

LAKWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

**FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION**

YEARS ENDED OCTOBER 31, 2013 AND 2012

AND

INDEPENDENT AUDITOR'S REPORT

LAKWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
FINANCIAL STATEMENTS WITH SUPPLEMENTAL INFORMATION
YEARS ENDED OCTOBER 31, 2013 AND 2012

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MOHEL ELLIOTT BAUER & GASS

A P R O F E S S I O N A L A S S O C I A T I O N

FOUNDED IN 1926 BY SIDNEY MOHEL

CERTIFIED PUBLIC ACCOUNTANTS

1339 RIVER AVENUE, P.O. BOX 261, LAKEWOOD, NEW JERSEY 08701-5615
732/363-6500 FAX: 732/363-0675



INDEPENDENT AUDITOR'S REPORT

**Chairman and Commissioners of
Lakewood Township Municipal Utilities Authority**

Report on the Financial Statements

We have audited the accompanying financial statements of the Lakewood Township Municipal Utilities Authority (the "Authority") as of and for the years ended October 31, 2013 and 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 and in compliance with audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

**Chairman and Commissioners of
Lakewood Township Municipal Utilities Authority**

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lakewood Township Municipal Utilities Authority as of October 31, 2013 and 2012, and the changes in financial position and its cash flows, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 and budgetary comparison information on pages 21 through 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to this required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lakewood Township Municipal Utilities Authority's basic financial statements as a whole. The accompanying schedules of expenditures of federal and state awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

MOHEL ELLIOTT BAUER & GASS
A P R O F E S S I O N A L A S S O C I A T I O N
C E R T I F I E D P U B L I C A C C O U N T A N T S

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2014, on our consideration of the Lakewood Township Municipal Utilities Authorities 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 Lakewood Township Municipal Utilities Authorities internal control over financial reporting and compliance.

MoHEL Elliott Bauer & Gass

MOHEL ELLIOTT BAUER & GASS, P.A.
Certified Public Accountant

April 8, 2014
Lakewood, New Jersey

LAKWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED OCTOBER 31, 2013

Our discussion and analysis of Lakewood Township Municipal Utilities Authority financial performance provides an overview of the Authorities financial activities for the year ended October 31, 2013. Please review it in conjunction with the Authorities basic financial statements which begin on Page 6.

Financial Highlights

- Total net position increased \$1,997,911 which represents a 4.10 percent increase from 2012.
- Operating revenues, accounted for 98.50 percent of all revenues, and increased \$774,443 which represents a 9.23 percent increase from 2012.
- Operating expenses, accounted for 92.81 percent of all expenses, and increased \$511,049 which represents a 6.69 percent increase from 2012. The largest increase was in the areas of personnel and employee benefits and depreciation.
- Other expenses, accounted for 7.19 percent of all expenses and decreased \$11,035 from 2012. The largest decrease was in the area of Bond interest expense.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position (on page 6 through 8) provide information about the activities of the Authority as a whole.

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Position

Our analysis of the Authority as a whole begins on page 6. One of the most important questions asked about the Authorities finances is, "Is the Authority as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position report information about the Authority as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authorities *net position* and changes in them. You can think of the Authorities net position - the difference between assets and liabilities-as one way to measure the Authorities financial health, or *financial position*. Over time, *increases or decreases* in the Authorities net position are one indicator of whether its *financial health* is improving or deteriorating.

(Continued)

LAKWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
FOR THE YEAR ENDED OCTOBER 31, 2013**

USING THIS ANNUAL REPORT (Continued)

The Authorities Funds

In accordance with the 1997 bond resolution and the 1986 and 1993 supplemental bond resolutions, the Authority has established the cash and investment funds for the deposit of all revenues received by the Authority as described on page 13.

The District as a Whole

The Authorities total net position increased \$1,997,911 to \$50,764,419 or 4.10 percent. Details of the changes are reflected on page 8.

Original Versus Final Budget

Pages 17 and 18 reflects the variances between the original and final budgeted amounts.

Capital Assets

At year end, the Authority had \$78,671,541 in total capital assets - an increase of \$5,320,522 from 2012, the largest increase in capital assets was the construction costs of well 17, and the construction costs of the Airport road storage tank, and the construction costs of the administration office renovation, costs of the New Hampshire Avenue Treatment Plant, Metering Project and Developer expansion of system.

Debt Administration

On November 6, 2008, the Lakewood Township Municipal Utilities Authority authorized the issuance of Series 2008 Revenue Bonds of 16,369,580 for the purpose of providing funds for the replacement of Airport Road water storage tank, upgrade and the expansion of the New Hampshire Avenue treatment plant, construction of well no. 17 with ASR capability, install well pump and motor in well no. 4, construction of Cedar Bridge raw water main and renovation of the Authority's administration building. Interest on the 2008 Revenue Bonds will be capitalized during the period of construction.

On May 3, 2012, the Lakewood Township Municipal Utilities Authority authorized the issuance of Series 2012 Revenue Bonds of \$1,995,430 for the purpose of providing supplemental additional funds for the replacement of the Airport Road water storage tank, upgrade and the expansion of the New Hampshire Avenue treatment plant, construction of well no. 17 with ASR capability, install well pump and motor in well no. 4, construction of Cedar Bridge raw water main and renovation of the Authority's administration building.

On May 3, 2012, the Lakewood Township Municipal Utilities Authority authorized the issuance of Series 2012 Revenue Bonds of \$3,205,781 for the purpose of providing funds for the replacement and upgrading the utility billing meters through out the Authorities service area.

(Continued)

LAKWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

FOR THE YEAR ENDED OCTOBER 31, 2013

USING THIS ANNUAL REPORT (Continued)

Economic Factors and Next Year's Budget and Rates

The Authorities governing body considered many factors when setting the 2013 budget and water and sewer rates including the economy, the rate of inflation, planned future capital projects and debt service requirements. The Authorities water and sewer rates increased 3.00 percent and 1.50 percent respectively, effective November 1, 2012; 3.00 percent and 1.50 percent respectively, effective November 1, 2013.

CONTACTING THE AUTHORITIES FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Authorities finances and to show the Authorities accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Administrative Assistant at 390 New Hampshire Avenue, Lakewood, New Jersey 08701.

LAKWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

**STATEMENT OF NET POSITION
OCTOBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
ASSETS		
Unrestricted assets:		
Cash and interest bearing accounts	\$ 14,480,616	\$ 14,307,152
Investments, at fair value - Note 8	749,696	464,954
Accounts receivable	1,551,728	1,224,042
Accrued interest receivable	8,941	8,941
Other receivables	226,398	348,681
Prepaid expenses	<u>10,562</u>	<u>8,667</u>
Total unrestricted assets	<u>17,027,941</u>	<u>16,362,437</u>
Restricted assets:		
Construction Fund:		
Cash	727,559	833,015
Investments, at fair value - Note 8	1,178,435	4,284,842
Bond Service Fund:		
Investments, at fair value - Note 8	1,696,318	1,684,530
Bond Reserve Fund:		
Investments, at fair value - Note 8	441,984	441,984
Renewal and Replacement Fund:		
Investments, at fair value - Note 8	<u>49,876</u>	<u>49,876</u>
Total restricted assets	<u>4,094,172</u>	<u>7,294,247</u>
Property, plant and equipment		
Less: accumulated depreciation - Notes 2 & 6	<u>58,983,072</u>	<u>55,413,421</u>
Total unrestricted and restricted assets	<u>\$ 80,105,185</u>	<u>\$ 79,070,105</u>

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

**STATEMENT OF NET POSITION
(Continued)
OCTOBER 31, 2013 AND 2012**

	2013	2012
LIABILITIES		
Current liabilities payable from unrestricted assets:		
Accounts payable	\$ 113,345	\$ 137,248
Accrued liabilities	629,352	582,356
Unearned revenue assignment of cell tower leases - Note 10	18,125	18,125
Accrued post-employment benefit plan - Note 9	488,800	327,500
Unearned billings	366,273	354,021
Project funds held in escrow	642,528	752,389
Customers deposits - Note 2	105,966	105,966
Escrow fund - Note 2	470,233	564,625
Total current liabilities payable from unrestricted assets	2,834,622	2,842,230
Current liabilities payable from restricted assets		
Accrued interest payable on revenue bond	308,193	285,737
Revenue bonds payable - current portion Note 5	1,396,486	1,307,817
Construction cost payable	627,302	246,239
Total current liabilities payable from restricted assets	2,331,981	1,839,793
Accrued unfunded post-employment benefit plan - Note 9	1,072,800	1,072,800
Advanced revenue assignment of cell tower leases - Note 10	685,729	703,854
Long-term portion of revenue bonds payable - Note 5	21,906,004	23,302,490
Premium on revenue bonds payable, net - Note 2	509,630	542,430
Total liabilities	29,340,766	30,303,597
NET POSITION		
Contributed capital		
Less: accumulated depreciation - Note 3	18,405,861	17,642,566
Restricted for:		
Construction Fund - Note 4	19,440,269	18,797,553
Bond Service Fund - Note 4	(8,361)	90,976
Bond Reserve Fund - Note 4	441,984	441,984
Renewal and Replacement Fund - Note 4	49,876	49,876
Unrestricted:		
Unfunded post-employment benefit plan - Note 9	(1,072,800)	(1,072,800)
Unrestricted Fund	13,507,590	12,816,353
Total Net Position	\$ 50,764,419	\$ 48,766,508

The accompanying notes are an integral part of these financial statements

LAKWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
YEARS ENDED OCTOBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Water and sewer service charges	\$ 8,514,794	\$ 7,865,265
Connection fees	370,334	208,842
Other income	276,408	312,986
	<u>9,161,536</u>	<u>8,387,093</u>
Operating expenses:		
Personnel services	1,392,380	1,279,720
Employee benefits	942,308	835,973
Administrative	699,296	795,425
Operations and maintenance	3,367,462	3,291,850
Depreciation	1,750,971	1,438,400
	<u>8,152,417</u>	<u>7,641,368</u>
Total operating expenses	<u>8,152,417</u>	<u>7,641,368</u>
Operating income	1,009,119	745,725
Other income (expense):		
Investment income	139,907	104,961
Bond interest expense	(631,479)	(642,514)
Amortization of premium on revenue bonds	32,800	32,800
	<u>550,347</u>	<u>240,972</u>
Income (before transfer of depreciation on assets purchased with contributed capital)	<u>550,347</u>	<u>240,972</u>
Transfer of depreciation to contributed capital	<u>684,269</u>	<u>647,714</u>
Change in net position	1,234,616	888,686
Unfunded post-employment benefit plan - Note 9	-	(484,300)
Prior period adjustment - Note 11	-	(534,680)
Restricted and unrestricted net position - beginning of year	<u>31,123,942</u>	<u>31,254,236</u>
Restricted and unrestricted net position - end of year	<u>32,358,558</u>	<u>31,123,942</u>
Contributed capital - beginning of year	17,642,566	16,813,416
Developer expansion of system	1,447,564	1,476,864
Transfer of depreciation from operations to contributed capital	(684,269)	(647,714)
Contributed capital - end of year	<u>18,405,861</u>	<u>17,642,566</u>
Total net position - end of year	<u>\$ 50,764,419</u>	<u>\$ 48,766,508</u>

The accompanying notes are an integral part of these financial statements

LAKWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

**STATEMENT OF CASH FLOWS
YEARS ENDED OCTOBER 31, 2013 AND 2012**

	2013	2012
Cash flows from operating activities:		
Cash received from customers	\$ 8,827,977	\$ 9,242,150
Cash paid to suppliers and employees	(6,096,665)	(6,461,590)
Investment income - received	139,907	104,964
Bond interest expense - paid	(609,023)	(655,514)
Increase (decrease) in project funds held in escrow	(109,861)	109,311
Increase (decrease) in escrow funds	(94,392)	(2,702)
 Net cash provided by operating activities	 2,057,943	 2,336,619
 Cash flows from investing activities:		
Capital expenditures	(4,939,559)	(11,312,776)
(Increase) decrease in investments	2,809,877	5,231,717
 Net cash used in investing activities	 (2,129,682)	 (6,081,059)
 Cash flows from financing activities:		
Developer expansion of system	1,447,564	1,476,864
Bond issue costs paid new series	-	(42,442)
Premium on revenue bonds payable	-	334,855
Proceeds from issuance of long-term debt	-	5,201,211
Principal redemption of long-term debt	(1,307,817)	(1,094,762)
 Net cash provided (used) by financing activities	 139,747	 5,875,726
 Net increase in cash and cash equivalents	 68,008	 2,131,286
Cash and cash equivalents at beginning of year	15,140,167	13,008,881
Cash and cash equivalents at end of year	\$ 15,208,175	\$ 15,140,167

(Continued)

LAKWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

STATEMENT OF CASH FLOWS
(Continued)
YEARS ENDED OCTOBER 31, 2013 AND 2012

	2013	2012
Change in net position	\$ <u>1,234,616</u>	\$ <u>888,686</u>
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Depreciation and amortization, net	1,033,902	757,886
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(327,686)	114,937
Accrued interest receivable	-	3
Other receivable	122,283	(348,681)
Prepaid expenses	(1,895)	(445)
Increase (decrease) in:		
Accounts payable	(23,903)	(94,328)
Accrued liabilities	46,996	23,532
Unearned revenue assignment of cell tower leases	(18,125)	721,979
Accrued post-employment benefit plan	161,300	161,300
Unearned billings	12,252	18,141
Project funds held in escrow	(109,861)	109,311
Escrow funds	(94,392)	(2,702)
Accrued interest payable on revenue bonds	<u>22,456</u>	<u>(13,000)</u>
Total adjustments	<u>823,327</u>	<u>1,447,933</u>
Net cash provided by operating activities	\$ <u><u>2,057,943</u></u>	\$ <u><u>2,336,619</u></u>

The accompanying notes are an integral part of these financial statements

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2013 AND 2012

NOTE 1 - NATURE OF ORGANIZATION

The Lakewood Township Municipal Utilities Authority was created by ordinance of the Township of Lakewood dated July 22, 1971 and as amended on August 12, 1971.

The powers of the Authority are exercised by a governing body or Board composed of five members. Members of the Board are as follows:

	<u>Term Expires</u>
Senator Robert W. Singer, Chairman	February 1, 2016
P.G. Waxman, Vice Chairman	February 1, 2015
Anne Fish, Treasurer	February 1, 2018
Raymond Coles, Commissioner	February 1, 2019
Mike Sernotti, Commissioner	February 1, 2017
Sam Flancbaum, Assistant Secretary, Alternate Commissioner No. 1	February 1, 2019
Craig Theibault, Alternate Commissioner No. 2	February 1, 2015
Justin Flancbaum, Executive Director	

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Lakewood Township Municipal Utilities Authority have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Property, plant and equipment - Property, plant and equipment is carried at cost. Depreciation is computed using the straight-line method. Depreciation on assets acquired with grants-in-aid is recorded as a reduction of contributed capital.

Cash and Cash Equivalents - For purposes of reporting cash flows, cash and cash equivalents include cash on hand and amounts due from banks.

Customer Deposits - Monies required from customers to assure payment. Deposits are retained for a period of one year for owners of property. Tenant deposits are retained until termination of the lease.

Escrow Funds - Monies required from contractors to assure performance. Deposits are retained in the account until the contractor satisfies all outstanding debts to the Authority and/or at the end of one year the engineer recommends release of the monies and acceptance of the project.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(Continued)

LAKWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bond Resolution - As provided in the bond resolution, the accounts are maintained on the individual fund concept. The assets of each fund are subject to the use in liquidation of, or for the purpose of, the liabilities and reserve as shown herein, or, in case of excesses over liabilities and reserves (retained earnings) for specified of general use subject to the conditions and requirements stipulated in the bond resolution.

Reclassifications - Certain reclassifications have been made to the 2012 financial statements to conform with the 2013 presentation.

Subsequent Events - The Board has evaluated subsequent activity through the date of the auditor's report, which is the date the financial statements were available to be issued, and determined nothing additional is required to be recorded or disclosed.

NOTE 3 - CONTRIBUTED CAPITAL

On September 22, 1987, the Lakewood Township Municipal Utilities Authority accepted a grant from the Economic Development Administration, U.S. Department of Commerce in an amount not to exceed \$521,000. The grant was used to provide assistance in the construction of a new water supply well and water treatment facility.

Construction grant in the amount of \$300,000 was provided by the Township of Lakewood, Lakewood Industrial Commission, to help defray cost of the expansion of the Authority's facilities in order to assure an adequate water supply and treatment facility for the Lakewood Industrial Campus.

A non-refundable contribution in the amount of \$835,000 was provided by Lakewood Cogeneration, L.P. The contribution will be used towards the construction of the relocated wells and/or other related future plant facilities.

A contribution in the amount of \$56,061 was received from New Jersey Spill Compensation Fund. These monies were used to provide assistance in the construction of the Locust Street and Vermont Avenue water main extensions.

Developer expansion of the Authority's water distribution and sewer sanitary collection systems.

	2013	2012
Economic Development Administration	\$ 521,000	\$ 521,000
Township of Lakewood	300,000	300,000
Lakewood Cogeneration, L.P.	835,000	835,000
New Jersey Spill Compensation Fund	56,061	56,061
Developer expansion of system	26,360,181	24,912,617
	28,072,242	26,624,678
Less: accumulated depreciation	9,666,381	8,982,112
	\$ 18,405,861	\$ 17,642,566

(Continued)

LAKWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2013 AND 2012

NOTE 4 - RESTRICTED FUNDS

In accordance with the 1997 bond resolution and the 1986 and 1993 supplemental bond resolutions, the Authority has established the following cash and investment funds for the deposit of all revenues received by the Authority:

<u>Funds</u>	<u>Amount</u>	<u>Use For Which Restricted</u>
Revenue	All revenues received by the Authority.	Authorized operating expenses and, as of the first day of each month, transfers to the various funds described below.
General	Any extent.	Authorized expenditures and transfers to the various funds.
Construction	Proceeds of debt issued and construction grants - in aid.	Construction costs of the system.
Bond Service (Current Debt Service)	Amount needed to pay principal and interest due on or before the first day of May and November.	Principal and interest on the bonds.
Bond Reserve (Future Debt Service)	Amount needed to equal the greatest amount of debt service due in any bond year.	Transfers to meet minimum levels required in the bond service or sinking funds. Any excess may be transferred into the renewal and replacement fund.
Renewal and Replacement	Amount needed to increase the balance to equal the renewal and replacement requirements as defined by the resolution.	Transfers to meet minimum levels required in the bond service, sinking or bond reserve funds or major repairs, renewals and extensions of the system.

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2013 AND 2012

NOTE 5 - REVENUE BONDS

	2013	2012
Revenue Bonds Series 2002	\$ 3,467,286	\$ 3,806,287
Revenue Bonds Series 2008	14,814,929	15,602,809
Revenue Bonds Series 2012	5,020,275	5,201,211
	23,302,490	24,610,307
Less: current portion	1,396,486	1,307,817
	\$ 21,906,004	\$ 23,302,490

On November 7, 2002, the Lakewood Township Municipal Utilities Authority authorized the issuance of \$6,461,230 Series 2002 Revenue Bonds for the purpose of providing funds for the replacement of the existing Shorrock Street Treatment Plant with the construction of a new facility and the construction of a 3.0 MG ground level storage tank and pump station. The bonds interest payments are semiannual on May 1 and November 1 of each year.

On November 6, 2008, the Lakewood Township Municipal Utilities Authority authorized the issuance of Series 2008 Revenue Bonds of 16,369,580 for the purpose of providing funds for the replacement of the Airport Road water storage tank, upgrade and the expansion of the New Hampshire Avenue treatment plant, construction of well no. 17 with ASR capability, install well pump and motor in well no. 4, construction of Cedar Bridge raw water main and renovation of the Authority's administration building.

On May 3, 2012, the Lakewood Township Municipal Utilities Authority authorized the issuance of Series 2012 Revenue Bonds of \$1,995,430 for the purpose of providing supplemental additional funds for the replacement of the Airport Road water storage tank, upgrade and the expansion of the New Hampshire Avenue treatment plant, construction of well no. 17 with ASR capability, install well pump and motor in well no. 4, construction of Cedar Bridge raw water main and renovation of the Authority's administration building.

On May 3, 2012, the Lakewood Township Municipal Utilities Authority authorized the issuance of Series 2012 Revenue Bonds of \$3,205,781 for the purpose of providing funds for the replacement and upgrading the utility billing meters through out the Authorities service area.

Maturities of the debt for each of the succeeding five years are as follows:

Year ended October 31,	Series 2002	Series 2008	Series 2012	Total
2014	\$ 341,585	\$ 808,497	\$ 246,404	\$ 1,396,486
2015	351,902	828,620	251,404	1,431,926
2016	362,191	848,250	251,404	1,461,845
2017	372,191	867,387	251,404	1,490,982
2018	381,902	893,497	261,404	1,536,803
	\$ 1,809,771	\$ 4,246,251	\$ 1,262,020	\$ 7,318,042

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2013 AND 2012

NOTE 5 - REVENUE BONDS (Continued)

Bond interest expense consists of the following:

	2013	2012
Revenue Bonds Series 2002	\$ 104,619	\$ 109,212
Revenue Bonds Series 2008	452,888	471,138
Revenue Bonds Series 2012	73,972	62,164
Bond interest expense	\$ 631,479	\$ 642,514

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

	2013	2012	Estimated Useful Lives Years
Land	\$ 76,445	\$ 76,445	--
Water and sewer system	72,492,019	55,828,673	40-75
Office building and garage	1,430,111	1,400,900	5-40
Other equipment	395,942	383,903	5-7
Transportation equipment	281,423	281,423	5
Construction in progress	3,995,601	15,379,575	--
	78,671,541	73,350,919	
Less: accumulated depreciation	19,688,469	17,937,498	
	\$ 58,983,072	\$ 55,413,421	

NOTE 7 - PENSION PLAN

The Authority participates in the Public Employees' Retirement System of New Jersey which is a part of the Division of Pensions in the Department of the Treasury, State of New Jersey. The plan is funded annually based on the projected benefit method with aggregate level normal cost and frozen initial unfunded accrued liability. The plan, which covers public employees through-out the state, does not maintain separate records for each reporting unit and, accordingly, the actuarial data for the employees of the Authority who are members of the plan is not available.

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
(Continued)
OCTOBER 31, 2013 AND 2012**

NOTE 8 - INVESTMENTS

Investments in securities are presented in the financial statements at fair value.

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
UNRESTRICTED FUNDS:				
REVENUE FUND				
State of New Jersey Cash Management Funds	\$ 67,153	\$ 67,153	\$ 67,112	\$ 67,112
The Bank of New York, U.S. Treasury Obligation Money Market Fund	592,719	592,719	308,028	308,028
	659,872	659,872	375,140	375,140
GENERAL FUND				
The Bank of New York, U.S. Treasury Obligation, Money Market Fund	89,824	89,824	89,814	89,814
	749,696	749,696	464,954	464,954
RESTRICTED FUNDS:				
CONSTRUCTION FUND				
The Bank of New York, U.S. Treasury Obligation Money Market Fund	159,878	159,878	701,211	701,211
State of New Jersey NJFIT Funds Held in Trust	1,018,557	1,018,557	3,583,631	3,583,631
	1,178,435	1,178,435	4,284,842	4,284,842
BOND SERVICE FUND				
The Bank of New York, U.S. Treasury Obligation, Money Market Fund	1,696,318	1,696,318	1,684,530	1,684,530
BOND RESERVE FUND				
The Bank of New York, U.S. Treasury Bond Slug, 4.04547%, due 11/01/21	441,984	441,984	441,984	441,984
RENEWAL AND REPLACEMENT FUND				
The Bank of New York, U.S. Treasury Obligation, Money Market Fund	49,876	49,876	49,876	49,876
	\$ 4,116,309	\$ 4,116,309	\$ 6,926,186	\$ 6,926,186

(Continued)

LAKWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2013 AND 2012

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS

Plan Description - The Lakewood Township Municipal Utilities Authority is a single-employer, defined healthcare plan established through the Lakewood Township Municipal Utilities Authority. The plan provides healthcare insurance for eligible retirees (retirees with at least 25 years of service with the Authority) through the Lakewood Township Municipal Utilities Authority group health insurance plan, which covers both active and retired members. At November 1, 2010, the date of the last plan valuation, the Lakewood Township Municipal Utilities Authority covered twenty-seven (twenty-five active plan members and two retirees receiving benefits).

Contributions - For fiscal year 2013, Lakewood Township Municipal Utilities Authority contributed \$161,300 to the plan. In the event that plan assets are not sufficient to pay for benefits under the plan, the Lakewood Township Municipal Utilities Authority is required to contribute the additional amounts necessary to provide the benefits. In fiscal year 2013, no additional contributions were required. Administrative costs of the plan are paid by the Authority.

Funded Status - As of November 1, 2010, the actuarial accrued liability (AAL) for benefits was \$1,072,800, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,072,800 funded ratio of 0 percent. The covered payroll (annual payroll of active employees covered by the plan) was \$1,089,400, and the ratio of the UAAL to the covered payroll was 98 percent.

Methods and Assumptions - The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer (ARC) are subject to continual revision as results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to the point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following assumptions were made:

Demographic assumptions - Are the same used to project the data as those used to value the SHBP and the PERS pension liabilities. There is no assumptions for future new hires.

Mortality - Life expectancies were based on mortality tables from the Society of Actuaries the RP-2000 mortality table.

(Continued)

LAKWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2013 AND 2012

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

The following assumptions were made: (Continued)

Turnover - The Authority's historical data on turnover by age were used as the basis for assigning active plan members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 8.5 - 9.5 percent initially, reduced to an ultimate rate of 5 percent after seven to nine years, was used.

Health insurance premiums - 2010 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

The discount rate used, 4 percent, is a blended rate reflecting the expected long-term investment returns on plan assets and the city's investments. The calculation of the blended rate was based on the historical and expected levels of employer contributions in relation to the ARC. In addition, the projected unit actuarial cost method was used, and the actuarial value of plan assets is measured at fair value. The unfunded actuarial accrued liability is being amortized as a level dollar amount. The remaining amortization period at October 31, 2010, was thirty years.

**Schedule of Funding Progress for the
Lakewood Township Municipal Utilities Authority**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry age (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b - a) / c]</u>
11/1/2010	\$ 0	\$ 1,072,800	\$ 1,072,800	0.00%	1,089,400	98.00%

Schedule of Employer Contributions

<u>Fiscal Year Ended</u>	<u>Service Cost at end of year</u>	<u>30 year Amortization UAL</u>	<u>Annual Required Contribution</u>
10/31/2012	\$ 99,300	\$ 62,000	\$ 161,300

(Continued)

LAKWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2013 AND 2012

NOTE 10 - UNEARNED REVENUE EASEMENT AND ASSIGNMENT OF CELL TOWER LEASES

The Lakewood Township Municipal Utilities Authority has entered into a agreement with LD Holdings, LLC to purchase easement and the assignment of rental lease agreements with cellular carriers. Term of leases is forty (40) years commencing in 2012. The purchase price paid at closing was \$725,000. The purchase price is being amortized over four hundred eighty (480) months at \$1,510 per month.

NOTE 11 - PRIOR PERIOD ADJUSTMENT

During the current fiscal year, the Authority implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Accounting changes adopted to conform to the provisions of GASB No. 65 are to be applied retroactively by restating all prior periods presented. As a result, an adjustment of \$534,680 was made November 1, 2011 opening balance of net position, which reflects the unamortized debt issuance costs as of that date. In addition, the prior period financial statements have been restated from these previously issued by decreasing bond issue cost expense and simultaneously increasing net income by \$31,712 which represents the difference between the bond issue costs incurred in 2012 and the amortization originally reported during 2012.

SUPPLEMENTAL INFORMATION

LAKWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

BUDGETARY COMPARISON SCHEDULE OF WATER OPERATIONS
YEAR ENDED OCTOBER 31, 2013

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget Positive(Negative)
	Original (Unaudited)	Final (Unaudited)		
OPERATING REVENUES:				
Water service charges	\$ 4,479,615	\$ 4,479,615	\$ 4,656,549	\$ 176,934
Connection fees	79,150	79,150	251,317	172,167
Other income	56,175	56,175	238,034	181,859
Total operating revenues	<u>4,614,940</u>	<u>4,614,940</u>	<u>5,145,900</u>	<u>530,960</u>
COST OF OPERATIONS:				
Personnel services	752,030	752,030	828,667	(76,637)
Employee benefits	550,598	550,598	553,610	(3,012)
Administrative	389,800	389,800	428,582	(38,782)
Operations and maintenance	961,400	961,400	900,855	60,545
Depreciation, net			768,026	(768,026)
Total cost of operations	<u>2,653,828</u>	<u>2,653,828</u>	<u>3,479,740</u>	<u>(825,912)</u>
Operating profit	1,961,112	1,961,112	1,666,160	(294,952)
OTHER INCOME (EXPENSE):				
Investment income	42,000	42,000	83,944	41,944
Amortization			29,638	29,638
Net income available for debt service	<u>2,003,112</u>	<u>2,003,112</u>	<u>1,779,742</u>	<u>(223,370)</u>
DEBT SERVICE COSTS:				
Bond interest expense	597,954	597,954	597,430	(524)
Bond redemption	1,220,396	1,220,396		(1,220,396)
Total debt service costs	<u>1,818,350</u>	<u>1,818,350</u>	<u>597,430</u>	<u>(1,220,920)</u>
CAPITAL OUTLAYS				
Excess (deficiency) of revenues over expenditures, debt service and capital outlays	\$ <u>(7,332,604)</u>	\$ <u>(7,332,604)</u>	\$ <u>(2,149,983)</u>	\$ <u>5,182,621</u>

See auditors' report

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
BUDGETARY COMPARISON SCHEDULE OF SEWER OPERATIONS
YEAR ENDED OCTOBER 31, 2013

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Budgetary</u>	<u>Final Budget</u>
	<u>(Unaudited)</u>	<u>Basis</u>	<u>Positive(Negative)</u>
	<u>Final</u>		
	<u>(Unaudited)</u>		
OPERATING REVENUES:			
Sewer service charges	\$ 3,743,415	\$ 3,858,245	\$ 114,830
Connection fees	32,125	119,017	86,892
Other income	44,825	38,374	(6,451)
Total operating revenues	3,820,365	4,015,636	195,271
COST OF OPERATIONS:			
Personnel services	559,332	563,713	(4,381)
Employee benefits	408,838	388,698	20,140
Administrative	241,700	270,714	(29,014)
Operations and maintenance	2,493,750	2,466,607	27,143
Depreciation net		298,676	(298,676)
Total cost of operations	3,703,620	3,988,408	(284,788)
Operating profit	116,745	27,228	(89,517)
OTHER INCOME (EXPENSE):			
Investment income	28,000	55,963	27,963
Amortization		3,162	3,162
Net income available for debt service	144,745	86,353	(58,392)
DEBT SERVICE COSTS:			
Bond interest expense	34,048	34,049	1
Bond redemption	87,422	-	(87,422)
Total debt service costs	121,470	34,049	(87,421)
CAPITAL OUTLAYS	4,850,589	1,988,327	2,862,262
Excess (deficiency) of revenues over expenditures, debt service and capital outlays	\$ (4,827,314)	\$ (1,936,023)	\$ 2,716,449

See auditors' report

LAKWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - UNRESTRICTED AND RESTRICTED
YEAR ENDED OCTOBER 31, 2013 WITH COMPARATIVE TOTALS
FOR YEAR ENDED OCTOBER 31, 2012

	UNRESTRICTED	RESTRICTED				TOTALS	
		CONSTRUCTION	BOND SERVICE	BOND RESERVE	RENEWAL AND REPLACEMENT	2013	2012
Operating revenues:							
Water and sewer service charges	\$ 8,514,794	\$	\$	\$	\$	\$ 8,514,794	\$ 7,865,265
Connection fees	370,334					370,334	208,842
Other income	276,408					276,408	312,986
Total operating revenues	<u>9,161,536</u>	-	-	-	-	<u>9,161,536</u>	<u>8,387,093</u>
Cost of operations:							
Personnel services	1,392,380					1,392,380	1,279,720
Employee benefits	942,308					942,308	835,973
Administrative	699,296					699,296	795,425
Operations & Maintenance	3,367,462					3,367,462	3,291,850
Depreciation	1,750,971					1,750,971	1,438,400
Total cost of operations	<u>8,152,417</u>	-	-	-	-	<u>8,152,417</u>	<u>7,641,368</u>
Operating profit	<u>1,009,119</u>	-	-	-	-	<u>1,009,119</u>	<u>745,725</u>
Other income (expense):							
Investment income	120,340	1,685	2	17,880		139,907	104,961
Amortization	32,800		(631,479)			32,800	32,800
Bond interest expense						(631,479)	(642,514)
Net income before transfers	<u>1,162,259</u>	<u>1,685</u>	<u>(631,477)</u>	<u>17,880</u>	-	<u>550,347</u>	<u>240,972</u>
Transfers:							
Investment income, net	19,567	(1,685)	(2)	(17,880)		-	-
Bond interest expense	(631,479)		631,479			-	-
Depreciation on assets purchased with contributed capital	684,269					684,269	647,714
To (from) restricted assets	(543,379)	642,716	(99,337)			-	-
Increase (decrease) in net position	<u>691,237</u>	<u>642,716</u>	<u>(99,337)</u>	-	-	<u>1,234,616</u>	<u>888,686</u>
Net Position beginning of year	<u>12,816,353</u>	<u>18,797,553</u>	<u>90,976</u>	<u>441,984</u>	<u>49,876</u>	<u>32,196,742</u>	<u>31,308,056</u>
Net Position - end of year	<u>\$ 13,507,590</u>	<u>\$ 19,440,269</u>	<u>\$ (8,361)</u>	<u>\$ 441,984</u>	<u>\$ 49,876</u>	<u>\$ 33,431,358</u>	<u>\$ 32,196,742</u>

See auditors' report

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

**SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH AND INVESTMENTS
UNRESTRICTED ACCOUNTS
YEARS ENDED OCTOBER 31, 2013 AND 2012**

	2013	2012
Cash and investments at beginning of year	\$ 14,772,106	\$ 14,023,616
Cash receipts:		
Operating revenues	8,827,977	9,242,150
Investment income	120,340	83,084
Increase in advanced project funds	-	109,311
Transfers from restricted funds	17,880	89,707
Total cash and investments available	23,738,303	23,547,868
Cash disbursements:		
Operations	6,096,665	6,461,590
Decrease in advanced project funds	109,861	
Decrease in escrow funds	94,392	2,702
Transfers to restricted funds	2,207,073	2,311,470
Total cash disbursements	8,507,991	8,775,762
Cash and investments at end of year	\$ 15,230,312	\$ 14,772,106
Balance comprised of:		
Cash and interest bearing accounts	\$ 14,480,616	\$ 14,307,152
Investments	749,696	464,954
	\$ 15,230,312	\$ 14,772,106

See auditors' report

LAKELWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH INVESTMENTS
RESTRICTED ACCOUNTS
YEARS ENDED OCTOBER 31, 2013 WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED OCTOBER 31, 2012

	CONSTRUCTION	BOND SERVICE	BOND RESERVE	RENEWAL AND REPLACEMENT	2013	2012
Cash and investments at beginning of year	\$ 5,117,857	\$ 1,684,530	\$ 441,984	\$ 49,876	\$ 7,294,247	\$ 11,143,168
Cash receipts:						
Interest	1,665	2	17,880		19,567	21,880
Proceeds from issuance of long-term debt					-	5,201,211
Premium on issuance of bonds					-	334,855
Developer enhancements	1,447,564				1,447,564	1,476,864
Transfers from unrestricted fund	278,447	1,928,626			2,207,073	2,311,470
Total cash and investments available	<u>6,845,553</u>	<u>3,613,158</u>	<u>459,864</u>	<u>49,876</u>	<u>10,968,451</u>	<u>20,489,448</u>
Cash disbursements:						
Capital expenditures	4,939,559				4,939,559	11,312,776
Bond issue costs paid new issue					-	42,442
Principal reduction long term debt		1,307,817			1,307,817	1,094,762
Bond interest expense		609,023			609,023	655,514
Transfer to unrestricted fund			17,880		17,880	89,707
Total cash disbursements	<u>4,939,559</u>	<u>1,916,840</u>	<u>17,880</u>	<u>-</u>	<u>6,874,279</u>	<u>13,195,201</u>
Cash and investments at end of year	<u>\$ 1,905,994</u>	<u>\$ 1,696,318</u>	<u>\$ 441,984</u>	<u>\$ 49,876</u>	<u>\$ 4,094,172</u>	<u>\$ 7,294,247</u>
Balance comprised of:						
Cash and interest bearing accounts	\$ 727,559	\$	\$	\$	\$ 727,559	\$ 833,015
Investments	<u>1,178,435</u>	<u>1,696,318</u>	<u>441,984</u>	<u>49,876</u>	<u>3,366,613</u>	<u>6,461,232</u>
	<u>\$ 1,905,994</u>	<u>\$ 1,696,318</u>	<u>\$ 441,984</u>	<u>\$ 49,876</u>	<u>\$ 4,094,172</u>	<u>\$ 7,294,247</u>

See auditors' report

LAKWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

**OPERATING EXPENSES
YEARS ENDED OCTOBER 31, 2013 AND 2012**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
			<u>2013</u>	<u>2012</u>
PERSONNEL SERVICES				
Plant	\$ 474,995	\$ 210,041	\$ 685,036	\$ 625,707
Office	161,624	161,624	323,248	294,675
Executive director	56,720	58,934	115,654	100,683
Engineering	117,828	115,614	233,442	223,655
Commissioners	17,500	17,500	35,000	35,000
	<u>828,667</u>	<u>563,713</u>	<u>1,392,380</u>	<u>1,279,720</u>
EMPLOYEE BENEFITS				
Health insurance & pension contribution	384,073	269,446	653,519	559,854
Post employment benefit plan	96,780	64,520	161,300	161,300
Payroll taxes	57,452	44,529	101,981	96,559
Workman's compensation insurance	15,305	10,203	25,508	18,260
	<u>553,610</u>	<u>388,698</u>	<u>942,308</u>	<u>835,973</u>
ADMINISTRATIVE				
Office costs	31,111	27,075	58,186	51,499
Postage	14,766	14,946	29,712	18,411
Licenses and taxes	37,273	530	37,803	44,322
Insurance	22,205	14,500	36,705	33,297
Legal	76,048	53,056	129,104	165,946
Engineering	56,903	23,997	80,900	106,842
Accounting and actuary	41,283	40,023	81,306	75,245
Advertising and notices	3,873	3,733	7,606	9,179
Dues, publications and seminars	10,730	9,689	20,419	18,932
Repairs and maintenances	28,122	28,122	56,244	25,294
Telephone	9,510	7,531	17,041	26,699
Computer costs	31,395	31,724	63,119	109,089
Trustee and bank fees	54,504	6,056	60,560	77,343
Sundry	10,859	9,732	20,591	33,327
	<u>428,582</u>	<u>270,714</u>	<u>699,296</u>	<u>795,425</u>
OPERATIONS AND MAINTENANCE				
Ocean County Utilities Authority	-	2,238,315	2,238,315	2,152,772
Purchased water	278,297	-	278,297	328,391
Utilities	235,819	58,930	294,749	326,640
Chemicals and supplies	184,558	29,829	214,387	160,305
Lab fees and tests	26,405	-	26,405	28,861
Repairs and maintenance	88,965	68,109	157,074	185,807
Vehicle costs	24,239	18,258	42,497	15,593
Meter costs	51,272	48,601	99,873	71,714
Equipment rental	6,062	-	6,062	11,842
Uniforms	5,238	4,565	9,803	9,925
	<u>900,855</u>	<u>2,466,607</u>	<u>3,367,462</u>	<u>3,291,850</u>
DEPRECIATION	<u>1,260,699</u>	<u>490,272</u>	<u>1,750,971</u>	<u>1,438,400</u>
	<u>\$ 3,972,413</u>	<u>\$ 4,180,004</u>	<u>\$ 8,152,417</u>	<u>\$ 7,641,368</u>

See auditors' report

**Chairman and Commissioners of
Lakewood Township Municipal Utilities Authority**

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on and Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

We have audited, in accordance with the 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, the financial statements of the Lakewood Township Municipal Utilities Authorities, as of and for the year ended October 31, 2013, and the related notes to the financial statements which collectively comprise the Lakewood Township Municipal Utilities Authorities basic financial statements, and have issued our report thereon dated April 8, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lakewood Township Municipal Utilities Authorities internal control over financial reporting (internal control) 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 Lakewood Township Municipal Utilities Authorities internal control. Accordingly, we do not express an opinion on the effectiveness of the Lakewood Township Municipal Utilities Authorities 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 entity'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. 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.

**Chairman and Commissioners of
Lakewood Township Municipal Utilities Authority**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lakewood Township Municipal Utilities Authorities 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MoHEL Elliott Bauer & Gass

MOHEL ELLIOTT BAUER & GASS, P.A.
Certified Public Accountants

April 8, 2014
Lakewood, New Jersey

**Chairman and Commissioners of
Lakewood Township Municipal Utilities Authority**

**Independent Auditor's Report on Compliance For Each Major Program and
on Internal Control Over Compliance Required by OMB Circular A-133**

Report on Compliance for Each Major Federal Program

We have audited Lakewood Township Municipal Utilities Authorities compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* and New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* that could have a direct and material effect on each of Lakewood Township Municipal Utilities Authorities major federal programs for the year ended October 31, 2013. Lakewood Township Municipal Utilities Authorities major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lakewood Township Municipal Utilities Authorities major federal programs based on our audit of the types of compliance requirements referred to above. 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB Circular 04-04 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 Lakewood Township Municipal Utilities Authorities 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 on compliance for each major federal and state program. However, our audit does not provide a legal determination of Lakewood Township Municipal Utilities Authorities compliance.

MOHEL ELLIOTT BAUER & GASS

A P R O F E S S I O N A L A S S O C I A T I O N
C E R T I F I E D P U B L I C A C C O U N T A N T S

Chairman and Commissioners of Lakewood Township Municipal Utilities Authority

Opinion on Each Major Federal Program

In our opinion, Lakewood Township Municipal Utilities Authorities complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended October 31, 2013.

Report on Internal Control Over Compliance

Management of Lakewood Township Municipal Utilities Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lakewood Township Municipal Utilities Authorities internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, 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 Lakewood Township Municipal Utilities Authorities 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

MOHEL ELLIOTT BAUER & GASS

A P R O F E S S I O N A L A S S O C I A T I O N
C E R T I F I E D P U B L I C A C C O U N T A N T S

Chairman and Commissioners of Lakewood Township Municipal Utilities Authority

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and New Jersey OMB Circular 04-04. Accordingly, this report is not suitable for any other purpose.

MoHEL Elliott Bauer & Gass

MOHEL ELLIOTT BAUER & GASS, P.A.
Certified Public Accountants

April 8, 2014

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDING OCTOBER 31, 2013

<u>Federal/State Grantors/Pass- Through Grantor/Program Title</u>	<u>Loan Period</u>	<u>Loan Amount</u>	<u>Loan Requisitions</u>	<u>Capitalized Expenditures</u>
State of New Jersey Funds:				
NJ State Dept. of Environmental Protection/ NJ Environmental Infrastructure Trust/				
Trust loan 2008 financing program	11/6/08-11/1/27	\$ 8,159,820	\$ 158,580	\$ 158,580
Fund loan 2008 financing program	11/6/08-11/1/27	7,024,580	167,135	167,135
Trust loan 2012 financing program - Supplemental loan	5/3/12 - 11/1/30	1,109,918	778,638	778,638
Fund loan 2012 financing program - Supplemental loan	5/3/12 - 11/1/30	955,430	670,260	670,260
Trust loan 2012 financing program - Meter loan	5/3/12 - 11/1/30	810,260	197,364	197,364
Fund loan 2012 financing program - Meter loan	5/3/12 - 11/1/30	2,430,781	592,094	592,094
Total		<u>\$ 20,490,789</u>	<u>\$ 2,564,071</u>	<u>\$ 2,564,071</u>

See auditors' report

LAKWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

**NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED OCTOBER 31, 2013**

NOTE 1 - BASIS OF PRESENTATION

The accompany schedule of expenditures of federal and state awards includes the federal and state grant activity of Lakewood Township Municipal Utilities Authority and is presented on the accrual basis of accounting. The this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

See auditors' report

LAKWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED OCTOBER 31, 2013

A. Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the financial statements of Lakewood Township Municipal Utilities Authority
2. No significant deficiencies relating to the audit of the financial statements are reported in Part B of this schedule.
3. No instances of noncompliance material to the financial statements of Lakewood Township Municipal Utilities Authority were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major awards programs are reported.
5. The auditors' report on compliance for the major awards programs expresses an unqualified opinion.
6. The programs tested as major programs included:

<u>Program</u>	<u>CFDA Number</u>
New Jersey Environmental Infrastructure Trust Loans	N/A

7. The threshold used for distinguishing between type A and B programs was \$300,000.
8. Lakewood Township Municipal Utilities Authority qualified as a low-risk auditee.

B. Findings and Questioned Costs - Financial Audit

None

C. Findings and Questioned Costs - Major Federal and State Awards Programs Audit

None

D. Status of Prior Year Findings

None

See auditors' report