

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

FINANCIAL STATEMENTS  
WITH SUPPLEMENTAL INFORMATION

YEARS ENDED OCTOBER 31, 2016 AND 2015

AND

INDEPENDENT AUDITOR'S REPORT

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
FINANCIAL STATEMENTS WITH SUPPLEMENTAL INFORMATION  
YEARS ENDED OCTOBER 31, 2016 AND 2015

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## INDEPENDENT AUDITOR'S REPORT

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

#### Report on the Financial Statements

We have audited the accompanying financial statements of the Lakewood Township Municipal Utilities Authority (the "Authority") as of and for the years ended October 31, 2016 and 2015, which collectively comprise the Authorities basic financial statements as listed in the table of contents and the related notes to the financial statements,

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

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

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

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

# MOHEL ELLIOTT BAUER & GASS

A P 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**

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lakewood Township Municipal Utilities Authority as of October 31, 2016 and 2015, 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

### **Emphasis of Matter**

#### *Adoption of New Accounting Pronouncement*

As discussed in Note 2 to the financial statements, during the year ended October 31, 2015, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Our opinion is not modified with respect to these matters.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 and budgetary comparison information on pages 31 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to this required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



# 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 June 6, 2017, on our consideration of the Lakewood Township Municipal Utilities Authorities internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lakewood Township Municipal Utilities Authorities internal control over financial reporting and compliance.



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

June 6, 2017  
Lakewood, New Jersey

## **LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED OCTOBER 31, 2016**

Our discussion and analysis of Lakewood Township Municipal Utilities Authority financial performance provides an overview of the Authority's financial activities for the year ended October 31, 2016. Please review it in conjunction with the Authority's basic financial statements which begin on Page 7.

#### **Financial Highlights**

- Total net position increased \$2,961,985 which represents a 5.55 percent increase from the 2015 balance.
- Operating revenues, accounted for 99.29 percent of all revenues, and increased \$608,171 which represents a 5.44 percent increase from 2015. The largest increase was in the area of water and sewer connection fees.
- Operating expenses, accounted for 96.02 percent of all expenses, and increased \$835,470 which represents a 8.67 percent increase from 2015. The largest increase was in the areas of pension expense.
- Other expenses, accounted for 3.98 percent of all expenses and decreased \$93,562 from 2015. The largest decrease was in the area of Bond interest expense net of amortization of refunding gain.

#### **Adopted Accounting Pronouncements and Prior Period Adjustments/Restatement of Net Position**

The Authority has adopted the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions for the year ended October 31, 2014. The adoption of this statement resulted in a restatement of the Authority's net position as of November 1, 2014 in the amount of \$3,351,096. Please refer to note 9 for additional information.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Fund Net Position and the Statement of Cash Flows (on page 7 through 11) provide information about the activities of the Authority as a whole.

(Continued)

## LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) FOR THE YEAR ENDED OCTOBER 31, 2016

#### USING THIS ANNUAL REPORT (Continued)

##### Reporting the Authority as a Whole

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

Our analysis of the Authority as a whole begins on page 7. One of the most important questions asked about the Authorities finances is, "Is the Authority as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position report information about the Authority as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

##### The Authorities Funds

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

##### The Authority as a Whole

The Authorities total net position increased \$2,961,985 to \$56,340,104 or 5.55 percent. Details of the changes are reflected on page 8.

##### Original Versus Final Budget

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

##### Capital Assets

At year end, the Authority had \$94,321,742 in total capital assets - an increase of \$7,185,027 from 2015, the largest increase in capital assets was the construction costs of the Developer expansion of system, remote read meter project, site improvements 1,3 &5 and Route 88 sewer line.

(Continued)

## **LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**(Continued)**

**FOR THE YEAR ENDED OCTOBER 31, 2016**

#### **USING THIS ANNUAL REPORT (Continued)**

##### **Debt Administration**

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

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

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

In May 2016 the New Jersey Environmental Infrastructure Trust's ("NJEIT") sold 2016A-R1 Refunding Series, the Lakewood Township Municipal Utilities Authority will be able to save approximately \$1,387,484 in total debt service repayments for its Series 2008 debt.

##### **Economic Factors and Next Year's Budget and Rates**

The Authorities governing body considered many factors when setting the 2017 budget and water and sewer rates including the economy, the rate of inflation, planned future capital projects and debt service requirements. The Authorities anticipates no increase in water and sewer service rates for 2017, a growth rate of approximately 2 percent is being estimated.

#### **CONTACTING THE AUTHORITIES FINANCIAL MANAGEMENT**

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

**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**STATEMENTS OF NET POSITION  
OCTOBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>Unrestricted assets:</b>		
Cash and interest bearing accounts	\$ 12,296,842	\$ 14,377,503
Investments, at fair value - Notes 2 & 7	651,093	784,007
Accounts receivable - Note 2	1,776,909	1,832,178
Accrued interest receivable	8,940	8,942
Other receivables	-	393,157
Prepaid expenses	11,408	11,430
<b>Total unrestricted assets</b>	<u>14,745,192</u>	<u>17,407,217</u>
<b>Restricted assets:</b>		
Construction Fund:		
Cash	209,572	360,092
Investments, at fair value - Notes 2 & 7	533,726	602,220
Bond Service Fund:		
Investments, at fair value - Notes 2 & 7	1,731,276	1,738,464
Bond Reserve Fund:		
Investments, at fair value - Notes 2 & 7	441,984	441,984
Renewal and Replacement Fund:		
Investments, at fair value - Notes 2 & 7	49,878	49,877
<b>Total restricted assets</b>	<u>2,966,436</u>	<u>3,192,637</u>
<b>Property, plant and equipment</b>		
Less: accumulated depreciation - Notes 2 & 6	<u>68,429,110</u>	<u>63,525,734</u>
<b>Total unrestricted and restricted assets</b>	<u>86,140,738</u>	<u>84,125,588</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Deferred outflows related to pensions - Notes 2 & 8	<u>2,432,535</u>	<u>1,197,043</u>
<b>Total deferred outflow of resources</b>	<u>2,432,535</u>	<u>1,197,043</u>
	<u>\$ 88,573,273</u>	<u>\$ 85,322,631</u>

(Continued)



**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**STATEMENTS OF NET POSITION  
(Continued)  
OCTOBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>LIABILITIES</b>		
Current liabilities payable from		
unrestricted assets:		
Accounts payable and accrued liabilities	\$ 619,887	\$ 477,137
Accrued payroll liabilities	56,310	46,197
Accrued pension liabilities - Note 8	198,151	177,068
Unearned revenue assignment of cell tower leases - Note 11	26,625	18,125
Unearned revenue - Note 2	395,573	395,167
Customers deposits	105,966	105,966
Escrow fund - Note 2	<u>1,038,490</u>	<u>1,359,380</u>
Total current liabilities payable from		
unrestricted assets	<u>2,441,002</u>	<u>2,579,040</u>
Current liabilities payable from restricted assets		
Accrued interest payable on revenue bond	226,256	274,829
Revenue bonds payable - current portion Note 5	1,480,691	1,452,399
Construction cost payable	<u>156,871</u>	<u>519,010</u>
Total current liabilities payable from restricted assets	<u>1,863,818</u>	<u>2,246,238</u>
Accrued post-employment benefit plan - Note 10	1,144,047	942,600
Accrued unfunded post-employment benefit plan - Note 10	1,553,500	1,553,500
Compensated absences - Note 2	228,781	235,925
Advanced revenue assignment of cell tower leases - Note 11	1,039,354	649,479
Long-term portion of revenue bonds payable - Note 5	16,285,604	18,559,295
Premium on revenue bonds payable, net - Note 2	411,230	444,030
Net pension liability - Note 8	<u>6,542,011</u>	<u>4,623,328</u>
Total liabilities	<u>31,509,347</u>	<u>31,833,435</u>
<b>DEFERRED INFLOW OF RESOURCES</b>		
Deferred inflows related to pensions - Notes 2 & 8	-	74,334
Gain on loan refundings, net of accumulated amortization	<u>723,822</u>	<u>36,743</u>
Total deferred inflow of resources	<u>723,822</u>	<u>111,077</u>
<b>NET POSITION</b>		
Contributed capital		
Less: accumulated depreciation - Note 3	22,674,581	21,527,602
Restricted for:		
Construction Fund - Note 4	28,920,300	23,401,366
Bond Service Fund - Note 4	24,329	11,236
Bond Reserve Fund - Note 4	441,984	441,984
Renewal and Replacement Fund - Note 4	49,878	49,877
Unrestricted:		
Unfunded post-employment benefit plan - Note 10	(1,553,500)	(1,553,500)
Unrestricted Fund	<u>5,782,532</u>	<u>9,499,554</u>
Total Net Position	<u>\$ 56,340,104</u>	<u>\$ 53,378,119</u>

The accompanying notes are an integral  
part of these financial statements



**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
YEARS ENDED OCTOBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>Operating revenues:</b>		
Water and sewer service charges	\$ 9,839,741	\$ 9,838,716
Connection fees	1,681,775	1,069,453
Other income	<u>274,475</u>	<u>279,651</u>
Total operating revenues	<u>11,795,991</u>	<u>11,187,820</u>
<b>Operating expenses:</b>		
Personnel services	1,834,841	1,728,139
Employee benefits	1,827,770	1,211,516
Administrative	710,980	706,309
Operations and maintenance	3,819,685	3,747,104
Depreciation - Note 2 & 6	<u>2,281,651</u>	<u>2,246,389</u>
Total operating expenses	<u>10,474,927</u>	<u>9,639,457</u>
Operating income	1,321,064	1,548,363
<b>Other income (expense):</b>		
Investment income	84,918	111,033
Bond interest expense - Note 5	<u>(434,191)</u>	<u>(527,753)</u>
<b>Income (before transfer of depreciation on assets purchased with contributed capital)</b>	971,791	1,131,643
<b>Transfer of depreciation to contributed capital</b>	<u>843,215</u>	<u>787,597</u>
Change in net position	1,815,006	1,919,240
<b>Restricted and unrestricted net position - beginning of year</b>	31,850,517	33,282,373
<b>Prior period restatement - Note 9</b>	<u>-</u>	<u>(3,351,096)</u>
<b>Restricted and unrestricted net position - end of year</b>	<u>33,665,523</u>	<u>31,850,517</u>
<b>Contributed capital - beginning of year</b>	21,527,602	19,855,988
Developer expansion of system	1,990,194	2,459,211
Transfer of depreciation from operations to contributed capital	<u>(843,215)</u>	<u>(787,597)</u>
<b>Contributed capital - end of year</b>	<u>22,674,581</u>	<u>21,527,602</u>
<b>Total net position - end of year</b>	<u>\$ 56,340,104</u>	<u>\$ 53,378,119</u>

The accompanying notes are an integral  
part of these financial statements

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

STATEMENT OF CASH FLOWS  
YEARS ENDED OCTOBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 12,643,198	\$ 10,412,372
Cash paid to suppliers and employees	(7,216,148)	(6,891,525)
Investment income - received	84,920	111,049
Bond interest expense - paid	(549,661)	(588,074)
Increase (decrease) in escrow funds	<u>(320,890)</u>	<u>(41,982)</u>
Net cash provided by operating activities	<u>4,641,419</u>	<u>3,001,840</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(7,547,166)	(4,201,609)
(Increase) decrease in investments	<u>208,595</u>	<u>(202,225)</u>
Net cash used in investing activities	<u>(7,338,571)</u>	<u>(4,403,834)</u>
<b>Cash flows from financing activities:</b>		
Developer expansion of system	1,990,194	2,459,211
Principal redemption of long-term debt	<u>(1,524,223)</u>	<u>(1,813,787)</u>
Net cash provided (used) by financing activities	<u>465,971</u>	<u>645,424</u>
<b>Net increase in cash and cash equivalents</b>	(2,231,181)	(756,570)
<b>Cash and cash equivalents at beginning of year</b>	<u>14,737,595</u>	<u>15,494,165</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 12,506,414</u></u>	<u><u>\$ 14,737,595</u></u>

(Continued)

**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**STATEMENT OF CASH FLOWS**

(Continued)

YEARS ENDED OCTOBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>Change in net position</b>	\$ <u>1,815,006</u>	\$ <u>1,919,240</u>
<b>Adjustments to reconcile change in net position to net cash provided by operating activities:</b>		
Depreciation, net of transfer to contributed capital	1,438,436	1,458,792
Unbudgeted pension expense - non cash item	608,857	105,743
<b>Changes in assets and liabilities:</b>		
<b>(Increase) decrease in:</b>		
Accounts receivable	55,269	(381,734)
Accrued interest receivable	2	16
Other receivable	393,157	(393,157)
Prepaid expenses	22	89
<b>Increase (decrease) in:</b>		
Accounts payable and accrued liabilities	142,750	103,702
Accrued payroll liabilities	10,113	4,465
Accrued pension liabilities	21,083	29,317
Compensated absences	(7,144)	31,327
Unearned revenue assignment of cell tower leases	398,375	(18,125)
Accrued post-employment benefit plan	201,447	226,900
Unearned billings	406	17,568
Escrow funds	(320,890)	(41,982)
Accrued interest payable on revenue bonds	(48,573)	(18,314)
Amortization on gain loan refundings	(34,097)	(9,207)
Premium on revenue bonds payable	<u>(32,800)</u>	<u>(32,800)</u>
Total adjustments	<u>2,826,413</u>	<u>1,082,600</u>
<b>Net cash provided by operating activities</b>	\$ <u><u>4,641,419</u></u>	\$ <u><u>3,001,840</u></u>

The accompanying notes are an integral  
part of these financial statements

# LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS OCTOBER 31, 2016 AND 2015

### 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 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	February 1, 2021
P.G. Waxman, Vice Chairman	February 1, 2020
Raymond Coles, Treasurer	February 1, 2019
Anne Fish, Assistant Secretary	February 1, 2018
Craig Theibault, Commissioner	February 1, 2020
Sam Flancbaum, Alternate Commissioner	February 1, 2019
Meir Lichtenstein, Alternate Commissioner	February 1, 2020

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, 2016 AND 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

For the year ended October 31, 2015, the Authority implemented the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits.

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.

(Continued)



**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**OCTOBER 31, 2016 AND 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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 2015 financial statements to conform with the 2016 presentation.

(Continued)



# LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2016 AND 2015

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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

#### M. Operating Revenues and Expenses

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

#### N. Net Position

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

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

#### O. Deferred Inflows/Outflows of Resources

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

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

(Continued)

LAKESWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**P. Impact of Recently Issued Account Principles**

Adopted Accounting Pronouncements

For the year ended October 31, 2015, the Authority implemented GASB Statement No. 68 Accounting and Financial Reporting for Pensions - (Amendment to GASB Statement No. 27) and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The implementation of the Statements requires the Authority to report as an asset and/or a liability its portion of the collective net pension's asset and liability of the New Jersey Public Employees/ Retirement System (PERS). The implementation of the Statements also requires the Authority to report a deferred outflow and/or inflow for the effect of the net change in the Authority's proportion of the collective net position asset and/or liability and difference during the measurement period between the Authority's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

**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 remeasure 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.

(Continued)

**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**OCTOBER 31, 2016 AND 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**R. Subsequent Events**

Lakewood Township Municipal Utilities Authority has evaluated subsequent events occurring after the Statement of Net Position date through May 3, 2017, which is the date the financial statements were available to be issued.

**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>2016</u>	<u>2015</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>32,989,323</u>	<u>30,999,129</u>
	34,701,384	32,711,190
Less: accumulated depreciation	<u>12,026,803</u>	<u>11,183,588</u>
	<u>\$ 22,674,581</u>	<u>\$ 21,527,602</u>

(Continued)

**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**OCTOBER 31, 2016 AND 2015**

**NOTE 4 - RESTRICTED FUNDS**

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

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

(Continued)



**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)  
**OCTOBER 31, 2016 AND 2015**

**NOTE 5 - REVENUE BONDS**

<b>2016 Revenue Bonds</b>					
	<b>Series 2002 Refunding 2007B</b>	<b>Series 2008 Refunding 2016A-R1</b>	<b>Supplemental Series 2012</b>	<b>Meter Series 2012</b>	<b>Total</b>
Trust Loan	\$ 1,365,713	\$ 6,577,000	\$ 890,000	\$ 660,000	\$ 9,492,713
Fund Loan	976,607	4,959,503	661,073	1,676,399	8,273,582
	<u>2,342,320</u>	<u>11,536,503</u>	<u>1,551,073</u>	<u>2,336,399</u>	<u>17,766,295</u>
Less: current portion	<u>361,900</u>	<u>867,387</u>	<u>91,184</u>	<u>160,220</u>	<u>1,480,691</u>
	<u>\$ 1,980,420</u>	<u>\$ 10,669,116</u>	<u>\$ 1,459,889</u>	<u>\$ 2,176,179</u>	<u>\$ 16,285,604</u>

  

<b>2015 Revenue Bonds</b>					
	<b>Series 2002 Refunding 2007B</b>	<b>Series 2008</b>	<b>Supplemental Series 2012</b>	<b>Meter Series 2012</b>	<b>Total</b>
Trust Loan	\$ 1,556,266	\$ 7,805,000	\$ 930,000	\$ 690,000	\$ 10,981,266
Fund Loan	1,138,798	5,372,753	712,257	1,806,620	9,030,428
	<u>2,695,064</u>	<u>13,177,753</u>	<u>1,642,257</u>	<u>2,496,620</u>	<u>20,011,694</u>
Less: current portion	<u>352,744</u>	<u>848,250</u>	<u>91,184</u>	<u>160,221</u>	<u>1,452,399</u>
	<u>\$ 2,342,320</u>	<u>\$ 12,329,503</u>	<u>\$ 1,551,073</u>	<u>\$ 2,336,399</u>	<u>\$ 18,559,295</u>

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

<b>Year ended October 31,</b>	<b>Series 2002 Refunding 2007B</b>	<b>Series 2008 Refunding 2016A-R1</b>	<b>Supplemental Series 2012</b>	<b>Meter Series 2012</b>	<b>Total</b>
2017	\$ 361,900	\$ 867,387	\$ 91,184	\$ 160,220	\$ 1,480,691
2018	371,181	893,497	91,184	165,220	1,521,082
2019	387,808	863,990	91,184	165,220	1,508,202
2020	396,389	885,244	101,184	165,220	1,548,037
2021	404,671	909,663	101,184	170,220	1,585,738
Thereafter	<u>420,371</u>	<u>7,116,722</u>	<u>1,075,153</u>	<u>1,510,299</u>	<u>10,122,545</u>
	<u>\$ 2,342,320</u>	<u>\$ 11,536,503</u>	<u>\$ 1,551,073</u>	<u>\$ 2,336,399</u>	<u>\$ 17,766,295</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, 2016 AND 2015

### NOTE 5 - 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>2016</u>	<u>2015</u>
Revenue Bonds Series 2002	\$ 72,916	\$ 85,825
Revenue Bonds Series 2008	360,775	413,388
Revenue Bonds Series 2012 - Supplemental	38,631	40,431
Revenue Bonds Series 2012 - Meter	28,766	30,116
Amortization gain loan refundings	(34,097)	(9,207)
Amortize premium on revenue bonds	<u>(32,800)</u>	<u>(32,800)</u>
Bond interest expense	<u>\$ 434,191</u>	<u>\$ 527,753</u>

### NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

#### Property, plant and equipment consists of the following:

	<u>2016</u>	<u>2015</u>	<u>Estimated Useful Lives Years</u>
Land	\$ 76,445	\$ 76,445	--
Water and sewer system	86,362,627	83,461,583	40-75
Office building and garage	1,491,416	1,486,939	5-40
Other equipment	102,804	102,804	5-7
Transportation equipment	388,982	296,932	5
Construction in progress	<u>5,899,468</u>	<u>1,712,012</u>	--
	94,321,742	87,136,715	
Less: accumulated depreciation	<u>25,892,632</u>	<u>23,610,981</u>	
	<u>\$ 68,429,110</u>	<u>\$ 63,525,734</u>	

(Continued)



**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**OCTOBER 31, 2016 AND 2015**

**NOTE 7 - INVESTMENTS**

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

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
<b>UNRESTRICTED FUNDS:</b>				
<b>REVENUE FUND</b>				
State of New Jersey Cash Management Funds	\$ 67,486	\$ 67,486	\$ 67,248	\$ 67,248
JP Morgan, U.S. Treasury Plus Premier, Money Market Fund	<u>493,780</u>	<u>493,780</u>	<u>626,933</u>	<u>626,933</u>
	<u>561,266</u>	<u>561,266</u>	<u>694,181</u>	<u>694,181</u>
<b>GENERAL FUND</b>				
JP Morgan, U.S. Treasury Plus Premier, Money Market Fund	<u>89,827</u>	<u>89,827</u>	<u>89,826</u>	<u>89,826</u>
	<u>651,093</u>	<u>651,093</u>	<u>784,007</u>	<u>784,007</u>
<b>RESTRICTED FUNDS:</b>				
<b>CONSTRUCTION FUND</b>				
JP Morgan, U.S. Treasury Plus Premier, Money Market Fund	352,064	352,064	352,043	352,043
State of New Jersey NJFIT Funds Held in Trust	<u>181,662</u>	<u>181,662</u>	<u>250,177</u>	<u>250,177</u>
	<u>533,726</u>	<u>533,726</u>	<u>602,220</u>	<u>602,220</u>
<b>BOND SERVICE FUND</b>				
JP Morgan, U.S. Treasury Plus Premier, Money Market Fund	<u>1,731,276</u>	<u>1,731,276</u>	<u>1,738,464</u>	<u>1,738,464</u>
<b>BOND RESERVE FUND</b>				
U.S. Treasury Bond Slug, 4.04547%, due 11/01/21	<u>441,984</u>	<u>441,984</u>	<u>441,984</u>	<u>441,984</u>
	<u>441,984</u>	<u>441,984</u>	<u>441,984</u>	<u>441,984</u>
<b>RENEWAL AND REPLACEMENT FUND</b>				
JP Morgan, U.S. Treasury Plus Premier, Money Market Fund	<u>49,878</u>	<u>49,878</u>	<u>49,877</u>	<u>49,877</u>
	<u>\$ 3,407,957</u>	<u>\$ 3,407,957</u>	<u>\$ 3,616,552</u>	<u>\$ 3,616,552</u>

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2016 AND 2015

NOTE 8 - 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 Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.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, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

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 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years 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 schedules of employer allocations and the schedules 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 amounts presented in the 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, 2016 AND 2015**

**NOTE 8 - PENSION PLAN - (Continued)**

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

**Contributions** - The contribution policy for PERS is set by N.J.S.A. 15 A 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 2016, 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 will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

**Three-Year Trend Information for PERS**

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2016	\$ 196,232	100%	\$ 6,542,011
2015	177,068	100%	4,623,328
2014	147,751	100%	3,355,593

**Components of Net Pension Liability** - As of October 31, 2016, the Authority reported a liability of \$6,542,011 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2015, to the measurement date of June 30, 2016. The Authority's proportion of the net position liability was based on the Authority's actual contributions to the plan relative to the total of all participating employer's contributions for the year ended June 30, 2016. The Authority's proportion measured as of June 30, 2016 was .02209% which was an increase of .00149% from its proportion measured as of June 30, 2015.

(Continued)

**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)  
**OCTOBER 31, 2016 AND 2015**

**NOTE 8 - PENSION PLAN - (Continued)**

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

Collective Balances as of October 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Actuarial valuation date	July 1, 2015	July 1, 2014
Deferred outflows of resources	\$ 2,432,535	\$ 1,197,043
Deferred inflows of resources	\$ -	\$ 74,334
Net pension liability	\$ 6,542,011	\$ 4,623,328
Authority's portion of the plan's total net pension liability	0.02209%	0.02060%

**Pension Expense and Deferred Outflows/Inflows of Resources** - For the year ended October 31, 2016, the Authority recognized pension expense of \$807,008. As of October 31, 2016, 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	\$ 1,355,155	\$
Net difference between expected and actual experience	121,662	
Net difference between projected and actual earnings on pension plan investments	249,453	
Changes in proportion and differences between Authority contributions and proportionate share of contributions	<u>706,265</u>	
Total	\$ <u>2,432,535</u>	\$ <u>-</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 June 30:</u>	<u>PERS</u>
2017	\$ 547,663
2018	547,663
2019	634,486
2020	533,061
2021	<u>169,662</u>
Total	\$ <u>2,432,535</u>

(Continued)



LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2016 AND 2015

NOTE 8 - PENSION PLAN - (Continued)

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

**Actuarial Assumptions** - The collective total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Measurement date	June 30, 2016
Actuarial valuation date	July 1, 2015
Inflation rate	3.08%
Salary increases based on age:	
Through 2026	1.65 - 4.15%
Thereafter	2.65 - 5.15%
Investment rate of return	7.65%

Mortality rates were based on the RP-2000 Combined Health Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2013 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. 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 (7.65% at June 30, 2016) 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, 2016 are summarized in the following table.

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2016 AND 2015

NOTE 8 - 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>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
	<u>100.00%</u>	

**Discount Rate** - The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on 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. 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 will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumption, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

(Continued)



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

(Continued)  
OCTOBER 31, 2016 AND 2015

**NOTE 8 - 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, 2016 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 (2.98%) or 1-percentage -point higher (4.98%) than the current rate:

	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Authority's proportionate share of the net pension liability	\$ 8,016,471	\$ 6,542,011	\$ 5,324,717

**Adopted Accounting Pronouncements** - For the year ended October 31, 2015, the Authority implemented GASB Statement No. 68 Accounting and Financial Reporting for Pensions - (Amendment to GASB Statement No. 27) and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The implementation of the Statements requires the Authority to report as an asset and/or a liability its portion of the collective net pension's asset and liability of the New Jersey Public Employees' Retirement System (PERS). The implementation of the Statements also requires the Authority to report a deferred outflow and/or inflow for the effect of the net change in the Authority's proportion of the collective net pension asset and/or liability and difference during the measurement period between the Authority's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

Also included as a deferred outflow is the Authority contributions to the pension system subsequent to the measurement date.

**NOTE 9 - PRIOR PERIOD ADJUSTMENT/RESTATEMENT OF NET POSITION**

Net position as of November 1, 2014 has been restated as follows for the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Net position as of November 1, 2014 has also been restated to correct the recording of the 2007 advance refunding bonds.

	Governmental Activities
Net position as previously reported at November 1, 2014	\$ 53,138,361
Prior period adjustment - Implementation of GASB 68:	
Net Pension Liability (measurement date as of June 30, 2014)	(3,355,593)
PERS Pension Payable (2015 Authority PERS Pension Contribution)	(147,751)
Deferred Outflows (measurement date as of June 30, 2014)	308,443
Deferred Inflows (measurement date as of June 30, 2014)	(199,975)
Correction of recording 2007 advance refunding bonds	43,780
Total prior period adjustment	(3,351,096)
Net Position as restated, November 1, 2014	\$ 49,787,265

(Continued)

# LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2016 AND 2015

### NOTE 10 - OTHER POST EMPLOYMENT BENEFITS

**Plan Description** - The Lakewood Township Municipal Utilities Authority is a single-employer, defined healthcare plan established through the Lakewood Township Municipal Utilities Authority. The plan provides healthcare insurance for eligible retirees (retirees with at least 25 years of service, of which 15 years must be with the Authority) through the Lakewood Township Municipal Utilities Authority group health insurance plan, which covers both active and retired members. At November 1, 2012, the date of the last plan valuation, the Lakewood Township Municipal Utilities Authority covered twenty-seven (twenty-five active plan members and two retirees receiving benefits).

**Contributions** - For fiscal year 2016, Lakewood Township Municipal Utilities Authority contributed \$226,900 to the plan. In the event that plan assets are not sufficient to pay for benefits under the plan, the Lakewood Township Municipal Utilities Authority is required to contribute the additional amounts necessary to provide the benefits. In fiscal year 2016, no additional contributions were required. Administrative costs of the plan are paid by the Authority.

**Funded Status** - As of November 1, 2012, the actuarial accrued liability (AAL) for benefits was \$1,553,500, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,553,500 funded ratio of 0 percent. The covered payroll (annual payroll of active employees covered by the plan) was \$1,258,700, and the ratio of the UAAL to the covered payroll was 123 percent.

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

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

The following assumptions were made:

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

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

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
(Continued)  
OCTOBER 31, 2016 AND 2015

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (Continued)

The following assumptions were made: (Continued)

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

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

**Health insurance premiums** - 2012 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
11/1/2012	\$ 0	\$ 1,553,500	\$ 1,553,500	0.00%	1,258,700	123.00%

**Schedule of Employer Contributions**

Fiscal Year Ended	Service Cost at end of year	30 year Amortization UAL	Annual Required Contribution
10/31/2013	\$ 137,100	\$ 89,800	\$ 226,900

(Continued)

**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**(Continued)**

**OCTOBER 31, 2016 AND 2015**

**NOTE 11 - UNEARNED REVENUE EASEMENT AND ASSIGNMENT OF CELL TOWER LEASES**

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

The Lakewood Township Municipal Utilities Authority has entered into a 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.

## SUPPLEMENTAL INFORMATION



# LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

## BUDGETARY COMPARISON SCHEDULE OF WATER OPERATIONS YEAR ENDED OCTOBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Budgetary	Final Budget
	(Unaudited)	(Unaudited)	Basis	Positive(Negative)
<b>OPERATING REVENUES:</b>				
Water service charges	\$ 5,185,072	\$ 5,185,072	\$ 5,431,092	\$ 246,020
Connection fees	99,246	99,246	1,243,230	1,143,984
Other income	92,500	92,500	162,037	69,537
Total operating revenues	5,376,818	5,376,818	6,836,359	1,459,541
<b>COST OF OPERATIONS:</b>				
Personnel services	1,104,570	1,104,570	1,102,970	1,600
Employee benefits	862,262	862,262	1,096,778	(234,516)
Administrative	352,200	352,200	455,008	(102,808)
Operations and maintenance	1,041,500	1,041,500	1,125,913	(84,413)
Depreciation, net			1,035,674	(1,035,674)
Total cost of operations	3,360,532	3,360,532	4,816,343	(1,455,811)
Operating profit	2,016,286	2,016,286	2,020,016	3,730
<b>OTHER INCOME (EXPENSE):</b>				
Investment income	27,500	27,500	42,459	14,959
Amortization			29,638	29,638
Net income available for debt service	2,043,786	2,043,786	2,092,113	48,327
<b>DEBT SERVICE COSTS:</b>				
Bond interest expense	505,541	505,541	439,331	(66,210)
Bond redemption	1,347,805	1,347,805	-	(1,347,805)
Total debt service costs	1,853,346	1,853,346	439,331	(1,414,015)
<b>CAPITAL OUTLAYS</b>	6,552,000	6,552,000	2,648,350	3,903,650
Excess (deficiency) of revenues over expenditures, debt service and capital outlays	\$ (6,361,560)	\$ (6,361,560)	\$ (995,568)	\$ 5,365,992

See auditors' report

**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**BUDGETARY COMPARISON SCHEDULE OF SEWER OPERATIONS**  
**YEAR ENDED OCTOBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u> <u>(Unaudited)</u>	<u>Final</u> <u>(Unaudited)</u>	<u>Budgetary</u> <u>Basis</u>	
<b>OPERATING REVENUES:</b>				
Sewer service charges	\$ 4,242,331	\$ 4,242,331	\$ 4,408,649	\$ 166,318
Connection fees	42,534	42,534	438,545	396,011
Other income	82,500	82,500	112,438	29,938
Total operating revenues	<u>4,367,365</u>	<u>4,367,365</u>	<u>4,959,632</u>	<u>592,267</u>
<b>COST OF OPERATIONS:</b>				
Personnel services	727,312	727,312	731,871	(4,559)
Employee benefits	588,579	588,579	730,992	(142,413)
Administrative	233,800	233,800	255,972	(22,172)
Operations and maintenance	2,667,887	2,667,887	2,693,772	(25,885)
Depreciation net			402,762	(402,762)
Total cost of operations	<u>4,217,578</u>	<u>4,217,578</u>	<u>4,815,369</u>	<u>(597,791)</u>
Operating profit	149,787	149,787	144,263	(5,524)
<b>OTHER INCOME (EXPENSE):</b>				
Investment income	27,500	27,500	42,459	14,959
Amortization			3,162	3,162
Net income available for debt service	<u>177,287</u>	<u>177,287</u>	<u>189,884</u>	<u>12,597</u>
<b>DEBT SERVICE COSTS:</b>				
Bond interest expense	30,068	30,068	27,660	(2,408)
Bond redemption	114,040	114,040	-	(114,040)
Total debt service costs	<u>144,108</u>	<u>144,108</u>	<u>27,660</u>	<u>(116,448)</u>
<b>CAPITAL OUTLAYS</b>	<u>4,310,000</u>	<u>4,310,000</u>	<u>2,546,483</u>	<u>1,763,517</u>
Excess (deficiency) of revenues over expenditures, debt service and capital outlays	<u>\$ (4,276,821)</u>	<u>\$ (4,276,821)</u>	<u>\$ (2,384,259)</u>	<u>\$ 1,659,666</u>

See auditors' report

**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - UNRESTRICTED AND RESTRICTED**  
**YEAR ENDED OCTOBER 31, 2016 WITH COMPARATIVE TOTALS**  
**FOR YEAR ENDED OCTOBER 31, 2015**

	UNRESTRICTED	RESTRICTED				TOTALS	
		CONSTRUCTION	BOND SERVICE	BOND RESERVE	RENEWAL AND REPLACEMENT	2016	2015
<b>Operating revenues:</b>							
Water and sewer service charges	\$ 9,839,741	\$	\$	\$	\$	9,839,741	\$ 9,838,716
Connection fees	1,681,775					1,681,775	1,069,453
Other income	274,475					274,475	279,651
<b>Total operating revenues</b>	<b>11,795,991</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,795,991</b>	<b>11,187,820</b>
<b>Cost of operations:</b>							
Personnel services	1,834,841					1,834,841	1,728,139
Employee benefits	1,827,770					1,827,770	1,211,516
Administrative	710,980					710,980	706,309
Operations & Maintenance	3,819,685					3,819,685	3,747,104
Depreciation	2,281,651					2,281,651	2,246,389
<b>Total cost of operations</b>	<b>10,474,927</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,474,927</b>	<b>9,639,457</b>
<b>Operating profit</b>	<b>1,321,064</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,321,064</b>	<b>1,548,363</b>
<b>Other income (expense):</b>							
Investment income	65,703	1,334	-	17,880	1	84,918	111,033
Bond interest expense			(434,191)			(434,191)	(527,753)
<b>Net income before transfers</b>	<b>1,386,767</b>	<b>1,334</b>	<b>(434,191)</b>	<b>17,880</b>	<b>1</b>	<b>971,791</b>	<b>1,131,643</b>
<b>Transfers:</b>							
Investment income, net	19,215	(1,334)		(17,880)	(1)	-	-
Bond interest expense	(434,191)		434,191			-	-
Depreciation on assets purchased with contributed capital	843,215					843,215	787,597
To (from) restricted assets	(5,532,028)	5,518,934	13,093	-	1	-	-
<b>Increase (decrease) in net position</b>	<b>(3,717,022)</b>	<b>5,518,934</b>	<b>13,093</b>	<b>-</b>	<b>1</b>	<b>1,815,006</b>	<b>1,919,240</b>
Prior period restatement	-					-	(3,351,096)
<b>Net Position beginning of year</b>	<b>9,499,554</b>	<b>23,401,366</b>	<b>11,236</b>	<b>441,984</b>	<b>49,877</b>	<b>33,404,017</b>	<b>34,835,873</b>
<b>Net Position - end of year</b>	<b>\$ 5,782,532</b>	<b>\$ 28,920,300</b>	<b>\$ 24,329</b>	<b>\$ 441,984</b>	<b>\$ 49,878</b>	<b>\$ 35,219,023</b>	<b>\$ 33,404,017</b>

See auditors' report

**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN CASH AND INVESTMENTS  
UNRESTRICTED ACCOUNTS  
YEARS ENDED OCTOBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>Cash and investments at beginning of year</b>	\$ 15,161,510	\$ 14,902,307
<b>Cash receipts:</b>		
Operating revenues	12,643,198	10,412,372
Investment income	65,703	88,844
Transfers from restricted funds	<u>17,880</u>	<u>35,759</u>
Total cash and investments available	<u>27,888,291</u>	<u>25,439,282</u>
<b>Cash disbursements:</b>		
Operations	7,216,146	6,891,525
Decrease in escrow funds	320,890	41,982
Transfers to restricted funds	<u>7,403,320</u>	<u>3,344,265</u>
Total cash disbursements	<u>14,940,356</u>	<u>10,277,772</u>
<b>Cash and investments at end of year</b>	\$ <u><u>12,947,935</u></u>	\$ <u><u>15,161,510</u></u>
<b>Balance comprised of:</b>		
Cash and interest bearing accounts	\$ 12,296,842	\$ 14,377,503
Investments	<u>651,093</u>	<u>784,007</u>
	\$ <u><u>12,947,935</u></u>	\$ <u><u>15,161,510</u></u>

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**LAKESIDE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS**  
**AND CHANGES IN CASH INVESTMENTS**  
**RESTRICTED ACCOUNTS**  
**YEARS ENDED OCTOBER 31, 2016 WITH COMPARATIVE TOTALS**  
**FOR THE YEAR ENDED OCTOBER 31, 2015**

	CONSTRUCTION	BOND SERVICE	BOND RESERVE	RENEWAL AND REPLACEMENT	TOTALS	
					2016	2015
Cash and investments at beginning of year	\$ 962,312	\$ 1,738,464	\$ 441,984	\$ 49,877	\$ 3,192,637	\$ 4,006,185
Cash receipts:						
Interest	1,334					
Developer enhancements	1,990,194		17,880	1	19,215	22,205
Transfers from unrestricted fund	5,336,624	2,066,696			1,990,194	2,459,211
Total cash and investments available	8,290,464	3,805,160	459,864	49,878	7,403,320	3,344,265
Cash disbursements:						
Capital expenditures	7,547,166					
Principal reduction long term debt		1,524,223			7,547,166	4,201,609
Bond interest expense		549,661			1,524,223	1,813,787
Transfer to unrestricted fund			17,880		549,661	588,074
Total cash disbursements	7,547,166	2,073,884	17,880	-	17,880	35,759
Cash and investments at end of year	\$ 743,298	\$ 1,731,276	\$ 441,984	\$ 49,878	\$ 2,966,436	\$ 3,192,637
Balance comprised of:						
Cash and interest bearing accounts	\$ 209,572	\$	\$	\$	\$ 209,572	\$ 360,092
Investments	533,726	1,731,276	441,984	49,878	2,756,864	2,832,545
	\$ 743,298	\$ 1,731,276	\$ 441,984	\$ 49,878	\$ 2,966,436	\$ 3,192,637

See auditors' report



**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**OPERATING EXPENSES  
YEARS ENDED OCTOBER 31, 2016 AND 2015**

			<b>Total</b>	
	<b>Water</b>	<b>Sewer</b>	<b>2016</b>	<b>2015</b>
<b>PERSONNEL SERVICES</b>				
Plant & distribution	\$ 646,627	\$ 276,972	\$ 923,599	\$ 865,552
Administration	344,094	342,650	686,744	573,399
Engineering	94,749	94,749	189,498	254,188
Commissioners	17,500	17,500	35,000	35,000
	<u>1,102,970</u>	<u>731,871</u>	<u>1,834,841</u>	<u>1,728,139</u>
<b>EMPLOYEE BENEFITS</b>				
Health insurance	375,747	250,499	626,246	545,349
Pension expense	484,205	322,803	807,008	282,811
Post employment benefit plan	136,140	90,760	226,900	226,900
Payroll taxes	83,615	55,549	139,164	127,483
Workman's compensation insurance	17,071	11,381	28,452	28,973
	<u>1,096,778</u>	<u>730,992</u>	<u>1,827,770</u>	<u>1,211,516</u>
<b>ADMINISTRATIVE</b>				
Office costs	11,314	11,063	22,377	27,007
Postage & advertising notices	22,723	13,793	36,516	39,380
Bank fees	3,866	3,866	7,732	11,846
Licenses and taxes	65,119	4,300	69,419	51,134
Insurance	24,011	16,007	40,018	39,695
Legal	19,660	14,623	34,283	44,516
Engineering	97,161	47,297	144,458	167,146
Accounting and actuary	34,304	34,304	68,608	65,552
Dues, publications and seminars	6,763	6,763	13,526	17,648
Repairs and maintenances	37,399	42,262	79,661	90,663
Telephone	12,584	12,584	25,168	23,961
Computer costs	34,223	34,223	68,446	43,580
Trustee fees	70,528	2,960	73,488	62,475
Sundry	15,353	11,927	27,280	21,706
	<u>455,008</u>	<u>255,972</u>	<u>710,980</u>	<u>706,309</u>
<b>OPERATIONS AND MAINTENANCE</b>				
Ocean County Utilities Authority	-	2,380,745	2,380,745	2,413,639
Purchased water	321,896	-	321,896	326,475
Utilities - electric & gas	279,884	69,579	349,463	393,637
Chemicals and supplies	225,193	17,881	243,074	229,185
Laboratory tests	22,963	-	22,963	41,747
Repairs and maintenance	189,738	151,590	341,328	230,156
Vehicle costs	11,930	11,930	23,860	31,454
Meter costs	67,440	55,178	122,618	67,685
Tools, small equipment & uniforms	6,869	6,869	13,738	12,626
Other	-	-	-	500
	<u>1,125,913</u>	<u>2,693,772</u>	<u>3,819,685</u>	<u>3,747,104</u>
<b>DEPRECIATION</b>	<u>1,507,232</u>	<u>774,419</u>	<u>2,281,651</u>	<u>2,246,389</u>
	<u>\$ 5,287,901</u>	<u>\$ 5,187,026</u>	<u>\$ 10,474,927</u>	<u>\$ 9,639,457</u>

See auditors' report

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Lakewood Township Municipal Utilities Authorities, as of and for the year ended October 31, 2016, and the related notes to the financial statements which collectively comprise the Lakewood Township Municipal Utilities Authorities basic financial statements, and have issued our report thereon dated June 6, 2017.

**Internal Control over Financial Reporting**

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

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

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

**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 Authorities financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing and 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 or audit requirements as prescribed by the Local Finance Board and by the 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 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*

**June 6, 2017**  
Lakewood, New Jersey