NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION
WANAQUE SOUTH PROJECT – A JOINT VENTURE

REPORT OF AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION
WANAQUE SOUTH PROJECT – A JOINT VENTURE
TABLE OF CONTENTS

		Page
Independent Auditor's Report		1-3
Financial Statements		
Schedule A	Comparative Statements of Assets, Liabilities and Equity	4
Schedule B	Comparative Statements of Revenues, Expenses and Changes in Equity	5
Schedule C	Comparative Statements of Cash Flows	6
Notes to Financial Statements		7-10
Roster of Officials as of December 31, 2015		11
Government Auditing Standards		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards – Independent Auditor's Report		12-13
Schedule of Findings and Responses		14
Summary Schedule of Prior Audit Findings		15

LERCH, VINCI & HIGGINS, LLP
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLOSI, CPA
ROBERT AMPONSAH, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members of the Board of Commissioners
North Jersey District Water Supply Commission
Wanaque, New Jersey

Report on the Financial Statements

We have audited the accompanying statements of assets, liabilities and equity-modified accrual basis of the North Jersey District Water Supply Commission's (the " Commission") Wanaque South Project, a Joint Venture (the "Joint Venture"), as of and for the years ended December 31, 2015 and 2014, and the related statements of revenues, expenses and changes in equity-modified accrual basis and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified accrual basis of accounting which differs in certain respects from accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the financial statements are prepared and presented by the Joint Venture on the modified accrual basis of accounting. This basis of accounting does not present the financial statement in accordance with accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the modified accrual basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph above, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Joint Venture as of December 31, 2015 and 2014, or changes in financial position, or, where applicable, cash flows for the years then ended.

Opinion on Modified Accrual Basis of Accounting

In our opinion, the financial statements – modified accrual basis referred to above present fairly, in all material respects, the financial position – modified accrual basis of the NJDWSC Wanaque South Project, a Joint Venture as of December 31, 2015 and 2014, and the change in equity – modified accrual basis and cash flows – modified accrual basis for the years then ended in accordance with the basis of financial accounting and reporting principles and practices described in Note 1.

Emphasis of Matter

As discussed in Note 1 (A), the financial statements-modified accrual basis of the North Jersey District Water Supply Commission Wanaque South Joint Venture, are intended to present the financial position-modified accrual basis, the changes in equity-modified accrual basis and cash flows-modified accrual basis of only that portion of the North Jersey District Water Supply Commission that is attributable to the transactions of the Wanaque South Joint Venture. They do not purport to, and do not, present fairly the financial position-modified accrual basis of the North Jersey District Water Supply Commission as of December 31, 2015 and 2014, the changes in its equity-modified accrual basis and cash flows-modified accrual basis for the years then ended in accordance with the basis of financial accounting and reporting principles and practices as described in Note 1. Our opinion on the financial statements-modified accrual basis is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 8, 2016 on our consideration of the North Jersey District Water Supply Commission's Wanaque South Project, a Joint Venture's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the North Jersey District Water Supply Commission's Wanaque South Project, a Joint Venture's internal control over financial reporting and compliance.

Lerch Vinci & Higgins LLP

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants

Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

Fair Lawn, New Jersey
August 8, 2016

FINANCIAL STATEMENTS

EXHIBIT A

WANAQUE SOUTH PROJECT, A JOINT VENTURE
COMPARATIVE STATEMENTS OF ASSETS, LIABILITIES AND EQUITY
(MODIFIED ACCRUAL BASIS)
AS OF DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Unrestricted Current Assets		
Cash and Cash Equivalents	$ 115,780	$ 117,280
Due from Wanaque South Project	3,686,405	266,165
Due from United Water, New Jersey	216,440	275,384
Total Unrestricted Current Assets	4,018,625	658,829
Deferred Charges to Future Revenue		
United Water	3,479,185	-
Total Deferred Charges	3,479,185	-
Total Assets	$ 7,497,810	$ 658,829
LIABILITIES AND EQUITY		
LIABILITIES		
Current Liabilities (Payable from Unrestricted Assets)		
Accounts Payable	$ 139,695	$ 169,695
Due to Wanaque North Project	391,179	480,568
Encumbrances Payable	6,958,370	
Unearned Revenue - FEMA	3,566	3,566
Total Current Liabilities Payable from Unrestricted Assets	7,492,810	653,829
Total Liabilities	7,492,810	653,829
EQUITY		
Equity - Wanaque South Project	2,500	2,500
Equity - United Water New Jersey	2,500	2,500
Total Equity	5,000	5,000
Total Liabilities and Equity	$ 7,497,810	$ 658,829

The Accompanying Notes are an Integral Part of these Financial Statements

WANAQUE SOUTH PROJECT, A JOINT VENTURE
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN EQUITY
(MODIFIED ACCRUAL BASIS)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
OPERATING REVENUES		
Charges for Services - Wanaque South Towns	$ 2,053,301	$ 1,192,669
Charges for Services - United Water New Jersey	4,820,964	3,402,696
Reimbursement - Wanaque South Project	2,609,460	2,056,129
Miscellaneous Income	106,641	-
Total Operating Revenues	9,590,366	6,651,494
OPERATING EXPENSES		
Sources of Supply		
Utilities	2,965	6,210
Repairs and Maintenance	1,150	1,082
Real Estate Taxes	40,775	39,625
Other Expenses	14,620	
Pump Stations		
Utilities	1,350,262	1,246,869
Repairs and Maintenance	85,887	268,821
Real Estate Taxes	265,813	257,862
Other Expenses	19,193	19,186
Allocated Wanaque North Project Costs		
Salaries and Wages	2,419,865	1,835,823
Fringe Benefits	1,501,611	1,183,197
Other Expenses	1,297,444	1,093,238
Administrative and General		
Insurance	389,468	477,146
Professional Fees	157,925	222,435
Total Operating Expenses	7,546,978	6,651,494
Operating Income	2,043,388	-
NON-OPERATING EXPENSES		
Capital Outlay	(2,043,388)	-
Total Non-Operating Revenue (Expenses)	(2,043,388)	-
Changes in Equity	-	-
Equity - Beginning of Year	5,000	5,000
Equity - End of Year	$ 5,000	$ 5,000

The Accompanying Notes are an Integral Part of these Financial Statements

EXHIBIT C

WANAQUE SOUTH PROJECT, A JOINT VENTURE
COMPARATIVE STATEMENTS OF CASH FLOWS
(MODIFIED ACCRUAL BASIS)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Equity	$ -	$ -
Changes in Operating Assets and Liabilities:		
(Increase)/Decrease in Due from Wanaque South Project	(3,420,240)	(15,762)
(Increase)/Decrease in Due from United Water New Jersey	58,944	237,228
(Increase)/Decrease in Deferred Charges to Future Revenue - United Water	(3,479,185)	-
Increase/(Decrease) in Accounts Payable	(30,000)	19,219
Increase/(Decrease) in Due to Wanaque North Project	(89,389)	(123,575)
Increase/(Decrease) in Encumbrances Payable	6,958,370	-
Net Increase (Decrease) in Cash and Cash Equivalents	(1,500)	117,110
Cash and Cash Equivalents Beginning of Year	117,280	170
Cash and Cash Equivalents End of Year	$ 115,780	$ 117,280

The Accompanying Notes are an Integral Part of these Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Wanaque South Project, a Joint Venture (the "Joint Venture") is a joint venture between the North Jersey District Water Supply Commission's (the "Commission"), Wanaque South Project, and United Water New Jersey ("United Water"), an investor-owned water utility company (collectively, the "Co-owners"). The Joint Venture was created to substantially increase the water supply available to the Co-owners primarily through the expansion of an existing pumping station (Ramapo Pumping Station) and the construction of a new pumping station (Wanaque South Pump Station), a large capacity pipeline (Wanaque South Aqueduct) and a reservoir (Monksville Reservoir), collectively, the "project assets". Expansion and construction activities were completed in 1992. Upon completion, the project assets, with cumulative construction costs of approximately $87.6 million, were transferred from the Joint Venture to the Co-owners in accordance with the ownership percentages noted below.

The Co-owners have entered into project agreements, which define the ownership, rights, benefits and obligations of the Co-owners with respect to the Joint Venture. The Co-owners, as tenants in common, own all the facilities not owned by either Co-owner forming a part of the Joint Venture, including real estate ownership interests, easements and licenses, as follows:

- Wanaque South Project – an undivided 50% interest, and United Water – an undivided 50% interest.
- The Ramapo Pumping Station and intake facilities, except the land and the Ramapo pipeline, are owned by the Co-owners as tenants in common as follows:
- Wanaque South Project – an undivided 5/6 interest and United Water – an undivided 1/6 interest.
- Each Co-owner is granted from the other party rights to use any portion of the project and common facilities, which are owned solely by one Co-owner, as, are necessary for the operation of the Joint Venture.
- Each Co-owner is entitled to 50% of the additional raw water "safe yield" made available by the Joint Venture.

Operating Agreement:
The Co-owners signed an operating agreement (the "Agreement") on December 1, 1981. Operations commenced on January 1, 1987 and under terms of the Agreement, the Commission, as operating agent, operates and maintains the Joint Venture in a manner consistent with the rights of the Co-owners under the project agreements. United Water has agreed to allow the Commission to act as its agent and fiduciary as to United Water's interest in the Joint Venture, and the Commission has agreed to undertake, as agent and fiduciary for United Water, the responsibility for the performance of the operating work in accordance with the operating agreement. The Co-owners have agreed to share equally, the costs of operating the Joint Venture, except for certain real estate and sales taxes, which are paid entirely by United Water. An annual operating budget is prepared and adopted by the Commission.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Joint Venture have been prepared on the modified accrual basis of accounting, which differs in certain respects than accounting principles generally accepted in the United States of America ("GAAP"). Under the modified accrual basis, revenues are recorded when earned and expenses are recorded when incurred, however, capital outlays are expensed in the period incurred, which is not in accordance with GAAP, which requires capital outlays to be capitalized and depreciated over the estimated life of the asset. The operating costs of the Joint Venture are presented in accordance with the uniform system of accounts of the New Jersey Board of Public Utilities Commission, which comply with GAAP.

Use of Estimates - The preparation of financial statements requires management of the Joint Venture to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of accrued revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

Revenue Recognition - The Joint Venture is reimbursed by the Co-owners in accordance with the Agreement for operating costs in the period the costs are incurred.

Capital Outlays - Capital projects that do not relate to infrastructure or other capitalizable assets are expensed in the period incurred. GAAP requires that these costs be capitalized and amortized over the estimated life of the asset.

NOTE 2 CASH DEPOSITS AND INVESTMENTS

The Joint Venture considers petty cash, change funds, cash in banks, certificates of deposit and deposits with the New Jersey Cash Management Fund as cash and cash equivalents.

Cash Deposits

The Joint Venture's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Joint Venture is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or $200 million for all deposits not covered by the FDIC.

Bank balances are insured up to $250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of $250,000 for each failed brokerage firm. At December 31, 2015 and 2014, the book value of the Joint Venture's deposits were $115,780 and $117,280, respectively, and bank and brokerage firm balances of the Joint Venture's deposits amounted to $115,780 and $131,511 at December 31, 2015 and 2014, respectively. The Joint Venture's deposits which are displayed on the balance sheet as "cash and cash equivalents" are categorized as:

	2015	2014
Depository Account		
Insured	$ 115,780	$ 131,511

NOTE 2 CASH DEPOSITS AND INVESTMENTS (Continued)

Cash Deposits (Continued)

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Joint Venture does not have a formal policy for custodial credit risk. As of December 31, 2015 and 2014, the Joint Venture's bank balances were not exposed to custodial credit risk.

NOTE 3 RELATED COMPANY TRANSACTIONS

Due from Related Companies

The Co-owners are charged their respective amounts for operating costs of the Joint Venture. As of December 31, 2015 and 2014, the Co-owners owe the Joint Venture $7,382,030 and $541,549, respectively. These amounts are non-interest bearing, payable on demand and consist of the following:

	2015	2014
Wanaque South Project	$ 3,686,405	$ 266,165
United Water, New Jersey (1)	3,695,625	275,384
	$ 7,382,030	$ 541,549

(1) Includes deferred charge of $3,479,185, representing United Water's share of contract balance for the Wanaque South Pump Station repair.

The Commission's Wanaque North Project advances funds for construction costs on behalf of the Joint Venture. As of December 31, 2015 and 2014, the amount due to the Wanaque North Project is $391,179 and $480,568, respectively. The advances are non-interest bearing and are payable on demand.

Cost Allocations

The Joint Venture is allocated certain operating costs, based on a predetermined formula, from the Commission's Wanaque North Project and for the years ended December 31, 2015 and 2014, the costs consisted of:

	2015	2014
Salaries and Wages	$ 2,419,865	$ 1,835,823
Fringe Benefits	1,501,611	1,183,197
Other Expenses	1,297,444	1,093,238
	$ 5,218,920	$ 4,112,258

NOTE 3 RELATED PARTY TRANSACTIONS

Equity

The governing board and management of the Joint Venture consists of personnel from both co-owners in the Joint Venture. The personnel have the ability to approve budgets, sign contracts with exercise control over facilities and to determine the outcome or disposition of matters affecting the recipients of services provided. At December 31, 2015 and 2014, the Equity in the Joint Venture is as follows:

	2015	2014
Wanaque South Project	$ 2,500	$ 2,500
United Water, New Jersey	2,500	2,500
	$ 5,000	$ 5,000

NOTE 4 CONTINGENT LIABILITIES

The Commission is a party defendant in some lawsuits, none of a kind unusual for a entity of its size and scope of operation. In the opinion of the Commission's Attorney, the potential claims against the Commission not covered by insurance policies would not materially affect the financial condition of the Commission.

The Commission is subject to various regulations promulgated by the U.S. and State of New Jersey Department of Environmental Protection (collectively, "DEP"). Laws and regulations governing DEP are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines and penalties. The Commission is not aware of non-compliance of said laws and regulations.

NOTE 5 RISK MANAGEMENT

The Commission is exposed to various risks of loss related to general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; termination of employees and natural disasters. The Commission has obtained commercial insurance coverage to guard against these events to minimize the exposure to the Commission should they occur.

There has been no significant reduction in insurance coverage from the previous year.

NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION
WANAQUE SOUTH PROJECT, A JOINT VENTURE
ROSTER OF OFFICIALS
DECEMBER 31, 2015

The following officials of the North Jersey District Water Supply Commission were in office at December 31, 2015:

COMMISSIONERS

Charles P. Shotmeyer, Chairman

Carmen A. Orechio, Vice-Chairman

Jerome P. Amedeo

Alan S. Ashkinaze

Howard L. Burrell

Donald C. Kuser

Robert Garofalo

EXECUTIVE OFFICERS

Todd Caliguire	Executive Director
Joseph E. Stroin, Jr.	Chief Operating Officer
William Schaffner	Chief Financial Officer
Kim Diamond	Commission Secretary

GOVERNMENT AUDITING STANDARDS

LERCH, VINCI & HIGGINS, LLP
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLOSI, CPA
ROBERT AMPONSAH, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members of the Board of Commissioners
North Jersey District Water Supply Commission
Wanaque, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements –modified accrual basis of the North Jersey District Water Supply Commission's Wanaque South Project, a Joint Venture, as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated August 8, 2016. Our report on the financial statements – modified accrual basis indicated that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the modified accrual basis of accounting as described in Note 1.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the North Jersey District Water Supply Commission Wanaque South Project, a Joint Venture's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the North Jersey District Water Supply Commission Wanaque South Project, a Joint Venture's internal control. Accordingly, we do not express an opinion on the effectiveness of the North Jersey District Water Supply Commission Wanaque South Project, a Joint Venture's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Joint Venture's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Jersey District Water Supply Commission Wanaque South Project, a Joint Venture's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the North Jersey District Water Supply Commission Wanaque South Project, a Joint Venture's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the North Jersey District Water Supply Commission Wanaque South Project, a Joint Venture's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants

Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

Fair Lawn, New Jersey
August 8, 2016

NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION
WANAQUE SOUTH PROJECT, A JOINT VENTURE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2015

Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards.

There are none.

NORTH JERSEY DISTRICT WATER SUPPLY COMMISSION
WANAQUE SOUTH PROJECT, A JOINT VENTURE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2015

This section identifies the status of prior year findings related to the financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (Section .215(a)(b)) and New Jersey OMB Circular 04-04.

There were none.