

LAKESWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION

YEARS ENDED OCTOBER 31, 2023 AND 2022

AND

INDEPENDENT AUDITOR'S REPORT

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
FINANCIAL STATEMENTS WITH SUPPLEMENTAL INFORMATION
YEARS ENDED OCTOBER 31, 2023 AND 2022

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INDEPENDENT AUDITOR'S REPORT

Chairman and Commissioners of
Lakewood Township Municipal Utilities Authority
Lakewood, New Jersey

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of business-type activities of the Lakewood Township Municipal Utilities Authority (the "Authority"), in the County of Ocean, State of New Jersey, as of and for the years ended October 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Lakewood Township Municipal Utilities Authority, in the County of Ocean, as of October 31, 2023 and 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Lakewood Township Municipal Utilities Authority, in the County of Ocean, State of New Jersey and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate that raise substantial doubt about the Lakewood Township Municipal Utilities Authority, in the County of Ocean, State of New Jersey's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lakewood Township Municipal Utilities Authority, in the County of Ocean, State of New Jersey's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lakewood Township Municipal Utilities Authority, in the County of Ocean, State of New Jersey's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, and notes to the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 the 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and State of New Jersey Circular 15-08-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, respectively, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary schedules and the schedules of expenditures of federal awards and state financial assistance 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. The 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 accompanying supplementary schedules and the schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2024, on our consideration of the Lakewood Township Municipal Utilities Authority'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 solely 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 the effectiveness of the Lakewood Township Municipal Utilities Authority, in the County of Ocean, State of New Jersey's 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 Authority's internal control over financial reporting and compliance.

Mohe Elliott Bauer & Gass

Toms River, New Jersey
August 6, 2024

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**INDEPENDENT AUDITOR'S 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**

**Chairman and Commissioners of
Lakewood Township Municipal Utilities Authority
Lakewood, New Jersey**

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, and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the government activities and each major fund and the aggregate remaining fund information of the Lakewood Township Municipal Utilities Authority, in the County of Ocean, State of New Jersey as of and for the years ended October 31, 2023 and 2022, and the related notes to the financial statements which collectively comprise Lakewood Township Municipal Utilities Authority's basic financial statements, and have issued our report thereon dated August 6, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lakewood Township Municipal Utilities Authority's internal control over financial reporting (internal control) as a basis for designing 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lakewood Township Municipal Utilities Authority'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 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 were not identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lakewood Township Municipal Utilities Authority'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 financial statements. 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* and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

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* and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MoHEL Elliott Bauer & Gass

Toms River, New Jersey
August 6, 2024

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED OCTOBER 31, 2023

The Management's Discussion and Analysis (MD&A) is an element of required supplementary information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 - "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments" issued in June 1999.

Financial Statements

The financial statements included on this report are the statements of net position, statements of revenues, expenses and changes in net position and statements of cash flows as of and for the years ended October 31, 2023 and 2022.

The statements of net position show the financial position of the Lakewood Township Municipal Utilities Authority ("Authority") at October 31st of each year. Assets are compared with liabilities and net position is the result.

The statements of revenues, expenses, and changes in net position measure performance for each year and how this performance impacts the Authority's net position.

Finally, the statements of cash flows demonstrate why cash balances increased or decreased during the year.

Financial Analysis

The Authority, at October 31, 2023, had total assets and deferred outflows of resources of \$114,080,461 compared to \$105,218,217 at October 31, 2022. The total assets and deferred outflows of resources increased by approximately \$8,862,000 from 2022 to 2023 primarily as a result of the increase in plant, property and equipment. The Authority, at October 31, 2022, had total assets and deferred outflows of resources of \$105,218,217 compared to \$99,379,589 at October 31, 2021. The total assets and deferred outflows of resources increased by approximately \$5,839,000 from 2021 to 2022 primarily as a result of the increase in cash and investments.

The Authority's liabilities and deferred inflows of resources of \$36,536,132 at year end October 31, 2023 decreased from the October 31, 2022 balance of \$37,862,037. The liabilities and deferred inflows of resources decreased by approximately by \$1,326,000 primarily due to the decrease in ARP advanced funds an increase in Net OPEB liability and a decrease in deferred inflows OPEB. The Authority's liabilities and deferred inflows of resources of \$37,862,037 at year end October 31, 2022 increased from the October 31, 2021 balance of \$36,234,959. The liabilities and deferred inflows of resources increased by approximately by \$1,627,000 primarily due to the increase in ARP advanced funds.

In summary, the Authority's net position for the year ended October 31, 2023 reflects a increase of approximately \$10,188,149 from 2022. This is due to a net position increase of \$1,833,817 and the net increase of \$8,354,332 in contributed capital. The Authority's net position for the year ended October 31, 2022 reflects an increase of approximately \$4,212,000 from 2021, which was due primarily to a net position increase of \$1,979,980 and the net increase of \$2,231,570 in Developer expansion of system.

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

FOR THE YEAR ENDED OCTOBER 31, 2023

The Authority's activity for the year remained relatively stable from 2022 to 2023. The Authority's net increase for 2023 was \$10,188,149 which includes \$3,120,309 for annual depreciation and amortization. The capital contributions received for the year, which represent water and sewer infrastructure that is accepted by the Authority, were \$9,542,916 in 2023 compared to \$3,302,306 in 2022.

The Authority's activity for the year remained relatively stable from 2021 to 2022. The Authority's net increase for 2022 was \$4,211,550 which includes \$2,982,624 for annual depreciation and amortization. The capital contributions received for the year, which represent water and sewer infrastructure that is accepted by the Authority, were \$3,302,306 in 2022 compared to \$1,309,868 in 2021.

Condensed Financial Information

Key Authority financial information for the years 2023, 2022, and 2021 include the following balances:

	ASSETS		
	2023	2022	2021
Unrestricted assets	\$ 21,143,174	\$ 20,561,712	\$ 18,581,002
Restricted assets	4,014,644	6,497,330	3,962,522
Property, plant and equipment, net of depreciation	82,925,821	74,895,270	73,733,894
Total assets	108,083,639	101,954,312	96,277,418
	DEFERRED OUTFLOW OF RESOURCES		
Deferred outflows related to pensions	806,726	652,892	798,830
Deferred outflows related to OPEB	5,190,096	2,611,013	2,303,341
Total deferred outflow of resources	5,996,822	3,263,905	3,102,171
Total assets and deferred outflow of resources	\$ 114,080,461	\$ 105,218,217	\$ 99,379,589

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
FOR THE YEAR ENDED OCTOBER 31, 2023**

	Liabilities		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current liabilities payable from current unrestricted assets	\$ 3,609,401	\$ 3,531,931	\$ 2,876,959
Current liabilities payable from current restricted assets	2,035,310	1,706,321	2,392,838
Long-term liabilities	<u>28,542,093</u>	<u>26,318,024</u>	<u>23,745,360</u>
Total liabilities	<u>34,186,804</u>	<u>31,556,276</u>	<u>29,015,157</u>
Deferred Inflow of Resources			
Deferred inflows related to pensions	334,494	759,341	2,191,795
Deferred inflows related to OPEB	519,496	3,923,548	3,277,602
Easement and assignment of cell tower leases	852,979	879,604	906,229
Premium on revenue bonds payable, net	315,280	353,030	390,780
Gain on loan refundings, net	<u>327,079</u>	<u>390,238</u>	<u>453,396</u>
Total deferred inflow of resources	<u>2,349,328</u>	<u>6,305,761</u>	<u>7,219,802</u>
Net Position			
Contributed capital, net of related accumulated depreciation	35,962,955	27,608,623	25,377,053
Investments in capital assets, net of related debt	37,233,218	35,737,279	35,046,618
Restricted for bond service fund	123,754	110,464	123,905
Restricted for bond reserve fund	-	-	441,984
Renewal and replacement fund	54,363	52,148	51,897
Unrestricted	<u>4,170,039</u>	<u>3,847,666</u>	<u>2,103,173</u>
Total net position	<u>77,544,329</u>	<u>67,356,180</u>	<u>63,144,630</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 114,080,461</u>	<u>\$ 105,218,217</u>	<u>\$ 99,379,589</u>

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
FOR THE YEAR ENDED OCTOBER 31, 2023**

Other Financial Information

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total operating and non-operating revenues	\$ 14,515,855	\$ 13,145,894	\$ 13,172,135
Total operating and non-operating expenses	<u>13,870,622</u>	<u>12,236,650</u>	<u>11,533,499</u>
Excess of revenues over expenses	<u>\$ 645,233</u>	<u>\$ 909,244</u>	<u>\$ 1,638,636</u>
Capital additions	\$ 10,866,497	\$ 4,442,321	\$ 3,216,442
Capital contributions	\$ 9,542,916	\$ 3,302,306	\$ 1,309,868
Bonds paid down	\$ 1,378,235	\$ 1,771,511	\$ 1,585,738
Bonds and notes payable	\$ 12,079,942	\$ 13,507,022	\$ 15,250,791

Authority 2023 operating revenues were above budget expectations by \$832,400 mainly due to higher than expected connection fees budgeted. The Authority's total 2023 operating expenses were under budget by \$358,936 for the year due to lower employee costs than estimated. Additionally sewage treatment cost and utilities costs were lower than estimated. Various other expense lines make up the remainder of the savings.

Authority 2022 operating revenues were above budget expectations by \$369,184 mainly due to higher than expected connection fees budgeted. The Authority's total 2022 operating expenses were under budget by \$924,652 for the year due to lower employee benefits than estimated. Additionally sewage treatment cost and utilities costs were lower than estimated. Various other expense lines make up the remainder of the savings.

The Authority's financial report is designed to provide users of the financial statements with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. The financial statements of the Authority are a matter of public record and may be examined at 390 New Hampshire Avenue, Lakewood, New Jersey during the Authority's business hours.

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

STATEMENTS OF NET POSITION
OCTOBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Unrestricted assets:		
Cash and interest bearing accounts	\$ 17,572,002	\$ 16,275,363
Investments, at fair value	991,942	1,761,439
Accounts receivable	2,273,127	2,502,645
Accrued interest receivable	10,993	6,408
Other receivable	131,793	-
Prepaid expenses	<u>163,317</u>	<u>15,857</u>
Total unrestricted assets	<u>21,143,174</u>	<u>20,561,712</u>
Restricted assets:		
Construction Fund:		
Cash	2,304,547	4,457,748
Investments, at fair value	-	365,462
Bond Service Fund:		
Investments, at fair value	1,655,734	1,621,972
Renewal and Replacement Fund:		
Investments, at fair value	<u>54,363</u>	<u>52,148</u>
Total restricted assets	<u>4,014,644</u>	<u>6,497,330</u>
Property, plant and equipment		
Less: accumulated depreciation	<u>82,925,821</u>	<u>74,895,270</u>
Total assets	<u>108,083,639</u>	<u>101,954,312</u>
DEFERRED OUTFLOW OF RESOURCES		
Deferred outflows related to pensions	806,726	652,892
Deferred outflows related to OPEB	<u>5,190,096</u>	<u>2,611,013</u>
Total deferred outflow of resources	<u>5,996,822</u>	<u>3,263,905</u>
Total assets and deferred outflow of resources	<u>\$ 114,080,461</u>	<u>\$ 105,218,217</u>

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

**STATEMENTS OF NET POSITION
(Continued)
OCTOBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
LIABILITIES		
Current liabilities payable from unrestricted assets:		
Accounts payable and accrued liabilities	\$ 548,211	\$ 1,097,774
Accrued payroll liabilities	20,566	8,820
Accrued pension liabilities	411,569	337,574
Easement and assignment of cell tower leases	26,625	26,625
Unearned revenue	538,293	521,617
Escrow fund	<u>2,064,137</u>	<u>1,539,521</u>
Total current liabilities payable from unrestricted assets	<u>3,609,401</u>	<u>3,531,931</u>
Current liabilities payable from restricted assets		
Accrued interest payable on revenue bond	116,692	133,273
Revenue bonds payable - current portion	1,415,288	1,378,235
Vehicle and equipment loans- current portion	112,667	88,513
Construction cost payable	<u>390,663</u>	<u>106,300</u>
Total current liabilities payable from restricted assets	<u>2,035,310</u>	<u>1,706,321</u>
Compensated absences	354,545	308,088
Long-term portion of revenue bonds payable	10,520,224	11,935,512
Vehicle and equipment loans	31,763	104,762
ARP advanced funds	336,519	3,394,223
Net pension liability	4,460,305	4,039,859
Net OPEB liability	<u>12,838,737</u>	<u>6,535,580</u>
Total long-term liabilities	<u>28,542,093</u>	<u>26,318,024</u>
Total liabilities	<u>34,186,804</u>	<u>31,556,276</u>
DEFERRED INFLOW OF RESOURCES		
Deferred inflows related to pensions	334,494	759,341
Deferred inflows related to OPEB	519,496	3,923,548
Easement and assignment of cell tower leases	852,979	879,604
Premium on revenue bonds payable, net	315,280	353,030
Gain on loan refundings, net	<u>327,079</u>	<u>390,238</u>
Total deferred inflow of resources	<u>2,349,328</u>	<u>6,305,761</u>
NET POSITION		
Contributed capital		
Less: accumulated depreciation	35,962,955	27,608,623
Restricted for:		
Construction Fund - Investments in capital assets, net of related debt	37,233,218	35,737,279
Bond Service Fund	123,754	110,464
Renewal and Replacement Fund	54,363	52,148
Unrestricted:		
Unrestricted Fund	<u>4,170,039</u>	<u>3,847,666</u>
Total Net Position	<u>\$ 77,544,329</u>	<u>\$ 67,356,180</u>

The accompanying notes are an integral
part of these financial statements

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
YEARS ENDED OCTOBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Water and sewer service charges	\$ 12,423,938	\$ 12,098,341
Connection fees	918,773	675,213
Other income	433,894	231,568
	<u>13,776,605</u>	<u>13,005,122</u>
Total operating revenues		
Operating expenses:		
Personnel services	2,885,089	2,607,986
Employee benefits	1,979,061	906,944
Administrative	891,352	720,470
Operations and maintenance	4,845,754	4,830,890
Depreciation	3,120,309	2,982,624
	<u>13,721,565</u>	<u>12,048,914</u>
Total operating expenses		
Operating income	55,040	956,208
Other income (expense):		
Investment income	739,250	140,772
Bond interest expense	(149,057)	(187,736)
	<u>590,193</u>	<u>(46,964)</u>
Income (before transfer of depreciation on assets purchased with contributed capital)	645,233	909,244
Transfer of depreciation to contributed capital	1,188,584	1,070,736
	<u>1,833,817</u>	<u>1,979,980</u>
Change in net position		
Restricted and unrestricted net position - beginning of year	39,747,557	37,767,577
Restricted and unrestricted net position - end of year	41,581,374	39,747,557
Contributed capital - beginning of year	27,608,623	25,377,053
Developer/Grant expansion of system	9,542,916	3,302,306
Transfer of depreciation from operations to contributed capital	(1,188,584)	(1,070,736)
	<u>35,962,955</u>	<u>27,608,623</u>
Contributed capital - end of year		
Total net position - end of year	\$ <u>77,544,329</u>	\$ <u>67,356,180</u>

The accompanying notes are an integral
part of these financial statements

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

**STATEMENTS OF CASH FLOWS
YEARS ENDED OCTOBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from customers	\$ 13,996,174	\$ 13,001,607
Cash paid to suppliers and employees	(11,136,087)	(9,195,458)
Investment income - received	734,665	181,963
Bond interest expense - paid	(266,547)	(310,742)
Increase (decrease) in escrow funds	<u>524,616</u>	<u>371,693</u>
Net cash provided by operating activities	<u>3,852,821</u>	<u>4,049,063</u>
Cash flows from investing activities:		
Capital expenditures	(10,866,497)	(4,442,321)
Purchase of investments	(2,435,818)	(3,801,021)
Sale/maturity of investments	<u>3,534,800</u>	<u>4,538,861</u>
Net cash used in investing activities	<u>(9,767,515)</u>	<u>(3,704,481)</u>
Cash flows from financing activities:		
Developer/Grant expansion of system	9,542,916	3,302,306
American Rescue Plan Grant - received	3,873	3,750,000
American Rescue Plan Grant - expended	(3,061,577)	(355,777)
Vehicle and equipment loans	48,380	94,757
Vehicle and equipment loan payments	(97,225)	(67,015)
Principal redemption of long-term debt	<u>(1,378,235)</u>	<u>(1,771,511)</u>
Net cash provided (used) by financing activities	<u>5,058,132</u>	<u>4,952,760</u>
Net increase in cash and cash equivalents	(856,562)	5,297,342
Cash and cash equivalents at beginning of year	<u>20,733,111</u>	<u>15,435,769</u>
Cash and cash equivalents at end of year	<u>\$ 19,876,549</u>	<u>\$ 20,733,111</u>

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

STATEMENTS OF CASH FLOWS
(Continued)
YEARS ENDED OCTOBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Change in net position	\$ 1,833,817	\$ 1,979,980
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Depreciation, net of transfer to contributed capital	1,931,725	1,911,888
Unbudgeted pension expense - non cash item	(158,235)	(465,328)
Unbudgeted OPEB expense - non cash item	320,022	52,477
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	229,518	4,886
Accrued interest receivable	(4,585)	41,191
Other receivable	(131,793)	-
Prepaid expenses	(147,460)	(2,093)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(549,563)	255,479
Accrued payroll liabilities	11,746	(9,808)
Accrued pension liabilities	73,995	19,384
Compensated absences	46,457	20,721
Cell tower leases	(26,625)	(26,625)
Unearned billings	16,676	18,224
Escrow funds	524,616	371,693
Accrued interest payable on revenue bonds	(16,581)	(22,098)
Amortization on gain loan refunding's	(63,159)	(63,158)
Premium on revenue bonds payable	(37,750)	(37,750)
Total adjustments	2,019,004	2,069,083
Net cash provided by operating activities	\$ 3,852,821	\$ 4,049,063

The accompanying notes are an integral
part of these financial statements

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2023 AND 2022

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 purposes of which the Authority was created include the acquisition and/or construction of plants and distribution systems to provide an adequate supply of water and the acquisition and/or construction of sewer facilities for the disposition and treatment of sewerage for the relief of waters from pollution.

New Jersey statutes provide for the creation, dissolution and operation of separate bodies corporate and politic for the purpose of fostering the provision and distribution of an adequate supply of water and the collection, treatment, disposal and recycling of wastewater and sewerage sludge. The statutes were enacted as the "Municipal and Counties Utilities Authorities Act", and are codified in New Jersey Statutes Annotated as N.J.S.A. 40:14B-1 et seq. Additional statutory requirements relating to the financial operations of independent local authorities were established as the "Local Authorities Fiscal Control Law", which is codified as N.J.S.A. 40A:5A-1 et seq. The provisions of the Local Authorities Fiscal Control Law established the Local Finance Board and the Division of Local Government Services, in the Department of Community Affairs, State of New Jersey, as oversight agencies for the creation, project financing, budgeting and overall financial condition of local authorities.

As a public body, under existing statute, the Authority is exempt from both federal and state taxes.

The Authority is considered to be a "Component Unit" of the Township of Lakewood under accounting principles generally accepted in the United States of America (GAAP). This determination is based on the oversight responsibility of the Township, which manifests itself primarily in the selection of members of the Authority and on accountability for fiscal matters.

The powers of the Authority are exercised by a governing body or Board composed of five members and two alternates.

Members of the Board are as follows:

	<u>Term Expires</u>
Senator Robert W. Singer, Chairman	January 31, 2026
Mayor Raymond Coles, Vice Chairman	January 31, 2029
Anne Fish, Assistant Secretary	January 31, 2028
Craig Theibault, Treasurer	January 31, 2027
Yocheved Miller, Commissioner	January 31, 2025
Sam Flancbaum, Alternate Commissioner	January 31, 2029
Meir Lichtenstein, Alternate Commissioner	January 31, 2025

Justin Flancbaum, Executive Director

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements of the Authority have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles ("GAAP") applicable to enterprise funds of state and local governments.

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and / or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities and deferred inflow or outflow of resources associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) are segregated into invested capital assets, net of related debt; restricted for capital activity; restricted for debt service; and unrestricted components.

B. Budgetary Accounting

Each year the Authority adopts a budget which is approved by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. The budget may be amended by resolution of the Board of Commissioners of the Authority. The budgetary basis of accounting is utilized to determine the Authority has sufficient cash to operate and pay debt service. As such, certain items such as bond payments are included in budgetary expenses while depreciation is not included.

C. Accounts Receivable

The Authority bills its customers quarterly based on actual usage. No allowance for doubtful accounts is deemed necessary as the Authority places its delinquent accounts on tax sale once a year.

D. Inventory

Inventory consists principally of chemicals for the treatment of water, spare parts and other equipment, and recorded as expenditures when they are acquired, regardless of when used.

E. Property, Plant and Equipment

Costs of the water and sewer systems incurred to date consist of facilities constructed or acquired, cost of acquisition of land, easements and rights-of-way, costs incidental to such construction or acquisitions, including engineering and inspection fees, costs of equipment, administrative and legal expenses, facilities contributed to the Authority by developers, and interest on bonds incurred during the period of construction.

Depreciation is calculated utilizing the straight-line method for financial reporting purposes. Depreciation on assets acquired with grants-in-aid is recorded as a reduction of contributed capital.

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Statement of Cash Flows

For the purpose of the statement of cash flows, the Authority considers investments with maturities of three months or less to be cash equivalents.

G. Investment Securities

State laws authorize the Authority to invest in obligations of the U.S. Treasury and other instruments allowed under N.J.S. 40A: 5-14. Cash and investments include bank balances and investments that, at the balance sheet date, were entirely insured. Investments are shown at cost or amortized cost plus accrued interest shown under a separate caption.

H. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ.

I. 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.

J. Reclassifications

Certain reclassifications have been made to the 2022 financial statements to conform with the 2023 presentation.

K. Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Authority and its employees, are accounted for in the period in which such services are rendered or in which such services are rendered or in which such events take place.

L. Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measurable and the Authority is eligible to realize the revenue

(Continued)

LAKWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing activities or result from non-exchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the Authority's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

N. Net Position

Net position, represents the difference between summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified in the following three components:

- **Net Investment in Capital Assets** - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets.
- **Restricted** - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- **Unrestricted** - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

O. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

(Continued)

LAKESIDE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Fair Value Measurement

The Authority categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level I - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority has the ability to access. Fair values for these instruments are estimated using pricing models or quoted prices of securities with similar characteristics.

Level II - Inputs that include quoted market prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level III - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised values.

Subsequent to initial recognition, the Authority may premeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

The following methods and assumptions were used by the Authority in estimating the fair value of its financial instruments:

Certificate of Deposit: Valued at the net asset value (NAV) at year end when the NAV is valued at \$1 per unit.

The preceding methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Q. Subsequent Events

The Authority has evaluated subsequent activity through August 6, 2024, the date the financial statements were available to be issued. Based upon this evaluation, the Authority determined that no subsequent events have occurred, which require adjustment to or disclosure in the financial statements.

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2023 AND 2022

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.

American Rescue Plan grant from Lakewood Township. The grant will be used towards the Old Pine Acres sanitary sewer extension phase I, Leisure Village and Leisure Village East metering project, Ridge Avenue water main loop and Chambers Bridge Road meter main loop.

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

	<u>2023</u>	<u>2022</u>
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
American Rescue Plan	3,417,354	355,777
Developer expansion of system	<u>49,892,952</u>	<u>43,411,613</u>
	55,022,367	45,479,451
Less: accumulated depreciation	<u>19,059,412</u>	<u>17,870,828</u>
	<u>\$ 35,962,955</u>	<u>\$ 27,608,623</u>

(Continued)

LAKWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2023 AND 2022

NOTE 4 - SIGNIFICANT TRUST AGREEMENT AND BOND RESOLUTION REQUIREMENTS

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, 2023 AND 2022

NOTE 5 - CASH AND CASH EQUIVALENTS

The Authority is governed by the deposit and investment limitations of New Jersey state law. The deposits held at October 31, 2023 and 2022, and reported at fair value are shown below.

	<u>2023</u>	<u>2022</u>
Deposits:		
Demand deposits	\$ 22,578,588	\$ 24,534,132
Total deposits	<u>\$ 22,578,588</u>	<u>\$ 24,534,132</u>
Reconciliation to Statements of Net Position:		
Current unrestricted assets:		
Cash	\$ 18,563,944	\$ 18,036,802
Current restricted assets:		
Cash	<u>4,014,644</u>	<u>6,497,330</u>
Total	<u>\$ 22,578,588</u>	<u>\$ 24,534,132</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. As of October 31, 2023 and 2022, the Authority's bank balances of \$22,578,588 and \$24,534,132 and was insured or collateralized as follows:

	<u>2023</u>	<u>2022</u>
Insured	\$ 2,702,039	\$ 3,801,021
Collateralized in the Authority's names		
Under GUDPA	<u>19,876,549</u>	<u>20,733,111</u>
Total	<u>\$ 22,578,588</u>	<u>\$ 24,534,132</u>

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2023 AND 2022

NOTE 6 - INVESTMENTS

A. Custodial Credit Risk

For an investment, custodial credit risk is a risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name. All of the Authority's investments are held in name of the Authority and are collateralized by GUDPA.

B. Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The Authority has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

C. Investment Credit Risk

The Authority has no investment policy that limits its investment choices other than the limitation of state law as follows:

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- Government money market mutual funds;
- Any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;
- Bonds or other obligations of the Authority or bonds or other obligations of the local unit or units within which the Authority is located;
- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the Authority;
- Local Government investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
- Agreements for the repurchase of fully collateralized securities.

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2023 AND 2022

NOTE 6 - INVESTMENTS (Continued)

Investments are presented in the financial statements at fair value.

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
UNRESTRICTED FUNDS:				
REVENUE FUND				
State of New Jersey Cash Management Funds	\$ 75,386	\$ 75,386	\$ 71,959	\$ 71,959
JP Morgan, U.S. Treasury Plus Premier, Money Market Fund	818,650	818,650	1,595,563	1,595,563
	<u>894,036</u>	<u>894,036</u>	<u>1,667,522</u>	<u>1,667,522</u>
GENERAL FUND				
JP Morgan, U.S. Treasury Plus Premier, Money Market Fund	97,906	97,906	93,917	93,917
Total Unrestricted	<u>991,942</u>	<u>991,942</u>	<u>1,761,439</u>	<u>1,761,439</u>
RESTRICTED FUNDS:				
CONSTRUCTION FUND				
JP Morgan, U.S. Treasury Plus Premier, Money Market Fund	-	-	365,462	365,462
BOND SERVICE FUND				
JP Morgan, U.S. Treasury Plus Premier, Money Market Fund	1,655,734	1,655,734	1,621,972	1,621,972
RENEWAL AND REPLACEMENT FUND				
JP Morgan, U.S. Treasury Plus Premier, Money Market Fund	54,363	54,363	52,148	52,148
Total Restricted	<u>1,710,097</u>	<u>1,710,097</u>	<u>2,039,582</u>	<u>2,039,582</u>
Total	<u>\$ 2,702,039</u>	<u>\$ 2,702,039</u>	<u>\$ 3,801,021</u>	<u>\$ 3,801,021</u>

NOTE 7 - VEHICLE AND EQUIPMENT LOANS

Lakewood Township Municipal Utilities Authority purchased vehicles and equipment under long-term loans. The loans have various terms one year, two years and five years, and interest rates range from 4.847% to 5.258%.

The following is a schedule of future minimum lease payments for operating leases (with initial or remaining terms in excess of one year) as of October 31, 2023:

<u>Year Ending October 31:</u>	<u>Total</u>
2024	\$ 112,667
2025	29,196
2026	2,567
	<u>\$ 144,430</u>

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2023 AND 2022

NOTE 8 - REVENUE BONDS

2023 Revenue Bonds

	Series 2008 Refunding 2016A-R1	Supplemental Series 2012	Meter Series 2012	Series 2021A	Total
Trust Loan	\$ 3,160,000	\$ 521,510	\$ 382,300	\$ 1,955,000	\$ 6,018,810
Fund Loan	2,067,394	302,787	764,857	2,781,664	5,916,702
	<u>5,227,394</u>	<u>824,297</u>	<u>1,147,157</u>	<u>4,736,664</u>	<u>11,935,512</u>
Less: current portion	<u>984,504</u>	<u>109,108</u>	<u>173,651</u>	<u>148,025</u>	<u>1,415,288</u>
	<u>\$ 4,242,890</u>	<u>\$ 715,189</u>	<u>\$ 973,506</u>	<u>\$ 4,588,639</u>	<u>\$ 10,520,224</u>

2022 Revenue Bonds

	Series 2008 Refunding 2016A-R1	Supplemental Series 2012	Meter Series 2012	Series 2021A	Total
Trust Loan	\$ 3,704,000	\$ 575,188	\$ 421,368	\$ 2,000,000	\$ 6,700,556
Fund Loan	2,479,454	353,970	895,078	2,884,689	6,613,191
	<u>6,183,454</u>	<u>929,158</u>	<u>1,316,446</u>	<u>4,884,689</u>	<u>13,313,747</u>
Less: current portion	<u>956,060</u>	<u>104,861</u>	<u>169,289</u>	<u>148,025</u>	<u>1,378,235</u>
	<u>\$ 5,227,394</u>	<u>\$ 824,297</u>	<u>\$ 1,147,157</u>	<u>\$ 4,736,664</u>	<u>\$ 11,935,512</u>

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

Year ended October 31,	Series 2008 Refunding 2016A-R1	Supplemental Series 2012	Meter Series 2012	Series 2021A	Total
2024	\$ 984,504	\$ 109,108	\$ 173,651	\$ 148,025	\$ 1,415,288
2025	1,016,614	108,625	173,289	148,025	1,446,553
2026	1,046,860	112,789	177,578	153,025	1,490,252
2027	1,073,244	116,887	177,139	153,025	1,520,295
2028	1,106,172	116,898	177,147	158,025	1,558,242
Thereafter		259,990	268,353	3,976,539	4,504,882
	<u>\$ 5,227,394</u>	<u>\$ 824,297</u>	<u>\$ 1,147,157</u>	<u>4,736,664</u>	<u>\$ 11,935,512</u>

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. In 2007 NJEIT 2007B Refunding Bonds were issued. 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. In 2016 NJEIT 2016A-R1 Refunding Bonds were issued.

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2023 AND 2022

NOTE 8 - REVENUE BONDS (Continued)

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. This included integration of the new meters into an Automated Metering Infrastructure.

On June 10, 2021, the Lakewood Township Municipal Utilities Authority closed on the issuance of \$5,027,714 Revenue Bonds, Series 2021 through the New Jersey Infrastructure Bank Financing program, which paid off the NJEIT interim financing. The issuance is for office expansion and sewer distribution system improvements.

Bond interest expense consists of the following:

	<u>2023</u>	<u>2022</u>
Revenue Bonds Series 2002	\$ -	\$ 6,230
Revenue Bonds Series 2008	161,675	188,275
Revenue Bonds Series 2012 - Supplemental	18,489	20,644
Revenue Bonds Series 2012 - Meter	13,589	15,158
Revenue Bonds Series 2021	56,213	58,338
Amortization gain loan refunding's	(63,159)	(63,159)
Amortize premium on revenue bonds	<u>(37,750)</u>	<u>(37,750)</u>
Bond interest expense	<u>\$ 149,057</u>	<u>\$ 187,736</u>

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

	<u>2023</u>	<u>2022</u>	<u>Estimated Useful Lives Years</u>
Land	\$ 76,445	\$ 76,445	--
Water and sewer system	117,623,607	110,421,942	40-75
Office building and garage	3,541,996	3,541,996	5-40
Other equipment	225,009	225,009	5-7
Transportation equipment	986,093	1,000,778	5
Construction in progress	<u>5,502,181</u>	<u>1,601,367</u>	--
	127,955,331	116,867,537	
Less: accumulated depreciation	<u>45,029,510</u>	<u>41,972,267</u>	
	<u>\$ 82,925,821</u>	<u>\$ 74,895,270</u>	

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2023 AND 2022

NOTE 10 - OCUA CREDIT/DEFICIENCY

The Authority makes quarterly payments to the Ocean County Utilities Authority (OCUA) for the treatment of its sewerage. These payments are based on gallons sent for treatment and are estimated billings. After the calendar year is over, in accordance with a service agreement executed by the parties, a final invoice is sent by the OCUA based upon actual flows.

At the end of the year, the OCUA is required to provide the Authority with a "Deficiency Notification" in accordance with Articles V and IX of the Service Agreement. The credit or (deficiency) is computed by taking the actual flows for the year and comparing this number to the estimated flows. The Authority has recorded a deficiency/(deficiency credit) in the amount of \$(131,793) and \$79,249 for the years ended October 31, 2023 and 2022, respectively. These deficiency's are recorded as expenses. Credits are recorded as revenue when received and deficiencies are recorded as expenses when billed.

NOTE 11 - DEFERRED COMPENSATION PROGRAM

The Authority offers its employees a Deferred Compensation Plan ("Plan") created in accordance with Internal Revenue Code Section 457. The Plan, available to all Authority employees, permits them to defer a portion of their salary until future years. The Authority does not make contributions to the Plan for the benefit of its employees.

During December 1998, the Authority, in accordance with Internal Revenue Code 457, amended the Deferred Compensation Plan to establish an exclusive benefit trust whereby all Plan investments are held for the exclusive benefit of the Plan's participants and beneficiaries and are not subject to the claims of the Authority's general creditors. As such, the Deferred Compensation Plan amounts as of October 31, 2023 and 2022 are not reflected on the Authority's statements of net position.

NOTE 12 - RISK MANAGEMENT

The Authority is exposed to various risk of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The Authority is a member of the New Jersey Utilities Authorities Joint Insurance Fund (JIF). The joint insurance pool is both an insured and self-administered group of 80 authorities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation. The JIF will be self-sustaining through member premiums. The JIF participates in the Municipal Excess Liability Insurance program which has a contract for excess insurance. There were no settlements in excess of insurance coverage for 2023, 2022, or 2021.

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2023 AND 2022

NOTE 13 - 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.

The Lakewood Township Municipal Utilities Authority has entered into an agreement with SBA Site Management, LLC to purchase easement and the assignment of rental lease agreements with cellular carriers. Term of leases is fifty (50) years commencing in 2016. The purchase price paid at closing was \$425,000. The purchase price is being amortized over six hundred (600) months at \$708 per month.

Permitted Use - Premises may be used by tenant for transmission and reception of radio communication signals.

(Continued)

LAKWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2023 AND 2022

NOTE 14 - PENSION PLAN

Public Employees' Retirement System (PERS)

Plan Description - The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Annual Financial Statements which can be found at <http://www.state.nj.us/treasury/pensions/annual-reports.shtml>.

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4, with 25 or more years of service credit before age 62, and tier 5 with 30 years or more of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Basis of Presentation - The schedule of employer and nonemployer allocations and the schedule of pension amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS, its participating employers or the State as a nonemployer contributing entity. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS its participating employers or the state. The accompanying schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

(Continued)

LAKESIDE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2023 AND 2022

NOTE 14 - PENSION PLAN - (Continued)

Allocation Methodology - GASB Statement No. 68 Accounting and Financial Reporting for Pensions, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense.

Contributions - The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2023, the State's pension contribution was more than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years, beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended October 31, 2023, the Authority's contractually required contribution to PERS was \$411,569.

Components of Net Pension Liability - As of October 31, 2023, the Authority reported a liability of \$4,460,305 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. The Authority's proportion of the net pension liability was based on the ratio of the Authority's contribution to the total contributions to PERS during the measurement period July 1, 2022 through June 30, 2023. The Authority's proportion measured as of June 30, 2023 was .03079%. There was a increase from its proportion measured as of June 30, 2022 of .00402%.

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2023 AND 2022

NOTE 14 - PENSION PLAN - (Continued)

Public Employees' Retirement System (PERS) - (Continued)

Collective Balances as of October 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Actuarial valuation date (including roll forward)	July 1, 2023	July 1, 2022
Deferred outflows of resources	\$ 806,726	\$ 652,892
Deferred inflows of resources	\$ 334,494	\$ 759,341
Net pension liability	\$ 4,460,305	\$ 4,039,859
Authority's portion of the plan's total net pension liability	0.03079%	0.02677%

Pension Expense and Deferred Outflows/Inflows of Resources - For the year ended October 31, 2023, the Authority recognized pension expense (benefit) of \$253,334. As of October 31, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 9,798	\$ 270,314
Net difference between expected and actual experience	42,646	18,232
Net difference between projected and actual earnings on pension plan investments	20,540	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	<u>733,742</u>	<u>45,948</u>
Total	<u>\$ 806,726</u>	<u>\$ 334,494</u>

Amounts allocated as deferred outflows of resources and deferred inflows of resources related to pensions will be included in pension expense as follows:

<u>Year Ended October 31:</u>	<u>PERS</u>
2023	\$ 515,885
2024	287,947
2025	(402,387)
2026	72,011
2027	<u>(1,224)</u>
Total	<u>\$ 472,232</u>

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2023 AND 2022

NOTE 14 - PENSION PLAN - (Continued)

Public Employees' Retirement System (PERS) - (Continued)

The Authority will amortize the above sources of deferred outflows and inflows related to PERS over the following number of years:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience		
Year of pension plan deferral:		
2018	-	5.63
2019	5.21	-
2020	5.16	-
2021	-	5.13
2022	-	5.04
2023	5.08	-
Changes of assumptions		
Year of pension plan deferral:		
2018	-	5.63
2019	-	5.21
2020	-	5.16
2021	5.13	-
2022	-	5.04
Difference between projected and actual investment earning on pension plan investments:		
Year of pension plan deferral:		
2019	5.00	-
2020	5.00	-
2021	5.00	-
2022	5.00	-
2023	5.00	-
Changes in proportion:		
Year of pension plan deferral:		
2018	5.63	5.63
2019	5.21	5.21
2020	5.16	5.16
2021	5.13	5.13
2022	5.04	5.04
2023	5.08	5.08

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2023 AND 2022

NOTE 14 - PENSION PLAN - (Continued)

Public Employees' Retirement System (PERS) - (Continued)

Actuarial Assumptions - The collective total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. This actuarial valuation used the following actuarial assumptions:

Measurement date	June 30, 2023
Actuarial valuation date	July 1, 2022
Inflation rate	
price	2.75%
wage	3.25%
Salary increases:	2.75 - 6.55%
	based on years of service
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income employee mortality table with an 82.2% adjustment for males and a 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with a future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and a 117.2% adjustment for females, and with a future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2023) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included PERS's target asset allocation as of June 30, 2023 are summarized in the following table.

(Continued)

LAKESWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2023 AND 2022

NOTE 14 - PENSION PLAN - (Continued)

Public Employees' Retirement System (PERS) - (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. equity	28.00%	8.98%
Non-U.S. developed markets equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging markets equity	5.50%	11.13%
Private equity	13.00%	12.50%
Real estate	8.00%	8.58%
Real assets	3.00%	8.40%
High yield	4.50%	6.97%
Private credit	8.00%	9.20%
Investment Grade Credit	7.00%	5.19%
Cash equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Risk mitigation Strategies	3.00%	6.21%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

(Continued)

**LAKESWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

(Continued)
OCTOBER 31, 2023 AND 2022

NOTE 14 - PENSION PLAN - (Continued)

Public Employees' Retirement System (PERS) - (Continued)

Sensitivity of the Authority's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Authority's proportionate share of the net pension liability as of June 30, 2023 calculated using the discount rate as disclosed above, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage -point higher (8.00%) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Authority's proportionate share of the net pension liability	\$ 5,619,984	\$ 4,460,305	\$ 3,166,817

(Continued)

LAKESIDE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2023 AND 2022

NOTE 15 - OTHER POST EMPLOYMENT BENEFITS

LOCAL PLAN:

The following information is provided in accordance with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits.

In 2023 the Authority changed from the State Health Benefit Local Government Retired Employees Plan to a Local Plan.

Employees and Retirees Covered – At October 31, 2023, the following employees were covered by the Authorities plan:

<u>Participant Data</u>	<u>Amount</u>
Active Employees	
Total	35
Average Age	50
Retired Employees	
Total	4
Average Age	74

Basis of Valuation

This valuation has been conducted based upon 2023 census, plan design and financial information provided by Fairview. Census includes 4 participants currently receiving retiree benefits, and 35 active participants of whom 3 are eligible to retire as of the valuation date. The average age of the active population is 50 and the average age of the retiree population is 74.

Actuarial assumptions were selected with the intention of satisfying the requirements of New Jersey Local Finance Notice 2007-15 in addition to Statement of Government Accounting Standard Number 75.

Demographic assumptions were selected based on those used by the State Division of Pensions and Benefits in calculating pension benefits taken from the July 1, 2022 report from Cheiron. While some assumptions were simplified to reflect the smaller population, and to simplify the valuation process, the valuation results reasonably conform to the requirements of LFN 2007-15.

Health care (economic) assumptions were selected based on those used by the State Health Benefits Program in calculating SHBP member OPEB requirements taken from the July 1, 2022 report from Aon Consultants.

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2023 AND 2022

NOTE 15 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions and Other Inputs

<i>Mortality</i>	<i>PUB 2010 "General" classification headcount weighted mortality with generational improvement using Scale MP-2021</i>
<i>Turnover</i>	<i>NJ State Pensions Ultimate Withdrawal Rates- prior to benefits eligibility</i>
<i>Assumed Retirement Age</i>	<i>Attainment of 25 years of service or age 62 with 15 years of service if earlier</i>
<i>Full Attribution Period</i>	<i>Service to Assumed Retirement Age</i>
<i>Annual Discount Rate</i>	<i>3.54% Based on the Bond Buyer 20 Index as of July 1, 2022 4.19% Based on the Bond Buyer 20 Index as of October 31, 2023</i>
<i>CPI Increase</i>	<i>2.50%</i>
<i>Rate of Salary Increase</i>	<i>2.50%</i>
<i>Medical Trend</i>	<i>Medical: 5.1% in 2023, reducing by 0.2% per annum, leveling at 4.5% per annum in 2026 Drug: 6.0% in 2023, reducing by 0.5% per annum, leveling at 4.5% per annum in 2026 Medicare Advantage: 4.5% per annum Dental and Vision: 3.5% per annum</i>
<i>Medical Cost Aging Factor</i>	<i>NJ SHBP Medical Morbidity Rates</i>

Discount Rate – The discount rate is the single rate that reflects (1) the long-term expected rate of return on the OPEB plan investments that are expected to be used to finance the payments of benefits, to the extent that the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and OPEB plan assets are expected to be invested using a strategy to achieve that return and (2) a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of Aa, to the extent that the conditions for use of the long-term expected rate of return are not met. For the total OPEB liability calculation as of October 31, 2023, the discount rate utilized was 3.26%.

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2023 AND 2022

NOTE 15 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Net OPEB Liability

Changes in the Total OPEB Liability – The changes to the total OPEB Liability during the year ending October 31, 2023 were as follows:

Balance, October 31, 2022	6,511,837
Changes for the Year: Service Cost	412,023
Interest Cost	244,699
Difference Between Expected and Actual Experience	(171,411)
Changes of Assumptions	5,864,485
Benefits Paid (implicit)	(22,896)
Net Changes	6,326,900
Balance, October 31, 2023	12,838,737

Sensitivity of Net OPEB Liability to Changes in the Discount Rate - The following presents the collective net OPEB liability as of October 31, 2023, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

<u>At 1% decrease (2.26%)</u>	<u>At discount rate (3.26%)</u>	<u>At 1% increase (4.264%)</u>
\$14,125,377	\$12,838,737	\$11,675,849

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate - The following presents the net OPEB liability as of October 31, 2023, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

<u>1% decrease</u>	<u>Healthcare cost trend rate</u>	<u>1% increase</u>
\$11,759,469	\$12,838,737	\$14,758,255

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)
OCTOBER 31, 2023 AND 2022

NOTE 15 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Additional Information - The following is a summary of the deferred outflows of resources, deferred inflows of resources, and Net OPEB liability balances as of October 31, 2023 and October 31, 2022:

Balances at October 31, 2023 and October 31, 2022

	<u>10/31/2023</u>	<u>10/31/2022</u>
Actuarial valuation date (including roll forward)	October 31, 2023	June 30, 2022
Deferred Outflows of Resources	\$ 5,190,096	\$ 2,611,013
Deferred Inflows of Resources	519,496	3,923,548
Net OPEB Liability	12,838,737	6,535,580
Authority's portion of the Plan's total Net OPEB Liability	100%	0.04047%

OPEB Deferred Outflows/Inflows of Resources - At October 31, 2023, the Authority's OPEB outflows and inflows, calculated by the plan as of October 31, 2023 measurement date is \$5,190,096 and \$519,496, respectively. At October 31, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 151,700
Change of assumptions	5,190,096	-
Change in Recognition of Fiduciary Net Position		18,994
Subtotals Based on Prior Valuations	-	348,802
	<u>\$ 5,190,096</u>	<u>\$ 519,496</u>

The amounts reported as a deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending October 31:	
2024	\$ 576,571
2025	497,500
2026	554,494
2027	811,548
2028	465,479
Thereafter	<u>1,765,008</u>
	<u>\$ 4,670,600</u>

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2023 AND 2022

NOTE 16 - SUBSEQUENT EVENTS

The Lakewood Township Municipal Utilities Authority passed resolutions for short term funding from the NJEIT of the following projects:

Granular activated carbon (GAC) filtration system at the Shorrock and the New Hampshire Avenue treatment plants in the amount of \$12,100,000.

Granular activated carbon (GAC) filtration system at wells 1, 2 and 3 in the amount of \$3,100,000.

Meter replacement project in the amount of \$5,575,000.

REQUIRED SUPPLEMENTARY INFORMATION

LAKWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

	Measurement Date Ended June 30,				
	2023	2022	2021	2020	2019
Authority's Proportion of the Net Pension Liability	0.03079%	0.02677%	0.02717%	0.02577%	0.02509%
Authority's Proportionate Share of the Net Pension Liability	\$ 4,460,305	\$ 4,039,859	\$ 3,218,671	\$ 4,201,611	\$ 4,520,526
Authority's Covered-Employee Payroll	\$ 2,618,730	\$ 2,349,099	\$ 2,021,518	\$ 1,923,362	\$ 1,768,642
Authority's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	170.32%	171.97%	159.22%	218.45%	255.59%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65.23%	62.91%	70.34%	58.32%	56.27%

	Measurement Date Ended June 30,				
	2018	2017	2016	2015	2014
Authority's Proportion of the Net Pension Liability	0.02141%	0.02409%	0.02209%	0.02060%	0.01792%
Authority's Proportionate Share of the Net Pension Liability	\$ 4,216,288	\$ 5,608,668	\$ 6,542,011	\$ 4,623,328	\$ 3,355,593
Authority's Covered-Employee Payroll	\$ 1,870,415	\$ 1,666,927	\$ 1,531,543	\$ 1,355,328	\$ 1,203,329
Authority's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	252.41%	336.47%	427.15%	341.12%	278.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	48.10%	40.14%	47.93%	52.08%

LAKWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

	For the year ended October 31,				
	2023	2022	2021	2020	2019
Authority's Contractually Required Contribution	\$ 411,569	\$ 337,574	\$ 318,190	\$ 281,858	\$ 245,844
Authority's Contribution in Relation to the Contractually Required Contribution	<u>411,569</u>	<u>337,574</u>	<u>318,190</u>	<u>281,858</u>	<u>245,844</u>
Authority's Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Authority's Covered-Employee Payroll	\$ 2,618,730	\$ 2,349,089	\$ 2,021,518	\$ 1,961,443	\$ 1,833,050
Authority's Contributions as a Percentage of it's Covered-Employee Payroll	15.72%	14.37%	15.74%	14.37%	13.41%

	For the year ended October 31,				
	2018	2017	2016	2015	2014
Authority's Contractually Required Contribution	\$ 214,637	\$ 223,204	\$ 196,232	\$ 177,068	\$ 147,751
Authority's Contribution in Relation to the Contractually Required Contribution	<u>214,637</u>	<u>223,204</u>	<u>196,232</u>	<u>177,068</u>	<u>147,751</u>
Authority's Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Authority's Covered-Employee Payroll	\$ 1,740,435	\$ 1,670,415	\$ 1,666,927	\$ 1,531,543	\$ 1,355,328
Authority's Contributions as a Percentage of it's Covered-Employee Payroll	12.33%	13.36%	11.77%	11.56%	10.90%

LAKESIDE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY

LAST TEN FISCAL YEARS

	Measurement Date				
	2023	2022	2021	2020	2019
Authority's Proportion of the Net Other Postemployment Benefits Liability	100%	0.04047%	0.03790%	0.03935%	0.03398%
Authority's Proportionate Share of the Net Other Postemployment Benefits Liability	\$ 12,838,737	\$ 6,535,580	\$ 6,621,377	\$ 7,061,633	\$ 4,602,955
Authority's Covered-Employee Payroll	\$ 2,618,730	\$ 2,349,099	\$ 2,021,518	\$ 1,923,362	\$ 1,768,642
Authority's Proportionate Share of the Net Other Postemployment Benefits Liability as a Percentage of its Covered-Employee Payroll	490.27%	278.22%	337.44%	367.15%	260.25%
Plan fiduciary net position as a percentage of the total other postemployment benefits liability	N/A	0.36%	0.28%	0.91%	1.98%

	Measurement Date		
	2018	2017	2016
Authority's Proportion of the Net Other Postemployment Benefits Liability	0.03573%	0.03336%	0.03476%
Authority's Proportionate Share of the Net Other Postemployment Benefits Liability	\$ 5,597,213	\$ 6,610,707	\$ 7,548,773
Authority's Covered-Employee Payroll	\$ 1,670,415	\$ 1,666,927	\$ 1,531,543
Authority's Proportionate Share of the Net Other Postemployment Benefits Liability as a Percentage of its Covered-Employee Payroll	335.08%	408.58%	492.89%
Plan fiduciary net position as a percentage of the total other postemployment benefits liability	1.97%	1.03%	0.69%

** In 2023 the Authority changed from the State Health Benefit Local Government Retired Employees Plan to a Local Plan.

*** This schedule is presented to illustrate the requirement to show information for ten years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
OCTOBER 31, 2023

Public Employees' Retirement System (PERS)

Changes of Benefit Terms

None.

Changes of Assumptions

None.

State Health Benefit Local Retired Employees Plan/Local Plan (OPEB)

Changes of Benefit Terms

None.

Changes of Assumptions

The discount rate changed from 3.54% as of June 30, 2022, to 3.26% as of June 30, 2023.

Changes of Coverage

In 2023 the Authority changed from the State Health Benefit Local Government Retired Employees Plan to a Local Plan.

SUPPLEMENTAL INFORMATION

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING REVENUES (BUDGET VS. ACTUAL)
YEAR ENDED OCTOBER 31, 2023

	Original Water Budget	Original Sewer Budget	Original Budget Total	Final Budget Total	Actual	Variance Favorable/ (Unfavorable)
Operating revenues:						
Water and sewer service charges	\$ 7,048,503	\$ 5,435,702	\$ 12,484,205	\$ 12,423,205	\$ 12,423,938	\$ 733
Connection fees	210,000	90,000	300,000	300,000	918,773	618,773
Other income	87,106	72,894	160,000	221,000	433,894	212,894
Total operating revenues	7,345,609	5,598,596	12,944,205	12,944,205	13,776,605	832,400
Cost of Providing Services:						
Personnel Services:						
Plant & distribution	949,704	407,016	1,356,720	1,191,720	1,189,036	2,684
Administration & engineering	944,001	712,142	1,656,143	1,591,143	1,590,632	511
Commissioners	59,850	45,150	105,000	106,000	105,421	579
	1,953,555	1,164,308	3,117,863	3,117,863	2,885,089	3,774
Employee Benefits:						
Health insurance	657,000	393,000	1,050,000	1,173,000	1,172,656	344
Pension expense	217,465	127,766	345,231	412,231	411,569	662
Pension expense (non-cash)	190,500	109,500	300,000	(150,000)	(158,235)	8,235
Post employment benefit plan (non-cash)	184,150	105,850	290,000	321,000	320,022	978
Payroll taxes	156,284	93,145	249,429	209,429	206,199	3,230
Workman's compensation insurance	17,740	10,760	28,500	28,500	26,850	1,650
	1,423,139	840,021	2,263,160	2,263,160	1,979,061	15,099
Administrative:						
Office costs	62,700	47,300	110,000	142,000	141,784	216
Postage & advertising notices	5,700	4,300	10,000	82,000	81,944	56
Bank fees	2,850	2,150	5,000	22,000	21,655	345
Licenses and taxes	45,000	5,000	50,000	50,000	42,043	7,957
Insurance	66,405	50,095	116,500	86,500	76,913	9,587
Legal	35,294	26,626	61,920	65,920	65,716	204
Engineering	42,500	7,500	50,000	50,000	46,081	3,919
Accounting and actuary	83,125	35,625	118,750	118,750	81,805	36,945
Dues, publications and seminars	14,250	10,750	25,000	25,000	19,816	5,184
Repairs and maintenances	48,450	36,550	85,000	85,000	61,688	23,312
Telephone	14,250	10,750	25,000	25,000	21,249	3,751
Information technology	57,000	43,000	100,000	135,000	134,323	677
Trustee fees	63,000	27,000	90,000	90,000	49,990	40,010
Sundry	9,690	7,310	17,000	47,000	46,345	655
	550,214	313,956	864,170	864,170	891,352	132,818

See auditors' report

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING REVENUES (BUDGET VS. ACTUAL)

(Continued)

YEAR ENDED OCTOBER 31, 2023

	Original Water Budget	Original Sewer Budget	Original Budget Total	Final Budget Total	Actual	Variance Favorable/ (Unfavorable)
Operations and Maintenance:						
Ocean County Utilities Authority	-	2,700,000	2,700,000	2,568,999	2,412,256	156,743
Purchased water	920,000	-	920,000	920,000	894,571	25,429
Utilities - electric & gas	292,500	32,500	325,000	365,000	363,996	1,004
Chemicals and supplies	337,500	37,500	375,000	375,000	354,270	20,730
Laboratory tests	50,000	-	50,000	84,000	83,938	62
Repairs and maintenance	233,750	41,250	275,000	432,000	431,533	467
Vehicle costs	21,000	9,000	30,000	103,000	102,065	935
Tools, small equipment & uniforms	10,500	4,500	15,000	97,000	96,329	671
Meter costs	12,000	8,000	20,000	85,000	84,686	314
Other	2,850	2,150	5,000	23,000	22,110	890
Total Cost of Providing Services	1,880,100	2,834,900	4,715,000	4,715,000	4,845,754	207,245
Other Costs Funded By Revenue:						
Principal Maturity	1,144,329	233,905	1,378,234	1,378,235	1,378,235	-
Total Costs Funded By Operating Revenues	6,951,337	5,387,090	12,338,427	12,338,427	11,979,491	358,936
Net Operating Revenues	394,272	211,506	605,778	605,778	1,797,114	1,191,336
Non-Operating Revenue/(Expenses):						
Investment income	47,990	37,010	85,000	85,000	739,250	654,250
Bond interest expense	(194,544)	(55,422)	(249,966)	(249,966)	(149,057)	100,909
Depreciation	-	-	-	-	(3,120,309)	(3,120,309)
Total Non-Operating Revenue/(Expenses):	(146,554)	(18,412)	(164,966)	(164,966)	(2,530,116)	(2,365,150)
Excess (Deficiency) of Revenues Over Expenses	\$ 247,718	\$ 193,094	\$ 440,812	\$ 440,812	\$ (733,002)	\$ (1,173,814)

Reconciliation of Budgetary Basis to Net Income

Excess (Deficiency) of Revenues Over Expenses

Adjustments to Budgetary Basis:

Principal Maturities

Net Income Before Contributions

\$ (733,002)

1,378,235

\$ 645,233

See auditors' report

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

**SCHEDULE OF OPERATING REVENUES
YEARS ENDED OCTOBER 31, 2023 AND 2022**

	2023		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
SERVICE CHARGES			
Service charges residential	\$ 3,852,104	\$ 4,002,204	\$ 7,854,308
Service charges commercial	882,710	568,176	1,450,886
Service charges industrial	1,024,170	781,654	1,805,824
Service charges fire service sprinklers	1,027,563	-	1,027,563
Service charges fire service hydrants	285,357	-	285,357
	<u>7,071,904</u>	<u>5,352,034</u>	<u>12,423,938</u>
OTHER OPERATING REVENUES			
Connection fees	678,851	239,922	918,773
Other income	321,993	111,901	433,894
	<u>\$ 8,072,748</u>	<u>\$ 5,703,857</u>	<u>\$ 13,776,605</u>

	2022		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
SERVICE CHARGES			
Service charges residential	\$ 3,976,821	\$ 4,047,544	\$ 8,024,365
Service charges commercial	602,534	580,699	1,183,233
Service charges industrial	869,479	795,925	1,665,404
Service charges fire service sprinklers	962,842	-	962,842
Service charges fire service hydrants	262,497	-	262,497
	<u>6,674,173</u>	<u>5,424,168</u>	<u>12,098,341</u>
OTHER OPERATING REVENUES			
Connection fees	505,354	169,859	675,213
Other income	209,464	22,104	231,568
	<u>\$ 7,388,991</u>	<u>\$ 5,616,131</u>	<u>\$ 13,005,122</u>

See auditors' report

LAKWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF OPERATING EXPENSES
YEAR ENDED OCTOBER 31, 2023 WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED OCTOBER 31, 2022

			Total	
	Water	Sewer	2023	2022
PERSONNEL SERVICES				
Plant & distribution	\$ 832,143	\$ 356,893	\$ 1,189,036	\$ 1,166,316
Administration & engineering	906,307	684,325	1,590,632	1,382,316
Commissioners	60,090	45,331	105,421	59,354
	<u>1,798,540</u>	<u>1,086,549</u>	<u>2,885,089</u>	<u>2,607,986</u>
EMPLOYEE BENEFITS				
Health insurance	669,444	503,212	1,172,656	764,297
Pension expense	259,288	152,281	411,569	337,574
Pension expense (non-cash)	(100,479)	(57,756)	(158,235)	(465,328)
Post employment benefit plan (non-cash)	203,214	116,808	320,022	52,477
Payroll taxes	130,953	75,246	206,199	205,092
Workman's compensation insurance	16,647	10,203	26,850	12,832
	<u>1,179,067</u>	<u>799,994</u>	<u>1,979,061</u>	<u>906,944</u>
ADMINISTRATIVE				
Office costs	81,816	59,968	141,784	77,288
Postage & advertising notices	46,708	35,236	81,944	29,967
Bank fees	12,306	9,349	21,655	29,889
Licenses and taxes	41,103	940	42,043	34,055
Insurance	43,842	33,071	76,913	80,222
Legal	38,314	27,402	65,716	70,384
Engineering	24,291	21,790	46,081	14,299
Accounting and actuary	57,095	24,710	81,805	86,891
Dues, publications and seminars	11,409	8,407	19,816	24,354
Repairs and maintenances	34,800	26,888	61,688	107,679
Telephone	12,474	8,775	21,249	16,125
Information technology	76,564	57,759	134,323	81,711
Trustee fees	29,820	20,170	49,990	57,135
Sundry	22,048	24,297	46,345	10,471
	<u>532,590</u>	<u>358,762</u>	<u>891,352</u>	<u>720,470</u>
OPERATIONS AND MAINTENANCE				
Ocean County Utilities Authority	-	2,412,256	2,412,256	2,591,178
Purchased water	894,571	-	894,571	887,831
Utilities - electric & gas	327,605	36,391	363,996	345,680
Chemicals and supplies	342,417	11,853	354,270	262,810
Laboratory tests	83,938	-	83,938	68,022
Repairs and maintenance	343,065	88,468	431,533	597,681
Vehicle costs	46,550	55,515	102,065	50,011
Tools, small equipment & uniforms	67,460	28,869	96,329	2,063
Meter costs	54,534	30,152	84,686	11,614
Other	15,447	6,663	22,110	14,000
	<u>2,175,587</u>	<u>2,670,167</u>	<u>4,845,754</u>	<u>4,830,890</u>
DEPRECIATION	<u>2,246,623</u>	<u>873,686</u>	<u>3,120,309</u>	<u>2,982,624</u>
	<u>\$ 7,932,407</u>	<u>\$ 5,789,158</u>	<u>\$ 13,721,565</u>	<u>\$ 12,048,914</u>

See auditors' report

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - UNRESTRICTED AND RESTRICTED
YEAR ENDED OCTOBER 31, 2023 WITH COMPARATIVE TOTALS
FOR YEAR ENDED OCTOBER 31, 2022

	RESTRICTED				TOTALS	
	UNRESTRICTED	CONSTRUCTION	BOND SERVICE	RENEWAL AND REPLACEMENT	2023	2022
Operating revenues:						
Water and sewer service charges	\$ 12,423,938	\$	\$	\$	\$ 12,423,938	\$ 12,098,341
Connection fees	918,773				918,773	675,213
Other income	433,894				433,894	231,568
Total operating revenues	13,776,605	-	-	-	13,776,605	13,005,122
Cost of operations:						
Personnel services	2,885,089				2,885,089	2,607,986
Employee benefits	1,979,061				1,979,061	906,944
Administrative	891,352				891,352	720,470
Operations & Maintenance	4,845,754				4,845,754	4,830,890
Depreciation	3,120,309				3,120,309	2,982,624
Total cost of operations	13,721,565	-	-	-	13,721,565	12,048,914
Operating profit	55,040	-	-	-	55,040	956,208
Other income (expense):						
Investment income	681,824	32,225	22,986	2,215	739,250	140,772
Bond interest expense			(149,057)		(149,057)	(187,736)
Net income before transfers	736,864	32,225	(126,071)	2,215	645,233	909,244
Transfers:						
Investment income, net	57,426	(32,225)	(22,986)	(2,215)	-	-
Bond interest expense	(149,057)		149,057		-	-
Depreciation on assets purchased with contributed capital	1,188,584				1,188,584	1,070,736
To (from) restricted assets	(1,511,444)	1,495,939	13,290	2,215	-	-
Increase (decrease) in net position	322,373	1,495,939	13,290	2,215	1,833,817	1,979,980
Net Position - beginning of year	3,847,666	35,737,279	110,484	52,148	39,747,557	37,767,577
Net Position - end of year	\$ 4,170,039	\$ 37,233,218	\$ 123,754	\$ 54,363	\$ 41,581,374	\$ 39,747,557

See auditors' report

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

**SCHEDULES OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH AND INVESTMENTS
UNRESTRICTED ACCOUNTS
YEARS ENDED OCTOBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Cash and investments at beginning of year	\$ 18,036,802	\$ 16,012,108
Cash receipts:		
Operating revenues	13,996,174	13,001,607
Investment income	677,239	143,899
Increase in escrow funds	524,616	371,693
Transfers from restricted funds	<u>-</u>	<u>450,938</u>
Total cash and investments available	<u>33,234,831</u>	<u>29,980,245</u>
Cash disbursements:		
Operations	11,136,087	9,195,458
Decrease in escrow funds	-	-
Transfers to restricted funds	<u>3,534,800</u>	<u>2,747,985</u>
Total cash disbursements	<u>14,670,887</u>	<u>11,943,443</u>
Cash and investments at end of year	\$ <u>18,563,944</u>	\$ <u>18,036,802</u>
Balance comprised of:		
Cash and interest bearing accounts	\$ 17,572,002	\$ 16,275,363
Investments	<u>991,942</u>	<u>1,761,439</u>
	<u>\$ 18,563,944</u>	<u>\$ 18,036,802</u>

See auditors' report

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN CASH INVESTMENTS
RESTRICTED ACCOUNTS
YEAR ENDED OCTOBER 31, 2023 WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED OCTOBER 31, 2022

	CONSTRUCTION	BOND SERVICE	RENEWAL AND REPLACEMENT	TOTALS	
				2023	2022
Cash and investments at beginning of year	\$ 4,823,210	\$ 1,621,972	\$ 52,148	\$ 6,497,330	\$ 3,962,522
Cash receipts:					
Interest					
Developer/Grant expansion	32,225	22,986	2,215	57,426	38,064
American Rescue Plan Grant	9,542,916			9,542,916	3,302,306
Vehicle and equipment loans	3,873			3,873	3,750,000
Transfers from unrestricted fund	48,380			48,380	94,757
Total cash and investments available	1,879,242	1,655,558		3,534,800	2,747,985
	16,329,846	3,300,516	54,363	19,684,725	13,895,634
Cash disbursements:					
Capital expenditures	10,866,497			10,866,497	4,442,321
American Rescue Plan Grant	3,061,577			3,061,577	355,777
Principal reduction long term debt		1,378,235		1,378,235	1,771,511
Vehicle and equipment loan payments	97,225			97,225	67,015
Bond interest expense		266,547		266,547	310,742
Transfer to unrestricted fund				-	450,938
Total cash disbursements	14,025,299	1,644,782	-	15,670,081	7,398,304
Cash and investments at end of year	\$ 2,304,547	\$ 1,655,734	\$ 54,363	\$ 4,014,644	\$ 6,497,330
Balance comprised of:					
Cash and interest bearing accounts	\$ 2,304,547	\$	\$	\$ 2,304,547	\$ 4,457,748
Investments	-	1,655,734	54,363	1,710,097	2,039,582
	\$ 2,304,547	\$ 1,655,734	\$ 54,363	\$ 4,014,644	\$ 6,497,330

See auditors' report

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 (A COMPONENT UNIT OF THE TOWNSHIP OF LAKEWOOD, COUNTY OF OCEAN, STATE OF NEW JERSEY)
 SCHEDULE OF DEBT SERVICE REQUIREMENTS BY YEARS
 OCTOBER 31, 2023

SERIES 2008

<u>YEARS ENDING</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2024	\$ 984,504	\$ 133,775	\$ 1,118,279
2025	1,016,614	104,400	1,121,014
2026	1,046,860	75,083	1,121,943
2027	1,073,244	45,990	1,119,234
2028	<u>1,106,172</u>	<u>-</u>	<u>1,106,172</u>
Total	\$ <u>5,227,394</u>	\$ <u>359,248</u>	\$ <u>5,586,642</u>

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF LAKEWOOD, COUNTY OF OCEAN, STATE OF NEW JERSEY)
SCHEDULE OF DEBT SERVICE REQUIREMENTS BY YEARS
OCTOBER 31, 2023

SERIES 2012 SUPPLEMENTAL

<u>YEARS ENDING</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2024	\$ 109,108	\$ 16,257	\$ 125,365
2025	108,625	13,949	122,574
2026	112,789	11,568	124,357
2027	116,887	9,351	126,238
2028	116,898	7,379	124,277
2029	117,259	5,338	122,597
2030	72,546	3,194	75,740
2031	<u>70,185</u>	<u>-</u>	<u>70,185</u>
Total	\$ <u>824,297</u>	\$ <u>67,036</u>	\$ <u>891,333</u>

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF LAKEWOOD, COUNTY OF OCEAN, STATE OF NEW JERSEY)
SCHEDULE OF DEBT SERVICE REQUIREMENTS BY YEARS
OCTOBER 31, 2023

SERIES 2012 METER

<u>YEARS ENDING</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2024	\$ 173,651	\$ 11,939	\$ 185,590
2025	173,289	10,209	183,498
2026	177,578	8,400	185,978
2027	177,139	6,749	183,888
2028	177,147	5,342	182,489
2029	165,359	3,864	169,223
2030	51,545	2,317	53,862
2031	51,449	-	51,449
Total	\$ <u>1,147,157</u>	\$ <u>48,820</u>	\$ <u>1,195,977</u>

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF LAKEWOOD, COUNTY OF OCEAN, STATE OF NEW JERSEY)
SCHEDULE OF DEBT SERVICE REQUIREMENTS BY YEARS
OCTOBER 31, 2023

SERIES 2021A

<u>YEARS ENDING</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2024	\$ 148,025	\$ 56,213	\$ 204,238
2025	148,025	53,963	201,988
2026	153,025	51,713	204,738
2027	153,025	49,338	202,363
2028	158,025	46,838	204,863
2029	158,025	44,213	202,238
2030	163,025	41,463	204,488
2031	168,025	38,888	206,913
2032	168,025	36,713	204,738
2033	168,025	34,763	202,788
2034	173,025	32,813	205,838
2035	173,025	30,788	203,813
2036	173,025	28,688	201,713
2037	178,025	26,938	204,963
2038	178,025	25,113	203,138
2039	178,025	22,863	200,888
2040	183,024	20,988	204,012
2041	183,024	19,438	202,462
2042	183,024	17,838	200,862
2043	183,024	16,238	199,262
2044	193,024	14,638	207,662
2045	193,024	12,938	205,962
2046	193,024	11,138	204,162
2047	193,024	9,338	202,362
2048	198,024	7,425	205,449
2049	198,024	5,344	203,368
2050	198,024	4,275	202,299
Total	\$ <u>4,736,684</u>	\$ <u>760,906</u>	\$ <u>5,497,570</u>

CERTIFIED PUBLIC ACCOUNTANTS

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
STATE OF NEW JERSEY CIRCULAR 15-08-OMB
INDEPENDENT AUDITOR'S REPORT**

**Chairman and Commissioners of
Lakewood Township Municipal Utilities Authority
Lakewood, New Jersey**

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited the Lakewood Township Municipal Utilities Authority's (the Authority), in the County of Ocean, State of New Jersey, a component unit of the Township of Lakewood, compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement and the New Jersey State Grant Compliance Supplement that could have a direct and material effect on each of the Authority's major federal and state programs for the fiscal year ended October 31, 2023. The Authority's major federal and state programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Lakewood Township Municipal Utilities Authority, in the County of Ocean, State of New Jersey, 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 and state programs for the fiscal year ended October 31, 2023.

Basis for Opinion on Each Major Federal and State Program

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; the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance); and the audit requirements of State of New Jersey Circular 15-08-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Our responsibilities under those standards, the Uniform Guidance, and State of New Jersey Circular 15-08-OMB, are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

MOHEL ELLIOTT BAUER & GASS
A PROFESSIONAL ASSOCIATION
CERTIFIED PUBLIC ACCOUNTANTS

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal and state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*; the Bureau of Authority Regulation, Department of Community Affairs, State of New Jersey; Uniform Guidance; and State of New Jersey Circular 15-08-OMB, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, the Uniform Guidance, and State of New Jersey Circular 15-08-OMB, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and State of New Jersey Circular 15-08-OMB, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

MOHEL ELLIOTT BAUER & GASS
A PROFESSIONAL ASSOCIATION
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We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 and state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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 and state 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 and state 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.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance and State of New Jersey Circular 15-08-OMB. Accordingly, this report is not suitable for any other purpose.

MoHEL Elliott Bauer & Gass

Toms River, New Jersey
August 6, 2024

FINANCIAL ASSISTANCE AUDIT SECTION

LAKESIDE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

SCHEDULE OF EXPENDITURES OF FINANCIAL ASSISTANCE

FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED OCTOBER 31, 2023

Grantor/Pass- Through Grantor/Program Title	CFDA Number	Term of Agreement	Total Grant Available	Total Amount Available 10/31/2022	Capitalized Expenditures	Total Amount Available 10/31/2023
US Department of Treasury/ Lakeside Township/ American Rescue Plan	21.027	8/12/2021 - 12/31/2024	\$ 3,750,000	\$ 3,394,223	\$ 3,061,577	\$ 332,646
Total			<u>\$ 3,750,000</u>	<u>\$ 3,394,223</u>	<u>\$ 3,061,577</u>	<u>\$ 332,646</u>

(a) See Notes to the Schedule of Expenditures of Federal Awards. The accompanying Notes to Financial Statements and Notes to Schedule of Expenditures of Federal Awards are an integral part of this schedule.

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2023**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards include federal award activity of the Lakewood Township Municipal Utilities Authority (hereafter referred to as the "Authority") under programs of the federal government for the fiscal year ended October 31, 2023. The Authority is defined in note 1 to the Authority's basic financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and State of New Jersey Circular 15-08-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. All federal and state awards received directly from federal and state agencies, as well as federal and state financial assistance passed through other government agencies, are included on the schedule. Because the schedule present only a selected portion of the operations of the Authority, they are not intended to and do not present the financial position and changes in net position of the Authority.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

The accompanying schedule of expenditures of federal awards and state financial assistance are presented using the accrual basis of accounting. This basis of accounting is described in note 1 to the Authority's basic financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and State of New Jersey Circular 15-08-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Amounts reported in the accompanying schedule agrees with amounts reported in the Authority's basic financial statements.

NOTE 4 - RELATIONSHIP TO TOWNSHIP FINANCIAL REPORTS

Amounts reported in the accompanying schedule agrees with the amounts reported in the related Lakewood Township financial reports.

NOTE 5 - MAJOR PROGRAMS

Major programs are identified in the *Summary of Auditor's Results* section of the *Schedule of Findings and Questions Costs*.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED OCTOBER 31, 2023

Section 1- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes x no

Significant deficiency(ies) identified? yes x none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes x no

Significant deficiency(ies) identified? yes x none reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 516 of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)? yes x no

Identification of major programs:

Assistance Listing CFDA Number(s)

21.027

Name of Federal Program or Cluster

American Rescue Plan

Dollar threshold used to determine Type A programs

\$750,000.00

Auditee qualified as low-risk auditee?

yes x no

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED OCTOBER 31, 2023**

Section 2- Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements related to financial statements for which Government Auditing Standards and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, requires.

None.

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED OCTOBER 31, 2023**

Section 3- Schedule of Federal Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, material instances of noncompliance, including questioned costs, and significant instances of abuse related to the audit of major Federal programs, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

None.

LAKESWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT

This section identifies the status of prior year findings related to the financial statements and federal financial assistance that are required to be reported in accordance with Government Auditing Standards and State of New Jersey Circular 15-08-OMB.

FINANCIAL STATEMENT FINDINGS

None.

FEDERAL AWARDS

None.