NEW JERSEY CLEAN WATER
AND DRINKING WATER
STATE REVOLVING FUND PROGRAM

Schedule of Expenditures of
Federal Awards

June 30, 2012
NEW JERSEY CLEAN WATER AND DRINKING WATER
STATE REVOLVING FUND PROGRAM

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June 30, 2012

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INDEPENDENT AUDITORS’ REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the New Jersey Clean Water and Drinking Water State Revolving Fund Program’s Management and the U.S. Environmental Protection Agency

We have audited the accompanying schedule of expenditures of federal awards (the "Schedule") of the New Jersey Clean Water and Drinking Water State Revolving Fund Program (the "Program") for the year ended June 30, 2012. This Schedule is the responsibility of the Program’s management. Our responsibility is to express an opinion on this Schedule 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 Schedule is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Program’s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the expenditures of federal awards of the Program, as described above, for the year ended June 30, 2012, on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the Program’s management and the U.S. Environmental Protection Agency and is not intended to be and should not be used by anyone other than these specified parties.

April 8, 2013
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133 AND
NEW JERSEY CIRCULAR LETTER 04-04-OMB

To the New Jersey Clean Water and Drinking Water State Revolving Fund Program's Management and the U.S. Environmental Protection Agency

Compliance

We have audited the compliance of New Jersey Clean Water and Drinking Water State Revolving Fund Program (the “Program”) with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133, Compliance Supplement and State of New Jersey’s State Grant Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Program’s major federal programs are identified in the summary of auditors’ results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Program’s management. Our responsibility is to express an opinion on the Program’s compliance based on our audit.

We conducted our audit of compliance in accordance with 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; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and State of New Jersey Circular Letter 04-04-OMB. Those standards, OMB Circular A-133 and New Jersey Circular Letter 04-04-OMB require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Program’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Program’s compliance with those requirements.

In our opinion, the Program complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.
Internal Control Over Compliance

The management of the Program is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Program's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey Circular Letter 04-04-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Program's management and the U.S. Environmental Protection Agency and is not intended to be and should not be used by anyone other than these specified parties.

April 8, 2013
## NEW JERSEY CLEAN WATER AND DRINKING WATER STATE REVOLVING FUND PROGRAM

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

<table>
<thead>
<tr>
<th>Federal Grantor/Program Title</th>
<th>Federal CFDA Number</th>
<th>Program or Award Amount</th>
<th>Grant Period</th>
<th>Current Year's Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>*U.S. Environmental Protection Agency - Drinking Water State Revolving Fund Program</td>
<td>66.458</td>
<td>234,620,600</td>
<td>7/1/1997-8/30/2021</td>
<td>26,166,022</td>
</tr>
<tr>
<td>*U.S. Environmental Protection Agency - Drinking Water State Revolving Fund Program - ARRA</td>
<td>66.468</td>
<td>43,154,000</td>
<td>10/1/08-12/31/2013</td>
<td>2,128,773</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>66.458</strong></td>
<td><strong>$1,261,146,788</strong></td>
<td></td>
<td><strong>$100,591,579</strong></td>
</tr>
</tbody>
</table>

*Denotes major program

See note to schedule of expenditures of federal awards.
NEW JERSEY CLEAN WATER AND DRINKING WATER
STATE REVOLVING FUND PROGRAM

NOTE TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

Year Ended June 30, 2012

Note 1. Basis of Presentation

The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
NEW JERSEY CLEAN WATER AND DRINKING WATER
STATE REVOLVING FUND PROGRAM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? ________ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? ________ yes X none reported
- Noncompliance material to financial statements noted? ________ yes X no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? ________ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? ________ yes X none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ________ yes X no

Identification of major programs:

<table>
<thead>
<tr>
<th>Federal CFDA Number</th>
<th>Name of Federal Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>66.458</td>
<td>Clean Water State Revolving Fund Program - ARRA</td>
</tr>
<tr>
<td>66.458</td>
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</tr>
<tr>
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</tr>
<tr>
<td>66.468</td>
<td>Drinking Water State Revolving Fund Program - ARRA</td>
</tr>
</tbody>
</table>

Dollar threshold used to distinguish between type A and type B programs: $3,017,747

Audittee qualified as low-risk auditee? ________ yes X no

Section II - Financial Statement Findings

None Noted

Section III - Federal Award Findings and Questioned Costs

None Noted
All prior year findings have been resolved.