

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

**FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION**

YEARS ENDED OCTOBER 31, 2020 AND 2019

AND

INDEPENDENT AUDITOR'S REPORT

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
FINANCIAL STATEMENTS WITH SUPPLEMENTAL INFORMATION
YEARS ENDED OCTOBER 31, 2020 AND 2019

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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 fiscal years ended October 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents,

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

MOHEL ELLIOTT BAUER & GASS

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

CERTIFIED PUBLIC ACCOUNTANTS

Opinion

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, State of New Jersey as of October 31, 2020 and 2019, and the changes in financial position and its cash flows, thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to 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.

Other 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 not a required part of the basic financial statements.

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

MOHEL ELLIOTT BAUER & GASS

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2022, 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 Authority'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.



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

March 1, 2022
Toms River, New Jersey

MOHEL ELLIOTT BAUER & GASS

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

FOUNDED IN 1926 BY SIDNEY MOHEL

CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

**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, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and in compliance with audit requirements 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 business-type activities of the Lakewood Township Municipal Utilities Authority's, as of and for the fiscal year ended October 31, 2020, and the related notes to the financial statements which collectively comprise the Lakewood Township Municipal Utilities Authority's basic financial statements, and have issued our report thereon dated March 1, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lakewood Township Municipal Utilities Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lakewood Township Municipal Utilities 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 have not been identified.

MOHEL ELLIOTT BAUER & GASS

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

CERTIFIED PUBLIC ACCOUNTANTS

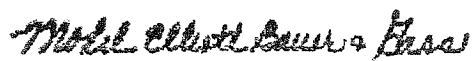
Chairman and Commissioners of Lakewood Township Municipal Utilities Authority

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lakewood Township Municipal Utilities 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and the 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 the 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, P.A.
Certified Public Accountants

March 1, 2022
Toms River, New Jersey

LAKWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED OCTOBER 31, 2020

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, 2020 and 2019.

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, 2020, had total assets and deferred outflows of resources of \$96,867,210 compared to \$92,174,699 at October 31, 2019. The total assets and deferred outflows of resources increased by approximately \$4,693,000 from 2019 to 2020 primarily as a result of the increase in property, plant and equipment. The Authority, at October 31, 2019, had total assets and deferred outflows of resources of \$92,174,699 compared to \$90,014,073 at October 31, 2018. The total assets and deferred outflows of resources increased by approximately \$2,161,000 from 2018 to 2019 primarily as a result of the increase in property, plant and equipment.

The Authority's liabilities and deferred inflows of resources of \$36,671,084 at year end October 31, 2020 increased from the October 31, 2019 balance of \$34,282,166. The liabilities and deferred inflows of resources increased by approximately by \$2,389,000 primarily due to the increase in NJEIT interim financing and offset by a decrease of deferred inflows of resources. The Authority's liabilities and deferred inflows of resources of \$34,282,166 at year end October 31, 2019 decreased from the October 31, 2018 balance of \$34,513,187. The liabilities and deferred inflows of resources decreased by approximately by \$231,000 primarily due to the decrease in long-term debt and offset by a increase of deferred inflows of resources.

In summary, the Authority's net position for the year ended October 31, 2020 reflects a increase of approximately \$2,304,000 from 2019. This is due to a net position increase of \$1,863,947 and the net increase of \$439,646 in Developer expansion of system. The Authority's net position for the year ended October 31, 2019 reflects an increase of approximately \$2,392,000 from 2018, which was due primarily to a net position increase of \$1,534,821 and the net increase of \$856,826 in Developer expansion of system.

(Continued)

LAKWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

FOR THE YEAR ENDED OCTOBER 31, 2020

The Authority's activity for the year remained relatively stable from 2019 to 2020, The Authority's net increase for 2020 was \$2,306,2937 which includes \$2,739,001 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 \$1,435,708 in 2020 compared to \$1,820,418 in 2019.

The Authority's activity for the year remained relatively stable from 2018 to 2019, The Authority's net increase for 2019 was \$2,391,647 which includes \$2,617,490 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 \$1,820,418 in 2019 compared to \$1,967,835 in 2018.

Condensed Financial Information

Key Authority financial information for the years 2020, 2019, and 2018 include the following balances:

	Assets		
	2020	2019	2018
Unrestricted current assets	\$ 16,380,444	\$ 17,063,083	\$ 16,722,608
Restricted current assets	3,197,427	3,934,102	3,054,966
Property, plant and equipment, net of depreciation	73,518,406	69,201,121	68,364,616
Total assets	93,096,277	90,198,306	88,142,190
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows related to pensions	1,140,485	1,567,696	1,398,075
Deferred outflows related to OPEB	2,630,448	408,697	473,808
Total deferred outflow of resources	3,770,933	1,976,393	1,871,883
Total assets and deferred outflow of resources	\$ 96,867,210	\$ 92,174,699	\$ 90,014,073

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

FOR THE YEAR ENDED OCTOBER 31, 2020

Liabilities

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current liabilities payable from current unrestricted assets	\$ 2,574,608	\$ 3,117,657	\$ 2,939,805
Current liabilities payable from current restricted assets	2,369,884	1,835,984	1,727,250
Non-current liabilities	<u>24,592,570</u>	<u>21,954,338</u>	<u>23,225,443</u>
Total liabilities	<u>29,537,062</u>	<u>26,907,979</u>	<u>27,892,498</u>

Deferred Inflow of Resources

Deferred inflows related to pensions	2,056,480	2,050,119	1,906,530
Deferred inflows related to OPEB	3,337,606	3,516,766	2,784,489
Easement and assignment of cell tower leases	932,854	959,479	986,104
Premium on revenue bonds payable, net	280,030	312,830	345,630
Gain on loan refundings, net	<u>527,052</u>	<u>534,993</u>	<u>597,936</u>
Total deferred inflow of resources	<u>7,134,022</u>	<u>7,374,187</u>	<u>6,620,689</u>

Net Position

Contributed capital, net of related accumulated depreciation	25,084,716	24,645,070	23,788,244
Investments in capital assets, net of related debt	34,829,842	32,578,574	31,192,038
Restricted for bond service fund	20,657	94,467	29,565
Restricted for bond reserve fund	441,984	441,984	441,984
Renewal and replacement fund	51,893	51,595	50,616
Unrestricted	<u>(232,966)</u>	<u>80,843</u>	<u>(1,561)</u>
Total net position	<u>60,196,126</u>	<u>57,892,533</u>	<u>55,500,886</u>

Total liabilities, deferred
inflow of resources and
net position

\$ <u>96,867,210</u>	\$ <u>92,174,699</u>	\$ <u>90,014,073</u>
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LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) FOR THE YEAR ENDED OCTOBER 31, 2020

Other Financial Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total operating and non-operating revenues	\$ 12,648,697	\$ 11,760,443	\$ 11,164,992
Total operating and non-operating expenses	<u>11,780,812</u>	<u>10,225,622</u>	<u>9,756,537</u>
Excess of revenues over expenses	<u>\$ 867,885</u>	<u>\$ 1,534,821</u>	<u>\$ 1,408,455</u>
Capital additions	\$ 6,627,728	\$ 3,361,202	\$ 2,645,408
Capital contributions	\$ 1,435,708	\$ 1,820,418	\$ 1,967,835
Bonds paid down	\$ 1,603,038	\$ 1,513,201	\$ 1,526,083
Bonds and notes payable	\$ 14,801,782	\$ 14,187,762	\$ 14,759,521

Authority 2020 operating revenues were above budget expectations by \$661,053 mainly due to higher than expected connection fees budgeted. Authority 2019 operating revenues were above budget expectations by \$240,518 for similar reasons as 2020.

The Authority's total 2020 operating expenses were under budget by \$461,071 for the year due to lower employee benefits than estimated. Additionally professional fees were slightly higher than anticipated due to ongoing legal and engineering matters and repair and maintenance was slightly higher due to unanticipated repairs. The purchased water costs were higher than anticipated while the sewage treatment cost were close to expectations. Transportation costs were lower than expectation due to preventative maintenance on the Authority fleet. Various other expense lines make up the remainder of the savings.

The Authority's total 2019 operating expenses were under budget by \$792,813 for the year due to lower employee benefits than estimated. Additionally professional fees were slightly higher than anticipated due to ongoing legal and engineering matters and repair and maintenance was slightly higher due to unanticipated repairs. The purchased water costs were lower than anticipated while the sewage treatment cost were close to expectations. Transportation costs were lower than expectation due to improved fuel charges and continued preventative maintenance on the Authority fleet. 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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
ASSETS		
Unrestricted assets:		
Cash and interest bearing accounts	\$ 13,211,182	\$ 14,289,493
Investments, at fair value	1,031,368	512,617
Accounts receivable	2,115,747	2,237,405
Accrued interest receivable	8,965	11,940
Prepaid expenses	<u>13,182</u>	<u>11,628</u>
Total unrestricted assets	<u>16,380,444</u>	<u>17,063,083</u>
Restricted assets:		
Construction Fund:		
Cash	601,876	1,265,843
Investments, at fair value	363,753	362,022
Bond Service Fund:		
Investments, at fair value	1,737,921	1,812,658
Bond Reserve Fund:		
Investments, at fair value	441,984	441,984
Renewal and Replacement Fund:		
Investments, at fair value	<u>51,893</u>	<u>51,595</u>
Total restricted assets	<u>3,197,427</u>	<u>3,934,102</u>
Property, plant and equipment		
Less: accumulated depreciation	<u>73,518,406</u>	<u>69,201,121</u>
Total unrestricted and restricted assets	<u>93,096,277</u>	<u>90,198,306</u>
DEFERRED OUTFLOW OF RESOURCES		
Deferred outflows related to pensions	1,140,485	1,567,696
Deferred outflows related to OPEB	<u>2,630,448</u>	<u>408,697</u>
Total deferred outflow of resources	<u>3,770,933</u>	<u>1,976,393</u>
	<u><u>\$ 96,867,210</u></u>	<u><u>\$ 92,174,699</u></u>

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

**STATEMENTS OF NET POSITION
(Continued)
OCTOBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
LIABILITIES		
Current liabilities payable from unrestricted assets:		
Accounts payable and accrued liabilities	\$ 521,549	\$ 648,626
Accrued payroll liabilities	15,936	7,704
Accrued pension liabilities	281,858	245,844
Easement and assignment of cell tower leases	26,625	26,625
Unearned revenue	474,565	445,007
Customers deposits	105,966	105,966
Escrow fund	<u>1,148,109</u>	<u>1,637,885</u>
Total current liabilities payable from unrestricted assets	<u>2,574,608</u>	<u>3,117,657</u>
Current liabilities payable from restricted assets		
Accrued interest payable on revenue bond	131,526	170,155
Revenue bonds payable - current portion	1,585,738	1,548,036
Vehicle and equipment loans- current portion	106,269	-
Construction cost payable	<u>546,351</u>	<u>117,793</u>
Total current liabilities payable from restricted assets	<u>2,369,884</u>	<u>1,835,984</u>
Compensated absences	219,551	191,131
Long-term portion of revenue bonds payable	10,057,544	11,698,284
Vehicle and equipment loans	126,826	-
NJEIT interim financing	2,925,405	941,442
Net pension liability	4,201,611	4,520,526
Net OPEB liability	<u>7,061,633</u>	<u>4,602,955</u>
Total liabilities	<u>29,537,062</u>	<u>26,907,979</u>
DEFERRED INFLOW OF RESOURCES		
Deferred inflows related to pensions	2,056,480	2,050,119
Deferred inflows related to OPEB	3,337,606	3,516,766
Easement and assignment of cell tower leases	932,854	959,479
Premium on revenue bonds payable, net	280,030	312,830
Gain on loan refundings, net of accumulated amortization	<u>527,052</u>	<u>534,993</u>
Total deferred inflow of resources	<u>7,134,022</u>	<u>7,374,187</u>
NET POSITION		
Contributed capital		
Less: accumulated depreciation	25,084,716	24,645,070
Restricted for:		
Construction Fund - Investments in capital assets, net of related debt	34,829,842	32,578,574
Bond Service Fund	20,657	94,467
Bond Reserve Fund	441,984	441,984
Renewal and Replacement Fund	51,893	51,595
Unrestricted:		
Unrestricted Fund	<u>(232,966)</u>	<u>80,843</u>
Total Net Position	<u>\$ 60,196,126</u>	<u>\$ 57,892,533</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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Water and sewer service charges	\$ 11,721,279	\$ 10,902,540
Connection fees	663,142	432,819
Other income	<u>167,614</u>	<u>235,991</u>
Total operating revenues	<u>12,552,035</u>	<u>11,571,350</u>
Operating expenses:		
Personnel services	2,211,499	2,045,521
Employee benefits	1,301,992	1,123,766
Administrative	897,779	776,649
Operations and maintenance	4,424,907	4,362,333
Depreciation	<u>2,739,001</u>	<u>2,617,490</u>
Total operating expenses	<u>11,575,178</u>	<u>10,925,759</u>
Operating income	976,857	645,591
Other income (expense):		
Investment income	96,662	189,093
Bond interest expense	<u>(205,634)</u>	<u>(263,455)</u>
Income (before transfer of depreciation on assets purchased with contributed capital)	867,885	571,229
Transfer of depreciation to contributed capital	<u>996,062</u>	<u>963,592</u>
Change in net position	1,863,947	1,534,821
Restricted and unrestricted net position - beginning of year	<u>33,247,463</u>	<u>31,712,642</u>
Restricted and unrestricted net position - end of year	<u>35,111,410</u>	<u>33,247,463</u>
Contributed capital - beginning of year	24,645,070	23,788,244
Developer expansion of system	1,435,708	1,820,418
Transfer of depreciation from operations to contributed capital	<u>(996,062)</u>	<u>(963,592)</u>
Contributed capital - end of year	<u>25,084,716</u>	<u>24,645,070</u>
Total net position - end of year	<u>\$ 60,196,126</u>	<u>\$ 57,892,533</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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from customers	\$ 12,676,626	\$ 11,495,595
Cash paid to suppliers and employees	(8,719,718)	(8,206,772)
Investment income - received	99,637	189,639
Bond interest expense - paid	(285,004)	(378,091)
Increase (decrease) in escrow funds	<u>(489,776)</u>	<u>153,690</u>
Net cash provided by operating activities	<u>3,281,765</u>	<u>3,254,061</u>
Cash flows from investing activities:		
Capital expenditures	(6,627,728)	(3,361,202)
Purchase of investments	(4,118,664)	(2,106,497)
Sale/maturity of investments	<u>3,672,621</u>	<u>1,920,862</u>
Net cash used in investing activities	<u>(7,073,771)</u>	<u>(3,546,837)</u>
Cash flows from financing activities:		
Developer expansion of system	1,435,708	1,820,418
NJEIT interim financing	1,983,963	941,442
Vehicle and equipment loans	298,537	-
Vehicle and equipment loan payments	(65,442)	-
Principal redemption of long-term debt	<u>(1,603,038)</u>	<u>(1,513,201)</u>
Net cash provided (used) by financing activities	<u>2,049,728</u>	<u>1,248,659</u>
Net increase in cash and cash equivalents	(1,742,278)	955,883
Cash and cash equivalents at beginning of year	<u>15,555,336</u>	<u>14,599,453</u>
Cash and cash equivalents at end of year	<u>\$ 13,813,058</u>	<u>\$ 15,555,336</u>

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

STATEMENTS OF CASH FLOWS
(Continued)
YEARS ENDED OCTOBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Change in net position	\$ 1,863,947	\$ 1,534,821
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Depreciation, net of transfer to contributed capital	1,742,939	1,653,898
Unbudgeted pension expense - non cash item	114,657	278,206
Unbudgeted OPEB expense - non cash item	57,767	(196,870)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	121,658	(79,483)
Accrued interest receivable	2,975	546
Prepaid expenses	(1,554)	844
Increase (decrease) in:		
Accounts payable and accrued liabilities	(127,077)	24,126
Accrued payroll liabilities	8,232	(61,524)
Accrued pension liabilities	36,014	31,207
Compensated absences	28,420	25,508
Cell tower leases	(26,625)	(26,625)
Unearned billings	29,558	30,353
Escrow funds	(489,776)	153,690
Accrued interest payable on revenue bonds	(38,629)	(18,893)
Amortization on gain loan refunding's	(7,941)	(62,943)
Premium on revenue bonds payable	(32,800)	(32,800)
Total adjustments	<u>1,417,818</u>	<u>1,719,240</u>
Net cash provided by operating activities	\$ <u>3,281,765</u>	\$ <u>3,254,061</u>

The accompanying notes are an integral
part of these financial statements

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS OCTOBER 31, 2020 AND 2019

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, 2024
Anne Fish, Assistant Secretary	January 31, 2023
Craig Theibault, Treasurer	January 31, 2022
Yocheved Miller, Commissioner	January 31, 2025
Sam Flancbaum, Alternate Commissioner	January 31, 2024
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, 2020 AND 2019

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, 2020 AND 2019

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 2019 financial statements to conform with the 2020 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 measureable and the Authority is eligible to realize the revenue

(Continued)

LAKESWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2020 AND 2019

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.

P. Impact of Recently Issued Account Principles

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Statement will become effective for the Authority in the fiscal year ending October 31, 2022. Management has not yet determined the impact of this Statement on the financial statements.

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(Continued)
OCTOBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. 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.

R. Subsequent Events

The Authority has evaluated subsequent activity through March 1, 2022, 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, 2020 AND 2019

NOTE 3 - CONTRIBUTED CAPITAL

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

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

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

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

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

	<u>2020</u>	<u>2019</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
Developer expansion of system	<u>39,155,216</u>	<u>37,719,508</u>
	40,867,277	39,431,569
Less: accumulated depreciation	<u>15,782,561</u>	<u>14,786,499</u>
	<u>\$ 25,084,716</u>	<u>\$ 24,645,070</u>

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2020 AND 2019

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, 2020 AND 2019

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, 2020 and 2019, and reported at fair value are shown below.

	<u>2020</u>	<u>2019</u>
Deposits:		
Demand deposits	\$ 17,439,977	\$ 18,736,212
Total deposits	<u>\$ 17,439,977</u>	<u>\$ 18,736,212</u>
Reconciliation to Statements of Net Position:		
Current unrestricted assets:		
Cash	\$ 14,242,550	\$ 14,802,110
Current restricted assets:		
Cash	<u>3,197,427</u>	<u>3,934,102</u>
Total	<u>\$ 17,439,977</u>	<u>\$ 18,736,212</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, 2020 and 2019, the Authority's bank balances of \$17,439,977 and \$18,736,212 and was insured or collateralized as follows:

	<u>2020</u>	<u>2019</u>
Insured	\$ 3,626,919	\$ 3,180,876
Collateralized in the Authority's names		
Under GUDPA	<u>13,813,058</u>	<u>15,555,336</u>
Total	<u>\$ 17,439,977</u>	<u>\$ 18,736,212</u>

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2020 AND 2019

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 counterpart'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, 2020 AND 2019

NOTE 6 - INVESTMENTS (Continued)

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

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
UNRESTRICTED FUNDS:				
REVENUE FUND				
State of New Jersey				
Cash Management Funds	\$ 71,293	\$ 71,293	\$ 70,711	\$ 70,711
JP Morgan, U.S. Treasury Plus Premier,				
Money Market Fund	866,619	866,619	348,986	348,986
	<u>937,912</u>	<u>937,912</u>	<u>419,697</u>	<u>419,697</u>
GENERAL FUND				
JP Morgan, U.S. Treasury Plus Premier,				
Money Market Fund	93,456	93,456	92,920	92,920
	<u>1,031,368</u>	<u>1,031,368</u>	<u>512,617</u>	<u>512,617</u>
RESTRICTED FUNDS:				
CONSTRUCTION FUND				
JP Morgan, U.S. Treasury Plus Premier,				
Money Market Fund	363,753	363,753	362,022	362,022
	<u>363,753</u>	<u>363,753</u>	<u>362,022</u>	<u>362,022</u>
BOND SERVICE FUND				
JP Morgan, U.S. Treasury Plus Premier,				
Money Market Fund	1,737,921	1,737,921	1,812,658	1,812,658
BOND RESERVE FUND				
U.S. Treasury Bond Slug,				
4.04547%, due 11/01/21	441,984	441,984	441,984	441,984
	<u>441,984</u>	<u>441,984</u>	<u>441,984</u>	<u>441,984</u>
RENEWAL AND REPLACEMENT FUND				
JP Morgan, U.S. Treasury Plus Premier,				
Money Market Fund	51,893	51,893	51,595	51,595
	<u>\$ 3,626,919</u>	<u>\$ 3,626,919</u>	<u>\$ 3,180,876</u>	<u>\$ 3,180,876</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 5% to 5.411%.

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, 2020:

<u>Year Ending October 31:</u>	<u>Total</u>
2021	\$ 106,269
2022	48,268
2023	36,960
2024	41,598
	<u>\$ 233,095</u>

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(Continued)
OCTOBER 31, 2020 AND 2019

NOTE 8 - REVENUE BONDS

2020 Revenue Bonds					
	Series 2002 Refunding 2007B	Series 2008 Refunding 2016A-R1	Supplemental Series 2012	Meter Series 2012	Total
Trust Loan	\$ 499,939	\$ 4,720,000	\$ 679,269	\$ 500,729	\$ 6,399,937
Fund Loan	325,103	3,306,386	456,338	1,155,518	5,243,345
	<u>825,042</u>	<u>8,026,386</u>	<u>1,135,607</u>	<u>1,656,247</u>	<u>11,643,282</u>
Less: current portion	<u>404,671</u>	<u>909,663</u>	<u>101,184</u>	<u>170,220</u>	<u>1,585,738</u>
	<u>\$ 420,371</u>	<u>\$ 7,116,723</u>	<u>\$ 1,034,423</u>	<u>\$ 1,486,027</u>	<u>\$ 10,057,544</u>

2019 Revenue Bonds					
	Series 2002 Refunding 2007B	Series 2008 Refunding 2016A-R1	Supplemental Series 2012	Meter Series 2012	Total
Trust Loan	\$ 733,126	\$ 5,192,000	\$ 760,000	\$ 560,000	\$ 7,245,126
Fund Loan	488,304	3,719,630	507,522	1,285,738	6,001,194
	<u>1,221,430</u>	<u>8,911,630</u>	<u>1,267,522</u>	<u>1,845,738</u>	<u>13,246,320</u>
Less: current portion	<u>396,388</u>	<u>885,244</u>	<u>101,184</u>	<u>165,220</u>	<u>1,548,036</u>
	<u>\$ 825,042</u>	<u>\$ 8,026,386</u>	<u>\$ 1,166,338</u>	<u>\$ 1,680,518</u>	<u>\$ 11,698,284</u>

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

Year ended October 31,	Series 2002 Refunding 2007B	Series 2008 Refunding 2016A-R1	Supplemental Series 2012	Meter Series 2012	Total
2021	\$ 404,671	\$ 909,663	\$ 101,184	\$ 170,220	\$ 1,585,738
2022	420,371	933,269	105,265	169,581	1,628,486
2023	-	956,060	104,861	169,289	1,230,210
2024	-	984,504	109,108	173,651	1,267,263
2025	-	1,016,614	108,625	173,289	1,298,528
Thereafter	<u>-</u>	<u>3,226,276</u>	<u>606,564</u>	<u>800,217</u>	<u>4,633,057</u>
	<u>\$ 825,042</u>	<u>\$ 8,026,386</u>	<u>\$ 1,135,607</u>	<u>\$ 1,656,247</u>	<u>\$ 11,643,282</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, 2020 AND 2019

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.

Bond interest expense consists of the following:

	<u>2020</u>	<u>2019</u>
Revenue Bonds Series 2002	\$ 30,600	\$ 42,126
Revenue Bonds Series 2008	237,875	260,925
Revenue Bonds Series 2012 - Supplemental	19,078	32,256
Revenue Bonds Series 2012 - Meter	14,124	23,891
Amortization gain loan refunding's	(62,943)	(62,943)
Amortize premium on revenue bonds	<u>(32,800)</u>	<u>(32,800)</u>
Bond interest expense	<u>\$ 205,934</u>	<u>\$ 263,455</u>

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

	<u>2020</u>	<u>2019</u>	<u>Estimated Useful Lives Years</u>
Land	\$ 76,445	\$ 76,445	--
Water and sewer system	99,828,931	98,206,365	40-75
Office building and garage	3,536,189	1,491,416	5-40
Other equipment	221,896	203,346	5-7
Transportation equipment	844,173	574,664	5
Construction in progress	<u>5,141,191</u>	<u>2,040,303</u>	--
	109,648,825	102,592,539	
Less: accumulated depreciation	<u>36,130,419</u>	<u>33,391,418</u>	
	<u>\$ 73,518,406</u>	<u>\$ 69,201,121</u>	

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2020 AND 2019

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 in the amount of \$62,160 and \$200,435 for the years ended October 31, 2020 and 2019, 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, 2020 and 2019 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 2020, 2019, or 2018.

(Continued)

LAKESWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2020 AND 2019

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.

NOTE 14 - PENDING LITIGATION

There are actions, which have been instituted against the Board. The outcomes of these cases cannot be determined at the present. The final outcomes if unavailable to the Board, will be covered through insurance or the budgetary process.

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2020 AND 2019

NOTE 15 - 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 allocations and the schedule of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. 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)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2020 AND 2019

NOTE 15 - PENSION PLAN - (Continued)

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

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 2020, the State's pension contribution was less 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 were credited with full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of the 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, which began 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, 2020 the Authority's contractually required contribution to PERS was \$281,858.

Components of Net Pension Liability - As of October 31, 2020, the Authority reported a liability of \$4,201,611 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability for the June 30, 2020 measurement date was determined by a actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020. The Authority's proportion of the net pension liability was based on the ratio of the Authority's contributions to the total contributions to PERS during the measurement period July 1, 2019 through June 30, 2020. The Authority's proportion measured as of June 30, 2020 was .02577%. This was an increase from its proportion measured as of June 30, 2019 of .00068%.

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2020 AND 2019

NOTE 15 - PENSION PLAN - (Continued)

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

Collective Balances as of October 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Actuarial valuation date (including roll forward)	July 1, 2019	July 1, 2018
Deferred outflows of resources	\$ 1,140,485	\$ 1,567,696
Deferred inflows of resources	\$ 2,056,480	\$ 2,050,119
Net pension liability	\$ 4,201,611	\$ 4,520,526
Authority's portion of the plan's total net pension liability	0.02577%	0.02509%

Pension Expense and Deferred Outflows/Inflows of Resources - For the year ended October 31, 2020, the Authority recognized pension expense of \$398,082. As of October 31, 2020, 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	\$ 136,305	\$ 1,759,254
Net difference between expected and actual experience	76,504	14,859
Net difference between projected and actual earnings on pension plan investments	143,614	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	<u>784,062</u>	<u>282,367</u>
Total	\$ <u>1,140,485</u>	\$ <u>2,056,480</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>
2021	\$ (340,650)
2022	(310,569)
2023	(177,482)
2024	(71,771)
2025	<u>(15,523)</u>
Total	\$ <u>(915,995)</u>

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2020 AND 2019

NOTE 15 - 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 Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
2015	5.72	-
2016	5.57	-
2017	5.48	-
2018	-	5.63
2019	5.21	-
2020	5.16	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
2014	6.44	-
2015	5.72	-
2016	5.57	-
2017	-	5.48
2018	-	5.63
2019	-	5.21
2020	-	5.16
Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
2015	-	-
2016	5.00	-
2017	5.00	-
2018	5.00	-
2019	5.00	-
2020	5.00	-
Changes in Proportion		
Year of Pension Plan Deferral:		
2014	6.44	6.44
2015	5.72	5.72
2016	5.57	5.57
2017	5.48	5.48
2018	5.63	5.63
2019	5.21	5.21
2020	5.16	5.16

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2020 AND 2019

NOTE 15 - PENSION PLAN - (Continued)

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

Actuarial Assumptions - The collective total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. This actuarial valuation used the following actuarial assumptions:

Measurement date	June 30, 2020
Actuarial valuation date	July 1, 2019
Inflation rate:	
Price	2.75%
Wage	3.25%
Salary increases based on years of service:	
Through 2026	2.00 - 6.00%
Thereafter	3.00 - 7.00%
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 a 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-2020.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. 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, 2020) 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 real rates of return for each major asset class included PERS's target asset allocation as of June 30, 2020 are summarized in the following table.

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2020 AND 2019

NOTE 15 - 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	27.00%	7.71%
Non-U.S. developed markets equity	13.50%	8.57%
Emerging markets equity	5.50%	10.23%
Private equity	13.00%	11.42%
Real assets	3.00%	9.73%
Real estate	8.00%	9.56%
High yield	2.00%	5.95%
Private credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk mitigation Strategies	3.00%	3.40%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. 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 78% 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)

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

(Continued)
OCTOBER 31, 2020 AND 2019

NOTE 15 - 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, 2020 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:

	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
Authority's proportionate share of the net pension liability	\$ 5,294,030	\$ 4,201,611	\$ 3,277,257

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2020 AND 2019

NOTE 16 - OTHER POST EMPLOYMENT BENEFITS

State Health Benefit Local Government Retired Employees Plan:

Plan Description - The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State of locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A. 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2020 AND 2019

NOTE 16 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Basis of Presentation - The schedule of employer and nonemployer allocations and the schedule of OPEB amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of 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 the participating employers or the State. The accompanying schedules were prepared in accordance with U.S. generally accepted accounting principles. Such presentation requires management of the Plan 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.

Allocation Methodology - GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense (benefit). The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. For special funding situation and the nonspecial funding situation, the total OPEB liabilities for the year ended June 30, 2020 were \$5,512,481,278 and \$12,598,993,950, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during measurement period July 1, 2019 through June 30, 2020. Employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

Special Funding Situation - Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

Therefore these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net OPEB liability that is associated with the local participating employer. The participating employer is required to record in their financial statements, as an expense and corresponding revenue, their proportionate share of the OPEB expense allocated to the State of New Jersey under the special funding situation.

(Continued)

LAKESIDE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2020 AND 2019

NOTE 16 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Net OPEB Liability

Components of Net OPEB Liability - As of October 31, 2020, the District reported a liability of \$7,061,633 for its proportionate share of the net OPEB liability.

	<u>June 30, 2020</u>
Total OPEB liability	\$ 7,126,503
Plan fiduciary net position	<u>64,870</u>
Net OPEB liability	<u>\$ 7,061,633</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%

The total OPEB liability was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%
Salary increases*:	
Through 2026 (PERS)	2.00% to 6.00%
Thereafter (PERS)	3.00% to 7.00%
All future years (PFRS)	3.25% to 15.25%

*Salary increases are based on years of service.

Mortality- PERS rates were based on Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using the MP-2020.

Mortality- PFRS rates were based on Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using the MP-2020.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan - the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018 respectively.

100% of active members are considered to participate in the Plan upon retirement.

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2020 AND 2019

NOTE 16 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Health Care Trend Assumptions - For pre-Medicare medical benefits, the trend rate is initially 5.6% and decreases to a 4.5% long-term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2021 through 2022 are reflected. The rates used for 2023 and 2024 are 21.83% and 18.53%, respectively, trending to 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.0% decreasing to a 4.5% long-term trend rate after seven years.

Discount Rate - The discount rate for June 30, 2020 was 2.21%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate - The following presents the collective net OPEB liability of the participating employers as of June 30, 2020, 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 (1.21%)</u>	<u>At discount rate (2.21%)</u>	<u>At 1% increase (3.21%)</u>
\$8,348,342	\$7,061,633	\$6,043,086

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate - The following presents the net OPEB liability as of June 30, 2020, 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>
\$5,843,509	\$7,061,633	\$8,656,784

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2020 AND 2019

NOTE 16 - 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, 2020 and October 31, 2019:

Balances at October 31, 2020 and October 31, 2019

	<u>10/31/2020</u>	<u>10/31/2019</u>
Actuarial valuation date (including roll forward)	June 30, 2020	June 30, 2019
Deferred Outflows of Resources	\$ 2,630,448	\$ 408,697
Deferred Inflows of Resources	3,337,606	3,516,766
Net OPEB Liability	7,061,633	4,602,955
Authority's portion of the Plan's total Net OPEB Liability	0.03935%	0.03398%

OPEB Deferred Outflows/Inflows of Resources - At October 31, 2020, the Authority's proportionate share of the OPEB outflows and inflows, calculated by the plan as of June 30, 2020 measurement date is \$2,630,448 and \$3,337,606, respectively. At October 31, 2020, 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	\$ 185,998	\$ 1,315,008
Change of assumptions	1,056,198	1,570,398
Differences between projected actual investment earnings on OPEB plan investments	4,485	-
Changes in Proportion	<u>1,383,767</u>	<u>452,200</u>
	<u>\$ 2,630,448</u>	<u>\$ 3,337,606</u>

These 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 June 30:		
2021	\$	(163,808)
2022		(163,956)
2023		(164,196)
2024		(164,416)
2025		(112,210)
Thereafter		<u>61,328</u>
	\$	<u>(707,258)</u>

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2020 AND 2019

NOTE 16 - OTHER POST EMPLOYMENT BENEFITS (Continued)

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

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments		
Year of OPEB Plan Deferral:		
June 30, 2017	5.00	-
June 30, 2018	5.00	-
June 30, 2019	5.00	-
June 30, 2020	5.00	-
Differences between Expected and Actual Experience		
Year of OPEB Plan Deferral:		
June 30, 2018	-	8.14
June 30, 2019	-	8.05
June 30, 2020	7.87	-
Changes in Assumptions		
Year of OPEB Plan Deferral:		
June 30, 2017	-	8.04
June 30, 2018	-	8.14
June 30, 2019	-	8.05
June 30, 2020	7.87	-

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2020 AND 2019

NOTE 17 - SUBSEQUENT EVENTS

On June 10, 2021, the Lakewood Township Municipal Utilities Authority closed on the issuance of \$5,027,714 Revenue Bonds, Series 2020 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.

NOTE 18 - OTHER MATTER

In December 2019, an outbreak of a new strain of coronavirus, COVID-19, emerged in Wuhan, China. Within weeks, the number of those infected grew significantly, and beyond China's borders. As of the date of this report, the coronavirus is reported to have spread globally. The coronavirus outbreak is still evolving and its effects remain unknown. The Authority is unable to predict how changing global economic conditions such as COVID-19 coronavirus will affect the Authority's operations.

REQUIRED SUPPLEMENTARY INFORMATION

LAKESIDE 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,									
	2020	2019	2018	2017	2016	2015	2014	2013		
Authority's Proportion of the Net Pension Liability	0.02577%	0.02509%	0.02141%	0.02409%	0.02209%	0.02060%	0.01792%	0.01667%		
Authority's Proportionate Share of the Net Pension Liability	\$ 4,201,611	\$ 4,520,526	\$ 4,216,288	\$ 5,608,668	\$ 6,542,011	\$ 4,623,328	\$ 3,355,593	\$ 3,185,130		
Authority's Covered-Employee Payroll	\$ 1,923,362	\$ 1,768,642	\$ 1,670,415	\$ 1,666,927	\$ 1,531,543	\$ 1,355,328	\$ 1,203,329	\$ 1,146,351		
Authority's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	218.45%	255.59%	252.41%	336.47%	427.15%	341.12%	278.86%	277.85%		
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.32%	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%		

*** 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.

LAKWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

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

	For the year ended October 31,									
	2020	2019	2018	2017	2016	2015	2014	2013		
Authority's Contractually Required Contribution	\$ 281,858	\$ 245,844	\$ 214,637	\$ 223,204	\$ 196,232	\$ 177,068	\$ 147,751	\$ 125,572		
Authority's Contribution in Relation to the Contractually Required Contribution	281,858	245,844	214,637	223,204	196,232	177,068	147,751	125,572		
Authority's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Authority's Covered-Employee Payroll	\$ 1,961,443	\$ 1,833,050	\$ 1,740,435	\$ 1,670,415	\$ 1,666,927	\$ 1,531,543	\$ 1,355,328	\$ 1,203,329		
Authority's Contributions as a Percentage of it's Covered-Employee Payroll	14.37%	13.41%	12.33%	13.36%	11.77%	11.56%	10.90%	10.44%		

*** 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

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

LAST TEN FISCAL YEARS

	Measurement Date Ended June 30,				
	2020	2019	2018	2017	2016
Authority's Proportion of the Net Other Postemployment Benefits Liability	0.03935%	0.03398%	0.03573%	0.03336%	0.03476%
Authority's Proportionate Share of the Net Other Postemployment Benefits Liability	\$ 7,061,633	\$ 4,602,955	\$ 5,597,213	\$ 6,810,707	\$ 7,548,773
Authority's Covered-Employee Payroll	\$ 1,923,362	\$ 1,768,642	\$ 1,670,415	\$ 1,666,927	\$ 1,531,543
Authority's Proportionate Share of the Net Other Postemployment Benefits Liability as a Percentage of it's Covered-Employee Payroll	367.15%	260.25%	335.08%	408.58%	492.89%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	0.91%	1.98%	1.97%	1.03%	0.69%

*** 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, 2020

Public Employees' Retirement System (PERS)

Changes of Benefit Terms

None.

Changes of Assumptions

The discount rate changed from 6.28% as of June 30, 2019, to 7.00% as of June 30, 2020.

State Health Benefit Local Retired Employees Plan (OPEB)

Changes of Benefit Terms

None.

Changes of Assumptions

The discount rate changed from 3.50% as of June 30, 2019, to 2.21% as of June 30, 2020.

SUPPLEMENTAL INFORMATION

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

**SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING REVENUES (BUDGET VS. ACTUAL)
YEAR ENDED OCTOBER 31, 2020**

	Original Water Budget	Original Sewer Budget	Original Budget Total	Final Budget Total	Actual	Variance Favorable/ (Unfavorable)
Operating revenues:						
Water and sewer service charges	\$ 6,009,752	\$ 5,347,880	\$ 11,357,632	\$ 11,602,632	\$ 11,721,279	\$ 118,647
Connection fees	114,345	49,005	163,350	163,350	663,142	499,792
Other income	67,500	57,500	125,000	125,000	167,614	42,614
Total operating revenues	6,191,597	5,454,385	11,645,982	11,890,982	12,552,035	661,053
Cost of Providing Services:						
Personnel Services:						
Plant & distribution	749,128	321,055	1,070,183	1,095,183	1,090,987	4,196
Administration	396,474	396,474	792,948	897,948	892,302	5,646
Engineering	122,297	122,297	244,594	199,594	193,210	6,384
Commissioners	17,500	17,500	35,000	35,000	35,000	-
	1,285,399	857,326	2,142,725	2,227,725	2,211,499	16,226
Employee Benefits:						
Health insurance	677,576	455,663	1,133,239	733,239	665,745	67,494
Pension expense	240,594	161,634	402,228	402,228	396,515	5,713
Post employment benefit plan	169,185	114,682	283,867	83,867	57,767	26,100
Payroll taxes	112,709	79,071	191,780	191,780	163,558	28,222
Workman's compensation insurance	16,550	11,950	28,500	28,500	18,407	10,093
	1,216,614	823,000	2,039,614	1,439,614	1,301,992	137,622
Administrative:						
Office costs	10,000	10,000	20,000	55,000	53,692	1,308
Postage & advertising notices	20,000	20,000	40,000	40,000	26,271	13,729
Bank fees	2,500	2,500	5,000	20,000	18,310	1,690
Licenses and taxes	45,000	5,000	50,000	55,000	54,139	861
Insurance	45,000	30,000	75,000	75,000	59,131	15,869
Legal	20,000	20,000	40,000	175,000	171,620	3,380
Engineering	42,500	7,500	50,000	185,000	180,360	4,640
Accounting and actuary	42,500	42,500	85,000	85,000	76,368	8,632
Dues, publications and seminars	12,500	12,500	25,000	25,000	8,886	16,114
Repairs and maintenances	50,000	50,000	100,000	55,000	49,733	5,267
Telephone	12,500	12,500	25,000	25,000	20,896	4,104
Computer costs	28,000	28,000	56,000	111,000	107,426	3,574
Trustee fees	43,200	1,800	45,000	47,000	45,780	1,220
Sundry	8,100	8,100	16,200	26,200	25,167	1,033
	381,800	250,400	632,200	979,200	897,779	81,421

See auditors' report

LAKELAND TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

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

(Continued)

YEAR ENDED OCTOBER 31, 2020

	Original Water Budget	Original Sewer Budget	Original Budget Total	Final Budget Total	Actual	Variance Favorable/ (Unfavorable)
Operations and Maintenance:						
Ocean County Utilities Authority	-	2,637,467	2,637,467	2,637,467	2,518,509	118,958
Purchased water	560,242	-	560,242	560,242	677,260	7,982
Utilities - electric & gas	288,000	72,000	360,000	360,000	331,260	28,740
Chemicals and supplies	195,500	34,500	230,000	230,000	214,466	15,534
Laboratory tests	50,000	-	50,000	50,000	78,880	1,120
Repairs and maintenance	165,000	110,000	275,000	275,000	476,755	3,245
Vehicle costs	33,000	22,000	55,000	55,000	12,700	42,300
Tools, small equipment & uniforms	9,000	6,000	15,000	18,000	17,175	825
Meter costs	30,000	20,000	50,000	100,000	97,398	2,602
Other	3,000	2,000	5,000	5,000	504	4,496
	1,333,742	2,903,967	4,237,709	4,650,709	4,424,907	225,802
Total Cost of Providing Services	4,217,555	4,834,693	9,052,248	9,297,248	8,836,177	461,071
Other Costs Funded By Revenue:						
Principal Maturity	1,430,017	118,020	1,548,037	1,548,037	1,603,038	(55,001)
Total Costs Funded By Operating Revenues	5,647,572	4,952,713	10,600,285	10,845,285	10,439,215	406,070
Net Operating Revenues	544,025	501,672	1,045,697	1,045,697	2,112,820	1,067,123
Non-Operating Revenue/(Expenses):						
Investment income	50,000	50,000	100,000	100,000	96,662	(3,338)
Bond interest expense	(299,911)	(20,585)	(320,496)	(320,496)	(205,634)	114,862
Depreciation	-	-	-	-	(2,739,001)	(2,739,001)
Total Non-Operating Revenue/(Expenses):	(249,911)	29,415	(220,496)	(220,496)	(2,847,973)	(2,627,477)
Excess (Deficiency) of Revenues Over Expenses	\$ 294,114	\$ 531,087	\$ 825,201	\$ 825,201	\$ (735,153)	\$ (1,560,354)

Reconciliation of Budgetary Basis to Net Income

Excess (Deficiency) of Revenues Over Expenses

Adjustments to Budgetary Basis:

Principal Maturities

Net Income Before Contributions

\$ (735,153)

1,603,038

\$ 867,885

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - UNRESTRICTED AND RESTRICTED
YEAR ENDED OCTOBER 31, 2020 WITH COMPARATIVE TOTALS
FOR YEAR ENDED OCTOBER 31, 2019

		RESTRICTED					TOTALS	
		UNRESTRICTED	CONSTRUCTION	BOND		RENEWAL AND REPLACEMENT	2020	2019
				SERVICE	RESERVE			
Operating revenues:	\$	\$	\$	\$	\$	\$	\$	\$
Water and sewer service charges		11,721,279					11,721,279	10,902,540
Connection fees		663,142					663,142	432,819
Other income		167,614					167,614	235,991
Total operating revenues		12,552,035	-	-		-	12,552,035	11,571,350
Cost of operations:								
Personnel services		2,211,499					2,211,499	2,045,521
Employee benefits		1,301,992					1,301,992	1,123,766
Administrative		897,779					897,779	776,649
Operations & Maintenance		4,424,907					4,424,907	4,362,333
Depreciation		2,739,001					2,739,001	2,617,490
Total cost of operations		11,575,178	-	-		-	11,575,178	10,925,759
Operating profit		976,857	-	-		-	976,857	645,591
Other income (expense):								
Investment income		71,117	4,182	3,185	17,880	298	96,662	189,093
Bond interest expense				(205,634)			(205,634)	(263,455)
Net income before transfers		1,047,974	4,182	(202,449)	17,880	298	867,885	571,229
Transfers:								
Investment income, net		17,880			(17,880)		-	-
Bond interest expense		(205,634)		205,634			-	-
Depreciation on assets purchased with contributed capital		996,062					996,062	963,592
To (from) restricted assets		(2,170,091)	2,247,086	(76,995)			-	-
Increase (decrease) in net position		(313,809)	2,251,268	(73,810)	-	298	1,863,947	1,534,821
Net Position beginning of year		80,843	32,578,574	94,467	441,984	51,595	33,247,463	31,712,642
Net Position - end of year	\$	(232,966)	\$ 34,829,842	\$ 20,657	\$ 441,984	\$ 51,893	\$ 35,111,410	\$ 33,247,463

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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash and investments at beginning of year	\$ 14,802,110	\$ 14,539,728
Cash receipts:		
Operating revenues	12,676,626	11,495,595
Investment income	74,092	126,518
Increase in escrow funds	-	153,690
Transfers from restricted funds	<u>17,880</u>	<u>17,880</u>
Total cash and investments available	<u>27,570,708</u>	<u>26,333,411</u>
Cash disbursements:		
Operations	8,719,718	8,206,772
Decrease in escrow funds	489,776	-
Transfers to restricted funds	<u>4,118,664</u>	<u>3,324,529</u>
Total cash disbursements	<u>13,328,158</u>	<u>11,531,301</u>
Cash and investments at end of year	\$ <u>14,242,550</u>	\$ <u>14,802,110</u>
Balance comprised of:		
Cash and interest bearing accounts	\$ 13,211,182	\$ 14,289,493
Investments	<u>1,031,368</u>	<u>512,617</u>
	\$ <u>14,242,550</u>	\$ <u>14,802,110</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, 2020 WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED OCTOBER 31, 2019

	CONSTRUCTION	BOND SERVICE	BOND RESERVE	RENEWAL AND REPLACEMENT	TOTALS
					2020 2019
Cash and investments at beginning of year	\$ 1,627,865	\$ 1,812,658	\$ 441,984	\$ 51,595	\$ 3,934,102 \$ 3,054,966
Cash receipts:					
Interest	4,182	3,185	17,880	298	25,545 63,101
Developer enhancements	1,435,708				1,435,708 1,820,418
NJEIT interim financing	1,983,963				1,983,963 941,442
Vehicle and equipment loans	298,537				298,537 -
Transfers from unrestricted fund	2,308,544	1,810,120			4,118,664 3,324,549
Total cash and investments available	7,658,799	3,625,963	459,864	51,893	11,796,519 9,204,476
Cash disbursements:					
Capital expenditures	6,627,728				6,627,728 3,361,202
Principal reduction long term debt		1,603,038			1,603,038 1,513,201
Vehicle and equipment loan payments	65,442				65,442 -
Bond interest expense		285,004			285,004 378,091
Transfer to unrestricted fund			17,880		17,880 17,880
Total cash disbursements	6,693,170	1,888,042	17,880	-	8,599,092 5,270,374
Cash and investments at end of year	\$ 965,629	\$ 1,737,921	\$ 441,984	\$ 51,893	\$ 3,197,427 \$ 3,934,102
Balance comprised of:					
Cash and interest bearing accounts	\$ 601,876	\$	\$	\$	\$ 601,876 \$ 1,265,843
Investments	363,753	1,737,921	441,984	51,893	2,595,551 2,668,259
	\$ 965,629	\$ 1,737,921	\$ 441,984	\$ 51,893	\$ 3,197,427 \$ 3,934,102

See auditors' report

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF OPERATING EXPENSES
YEAR ENDED OCTOBER 31, 2020 WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED OCTOBER 31, 2019

			Total	
	Water	Sewer	2020	2019
PERSONNEL SERVICES				
Plant & distribution	\$ 702,690	\$ 388,297	\$ 1,090,987	\$ 988,641
Administration	446,430	445,872	892,302	844,882
Engineering	96,605	96,605	193,210	176,998
Commissioners	17,500	17,500	35,000	35,000
	<u>1,263,225</u>	<u>948,274</u>	<u>2,211,499</u>	<u>2,045,521</u>
EMPLOYEE BENEFITS				
Health insurance	420,757	244,988	665,745	579,976
Pension expense	237,909	158,606	396,515	524,050
Post employment benefit plan	40,437	17,330	57,767	(157,255)
Payroll taxes	99,474	64,084	163,558	152,446
Workman's compensation insurance	11,044	7,363	18,407	24,549
	<u>809,621</u>	<u>492,371</u>	<u>1,301,992</u>	<u>1,123,766</u>
ADMINISTRATIVE				
Office costs	35,573	18,119	53,692	34,016
Postage & advertising notices	15,037	11,234	26,271	20,338
Bank fees	9,425	8,885	18,310	7,228
Licenses and taxes	45,793	8,346	54,139	51,427
Insurance	35,479	23,652	59,131	46,062
Legal	85,810	85,810	171,620	73,296
Engineering	164,514	15,846	180,360	182,170
Accounting and actuary	38,184	38,184	76,368	80,152
Dues, publications and seminars	4,443	4,443	8,886	10,753
Repairs and maintenances	25,703	24,030	49,733	98,291
Telephone	10,645	10,251	20,896	14,984
Computer costs	54,275	53,151	107,426	76,374
Trustee fees	44,620	1,160	45,780	62,607
Sundry	12,684	12,483	25,167	18,951
	<u>582,185</u>	<u>315,594</u>	<u>897,779</u>	<u>776,649</u>
OPERATIONS AND MAINTENANCE				
Ocean County Utilities Authority	-	2,518,509	2,518,509	2,609,335
Purchased water	677,260	-	677,260	499,877
Utilities - electric & gas	267,322	63,938	331,260	334,490
Chemicals and supplies	199,132	15,334	214,466	265,085
Laboratory tests	78,880	-	78,880	62,000
Repairs and maintenance	269,226	207,529	476,755	428,037
Vehicle costs	7,160	5,540	12,700	45,953
Tools, small equipment & uniforms	8,637	8,538	17,175	37,078
Meter costs	58,440	38,958	97,398	75,478
Other	504	-	504	5,000
	<u>1,566,561</u>	<u>2,858,346</u>	<u>4,424,907</u>	<u>4,362,333</u>
DEPRECIATION	<u>1,972,081</u>	<u>766,920</u>	<u>2,739,001</u>	<u>2,617,490</u>
	<u>\$ 6,193,673</u>	<u>\$ 5,381,505</u>	<u>\$ 11,575,178</u>	<u>\$ 10,925,759</u>

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, 2020

SERIES 2002

<u>YEARS ENDING</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2021	\$ 404,671	\$ 18,589	\$ 423,260
2022	<u>420,371</u>	<u>-</u>	<u>420,371</u>
Total	\$ <u>825,042</u>	\$ <u>18,589</u>	\$ <u>843,631</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, 2020

SERIES 2008

<u>YEARS ENDING</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2021	\$ 909,663	\$ 213,675	\$ 1,123,338
2022	933,269	188,275	1,121,544
2023	956,060	161,675	1,117,735
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>8,026,386</u>	\$ <u>922,873</u>	\$ <u>8,949,259</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, 2020

SERIES 2012 SUPPLEMENTAL

<u>YEARS ENDING</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2021	\$ 101,184	\$ 20,481	\$ 121,665
2022	105,265	20,644	125,909
2023	104,861	18,489	123,350
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>1,135,607</u>	\$ <u>126,650</u>	\$ <u>1,262,257</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, 2020

SERIES 2012 METER

<u>YEARS ENDING</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2021	\$ 170,220	\$ 16,942	\$ 187,162
2022	169,581	15,158	184,739
2023	169,289	13,589	182,878
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	<u>51,449</u>	<u>-</u>	<u>51,449</u>
Total	\$ <u><u>1,656,247</u></u>	\$ <u><u>94,509</u></u>	\$ <u><u>1,750,756</u></u>

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED OCTOBER 31, 2020**

Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

None.

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND RECOMMENDATIONS AS PREPARED BY MANAGEMENT

This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

None.