151,673</u>
1,848,817	1,587,000	61,747	(199,938)	3,167,936
<u>90,941,775</u>	<u>92,790,592</u>	<u>94,377,592</u>	<u>94,439,339</u>	<u>94,239,401</u>
92,790,592	94,377,592	94,439,339	94,239,401	97,407,337
23,159,792	24,575,360	23,535,975	27,718,480	29,835,264
<u>197,300,073</u>	<u>193,044,591</u>	<u>191,875,994</u>	<u>183,664,331</u>	<u>181,818,542</u>
220,459,865	217,619,951	215,411,969	211,382,811	211,653,806
7,503,563	7,055,124	9,077,827	9,066,943	9,878,233
<u>120,165,710</u>	<u>116,187,235</u>	<u>111,894,803</u>	<u>108,076,467</u>	<u>104,368,236</u>
127,669,273	123,242,359	120,972,630	117,143,410	114,246,469
34,993,065	34,845,644	35,978,635	36,025,900	37,445,316
10,158,116	10,804,128	11,721,789	11,089,206	12,045,911
<u>47,639,411</u>	<u>48,727,820</u>	<u>46,738,915</u>	<u>47,124,295</u>	<u>47,916,110</u>
<u>\$92,790,592</u>	<u>\$94,377,592</u>	<u>\$94,439,339</u>	<u>\$94,239,401</u>	<u>\$97,407,337</u>

**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>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</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
VACCARO BROTHERS	0.050				
MERCER COUNTY PARK COMMISSION	0.135	0.135	0.135	0.135	0.135
PRINCETON UNIVERSITY	1.000	0.500	0.500	0.500	0.500
PRINCETON NURSERIES	0.300				
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	102.000
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	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 MOUNT ARLINGTON					
RIDGE AT BACK BROOK					
ROXBURY WATER COMPANY					
HUNTERDON COUNTY (HERON GLEN GOLF)					
RARITAN VALLEY COUNTRY CLUB					
EAST WINDSOR MUA					
SOMERSET CTY (NESCHANIC VALLEY GOLF)					
TRUMP NATIONAL GOLF CLUB					
MORRIS COUNTY MUA					
APPLIED WATER MGMT (MT. OLIVE TWP)					
<b>SYSTEM TOTAL</b>	<b>151.147</b>	<b>150.297</b>	<b>149.797</b>	<b>149.797</b>	<b>149.797</b>

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

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
0.200	0.200	0.200	0.200	0.490
0.100	0.100	0.100	0.100	0.132
0.250	0.250	0.250	0.250	0.250
0.135	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	0.100	0.025
104.000	104.000	104.000	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	20.000	27.000	27.000
	0.536	0.536	0.536	0.536
0.012	0.012	0.012	0.012	
		0.058	0.058	0.058
		0.039	0.039	0.039
				0.111
				0.074
				0.261
				0.012
				0.011
				0.116
				0.080
				0.079
				0.010
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151.797	152.333	152.430	179.530	180.384

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

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
WALL TOWNSHIP	2.300	2.300	2.300	2.300	2.300
BOROUGH OF AVON	0.142	0.142	0.142	0.142	0.142
SHORELANDS WATER COMPANY	1.900	1.900	1.900	1.900	1.900
NEW JERSEY-AMERICAN WATER CO.	7.035	7.035	7.765	8.065	8.065
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	0.730			
BOROUGH OF BRIELLE	0.400	0.400	0.400	0.400	0.400
ADELPHIA WATER COMPANY	0.300	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 SOUTH BELMAR	0.100	0.100	0.100	0.100	0.100
	<u>16.097</u>	<u>16.097</u>	<u>16.097</u>	<u>16.097</u>	<u>16.097</u>

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

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

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
2.300	2.300	2.300	2.300	2.275
0.142	0.142	0.142	0.142	0.142
1.900	1.900	1.900	1.900	1.900
9.065	11.000	11.000	11.000	12.500
0.778	0.778	0.778	0.778	0.778
0.075	0.075	0.075	0.075	0.075
0.310	0.310	0.310	0.310	0.310
0.450	0.450	0.450	0.450	0.425
0.650	0.650	0.650	0.650	0.650
0.400	0.400	0.400	0.400	0.450
0.458	0.458	0.458	0.458	0.458
0.469	0.469	0.469	0.469	0.469
0.100	0.100	0.100	0.100	0.100
<u>17.097</u>	<u>19.032</u>	<u>19.032</u>	<u>19.032</u>	<u>20.532</u>

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
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
1996	\$13,747,250	\$7,697,050	\$6,050,200	\$3,160,000	1.91

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

EFFECTIVE DATE	7/1/88	7/1/89	7/1/90	7/1/91	7/1/92	7/1/93	7/1/94	7/1/95	7/1/96
RATE PER MGD	\$152.12	\$187.56	\$188.60	\$201.33	\$214.86	\$220.47	\$229.50	\$220.78	\$211.16
EFFECTIVE DATE	7/1/97	7/1/98	7/1/99	7/1/00	7/1/01	7/1/02	7/1/03	7/1/04	7/1/05
RATE PER MGD	\$211.16	\$211.16	\$205.00	\$205.00	\$205.00	\$205.00	\$210.00	\$215.00	\$228.00

**New Jersey Water Supply Authority  
MANASQUAN WATER SUPPLY SYSTEM  
WATER CHARGES PER MILLION GALLONS OF RAW WATER DAILY**

EFFECTIVE DATE	CONTRACTS	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	16.097mgd	\$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	
RATE PER MGD	16.097mgd	\$695.31	\$728.81	\$797.92	\$794.97	\$794.97	\$921.64	\$865.01	
(Delayed Contracts)	4.435mgd			\$1,035.50	\$1,047.96	\$1,065.45	\$1,186.00	\$1,164.26	

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
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
1996	6.00	1.50	3.90	5.50	2.40	5.50	8.00	1.40	4.20	8.10	3.70	8.20	58.40
TOTAL	33.80	24.00	35.90	32.00	34.40	36.10	38.00	31.80	44.30	41.70	30.87	35.41	418.28
AVERAGE	3.38	2.40	3.59	3.20	3.44	3.61	3.80	3.18	4.43	4.17	3.09	3.54	41.83
MAXIMUM	6.00	4.50	4.40	5.50	5.60	6.30	8.00	4.80	10.60	13.30	5.20	8.20	58.40
MINIMUM	1.60	0.30	2.50	1.10	1.10	0.50	0.20	1.40	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
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
1996	5.40	1.10	4.30	4.50	1.60	8.20	7.40	3.00	5.60	6.00	2.70	7.50	57.30
TOTAL	39.70	26.50	40.20	32.40	36.00	40.40	42.70	35.10	49.40	37.40	31.50	39.50	450.80
AVERAGE	3.97	2.65	4.02	3.24	3.60	4.04	4.27	3.51	4.94	3.74	3.15	3.95	45.08
MAXIMUM	7.60	5.20	6.30	4.80	8.00	8.20	8.00	6.80	11.00	11.40	5.30	7.50	57.30
MINIMUM	2.00	0.60	1.60	1.60	1.60	0.60	1.00	1.80	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
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
1996	8.9	11.0	10.7	11.1	11.2	11.0	11.0	11.0	10.3	9.9	10.6	11.0
AVERAGE	8.4	8.9	9.4	10.1	10.3	10.5	10.2	9.6	8.6	8.1	7.8	8.2
MAXIMUM	11.1	11.1	11.1	11.1	11.2	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
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
1996	51.3	51.8	51.9	52.1	52.6	52.8	53.1	53.4	53.2	53.3	53.6	53.7
AVERAGE	51.21	51.33	51.75	52.43	53.25	53.51	53.57	52.79	51.79	51.66	51.44	51.14
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	SEPT	OCT	NOV	DEC
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
1996	5.86	1.06	3.47	4.63	2.70	4.83	6.83	3.47	5.52	5.52	2.34	6.97
TOTAL	36.17	27.63	45.82	37.69	31.36	41.88	42.41	42.07	41.73	45.68	31.52	35.81
AVERAGE	3.62	2.76	4.58	3.77	3.14	4.19	4.24	4.21	4.17	4.57	3.15	3.58
MAXIMUM	7.03	7.51	9.00	6.92	5.82	7.33	6.83	7.50	6.18	15.60	4.86	6.97
MINIMUM	1.18	0.88	2.70	1.81	1.57	1.47	1.05	1.71	1.99	1.08	0.68	0.94

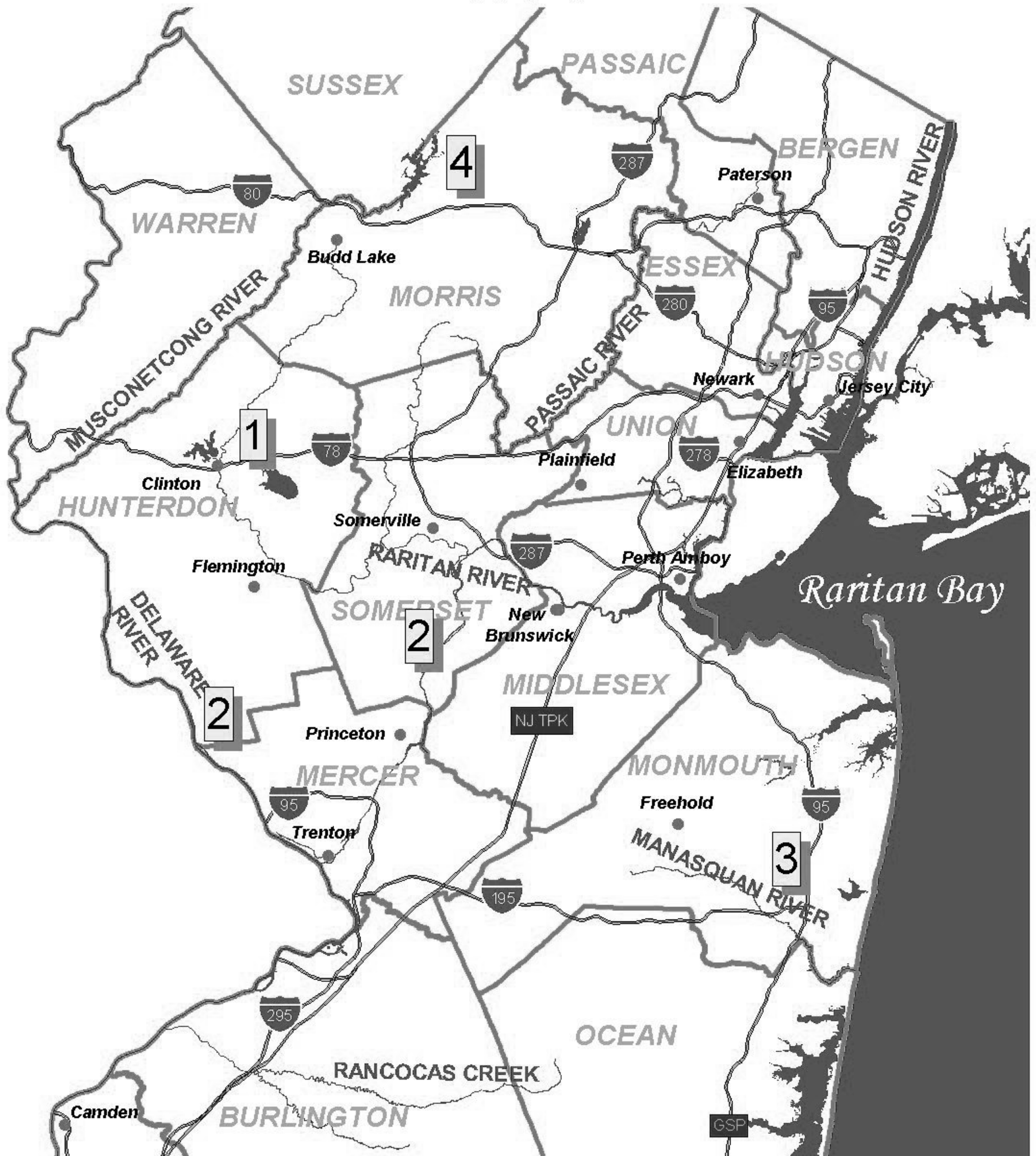
NOTE: The Manasquan System started operations July 1, 1990

**New Jersey Water Supply Authority  
MANASQUAN RESERVOIR STORAGE DATA  
BILLION GALLONS**

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC
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
1996	4.40	4.39	4.46	4.54	4.57	4.55	4.52	4.51	4.46	4.47	4.36	4.51
AVERAGE	4.23	4.36	4.49	4.60	4.59	4.54	4.36	4.16	3.98	3.96	4.01	4.14
MAXIMUM	4.58	4.61	4.66	4.66	4.64	4.61	4.52	4.57	4.46	4.47	4.36	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





New Jersey Water Supply Authority  
1851 Highway 31  
PO Box 5196  
Clinton, NJ 08809