

October 4, 2010

Mr. Donald S. Krawiec, SSFR  
Office of Audit  
440 East State Street, 3<sup>rd</sup> Floor  
P.O. Box 402  
Trenton, New Jersey 08625

Dear Mr. Krawiec:

This letter is to inform you that we have completed our audit of the basic financial statements of the New Jersey Water Supply Authority (the "Authority"), and have issued our report thereon dated October 4, 2010. In connection therewith, the Authority has determined that it is not subject to the requirements of the Single Audit Act, OMB Circular No. A-133 and State of New Jersey Circular 04-04-OMB for the year ended June 30, 2010, because it has not received, expended or otherwise been the beneficiary of the required amount of federal or state awards during the period of this audit. The schedules of expenditures of federal and state awards for the year ended June 30, 2010, are enclosed for your records.

Sincerely,

**MERCADIEN, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**



Warren A. Broudy, CPA, CGFM  
Principal

cc: Michael Citarelli, CFO

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**NEW JERSEY WATER SUPPLY AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2010

Federal Grantor/Program Title	Federal CFDA Number	Program or Award Amount	Grant Period	Current Year's Expenditures	Total Expenditures
U.S. Environmental Protection Agency: Pass-through to New Jersey Department of Environmental Protection Division of Watershed Management	66.460	\$ 2,160,798	9/1/2006-7/31/2010	\$ 24,344	\$ 110,395
Delaware and Raritan Canal Tributary Assessment and Nonpoint Source Management Project					
Stormwater Management Plan for the Cedar Grove Brook Watershed	66.460	150,000	10/1/2003-9/30/2010	29,305	171,876
Improving the Upper Raritan Water Quality Management Plan: Highlands Region	66.454	411,000	1/15/2004-6/30/2009	-	319,265
Watershed Restoration and Protection Plan for the Lockatong and Wickechoke Creek Watersheds	66.460	237,290	8/22/2005-8/21/2008	-	236,683
U.S. Environmental Protection Agency: Pass-through to North Jersey Resource Development & Conservation Council	66.460	30,500	7/1/2006-until Complete	-	26,030
Riparian Restoration Plan for Agricultural Lands in the Raritan Basin	66.460	50,000	8/1/2005-6/30/2009	-	24,463
River-Friendly Farms for the Neshanic Watershed					
U.S. Environmental Protection Agency: Pass-through to NJ Department of Environmental Protection; Pass-through to County of Middlesex	66.460	239,313	10/1/2006-12/31/2010	76,928	163,587
Manalapan Brook Watershed Restoration & Protection Plan					
U.S. Environmental Protection Agency: Pass-through to NJ Department of Environmental Protection; Pass-through to Union Township	66.460	16,750	1/1/2007-6/30/2010	7,664	13,659
Watershed Restoration Plan - Sidney Brook Watershed					
U.S. Environmental Protection Agency: Pass-through to New Jersey Institute of Technology					
Section 319H NPS Pollution Control & Management					
Implementation Grant: Developing a Watershed Restoration Plan for the Neshanic River Watershed	66.460	10,600	10/1/2006-6/30/2010	-	6,135
U.S. Environmental Protection Agency: Pass-through to NJ Department of Environmental Protection; Pass-through to Manasquan River Watershed Association					
Mingamahone Brook and Marsh Bog Brook Watershed Restoration Plan	66.460	90,000	9/30/2008-9/30/2010	-	5,353
U.S. Environmental Protection Agency: Pass-through to New Jersey Department of Environmental Protection Division of Watershed Management					
Priority Watersheds of the Raritan River Basin	66.460	750,000	10/01/09-9/30/2014	33,485	33,485
Total		<u>\$ 4,146,251</u>		<u>\$ 171,726</u>	<u>\$ 1,110,931</u>

Note: There was no federal single audit requirement for the year ended June 30, 2010.

**NEW JERSEY WATER SUPPLY AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
 Year Ended June 30, 2010

State and Local Grantor/Program Title	State Grant Number	Program or Award Amount	Grant Period	Current Year's Expenditures	Total Expenditures
<b>New Jersey Environmental Infrastructure Trust</b>					
Trust Loan 2005A	N/A	\$ 3,990,974	8/01/2005-8/01/2025	-	\$ 3,453,957
Trust Loan 2006A	N/A	2,844,363	8/01/2006-8/01/2026	-	2,772,629
Trust Loan 2007A	N/A	2,360,563	8/01/2007-8/01/2027	-	1,963,145
Trust Loan 2008A	N/A	1,812,000	6/30/2008-8/01/2028	-	1,400,000
Trust Loan 2010A	N/A	590,493	6/30/2010-8/1/2030	217,906	217,906
<b>New Jersey Department of Environmental Protection</b>					
<b>Development of a Comprehensive Watershed</b>					
Management Plan in Raritan Basin Phase I	RP01-042	624,950	6/30/1998-until Complete	2,001	626,379
<b>Watershed Management Area Program: Implementation Plans</b>					
for Priority Stream Segment Work - WMAs 1-201	5783717	25,000	3/17/2007-until Complete	10,000	54,664
Total		<u>\$ 12,248,343</u>		<u>\$ 229,907</u>	<u>\$ 10,488,680</u>

Note: There was no state single audit requirement for the year ended June 30, 2010.