

**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTAL INFORMATION**

**YEARS ENDED OCTOBER 31, 2014 AND 2013**

**AND**

**INDEPENDENT AUDITOR'S REPORT**

**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**FINANCIAL STATEMENTS WITH SUPPLEMENTAL INFORMATION**  
**YEARS ENDED OCTOBER 31, 2014 AND 2013**

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# 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

FOUNDED IN 1926 BY SIDNEY MOHEL

CERTIFIED PUBLIC ACCOUNTANTS

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



## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Lakewood Township Municipal Utilities Authority (the "Authority") as of and for the years ended October 31, 2014 and 2013, 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 in compliance with audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

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

### **Opinion**

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, 2014 and 2013, and the changes in financial position and its cash flows, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Other Information*

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

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

# MOHEL ELLIOTT BAUER & GASS

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

CERTIFIED PUBLIC ACCOUNTANTS

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2015, 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*

**April 1, 2015**  
Lakewood, New Jersey

## LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED OCTOBER 31, 2014

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, 2014. Please review it in conjunction with the Authorities basic financial statements which begin on Page 6.

#### Financial Highlights

- Total net position increased \$2,373,942 which represents a 4.68 percent increase from 2013.
- Operating revenues, accounted for 99.22 percent of all revenues, and increased \$908,456 which represents a 9.92 percent increase from 2013. The largest increase was in the area of connection fees.
- Operating expenses, accounted for 93.67 percent of all expenses, and increased \$753,162 which represents a 9.24 percent increase from 2013. The largest increase was in the areas of personnel and depreciation.
- Other expenses, accounted for 6.33 percent of all expenses and decreased \$29,619 from 2013. The largest decrease was in the area of Bond interest expense.

#### USING THIS ANNUAL REPORT

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

#### Reporting the District as a Whole

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

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

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

(Continued)

## **LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) FOR THE YEAR ENDED OCTOBER 31, 2014**

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

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

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

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

The Authorities total net position increased \$2,373,942 to \$53,138,361 or 4.68 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 \$83,155,884 in total capital assets - an increase of \$4,484,343 from 2013, the largest increase in capital assets was the construction costs of the New Hampshire Avenue Treatment Plant, Metering Project, rehabilitation of wells, Redondo sewer project, Brick interconnect and Developer expansion of system.

##### **Debt Administration**

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

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

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

**(Continued)**

**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)  
FOR THE YEAR ENDED OCTOBER 31, 2014**

**USING THIS ANNUAL REPORT (Continued)**

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

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

**CONTACTING THE AUTHORITIES FINANCIAL MANAGEMENT**

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



**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**STATEMENT OF NET POSITION  
OCTOBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
<b>Unrestricted assets:</b>		
Cash and interest bearing accounts	\$ 14,674,695	\$ 14,480,616
Investments, at fair value - Note 8	227,612	749,696
Accounts receivable	1,450,444	1,551,728
Accrued interest receivable	8,958	8,941
Other receivables	-	226,398
Prepaid expenses	<u>11,519</u>	<u>10,562</u>
<b>Total unrestricted assets</b>	<u>16,373,228</u>	<u>17,027,941</u>
<b>Restricted assets:</b>		
Construction Fund:		
Cash	819,470	727,559
Investments, at fair value - Note 8	951,866	1,178,435
Bond Service Fund:		
Investments, at fair value - Note 8	1,725,110	1,696,318
Bond Reserve Fund:		
Investments, at fair value - Note 8	459,863	441,984
Renewal and Replacement Fund:		
Investments, at fair value - Note 8	<u>49,876</u>	<u>49,876</u>
<b>Total restricted assets</b>	<u>4,006,185</u>	<u>4,094,172</u>
<b>Property, plant and equipment</b>		
Less: accumulated depreciation - Notes 2 & 6	<u>61,375,057</u>	<u>58,983,072</u>
<b>Total unrestricted and restricted assets</b>	<b>\$ <u>81,754,470</u></b>	<b>\$ <u>80,105,185</u></b>

(Continued)

**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**STATEMENT OF NET POSITION  
(Continued)  
OCTOBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>LIABILITIES</b>		
<b>Current liabilities payable from</b>		
<b>unrestricted assets:</b>		
Accounts payable	\$ 353,609	\$ 113,345
Accrued liabilities	413,907	629,352
Unearned revenue assignment of cell tower leases - Note 10	18,125	18,125
Accrued post-employment benefit plan - Note 9	715,700	488,800
Unearned billings	377,599	366,273
Project funds held in escrow	632,029	642,528
Customers deposits - Note 2	105,966	105,966
Escrow fund - Note 2	<u>769,333</u>	<u>470,233</u>
<b>Total current liabilities payable from</b>		
<b>unrestricted assets</b>	<u>3,386,268</u>	<u>2,834,622</u>
<b>Current liabilities payable from restricted assets</b>		
Accrued interest payable on revenue bond	293,143	308,193
Revenue bonds payable - current portion Note 5	1,431,926	1,396,486
Construction cost payable	<u>332,760</u>	<u>627,302</u>
<b>Total current liabilities payable from restricted assets</b>	<u>2,057,829</u>	<u>2,331,981</u>
<b>Accrued unfunded post-employment benefit plan - Note 9</b>	1,553,500	1,072,800
<b>Advanced revenue assignment of cell tower leases - Note 10</b>	667,604	685,729
<b>Long-term portion of revenue bonds payable - Note 5</b>	20,474,078	21,906,004
<b>Premium on revenue bonds payable, net - Note 2</b>	<u>476,830</u>	<u>509,630</u>
<b>Total liabilities</b>	<u>28,616,109</u>	<u>29,340,766</u>
<b>NET POSITION</b>		
<b>Contributed capital</b>		
Less: accumulated depreciation - Note 3	19,855,988	18,405,861
<b>Restricted for:</b>		
Construction Fund - Note 4	22,006,737	19,440,269
Bond Service Fund - Note 4	41	(8,361)
Bond Reserve Fund - Note 4	459,863	441,984
Renewal and Replacement Fund - Note 4	49,876	49,876
<b>Unrestricted:</b>		
Unfunded post-employment benefit plan - Note 9	(1,553,500)	(1,072,800)
Unrestricted Fund	<u>12,319,356</u>	<u>13,507,590</u>
<b>Total Net Position</b>	<u>\$ 53,138,361</u>	<u>\$ 50,764,419</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, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>Operating revenues:</b>		
Water and sewer service charges	\$ 8,926,314	\$ 8,514,794
Connection fees	925,752	370,334
Other income	<u>217,926</u>	<u>276,408</u>
Total operating revenues	<u>10,069,992</u>	<u>9,161,536</u>
<b>Operating expenses:</b>		
Personnel services	1,517,586	1,392,380
Employee benefits	973,142	942,308
Administrative	801,042	699,296
Operations and maintenance	3,521,451	3,367,462
Depreciation	<u>2,092,358</u>	<u>1,750,971</u>
Total operating expenses	<u>8,905,579</u>	<u>8,152,417</u>
Operating income	1,164,413	1,009,119
<b>Other income (expense):</b>		
Investment income	79,552	139,907
Bond interest expense	(601,860)	(631,479)
Amortization of premium on revenue bonds	<u>32,800</u>	<u>32,800</u>
<b>Income (before transfer of depreciation on assets purchased with contributed capital)</b>	674,905	550,347
<b>Transfer of depreciation to contributed capital</b>	<u>729,610</u>	<u>684,269</u>
Change in net position	1,404,515	1,234,616
Unfunded post-employment benefit plan - Note 9	(480,700)	-
<b>Restricted and unrestricted net position - beginning of year</b>	<u>32,358,558</u>	<u>31,123,942</u>
<b>Restricted and unrestricted net position - end of year</b>	<u>33,282,373</u>	<u>32,358,558</u>
<b>Contributed capital - beginning of year</b>	18,405,861	17,642,566
Developer expansion of system	2,179,737	1,447,564
Transfer of depreciation from operations to contributed capital	<u>(729,610)</u>	<u>(684,269)</u>
<b>Contributed capital - end of year</b>	<u>19,855,988</u>	<u>18,405,861</u>
<b>Total net position - end of year</b>	<u>\$ 53,138,361</u>	<u>\$ 50,764,419</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, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 10,164,477	\$ 8,827,977
Cash paid to suppliers and employees	(6,336,061)	(6,096,665)
Investment income - received	79,535	139,907
Bond interest expense - paid	(616,910)	(609,023)
Increase (decrease) in project funds held in escrow	(10,499)	(109,861)
Increase (decrease) in escrow funds	<u>299,100</u>	<u>(94,392)</u>
 Net cash provided by operating activities	 <u>3,579,642</u>	 <u>2,057,943</u>
 <b>Cash flows from investing activities:</b>		
Capital expenditures	(4,778,885)	(4,939,559)
(Increase) decrease in investments	<u>701,982</u>	<u>2,809,877</u>
 Net cash used in investing activities	 <u>(4,076,903)</u>	 <u>(2,129,682)</u>
 <b>Cash flows from financing activities:</b>		
Developer expansion of system	2,179,737	1,447,564
Principal redemption of long-term debt	<u>(1,396,486)</u>	<u>(1,307,817)</u>
 Net cash provided (used) by financing activities	 <u>783,251</u>	 <u>139,747</u>
 <b>Net increase in cash and cash equivalents</b>	 285,990	 68,008
 <b>Cash and cash equivalents at beginning of year</b>	 <u>15,208,175</u>	 <u>15,140,167</u>
 <b>Cash and cash equivalents at end of year</b>	 <u>\$ 15,494,165</u>	 <u>\$ 15,208,175</u>

(Continued)

**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**STATEMENT OF CASH FLOWS**  
**(Continued)**  
**YEARS ENDED OCTOBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>Change in net position</b>	\$ <u>1,404,515</u>	\$ <u>1,234,616</u>
<b>Adjustments to reconcile change in net position to net cash provided by operating activities:</b>		
Depreciation and amortization, net	1,329,948	1,033,902
<b>Changes in assets and liabilities:</b>		
<b>(Increase) decrease in:</b>		
Accounts receivable	101,284	(327,686)
Accrued interest receivable	(17)	-
Other receivable	226,398	122,283
Prepaid expenses	(957)	(1,895)
<b>Increase (decrease) in:</b>		
Accounts payable	240,264	(23,903)
Accrued liabilities	(215,445)	46,996
Unearned revenue assignment of cell tower leases	(18,125)	(18,125)
Accrued post-employment benefit plan	226,900	161,300
Unearned billings	11,326	12,252
Project funds held in escrow	(10,499)	(109,861)
Escrow funds	299,100	(94,392)
Accrued interest payable on revenue bonds	<u>(15,050)</u>	<u>22,456</u>
Total adjustments	<u>2,175,127</u>	<u>823,327</u>
<b>Net cash provided by operating activities</b>	\$ <u><u>3,579,642</u></u>	\$ <u><u>2,057,943</u></u>

The accompanying notes are an integral  
part of these financial statements

**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**OCTOBER 31, 2014 AND 2013**

**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
Raymond Coles, Vice Chairman	February 1, 2019
Anne Fish, Treasurer	February 1, 2018
P.G. Waxman, Commissioner	February 1, 2020
Mike Sernotti, Commissioner	February 1, 2017
Sam Flancbaum, Assistant Secretary, Alternate Commissioner No. 1	February 1, 2019
Craig Theibault, Alternate Commissioner No. 2	February 1, 2020
Justin Flancbaum, Executive Director	

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

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

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

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

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

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

**Inventories of Supplies** - Purchases of materials and supplies are recognized and recorded as expenditures when they are acquired, regardless of when used.

**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, 2014 AND 2013

### 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 2013 financial statements to conform with the 2014 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>2014</u>	<u>2013</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>28,539,918</u>	<u>26,360,181</u>
	30,251,979	28,072,242
Less: accumulated depreciation	<u>10,395,991</u>	<u>9,666,381</u>
	<u>\$ 19,855,988</u>	<u>\$ 18,405,861</u>

(Continued)

**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
(Continued)  
OCTOBER 31, 2014 AND 2013**

**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.



**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
(Continued)  
OCTOBER 31, 2014 AND 2013**

**NOTE 5 - REVENUE BONDS**

	<u>2014</u>	<u>2013</u>
Revenue Bonds Series 2002	\$ 3,125,701	\$ 3,467,286
Revenue Bonds Series 2008	14,006,432	14,814,929
Revenue Bonds Series 2012	<u>4,773,871</u>	<u>5,020,275</u>
	21,906,004	23,302,490
Less: current portion	<u>1,431,926</u>	<u>1,396,486</u>
	<u>\$ 20,474,078</u>	<u>\$ 21,906,004</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 the Airport Road water storage tank, upgrade and the expansion of the New Hampshire Avenue treatment plant, construction of well no. 17 with ASR capability, install well pump and motor in well no. 4, construction of Cedar Bridge raw water main and renovation of the Authority's administration building.

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

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

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

<u>Year ended October 31,</u>	<u>Series 2002</u>	<u>Series 2008</u>	<u>Series 2012</u>	<u>Total</u>
2015	\$ 351,902	\$ 828,620	\$ 251,404	\$ 1,431,926
2016	362,191	848,250	251,404	1,461,845
2017	372,191	867,387	251,404	1,490,982
2018	381,902	893,497	261,404	1,536,803
2019	399,210	918,990	261,404	1,579,604
Therafter	<u>1,258,305</u>	<u>9,649,688</u>	<u>3,496,851</u>	<u>14,404,844</u>
	<u>\$ 3,125,701</u>	<u>\$ 14,006,432</u>	<u>\$ 4,773,871</u>	<u>\$ 21,906,004</u>

(Continued)

**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**OCTOBER 31, 2014 AND 2013**

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

Bond interest expense consists of the following:

	<u>2014</u>	<u>2013</u>
Revenue Bonds Series 2002	\$ 95,300	\$ 104,619
Revenue Bonds Series 2008	433,638	452,888
Revenue Bonds Series 2012	<u>72,922</u>	<u>73,972</u>
Bond interest expense	<u>\$ 601,860</u>	<u>\$ 631,479</u>

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

Property, plant and equipment consists of the following:

	<u>2014</u>	<u>2013</u>	<u>Estimated Useful Lives Years</u>
Land	\$ 76,445	\$ 76,445	--
Water and sewer system	80,074,904	72,492,019	40-75
Office building and garage	1,489,562	1,430,111	5-40
Other equipment	396,907	395,942	5-7
Transportation equipment	281,423	281,423	5
Construction in progress	<u>836,643</u>	<u>3,995,601</u>	--
	83,155,884	78,671,541	
Less: accumulated depreciation	<u>21,780,827</u>	<u>19,688,469</u>	
	<u>\$ 61,375,057</u>	<u>\$ 58,983,072</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, 2014 AND 2013**

**NOTE 8 - INVESTMENTS**

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

	<u>2014</u>		<u>2013</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	\$ 67,191	\$ 67,191	\$ 67,153	\$ 67,153
JP Morgan, U.S. Treasury Plus Premier, Money Market Fund	<u>70,596</u>	<u>70,596</u>	<u>592,719</u>	<u>592,719</u>
	<u>137,787</u>	<u>137,787</u>	<u>659,872</u>	<u>659,872</u>
<b>GENERAL FUND</b>				
JP Morgan, U.S. Treasury Plus Premier, Money Market Fund	<u>89,825</u>	<u>89,825</u>	<u>89,824</u>	<u>89,824</u>
	<u>227,612</u>	<u>227,612</u>	<u>749,696</u>	<u>749,696</u>
<b>RESTRICTED FUNDS:</b>				
<b>CONSTRUCTION FUND</b>				
JP Morgan, U.S. Treasury Plus Premier, Money Market Fund	401	401	159,878	159,878
State of New Jersey				
NJEIT Funds Held in Trust	<u>951,465</u>	<u>951,465</u>	<u>1,018,557</u>	<u>1,018,557</u>
	<u>951,866</u>	<u>951,866</u>	<u>1,178,435</u>	<u>1,178,435</u>
<b>BOND SERVICE FUND</b>				
JP Morgan, U.S. Treasury Plus Premier, Money Market Fund	<u>1,725,110</u>	<u>1,725,110</u>	<u>1,696,318</u>	<u>1,696,318</u>
<b>BOND RESERVE FUND</b>				
JP Morgan, U.S. Treasury Plus Premier, Money Market Fund	17,879	17,879	-	-
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>459,863</u>	<u>459,863</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>49,876</u>	<u>49,876</u>	<u>49,876</u>	<u>49,876</u>
	\$ <u>3,414,327</u>	\$ <u>3,414,327</u>	\$ <u>4,116,309</u>	\$ <u>4,116,309</u>

(Continued)

# LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

(Continued)

OCTOBER 31, 2014 AND 2013

### 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, 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 2014, 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 2014, 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, 2014 AND 2013

### 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 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, 2014 AND 2013**

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

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

**NOTE 11 - PRIOR PERIOD ADJUSTMENT**

During the fiscal year ended October 31, 2013, the Authority implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Accounting changes adopted to conform to the provisions of GASB No. 65 are to be applied retroactively by restating all prior periods presented. As a result, an adjustment of \$534,680 was made November 1, 2011 opening balance of net position, which reflects the unamortized debt issuance costs as of that date. In addition, the prior period financial statements have been restated from these previously issued by decreasing bond issue cost expense and simultaneously increasing net income by \$31,712 which represents the difference between the bond issue costs incurred in 2012 and the amortization originally reported during 2012.

## **SUPPLEMENTAL INFORMATION**

**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**BUDGETARY COMPARISON SCHEDULE OF WATER OPERATIONS  
YEAR ENDED OCTOBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Budgetary Basis</u>	<u>Variance with Final Budget Positive(Negative)</u>
	<u>Original (Unaudited)</u>	<u>Final (Unaudited)</u>		
<b>OPERATING REVENUES:</b>				
Water service charges	\$ 4,763,861	\$ 4,763,861	\$ 4,874,204	\$ 110,343
Connection fees	79,150	79,150	661,246	582,096
Other income	<u>56,175</u>	<u>56,175</u>	<u>158,350</u>	<u>102,175</u>
Total operating revenues	<u>4,899,186</u>	<u>4,899,186</u>	<u>5,693,800</u>	<u>794,614</u>
<b>COST OF OPERATIONS:</b>				
Personnel services	832,517	832,517	870,605	(38,088)
Employee benefits	628,334	628,334	573,412	54,922
Administrative	437,550	437,550	471,136	(33,586)
Operations and maintenance	991,900	991,900	1,007,667	(15,767)
Depreciation, net	<u>          </u>	<u>          </u>	<u>981,179</u>	<u>(981,179)</u>
Total cost of operations	<u>2,890,301</u>	<u>2,890,301</u>	<u>3,903,999</u>	<u>(1,013,698)</u>
Operating profit	2,008,885	2,008,885	1,789,801	(219,084)
<b>OTHER INCOME (EXPENSE):</b>				
Investment income	42,000	42,000	47,731	5,731
Amortization	<u>          </u>	<u>          </u>	<u>29,638</u>	<u>29,638</u>
Net income available for debt service	<u>2,050,885</u>	<u>2,050,885</u>	<u>1,867,170</u>	<u>(183,715)</u>
<b>DEBT SERVICE COSTS:</b>				
Bond interest expense	568,931	568,931	568,931	-
Bond redemption	<u>1,284,036</u>	<u>1,284,036</u>	<u>          </u>	<u>(1,284,036)</u>
Total debt service costs	<u>1,852,967</u>	<u>1,852,967</u>	<u>568,931</u>	<u>(1,284,036)</u>
<b>CAPITAL OUTLAYS</b>	<u>5,870,500</u>	<u>5,870,500</u>	<u>2,881,230</u>	<u>2,989,270</u>
Excess (deficiency) of revenues over expenditures, debt service and capital outlays	\$ <u>(5,672,582)</u>	\$ <u>(5,672,582)</u>	\$ <u>(1,582,991)</u>	\$ <u>4,089,591</u>

See auditors' report



**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**BUDGETARY COMPARISON SCHEDULE OF SEWER OPERATIONS**  
**YEAR ENDED OCTOBER 31, 2014**

	<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>				
Sewer service charges	\$ 3,984,856	\$ 3,984,856	\$ 4,052,110	\$ 67,254
Connection fees	32,125	32,125	264,506	232,381
Other income	44,825	44,825	59,576	14,751
Total operating revenues	<u>4,061,806</u>	<u>4,061,806</u>	<u>4,376,192</u>	<u>314,386</u>
<b>COST OF OPERATIONS:</b>				
Personnel services	625,282	625,282	646,981	(21,699)
Employee benefits	483,578	483,578	399,730	83,848
Administrative	263,950	263,950	329,906	(65,956)
Operations and maintenance	2,548,250	2,548,250	2,513,784	34,466
Depreciation net			381,569	(381,569)
Total cost of operations	<u>3,921,060</u>	<u>3,921,060</u>	<u>4,271,970</u>	<u>(350,910)</u>
Operating profit	140,746	140,746	104,222	(36,524)
<b>OTHER INCOME (EXPENSE):</b>				
Investment income	28,000	28,000	31,821	3,821
Amortization			3,162	3,162
Net income available for debt service	<u>168,746</u>	<u>168,746</u>	<u>139,205</u>	<u>(29,541)</u>
<b>DEBT SERVICE COSTS:</b>				
Bond interest expense	32,928	32,928	32,929	1
Bond redemption	112,450	112,450	-	(112,450)
Total debt service costs	<u>145,378</u>	<u>145,378</u>	<u>32,929</u>	<u>(112,449)</u>
<b>CAPITAL OUTLAYS</b>	<u>4,263,000</u>	<u>4,263,000</u>	<u>1,897,655</u>	<u>2,365,345</u>
Excess (deficiency) of revenues over expenditures, debt service and capital outlays	<u>\$ (4,239,632)</u>	<u>\$ (4,239,632)</u>	<u>\$ (1,791,379)</u>	<u>\$ 2,223,355</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, 2014 WITH COMPARATIVE TOTALS**  
**FOR YEAR ENDED OCTOBER 31, 2013**

	UNRESTRICTED	RESTRICTED				TOTALS	
		CONSTRUCTION	BOND SERVICE	BOND RESERVE	RENEWAL AND REPLACEMENT	2014	2013
<b>Operating revenues:</b>							
Water and sewer service charges	\$ 8,926,314	\$	\$	\$	\$	\$ 8,926,314	\$ 8,514,794
Connection fees	925,752					925,752	370,334
Other income	217,926					217,926	276,408
<b>Total operating revenues</b>	<b>10,069,992</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,069,992</b>	<b>9,161,536</b>
<b>Cost of operations:</b>							
Personnel services	1,517,586					1,517,586	1,392,380
Employee benefits	973,142					973,142	942,308
Administrative	801,042					801,042	699,296
Operations & Maintenance	3,521,451					3,521,451	3,367,462
Depreciation	2,092,358					2,092,358	1,750,971
<b>Total cost of operations</b>	<b>8,905,579</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,905,579</b>	<b>8,152,417</b>
<b>Operating profit</b>	<b>1,164,413</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,164,413</b>	<b>1,009,119</b>
<b>Other income (expense):</b>							
Investment income	60,307	1,364	1	17,880		79,552	139,907
Amortization	32,800					32,800	32,800
Bond interest expense			(601,860)			(601,860)	(631,479)
<b>Net income before transfers</b>	<b>1,257,520</b>	<b>1,364</b>	<b>(601,859)</b>	<b>17,880</b>	<b>-</b>	<b>674,905</b>	<b>550,347</b>
<b>Transfers:</b>							
Investment income, net	19,245	(1,364)	(1)	(17,880)		-	-
Bond interest expense	(601,860)		601,860			-	-
Depreciation on assets purchased with contributed capital	729,610					729,610	684,269
To (from) restricted assets	(2,592,749)	2,566,468	8,402	17,879		-	-
<b>Increase (decrease) in net position</b>	<b>(1,188,234)</b>	<b>2,566,468</b>	<b>8,402</b>	<b>17,879</b>	<b>-</b>	<b>1,404,515</b>	<b>1,234,616</b>
<b>Net Position beginning of year</b>	<b>13,507,590</b>	<b>19,440,269</b>	<b>(8,361)</b>	<b>441,984</b>	<b>49,876</b>	<b>33,431,358</b>	<b>32,196,742</b>
<b>Net Position - end of year</b>	<b>\$ 12,319,356</b>	<b>\$ 22,006,737</b>	<b>\$ 41</b>	<b>\$ 459,863</b>	<b>\$ 49,876</b>	<b>\$ 34,835,873</b>	<b>\$ 33,431,358</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, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>Cash and investments at beginning of year</b>	\$ 15,230,312	\$ 14,772,106
<b>Cash receipts:</b>		
Operating revenues	10,164,477	8,827,977
Investment income	60,290	120,340
Increase in escrow funds	299,100	-
Transfers from restricted funds	<u>1</u>	<u>17,880</u>
Total cash and investments available	<u>25,754,180</u>	<u>23,738,303</u>
<b>Cash disbursements:</b>		
Operations	6,336,061	6,096,665
Decrease in advanced project funds	10,499	109,861
Decrease in escrow funds	-	94,392
Transfers to restricted funds	<u>4,505,313</u>	<u>2,207,073</u>
Total cash disbursements	<u>10,851,873</u>	<u>8,507,991</u>
<b>Cash and investments at end of year</b>	<u>\$ 14,902,307</u>	<u>\$ 15,230,312</u>
<b>Balance comprised of:</b>		
Cash and interest bearing accounts	\$ 14,674,695	\$ 14,480,616
Investments	<u>227,612</u>	<u>749,696</u>
	<u>\$ 14,902,307</u>	<u>\$ 15,230,312</u>

See auditors' report

**LAKESIDE TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS**  
**AND CHANGES IN CASH INVESTMENTS**  
**RESTRICTED ACCOUNTS**  
**YEARS ENDED OCTOBER 31, 2014 WITH COMPARATIVE TOTALS**  
**FOR THE YEAR ENDED OCTOBER 31, 2013**

					<b>TOTALS</b>	
	<u>CONSTRUCTION</u>	<u>BOND SERVICE</u>	<u>BOND RESERVE</u>	<u>RENEWAL AND REPLACEMENT</u>	<u>2014</u>	<u>2013</u>
<b>Cash and investments at beginning of year</b>	\$ 1,905,994	\$ 1,696,318	\$ 441,984	\$ 49,876	\$ 4,094,172	\$ 7,294,247
<b>Cash receipts:</b>						
Interest	1,364	1	17,880		19,245	19,567
Developer enhancements	2,179,737				2,179,737	1,447,564
Transfers from unrestricted fund	<u>2,463,126</u>	<u>2,042,187</u>			<u>4,505,313</u>	<u>2,207,073</u>
Total cash and investments available	<u>6,550,221</u>	<u>3,738,506</u>	<u>459,864</u>	<u>49,876</u>	<u>10,798,467</u>	<u>10,968,451</u>
<b>Cash disbursements:</b>						
Capital expenditures	4,778,885				4,778,885	4,939,559
Principal reduction long term debt		1,396,486			1,396,486	1,307,817
Bond interest expense		616,910			616,910	609,023
Transfer to unrestricted fund			1		1	17,880
Total cash disbursements	<u>4,778,885</u>	<u>2,013,396</u>	<u>1</u>	<u>-</u>	<u>6,792,282</u>	<u>6,874,279</u>
<b>Cash and investments at end of year</b>	<u>\$ 1,771,336</u>	<u>\$ 1,725,110</u>	<u>\$ 459,863</u>	<u>\$ 49,876</u>	<u>\$ 4,006,185</u>	<u>\$ 4,094,172</u>
<b>Balance comprised of:</b>						
Cash and interest bearing accounts	\$ 819,470	\$	\$	\$	\$ 819,470	\$ 727,559
Investments	<u>951,866</u>	<u>1,725,110</u>	<u>459,863</u>	<u>49,876</u>	<u>3,186,715</u>	<u>3,366,613</u>
	<u>\$ 1,771,336</u>	<u>\$ 1,725,110</u>	<u>\$ 459,863</u>	<u>\$ 49,876</u>	<u>\$ 4,006,185</u>	<u>\$ 4,094,172</u>

See auditors' report

**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**OPERATING EXPENSES  
YEARS ENDED OCTOBER 31, 2014 AND 2013**

			<b>Total</b>	
	<b>Water</b>	<b>Sewer</b>	<b>2014</b>	<b>2013</b>
<b>PERSONNEL SERVICES</b>				
Plant	\$ 485,460	\$ 262,673	\$ 748,133	\$ 685,036
Office	183,255	182,418	365,673	323,248
Executive director	67,679	67,679	135,358	115,654
Engineering	116,711	116,711	233,422	233,442
Commissioners	17,500	17,500	35,000	35,000
	<u>870,605</u>	<u>646,981</u>	<u>1,517,586</u>	<u>1,392,380</u>
<b>EMPLOYEE BENEFITS</b>				
Health insurance & pension contribution	351,101	251,154	602,255	653,519
Post employment benefit plan	136,140	90,760	226,900	161,300
Payroll taxes	68,195	47,259	115,454	101,981
Workman's compensation insurance	17,976	10,557	28,533	25,508
	<u>573,412</u>	<u>399,730</u>	<u>973,142</u>	<u>942,308</u>
<b>ADMINISTRATIVE</b>				
Office costs	21,319	16,155	37,474	58,186
Postage	12,033	11,962	23,995	29,712
Licenses and taxes	59,259	8,995	68,254	37,803
Insurance	23,774	15,849	39,623	36,705
Legal	12,027	12,027	24,054	129,104
Engineering	106,194	110,407	216,601	80,900
Accounting and actuary	37,565	37,565	75,130	81,306
Advertising and notices	6,199	6,199	12,398	7,606
Dues, publications and seminars	12,996	12,850	25,846	20,419
Repairs and maintenances	33,250	31,871	65,121	56,244
Telephone	15,376	12,678	28,054	17,041
Computer costs	34,559	34,559	69,118	63,119
Trustee and bank fees	73,744	8,800	82,544	60,560
Sundry	22,841	9,989	32,830	20,591
	<u>471,136</u>	<u>329,906</u>	<u>801,042</u>	<u>699,296</u>
<b>OPERATIONS AND MAINTENANCE</b>				
Ocean County Utilities Authority	-	2,281,956	2,281,956	2,238,315
Purchased water	334,037	-	334,037	278,297
Utilities	248,977	72,171	321,148	294,749
Chemicals and supplies	192,602	25,234	217,836	214,387
Lab fees and tests	39,766	-	39,766	26,405
Repairs and maintenance	127,686	79,515	207,201	157,074
Vehicle costs	24,688	19,496	44,184	42,497
Meter costs	30,474	30,474	60,948	99,873
Equipment rental	2,622	-	2,622	6,062
Uniforms	6,815	4,938	11,753	9,803
	<u>1,007,667</u>	<u>2,513,784</u>	<u>3,521,451</u>	<u>3,367,462</u>
<b>DEPRECIATION</b>	<u>1,385,937</u>	<u>706,421</u>	<u>2,092,358</u>	<u>1,750,971</u>
	<u>\$ 4,308,757</u>	<u>\$ 4,596,822</u>	<u>\$ 8,905,579</u>	<u>\$ 8,152,417</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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Lakewood Township Municipal Utilities Authorities, as of and for the year ended October 31, 2014, and the related notes to the financial statements which collectively comprise the Lakewood Township Municipal Utilities Authorities basic financial statements, and have issued our report thereon dated April 1, 2015.

#### **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  
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**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Lakewood Township Municipal Utilities Authorities financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*MoHEL Elliott Bauer & Gass*

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

**April 1, 2015**  
Lakewood, New Jersey

**CERTIFIED PUBLIC ACCOUNTANTS**

1339 RIVER AVENUE, P.O. BOX 261, LAKEWOOD, NEW JERSEY 08701-5615

732/363-6500 FAX: 732/363-0675

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

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

**Report on Compliance for Each Major Federal Program**

We have audited Lakewood Township Municipal Utilities Authorities compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* and New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* that could have a direct and material effect on each of Lakewood Township Municipal Utilities Authorities major federal programs for the year ended October 31, 2014. Lakewood Township Municipal Utilities Authorities major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Lakewood Township Municipal Utilities Authorities major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lakewood Township Municipal Utilities Authorities compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of Lakewood Township Municipal Utilities Authorities compliance.



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

**Opinion on Each Major Federal Program**

In our opinion, Lakewood Township Municipal Utilities Authorities complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended October 31, 2014.

**Report on Internal Control Over Compliance**

Management of Lakewood Township Municipal Utilities Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lakewood Township Municipal Utilities Authorities internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lakewood Township Municipal Utilities Authorities internal control over compliance.

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

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

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

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

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

*MoHEL Elliott Bauer & Gass*

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

**April 1, 2015**

**LAKEWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDING OCTOBER 31, 2014**

<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>
<b>State of New Jersey Funds:</b>				
<b>NJ State Dept. of Environmental Protection/ NJ Environmental Infrastructure Trust/</b>				
Trust loan 2008 financing program	11/6/08-11/1/27	\$ 8,159,820	\$	\$
Fund loan 2008 financing program	11/6/08-11/1/27	7,024,580		
Trust loan 2012 financing program - Supplemental loan	5/3/12 - 11/1/30	1,109,918	26,811	26,811
Fund loan 2012 financing program - Supplemental loan	5/3/12 - 11/1/30	955,430	23,079	23,079
Trust loan 2012 financing program - Meter loan	5/3/12 - 11/1/30	810,260	4,300	4,300
Fund loan 2012 financing program - Meter loan	5/3/12 - 11/1/30	2,430,781	12,902	12,902
<b>Total</b>		<u>\$ 20,490,789</u>	<u>\$ 67,092</u>	<u>\$ 67,092</u>

See auditors' report

**LAKESWOOD TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED OCTOBER 31, 2014**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying 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, 2014**

**A. Summary of Audit Results**

1. The auditors' report expresses an unmodified 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 unmodified opinion.
6. The programs tested as major programs included:

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

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

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

None

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

None

**D. Status of Prior Year Findings**

None

See auditors' report