

NEW JERSEY WATER SUPPLY AUTHORITY



RARITAN BASIN SYSTEM

FISCAL YEAR 2014 BUDGET

(July 1, 2013 - June 30, 2014)

Proposed
May 6, 2013
Adoption
June 3, 2013

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

PROPOSED

FISCAL YEAR 2014 BUDGET
(July 1, 2013 – June 30, 2014)

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NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

PROPOSED

FISCAL YEAR 2014 BUDGET SUMMARY
(7/1/13-6/30/14)

<u>DESCRIPTION</u>	<u>ADOPTED F/Y13 BUDGET</u>	<u>PROPOSED F/Y14 BUDGET</u>
Proposed Operating Expense Budget (Schedule 3)	\$ 12,073,400	\$ 12,777,850
Proposed Capital Equipment Budget-Note 1 (Schedule 4)	250,400	61,700
Allocation of Headquarters General and Administrative Expenses to the Manasquan Water Supply System (Schedule 1)	<u>(646,200)</u>	<u>(740,100)</u>
Total Operating Expense & Capital Equipment Budgets	\$ <u>11,677,600</u>	\$ <u>12,099,450</u>
Contribution to Debt Service and Reserve Funds:		
Depreciation Reserve	0	0
Pumping Reserve	150,000	150,000
Reserve for Formal Dam Inspection	10,000	10,000
Self-Insurance Reserve	0	0
Debt Service Fund (1998 Bonded Indebtedness)	2,670,863	1,663,314
Capital Fund Component	1,995,167	1,995,977
Source Water Protection Component	<u>997,583</u>	<u>1,596,782</u>
Total Contributions to Debt Service and Reserve Funds	\$ <u>5,823,613</u>	\$ <u>5,416,073</u>
Total Proposed Budget	\$ <u>17,501,213</u>	\$ <u>17,515,523</u>
Revenues:		
Operating and Maintenance Component	9,695,535	10,043,797
Debt Service Component (1998 Bonds)	2,670,863	0
NJEIFP Debt Service	0	1,663,314
Capital Fund Component	1,995,167	1,995,977
Source Water Protection Component	997,583	1,596,782
Funds to be Appropriated from Rate Stabilization Fund (Schedule 2)	2,034,965	2,108,553

(continued on next page)

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

PROPOSED (continued)

FISCAL YEAR 2014 BUDGET SUMMARY
(7/1/13-6/30/14)

<u>DESCRIPTION</u>	<u>ADOPTED F/Y13 BUDGET</u>	<u>PROPOSED F/Y14 BUDGET</u>
Other Revenues (cont'd):		
Employee Housing	\$ 70,000	\$ 70,000
Receivable from State of NJ-Future Reservoir Sites	5,000	5,000
F/Y13 interest earnings were estimated at .50 percent, long-term investments were estimated at 1.15 percent.	0	0
F/Y14 interest earnings on funds estimated at .25 percent, long-term investments are estimated at 1.15 percent.	<u>32,100</u>	<u>32,100</u>
Total Revenue	\$ <u>17,501,213</u>	\$ <u>17,515,523</u>

Note 1. This amount is net of withdrawal from Depreciation Reserve.

Table 1

New Jersey Water Supply Authority
Delaware and Raritan Canal - Spruce Run/Round Valley Reservoirs System
Rate History of
Water Charges per Million Gallons of Raw Water Daily
FY2003-FY2014

Effective Date	O&M Charge	1981 Bond Charge 7/1/86-10/30/06	1998 Bond Charge 8/1/98-11/1/13	NJEIFP Component 8/1/13-8/1/23	Capital Fund Component	Source Water Protection Component	Total Charge per MG	Percent Increase -Decrease
July 1, 2002	105.46	31.73	49.28		13.53	5.00	\$205.00	0.00%
July 1, 2003	111.68	31.62	49.15		7.55	10.00	\$210.00	2.44%
July 1, 2004	122.75	28.31	41.71		12.23	10.00	\$215.00	2.38%
July 1, 2005	111.80	28.24	41.51		20.45	13.00	\$215.00	0.00%
July 1, 2006	133.13	19.55	41.32		21.00	13.00	\$228.00	6.05%
July 1, 2007	138.71		41.29		33.00	15.00	\$228.00	0.00%
July 1, 2008	142.34		40.66		33.00	15.00	\$231.00	1.32%
July 1, 2009	142.39		40.61		33.00	15.00	\$231.00	0.00%
July 1, 2010	142.55		40.45		33.00	15.00	\$231.00	0.00%
July 1, 2011	145.66		40.34		30.00	15.00	\$231.00	0.00%
July 1, 2012	145.84		40.16		30.00	15.00	\$231.00	0.00%
July 1, 2013	152.00		0.00	25.00	30.00	24.00	\$231.00	0.00%

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

1998 BOND DEBT SERVICE COVERAGE

FISCAL YEAR 2014 BUDGET
(7/1/13-6/30/14)

		BUDGETED <u>F/Y14</u>
<u>Revenues</u>		
Water Sales:		
O & M Component	\$10,112,950	
Debt Service Component (1998 Bonds)	2,741,705	
Capital Fund, Source Water Protection Component and NJEIFP Debt Component	<u>5,256,073</u>	\$ 18,110,728
Interest Income		32,100
Other Income		75,000
Total Other Available Funds		<u>2,108,553</u>
 Total Revenues		 \$ <u>20,326,381</u>
 <u>Expenses</u>		
Operating Expenses	\$12,777,850	
Less: Allocation of Headquarters General & Administrative Expenses to the Manasquan System	 <u>(740,100)</u>	 \$ 12,037,750
Capital Equipment Budget		<u>61,700</u>
Total Operating Costs		\$ <u>12,099,450</u>
Net Revenues		\$ <u>8,226,931</u>
 <u>Debt Service</u>		
1998 Bonds		\$ <u>2,669,875</u>
Debt Service Coverage		3.08

Note 1. Section 713 of the Raritan Basin System Bond Resolution, adopted November 17, 1988, requires that the Net Revenues in each fiscal year be at least 120 percent of the Debt Service on the 1998 Bonds for the twelve-month period in such fiscal year.

NEW JERSEY WATER SUPPLY AUTHORITY
**RECAP OF ALLOCATION OF HEADQUARTERS
 GENERAL AND ADMINISTRATIVE EXPENSES CHARGED
 TO MANASQUAN WATER SUPPLY SYSTEM**

FOR FISCAL YEAR 2014
 (7/1/13-6/30/14)

	TOTAL HEADQUARTERS <u>CHARGE</u>	MANASQUAN RESERVOIR <u>SYSTEM</u>	MANASQUAN <u>WTP/TS</u>
Budgeted – Appendix I, Page 6, amount to be charged to Manasquan System for F/Y14 (7/1/13-6/30/14)	\$ 776,545	\$ 673,945	\$ 102,600
F/Y12 Adjustment as per audited Expenditures:			
Budgeted as per rate schedule for F/Y12 (7/1/11-6/30/12). Amounts paid during F/Y12 to Raritan Basin System	714,529	620,123	94,406
Actual allocation based upon audited expenditures F/Y12 (7/1/11-6/30/12) Appendix II, Page 5	<u>678,128</u>	<u>588,531</u>	<u>89,597</u>
Adjustment F/Y12	\$ <u>(36,401)</u>	\$ <u>(31,592)</u>	\$, <u>(4,809)</u>
Net Allocation for F/Y14 Budget	\$ <u>740,144</u>	\$ <u>642,353</u>	\$ <u>97,791</u>
PROPOSED	\$ <u>740,100</u>	\$ <u>642,400</u>	\$ <u>97,700</u>

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

UNANTICIPATED REVENUE

FUNDS TO BE APPROPRIATED INTO THE RATE STABILIZATION FUND FOR FISCAL YEAR 2014

			<u>AMOUNT</u>
F/Y2012 Net Year-End Balance			\$ 228,676.00
<u>OVERDRAFTS</u>	<u>INVOICE NO.</u>	<u>RECEIVED</u>	<u>AMOUNT</u>
Middlesex	47	11/14/11	\$ 55,741.58
Trump National	50	11/10/11	3,557.41
	169	05/11/12	3,523.29
Roxiticus Golf Club	48	10/26/11	25.28
	51	11/09/11	339.32
NJ American Water	45	11/01/11	150,306.13
Somerset County	49	11/28/11	780.14
Springdale Golf Course	52	11/23/11	360.89
East Windsor MUA	44	10/31/11	301.26
	84	01/23/12	255.71
Heron Glen Golf Course	46	11/14/11	<u>217.19</u>
TOTAL			\$ 215,408.20
Amount used in FY2013			\$ 208,113.00
NET			\$ 7,295.20
 <u>Overdrafts Not Billed, Accrued through August 31, 2012</u>			
NJ American Water, Middlesex Water, Somerset County Park			166,739.17
 <u>Other Sources of Funds</u>			
Grant Receivable			294,055.00
Pumping Reserve			150,000.00
Source Water Protection Fund			1,261,788.00
GRAND TOTAL			<u>\$2,108,553.37</u>

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM
PROPOSED OPERATING EXPENSE BUDGET FOR FISCAL YEAR 2014
AND EXPENDITURES THROUGH 3/31/13 FOR FISCAL YEAR 2013

CODE	ACCOUNT	Adopted Budget FY13	Proposed Budget FY14	Expenditures Thru 3/31/13
5110	Regular Salaries & Wages	\$5,679,000	\$5,796,250	\$3,187,139
5120	Overtime-Salaries & Wages	181,800	181,600	145,375
5150	Fringe Benefits	2,546,400	2,975,600	1,720,274
5167	Retiree Health Benefits	565,300	736,800	412,194
5168	Workers Comp (Self-Insured)	10,000	10,000	3,127
	Total Salary & Fringe Benefits	\$8,982,500	\$9,700,250	\$5,468,109
5200	On-Site Residences	87,800	84,500	53,912
5211	Heating Fuel	94,500	78,500	95,032
5220	Utilities -Electrical Service	119,000	109,000	79,391
5230	" -Gas Service & Water	6,000	6,000	2,578
5240	" -Propane	500	500	102
5250	Electricity for Pumping	95,800	92,800	50,255
5260	Vehicular Fuel	142,500	154,500	98,895
5270	Oil & Grease	6,800	6,800	2,796
5280	Tires	15,500	15,500	7,558
5290	Maintenance Supplies	211,400	196,400	117,844
5300	Maint. Supplies - Vehicular Equipment	47,000	47,000	21,993
5310	Major Special Vehicle Service & Repair	47,000	47,000	51,445
5320	Agricultural Supplies	7,800	8,000	787
5330	Maintenance of Equipment	31,100	33,100	7,083
5340	Service & Maintenance Contracts	186,000	172,900	134,015
5350	Equipment Rental	45,200	45,200	85,823
5360	Household-Safety & Protective Supplies	34,700	34,700	17,883
5370	Uniforms	7,700	7,700	2,422
5380	Special & Professional Services	542,700	489,900	206,542
5390	Protective Services	951,600	1,075,100	671,641
5400	Telephone	72,600	72,400	47,241
5410	Postage & Freight	14,000	13,100	4,852
5420	Data Processing	35,000	43,000	29,371
5430	Printing & Office Supplies	89,400	57,200	31,709
5440	Scientific & Photographic	800	800	43
5450	Dues & Subscriptions	25,600	25,200	26,803
5460	Advertising	5,000	2,500	2,443
5470	Travel & Subsistence	6,800	6,800	1,315
5480	Staff Training & Tuition Aid	30,200	16,100	5,837
5490	Fees & Permits	112,200	116,700	103,418
5500	In-Lieu Taxes	18,700	18,700	18,689
	TOTAL OTHER EXPENSES	\$3,090,900	\$3,077,600	\$1,979,718
	TOTALS	\$12,073,400	\$12,777,850	\$7,447,827

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM
COMPARATIVE STATEMENT FY2014

SCHEDULE 3A

CODE	ACCOUNT	FY'10 ACTUAL	FY'11 ACTUAL	FY'12 ACTUAL	FY'13 ADOPTED	FY'14 PROPOSED
5110	Regular Salaries & Wages	\$5,071,839	\$5,287,742	\$5,237,035	\$5,679,000	\$5,796,250
5120	Overtime-Salaries & Wages	\$217,627	\$234,008	\$272,296	\$181,800	\$181,600
5130	New positions-Salaries & Wages	\$0	\$0	\$0	\$0	\$0
5140	Seasonal Help-Salaries & Wages	\$0	\$0	\$0	\$0	\$0
5150	Fringe Benefits	\$2,122,706	\$2,363,086	\$2,421,869	\$2,546,400	\$2,975,600
5167	Retiree Health Benefits	\$420,555	\$463,077	\$498,080	\$565,300	\$736,800
5168	Workers Comp. (Self Insured)	\$3,978	\$1,994	\$1,253	\$10,000	\$10,000
	Total Salary & Fringe	\$7,836,705	\$8,349,907	\$8,430,532	\$8,982,500	\$9,700,250
	Budget Salary & Fringe	\$8,905,200	\$9,117,385	\$9,486,700		
5200	Residences	\$88,797	\$80,447	\$83,798	\$87,800	\$84,500
5211	Heating Fuel	\$67,190	\$79,032	\$69,128	\$94,500	\$78,500
5220	Utilities -Electrical Service	\$142,786	\$116,840	\$102,110	\$119,000	\$109,000
5230	-Gas Service	\$4,885	\$4,993	\$4,396	\$6,000	\$6,000
5240	-Propane	\$288	\$480	\$72	\$500	\$500
5250	Electricity for Pumping Station	\$101,799	\$93,313	\$89,664	\$95,800	\$92,800
5260	Fuel - Vehicular	\$96,621	\$128,372	\$195,155	\$142,500	\$154,500
5270	Oil & Grease	\$5,406	\$5,618	\$10,661	\$6,800	\$6,800
5280	Tires	\$11,543	\$13,084	\$30,894	\$15,500	\$15,500
5290	Maintenance Supplies	\$206,939	\$220,557	\$189,565	\$211,400	\$196,400
5300	Maint. Supplies - Vehicular	\$47,429	\$42,714	\$46,075	\$47,000	\$47,000
5310	Major Vehicle Service & Repair	\$47,093	\$45,884	\$81,130	\$47,000	\$47,000
5320	Agricultural Supplies	\$3,929	\$5,065	\$22,996	\$7,800	\$8,000
5330	Maintenance Equipment	\$19,918	\$24,418	\$39,122	\$31,100	\$33,100
5340	Serv. & Maintenance Contracts	\$160,594	\$156,086	\$159,703	\$186,000	\$172,900
5350	Equipment Rental	\$42,061	\$36,473	\$79,487	\$45,200	\$45,200
5360	Household - Safety Supplies	\$43,255	\$32,189	\$32,307	\$34,700	\$34,700
5370	Uniforms	\$5,389	\$7,064	\$4,385	\$7,700	\$7,700
5380	Special & Professional Services	\$418,145	\$406,602	\$487,961	\$542,700	\$489,900
5390	Protective Services	\$1,002,090	\$967,439	\$989,403	\$951,600	\$1,075,100
5400	Telephone	\$73,356	\$75,314	\$71,109	\$72,600	\$72,400
5410	Postage & Freight Out	\$13,369	\$10,546	\$13,736	\$14,000	\$13,100
5420	Data Processing	\$28,212	\$32,165	\$48,427	\$35,000	\$43,000
5430	Printing & Office Supplies	\$59,842	\$54,367	\$41,377	\$89,400	\$57,200
5440	Scientific & Photographic	\$370	\$0	\$228	\$800	\$800
5450	Dues & Subscriptions	\$24,695	\$19,936	\$33,674	\$25,600	\$25,200
5460	Advertising & Promotional	\$4,885	\$2,017	\$2,308	\$5,000	\$2,500
5470	Travel & Subsistence	\$2,695	\$5,774	\$3,290	\$6,800	\$6,800
5480	Staff Training & Tuition Aid	\$35,748	\$15,733	\$14,749	\$30,200	\$16,100
5490	Fees & Permits	\$110,639	\$112,319	\$112,586	\$112,200	\$116,700
5500	In - Lieu Taxes	\$18,689	\$18,689	\$18,689	\$18,700	\$18,700
	Total Other Expenses	\$2,888,657	\$2,813,530	\$3,078,187	\$3,090,900	\$3,077,600
	Total Operating Expenses	\$10,725,362	\$11,163,437	\$11,508,719	\$12,073,400	\$12,777,850
	Annual Increase (Decrease)	-1.41%	4.08%	3.09%	4.91%	5.83%
	Budget -other expenses	3,227,200	3,267,300	3,104,200		
	ANNUAL BUDGET	\$12,132,400	\$12,384,685	\$12,590,900	\$0	\$0

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM
PROPOSED CAPITAL EQUIPMENT BUDGET
FISCAL YEAR 2014

	Description	(R) Replacement (A) Addition	Year of Purchase	Dollar Value	Depreciation Reserve
INFORMATION SYSTEMS	(1) DELL POWEREDGE SERVER	(R) EQP1762	2000	4,500	9,964
CANAL	(1) NJWA-50 PICK-UP W/UTILITY BODY	(R) TRN1773	2000	42,000	24,612
	(1) STRUT SPRING COMPRESSOR	(A)		12,000	
GROUNDS	(1) HUSTLER 6400 SLOPE MOWER W/DECK	(R) TRN1863	2002	55,000	35,000
SAFETY	(2) SELF CONTAINED BREATHING APARATUS W/(4) AIR TANKS FOR SCBA FOR CANAL	(R) EQP910/911	1989	10,400	2,310
	(1) CONFINED SPACE MANHANDLER WINCH	(A)		1,500	
	(1) CONFINED SPACE MIGHTY EVAC SYSTEM	(A)		1,700	
SECURITY	(1) NJWA-03 FORD ESCAPE	(R) TRN2140	2,009	35,000	28,497

	TOTAL COST	\$162,100	\$100,383
LESS AMOUNT CHARGED TO DEPRECIATION RESERVE		(100,383)	
	NET TOTAL	<u>\$61,717</u>	
	ESTIMATE	\$61,700	

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NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

**LIST OF CATEGORY 5340 ITEMS
RECOMMENDED SERVICE & MAINTENANCE CONTRACTS**

FISCAL YEAR 2014

	ADOPTED <u>F/Y13</u>	PROPOSED <u>F/Y14</u>
1. Copy/Fax Machines (Dept 16).....	\$ 1,000	\$ 1,000
2. IHS – Safety Software (Dept 17).....	1,700	1,700
3. GO DADDY.COM-Remote Access Certificates (Dept 17).....	300	300
4. Verizon DSL Watershed (Dept 17).....	1,200	900
5. Sage MAS200 (Dept 17).....	2,500	1,600
6. Western Technologies NJ Parcel Maps (Dept 17).....	1,300	1,300
7. Sage Fixed Asset (Dept 17).....	2,500	2,500
8. PV & Associates – Winslamin (Dept 17).....	500	500
9. People Trak Annual Support Technical Difference (Dept 17).....	800	800
10. Citrix Subscription Advantage (Dept 17).....	1,000	1,000
11. OSHA Software (GAO) (Dept 17).....	100	100
12. PureHost (Web Hosting Admin) (Dept 17).....	200	200
13. Pure Host Internet Web Host Watershed (Dept 17).....	200	250
14. Symantec Anti-Virus & Maint (Clinton) (Dept 17).....	2,500	1,800
15. Sonic Wall Software (Dept 17).....	1,500	1,500
16. ESRI ArcView Maint- Watershed (Dept 17).....	5,500	5,500
17. CU Riverware Maint Agreement (Dept 17).....	4,500	3,400
18. McAfee (Anti-Spam) (Dept 17).....	1,800	1,500
19. River Morph (Dept 17).....	800	800
20. DLT Solutions Autocad (Dept 17).....	1,000	1,000
21. Watershed Statistical Software (Dept 17).....	1,000	0
22. Fastrack SBPS Monitoring Software (Dept17).....	900	900

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NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

LIST OF CATEGORY 5340 ITEMS
RECOMMENDED SERVICE & MAINTENANCE CONTRACTS

FISCAL YEAR 2014

		ADOPTED <u>F/Y13</u>	PROPOSED <u>F/Y14</u>
23.	ESRI Arcview Maintenance (Clinton) (Dept 17)	\$ 500	\$ 500
24.	Keystone Precision – GPS Software Maint (Dept 17)	800	800
25.	HAAS Systems-Security Alarm Software Maint (Dept 17)	400	400
26.	Clients First-Vipre Antivirus/Antispam (Dept 17)	400	250
27.	Cleaning Services (Dept 20).....	1,200	1,200
28.	Carpet Cleaning (Dept 20).....	1,500	1,500
29.	Yahoo for River Friendly (Dept 20)	100	100
30.	Refuse Collection (Dept 31)	11,900	11,900
31.	Janitorial Service (Dept 31).....	15,500	15,500
32.	HVAC Service (Dept 31).....	5,500	5,500
33.	Electrician & Plumber Services (Dept 31).....	5,000	5,000
34.	Instrumentation Services (Dept 31)	4,500	4,500
35.	Entry Rugs (Dept 31).....	2,700	2,700
36.	Carpet Cleaning (Dept 31).....	2,300	2,300
37.	Generator Service (Admin Bldg) (Dept 31).....	1,200	1,200
38.	Underground Plant Location Service Notifications (Dept 31).....	1,000	1,000
39.	Crane Service and Inspection (Dept 31)	1,200	1,200
40.	Elevator Service (SBPS) (Dept 31).....	2,800	2,800
41.	Electrical Service (SBPS) (Dept 31).....	6,400	6,400
42.	Floor Cleaning Maintenance-Office (Dept 32).....	2,400	2,400

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NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

**LIST OF CATEGORY 5340 ITEMS
RECOMMENDED SERVICE & MAINTENANCE CONTRACTS**

FISCAL YEAR 2014		ADOPTED <u>F/Y13</u>	PROPOSED <u>F/Y14</u>
43.	Janitorial Service (Dept 32)	\$ 7,300	\$ 7,300
44.	Dumpster Service Canal Office (Dept 32).....	3,000	3,000
45.	Dumpster Service Route 1 (Dept 32).....	28,000	23,000
46.	Dumpster Service - Extra (Dept 32)	2,000	2,000
47.	Instrumentation Testing (Dept 32).....	1,000	1,000
48.	Floor Mats (Dept 32)	1,000	1,000
49.	Grass Mowing Service (Dept 32)	5,000	5,000
50.	Boiler Service (Dept 32).....	300	300
51.	Wood Disposal Fees (Dept 32).....	3,100	3,100
52.	Generator Service (Scudders, Perdicaris) (Dept 32).....	3,000	3,000
53.	Vac Truck Service-IFW, 10 mile PS (Dept 32).....	3,900	3,900
54.	Floor Mats (Dept 33)	4,000	2,300
55.	Carpet Cleaning (Dept 33).....	5,100	3,100
56.	Welco Gas (Dept 33)	600	600
57.	Parts Washer & Hazardous Removal (Dept 34)	1,600	1,600
58.	Fire Extinguisher Maintenance (Dept 36).....	4,400	4,400
59.	Hazardous Waste Control (Dept 36).....	3,000	3,000
60.	Fire Alarm Testing (Dept 36)	8,000	8,000
61.	Vehicle Lifts Annual Testing (Dept 36)	<u>1,600</u>	<u>1,600</u>
TOTAL		\$ <u>186,000</u>	\$ <u>172,900</u>

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

**LIST OF CATEGORY 5380 ITEMS
RECOMMENDED SPECIAL & PROFESSIONAL SERVICES**

FISCAL YEAR 2014

		ADOPTED F/Y13	PROPOSED F/Y14
1.	Services - Governor's Authority Unit (Dept 10)	\$ 15,000	\$ 15,000
2.	Services - AWWA Research Foundation (Dept 10)	10,000	10,000
3.	Miscellaneous Contributions & Expenses (Dept 10)	10,000	0
4.	Consultant - C.P.A. to Conduct Annual Audit (Dept 13)	60,000	60,000
5.	Services - GFOA Certificate Fee (Dept 13)	500	500
6.	Annual Trustee Fee - JPMorgan Chase Bank (Dept 13)	3,500	3,500
7.	125 Plan - Family Security Insurance Agency (Dept 13)	2,200	2,200
8.	Services - Pre-employment Exams & Tests (Dept 14)	2,100	2,100
9.	Fidelifax-Background Checks (Dept 14)	1,900	1,900
10.	Medical CDL Drug Testing (Dept 14)	1,400	1,400
11.	Motor Vehicle Commission Membership (Dept 14)	200	200
12.	Employee Advisory Service (Dept 14)	2,800	2,800
13.	Services - Arbitration Costs (Dept 14)	2,500	0
14.	Consultant - Risk Management To provide assistance to the Authority in the review of insurance coverage and continuation of a Comprehensive Coordinated Risk Management Program (Dept 15)	25,000	31,000
15.	Insurance Broker (Dept 15)	42,000	50,000
16.	Risk Management (GL) (Dept 15)	1,000	1,000
17.	Services - Attorney General's Office Assistance of Deputy Attorney General concerning a wide range of legal matters (Dept 15)	85,000	35,000

(continued on next page)

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

LIST OF CATEGORY 5380 ITEMS
RECOMMENDED SPECIAL & PROFESSIONAL SERVICES

FISCAL YEAR 2014

	ADOPTED F/Y13	PROPOSED F/Y14
18. Water Monitoring Costs USGS SR @ Glen Gardner (Dept 20)	\$ 5,300	\$ 7,900
19. Water Monitoring Costs (Dept 20)	6,800	7,100
USGS Mulhockaway at Van Syckel		
20. Water Monitoring Costs (Dept 20)	6,800	7,100
USGS North Branch RR		
21. Water Monitoring Costs (Dept 20)	39,500	40,200
USGS Raritan River @ Manville		
22. USGS Continuous Water Quality for D & R Canal, Landing Lane (Dept 20).....	39,500	23,500
23. Water Monitoring USGS Lock/Wick(Dept 20).....	8,400	26,300
24. Water Monitoring USGS @ Stanton Station (Dept 20).....	10,000	7,900
25. Water Monitoring – SBWA (Dept 20).....	1,000	1,000
26. Water Monitoring – URWA (Dept 20).....	1,000	1,000
27. Water Monitoring – SBMWA (Dept 20).....	1,000	1,000
28. NJ Lab Certification for Water Sampling Analysis (Dept 20).....	800	800
29. NJ Invasive Species Strike Team (Dept 20)	500	500
30. Stroud Water Research Macroinvertebrates Analysis (Dept 20).....	10,500	10,500
31. Services - Emergency Engineering Services (Dept 30)	5,000	2,500
32. Underground Storage Tank-CEA Report (Dept 30)	9,000	9,000
33. Underground Storage Tank-Groundwater Testing (Dept 30)	5,000	2,500

(continued on next page)

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

LIST OF CATEGORY 5380 ITEMS
RECOMMENDED SPECIAL & PROFESSIONAL SERVICES

FISCAL YEAR 2014

	ADOPTED <u>F/Y13</u>	PROPOSED <u>F/Y14</u>
34. Services - USGS Cooperative Agreement River Gauging Maintenance of Raritan Basin Stream Gauging Stations and the Delaware & Raritan Canal Gauging at Kingston per USGS/DWR/NJWSA Agreement (Dept 31)	\$ 69,000	\$ 69,000
35. Services - USGS Spruce Run Gauging Maintenance of two stations on streams feeding Spruce Run not covered under State Cooperative Agreement (Dept 31).....	18,600	18,600
36. Water Testing Water Testing and Sampling to comply with the Safe Water Drinking Act (Dept 31)	2,400	2,400
37. Services - Water Sampling and Testing as per NJDWR Requirements A) Rt 202 Stockpile Site (Dept 32).....	5,000	5,000
38. Maintenance of USGS Gauges at Washington Crossing and Perdicas Waste Gate (Dept 32).....	15,000	12,000
39. Safety Suggestion Program, Poster and Promotional Materials, Safety Incentive Program (Dept 36)	9,700	9,700
40. Pulmonary Testing and Physicals (Dept 36).....	5,000	5,000
41. Annual Contributions to Fire Companies and Rescue Squads (Dept 36).....	1,300	1,300
42. Safety Optical Program (Dept 21)	400	0
43. Hepatitis Vaccinations (Dept 21).....	600	800
44. Calibration for the Pota-Count Respirator (Dept 36).....	<u>500</u>	<u>700</u>
TOTAL	\$ <u>542,700</u>	\$ <u>489,900</u>

PROJECTED FY 2014 NEW JERSEY WATER SUPPLY AUTHORITY INSURANCE PROGRAM

<u>Type of Coverage</u>	<u>Raritan Basin System</u>	<u>Manasquan Reservoir System</u>	<u>Manasquan Water Treatment Plant and Transmission System</u>	<u>Total Premium</u>
Property Limit \$150 million Deduct: \$100k/\$250k general/dams	\$499,145	\$167,798	\$41,064	\$708,007
General/Products Liability Limit \$1 million Deduct: \$150k/no agg	\$29,063	\$2,717	\$564	\$32,344
Professional Environmental Consultants Liability Limit \$1 million Deduct: \$25k	\$19,205	\$1,796	\$373	\$21,374
Environmental Impairment Liability Limit \$10 million Deduct: \$100k	\$28,678	\$2,681	\$557	\$31,916
Workers' Compensation Limit \$1 million	\$181,584	\$23,344	\$24,459	\$229,387
Employer Liability Limit \$1 million	Included in Workers' Comp	Included in Workers' Comp	Included in Workers' Comp	Included in Workers' Comp
Umbrella Liability Limit \$23 million	\$228,656	\$21,378	\$4,439	\$254,473
Business Automobile Limit: \$1 million combined single limit Deduct: \$2k	\$42,437	\$7,534	\$1,725	\$51,696
Public Officials Liability Limit \$5 million/\$1million c. crime Deduct: \$50k/\$50k c. crime	\$45,469	\$4,251	\$4,144	\$53,864
Travel Accident Limit \$2 million	<u>\$854</u>	<u>\$80</u>	<u>\$17</u>	<u>\$951</u>
TOTAL:	<u>\$1,075,091</u>	<u>\$231,579</u>	<u>\$77,342</u>	<u>\$1,384,012</u>
ESTIMATE	\$1,075,100	\$231,600	\$77,300	\$1,384,000

NEW JERSEY WATER SUPPLY AUTHORITY
RARITAN BASIN SYSTEM

DEFINITIONS AND EXPLANATION OF THE FISCAL YEAR 2014 OPERATING EXPENSE ACCOUNTS

ACCOUNT
CODE

TITLE

5110 SALARIES AND WAGES

5120- OVERTIME
5140

5150- FRINGE BENEFITS
5168

These expense items cover the annual salaries and fringe benefits based upon the compensation schedule currently in effect.

The fringe benefit accounts specifically cover all required and approved expenses such as employer contributions for social security, public employee retirement system, unemployment and temporary disability insurance as well as the health benefits program including prescription drugs, dental and vision care programs and allowance for unused sick leave and vacation balance upon retirement and annual allowances required by union agreement.

The following is a comparison of the subject expenditures for Fiscal Year 2014.

	<u>Adopted F/Y13</u>	<u>Proposed F/Y14</u>
Budgeted Positions	99	99
Expenditures:		
Regular Salaries	\$5,679,000	\$5,796,250
Overtime	181,800	181,600
Fringe Benefits	2,546,400	2,975,600
Retiree Health Benefits	565,300	736,800
Workers Compensation (self-insured)	<u>10,000</u>	<u>10,000</u>
Total Salaries and Fringe Benefits	<u>\$8,982,500</u>	<u>\$9,700,250</u>
Anticipated Decrease for F/Y14		\$ 717,750

5200 ON-SITE RESIDENCES

This account covers the cost of maintaining On-Site Residences for Authority personnel. This account covers electrical, heating and general maintenance items. All employees in the residences are subject to an employee housing maintenance fee.

DEFINITIONS AND EXPLANATION OF THE FISCAL YEAR 2014 OPERATING EXPENSE ACCOUNTS

<u>ACCOUNT CODE</u>	<u>TITLE</u>
5211	<u>HEATING FUEL</u> This account covers the cost of heating the Administration Building, South Branch Pumping Station, Langenfelder Maintenance Barn, and Facilities Maintenance Building.
5220	<u>UTILITIES - ELECTRICAL SERVICE (other than pumping)</u> This account covers regular electrical use at the Administration Building, South Branch Pumping Station, Langenfelder Maintenance Barn, Reservoir Towers (3) and Vaults (3), Whitehouse Station Release Works, the Raritan Basin System Canal Office, gates and telemarks and street lighting for security and safety purposes.
5230	<u>UTILITIES - GAS SERVICE & WATER</u> This account covers the cost of natural gas at the Raritan Basin System Canal Office. Also covered in this account is the potable water charge at the Langenfelder Maintenance Barn, and South Branch Pumping Station.
5240	<u>PROPANE</u> This account covers the cost of propane fuel at the South Branch Pumping Station.
5250	<u>ELECTRICITY FOR PUMPING</u> This account covers the cost of electricity to operate pumps at the South Branch Pumping Station. Any unanticipated pumping other than normal pumping at the Ten Mile Lock Pumping Station will be charged to the Pumping Reserve.
5260	<u>VEHICULAR FUEL</u> This account covers the cost of unleaded regular and diesel fuel used by the Authority's motor vehicles.
5270	<u>OIL & GREASE</u> This account covers the amount of oil and grease used by the Authority's motor vehicles. Also included in this account is mineral oil and those specialty oils used in the pumps and motors at the South Branch Pumping Station and the Ten Mile Lock Pumping Station.

DEFINITIONS AND EXPLANATION OF THE FISCAL YEAR 2014 OPERATING EXPENSE ACCOUNTS

**ACCOUNT
CODE**

TITLE

5280

TIRES

This account covers the cost of tires used on the Authority's motor vehicles including cars, trucks, trailers, and construction equipment. Also included in this account is tire repair, tubes, etc.

5290

MAINTENANCE SUPPLIES

This account covers the entire spectrum of materials and tools used in the maintenance and repair of the Authority's assets. The types of material included in this account are kerosene, lumber, fasteners, masonry products, electrical items, fixtures, signs, posts, fencing and fencing material, road, ditch culvert and bank repair materials, small hand and power tools and welding gases.

5300

MAINTENANCE SUPPLIES - VEHICULAR EQUIPMENT

This account covers spare parts for vehicular and marine equipment, as well as small maintenance equipment, pumps, generators, chain saws, hand mowers and valve operators. Also included in this account are batteries and vehicular fluids.

5310

MAJOR - SPECIALIZED SERVICE AND REPAIR

This account is a supplement to account Code 5300 and includes those services that cannot be performed by the Authority's Auto Shop such as body and fender work, major repairs to transmissions, front-end alignments, radiator repairs and major power train overhauls.

5320

AGRICULTURE SUPPLIES

This account covers those supplies used in maintaining the appearance and control of the grounds such as grass seed, lime, fertilizers, shrubs, trees, pest and weed control and aquatic weed control.

5330

MAINTENANCE OF EQUIPMENT

This account is to cover normal repair and service to calculators, typewriters and other office machines and furniture, which are not covered under service and maintenance contracts. Also included in this account is maintenance of security clocks and radio equipment, repairs to engineering and surveying equipment, service to reservoir pumping stations, telemarks, recorders and flow meters and all spare parts needed at the pumping stations to sustain continuous and dependable operation.

DEFINITIONS AND EXPLANATION OF THE FISCAL YEAR 2014 OPERATING EXPENSE ACCOUNTS

ACCOUNT
CODE

TITLE

5340

SERVICE AND MAINTENANCE CONTRACTS

This account covers contracts used for servicing plumbing (heating and cooling), electrical equipment, elevators, shop machinery and office equipment such as the copier and computers. Also included in this account is refuse disposal and waste removal by private contractors.

5350

EQUIPMENT RENTAL

This account covers the rental of specialized construction equipment such as pumps, compressors, etc., specialized office equipment, pagers, entry rugs, and the postage machine.

5360

HOUSEHOLD, SAFETY AND PROTECTIVE SUPPLIES

This account is used to show the estimated cost of materials and supplies of a consumable nature. Covered in this account are such items as janitorial and sanitary supplies, locks and keys, lighting supplies, fire extinguishers, first aid and safety supplies, film rentals and related costs for in-house programs.

5370

UNIFORMS

This account covers uniforms and related items for Security, Auto Shop Personnel, Survey Crew and Canal Flow Controlmen.

5380

SPECIAL AND PROFESSIONAL SERVICES

This account covers the estimated cost of professional services such as attorneys, physicians, annual audit fee, Governor's Authority Unit, court reporters, temporary services, engineers, consultants, CDL testing service, employee assistance service, etc.

5390

PROTECTIVE SERVICES

This account covers the yearly cost of insurance premiums prorated to the Raritan Basin System, covering General Liability, Workmen's Compensation, Vehicular, Etc.

5400

TELEPHONE

This account covers direct telephone charges for repairs, equipment rental and related expenses.

DEFINITIONS AND EXPLANATION OF THE FISCAL YEAR 2014 OPERATING EXPENSE ACCOUNTS

ACCOUNT
CODE

TITLE

5410

POSTAGE AND FREIGHT

This account covers all postage costs including express and overnight mail. Also covered in this account are charges for incoming and outgoing freight when applicable.

5420

DATA PROCESSING

This account covers charges for production of payrolls and required reports under contract with ADP.

5430

PRINTING AND OFFICE

This account covers the cost of computer supplies, letterhead, envelopes publication costs and forms, archiving of our records, duplication product and all other stationery material and supplies necessary for the operation of the office. Items that are classified as furniture and equipment with a value of \$1,000 are not to be included in this account. Items ordered directly from a vendor or withdrawn from inventory shall be included in this account.

5440

SCIENTIFIC AND PHOTOGRAPHIC

This account covers the cost of photographic supplies, blueprinting supplies, surveying and engineering supplies, and other charts.

5450

DUES AND SUBSCRIPTIONS

This account covers the cost of subscriptions to newspapers, magazines, periodicals, reference books, other publications and membership fees in professional societies and associations.

5460

ADVERTISING

This account covers the cost of legal and classified advertising in newspapers for bids and recruiting.

5470

TRAVEL AND SUBSISTENCE

This account covers the cost of travel and subsistence expenses reimbursable to an employee or chargeable to the Authority under the provisions of, "The Regulations Governing Employee Expense Reimbursements". It includes travel expense, employee allowances, entertainment of business guests, staff and departmental meal expenses. It will also cover registration fees for attendance at meetings or conventions.

DEFINITIONS AND EXPLANATION OF THE FISCAL YEAR 2014 OPERATING EXPENSE ACCOUNTS

ACCOUNT
CODE

TITLE

5480

STAFF TRAINING AND TUITION AID

This account provides funds for employee's attendance at various technically related and approved courses, training programs, etc.

5490

FEES AND PERMITS

This account covers the estimated cost of fees for water diversion and stream encroachment permits from the Division of Water Resources and small-unclassified items such as notaries, hearing rooms and transcripts from the Department of Transportation, etc.

5500

IN-LIEU TAXES

This account covers the funds for Reservoirs and Pumping Stations in-lieu tax payment.

DESCRIPTION OF RESERVE ACCOUNTS

Major Rehabilitation Fund

The purpose of this fund is to establish reserves for the following uses: (i) to complete any project or, to the extent required, any portion of the cost of a project, (ii) for the costs of capital improvements, (iii) for the payment of extraordinary operation and maintenance costs, and (iv) for contingencies, including payments with respect to the prevention or correction of any unusual loss or damage in connection with the System or to prevent a loss of revenue therefrom, all to the extent not provided for in then current Annual budget or by reserves in the Operating Fund or from the proceeds of Bonds. Amounts in the Major Rehabilitation Fund shall not be used for the purposes specified in clauses (i) and (ii) above, unless the Authority has received a certificate from a consulting engineer in connection with the Annual Budget.

The minimum recommended balance to be maintained in this account, after October 1988, is 1.4 million.

Depreciation

This reserve is intended to provide for the renewal and replacement of Authority machinery and equipment with a value of \$1,000 or more and a useful life in a range from three to ten years. The annual contribution to this reserve fund is predicated on the actual and/or estimated cost of communication, automotive, heavy construction, transportation, shop and office equipment depreciated over their estimated useful lives of three to ten years, depending upon the nature of the equipment. Depreciation has been determined for each such asset currently in use, as well as for the current Fiscal Year additions and/or renewals.

Pumping Reserve

This reserve is in addition to the annual electrical costs for pumping provided for under the operating cost category. The operating costs for pumping are related specifically to an annual short-term operation of each of the ten major pumps at the South Branch Pumping Station and related electrical equipment and mechanical components. This is considered to be a minimum requirement for the effective preventive maintenance needs of this large facility. The preventative maintenance program must assure the useful life of the equipment, and further insure that the equipment be operable when it is needed for long-term use.

However, it is also considered a prudent step to maintain a pumping reserve to deal with extraordinary electrical expenditures, which will be required whenever a drought period occurs in the normal water cycle.

Operating Fund (O & M Reserve)

In order for the Authority to operate successfully and maintain its financial integrity and ability to attract future investors, reasonable working cash reserves must be established which are consistent with the regular operating costs plus possible extraordinary requirements. It is a requirement of the Bond Resolution that the Authority maintain a level in this reserve equivalent to three months of operating costs. (See Resolution No. 416, Sec. 505 - Adopted 11/17/88)

Self-Insurance Reserve

This Reserve is used to cover any excess liability payments above the Self-Insurance Retainer.

Reserve for Formal Dam Inspection

This reserve, created in FY12, will receive annual contributions equal to one third the cost of the formal dam inspection which occurs every three years. The intention is to level the expenditure and eliminate the spike in expense that would otherwise occur every three years.

NEW JERSEY WATER SUPPLY AUTHORITY
FORECASTED COST ALLOCATION SCHEDULES
YEAR ENDING JUNE 30, 2014

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Commissioners of
New Jersey Water Supply Authority

At your request, we have performed certain agreed-upon procedures, as enumerated below, with respect to the accompanying forecasted cost allocation schedules of the New Jersey Water Supply Authority (the "Authority") for the fiscal year ending June 30, 2014. These procedures, which were agreed to by the Commissioners and Authority management, were performed solely to assist you in evaluating the forecasted cost allocation schedules in connection with the setting of water rates for each of the three operating systems (Raritan, Manasquan Reservoir and Manasquan Treatment Plant/Transmission). The Authority's management is responsible for the schedules. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Authority's management. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose:

1. We were provided with the fiscal year 2014 budgeted expenses for each of the three operating systems by the Authority's chief financial officer, who advised us that the fiscal year 2014 budgeted expenses are based upon preliminary budgets that are subject to approval by the Authority's Commissioners. We performed no procedures in regard to these fiscal year 2014 budgeted expenses.
2. We recalculated the allocated costs on the schedules.
3. We compared the methodologies used for cost allocation on the forecasted schedules to the methodologies used in the Authority's cost allocation schedules for the year ended June 30, 2012, and found them to be consistent.

- AN INDEPENDENTLY OWNED MEMBER,
MCGGLADREY ALLIANCE
- AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
- NEW JERSEY SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
- NEW YORK SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
- PENNSYLVANIA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
- AICPA'S PRIVATE COMPANIES PRACTICE
SECTION
- AICPA'S CENTER FOR AUDIT QUALITY
- REGISTERED WITH THE PCAOB

REPORT OF INDEPENDENT ACCOUNTANTS (CONTINUED)

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying forecasted cost allocation schedules. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. Furthermore, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

This report is intended solely for the information and use of the Commissioners and management of New Jersey Water Supply Authority and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Mercaderes, P.C.
Certified Public Accountants

September 11, 2012

NEW JERSEY WATER SUPPLY AUTHORITY
 SCHEDULE OF FORECASTED COST CENTER EXPENSE RECLASSIFICATION
 YEAR ENDING JUNE 30, 2014

		RECLASSIFICATIONS									REVISED
DEPT. #	DEPT./COST CENTER	1	2	3	4	5	6	7	8	9	COST CENTER COSTS
		HEATING/ELECTRIC	VEHICULAR FUEL	PROFESSIONAL FEES	INSURANCE	TELEPHONE	PERMITS	WORKERS' COMP.	IN LIEU TAXES	CHIEF ENGINEER SALARY & FRINGE	
	BUILDING HQ	\$118,000									118,000
	TELEPHONE HQ					\$72,400					72,400
36	SAFETY	189,500		(\$5,000)							184,500
37	SECURITY	929,600									928,600
14	HUMAN RESOURCES	415,000		(\$4,200)				(\$10,000)			400,800
16	PURCHASING	538,000	(\$154,500)			(72,400)	(\$16,000)				295,100
17	INFORMATION SYSTEMS	187,000									187,000
15	CONTRACTS & RISK MGMT.	1,526,800		(31,000)	(\$1,075,100)		(85,800)		(\$18,700)		316,200
13	FINANCIAL MGMT	930,600		(5,700)							924,900
34	AUTO SHOP	196,600	154,500				16,000				357,100
35	AUTO SHOP-CANAL	185,800									185,800
10	EXEC OFFICE	250,800	4,757								255,557
20 30 31 32 33	WATERSHED, ENGINEERING & O&M (RARITAN SYSTEM)	7,549,550	(122,757)	45,900	1,075,100		85,800	10,000	18,700	(13,746)	8,648,548
		12,889,250	0	0	0	0	0	0	0	(13,746)	12,875,504
40-60	MANASQUAN SYSTEM	4,944,350								13,746	4,958,096
		\$17,833,600	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$17,833,600

See accompanying notes to Financial Schedules.

NEW JERSEY WATER SUPPLY AUTHORITY
 SCHEDULE OF FORECASTED SYSTEM-WIDE ALLOCATED COSTS
 YEAR ENDING JUNE 30, 2014

ALLOCATION BASIS

DEPT. #	DEPT./COST CENTER	REVISED COST CENTER COSTS	SQ. FT. #	# OF TELEPHONES	# OF EMPLOYEES	100% RARITAN O&M	# OF EMPLOYEES	# OF P.O.s	# OF COMPUTERS	MGD CONTRACTS	O&M BUDGET	# OF VEHICLES	# OF VEHICLES	TIME ESTIMATE	ALLOCATED COST CENTER COSTS
	BUILDING HQ	\$118,000	(\$118,000)												
	TELEPHONE HQ	\$72,400	0		(\$72,400)										
36	SAFETY	\$184,500	886	787	(\$186,173)										
37	SECURITY	\$929,600	4,533	3,148	15,372	(\$952,659)									
14	HUMAN RESOURCES	\$400,800	5,459	3,148	5,124	0	(\$414,531)								
16	PURCHASING	\$295,100	5,022	2,361	3,416	0	8,547	(\$315,448)							
17	INFORMATION SYSTEMS	\$187,000	1,256	787	1,708	0	4,274	5,444	(\$200,469)						
15	CONTRACTS & RISK MGMT.	\$316,200	3,921	1,574	3,416	0	8,547	6,238	8,716	(\$348,610)					
13	FINANCIAL MGMT	\$924,900	11,424	6,296	11,958	0	28,915	9,601	30,506	0	(\$1,024,598)				
34	AUTO SHOP	\$357,100	18,908	1,574	1,708	0	4,274	16,035	4,358	0	26,400	(\$429,055)			
35	AUTO SHOP-CANAL	\$185,900	0	1,574	1,708	0	4,274	11,690	0	0	13,215	0	(\$218,251)		
10	EXEC OFFICE	\$255,557	15,832	5,509	1,708	0	4,274	3,167	4,358	0	18,177	0	0	(\$308,582)	
20 30 31 32 33	WATERSHED, ENGINEERING & O&M (RARITAN SYSTEM)	\$8,648,548	50,061	45,842	95,649	952,653	289,315	147,478	104,593	313,275	615,148	429,055	218,251	253,037	\$12,112,706
40-60	MANASQUAN SYSTEM	\$4,958,098	0	0	44,408	0	111,111	115,805	47,938	35,335	352,657	0	0	55,545	5,720,885
		\$17,833,600	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$17,833,600

See accompanying notes to Financial Schedules.

NEW JERSEY WATER SUPPLY AUTHORITY
 SCHEDULE OF FORECASTED COST ALLOCATION FACTORS
 YEAR ENDING JUNE 30, 2014

REQUIRED STATISTICS

DEPT. #	ALLOCATION OF:	BUILDING HQ	TELEPHONES	SAFETY	HUMAN RESOURCES	PURCHASING	INFORMATION SYSTEMS	CONTRACTS & RISK MGMT	FINANCE C&M	AUTO SHOP	AUTO SHOP	EXEC. OFF
	ALLOCATION BASIS:	SQ. FT. #	# OF TELEPHONES	# OF EMPLOYEES	# OF EMPLOYEES	# OF P.O.'S	# OF COMPUTERS	MGD CONTRACTS	FUNCTIONAL COST	# OF VEHICLES	# OF VEHICLES	TIME ESTIMATE
DEPT./COST CENTER												
	BUILDING HQ											
	TELEPHONE HQ											
36	SAFETY	110	1									
37	SECURITY	563	4	9								
14	HUMAN RESOURCES	678	4	3								
16	PURCHASING	748	3	2	2							
17	INFORMATION SYSTEMS	158	1	1	1	55						
15	CONTRACTS & RISK MGMT.	487	2	2	2	63	2					
13	FINANCIAL MGMT	1,419	8	7	7	97	7	0				
34	AUTO SHOP	2,311	2	1	1	162	1	0	\$357,100			
35	AUTO SHOP-CANAL	0	2	1	1	118	0	0	\$185,800			
10	EXEC OFFICE	1,967	7	1	1	32	1	0	255,557	0		
20 30 31 32 33	WATERSHED, ENGINEERING & O&M (RARITAN SYSTEM)	6,218	58	58	56	1,490	24	182	8,048,548	43	43	82.00
40-60	MANASQUAN SYSTEM			26	26	1,170	11	21	4,958,096			18.00
		14,857	92	109	87	3,187	46	203	\$14,405,100	43	43	100 %

See accompanying notes to Financial Schedules.

NEW JERSEY WATER SUPPLY AUTHORITY
 SCHEDULE OF FORECASTED MANASQUAN SYSTEM ALLOCATED COSTS
 YEAR ENDING JUNE 30, 2014

COSTS	ALLOCATION BASIS					ALLOCATED COSTS
	1 TIME STUDY	2 \$ VALUE OF VEHICLES	3 \$ VALUE OF EQUIPMENT	4 TIME STUDY	5 VALUE OF WATER CONTRACTS	
<u>GENERAL & ADMINISTRATIVE</u>						
SALARIES & FRINGES	\$2,722,450					
VEHICLE RELATED	78,200	(\$78,200)				
MAINT. SUPPLIES & RELATED	76,900		(\$76,900)			
OFFICE & MISC.	46,300			(\$46,300)		
H.Q. OVERHEAD	776,545				(\$776,545)	
RESERVOIR	949,700	54,208	36,904	22,073	673,945	\$3,034,730
TREAT./TRANS.	1,070,800	23,992	39,996	24,227	102,600	2,686,165
	<u>\$5,720,895</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5,720,895</u>

See accompanying notes and summary of underlying assumptions.

NEW JERSEY WATER SUPPLY AUTHORITY
NOTES AND SUMMARY OF UNDERLYING ASSUMPTIONS
YEAR ENDING JUNE 30, 2014

A. GENERAL

The New Jersey Water Supply Authority as part of its annual budget and rate making process performs a two step cost allocation calculation. During the first step the Authority forecasts its actual expenses by Cost Center. For purposes of this calculation the Authority uses the following Cost Centers:

- Building Headquarters
- Telephone Headquarters
- Safety
- Security
- Human Resources
- Purchasing
- Information Systems
- Contracts & Risk Management
- Financial Management
- Auto Shop
- Auto Shop - Canal
- Executive Office
- Engineering, Watershed Management, Operations and Maintenance (Raritan System)
- Manasquan System

In deriving expenses by Cost Center several expense reclassifications are made on the Schedule of Forecasted Cost Center Expense Reclassification as follows:

1. Heating and electricity expenses related to Building Headquarters (HQ) and Executive Office are reclassified from Engineering and Operations & Maintenance (O & M).
2. Vehicular fuel expense related to Auto Shop is reclassified from Purchasing.
3. Professional fees related to O & M are reclassified from the various departments to which they have been charged.
4. Insurance premium expense related to the Raritan System is reclassified from Contracts and Risk Management.
5. Telephone expense is reclassified from Purchasing to a separate Telephone HQ cost center.
6. Permit expense related to the Raritan System is reclassified from Contracts and Risk Management and Purchasing.

7. Workers' compensation expense related to the Raritan System is reclassified from Contracts and Risk Management.
8. In-lieu taxes related to the Raritan System are reclassified from Contracts and Risk Management.
9. Chief Engineer Salary & Fringe Expenses related to the Manasquan System are reclassified from the Engineering Department.

The second step entails a step-down allocation of eleven of the Authority's Cost Centers to the Raritan and Manasquan System Cost Centers. In making this step-down allocation the Authority allocates cost as follows:

1. Building HQ is allocated to each of the cost centers based on the amount of space utilized.
2. Telephone HQ is allocated to each of the cost centers based on the number of telephones utilized.
3. Safety is allocated to each of the Cost Centers based on the number of employees.
4. Security is allocated entirely to the Raritan System.
5. Human Resources is allocated to each of the Cost Centers based on the number of employees.
6. Purchasing is allocated to each of the respective Cost Centers based on the number of purchase orders issued.
7. Information Systems is allocated to each of the Cost Centers based on the number of computers.
8. Contracts and Risk Management is allocated to each of the Cost Centers based on the number of employees.
9. Financial Management is allocated based on a percentage of the four remaining cost centers' budgets.
10. Auto Shop and Auto Shop-Canal are allocated based on the number of vehicles used.
11. Executive Office is allocated based on the amount of executive time utilized in managing each of the systems.

B. MANASQUAN SYSTEM ALLOCATED COST

The Manasquan Water Supply System's direct and allocated costs are then allocated between the Reservoir System and the Water Treatment Plant/Transmission System. In making this allocation the Authority adds to each System's direct expenses, the indirect costs allocated as follows:

1. Salaries and Fringe Benefits are allocated based on actual time studies performed by each employee throughout Fiscal Year 2012.
2. Vehicle related expenses are allocated based on the dollar value of vehicles held by each System.
3. Maintenance Supplies and related expenses are allocated based on the dollar value of capital equipment held by each System.
4. Office and miscellaneous expenses are allocated based on the time studies performed by each employee throughout Fiscal Year 2012.
5. Headquarters Overhead expenses are allocated based on the value of water contracts for each System.

C. SUMMARY OF UNDERLYING ASSUMPTIONS

In allocating cost center costs for the Forecasted Cost Allocation for Fiscal Year 2014, the Authority will review the statistics used for allocating Fiscal Year 2012 cost center costs and will make changes if necessary. There are 99 Raritan and 27 Manasquan employees for FY2014, which is used to allocate the cost centers. The O&M Functional Cost will be updated and changes made if necessary. The budgeted amounts for Fiscal Year 2014 as estimated at the time this report was created have been used in place of the actual amounts incurred during Fiscal Year 2012.

The Fiscal Year 2014 Raritan Basin System budget provides for an increase of one percent in salary expenses due to the union contract and the July 2012 MOA. Fringe benefit expenses are anticipated to increase eight percent for Fiscal Year 2014 primarily due to an increase in pension, group medical, retirees health, and prescription benefits. Operations and Maintenance expenses are anticipated to decrease three percent for Fiscal Year 2014 primarily due to estimated decreases in vehicle fuel, maintenance supplies and insurance.

The Fiscal Year 2014 Manasquan Reservoir System budget provides for an increase of three percent in salary expenses due to the union contract and the July 2012 MOA. Fringe benefit expenses are anticipated to increase five percent for Fiscal Year 2014 primarily due to an increase in group medical, pension, retiree health benefits, and prescription benefits. Operations and Maintenance expenses are anticipated to decrease six percent for Fiscal Year 2014 primarily due to estimated decreases in electricity for pumping.

NEW JERSEY WATER SUPPLY AUTHORITY
COST ALLOCATION SCHEDULES
YEAR ENDED JUNE 30, 2012

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Schedule of Cost Allocation Factors	4
Schedule of Manasquan System Allocated Costs	5
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REPORT OF INDEPENDENT ACCOUNTANTS

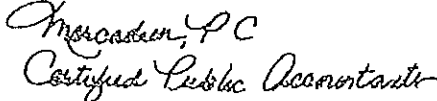
To the Commissioners of
New Jersey Water Supply Authority

We have examined the financial schedules of New Jersey Water Supply Authority (the "Authority") for the year ended June 30, 2012, listed in the foregoing table of contents. The Authority's management is responsible for the financial schedules. Our responsibility is to express an opinion on the conformity of the financial schedules with the cost allocation criteria set forth in Note A.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary under the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial schedules referred to above present the Authority's allocation of costs to the Raritan and Manasquan Systems in conformity with the cost allocation criteria set forth in Note A.

This report is intended for the information and use of the Commissioners and management of New Jersey Water Supply Authority and is not intended to be and should not be used by anyone other than these specified parties.


Mercadieu, P.C.
Certified Public Accountants

September 11, 2012

- AN INDEPENDENTLY OWNED MEMBER,
MCGLAUREY ALLIANCE
- AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
- NEW JERSEY SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
- NEW YORK SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
- PENNSYLVANIA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
- AICPA'S PRIVATE COMPANIES PRACTICE
SECTION
- AICPA'S CENTER FOR AUDIT QUALITY
- REGISTERED WITH THE PCAOB

NEW JERSEY WATER SUPPLY AUTHORITY
SCHEDULE OF COST CENTER EXPENSE RECLASSIFICATION
YEAR ENDED JUNE 30, 2012

RECLASSIFICATIONS												
DEPT. #	DEPT./COST CENTER	COST CENTER COSTS	1	2	3	4	5	6	7	8	9	REVISED COST CENTER COSTS
			HEATING/ELECTRIC	VEHICULAR FUEL	PROFESSIONAL FEES	INSURANCE	TELEPHONE	PERMITS	WORKERS' COMP.	IN LIEU TAXES	CHIEF ENGINEER SALARY & FRINGE	
	BUILDING HQ		\$79,394									79,394
	TELEPHONE HQ						\$71,109					71,109
36	SAFETY	159,698										159,698
37	SECURITY	829,339										829,339
14	HUMAN RESOURCES	359,955			(\$3,105)				(\$1,259)			355,597
16	PURCHASING	546,011		(\$195,154)				(\$16,821)				262,927
17	INFORMATION SYSTEMS	144,341										144,341
15	CONTRACTS & RISK MGMT.	1,411,302			(25,693)	(\$989,403)		(82,132)		(\$18,669)		295,384
13	FINANCIAL MGMT	849,540			(5,824)							843,916
34	AUTO SHOP	203,732		195,154				16,821				415,707
35	AUTO SHOP-CANAL	194,984										194,984
10	EXEC OFFICE	228,756	4,722									233,477
20 30 31 32 33	WATERSHED, ENGINEERING & O&M (RARITAN SYSTEM)	5,558,131	(84,116)		34,421	989,403		82,132	1,255	18,689	(13,167)	7,586,747
		11,485,789	0	0	0	0	0	0	0	0	(13,167)	11,472,622
40-60	MANASQUAN SYSTEM	4,215,062									13,167	4,228,229
		\$15,700,851	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$15,700,851

See accompanying notes to Financial Schedules.

NEW JERSEY WATER SUPPLY AUTHORITY
 SCHEDULE OF SYSTEM-WIDE ALLOCATED COSTS
 YEAR ENDED JUNE 30, 2012

ALLOCATION BASIS

DEPT. #	DEPT./COST CENTER	REVISED COST CENTER COSTS	SQ. FT. #	# OF TELEPHONES	# OF EMPLOYEES	100 % RARITAN O&M	# OF EMPLOYEES	# OF P.O.'s	# OF COMPUTERS	MGD CONTRACTS	O&M BUDGET	# OF VEHICLES	# OF VEHICLES	TIME ESTIMATE	ALLOCATED COST CENTER COSTS
	BUILDING HQ	\$79,394	(879,394)												
	TELEPHONE HQ	\$71,109	0	(371,109)											
36	SAFETY	\$159,698	596	773	(\$161,067)										
37	SECURITY	\$829,339	3,060	3,092	13,299	(\$848,760)									
14	HUMAN RESOURCES	\$355,597	3,673	3,092	4,433	0	(\$366,795)								
16	PURCHASING	\$262,927	4,052	2,319	2,955	0	7,563	(\$279,816)							
17	INFORMATION SYSTEMS	\$144,341	845	773	1,478	0	3,781	4,829	(\$156,047)						
15	CONTRACTS & RISK MGMT.	\$295,384	2,838	1,548	2,855	0	7,563	5,531	6,785	(\$322,402)					
13	FINANCIAL MGMT	\$943,916	7,687	6,183	10,344	0	26,470	8,517	23,746	0	(\$926,893)				
34	AUTO SHOP	\$415,707	12,519	1,546	1,478	0	3,781	14,223	3,392	0	30,437	(\$493,063)			
35	AUTO SHOP-CANAL	\$194,984	0	1,546	1,478	0	3,781	10,360	0	0	14,276	0	(\$226,425)		
10	EXEC OFFICE	\$233,477	10,652	5,410	1,478	0	3,781	2,810	3,392	0	17,094	0	0	(\$278,094)	
20 30 31 32 33	WATERSHED, ENGINEERING & O&M (RARITAN SYSTEM)	\$7,589,747	33,692	44,928	82,749	848,760	211,759	130,921	81,416	299,692	555,478	483,083	226,425	232,208	\$10,807,660
40-60	MANASQUAN SYSTEM	\$4,228,229	0	0	38,420	0	98,316	102,725	37,316	32,720	306,578	0	0	45,886	4,893,100
		\$15,700,851	(\$0)	(\$0)	(\$0)	\$0	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)	\$15,700,849

See accompanying notes to Financial Schedules.

NEW JERSEY WATER SUPPLY AUTHORITY
 SCHEDULE OF COST ALLOCATION FACTORS
 YEAR ENDED JUNE 30, 2012

REQUIRED STATISTICS

ALLOCATION OF: ALLOCATION BASIS;	BUILDING HQ SQ. FT. #	TELEPHONES # OF TELEPHONES	SAFETY # OF EMPLOYEES	HUMAN RESOURCES # OF EMPLOYEES	PURCHASING # OF P.O.'S	INFORMATION SYSTEMS # OF COMPUTERS	RISK MGMT MSD CONTRACTS	FINANCE O&M FUNCTIONAL COST	AUTO SHOP # OF VEHICLES	AUTO SHOP CANAL # OF VEHICLES	EXEC. OFF TIME ESTIMATE
DEPT. #											
DEPT./COST CENTER											
BUILDING HQ											
TELEPHONE HQ											
36 SAFETY	110	1									
37 SECURITY	583	4	9								
14 HUMAN RESOURCES	678	4	3								
16 PURCHASING	748	3	2	2							
17 INFORMATION SYSTEMS	156	1	1	1	55						
15 CONTRACTS & RISK MGMT.	487	2	2	2	63	2					
13 FINANCIAL MGMT	1,419	8	7	7	97	7	0				
34 AUTO SHOP	2,311	2	1	1	162	1	0	\$415,707			
35 AUTO SHOP-CANAL	0	2	1	1	118	0	0	\$194,984			
10 EXEC OFFICE	1,967	7	1	1	32	1	0	233,477	0		
20 30 31 32 33 WATERSHED, ENGINEERING & O&M (RARIAN SYSTEM)	5,218	58	56	56	1,490	24	182	7,586,747	43	43	83.50
40-60 MANASQUAN SYSTEM			26	26	1,170	11	21	4,228,229			16.50
	14,657	92	109	97	3,187	46	203	\$12,659,144	43	43	100 %

See accompanying notes to Financial Schedules.

NEW JERSEY WATER SUPPLY AUTHORITY
 SCHEDULE OF MANASQUAN SYSTEM ALLOCATED COSTS
 YEAR ENDED JUNE 30, 2012

COSTS	ALLOCATION BASIS					ALLOCATED COSTS
	1 TIME STUDY	2 \$ VALUE OF VEHICLES	3 \$ VALUE OF EQUIPMENT	4 TIME STUDY	5 VALUE OF WATER CONTRACTS	
<u>GENERAL & ADMINISTRATIVE</u>						
SALARIES & FRINGES	\$2,446,407					
VEHICLE RELATED	78,537	<u>(\$78,537)</u>				
MAINT. SUPPLIES & RELATED	51,388		<u>(\$51,388)</u>			
OFFICE & MISC.	51,413			<u>(\$51,413)</u>		
H.Q. OVERHEAD	678,128				<u>(\$678,128)</u>	
RESERVOIR	686,040		24,661	24,358	588,531	\$2,598,582
TREAT./TRANS.	901,276	24,095	26,727	27,055	89,597	2,294,607
	<u>\$4,893,188</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,893,189</u>

See accompanying notes Financial Schedules.

NEW JERSEY WATER SUPPLY AUTHORITY
NOTES TO SCHEDULES
YEAR ENDED JUNE 30, 2012

A. GENERAL

The New Jersey Water Supply Authority as part of its annual budget and rate making process performs a two step cost allocation calculation. During the first step the Authority calculates its actual expenses by Cost Center. For purposes of this calculation the Authority uses the following Cost Centers:

- Building Headquarters
- Telephone Headquarters
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- Security
- Human Resources
- Purchasing
- Information Systems
- Risk Management
- Financial Management & Administration
- Auto Shop
- Auto Shop - Canal
- Executive Office
- Engineering, Watershed Management, Operations and Maintenance (Raritan System)
- Manasquan System

In deriving expenses by Cost Center several expense reclassifications are made on the Schedule of Cost Center Expense Reclassification as follows:

1. Heating and electricity expenses related to Building Headquarters (HQ) and Executive Office are reclassified from Engineering & Operations and Maintenance (O & M).
2. Vehicular fuel expense related to Auto Shop is reclassified from Purchasing.
3. Professional fees related to O & M are reclassified from the various departments to which they have been charged.
4. Insurance premium expense related to the Raritan System is reclassified from Risk Management.
5. Telephone expense is reclassified from Purchasing to a separate Telephone HQ cost center.
6. Permit expense related to the Raritan System is reclassified from Risk Management and Purchasing.

7. Workers' compensation expense related to the Raritan System is reclassified from Risk Management.
8. In-lieu taxes related to the Raritan System are reclassified from Risk Management.
9. Chief Engineer Salary & Fringe Expenses related to the Manasquan System are reclassified from the Engineering Department.

The second step entails a step-down allocation of eleven of the Authority's Cost Centers to the Raritan and Manasquan System Cost Centers. In making this step-down allocation the Authority allocates cost as follows:

1. Building HQ is allocated to each of the cost centers based on the amount of space utilized.
2. Telephone HQ is allocated to each of the cost centers based on the number of telephones utilized.
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4. Security is allocated entirely to the Raritan System.
5. Human Resources is allocated to each of the Cost Centers based on the number of employees.
6. Purchasing is allocated to each of the respective Cost Centers based on the number of purchase orders issued.
7. Information Systems is allocated to each of the Cost Centers based on the number of computers.
8. Risk Management is allocated to each of the Cost Centers based on the number of employees.
9. Financial Management is allocated based on a percentage of the four remaining cost centers' budgets.
10. Auto Shop and Auto Shop-Canal is allocated based on the number of vehicles used.
11. Executive Office is allocated based on the amount of executive time utilized in managing each of the systems.

B. MANASQUAN SYSTEM ALLOCATED COST

The Manasquan Water Supply System's direct and allocated costs are then allocated between the Reservoir System and the Water Treatment Plant/Transmission System. In making this allocation the Authority adds to each System's direct expenses, the indirect costs allocated as follows:

1. Salaries and Fringe Benefits are allocated based on actual time studies performed by each employee throughout Fiscal Year 2012.
2. Vehicle related expenses are allocated based on the dollar value of vehicles held by each System.
3. Maintenance Supplies and related expenses are allocated based on the dollar value of capital equipment held by each System.
4. Office and miscellaneous expenses are allocated based on the time studies performed by each employee throughout Fiscal Year 2012.
5. Headquarters Overhead expenses are allocated based on the value of water contracts for each System.