

LAKESIDE  
**LAKWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTAL INFORMATION**

**YEARS ENDED OCTOBER 31, 2011 AND 2010**

**AND**

**INDEPENDENT AUDITOR'S REPORT**

**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**FINANCIAL STATEMENTS WITH SUPPLEMENTAL INFORMATION**  
**YEARS ENDED OCTOBER 31, 2011 AND 2010**

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# MOHEL ELLIOTT BAUER & GASS

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

FOUNDED IN 1926 BY SIDNEY MOHEL

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**MEB&G**

## **Independent Auditor's Report**

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

We have audited the accompanying financial statements of The Lakewood Township Municipal Utilities Authority as of October 31, 2011 and 2010, as listed in the Table of Contents. These financial statements are the responsibility of the Lakewood Township Municipal Utilities Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from The Lakewood Township Municipal Utilities Authority's 2010 financial statements and, in our report dated March 1, 2011, we expressed an unqualified opinion on those financial statements.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the results of its operations, and the changes in its fund balances and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2012 on our consideration of the The Lakewood Township Municipal Utilities Authority internal control over financial reporting and on our test 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations", and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

The management's discussion and analysis and supplementary schedules on pages 3 through 5 and pages 20 through 25, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Lakewood Township Municipal Utilities Authority taken as a whole. The accompanying schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

March 29, 2012

*MoHEL Elliott Bauer & Gass*

## LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED OCTOBER 31, 2011

Our discussion and analysis of Lakewood Township Municipal Utilities Authority financial performance provides an overview of the Authorities financial activities for the year ended October 31, 2011. Please review it in conjunction with the Authorities basic financial statements which begin on Page 6.

#### Financial Highlights

- Total net assets increased \$448,461 which represents a 0.94 percent increase from 2010.
- Operating revenues, accounted for 98.40 percent of all revenues, and increased \$531,542 which represents a 7.22 percent increase from 2010.
- Operating expenses, accounted for 98.28 percent of all expenses, and increased \$343,271 which represents a 4.76 percent increase from 2010. The largest increase was in the areas of personnel and employee benefits \$131,084 and professional fees of \$99,626.
- Other expenses, accounted for 1.72 percent of all expenses and decreased \$7,750 which represents a 6.19 percent decrease from 2010.

#### USING THIS ANNUAL REPORT

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

#### Reporting the District as a Whole

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

Our analysis of the Authority as a whole begins on page 6. One of the most important questions asked about the Authorities finances is, "Is the Authority as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets 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 assets* and changes in them. You can think of the Authorities net assets - 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 assets are one indicator of whether its *financial health* is improving or deteriorating.

(Continued)

## **LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

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

**(Continued)**

**FOR THE YEAR ENDED OCTOBER 31, 2011**

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

##### **The Authorities Funds**

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

##### **The District as a Whole**

The Authorities total net assets increased \$448,461 to \$48,067,652 or 0.94 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 District had \$62,652,700 in total capital assets - an increase of \$6,041,478 from 2010, the largest increase in capital assets was the construction costs of well 17, and the construction costs of the Airport road storage tank, and the construction costs of the administration office renovation, and the design costs of the New Hampshire Avenue Treatment Plant.

##### **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 12, 2012, the Lakewood Township Municipal Utilities Authority authorized the issuance of Series 2012 Revenue Bonds not to exceed \$7,000,000 for the purpose of providing supplemental funding 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 an motor in well no. 4, construction of Cedar Bridge raw water main and renovation of the Authority's administration building, and new project funding for the metering project.

**(Continued)**

**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**(Continued)**

**FOR THE YEAR ENDED OCTOBER 31, 2011**

**USING THIS ANNUAL REPORT (Continued)**

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

The Authorities governing body considered many factors when setting the 2012 budget and water and sewer rates including the economy, the rate of inflation, planned future capital projects and debt service requirements. The Authorities water and sewer rates increased 5.00 percent and 5.00 percent respectively, effective February 1, 2012; 3.00 percent and 1.50 percent respectively, effective November 1, 2012; 3.00 percent and 1.50 percent respectively, effective November 1, 2013.

**CONTACTING THE AUTHORITIES FINANCIAL MANAGEMENT**

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

# LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

## STATEMENT OF NET ASSETS OCTOBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>Unrestricted assets:</b>		
Cash and interest bearing accounts	\$ 12,243,651	\$ 8,743,931
Investments, at fair value - Note 8	1,779,965	5,306,851
Accounts receivable	1,338,979	1,492,137
Accrued interest receivable	8,944	8,991
Prepaid expenses	<u>8,222</u>	<u>7,744</u>
<b>Total unrestricted assets</b>	<u>15,379,761</u>	<u>15,559,654</u>
<b>Restricted assets:</b>		
Construction Fund:		
Cash	765,230	482,418
Investments, at fair value - Note 8	8,765,564	13,128,977
Bond Service Fund:		
Investments, at fair value - Note 8	1,120,513	443,511
Bond Reserve Fund:		
Investments, at fair value - Note 8	441,985	441,985
Renewal and Replacement Fund:		
Investments, at fair value - Note 8	<u>49,876</u>	<u>49,873</u>
<b>Total restricted assets</b>	<u>11,143,168</u>	<u>14,546,764</u>
<b>Property, plant and equipment</b>		
Less: accumulated depreciation - Notes 2 & 6	<u>46,153,602</u>	<u>41,455,430</u>
<b>Other assets:</b>		
Unamortized bond issue costs, net - Note 2	<u>445,825</u>	<u>475,303</u>
<b>Total other assets</b>	<u>445,825</u>	<u>475,303</u>
<b>Total unrestricted and restricted assets</b>	<u>\$ 73,122,356</u>	<u>\$ 72,037,151</u>

(Continued)



# LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

## STATEMENT OF NET ASSETS (Continued) OCTOBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<b>LIABILITIES</b>		
<b>Current liabilities payable from unrestricted assets:</b>		
Accounts payable	\$ 231,576	\$ 190,090
Accrued liabilities	558,824	632,466
Accrued post-employment benefit plan - Note 9	166,200	83,100
Deferred billings	335,880	319,226
Advanced project funds	643,078	397,075
Customers deposits - Note 2	105,966	105,966
Escrow fund - Note 2	<u>567,327</u>	<u>709,080</u>
<b>Total current liabilities payable from unrestricted assets</b>	<u>2,608,851</u>	<u>2,437,003</u>
<b>Current liabilities payable from restricted assets</b>		
Accrued interest payable on revenue bond	298,737	62,606
Revenue bonds payable - current portion Note 5	1,074,762	316,693
Construction cost payable	<u>860,795</u>	<u>530,423</u>
<b>Total current liabilities payable from restricted assets</b>	<u>2,234,294</u>	<u>909,722</u>
Accrued unfunded post-employment benefit plan - Note 9	588,500	598,000
Long-term portion of revenue bonds payable - Note 5	19,382,684	20,218,292
Premium on revenue bonds payable, net - Note 2	<u>240,375</u>	<u>254,943</u>
<b>Total liabilities</b>	<u>25,054,704</u>	<u>24,417,960</u>
<b>NET ASSETS</b>		
<b>Contributed capital</b>		
Less: accumulated depreciation - Note 3	16,813,416	17,336,530
<b>Restricted for:</b>		
Construction Fund - Note 4	18,832,951	17,201,940
Bond Service Fund - Note 4	(252,986)	64,212
Bond Reserve Fund - Note 4	441,985	441,985
Renewal and Replacement Fund - Note 4	49,876	49,873
<b>Unrestricted:</b>		
Unfunded post-employment benefit plan - Note 9	(588,500)	(598,000)
Unrestricted Fund	<u>12,770,910</u>	<u>13,122,651</u>
<b>Total Net Assets</b>	<u>\$ 48,067,652</u>	<u>\$ 47,619,191</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 ASSETS  
YEARS ENDED OCTOBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>Operating revenues:</b>		
Water and sewer service charges	\$ 7,594,985	\$ 7,090,276
Connection fees	85,163	113,973
Other income	<u>213,943</u>	<u>158,300</u>
Total operating revenues	<u>7,894,091</u>	<u>7,362,549</u>
<b>Operating expenses:</b>		
Personnel services	1,215,500	1,097,018
Employee benefits	733,643	721,401
Administrative	731,949	616,854
Operations and maintenance	3,531,878	3,501,550
Depreciation	<u>1,343,306</u>	<u>1,276,182</u>
Total operating expenses	<u>7,556,276</u>	<u>7,213,005</u>
Operating income	337,815	149,544
<b>Other income (expense):</b>		
Investment income	128,690	93,145
Bond interest expense	(117,463)	(125,213)
Amortization of premium on revenue bonds	14,568	14,568
Amortization of bond issue costs	<u>(29,478)</u>	<u>(29,478)</u>
<b>Income (before transfer of depreciation on assets purchased with contributed capital)</b>	334,132	102,566
<b>Transfer of depreciation to contributed capital</b>	<u>627,943</u>	<u>626,632</u>
Change in net assets	962,075	729,198
Unfunded post-employment benefit plan - Note 9	9,500	(598,000)
<b>Restricted and unrestricted net assets - beginning of year</b>	<u>30,282,661</u>	<u>30,151,463</u>
<b>Restricted and unrestricted net assets - end of year</b>	<u>31,254,236</u>	<u>30,282,661</u>
<b>Contributed capital - beginning of year</b>	17,336,530	17,963,162
Developer expansion of system	104,829	-
Transfer of depreciation from operations to contributed capital	<u>(627,943)</u>	<u>(626,632)</u>
<b>Contributed capital - end of year</b>	<u>16,813,416</u>	<u>17,336,530</u>
<b>Total net assets - end of year</b>	<u>\$ 48,067,652</u>	<u>\$ 47,619,191</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, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 8,063,903	\$ 6,554,904
Cash paid to suppliers and employees	(6,162,504)	(5,058,240)
Investment income - received	128,737	93,094
Bond interest expense - paid	(121,338)	(128,963)
Increase (decrease) in advanced project funds	246,003	22,875
Increase (decrease) in escrow funds	<u>(141,753)</u>	<u>(190,233)</u>
 Net cash provided by operating activities	 <u>2,013,048</u>	 <u>1,293,437</u>
 <b>Cash flows from investing activities:</b>		
Capital expenditures	(5,471,100)	(3,040,558)
(Increase) decrease in investments	<u>7,213,294</u>	<u>136,679</u>
 Net cash used in investing activities	 <u>1,742,194</u>	 <u>(2,903,879)</u>
 <b>Cash flows from financing activities:</b>		
Developer expansion of system	104,829	-
Proceeds from issuance of long-term debt	239,154	480,012
Principal redemption of long-term debt	<u>(316,693)</u>	<u>(313,136)</u>
 Net cash provided (used) by financing activities	 <u>27,290</u>	 <u>166,876</u>
 <b>Net increase in cash and cash equivalents</b>	 3,782,532	 (1,443,566)
 <b>Cash and cash equivalents at beginning of year</b>	 <u>9,226,349</u>	 <u>10,669,915</u>
 <b>Cash and cash equivalents at end of year</b>	 <u>\$ 13,008,881</u>	 <u>\$ 9,226,349</u>

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**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**STATEMENT OF CASH FLOWS**

(Continued)

**YEARS ENDED OCTOBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>Change in net assets</b>	\$ <u>962,075</u>	\$ <u>729,198</u>
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>		
Depreciation and amortization, net	730,273	664,460
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	153,158	(818,337)
Accrued interest receivable	47	(51)
OCUA receivable	-	713,599
Prepaid expenses	(478)	956
Increase (decrease) in:		
Accounts payable	41,486	(151,285)
Accrued liabilities	(73,642)	232,213
Accrued post-employment benefit plan	83,100	83,100
Deferred billings	16,654	10,692
Advanced project funds	246,003	22,875
Escrow funds	(141,753)	(190,233)
Accrued interest payable on revenue bonds	<u>(3,875)</u>	<u>(3,750)</u>
Total adjustments	<u>1,050,973</u>	<u>564,239</u>
<b>Net cash provided by operating activities</b>	\$ <u><u>2,013,048</u></u>	\$ <u><u>1,293,437</u></u>

The accompanying notes are an integral  
part of these financial statements

**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**OCTOBER 31, 2011 AND 2010**

**NOTE 1 - NATURE OF ORGANIZATION**

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

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

	<u>Term Expires</u>
Senator Robert W. Singer, Chairman	February 1, 2016
P.G. Waxman, Vice Chairman	February 1, 2015
Raymond Coles, Treasurer	February 1, 2014
Mike Sernotti, Assistant Secretary	February 1, 2017
Anne Fish, Commissioner	February 1, 2013
Sam Flancbaum, Alternate Commissioner No. 1	February 1, 2014
Craig Theibault, Alternate Commissioner No. 2	February 1, 2015
Justin Flancbaum, Executive Director	

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**Deferred financing costs** - Bond issue costs, and Premium on revenue bonds payable related to the revenue bonds are being amortized over the term of the related debt.

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

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

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

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

(Continued)

# LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS (Continued) OCTOBER 31, 2011 AND 2010

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

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

**Reclassifications** - Certain reclassifications have been made to the 2010 financial statements to conform with the 2011 presentation.

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

### NOTE 3 - CONTRIBUTED CAPITAL

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

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

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

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

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

	<u>2011</u>	<u>2010</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>23,435,753</u>	<u>23,330,924</u>
	25,147,814	25,042,985
Less: accumulated depreciation	<u>8,334,398</u>	<u>7,706,455</u>
	<u>\$ 16,813,416</u>	<u>\$ 17,336,530</u>

(Continued)

LAKESIDE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
(Continued)  
OCTOBER 31, 2011 AND 2010

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.

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**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**OCTOBER 31, 2011 AND 2010**

**NOTE 5 - REVENUE BONDS**

	<u>2011</u>	<u>2010</u>
Revenue Bonds Series 2002	\$ 4,087,866	\$ 4,404,559
Revenue Bonds Series 2008	<u>16,369,580</u>	<u>16,130,426</u>
	20,457,446	20,534,985
Less: current portion	<u>1,074,762</u>	<u>316,693</u>
	<u>\$ 19,382,684</u>	<u>\$ 20,218,292</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. 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 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.

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

<u>Year ended October 31,</u>	<u>Series 2002</u>	<u>Series 2008</u>	<u>Total</u>
2012	327,991	766,771	1,094,762
2013	339,001	787,880	1,126,881
2014	341,585	808,497	1,150,082
2015	351,902	828,620	1,180,522
2016	<u>362,191</u>	<u>848,250</u>	<u>1,210,441</u>
	<u>\$ 1,722,670</u>	<u>\$ 4,040,018</u>	<u>\$ 5,762,688</u>

(Continued)



**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**OCTOBER 31, 2011 AND 2010**

**NOTE 5 - REVENUE BONDS (Continued)**

Bond interest expense consists of the following:

	<u>2011</u>	<u>2010</u>
Revenue Bonds Series 2002	\$ 117,463	\$ 125,213
Revenue Bonds Series 2008	<u>480,012</u>	<u>480,012</u>
Total interest expense	597,475	605,225
Less interest capitalized in construction projects	<u>(480,012)</u>	<u>(480,012)</u>
Bond interest expense	\$ <u><u>117,463</u></u>	\$ <u><u>125,213</u></u>

**NOTE 6 - PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consists of the following:

	<u>2011</u>	<u>2010</u>	<u>Estimated Useful Lives Years</u>
Land	\$ 66,620	\$ 66,620	--
Water and sewer system	50,175,135	50,070,306	40-75
Office building and garage	441,938	441,938	5-40
Other equipment	383,903	383,903	5-7
Transportation equipment	214,932	214,932	5
Construction in progress	<u>11,370,172</u>	<u>5,433,523</u>	--
	62,652,700	56,611,222	
Less: accumulated depreciation	<u>16,499,098</u>	<u>15,155,792</u>	
	\$ <u><u>46,153,602</u></u>	\$ <u><u>41,455,430</u></u>	

**NOTE 7 - PENSION PLAN**

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

(Continued)

**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**  
**OCTOBER 31, 2011 AND 2010**

**NOTE 8 - INVESTMENTS**

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

	<u>2011</u>		<u>2010</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	\$ 67,080	\$ 67,080	\$ 4,065,590	\$ 4,065,590
The Bank of New York, U.S. Treasury Obligation Money Market Fund	<u>376,468</u>	<u>376,468</u>	<u>1,233,890</u>	<u>1,233,890</u>
	<u>443,548</u>	<u>443,548</u>	<u>5,299,480</u>	<u>5,299,480</u>
<b>GENERAL FUND</b>				
The Bank of New York, U.S. Treasury Obligation, Money Market Fund	<u>1,336,417</u>	<u>1,336,417</u>	<u>7,371</u>	<u>7,371</u>
	<u>1,779,965</u>	<u>1,779,965</u>	<u>5,306,851</u>	<u>5,306,851</u>
<b>RESTRICTED FUNDS:</b>				
<b>CONSTRUCTION FUND</b>				
The Bank of New York, U.S. Treasury Obligation Money Market Fund	1,108,566	1,108,566	756,268	756,268
State of New Jersey NJEIT Funds Held in Trust	<u>7,656,998</u>	<u>7,656,998</u>	<u>12,372,709</u>	<u>12,372,709</u>
	<u>8,765,564</u>	<u>8,765,564</u>	<u>13,128,977</u>	<u>13,128,977</u>
<b>BOND SERVICE FUND</b>				
The Bank of New York, U.S. Treasury Obligation, Money Market Fund	<u>1,120,513</u>	<u>1,120,513</u>	<u>443,511</u>	<u>443,511</u>
<b>BOND RESERVE FUND</b>				
The Bank of New York, U.S. Treasury Bond Slug, 4.04547%, due 11/01/21	<u>441,985</u>	<u>441,985</u>	<u>441,985</u>	<u>441,985</u>
<b>RENEWAL AND REPLACEMENT FUND</b>				
The Bank of New York, U.S. Treasury Obligation, Money Market Fund	<u>49,876</u>	<u>49,876</u>	<u>49,873</u>	<u>49,873</u>
	\$ <u>12,157,903</u>	\$ <u>12,157,903</u>	\$ <u>19,371,197</u>	\$ <u>19,371,197</u>

(Continued)

LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
(Continued)  
OCTOBER 31, 2011 AND 2010

**NOTE 9 - OTHER POST EMPLOYMENT BENEFITS**

**Plan Description** - The Lakewood Township Municipal Utilities Authority is a single-employer, defined healthcare plan established through the Lakewood Township Municipal Utilities Authority. The plan provides healthcare insurance for eligible retirees (retirees with at least 25 years of service with the Authority) through the Lakewood Township Municipal Utilities Authority group health insurance plan, which covers both active and retired members. At November 1, 2009, the date of the last plan valuation, the Lakewood Township Municipal Utilities Authority covered nineteen (seventeen active plan members and two retirees receiving benefits).

**Contributions** - For fiscal year 2011, Lakewood Township Municipal Utilities Authority contributed \$83,100 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 2010, no additional contributions were required. Administrative costs of the plan are paid by the Authority.

**Funded Status** - As of October 31, 2011, the actuarial accrued liability (AAL) for benefits was \$681,100, and the actuarial value of assets was \$83,100, resulting in an unfunded actuarial accrued liability (UAAL) of \$588,500 funded ratio of 12.20 percent. The covered payroll (annual payroll of active employees covered by the plan) was \$1,340,600, and the ratio of the UAAL to the covered payroll was 51 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, 2011 AND 2010

### NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

The following assumptions were made: (Continued)

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

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

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

The discount rate used, 4 percent, is a blended rate reflecting the expected long-term investment returns on plan assets and the city's investments. The calculation of the blended rate was based on the historical and expected levels of employer contributions in relation to the ARC. In addition, the entry age 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 percentage of projected payroll on an open basis. 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)
11/01/09	\$ 83,100	\$ 681,100	\$ 598,000	12.20%	1,340,600	51.00%

#### Schedule of Employer Contributions

Fiscal Year Ended	Service Cost at end of year	30 year Amortization UAL	Annual Required Contribution
10/31/10	\$ 43,700	\$ 39,400	\$ 83,100

(Continued)

**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**(Continued)**

**OCTOBER 31, 2011 AND 2010**

**NOTE 10 - FAIR VALUE MEASUREMENTS**

The Authority uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosure.

Fair value measurements are defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three defined hierarchical levels based on the quality of inputs used that directly relate to the amount of subjectivity associated with the determination of fair value.

The fair value hierarchy defines the three levels as follows:

**Level 1:** Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

**Level 2:** Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

**Level 3:** Valuations based on unobservable inputs are used when little or no market is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

The carrying amount of cash, accounts receivable, accounts payable and accrued expenses approximates fair value due to the short-term maturities of these instruments.

**NOTE 11 - SUBSEQUENT EVENTS**

On May 12, 2012, the Lakewood Township Municipal Utilities Authority authorized the issuance of Series 2012 Revenue Bonds not to exceed \$7,000,000 for the purpose of providing supplemental funding 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, and new project funding for the metering project.

## **SUPPLEMENTAL INFORMATION**

**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**BUDGETARY COMPARISON SCHEDULE OF WATER OPERATIONS  
YEAR ENDED OCTOBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Final Budget</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>Basis</u>	<u>Positive(Negative)</u>
<b>OPERATING REVENUES:</b>				
Water service charges	\$ 4,041,718	\$ 4,041,718	\$ 4,004,829	\$ (36,889)
Connection fees	65,500	65,500	58,523	(6,977)
Other income	56,175	56,175	139,743	83,568
Total operating revenues	4,163,393	4,163,393	4,203,095	39,702
<b>COST OF OPERATIONS:</b>				
Personnel services	628,225	628,225	745,252	(117,027)
Employee benefits	438,143	438,143	434,174	3,969
Administrative	351,200	351,200	485,225	(134,025)
Operations and maintenance	977,525	977,525	1,059,613	(82,088)
Depreciation, net			429,218	(429,218)
Total cost of operations	2,395,093	2,395,093	3,153,482	(758,389)
Operating profit	1,768,300	1,768,300	1,049,613	(718,687)
<b>OTHER INCOME (EXPENSE):</b>				
Investment income	42,000	42,000	92,771	50,771
Amortization			(14,585)	(14,585)
Net income available for debt service	1,810,300	1,810,300	1,127,799	(682,501)
<b>DEBT SERVICE COSTS:</b>				
Bond interest expense	582,150	582,150	117,463	(464,687)
Bond redemption	316,693	316,693		(316,693)
Total debt service costs	898,843	898,843	117,463	(781,380)
<b>CAPITAL OUTLAYS</b>				
	11,756,366	11,756,366	5,856,926	5,899,440
Excess (deficiency) of revenues over expenditures, debt service and capital outlays	\$ (10,844,909)	\$ (10,844,909)	\$ (4,846,590)	\$ 5,998,319

See auditors' report

**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**BUDGETARY COMPARISON SCHEDULE OF SEWER OPERATIONS**  
**YEAR ENDED OCTOBER 31, 2011**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Budgetary	Final Budget
	(Unaudited)	(Unaudited)	Basis	Positive(Negative)
<b>OPERATING REVENUES:</b>				
Sewer service charges	\$ 3,637,943	\$ 3,637,943	\$ 3,590,156	\$ (47,787)
Connection fees	28,375	28,375	26,640	(1,735)
Other income	44,825	44,825	74,200	29,375
Total operating revenues	3,711,143	3,711,143	3,690,996	(20,147)
<b>COST OF OPERATIONS:</b>				
Personnel services	572,775	572,775	470,248	102,527
Employee benefits	400,157	400,157	299,469	100,688
Administrative	237,800	237,800	246,724	(8,924)
Operations and maintenance	2,459,725	2,459,725	2,472,265	(12,540)
Depreciation net			286,145	(286,145)
Total cost of operations	3,670,457	3,670,457	3,774,851	(104,394)
Operating profit	40,686	40,686	(83,855)	(124,541)
<b>OTHER INCOME (EXPENSE):</b>				
Investment income	28,000	28,000	35,919	7,919
Amortization			(325)	(325)
Net income available for debt service	68,686	68,686	(48,261)	(116,947)
<b>DEBT SERVICE COSTS:</b>				
Bond interest expense	19,200	19,200	-	(19,200)
Bond redemption	-	-	-	-
Total debt service costs	19,200	19,200	-	(19,200)
<b>CAPITAL OUTLAYS</b>				
	1,489,589	1,489,589	184,552	1,305,037
Excess (deficiency) of revenues over expenditures, debt service and capital outlays	\$ (1,440,103)	\$ (1,440,103)	\$ (232,813)	\$ 1,168,890

See auditors' report



**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS - UNRESTRICTED AND RESTRICTED**  
**YEAR ENDED OCTOBER 31, 2011 WITH COMPARATIVE TOTALS**  
**FOR YEAR ENDED OCTOBER 31, 2010**

		RESTRICTED				TOTALS	
	UNRESTRICTED	CONSTRUCTION	BOND SERVICE	BOND RESERVE	RENEWAL AND REPLACEMENT	2011	2010
<b>Operating revenues:</b>							
Water and sewer service charges	\$ 7,594,985	\$	\$	\$	\$	7,594,985	7,090,276
Connection fees	85,163					85,163	113,973
Other income	213,943					213,943	158,300
<b>Total operating revenues</b>	<b>7,894,091</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,894,091</b>	<b>7,362,549</b>
<b>Cost of operations:</b>							
Personnel services	1,215,500					1,215,500	1,097,018
Employee benefits	733,643					733,643	721,401
Administrative	731,949					731,949	616,854
Operations & Maintenance	3,531,878					3,531,878	3,501,550
Depreciation	1,343,306					1,343,306	1,276,182
<b>Total cost of operations</b>	<b>7,556,276</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,556,276</b>	<b>7,213,005</b>
<b>Operating profit</b>	<b>337,815</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>337,815</b>	<b>149,544</b>
<b>Other income (expense):</b>							
Investment income	109,441	1,353	13	17,880	3	128,690	93,145
Amortization	(14,910)					(14,910)	(14,910)
Bond interest expense			(117,463)			(117,463)	(125,213)
<b>Net income before transfers</b>	<b>432,346</b>	<b>1,353</b>	<b>(117,450)</b>	<b>17,880</b>	<b>3</b>	<b>334,132</b>	<b>102,566</b>
<b>Transfers:</b>							
Investment income, net	19,249	(1,353)	(13)	(17,880)	(3)	-	-
Bond interest expense	(117,463)		117,463			-	-
Depreciation on assets purchased with contributed capital	627,943					627,943	626,632
To (from) restricted assets	(1,313,816)	1,631,011	(317,198)		3	-	-
Increase (decrease) in retained earnings	(351,741)	1,631,011	(317,198)	-	3	962,075	729,198
Retained earnings beginning of year	13,122,651	17,201,940	64,212	441,985	49,873	30,880,661	30,151,463
<b>Retained earnings - end of year</b>	<b>\$ 12,770,910</b>	<b>\$ 18,832,951</b>	<b>\$ (252,986)</b>	<b>\$ 441,985</b>	<b>\$ 49,876</b>	<b>\$ 31,842,736</b>	<b>\$ 30,880,661</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, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>Cash and investments at beginning of year</b>	\$ 14,050,782	\$ 14,141,446
<b>Cash receipts:</b>		
Operating revenues	8,063,903	6,554,904
Investment income	109,488	69,368
Increase in advanced project funds	246,003	22,875
Transfers from restricted funds	<u>17,880</u>	<u>26,820</u>
Total cash and investments available	<u>22,488,056</u>	<u>20,815,413</u>
<b>Cash disbursements:</b>		
Operations	6,162,504	5,058,240
Decrease in escrow funds	141,753	190,233
Transfers to restricted funds	<u>2,160,183</u>	<u>1,516,158</u>
Total cash disbursements	<u>8,464,440</u>	<u>6,764,631</u>
<b>Cash and investments at end of year</b>	\$ <u>14,023,616</u>	\$ <u>14,050,782</u>
<b>Balance comprised of:</b>		
Cash and interest bearing accounts	\$ 12,243,651	\$ 8,743,931
Investments	<u>1,779,965</u>	<u>5,306,851</u>
	\$ <u>14,023,616</u>	\$ <u>14,050,782</u>

See auditors' report

**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS**  
**AND CHANGES IN CASH INVESTMENTS**  
**RESTRICTED ACCOUNTS**  
**YEARS ENDED OCTOBER 31, 2011 WITH COMPARATIVE TOTALS**  
**FOR THE YEAR ENDED OCTOBER 31, 2010**

	<b>TOTALS</b>				
	<b>CONSTRUCTION</b>	<b>BOND SERVICE</b>	<b>BOND RESERVE</b>	<b>RENEWAL AND REPLACEMENT</b>	<b>2011      2010</b>
<b>Cash and investments at beginning of year</b>	\$ 13,611,395	\$ 443,511	\$ 441,985	\$ 49,873	\$ 14,546,764    \$ 16,036,345
<b>Cash receipts:</b>					
Interest	1,353	13	17,880	3	19,249    23,726
Proceeds from issuance of long-term debt	239,154				239,154    480,012
Developer enhancements	104,829				104,829    -
Transfers from unrestricted fund	1,045,163	1,115,020			2,160,183    1,516,158
Total cash and investments available	15,001,894	1,558,544	459,865	49,876	17,070,179    18,056,241
<b>Cash disbursements:</b>					
Capital expenditures	5,471,100				5,471,100    3,040,558
Principal reduction long term debt		316,693			316,693    313,136
Bond interest expense		121,338			121,338    128,963
Transfer to unrestricted fund			17,880		17,880    26,820
Total cash disbursements	5,471,100	438,031	17,880	-	5,927,011    3,509,477
<b>Cash and investments at end of year</b>	\$ 9,530,794	\$ 1,120,513	\$ 441,985	\$ 49,876	\$ 11,143,168    \$ 14,546,764
<b>Balance comprised of:</b>					
Cash and interest bearing accounts	\$ 765,230	\$	\$	\$	\$ 765,230    \$ 482,418
Investments	8,765,564	1,120,513	441,985	49,876	10,377,938    14,064,346
	\$ 9,530,794	\$ 1,120,513	\$ 441,985	\$ 49,876	\$ 11,143,168    \$ 14,546,764

See auditors' report

**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**OPERATING EXPENSES  
YEARS ENDED OCTOBER 31, 2011 AND 2010**

			<b>Total</b>	
	<b>Water</b>	<b>Sewer</b>	<b>2011</b>	<b>2010</b>
<b>PERSONNEL SERVICES</b>				
Plant	\$ 406,017	\$ 173,755	\$ 579,772	\$ 502,737
Office	148,494	132,777	281,271	265,878
Executive director	48,329	48,206	96,535	90,731
Engineering	125,537	98,635	224,172	202,672
Commissioners	16,875	16,875	33,750	35,000
	<u>745,252</u>	<u>470,248</u>	<u>1,215,500</u>	<u>1,097,018</u>
<b>EMPLOYEE BENEFITS</b>				
Health insurance & pension contribution	319,361	216,670	536,031	528,975
Post employment benefit plan	44,043	39,057	83,100	83,100
Payroll taxes	55,055	38,266	93,321	85,761
Workman's compensation insurance	15,715	5,476	21,191	23,565
	<u>434,174</u>	<u>299,469</u>	<u>733,643</u>	<u>721,401</u>
<b>ADMINISTRATIVE</b>				
Office costs	31,463	27,602	59,065	45,371
Postage	8,457	7,813	16,270	20,577
Licenses and taxes	35,243	2,335	37,578	34,622
Insurance	13,595	14,064	27,659	23,825
Legal	49,776	39,238	89,014	78,162
Engineering	153,673	28,762	182,435	115,817
Accounting	36,455	36,455	72,910	50,754
Advertising and notices	3,702	3,587	7,289	9,516
Dues, publications and seminars	10,509	8,140	18,649	13,580
Repairs and maintenances	10,656	9,299	19,955	10,214
Board secretary	358	303	661	660
Telephone	19,286	11,789	31,075	36,272
Computer costs	55,591	46,922	102,513	104,061
Trustee and bank fees	39,724	1,655	41,379	44,613
Sundry	16,737	8,760	25,497	28,810
	<u>485,225</u>	<u>246,724</u>	<u>731,949</u>	<u>616,854</u>
<b>OPERATIONS AND MAINTENANCE</b>				
Ocean County Utilities Authority	-	2,243,416	2,243,416	2,262,983
Purchased water	355,831	-	355,831	332,084
Utilities	307,130	69,876	377,006	383,959
Chemicals and supplies	177,796	40,078	217,874	200,678
Lab fees and tests	42,871	-	42,871	27,782
Repairs and maintenance	124,584	84,761	209,345	232,075
Vehicle costs	31,695	24,810	56,505	46,522
Meter costs	4,985	5,615	10,600	750
Equipment rental	10,233	-	10,233	4,709
Uniforms	4,488	3,709	8,197	10,008
	<u>1,059,613</u>	<u>2,472,265</u>	<u>3,531,878</u>	<u>3,501,550</u>
<b>DEPRECIATION</b>	<u>776,127</u>	<u>567,179</u>	<u>1,343,306</u>	<u>1,276,182</u>
	<u>\$ 3,500,391</u>	<u>\$ 4,055,885</u>	<u>\$ 7,556,276</u>	<u>\$ 7,213,005</u>

See auditors' report

# MOHEL ELLIOTT BAUER & GASS

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

FOUNDED IN 1926 BY SIDNEY MOHEL

CERTIFIED PUBLIC ACCOUNTANTS

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

**MEB&G**

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

## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

We have audited the financial statements of Lakewood Township Municipal Utilities Authority as of and for the year ended October 31, 2011, and have issued our report thereon dated March 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Lakewood Township Municipal Utilities Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lakewood Township Municipal Utilities Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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.

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

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

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

**Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance With Government Auditing Standards  
(Continued)**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lakewood Township Municipal Utilities Authority's financial statements are free of 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.

This report is intended for the information and use of management of the Lakewood Township Municipal Utilities Authority and the Division of Local Government Services. However, this report is a matter of public record and its distribution is not limited.

*Mohe Elliott Bauer & Gass*

**March 29, 2012**

# 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

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**MEB&G**

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

**Report On Compliance With Requirements That Could Have a Direct  
and Material Effect on Each Major Program and on Internal Control Over Compliance  
in Accordance With OMB Circular A-133**

**Compliance**

We have audited Lakewood Township Municipal Utilities Authority's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Lakewood Township Municipal Utilities Authority's major federal programs for the year ended October 31, 2011. Lakewood Township Municipal Utilities Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Lakewood Township Municipal Utilities Authority's management. Our responsibility is to express an opinion on Lakewood Township Municipal Utilities Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lakewood Township Municipal Utilities Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of on Lakewood Township Municipal Utilities Authority's compliance with those requirements.

In our opinion, Lakewood Township Municipal Utilities Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended October 31, 2011.

# 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  
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**Chairman and Commissioners  
Lakewood Township Municipal Utilities Authority  
Page 2**

## **Internal Control Over Compliance**

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

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

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

This report is intended solely for the information and use of management of the Lakewood Township Municipal Utilities Authority and the Division of Local Government Services. However, this report is a matter of public record and its distribution is not limited.

*Mohe Elliott Bauer & Gass*

**March 29, 2012**



**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDING OCTOBER 31, 2011**

<u>Federal/State Grantors/Pass- Through Grantor/Program Title</u>	<u>Loan Period</u>	<u>Loan Amount</u>	<u>Loan Requisitions</u>	<u>Capitalized Expenditures</u>
State of New Jersey Funds:				
NJ State Dept. of Environmental Protection/ NJ Environmental Infrastructure Trust/				
Trust loan 2008A financing program	11/6/08-11/1/27	\$ 9,345,000	\$ 2,534,215	\$ 2,534,215
Fund loan 2008 financing program	11/6/08-11/1/27	7,024,580	2,181,496	2,181,496
		<hr/>	<hr/>	<hr/>
<b>Total</b>		<b>\$ 16,369,580</b>	<b>\$ 4,715,711</b>	<b>\$ 4,715,711</b>

See auditors' report

**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED OCTOBER 31, 2011**

**NOTE 1 - BASIS OF PRESENTATION**

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

See auditors' report

**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED OCTOBER 31, 2011**

**A. Summary of Audit Results**

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

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

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

**B. Findings and Questioned Costs - Financial Audit**

None

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

None

**D. Status of Prior Year Findings**

None

See auditors' report