# ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
# (A COMPONENT UNIT OF THE
# CITY OF ATLANTIC CITY)

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

December 31, 2024

**ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY**
**(A COMPONENT UNIT OF THE CITY OF ATLANTIC CITY)**

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MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of the
Atlantic City Municipal Utilities Authority

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the accompanying financial statements of the Atlantic City Municipal Utilities Authority (the "Authority"), a component unit of the City of Atlantic City, County of Atlantic, State of New Jersey, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2024 and 2023, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***

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

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, will always detect a material misstatement when it exists.



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### *Auditors' Responsibilities for the Audit of the Financial Statements (Continued)*

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

### *Required Supplementary Information*

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

**INDEPENDENT AUDITORS' REPORT (CONTINUED)**

***Other Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Authority's basic financial statements. The other supplementary information, as listed in table of contents, is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information, except for the part marked "unaudited", 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 GAAS. In our opinion, except for the part marked "unaudited", the other supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards,* we have also issued our report dated October 22, 2025, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Mercadien, P.C.*
*Certified Public Accountants*

October 22, 2025

# MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

## OVERVIEW OF ANNUAL FINANCIAL REPORT

Management’s Discussion and Analysis (“MD&A”) serves as an introduction to and should be read in conjunction with the basic audited financial statements and supplemental information. The MD&A represents management’s examination and analysis of the Atlantic City Municipal Utilities Authority’s (the “Authority”) financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority’s capital plan, budget bond resolutions, and other management tools were used for this analysis.

The basic financial statements report information about the Authority using full accrual accounting methods as utilized in similar business activities by the private sector. However, rate-regulated accounting principles applicable to private-sector utilities are not used by government utilities. The basic financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, a statement of cash flows, and notes to the basic financial statements.

The *statements of net position* present the financial position of the Authority on a full accrual historical cost basis. The statements of net position present information on all of the Authority’s assets and liabilities, with the difference reported as net position. Over time, increases and decreases in net position are one indicator of whether the financial position of the Authority is improving or deteriorating.

While the *statements of net position* provide information about the nature and amount of resources and obligations at year-end, the *statements of revenues, expenses, and changes in net position* present the results of the business activities over the course of the fiscal year and information as to how the net position has changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. These statements also provide certain information about the Authority’s recovery of its costs.

The *statements of cash flows* provide information about the Authority’s cash receipts, cash payments, and net changes in cash resulting from operating, capital, and related financing, and investing activities. These statements present cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or the depreciation of capital assets.

The *notes to the financial statements* provide required disclosures and other information that are essential to a full understanding of the material data provided in the statements. The notes present information about the Authority’s accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

*Supplementary information* comparing the budget to actual expenses, as well as important debt coverage data, is provided.

## MANAGEMENT'S ANALYSIS OF FINANCIAL POSITION

### Financial Highlights

Management believes the financial condition of the Authority is strong. The Authority's debt covenants require the Authority to maintain rates and charges at levels sufficient to pay annual operating and maintenance expenses, generate revenue at least equal to 110% of the Debt Service Requirement, and maintain various bond funds at required levels. The following are key financial highlights for 2024:

- Total assets and deferred outflows at year-end amounted to $103,112,841, exceeding liabilities and deferred inflows by $52,860,656 (i.e., net position). Total assets increased by $10,448,514, and total net position grew by $5,462,671.
- Net pension liability under Governmental Accounting Standards Board (GASB) Statement 68 was $4,226,121 in 2024, a decrease of $1,276,203 from 2023.
- Post-employment benefits other than pensions (OPEB) liability under GASB Statement 75 was $19,219,884 in 2024, an increase of $2,769,415.
- In 2024, a short-term note of $6,286,199 was issued for the Replacement of Galvanized Lead Service Lines -Phase 1 project through the New Jersey Infrastructure Bank (NJIB).
- For the fiscal year 2024, the Authority treated approximately 3,380 million gallons of pumped water, compared with 3,113 million gallons in 2023.
- Operating revenues were $18,586,593 compared with $18,316,101 in 2023, an increase of $270,492.
- Operating expenses (excluding depreciation) were $2,572,295 more than last year.
- Operating income for the year was $3,891,502, a decrease of $2,487,235 from 2023.
- Connection fee income was $215,234 compared with $91,278 in 2023.
- Actual investment income was $1,483,569, a $139,924 increase from 2023.

## MANAGEMENT'S ANALYSIS OF FINANCIAL POSITION (CONTINUED)

### CONDENSED COMPARATIVE STATEMENT OF NET POSITION

Explanations for material fluctuations are as follows:

Total Current Assets- Total Current Assets for 2024 totaled $29,268,371 compared with $31,906,504 in 2023. The decrease amounted to $2,638,133 and resulted primarily from a reduction in Investments. Additionally, decreases in cash, accounts receivable, inventories, and accrued interest receivable contributed to the overall decrease.

Total Restricted Assets- Total Restricted Assets totaled $9,427,650 in 2024 compared with $3,203,691 in 2023. This is an increase of $6,223,959, which primarily resulted from the increase in the NJIB receivable. In 2023, the Authority closed a short-term loan of $1,955,044 with NJIB for the Meter Replacement project, and $672,895 was drawn for project expenses. This project qualifies for SFY23 Clean Water Affordability financing with a long-term conversion and 100% principal forgiveness for the first two million dollars of allowable costs. In 2024, the Authority closed another short-term loan of $6,286,199 with NJIB for the Lead Line Replacement – Phase 1 project, and $62,240 was drawn for the DEP fee. This project qualifies for SFY 2024 Lead Service Line Replacement (LSLR) financing at long-term conversion and is eligible for 50% principal forgiveness, 25% New Jersey Department of Environmental Protection (NJDEP) interest-free financing, and 25% I-Bank AAA market rate loan financing for the first $10 million of allowable project costs.

Net Capital Assets – Net capital assets for 2024 totaled $56,601,702, compared to $49,739,014 in 2023, reflecting an increase of $6,862,688. This growth was primarily due to capital additions and a rise in construction in progress compared to the prior year. However, this increase was partially offset by an increase in accumulated depreciation of $3,473,234.

Total Current Liabilities Payable from Unrestricted Assets - Total current liabilities payable from unrestricted assets for 2024 totaled $3,639,939, compared to $2,933,476 in 2023, reflecting an increase of $706,463. This rise was primarily due to a higher liability owed to vendors at year-end compared to 2023. Additionally, the Authority began leasing fleet vehicles, which led to the recognition of short-term lease liabilities under GASB 87, further contributing to the increase. The increase in liabilities was partially offset by lower recognition of employer pension contributions payable, prepaid user charges, and accrued payroll liabilities compared to 2023.

Total Current Liabilities Payable from Restricted Assets - Total current liabilities payable from restricted assets for 2024 amounted to $1,035,746, compared to $1,029,535 in 2023, reflecting a slight increase of $6,211. The current principal payment in 2024 was $6,973 higher than in 2023. The increase was partially offset by the recognition of slightly lower accrued interest due at year-end.

Total Long-Term Liabilities Payable from Restricted Assets- Total long-term liabilities payable for 2024 amounted to $35,200,469, compared to $27,927,050 in 2023—an increase of $7,273,419. This rise was primarily driven by a $2,769,415 increase in the Authority's proportionate share of the Other Post-Retirement Employee Benefit (OPEB) liability. Additional contributing factors included increases in long-term debt and compensated absences. In 2024, the Authority closed on a $6,286,199 short-term note with the NJIB for the Lead Line Replacement Phase 1 Project, which will be retired through long-term bond issuance upon project completion. The recognition of a $393,495 long-term lease liability for fleet vehicles under GASB 87 also added to the increase. These increases were partially offset by a $1,276,203 decrease in the net pension liability compared to the prior year.

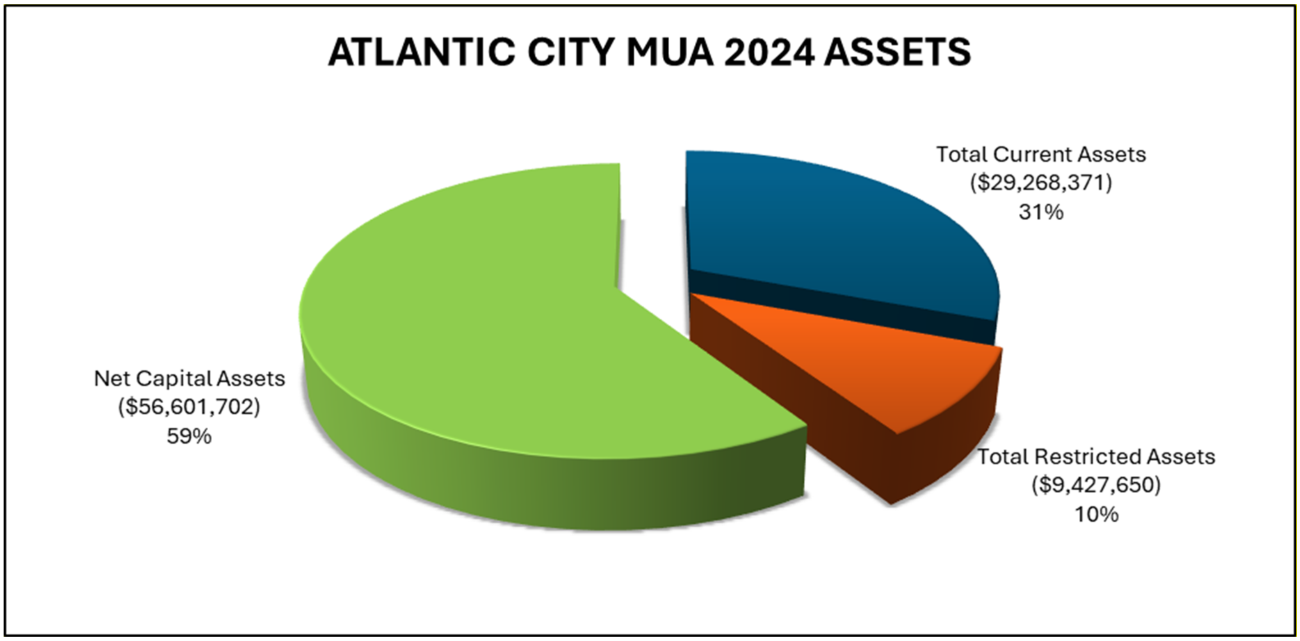
## MANAGEMENT'S ANALYSIS OF FINANCIAL POSITION (CONTINUED)

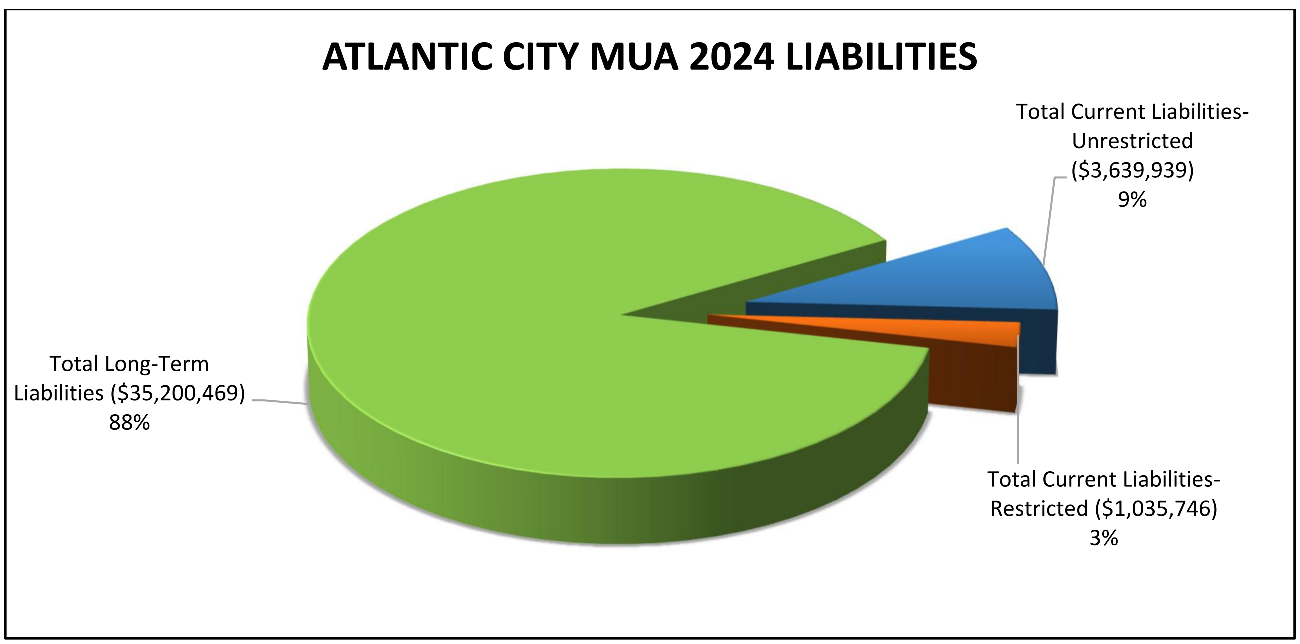
## CONDENSED COMPARATIVE STATEMENT OF NET POSITION (CONTINUED)

| | December 31, 2024 | December 31, 2023 | December 31, 2022 | $ Change 2023-2024 | % Change 2023-2024 |
|---|---|---|---|---|---|
| Total Current Assets | $ 29,268,371 | $31,906,504 | $25,835,082 | $ (2,638,133) | -8.3% |
| Total Restricted Assets | 9,427,650 | 3,203,691 | 2,017,006 | 6,223,959 | 194.3% |
| Net Capital Assets | 56,601,702 | 49,739,014 | 50,611,752 | 6,862,688 | 13.8% |
| **Total Assets** | 95,297,723 | 84,849,209 | 78,463,840 | 10,448,514 | 12.3% |
| Related to Pensions | 585,286 | 845,722 | 1,243,124 | (260,436) | -30.8% |
| Related to OPEB | 7,229,832 | 6,521,677 | 6,195,749 | 708,155 | 10.9% |
| **Total Deferred Outflows of Resources** | 7,815,118 | 7,367,399 | 7,438,873 | 447,719 | 6.1% |
| Total Current Liabilities - Unrestricted | 3,639,939 | 2,933,476 | 2,967,112 | 706,463 | 24.1% |
| Total Current Liabilities - Restricted | 1,035,746 | 1,029,535 | 1,108,207 | 6,211 | 0.6% |
| Total Long-Term Liabilities | 35,200,469 | 27,927,050 | 27,971,253 | 7,273,419 | 26.0% |
| **Total Liabilities** | 39,876,154 | 31,890,061 | 32,046,572 | 7,986,093 | 25.0% |
| Related to Pensions | 1,817,721 | 1,404,898 | 2,177,605 | 412,823 | 29.4% |
| Related to OPEB | 8,558,310 | 11,523,663 | 12,001,270 | (2,965,353) | -25.7% |
| **Total Deferred Inflows of Resources** | 10,376,031 | 12,928,561 | 14,178,875 | (2,552,530) | -19.7% |
| Net Investment in Capital Assets | 51,614,244 | 44,326,761 | 44,708,257 | 7,287,483 | 16.4% |
| Restricted for Capital Projects and Debt Service | 1,921,542 | 1,921,541 | 2,017,005 | 1 | 0.0% |
| Unrestricted | (675,130) | 1,149,684 | (7,047,996) | (1,824,814) | -158.7% |
| **Total Net Position** | $ 52,860,656 | $47,397,986 | $39,677,266 | $ 5,462,670 | 11.5% |

**<u>MANAGEMENT'S ANALYSIS OF FINANCIAL POSITION (CONTINUED)</u>**

**CONDENSED COMPARATIVE STATEMENT OF NET POSITION (CONTINUED)**



## MANAGEMENT'S ANALYSIS OF FINANCIAL POSITION (CONTINUED)

### CONDENSED COMPARATIVE STATEMENT OF CASH FLOWS

The following table illustrates the Authority's ability to generate net operating cash. Net cash provided by operating activities is shown both in total dollars and as a percentage of operating revenues.

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Total Operating Revenues | $18,586,593 | $18,316,101 |
| Net Cash Provided by Operating Activities | $ 7,030,468 | $ 6,782,953 |
| Net Operating Cash as a Percentage of Operating Revenue | 37.8% | 37.03% |

2024 Net Cash Provided by Operating Activities as Compared to 2023
Net cash provided by operating activities increased by 3.6% in 2024. This increase was primarily due to additional payments received from customers following the 2024 user charge rate increase. The increase was offset in part by higher payments to vendors and employees, along with related benefit payments.

## MANAGEMENT'S ANALYSIS OF THE RESULTS OF THE OPERATION

### CONDENSED COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Total Revenues (excluding connection fees and gain on disposal of assets) for 2024 were $20,070,162 compared to $19,659,746 in 2023. Total revenues increased by 2%. Operating expenses for 2024 totaled $14,695,091 compared to $11,937,364 in 2023. Total operating expenses increased by 23%. Explanations of the fluctuations are as follows:

Operating Revenues - Operating revenues for 2024 totaled $18,586,593, an increase of $270,492 compared to $18,316,101 in 2023. The growth in revenue was primarily driven by the rate increase that took effect in 2024. A decrease in miscellaneous revenue partially offset this increase.

Connection Fee Income - Connection fee income for 2024 totaled $215,234, compared to $91,278 in 2023. The increase was primarily due to additional new construction in the city during 2024, which resulted in higher connection fee revenue compared to the previous year.

## MANAGEMENT'S ANALYSIS OF RESULTS OF OPERATION (CONTINUED)

### CONDENSED COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)

Investment Income - Investment income for 2024 totaled $1,483,569, an increase of $139,924 compared to $1,343,645 in 2023. This growth was attributed to the availability of a comparable amount of investable capital and stable interest rates, which resulted in similar earnings levels year over year.

Salaries Expense - Salaries expenses for 2024 totaled $3,944,789, reflecting an increase of $316,795 compared to $3,627,994 in 2023. This increase was primarily driven by the hiring of new employees, the filling of previously vacant positions, employee settlement costs, and scheduled annual contractual salary adjustments.

Employee Benefits - Employee benefits for 2024 totaled $1,345,230, compared to $669,700 in 2023, reflecting an increase of $675,530. This increase was primarily due to lower net pension and OPEB non-cash expenses recognized under GASB 68 and GASB 75 in 2024 compared to the prior year. Excluding these non-cash entries, actual employee benefit costs totaled $2,936,779 for 2024, which is $114,349 higher than in 2023. The increase was primarily driven by rising health benefit costs, as well as higher workers' compensation expenses and other fringe benefits.

Repairs and Maintenance - Repairs and maintenance expenses for 2024 totaled $534,605, an increase of $90,421 compared to $444,184 in 2023. Necessary repairs and maintenance primarily drove this slight increase to the Authority's office building and overall system infrastructure.

Other Expenses - Other expenses for 2024 totaled $5,397,233, an increase of $1,489,549 compared to $3,907,684 in 2023. This rise was primarily driven by fluctuations across several accounts, including chemical and gas, gasoline, electricity, engineering fees, general insurance, other outside services, legal fees, and professional fees. A significant portion of the increase—$1,027,400—was attributed to the replacement of Granular Activated Carbon Filters used in the water treatment process.

Depreciation Expense - Depreciation expenses for 2024 totaled $3,473,234 compared to $3,287,802 in 2023. The depreciation expense recorded on assets placed in service and purchased during the year contributed to the increase, partially offset by a decline in expenses for fully depreciated assets during the year.

Interest Expenses – Interest expenses for 2024 totaled $148,492, up from $103,806 in 2023. The increase was primarily driven by the closing of a $6,286,199 short-term note with the New Jersey Infrastructure Bank (NJIB) for the Lead Line Replacement Phase 1 project, along with the payment of 50% of the NJDEP Loan Surcharge, totaling $62,240 during the year. This increase was partially offset by savings from the refinancing of the 2007 Refunding Bond at a lower interest rate in 2021, as well as credits received on the 2009A and 2010A NJIB loans due to their de-obligation in 2016.

## MANAGEMENT'S ANALYSIS OF RESULTS OF OPERATION (CONTINUED)

## CONDENSED COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)

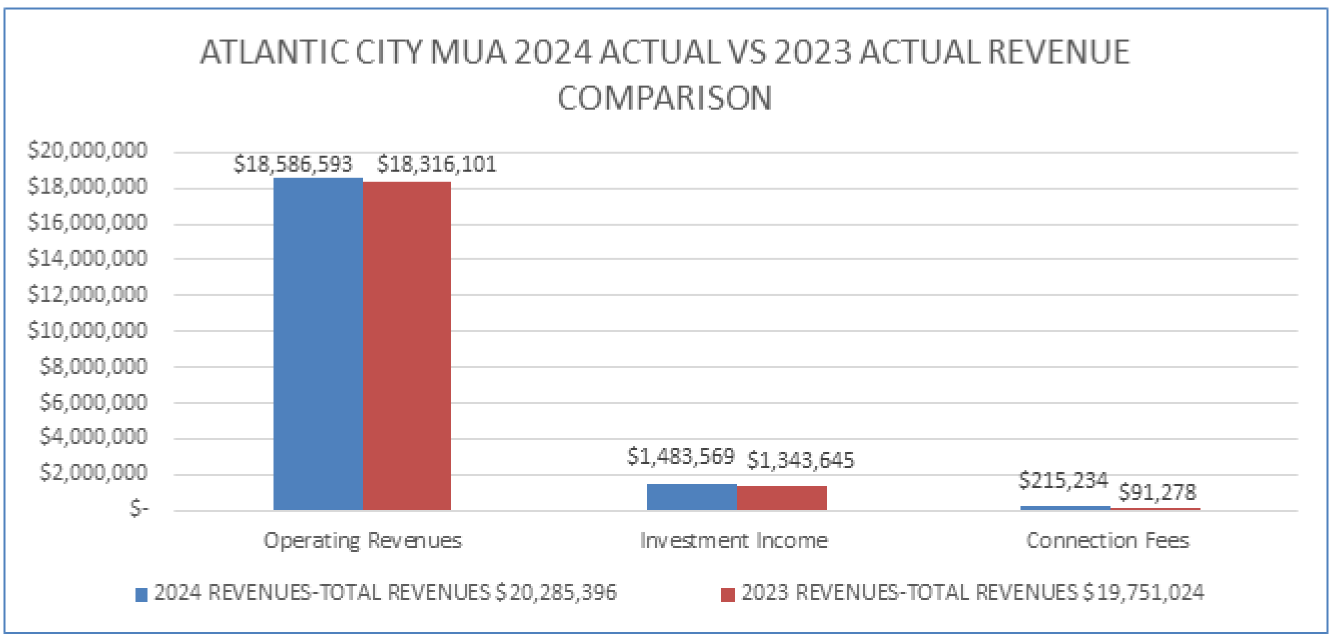
| | December 31, 2024 | December 31, 2023 | December 31, 2022 | $ Change 2023-2024 | % Change 2023-2024 |
|---|---|---|---|---|---|
| **Total Operating Revenues** | $ 18,586,593 | $ 18,316,101 | $ 17,421,667 | $ 270,492 | 1.5% |
| Operating Expenses: | | | | | |
| Total Salaries Expense | (3,944,789) | (3,627,994) | (3,157,735) | 316,795 | 8.7% |
| Total Employee Benefits | (1,345,230) | (669,700) | (795,655) | 675,530 | 100.9% |
| Total Repairs and Maintenance | (534,605) | (444,184) | (409,314) | 90,421 | 20.4% |
| Total Other Expenses | (5,397,233) | (3,907,684) | (3,992,638) | 1,489,549 | 38.1% |
| Depreciation | (3,473,234) | (3,287,802) | (3,111,276) | 185,432 | 5.6% |
| **Total Operating Expenses** | (14,695,091) | (11,937,364) | (11,466,617) | 2,757,727 | 23.1% |
| Non-Operating Revenues (Expenses): | | | | | |
| Connection Fees | 215,234 | 91,278 | 825,482 | 123,956 | 135.8% |
| Investment Income | 1,483,569 | 1,343,645 | 265,483 | 139,924 | 10.4% |
| Bond Interest | (148,492) | (103,806) | (122,576) | 44,686 | 43.0% |
| Gain on Disposal of Assets | 20,858 | 10,865 | - | 9,993 | 100.0% |
| **Total Non-Operating Revenues (Expenses)** | 1,571,169 | 1,341,982 | 968,389 | 229,187 | 38.58% |
| Changes in Net Position | 5,462,671 | 7,720,719 | 6,923,439 | (2,258,048) | -29.2% |
| Net position, beginning of year | 47,397,985 | 39,677,266 | 32,753,827 | 7,720,719 | 19.5% |
| Net position, end of year | $ 52,860,656 | $ 47,397,985 | $ 39,677,266 | $ 5,462,671 | 11.5% |

## MANAGEMENT'S ANALYSIS OF RESULTS OF OPERATION (CONTINUED)

### CONDENSED COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)

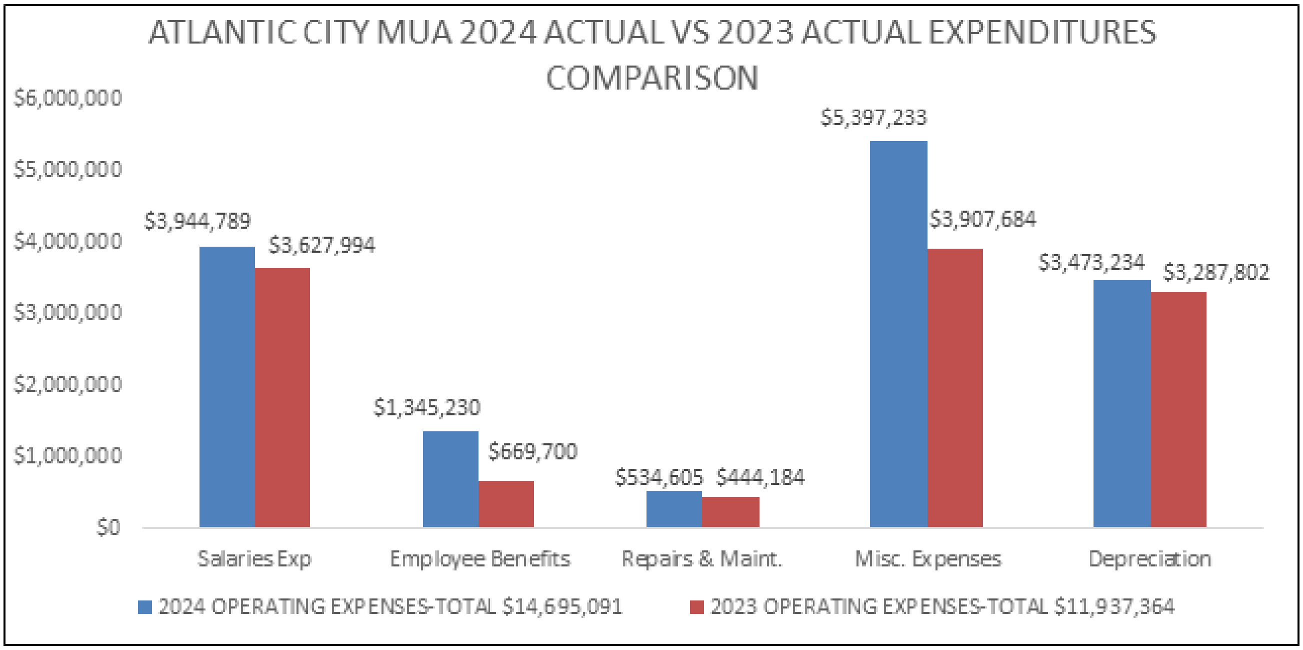
The following table shows the composition of operating expenses by major classification of expense for the last two years:

| | December 31, 2024 | % | December 31, 2023 | % | December 31, 2022 | % |
|---|---|---|---|---|---|---|
| Operating Expenses: | | | | | | |
| Salaries Expense | $ 3,944,789 | 26.8% | $ 3,627,994 | 30.4% | $ 3,157,735 | 27.5% |
| Employee Benefits | 1,345,230 | 9.2% | 669,700 | 5.6% | 795,655 | 6.9% |
| Repairs and Maintenance | 534,605 | 3.6% | 444,184 | 3.7% | 409,314 | 3.6% |
| Other Expenses | 5,397,233 | 36.7% | 3,907,684 | 32.7% | 3,992,638 | 34.8% |
| Depreciation | 3,473,234 | 23.6% | 3,287,802 | 27.5% | 3,111,276 | 27.1% |
| **Total** | $14,695,091 | 100% | $11,937,364 | 100% | $11,466,617 | 100% |



## MANAGEMENT'S ANALYSIS OF RESULTS OF OPERATION (CONTINUED)

### CONDENSED COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)



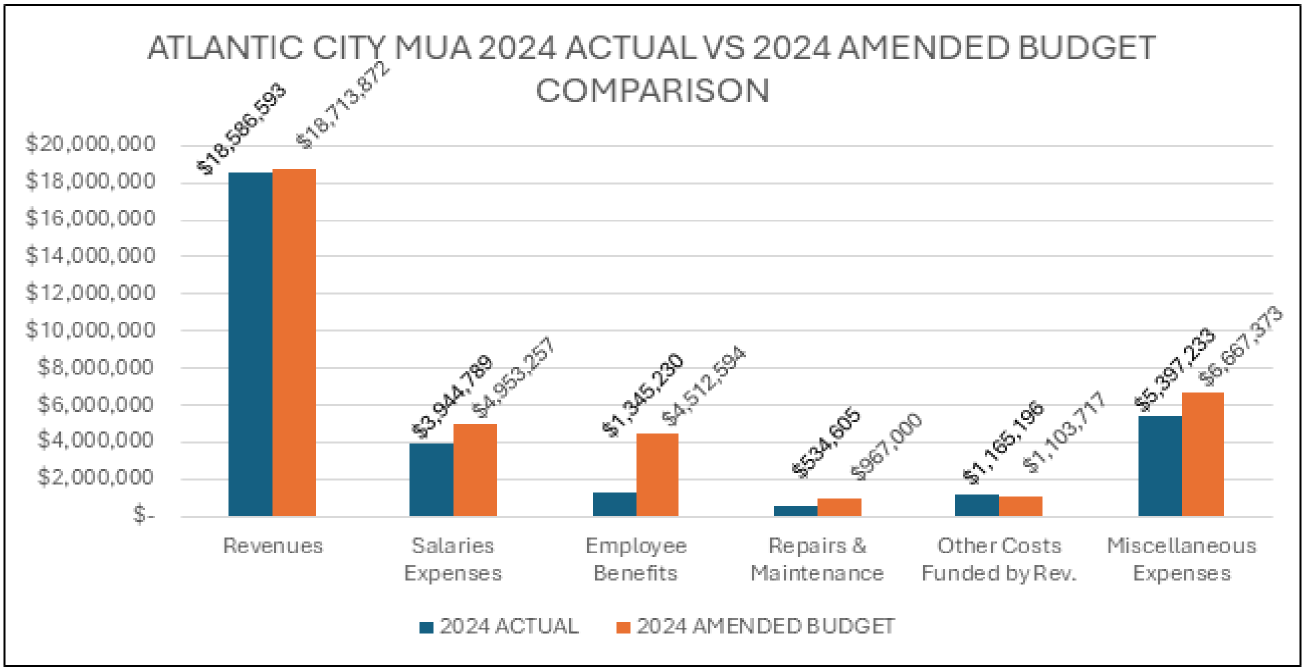

### CONDENSED SCHEDULE OF APPROPRIATIONS COMPARED TO AMENDED BUDGET

Total operating revenues for 2024 amounted to $18,586,593 compared to budgeted revenues of $18,713,872. Revenues include those from all sources except connection fee revenues and investment income. Actual revenues were close to projections, coming in 0.68% below the anticipated budget amount, due to lower-than-expected water consumption. This shortfall was partially offset by higher-than-projected miscellaneous income and investment income. Miscellaneous income exceeded expectations primarily due to a reimbursement received for a solar power purchase. Investment income also outperformed projections, which were conservatively estimated because of market uncertainties and the anticipated financial demands of ongoing capital projects. Administrative and operational expenses for 2024 totaled $11,221,857, which is $5,878,367 under the budgeted amount of $17,100,224, representing a favorable variance. Significant variances occurred in several key categories, including Salaries, Employee Benefits, Municipal Appropriation, Chemicals and Gases, Repairs and Maintenance, and Other Outside Services. Salaries were lower than budgeted, as the Authority continued to fill newly created and previously vacant positions following an organizational chart update. However, some vacancies, such as licensed water operators and supervisory roles, remained unfilled. Employee Benefits expenses were also below budget, primarily due to non-cash adjustments related to pension and health benefits, in accordance with GASB 68 and GASB 75 reports issued by the State of New Jersey. The municipal appropriation payment to the City was lower than anticipated, as the Authority remitted the maximum 5% of actual, rather than budgeted, operating costs.

In contrast, chemical and gas expenses exceeded projections due to the replacement of granulated carbon filters used in the water treatment process. Repairs and maintenance costs were also higher, driven by necessary work on aging infrastructure.

## MANAGEMENT'S ANALYSIS OF RESULTS OF OPERATION (CONTINUED)

### CONDENSED SCHEDULE OF APPROPRIATIONS COMPARED TO AMENDED BUDGET (CONTINUED)




## MANAGEMENT'S ANALYSIS OF CAPITAL ASSETS & LONG-TERM DEBT ACTIVITY

**Capital Assets**

Total capital assets increased by approximately $9,622,985 during 2024. Property and equipment in service increased by $2,959,200, while construction in progress rose by $6,663,785. These increases were driven by 2024 capital additions and the transfer of completed assets from construction in progress to in-service status. Major construction-in-progress projects included the Lead Service Line Replacement – Phase 1 and the Water Main Replacement projects on Florida, Baltic, and Grammercy avenues. The Authority's five-year capital plan anticipates over $180 million in capital expenditures, which are expected to be funded through a combination of Debt Authorization and the Authority's Unrestricted Net Position. Future rate increases will serve as the primary source of funding for debt service related to this Debt Authorization.

## MANAGEMENT'S ANALYSIS OF CAPITAL ASSETS & LONG-TERM DEBT ACTIVITY (CONTINUED):

### Capital Assets (Continued)

| | December 31, 2024 | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Treatment and Distribution Facilities | $ 117,867,783 | $ 115,427,031 | $ 112,573,035 |
| Land and Land Improvements | 1,811,009 | 1,811,009 | 1,811,009 |
| Equipment and Vehicles | 7,713,447 | 7,237,227 | 6,480,778 |
| Office Building | 3,877,030 | 3,877,030 | 3,877,030 |
| Furniture and Fixtures | 524,629 | 482,401 | 475,605 |
| Construction in Progress | 7,152,416 | 488,631 | 2,028,423 |
| **Total Assets** | $ 138,946,314 | $ 129,323,329 | $ 127,245,880 |

### Long-Term Debt

At the end of the current fiscal year, the Authority had a total bonded debt outstanding of $3,760,242.

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| Revenue Bonds | $2,996,000 | $3,557,000 | $4,107,000 |
| New Jersey Infrastructure Bank Loans | $ 764,242 | $1,169,527 | $1,699,873 |

In June 2023, the Authority closed on a $1,955,044 short-term note with the New Jersey Infrastructure Bank (NJIB) to reimburse expenditures for the Meter and MTU Replacement Project. In June 2024, the Authority secured an additional short-term loan totaling $6,286,199 from the NJIB for the Lead Line Replacement – Phase 1 Project.

Both loans are structured as short-term financing and are expected to be refinanced through long-term bond issuances upon project completion. The long-term financing will include $1,955,044 in principal forgiveness under the Clean Water State Revolving Fund (Affordability program) for the Meter and MTU Replacement Project, and $3,111,980 in principal forgiveness under the Drinking Water State Revolving Fund (Lead Service Line Replacement program) for the Lead Line Replacement – Phase 1 Project.

## MANAGEMENT'S ANALYSIS OF CAPITAL ASSETS & LONG-TERM DEBT ACTIVITY (CONTINUED):

### OTHER SELECTED INFORMATION

| Selected Data for Analysis | 2024 | 2023 | Change Amount | Change % |
|---|---|---|---|---|
| Employees at Year End (Excluding Board) | 63 | 59 | 4.0 | 6.8 |
| Number of Customers at Year End | 8,199 | 8,226 | (27.0) | -0.3% |
| Water Pumped (Millions of Gallons) | 3,380 | 3,113 | 267.0 | 8.6% |
| Revenues per 1,000 Gallons Pumped | 5.5 | 5.6 | (0.1) | -1.8% |
| Expenses per 1,000 Gallons Pumped: | | | | |
| Expenses Excluding Depreciation | 2.7 | 3.2 | (0.5) | -15.6% |
| Total Operating Expenses | 3.7 | 4.2 | (0.5) | -11.9% |

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

**Economic Factors and Customer Base**

Over the past two decades, the Authority has experienced a steady and continual decline in water demand. This trend is largely attributed to two key factors: the increased adoption of water conservation practices and a shrinking customer base.

New and renovated developments have increasingly utilized high-efficiency fixtures such as low-flow showerheads, high-efficiency toilets, and faucet aerators, contributing to reduced water demand. The customer base has been negatively impacted over the years by the closing of underperforming casino hotels and the removal of abandoned and demolished housing units. Atlantic City currently has nine casino resort hotels, down from a high of twelve in 2006. Although overall gaming revenues have grown due to the rise of online gaming and sports betting, traditional casino floor activity has continued to lag in recent years, further impacting water demand.

The City and County continue to seek ways to diversify the local economy to mitigate their economic dependence on hospitality and tourism. While tourism still plays a critical role in Atlantic City, with seasonal fluctuations heavily influencing its economy, recent efforts to promote non-gaming attractions such as convention and entertainment venues have been moderately successful. The expansion of Stockton University and Atlantic Cape Community College, along with new attractions such as the Showboat Water Park, are signs of revitalization. A proposed mixed-use development at the former Bader Field airport site is in the planning stages. The City has made a strong concerted effort to demolish or auction abandoned properties, and developers are beginning to formulate multi-residential mixed-use projects. Overall, data indicates that the housing market will continue to grow, but at a slow pace. Any new construction will contribute incremental revenue, which is essential for the Authority's capital improvement plans. These revenues are particularly important to fund critical infrastructure projects, including the implementation of long-term solutions to maintain undetectable levels of Per- and Polyfluoroalkyl Substances (PFAS) in the water supply.

## MANAGEMENT'S ANALYSIS OF CAPITAL ASSETS & LONG-TERM DEBT ACTIVITY (CONTINUED):

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (CONTINUED)

#### 2025 Budget

The 2025 Proposed Budget is fully funded, providing for the continuation of all the Authority's major programs. Total Net Operating Appropriations are slated to increase by 8.7% to meet overall higher expenses due to inflation. Total Water Service Charges are expected to increase by 8.78% compared to the 2024 Budget, resulting from the annual increase rate of 12% in both the flat rate and the excess rate for all customers. The budget also accounts for the ongoing decline in water consumption, which has influenced rate setting for 2025. Salaries and Wages for the Cost of Providing Services are expected to increase by 10.7%, due to the backfilling of vacant employee positions and cost-of-living adjustments. Repairs and Maintenance for Administration and the cost of Providing Services are expected to be 48.7% and 23.7% higher, respectively, as the Authority will begin leasing more vehicles to build and manage a more efficient fleet. Miscellaneous Administration appropriation is anticipated to increase by 26% because of higher annual maintenance expenses for upgrading software systems, meter reading devices, and mapping systems. The rate changes will increase the Renewal and Replacement Reserve by 36.3% and provide the Authority with the funds needed for the Authority's capital projects. The total interest Payment on Debt is slated to decrease by 22.4%, resulting from the lower interest amount owed in 2025.

#### Rates

The 2025 water rate increase has been strategically structured to ensure that projected revenues are sufficient to meet the year's anticipated appropriations. The Authority proposes a 12% increase in both the flat rate and excess rate for all customer classes. For residential customers, the quarterly flat rate will rise from $72.25 to $80.75, representing an increase of $8.50 per quarter. Residential customers who exceed the quarterly allotment of 2,500 cubic feet will be charged an excess rate of $4.471 per 100 cubic feet. This rate adjustment is expected to generate approximately $1,632,600 in additional revenue in 2025. These funds are essential for advancing the Authority's major capital initiatives, including upgrades to aging infrastructure, compliance with evolving federal and state PFAS regulations, and adherence to the Water Quality Accountability Act (WQAA). The 2025 budget reflects recommendations from the Authority's comprehensive Water Rate Study, supports the current increase, and provides a long-term framework for future rate planning. As recommended in the rate study, the primary funding source for servicing debt related to new capital projects will be future rate increases. To mitigate the financial burden on customers, the Authority is actively pursuing supplemental funding sources. This includes grants, low-interest loans, and principal forgiveness opportunities from Federal and State programs, including NJIB. Key capital projects targeted for this funding include the rehabilitation of the Pleasantville Water Treatment Plant and the Lead Pipe Removal Project, both critical components of the Authority's long-term infrastructure strategy.

## MANAGEMENT'S ANALYSIS OF CAPITAL ASSETS & LONG-TERM DEBT ACTIVITY (CONTINUED):

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (CONTINUED)

**Legislation with Potential Impact on the Authority**

**PFAS:**

The New Jersey Department of Environmental Protection (NJDEP) adopted the PFAS regulation on June 1, 2020. PFAS contamination in the Authority's water reserves arises from the Federal Aviation Administration conducting tests of fire-fighting foams at its Technical Center in Pomona. The contamination occurred over several decades, with residuals entering groundwater supplies. The Authority faced challenges in remaining below the MCL levels established by the NJDEP.

After consulting with several consultants, the Authority engaged an engineering consultant. It developed a temporary solution and/or interim treatment techniques to mitigate or eliminate customer exposure to regulated PFAS contaminants. The Authority purchased fifty thousand pounds of Virgin Filtrasorb 400 Granular Activated Carbon (GAC) to replace the existing GAC for five (5) filter beds at the treatment plant. The Authority also successfully installed three (3) pairs of Carbon Vessels at three (3) of the Authority's wells containing the highest levels of PFAS located at the FAA Technical Center. These temporary treatment techniques have been successful in meeting the NJDEP standards, achieving undetectable levels of PFAS in the Authority's water production, and receiving state and national awards for engineering design. The Authority monitors and continues to replace the carbon within the filters as needed while discussions regarding long-term capital investment at the Water Treatment Plant (PWTP) continue.

Per the engineering consultant report, the rehabilitation of the PWTP is the most efficient use of resources and the most cost-effective alternative for taxpayers for a permanent solution to maintain undetectable levels of PFAS in the water system. It is estimated that the rehabilitation of the PWTP will cost approximately 120 million dollars in capital construction costs, including an allowance of 20% for engineering and project administration costs. The Authority filed a class action lawsuit against the third parties involved in contributing PFAS to the Authority's site contamination. The lawsuit's settlement may help offset some of the costs of rehabilitation for the PWTP in the future. The Authority has a pending loan application with NJIB and is actively pursuing principal forgiveness loans and low-interest financing to help fund critical infrastructure improvements. The Authority remains committed to protecting public health, complying with all state and federal water quality standards, and securing the financial support necessary to implement a sustainable, long-term PFAS treatment solution.

**Lead Service Line Replacement:**

New Jersey enacted law P.L. 2021, Ch. 183 in July 2021, requiring all community water systems to replace lead service lines in their service area within ten years. The Authority is actively advancing its compliance with this legislation through a phased Lead Service Line Replacement (LSLR) Program. To date, the Authority has identified 441 known galvanized/lead service connections and 2,277 service lines of unknown material within its system. The Authority is planning to replace all these galvanized/lease connection services in several phases. In 2024, the Authority secured a $6,286,199

## MANAGEMENT'S ANALYSIS OF CAPITAL ASSETS & LONG-TERM DEBT ACTIVITY (CONTINUED):

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (CONTINUED)

#### Lead Service Line Replacement: (Continued)

short-term loan to fund Phase 1 of the LSLR program. This phase involves the replacement of 237 lead service lines. The project qualifies for SFY 2024 Lead Service Line Replacement (LSLR) financing at long-term conversion. It is eligible for 50% principal forgiveness, 25% NJDEP interest-free financing, and 25% I-Bank AAA market rate loan financing for the first $10 million of allowable project costs. The Authority has submitted a loan application for Phase 2, which proposes the replacement of approximately 1,000 galvanized/lead service lines. The estimated loan amount for Phase 2 is $22,016,725. Similar to Phase 1, this phase is expected to qualify for a combination of loan forgiveness and low-interest financing through NJIB. The successful implementation of this multi-phase replacement plan is critical to achieving full compliance with the State mandate. The Authority will continue to identify all unknown service line materials and plans to replace all lead and galvanized service lines by the 2031 deadline.

#### Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those interested in the Authority's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Authority, ACMUA, PO BOX 117, ATLANTIC CITY, NJ 08404-0117. The telephone number is 609-345-3315. The Authority's Administration offices are located at 401 N. Virginia Avenue, Atlantic City, NJ 08401.

# BASIC FINANCIAL STATEMENTS

**ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY**
**(A COMPONENT UNIT OF THE CITY OF ATLANTIC CITY)**

STATEMENTS OF NET POSITION

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | |
| Current Assets | | |
| Cash and cash equivalents | $ 2,974,030 | $ 3,046,788 |
| Accounts receivable, net of allowance for doubtful accounts of $134,719 and $111,297, respectively | 940,914 | 1,305,638 |
| Investments | 24,498,672 | 26,556,148 |
| Inventories | 670,000 | 788,241 |
| Prepaid expenses | 126,312 | 127,978 |
| Accrued interest receivable | 58,443 | 81,711 |
| Total Current Assets | 29,268,371 | 31,906,504 |
| Noncurrent Assets | | |
| Restricted Assets | | |
| Investments | 1,921,542 | 1,921,542 |
| Receivable - NJIB | 7,506,108 | 1,282,149 |
| Total Restricted Assets | 9,427,650 | 3,203,691 |
| Capital Assets | | |
| Land and land improvements | 1,811,009 | 1,811,009 |
| Construction in progress | 7,152,416 | 488,631 |
| Other capital assets, net of depreciation | 47,160,952 | 47,439,374 |
| Right-of-Use Asset | 477,325 | - |
| Total Capital Assets | 56,601,702 | 49,739,014 |
| Total Noncurrent Assets | 66,029,352 | 52,942,705 |
| Total Assets | 95,297,723 | 84,849,209 |
| Deferred Outflows of Resources: | | |
| Related to pensions | 585,286 | 845,722 |
| Related to other post-employment benefits | 7,229,832 | 6,521,677 |
| Total Deferred Outflows of Resources | 7,815,118 | 7,367,399 |
| Total Assets and Deferred Outflows of Resources | $ 103,112,841 | $ 92,216,608 |

**ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY**
**(A COMPONENT UNIT OF THE CITY OF ATLANTIC CITY)**

STATEMENTS OF NET POSITION (CONTINUED)

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | | |
| Current Liabilities Payable from Unrestricted Assets | | |
| Accounts payable | $ 1,902,960 | $ 1,053,671 |
| Employer pension contributions payable | 423,208 | 507,720 |
| Accrued payroll and payroll liabilities | 43,159 | 104,249 |
| Prepaid user charges | 180,345 | 274,237 |
| Unearned revenue | 1,000,862 | 993,599 |
| Short-Term Liability Lease | 89,405 | - |
| Total Current Liabilities Payable from Unrestricted Assets | 3,639,939 | 2,933,476 |
| Current Liabilities Payable from Restricted Assets | | |
| Accrued interest payable | 12,070 | 12,832 |
| Current portion of long-term debt | 1,023,676 | 1,016,703 |
| Total Current Liabilities Payable from Restricted Assets | 1,035,746 | 1,029,535 |
| Noncurrent Liabilities | | |
| Compensated absences | 380,474 | 309,389 |
| Long-term debt, net of current portion | 10,980,495 | 5,664,868 |
| Net pension liability | 4,226,121 | 5,502,324 |
| Net OPEB liability | 19,219,884 | 16,450,469 |
| Long-term Liability Lease | 393,495 | - |
| Total Noncurrent Liabilities | 35,200,469 | 27,927,050 |
| Total Liabilities | 39,876,154 | 31,890,061 |
| Deferred Inflows of Resources | | |
| Related to pensions | 1,817,721 | 1,404,899 |
| Related to other post-employment benefits | 8,558,310 | 11,523,663 |
| Total Deferred Inflows of Resources | 10,376,031 | 12,928,562 |
| Net Position (Deficit) | | |
| Net investment in capital assets | 51,614,244 | 44,326,760 |
| Restricted for capital projects and debt service | 1,921,542 | 1,921,541 |
| Unrestricted net position (deficit) | (675,130) | 1,149,684 |
| Total Net Position | 52,860,656 | 47,397,985 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | $ 103,112,841 | $ 92,216,608 |

**ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY**
**(A COMPONENT UNIT OF THE CITY OF ATLANTIC CITY)**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

| | Years Ended December 31, 2024 | 2023 |
|---|---|---|
| Operating Revenues | | |
| User charges | $ 18,435,990 | $ 18,121,965 |
| Rental income | 2,500 | 2,500 |
| Miscellaneous | 148,103 | 191,636 |
| Total Operating Revenues | 18,586,593 | 18,316,101 |
| Operating Expenses | | |
| Cost of providing services | 8,361,067 | 6,211,316 |
| General and administrative | 2,860,790 | 2,438,246 |
| Depreciation | 3,473,234 | 3,287,802 |
| Total Operating Expenses | 14,695,091 | 11,937,364 |
| Operating Income | 3,891,502 | 6,378,737 |
| Non-Operating Revenues (Expenses), Net | | |
| Connection fee | 215,234 | 91,278 |
| Investment income | 1,483,569 | 1,343,645 |
| Bond interest expense | (148,492) | (103,806) |
| Gain on disposal of assets | 20,858 | 10,865 |
| Total Non-Operating Revenues (Expenses), Net | 1,571,169 | 1,341,982 |
| Changes in net position | 5,462,671 | 7,720,719 |
| Net position, beginning of year | 47,397,985 | 39,677,266 |
| Net position, end of year | $ 52,860,656 | $ 47,397,985 |

**ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY**
**(A COMPONENT UNIT OF THE CITY OF ATLANTIC CITY)**

STATEMENTS OF CASH FLOWS

| | Years Ended December 31, 2024 | 2023 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipt from customers | $ 18,714,081 | $ 17,919,644 |
| Receipt from others | 150,603 | 194,136 |
| Payments to employees and related benefits | (6,315,262) | (5,909,414) |
| Payments to suppliers and vendors for goods and services | (5,518,954) | (5,421,413) |
| Net cash from operating activities | 7,030,468 | 6,782,953 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets | (9,738,752) | (2,477,937) |
| Receipts from sale of capital assets | 21,936 | 10,980 |
| Connection fees | 215,234 | 91,278 |
| Interest paid on debt | (149,254) | (106,681) |
| Principal paid on debt | (1,016,703) | (1,092,500) |
| NJIB receipts | - | 672,895 |
| Net cash from capital and related financing activities | (10,667,539) | (2,901,965) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment income | 1,506,837 | 1,263,195 |
| Transferred to investments | 2,057,476 | (5,313,142) |
| Net cash from investing activities | 3,564,313 | (4,049,947) |
| Net change in cash and cash equivalents | (72,758) | (168,959) |
| Cash and cash equivalents, beginning of year | 3,046,788 | 3,215,747 |
| Cash and cash equivalents, end of year | $ 2,974,030 | $ 3,046,788 |
| Reconciliation of operating income to net cash from operating activities | | |
| Operating income | $ 3,891,502 | $ 6,378,737 |
| Adjustments to reconcile operating income to net cash from operating activities | | |
| Depreciation | 3,473,234 | 3,287,802 |
| Allowance for (recovery of) doubtful accounts | 23,421 | (12,786) |
| GASB 68 adjustment | (602,945) | (930,387) |
| GASB 75 adjustment | (904,093) | (1,223,902) |
| Changes in assets and liabilities | | |
| Accounts receivable | 341,303 | (401,604) |
| Inventories | 118,241 | (383,887) |
| Prepaid expenses | 1,666 | (21,809) |
| CIP | - | 62,762 |
| Accounts payable | 764,773 | (290,580) |
| Accrued payroll and payroll liabilities | (61,090) | 44,874 |
| Unearned income | 7,263 | 40,142 |
| Prepaid user charges | (93,892) | 171,924 |
| Compensated absences | 71,085 | 61,667 |
| Net cash from operating activities | $ 7,030,468 | $ 6,782,953 |

See notes to financial statements.

## A. DESCRIPTION OF ENTITY

The Atlantic City Municipal Utilities Authority (the "Authority") was created in accordance with the State Municipal Utilities Authorities Law (P.L. 1957, c. 183), by Ordinance No. 63 of 1978 of the City of Atlantic City (the "City"), adopted September 14, 1978.

Pursuant to the provisions of the law, the Authority is authorized to acquire, construct, maintain, operate or improve works for the accumulation, supply or distribution of water.

Under the criteria specified in Government Accounting Standards Board ("GASB") Statement 14, as amended by GASB Statement 61, the Authority is considered a component unit of the City. The basic criteria for classifying an organization (the Authority) as a component unit of a primary government (the City) is the ability of the primary government to appoint a voting majority of the organization's governing body, the ability to impose its will on that organization and/or potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. Another important criterion in determining the classification as a component unit is the scope of public service (i.e., whether the activity benefits the primary government and/or its citizens).

The Authority, as a component unit, issues separate financial statements from the City. However, if the City presented its financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"), these financial statements would be included with the City's financial statements on a blended basis.

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

## B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The financial statements of the Authority have been prepared in accordance with GAAP applicable to enterprise funds of state and local governments. The focus of enterprise funds is the economic resources measurement focus, that is, the determination of operating income, changes in net position, financial position and cash flows. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Authority is a single enterprise fund and maintains its records on the accrual basis of accounting. Enterprise funds account for activities (1) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (2) that are required by law or regulations that the activity's cost of providing services, including capital cost (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (3) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service). Under this method, revenues are recognized when earned and expenses are recorded when the related liability is incurred regardless of the timing of the related cash flows.

## B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

Revenue resulting from *exchange transactions,* in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Water service charges are recognized as revenue when services are provided. Connection fees are paid to the Authority at the time a new property applies for connection, and are recognized as revenue when the funds are received. Services are supplied to customers under a rate structure designed to produce revenues sufficient to provide for operating and maintenance costs, capital outlay, debt service, reserves and debt service coverage. *Non-exchange transactions,* in which the Authority receives value without directly giving equal value in return, include capital grants and other supplemental support by federal, state and local grants in support of system improvements. Revenue from these transactions is recognized in the year in which all eligibility requirements (e.g., timing, purpose, etc.) have been satisfied.

### Budgets and Budgetary Accounting

An annual operating budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures in accordance with N.J.S.A. 40A:5A. The annual operating budget covers the general fund activity only. The current operating budget details the Authority's plans to earn and expend funds for charges incurred for the operation, maintenance, certain interest and general functions, and other charges for the fiscal year.

### Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Funds

In accordance with the provisions of the bond resolution authorizing the issuance of the Revenue Bonds (Note I), revenues and expenses are to be accounted for in the following funds:

General Fund - All revenues, except connection charges and operating expense charges, derived from the operations of the Authority are pledged to secure the payment of principal and interest on the bonds. Transfers are made to funds in the following order (1) Debt Service Fund; (2) Debt Service Reserve Fund; (3) Renewal and Replacement; and (4) Operating Fund.

Operating Fund - Transfers are made equal to budgeted operating expenses for the current year. At year end, this fund is adjusted to reflect the actual expenses incurred.

Debt Service Fund - First transfers are made for an amount sufficient to meet the principal and interest requirements for the year. The amount reserved for all issued bonds is $1,103,717 and $1,103,717, as of December 31, 2024 and 2023, respectively.

## B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Funds (Continued)

Debt Service Reserve Fund - This fund is fully funded. As each series of bonds was issued an amount was transferred to this fund. The amount reserved for each issue is $667,825.

Bond Redemption and Improvement Fund - General Account - A reserve has been established based on a schedule in the 1999 bond documents. The amount varies each year in direct relationship with the debt service for the 1999 bond documents. The fund balance in the improvement fund is derived from budget appropriations. The fund will be used for future capital projects or the costs of extraordinary maintenance and repairs to the extent not provided for in the annual budget.

Capital Fund - The Authority's collection system, property and equipment which were constructed or acquired with the proceeds of the Revenue Bonds, are accounted for herein.

### Cash and Cash Equivalents

Cash and cash equivalents include various checking and money market accounts, U.S. obligations and certificates of deposit with maturities of three months or less. For purposes of the statements of cash flows, the Authority considers all highly liquid investments with a maturity of ninety days or less when purchased to be cash equivalents.

### Allowance for Doubtful Accounts

The Authority's policy is to individually review all accounts as to collectability. Each December, all accounts determined to be delinquent by more than $100 are turned over to the City as liens to be sold at the City municipal lien sale. Any collection of delinquent account balances by the municipal tax collectors is subsequently forwarded to the Authority. Municipal liens can be foreclosed by the City. If the liens are foreclosed, the Authority will not receive any funds.

### Investments

Investments are carried at fair market value with associated premiums and discounts amortized over the term of the investment held. Purchase of investments is limited by N.J.S.A. 40A:5-15.1 to bonds or obligations of or guaranteed by the federal government and to bonds or other obligations of federal or local units. These investments are generally required to have a maturity date not more than 397 days from the date of purchase.

### Inventories

Material inventories for the Authority are made up of supplies that are directly related to customer accounts, such as water meters and accessories, and are stated at cost. The inventories are presented using the first in, first out (FIFO) method.

### Restricted Assets

Restricted assets represent investments maintained in accordance with bond resolutions and other resolutions and formal actions of the Authority or by agreement for the purpose of funding certain debt service payment, and improvements and extensions to the utility system.

The New Jersey Infrastructure Bank ("NJIB") provided funding for capital improvements, additions, and/or replacements. As these projects are completed, the funds are reimbursed by the NJIB and the Authority reduces the remaining receivable.

## B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Capital Assets

Plant and equipment in service and construction in progress are recorded at cost, if purchased or constructed. Internal engineering costs are capitalized to the extent of direct support and contribution to construction and expansion projects. Maintenance and repairs, which do not significantly extend the value of life of plant and equipment, are expensed as incurred.

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed utilizing the straight-line method, as follows:

| | Years |
|---|---|
| Wellsfield | 50 |
| Office building | 40 |
| Pumping station, distribution system and land improvements | 10-50 |
| Filtration plant | 15-40 |
| Vehicles, machinery and equipment, furniture and fixtures | 5-15 |

### Deferred Outflows and Inflows of Resources

The accompanying statements of net position report separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time. Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by the GASB standards.

The Authority is required to report the following as deferred outflows of resources and deferred inflows of resources:

**Pension and Other Post-Employment Benefit Plans** - The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension/other post-employment benefit plan investments, changes in the Authority's proportion of expenses and liabilities to the pension as a whole, differences between the Authority's pension/other post-employment benefit contribution and its proportionate share of contributions, and the Authority's pension/other post-employment benefit contributions subsequent to the pension valuation measurement date.

## B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and are recorded as a liability until the revenue is both measurable and the Authority is eligible to realize the revenue. The Authority's unearned revenue consists of advance billings and unearned easement income. In July 2016, the Authority entered into an easement agreement with an unrelated third party. Under the terms of the agreement, the Authority granted an easement on their property for a period of 55 years for the purpose of the third party to operate communications equipment. As consideration for the easement, the Authority received $367,261 which is being amortized over 55 years (approximately $556 a month). Easement income recognized for the years ended December 31, 2024 and 2023, was $6,672 for each year, and is recognized as miscellaneous income in the accompanying comparative statements of revenues, expenses and changes in net position.

### Compensated Absences

Compensated absences are payments to employees for accumulated time such as paid vacation, paid sick leave, and other compensated time. A liability for compensated absences that is attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as the employees earn the rights to the benefits.

### Pensions and Other Post-Employment Benefits

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System ("PERS") and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"), establishes accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers. GASB 68 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pension in the basic financial statements, in addition to requiring more extensive disclosures and required supplementary information (Note L).

GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions* ("GASB 75"), establishes accounting and financial reporting for other post-employment benefits ("OPEB") that are provided to the employees of state and local governmental employers. GASB 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to OPEB in the basic financial statements, in addition to requiring more extensive disclosures and required supplementary information. OPEB includes post-employment healthcare, as well as other forms of post-employment benefits (e.g., life insurance) when provided separately from a pension plan (Note M).

## B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the Authority's financial statements. Net position is classified in the following categories:

*Net investment in capital assets* - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component as the unspent amount.

*Restricted* - Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

*Unrestricted* - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

### Operating and Non-Operating Revenues and Expenses

Operating revenues include all revenues that are generated directly from water services (e.g., user service charges) and other revenue sources (e.g., rental income, scrap metal sold). Non-operating revenues consist of connection fees and investment income.

Operating expenses include expenses associated with the operation, maintenance and treatment of the water facilities and general administrative expenses. Non-operating expenses principally include expenses attributable to the Authority's interest on funded debt and changes in fair value of investments and gain/loss on disposal of assets.

## C. CASH AND CASH EQUIVALENTS

**Custodial Credit Risk - Deposits**
Under the provisions of N.J.S.A. 17:9-41, authorized public depositories include state or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. The market value of the collateral must equal five percent of the average daily balance of public funds; and, if the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than $25,000,000.

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. Deposits were made with contracted depository banks in interest bearing accounts that were insured under the Governmental Unit Deposit Protection Act ("GUDPA"). All such deposits are held in the Authority's name. Deposits in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC") are covered by a collateral pool maintained by the banks under GUDPA requirements.

However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Authority relative to the happening of a future condition. If the Authority had any such funds, they would be shown as Uninsured and Uncollateralized in the schedule below. As of December 31, 2024 and 2023, the Authority's bank balances were insured or exposed to credit risk as follows:

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Insured by FDIC | $ 500,000 | $ 500,000 |
| Collateralized in the Authority's name under GUDPA | 4,031,472 | 3,652,068 |
| Total | $ 4,531,472 | $ 4,152,068 |

## D. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts on municipal liens is provided as follows:

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Municipal liens | $ 141,809 | $ 117,155 |
| Approximate uncollectible % | 95% | 95% |
| Total Allowance | $ 134,719 | $ 111,297 |

## E. INVESTMENTS

As of December 31, 2024 and 2023, the Authority had the following investments and maturities:

| Investment | Maturity Date | Interest Rate | Moody's IS&P Credit Rating | 2024 Fair Value | 2023 Fair Value |
|---|---|---|---|---|---|
| Federated treasury obligations | N/A | N/A | N/A | $ 17,596,696 | $ 20,095,728 |
| NJCMF | N/A | N/A | N/A | 8,823,518 | 8,381,962 |
| | | | | $ 26,420,214 | $ 28,477,690 |

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. All investments noted above are Level 2 inputs.

**Custodial Credit Risk - Investments**
For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name. All of the Authority's investments in treasury obligations and the New Jersey Cash Management Fund ("NJCMF") are held in the name of the Authority.

**Interest Rate Risk**
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, it is the Authority's general policy not to purchase investments with terms greater than one year.

**Credit Risk**
Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. N.J.S.A. 40A:5-15.1 limits the investments that the Authority may purchase such as Treasury securities in order to limit the exposure of governmental units to credit risk. The Authority has no investment policy that would further limit its investment choices.

**Concentration of Credit Risk**
Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Authority's investment policies place no limit on the amount the Authority may invest in any one issuer.

## F. INVENTORIES

Material inventories totaled $670,000 and $788,241 as of December 31, 2024 and 2023, respectively.

## G. RESTRICTED ASSETS

Restricted investments consist of the following:

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Debt service fund | $ 1,103,717 | $ 1,103,717 |
| Debt service reserve fund | 667,824 | 667,824 |
| Bond redemption and improvement fund | 150,000 | 150,000 |
| | $ 1,921,541 | $ 1,921,541 |

## H. CAPITAL ASSETS

Capital asset balances and activities for the year ended December 31, 2024, were as follows:

| | Balance, January 1, 2024 | Additions | Reclass/ Reductions | Balance, December 31, 2024 |
|---|---|---|---|---|
| Capital assets not being depreciated | | | | |
| Land and land improvements | $ 1,811,009 | $ - | $ - | $ 1,811,009 |
| Construction in progress | 488,631 | 7,642,353 | 978,568 | 7,152,416 |
| Capital assets not being depreciated | 2,299,640 | 7,642,353 | 978,568 | 8,963,425 |
| Capital assets being depreciated | | | | |
| Treatment and distribution facilities | 115,427,031 | 2,441,143 | 391 | 117,867,783 |
| Equipment and vehicles | 7,237,227 | 536,981 | 60,761 | 7,713,447 |
| Office building | 3,877,030 | - | - | 3,877,030 |
| Furniture and fixtures | 482,401 | 54,862 | 12,634 | 524,629 |
| Capital assets being depreciated | 127,023,689 | 3,032,986 | 73,786 | 129,982,889 |
| Accumulated depreciation | (79,584,316) | (3,473,234) | 235,613 | (82,821,937) |
| Capital assets, net of depreciation | 47,439,373 | (440,248) | 309,399 | 47,160,952 |
| Total capital assets, net | $ 49,739,013 | $ 7,202,105 | $ 1,287,967 | $ 56,124,377 |

Capital asset balances and activities for the year ended December 31, 2023, were as follows:

| | Balance, January 1, 2023 | Additions | Reclass/ Reductions | Balance, December 31, 2023 |
|---|---|---|---|---|
| Capital assets not being depreciated | | | | |
| Land and land improvements | $ 1,811,009 | $ - | $ - | $ 1,811,009 |
| Construction in progress | 2,028,423 | 521,431 | 2,061,223 | 488,631 |
| Capital assets not being depreciated | 3,839,432 | 521,431 | 2,061,223 | 2,299,640 |
| Capital assets being depreciated | | | | |
| Treatment and distribution facilities | 112,573,035 | 1,072,558 | (1,781,438) | 115,427,031 |
| Equipment and vehicles | 6,480,778 | 877,151 | 120,702 | 7,237,227 |
| Office building | 3,877,030 | - | - | 3,877,030 |
| Furniture and fixtures | 475,605 | 6,796 | - | 482,401 |
| Capital assets being depreciated | 123,406,448 | 1,956,505 | (1,660,736) | 127,023,689 |
| Accumulated depreciation | (76,634,128) | (2,950,188) | - | (79,584,316) |
| Capital assets, net of depreciation | 46,772,320 | (993,683) | (1,660,736) | 47,439,373 |
| Total capital assets, net | $ 50,611,752 | $ (472,252) | $ 400,487 | $ 49,739,013 |

## I. LONG-TERM DEBT

Long-term debt is backed by user charges collected and consists of the following:

- $1,510,000 Subordinated Water System Revenue Bonds, Series 2005A, dated November 10, 2005, payable in annual installments through August 1, 2025. Interest is paid semi-annually at varying interest rates ranging from 4.00% to 5.00%. The balance at December 31, 2024 and 2023, was $109,469 and $214,726, respectively. In the event of default, outstanding amounts become immediately due.

- $4,033,215 Subordinated Water System Revenue Bonds, Series 2005B, dated November 10, 2005. The bonds bear no interest and the principal amount is due and payable on February 1 and August 1 each year, maturing on August 1, 2025. The balance at December 31, 2024 and 2023, was $227,663 and $455,382, respectively. In the event of default, outstanding amounts become immediately due.

- $660,000 Subordinated Water System Revenue Bonds, Series 2006A, dated November 9, 2006, payable in annual installments through September 1, 2026. Interest is paid semi-annually at varying interest rates ranging from 4.00% to 5.00%. The balance at December 31, 2024 and 2023, was $89,874 and $91,514, respectively. In the event of default, outstanding amounts become immediately due.

- $1,489,065 Subordinated Water System Revenue Bonds, Series 2006B, dated November 9, 2006. The original amount issued of $1,798,103 was reduced by $309,038 in 2014. The New Jersey Department of Environmental Protection (“NJDEP”) authorized the deobligation of the 2006B bond series in the amount of $309,038 as a result of the Authority having excess funds remaining related to the project funded by this bond series. The deobligated funds were transferred to the escrow funds established for the 2010 New Jersey Environmental Infrastructure Bonds, where funds will be applied to debt service. The 2006B bonds bear no interest and the principal amount is due and payable on February 1 and August 1 each year, maturing on August 1, 2026. The balance at December 31, 2024 and 2023, was $0 and $0, respectively. In the event of default, outstanding amounts become immediately due.

- $460,000 Subordinated Water System Revenue Bonds, Series 2009A, dated December 2, 2009, payable in annual installments through August 1, 2029. Interest is paid semi-annually at varying interest rates ranging from 2.00% to 5.00%. The original amount issued of $810,000 was reduced by $350,000 in 2016. The NJIB authorized the deobligation of the debt as the full amount of funding of the related capital projects was not fully utilized. The principal payments were adjusted for the years 2023 through 2029 to reflect the deobligation. The balance at December 31, 2024 and 2023, was $0 and $0, respectively. In the event of default, outstanding amounts become immediately due.

- $774,039 Subordinated Water System Revenue Bonds, Series 2009B, dated December 2, 2009. The bonds bear no interest and the principal amount is due and payable on February 1 and August 1 each year, maturing on August 1, 2029. The balance at December 31, 2024 and 2023, was $207,332 and $248,799, respectively. In the event of default, outstanding amounts become immediately due.

## I. LONG-TERM DEBT (CONTINUED)

- $495,000 NJIB Bonds, Series 2010B, dated March 10, 2010. The bonds bear no interest and the principal amount is due and payable on February 1 and August 1 each year, maturing on August 1, 2029. The balance at December 31, 2024 and 2023, was $132,589 and $159,107, respectively. In the event of default, outstanding amounts become immediately due.
- The Authority issued $4,645,000 of Water System Revenue Refunding Bonds, Series 2021, in August 2021, payable in annual installments through June 1, 2029. This transaction refunded the callable portion of the Authority's outstanding Series 2007 Bonds. Interest is paid semiannually at a rate of 2.150%. The balance as of December 31, 2024 and 2023, was $2,996,000 and $3,557,000, respectively. In the event of default, outstanding amounts become immediately due.

Principal and interest requirements until maturity are as follows:

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 1,023,676 | $ 64,709 | $ 1,088,385 |
| 2026 | 701,299 | 47,623 | 748,922 |
| 2027 | 666,984 | 32,992 | 699,976 |
| 2028 | 679,984 | 19,974 | 699,958 |
| 2029 | 690,984 | 6,697 | 697,681 |
| | $ 3,762,927 | $ 171,995 | $ 3,934,922 |

| | Balance December 31, 2023 | Increase/ Adjustment | Decrease/ Adjustment | Balance December 31, 2024 | Due Within One Year |
|---|---|---|---|---|---|
| Revenue bonds | $ 3,557,000 | $ - | $ 561,000 | $ 2,996,000 | $ 576,000 |
| NJIB | 2,107,868 | 6,288,639 | 412,012 | 7,984,495 | 447,676 |
| Totals | $ 5,664,868 | $ 6,288,639 | $ 973,012 | $ 10,980,495 | $ 1,023,676 |

| | Balance December 31, 2022 | Increase/ Adjustment | Decrease/ Adjustment | Balance December 31, 2023 | Due Within One Year |
|---|---|---|---|---|---|
| Revenue Bonds | $ 4,107,000 | $ - | $ 550,000 | $ 3,557,000 | $ 561,000 |
| NJIB | 700,287 | 1,955,044 | 547,463 | 2,107,868 | 455,703 |
| Totals | $ 4,807,287 | $ 1,955,044 | $ 1,097,463 | $ 5,664,868 | $ 1,016,703 |

**Construction Notes Payable – NJ Infrastructure Bank**
In June 2023, the Authority secured a short-term loan from the NJIB for $1,955,044. This loan is part of the Clean Water Affordability financing, which consists of 100% principal forgiveness for the first $2 million of allowable project costs. The loan was utilized to fund a comprehensive water meter and meter transmission unit (MTU) replacement program throughout the City. The construction loan is expected to be permanently financed with long-term bonds.

In June 2024, the Authority secured a short-term loan from the NJIB for $6,286,199. This loan is part of the Lead Service Line Replacement financing, which provides 50% principal forgiveness for eligible project costs. The loan is funding the replacement of approximately 2,372 galvanized lead service lines with copper service lines throughout the City. The construction loan is expected to be permanently financed with long-term bonds.

## J. ARBITRAGE

The Tax Reform Act of 1986 ("Act") imposed additional restrictive regulations, reporting requirements, and an arbitrage rebate liability on issuers of tax-exempt debt. This Act requires the remittance to the Internal Revenue Service of 90% of the cumulative rebatable arbitrage within sixty days of the end of each five-year reporting period following the issuance of governmental bonds. The Authority's policy is to annually record a liability representing the estimated amount owed. The Authority actively manages its invested bond proceeds to minimize any arbitrage liability. The Authority had no cumulative arbitrage rebate liability as of December 31, 2024 and 2023.

## K. NET POSITION

Net position consists of the following:

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Net investment in capital assets | | |
| Capital assets | $ 56,124,377 | $ 49,739,013 |
| Receivable - NJIB | 7,506,108 | 1,282,149 |
| Debt | (12,004,171) | (6,681,571) |
| Accrued interest | (12,070) | (12,832) |
| | 51,614,244 | 44,326,759 |
| Restricted for capital projects and debt service | | |
| Restricted investments | 1,921,542 | 1,921,542 |
| Unrestricted net position (deficit) | (675,130) | 1,149,684 |
| Total net position | $ 52,860,656 | $ 47,397,985 |

## L. PENSION PLAN

### Plan Description

The State of New Jersey PERS is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the “Division”). For additional information about PERS, please refer to Division's annual financial statements, which can be found at https://www.state.nj.us/treasury/pensions/annual-reports.shtml.

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

The following represents the membership tiers for PERS:

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

## L. PENSION PLAN (CONTINUED)

### Plan Description (Continued)

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

### Allocation Methodology

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense. The Authority allocation percentage is based on the ratio of the contributions of the Authority to the total contributions to PERS during the measurement period July 1, 2023 through June 30, 2024. Contributions from the Authority are recognized when due, based on statutory requirements.

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each individual employer of the State and local groups of the plan. To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions and fiduciary net position applicable to each group. The allocation percentage as of June 30, 2024 and 2023, is based on the ratio of the Authority's contributions to the plan relative to total employer contributions of all the participating employers' contributions for the years ended June 30, 2024 and 2023.

### Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers were credited with the full payment and any such amounts were not included in their unfunded liability. The actuaries determined the unfunded liability of the PERS System, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012, and will be adjusted by the rate of return on the actuarial value of assets. For the years ended December 31, 2024 and 2023, the Authority's contractually required contribution to the PERS plan was $423,212 and $507,720, respectively.

## L. PENSION PLAN (CONTINUED)

### Components of Net Pension Liability

At December 31, 2024 and 2023, the Authority's proportionate share of the PERS net pension liability was $4,226,121 and $5,502,324, respectively. The December 31, 2024 and 2023, net pension liability was determined by an actuarial valuation as of July 1, 2023 and July 1, 2022, which was rolled forward to June 30, 2024 and June 30, 2023, respectively. The Authority's December 31, 2024, proportion measured as of June 30, 2023, was 0.0311017589%, which was a decrease of 0.0068862430 from its proportion measured as of June 30, 2023, of 0.0379880019%.

At December 31, 2024 and 2023, the Authority's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2024 and June 30, 2023, measurement dates was $(144,234) and $(425,610), respectively.

### Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer-specific amounts) for the years ended December 31, 2024 and 2023:

| | December 31, 2024 | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ 84,657 | $ 11,251 |
| Changes in assumptions | 5,250 | 48,084 |
| Net difference between projected and actual investment earnings on pension plan investments | 72,171 | 195,954 |
| Changes in proportion | - | 1,562,432 |
| Authority contributions subsequent to the measurement date | 423,212 | - |
| | $ 585,290 | $ 1,817,721 |

| | December 31, 2023 | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ 52,609 | $ 22,492 |
| Changes in assumptions | 12,087 | 333,464 |
| Net difference between projected and actual investment earnings on pension plan investments | 247,967 | - |
| Changes in proportion | 25,339 | 1,048,942 |
| Authority contributions subsequent to the measurement date | 507,720 | - |
| | $ 845,722 | $ 1,404,898 |

## L. PENSION PLAN (CONTINUED)

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**
The following is a summary of the deferred outflows of resources and deferred inflows of resources related to PERS that will be recognized in future periods:

| Years Ending December 31, | Amount |
|---|---|
| 2025 | $ (2,364,185) |
| 2026 | 664,421 |
| 2027 | 125,365 |
| 2028 | (80,235) |
| 2029 | (1,009) |
| | $ (1,655,643) |

**Actuarial Assumptions**
The collective total pension liability for the June 30, 2024 and June 30, 2023, measurement date was determined by an actuarial valuation as of July 1, 2023 and July 1, 2022, which was rolled forward to June 30, 2024 and June 30, 2023, respectively. This actuarial valuation used the following actuarial assumptions:

| 2024 | |
|---|---|
| Inflation: Price | 2.75% |
| Inflation: Wage | 3.25% |
| Salary Increases (based on years of service): | 2.75 - 6.55% |
| Investment rate of return | 7.00% |

| 2023 | |
|---|---|
| Inflation: Price | 2.75% |
| Inflation: Wage | 3.25% |
| Salary Increases (based on years of service): | 2.75 - 6.55% |
| Investment rate of return | 7.00% |

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

The actuarial assumptions used in the July 1, 2023, valuation were based on the results of an actuarial experience study for the period July 1, 2019 to June 30, 2022.

## L. PENSION PLAN (CONTINUED)

### Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2024 and 2023), is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and the Division, the board of trustees, and the actuaries. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2024 and 2023, are summarized in the following tables:

| | 2024 | |
|---|---|---|
| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
| U.S. equity | 28.00% | 8.63% |
| Non-U.S. developed markets equity | 12.75% | 8.85% |
| International Small Cap Equity | 1.25% | 8.85% |
| Emerging markets equity | 5.50% | 10.66% |
| Private equity | 13.00% | 12.40% |
| Real assets | 8.00% | 10.95% |
| Real estate | 3.00% | 8.20% |
| High yield | 4.50% | 6.74% |
| Private credit | 8.00% | 8.90% |
| Investment grade credit | 7.00% | 5.37% |
| Cash equivalents | 2.00% | 3.57% |
| U.S. Treasuries | 4.00% | 3.57% |
| Risk mitigation strategies | 3.00% | 7.10% |
| | 100.00% | |

| | 2023 | |
|---|---|---|
| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
| U.S. equity | 28.00% | 8.98% |
| Non-U.S. developed markets equity | 12.75% | 9.22% |
| International Small Cap Equity | 1.25% | 9.22% |
| Emerging markets equity | 5.50% | 11.13% |
| Private equity | 13.00% | 12.50% |
| Real assets | 8.00% | 8.58% |
| Real estate | 3.00% | 8.40% |
| High yield | 4.50% | 6.97% |
| Private credit | 8.00% | 9.20% |
| Investment grade credit | 7.00% | 5.19% |
| Cash equivalents | 2.00% | 3.31% |
| U.S. Treasuries | 4.00% | 3.31% |
| Risk mitigation strategies | 3.00% | 6.21% |
| | 100.00% | |

## L. PENSION PLAN (CONTINUED)

### Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2024 and 2023, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

### Sensitivity of Authority's Proportionate Share of Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2024 and 2023, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | At June 30, 2024 | | |
|---|---|---|---|
| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
| Authority's proportionate share of net pension liability | $ 5,662,745 | $ 4,226,121 | $ 3,069,409 |

| | At June 30, 2023 | | |
|---|---|---|---|
| | At 1% Decrease (6.00%) | At Current Discount Rate (7.00%) | At 1% Increase (8.00%) |
| Authority's proportionate share of net pension liability | $ 7,223,244 | $ 5,502,324 | $ 4,123,466 |

## M. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

### Plan Description

The Authority contributes to the State Health Benefit Local Government Retired Employees Plan (the "OPEB Plan"), a cost-sharing, multi-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. For additional information about the OPEB Plan, refer to the State of New Jersey (the "State"), Division of Pensions and Benefits' (the "Division") annual financial statements, which can be found at https://www.state.nj.us/treasury/pensions/ financial-reports.shtml.

The OPEB Plan provides medical and prescription drug coverage to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide post-retirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer-paid health benefits coverage for retired

## M. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

### Plan Description (Continued)

employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer-paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

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

The Authority provides that its retirees will be covered if they have 25 years participation in OPEB and have been employed by the Authority for 10 years. The OPEB Plan meets the definition of a qualified trust under GASB 75. The Authority's participation in the OPEB Plan does not meet the criteria as a special funding situation.

### Contribution Requirements and Benefit Provisions

The funding policy for the OPEB Plan is pay-as-you-go; therefore, there is no prefunding of the liability. However, due to premium rates being set each calendar year, there is a minimal amount of net position available to cover benefits in future years. Contributions to pay for the health benefit premiums of participating employees in the OPEB Plan are collected form the State, participating local employers, and retired members. The Authority remits employer contributions on a monthly basis. Retired member contributions are generally received on a monthly basis by the State. Contributions made by the Authority to the OPEB Plan for the years ended December 31, 2024 and 2023, were $1,993,689 and $1,949,569, respectively.

## M. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

### Net OPEB Liability

At December 31, 2024, the Authority reported a liability of $19,219,884 for its proportionate share of the net pension liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023, which was rolled forward to June 30, 2024. For the June 30, 2024, measurement date, the Authority's proportionate share of the OPEB Plan liability was 0.107341%.

At December 31, 2023, the Authority reported a liability of $16,450,469 for its proportionate share of the net pension liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022, which was rolled forward to June 30, 2023. For the June 30, 2023, measurement date, the Authority's proportionate share of the OPEB Plan liability was 0.109622%.

The components of the collective net OPEB liability of the OPEB Plan as of June 30, 2024 and 2023, are as follows:

| | June 30, 2024 | June 30, 2023 |
|---|---|---|
| Total OPEB liability | $ 19,051,157 | $ 16,322,252 |
| Plan Fiduciary Net Position | (168,727) | (128,217) |
| Net OPEB Liability | $ 19,219,884 | $ 16,450,469 |
| Plan Fiduciary Net Position as a % of total OPEB liability | -0.89% | -0.79% |

*Actuarial Assumptions and Other Inputs*

The total OPEB liability as of June 30, 2024, was determined by an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2024. One-hundred percent of active members are considered to participate in the OPEB Plan upon retirement.

## M. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

**Net OPEB Liability (Continued)**
The net OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Salary increases* | |
| PERS | |
| Rate for all future years | 2.75% to 6.55% based on years of service |
| PFRS | |
| Rate for all future years | 3.25% to 16.25% based on years of service |
| | |
| Mortality | |
| PERS | Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021 |
| PFRS | Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021 |

* Salary increases are based on years of service within the respective plan.

*Discount Rate*
The discount rate for June 30, 2024 and 2023, was 3.93% and 3.65%, respectively. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**
The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate as of June 30, 2024 and 2023:

| At June 30, 2024 | | |
|---|---|---|
| At 1% Decrease (2.93%) | At Current Discount Rate (3.93%) | At 1% Increase (4.93%) |
| $ 22,389,094 | $ 19,219,884 | $ 16,681,629 |

| At June 30, 2023 | | |
|---|---|---|
| At 1% Decrease (2.65%) | At Current Discount Rate (3.65%) | At 1% Increase (4.65%) |
| $ 19,054,886 | $ 16,450,469 | $ 14,355,616 |

## M. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**
The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using health care cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates as of June 30, 2024 and 2023:

| At June 30, 2024 | | |
|---|---|---|
| At 1% Decrease | Healthcare Cost Trend Rate | At 1% Increase |
| $ 16,256,099 | $ 19,219,884 | $ 23,030,479 |

| At June 30, 2023 | | |
|---|---|---|
| At 1% Decrease | Healthcare Cost Trend Rate | At 1% Increase |
| $ 13,980,963 | $ 16,450,469 | $ 19,612,191 |

**OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB**
For the years ended December 31, 2024 and 2023, the Authority recognized OPEB expense of ($1,017,667) and ($659,283), respectively. At December 31, 2024 and 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

## M. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

### OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB (Continued)

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience in the total OPEB liability | $ 973,351 | $ 3,256,509 | $ 758,611 | $ 4,467,410 |
| Changes in assumptions | 3,213,201 | 3,190,379 | 2,130,953 | 4,650,021 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 8,700 | - | 2,714 |
| Changes in proportion | 2,038,820 | 2,102,722 | 2,671,702 | 2,403,518 |
| Employee health benefits contributions made subsequent to the measurement date | 1,004,460 | - | 960,411 | - |
| Total | $ 7,229,832 | $ 8,558,310 | $ 6,521,677 | $ 11,523,663 |

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

| Year ending December 31, | Total |
|---|---|
| 2025 | $ (4,439,989) |
| 2026 | 47,537 |
| 2027 | 415,461 |
| 2028 | 387,484 |
| 2029 | 339,880 |
| Thereafter | 980,591 |
| | $ (2,269,036) |

## N. DEFERRED COMPENSATION

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan, which is administered by the Valic Retirement Services Company, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are not included in the books and accounts of the Authority in accordance with GAAP.

## O. MAJOR CUSTOMER

No major customers existed in 2024 or 2023.

## P. CONTINGENCIES

In the normal course of business, the Authority may periodically be named as a defendant in litigation. In the opinion of management, supported by legal counsel, the impact of any such matters, if adversely determined, would not have a material effect on the financial statements or operations of the Authority.

## Q. RISK MANAGEMENT

The Authority is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Authority is a member of the New Jersey Utility Authorities Joint Insurance Fund and provides commercial insurance policies on an annual basis to handle risks of loss associated with property, auto, liability, workers' compensation, flood damage, cyber liability insurance, and employee crime coverage. Any potential liability of the Authority with respect to loss claims would be equal to the deductibles associated with the policies and an event, which may exceed policy coverage limits.

Property and Liability Insurance - The Authority maintains commercial insurance for property, liability and surety bonds.

The Authority made no payments in excess of the insurance coverage during the fiscal year.

## R. RISKS AND UNCERTAINTIES

The Authority is a legally separate entity with its own rate-setting authority governed by a five-member board appointed by the Atlantic City Council. The City of Atlantic City has the ability under state law to dissolve the Authority and privatize it to monetize the Authority, which was attempted by the City in 2016 when it was facing a financial shortfall. This linkage with the City of Atlantic City has been a credit challenge for the Authority. However, the risk of a potential monetization of the Authority has been remote as the City's recovery has shown improvement under the state's oversight.

The Authority has significant capital needs over the five years totaling approximately $190 million which addresses PFAS contamination, lead service, and other upgrades to its aging infrastructure. Nonetheless, the Authority's strong liquidity, its willingness to regularly raise rates, and minimal outstanding debt can be viewed as strengths over this significant amount of capital investment needs.

## S. POLLUTION REMEDIATION OBLIGATION

New Jersey has chosen to more stringently regulate a class of chemicals known as per- and polyfluoroalkyl substances ("PFAS") that have been linked to certain illnesses, to levels significantly lower than currently regulated by the federal government's Environmental Protection Agency ("EPA"). This is most likely attributed to the growing national focus on risks to public health from chemicals in drinking water brought on largely by the Flint Michigan water crisis.

The NJDEP recently adopted a plan to set a "maximum contaminant level" (MCL) for perfluorononanoic acid ("PFNA"), used in consumer products such as nonstick cookware, flame-retardant foams, and fabrics. Traces of these substances persist in many New Jersey water systems, including the primary source of the City's drinking water. The Authority has taken aggressive steps to remove these substances to achieve compliance with the new NJDEP Regulations.

In the early 1980's the City's groundwater sources were threatened by contamination migrating from an adjacent superfund classified cleanup site commonly known as Price's Pit. The decision at that time to relocate production wells to the FAA Technical Center was made by the Authority staff with NJDEP approval.

In August 2018, an engineering study by TRC Environmental Corp. concluded that some PFAS chemicals had settled into groundwater and soil at the FAA Technical Center. Their study noted years of fire testing performed as early as the 1950s by various military units. The migration of these substances in the City's water supply source raises a significant challenge for the Authority to adjust to meet the new NJDEP standard. The City's water samples revealed that while PFNA is not detected, two other PFAS chemicals, perfluorooctanesulfonic acid ("PFOS") and perfluorooctanoic acid ("PFOA"), were above proposed limits, and significant treatment changes must be made to achieve compliance.

## S. POLLUTION REMEDIATION OBLIGATION (CONTINUED)

PFAS is a group of manmade chemicals that includes a smaller group called PFCs. PFAS repels water and oil and is resistant to heat and chemical reactions. PFAS are used in the production of some non-stick cookware, dental floss, microwave popcorn bag lining, and stain-proof coating, in “leak-proof” coatings, on food packaging materials, and in fire-fighting foams, and in other uses. PFAS can enter drinking water through industrial release to water, air, or soil; discharges from sewage treatment plants; land application of contaminated sludge; and use of fire-fighting foam.

The Authority embarked on a mission to develop a ***temporary*** solution and/or interim treatment techniques for mitigating or eliminating customer exposure to regulated PFAS contaminants:

- The Authority gathered a group of engineers, Authority staff, and selected Board members to derive a solution for combating PFAS.

- The first plan of action was to exchange the existing Granular Activated Carbon (“GAC”) for the filter beds at the treatment plant in Pleasantville, NJ. The Authority conducted an emergency purchase of 50,000 pounds of ***Virgin Filtrasorb*** 400 GAC for five (5) filter beds.

- The Authority had to apply to the NJDEP for a temporary treatment permit to receive approval to move forward with plans to design, propose and install a pair of GAC vessels and media at three (3) well discharges to remove PFCs from the raw water before it reaches the existing treatment plant and to provide the necessary treatment process for distribution.

- One of the next steps was to isolate the surface water from the raw water intake or transmission process. The Authority closed the intake gate at the lower reservoir (Doughty Pond Dam) and concentrated on using the groundwater supply as our main source of raw water for the water treatment process.

- Next, the Authority engineers devised a design plan to install three (3) pairs of Carbon Vessels at three (3) of the Authority’s wells containing the highest levels of PFAS located at the FAA Technical Center.

- Installation of the vessels has been successful, and they are in full operation as of December 2022.

- Due to a coordinated combined effort on tackling the Authority’s PFAS-regulated maximum contaminant levels, the Authority successfully achieved ***undetectable*** levels of PFAS in the Authority’s water production.

## S. POLLUTION REMEDIATION OBLIGATION (CONTINUED)

PFAS are toxic, not easily biodegradable, persistent in the environment, and pose a significant risk to human health and safety. The chemical is associated with a variety of illnesses, including cancer, and is considered particularly dangerous to pregnant women and young children. The Authority has joined 100 other organizations across the country in suing chemical company DuPont, manufacturing firm 3M, and others they allege are responsible for clean-ups associated with groundwater contamination near airports and industrial sites, including the William J. Hughes Technical Center site in Egg Harbor Township. The litigation alleges that PFAS migrated from the facility, owned by the FAA, into the Authority's wells on the site and into the on-site reservoirs. The U.S. House of Representatives recently approved the PFAS Action Act, which designates PFOA and PFAS as hazardous substances and then requires the cleanup of contaminated sites, which would be especially important for cleaning up Federal sites. This Bill gives the EPA two years to set drinking water standards for PFAS.

The NJDEP has proposed new regulations for PFAS. The agency calls for a maximum contaminant level of PFOA at thirteen parts per trillion and PFOS at 14 parts per million. Both are in the PFAS family. Prior to the temporary fix, the Authority's water supply PFAS levels were at 37 parts per trillion.

Nearly 2,800 U.S. communities are impacted by this issue.

As of December 31, 2024, the total life-to-date actual costs incurred/spent was $4,906,376 to temporarily reduce the level of PFAS in the water system to non-detectible levels. The next phase will involve the Authority seeking the assistance of the County and both State and Federal legislative representatives to provide financial assistance to provide a permanent solution to maintain undetectable levels of PFAS in the water system. This entails the construction of a new carbon plus membrane treatment plant to pull the remaining contaminants out. The Authority is looking for all potential funding sources, including federal and state grants and NJIB, as follows:

1. Infrastructure Investment and Jobs Act – The Act includes $10 billion for PFAS contamination remediation. Of the ten billion dollars, $5 billion is dedicated to helping small and disadvantaged communities address PFAS in drinking water. Another $4 billion is for helping drinking water utilities remove PFAS from drinking water supplies, as well as connecting well owners to local water systems. The remaining $1 billion would help wastewater utilities address PFAS in wastewater discharges.

2. American Rescue Plan Act funding – the State of New Jersey has been allocated $6.4 billion in funding that can be spent on defined capital projects, including water supply.

3. Federal Earmark – The Authority has taken steps to contact Congressional and Senate representatives in an effort to have federal funds allocated towards this project and is currently awaiting a response.

## S. POLLUTION REMEDIATION OBLIGATION (CONTINUED)

4. NJIB – NJIB will work with the NJDEP and the Authority to process an application from the Authority to finance the project through the provision of a low-interest rate loan. However, the NJIB has a stringent credit policy that requires the applicant to have an investment-grade bond rating. The Authority does not currently have any credit rating as it re-financed its outstanding publicly held debt in 2021. The Authority is developing a strategy to improve its chances of entering the NJIB program by getting a credit rating or credit assessment from Moody's Investors Service and Standard & Poor's. There was a concern that the Authority could not achieve the necessary rating to satisfy the NJIB's credit policy because the rating agencies will consider the City's financial condition, even though the Authority independently has historically maintained a strong financial position. However, the Authority is able to achieve an investment grading rating from one of the rating agencies and working on getting the rating from the other agency.

The Authority accounts for any pollution remediation obligations ("PRO") in accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* ("GASB 49"). Under GASB 49, the issue noted above would qualify as an "obligating event," as the levels are considered such that they can result in an "imminent endangerment" and thus compel the Authority to take pollution remediation action. In accordance with GASB 49, the Authority has included in its estimated liability those portions of the PRO that are currently deemed to be reasonably estimable. Cost estimates were developed using the expected cash flow technique. Estimated outlays are based on current cost, and no adjustments were made for discounting or inflation. Cost scenarios were developed for the PRO based on data available at the time of estimation and will be adjusted for changes in circumstances as they become known.

Cost scenarios consider the relevant potential requirements and are adjusted when benchmarks are met or when new information revises estimated outlays, such as changes in the remediation plan or operating conditions. Costs were calculated on a weighted average that was based on the probabilities of each scenario being selected. In addition, certain estimates were derived from independent engineers and consultants. The estimates were made with the latest information available; however, as new information becomes available, estimates may vary significantly due to price fluctuations, technological advances, or applicable laws or regulations.

In accordance with GASB 49, expected recoveries from other parties and expected insurance recoveries should be included in the measurement of the liability. Accordingly, the expense amount should be reduced by any expected recovery. If expected recoveries are not yet realized or realizable, the estimated recovery should reduce the amount of liability. Thus, if a responsible party has not acknowledged or accepted responsibility for its portion of the cost, an estimate of the recovery should still reduce the remediation expense and liability. The Authority is aggressively pursuing other third parties that may have contributed to the site's contamination. The Authority's estimate for not yet realized recoveries that should offset the Authority's estimated environmental liability is $40 million. These $40 million estimated recoveries were based on the initial engineering report conducted by a geoscience engineering consultant engaged by the Authority in 2019. The Authority was looking to conduct further analysis for the best long-term solution for ratepayers to remove PFAS.

## S. POLLUTION REMEDIATION OBLIGATION (CONTINUED)

In 2022, the Authority engaged an engineering consultant for an Operation and Maintenance Planning Analysis for Critical Optimization Services. Per the engineering consultant's recommendation, the rehabilitation of the existing Pleasantville Water Treatment Plant (PWTP) is the most cost-effective solution for ratepayers that will address the long-term solution for the Authority's critical infrastructure, including PFAS contamination. The cost is projected to be at least $120 million dollars. Therefore, the Authority's estimate for not yet realized recoveries to offset the Authority's estimated environmental liability will be greater than $40 million, but the new estimate number is currently not reasonably estimated as the lawsuit is currently docketed in the multidistrict litigation, which is pending in Federal Court in Charleston, South Carolina.

As of December 31, 2024 and 2023, the total PRO before any recoveries equaled $39,711,890 and $39,922,055, respectively. This amount consists of the sum of (1) the total of estimated outlays for capital, indirect and post remediation operation and maintenance costs of $29,360,490; (2) 25% of the legal fees to be retained out of the expected recovery of $40 million, or $10,000,000; and (3) actual incurred costs (paid in 2024, accrued for as part of PRO) of $351,400. Total life-to-date actual costs incurred are $4,791,844.21.

As noted previously, GASB 49 allows for estimated but not yet realized recoveries to offset the estimated environmental liability. The $40 million estimated recoveries offset the majority of the expected total outlays of $40 million, therefore, as of December 31, 2024, the PRO net of liability is $0.

The current PRO is based on an analysis performed in 2019.

GASB 49 also requires the disclosure of the nature of any outlays that are not reasonably estimable.

Per management, the following alternatives that are currently not reasonably estimable are as follows:

- The Authority may consider relocating the entire wellfield presently established at the Technical Center to a new location or locations. The costs of relocating the wells has not been quantified. Some of the costs would include NJDEP approvals, engineering, test drills, final production wells, and extensive piping to move water from the new locations into the Authority's treatment plant.
- The Authority currently uses a mixture of raw water (80% well and 20% reservoir) to prepare finished water for its customers. Compliance with new PFAS regulations could possibly be achieved by increasing the percentage of reservoir raw water, which contains reduced detections of PFAS as compared to the well supply. The costs of treatment and/or chemical upgrades to prepare higher percentages of reservoir water for drinking is unknown, but a preliminary analysis should be explored.
- The sole known source of PFAS contamination affecting the Authority's water is the Technical Center. A majority of the Authority's production wells were relocated to the grounds of the Technical Center in 1984 to avoid contamination from Price's Pit, a Superfund Site. However, for decades, products containing PFAS were used at the Technical Center during the course of the FAA's firefighting training exercises. The resulting PFAS contamination has migrated from the Technical Center into the Authority's raw water supply.

## S. POLLUTION REMEDIATION OBLIGATION (CONTINUED)

FAA has been conducting clean-up activities at the Technical Center for decades and continues to extract and monitor areas of concern. Accordingly, there is a remote possibility that, as part of its cleanup activities, the FAA could locate and extract a major underground plume of PFAS, thereby reducing or eliminating the cost of treatment enhancements.

## T. PENDING GASB STATEMENTS

The GASB has issued Statement No. 102, *Certain Risk Disclosure.* This Statement is required to be adopted by the Authority for the year ended June 30, 2025. The Authority has not determined the effect of Statement No. 102 on the financial statements.

The GASB has issued Statement No. 103, *Financial Reporting Model Improvements.* This Statement is required to be adopted by the Authority for the year ending June 30, 2026. The Authority has not determined the effect of Statement No. 103 on the financial statements.

The GASB has issued Statement No. 104, *Disclosure of Certain Capital Assets.* This Statement is required to be adopted by the Authority for the year ended June 15, 2025. The Authority has not determined the effect of Statement No. 104 on the financial statements.

## U. ROUNDING

Some schedules in the financial statements may have dollar differences due to rounding adjustments.

# OTHER SUPPLEMENTARY INFORMATION

**ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY**
**(A COMPONENT UNIT OF THE CITY OF ATLANTIC CITY)**

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended December 31, 2024, with Summarized Totals for 2023

| | Year Ended December 31, 2024 | | | | | | |
|---|---|---|---|---|---|---|---|
| | General Fund | Debt Service Fund | Debt Service Reserve Fund | Bond Redemption and Improvement Fund | Net Investment in Capital Assets | 2024 Total | 2023 Summarized Total |
| Operating Revenues | | | | | | | |
| User charges | $ 18,435,990 | $ - | $ - | $ - | $ - | $ 18,435,990 | $ 18,121,965 |
| Rental income | 2,500 | - | - | - | - | 2,500 | 2,500 |
| Miscellaneous | 148,103 | - | - | - | - | 148,103 | 191,636 |
| Total Revenues | 18,586,593 | - | - | - | - | 18,586,593 | 18,316,101 |
| Operating Expenses | | | | | | | |
| Cost of providing services | 8,361,067 | - | - | - | - | 8,361,067 | 6,211,316 |
| General and administrative | 2,860,790 | - | - | - | - | 2,860,790 | 2,438,246 |
| Depreciation | - | - | - | - | 3,473,234 | 3,473,234 | 3,287,802 |
| Operating income (loss) | 7,364,736 | - | - | - | (3,473,234) | 3,891,502 | 6,378,737 |
| Non-operating revenues (expenses) | | | | | | | |
| Connection fees | 215,234 | - | - | - | - | 215,234 | 91,278 |
| Investment income | 1,483,569 | - | - | - | - | 1,483,569 | 1,343,645 |
| Bond interest | (148,492) | - | - | - | - | (148,492) | (103,806) |
| Bond payments | (1,016,703) | - | - | - | 1,016,703 | - | - |
| Gain on disposal of assets | 20,858 | - | - | - | - | 20,858 | 10,865 |
| | 554,466 | - | - | - | 1,016,703 | 1,571,169 | 1,341,982 |
| Net increase (decrease) before transfers | 7,919,202 | - | - | - | (2,456,531) | 5,462,671 | 7,720,719 |
| Transfers between funds | (9,744,014) | - | - | - | 9,744,014 | - | - |
| Net increase (decrease) in net position | (1,824,812) | - | - | - | 7,287,483 | 5,462,671 | 7,720,719 |
| Net position (deficit), beginning of year | 1,149,681 | 1,103,717 | 667,825 | 150,000 | 44,326,761 | 47,397,984 | 39,677,266 |
| Net position (deficit), end of year | $ (675,130) | $ 1,103,717 | $ 667,825 | $ 150,000 | $ 51,614,244 | $ 52,860,655 | $ 47,397,985 |
| Analysis of net position (deficit), end of year | | | | | | | |
| Net investment in capital assets | $ - | $ - | $ - | $ - | $ 51,614,244 | $ 51,614,244 | $ 44,326,760 |
| Restricted for capital projects and debt service | - | 1,103,717 | 667,825 | 150,000 | - | 1,921,542 | 1,921,541 |
| Unrestricted | (675,130) | - | - | - | - | (675,130) | 1,149,684 |
| | $ (675,130) | $ 1,103,717 | $ 667,825 | $ 150,000 | $ 51,614,244 | $ 52,860,656 | $ 47,397,985 |

See independent auditors' report.

**ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY**
**(A COMPONENT UNIT OF THE CITY OF ATLANTIC CITY)**

SCHEDULE OF APPROPRIATIONS COMPARED TO BUDGET
Years Ended December 31, 2024 and 2023

| | 2024 Budget (Unaudited) | 2024 Actual | Over/ (under) | 2023 Actual |
|---|---|---|---|---|
| Revenues | | | | |
| User charges | $ 18,645,872 | $ 18,435,990 | $ (209,882) | $ 18,121,965 |
| Rental income | 2,500 | 2,500 | - | 2,500 |
| Miscellaneous | 65,500 | 216,863 | 151,363 | 191,636 |
| Investment | 100,000 | 1,506,837 | 1,406,837 | 1,263,195 |
| | 18,085,188 | 20,162,190 | 1,348,318 | 19,579,297 |
| Cost of providing services | | | | |
| Personnel expenses | | | | |
| Salaries - regular | 3,417,732 | 2,587,783 | (829,949) | 2,260,606 |
| Salaries - overtime | 312,800 | 294,448 | (18,352) | 215,616 |
| | 3,730,532 | 2,882,231 | (848,301) | 2,476,222 |
| Employee benefits | | | | |
| Health benefits | 2,460,117 | 942,922 | (1,517,195) | 526,130 |
| Pension | 483,000 | (87,379) | (570,379) | (262,151) |
| Social Security | 328,685 | 207,168 | (121,517) | 175,568 |
| Unemployment | 30,007 | 23,001 | (7,006) | 21,252 |
| Workers' compensation | 250,000 | 154,806 | (95,194) | 148,120 |
| | 3,551,809 | 1,240,517 | (2,311,291) | 608,919 |
| Plant | | | | |
| Chemicals and gases | 1,365,000 | 1,416,853 | 51,853 | 246,272 |
| Fuel oil | 20,000 | 3,726 | (16,274) | 9,016 |
| Gasoline | 60,000 | 40,878 | (19,122) | 37,614 |
| Miscellaneous | 55,000 | 59,931 | 4,931 | 19,883 |
| | 1,500,000 | 1,521,388 | 21,388 | 312,784 |
| Utilities | | | | |
| Electricity | 865,000 | 874,026 | 9,026 | 794,986 |
| Gas | 15,000 | 4,850 | (10,151) | 8,493 |
| Sewerage | 2,000 | 1,265 | (735) | 1,271 |
| Telephone | 27,000 | 11,434 | (15,566) | 10,907 |
| | 909,000 | 891,575 | (17,426) | 815,656 |
| Taxes | | | | |
| Real estate | 160,000 | 159,466 | (534) | 156,272 |
| State water | 38,500 | 26,325 | (12,175) | 24,297 |
| | 198,500 | 185,791 | (12,709) | 180,569 |

**ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY**
**(A COMPONENT UNIT OF THE CITY OF ATLANTIC CITY)**

SCHEDULE OF APPROPRIATIONS COMPARED TO BUDGET (CONTINUED)
Years Ended December 31, 2024 and 2023

| | 2024 Budget (Unaudited) | 2024 Actual | Over/ (under) | 2023 Actual |
|---|---|---|---|---|
| Repairs and maintenance | | | | |
| Building and grounds | 162,000 | 149,550 | (12,450) | 133,208 |
| Electrical | 43,000 | 39,671 | (3,329) | 19,051 |
| Machinery and equipment | 80,000 | 71,523 | (8,477) | 55,882 |
| Miscellaneous | 11,000 | 6,664 | (4,336) | 546 |
| Motor vehicle | 142,000 | 86,105 | (55,895) | 71,561 |
| Plumbing | 27,500 | 16,275 | (11,225) | 39,039 |
| Street opening | 400,000 | 99,498 | (300,502) | 110,896 |
| Uniforms | 70,000 | 37,330 | (32,670) | 4,574 |
| | 935,500 | 506,614 | (428,886) | 434,757 |
| Rental | | | | |
| Construction equipment | 8,200 | - | (8,200) | - |
| Other | 50,000 | 10,600 | (39,400) | 10,309 |
| | 58,200 | 10,600 | (47,600) | 10,309 |
| Outside services | | | | |
| Advertising | 5,000 | 76 | (4,924) | 916 |
| Engineering fees | 285,000 | 182,411 | (102,589) | 212,690 |
| General insurance | 385,000 | 362,759 | (22,242) | 321,230 |
| Laboratory | 130,000 | 88,244 | (41,756) | 70,854 |
| New Jersey Department of Environmental Protection | 85,000 | 36,852 | (48,148) | 34,541 |
| Other | 930,000 | 424,907 | (505,093) | 718,450 |
| | 1,820,000 | 1,095,248 | (724,752) | 1,358,681 |
| Training, travel and education | | | | |
| Employee travel | 1,000 | 10 | (990) | 15 |
| Training | 44,500 | 22,449 | (22,051) | 9,394 |
| | 45,500 | 22,459 | (23,041) | 9,409 |
| Dues and subscriptions | | | | |
| Books and publications | 2,000 | 22 | (1,978) | (165) |
| Dues | 5,000 | 1,747 | (3,254) | 410 |
| | 7,000 | 1,768 | (5,232) | 245 |
| Office supplies | | | | |
| Office | 6,700 | 2,320 | (4,380) | 2,321 |
| Miscellaneous | 1,500 | 520 | (980) | 1,360 |
| Postage | 1,500 | 34 | (1,466) | 86 |
| Printing | 1,000 | - | (1,000) | - |
| | 10,700 | 2,873 | (7,827) | 3,767 |
| Total cost of providing services | 12,766,741 | 8,361,064 | (4,405,676) | 6,211,317 |

**ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY**
**(A COMPONENT UNIT OF THE CITY OF ATLANTIC CITY)**

SCHEDULE OF APPROPRIATIONS COMPARED TO BUDGET (CONTINUED)
Years Ended December 31, 2024 and 2023

| | 2024 Budget (Unaudited) | 2024 Actual | Over/ (under) | 2023 Actual |
|---|---|---|---|---|
| General and administrative | | | | |
| Personnel expenses | | | | |
| Salaries - regular | 1,178,525 | 1,019,842 | (158,683) | 1,109,811 |
| Salaries - overtime | 2,000 | 644 | (1,356) | 121 |
| Board salaries | 42,200 | 42,070 | (130) | 41,840 |
| | 1,222,725 | 1,062,556 | (160,169) | 1,151,772 |
| Employee benefits | | | | |
| Health benefits | 606,772 | 74,745 | (532,027) | 133,153 |
| Pension | 223,000 | (56,855) | (279,855) | (163,461) |
| Social security | 119,013 | 76,167 | (42,846) | 82,174 |
| Unemployment | 12,000 | 10,655 | (1,345) | 8,914 |
| | 960,785 | 104,712 | (856,073) | 60,780 |
| Operations | | | | |
| Data processing | 18,500 | 14,129 | (4,371) | 11,668 |
| Janitorial | 22,500 | 15,571 | (6,929) | 14,381 |
| Office | 19,500 | 17,492 | (2,008) | 11,354 |
| Outside services | 30,000 | 20,811 | (9,189) | 4,079 |
| Postage | 35,000 | 27,027 | (7,973) | 24,870 |
| Printing | 10,000 | 5,019 | (4,981) | 12,471 |
| Professional fees | 692,000 | 622,138 | (69,862) | 313,198 |
| Telephone | 38,000 | 31,882 | (6,118) | 33,757 |
| Training | 20,000 | 11,325 | (8,675) | 6,393 |
| Travel | 1,500 | 85 | (1,415) | 664 |
| Utilities | 73,500 | 62,733 | (10,767) | 53,862 |
| | 960,500 | 828,210 | (132,290) | 486,697 |
| Repairs and maintenance | | | | |
| Building and grounds | 16,000 | 8,614 | (7,386) | - |
| Machinery and equipment | 12,000 | 7,223 | (4,777) | 9,427 |
| Miscellaneous | 1,000 | - | (1,000) | - |
| Motor vehicle | 2,500 | 12,154 | 9,654 | - |
| | 31,500 | 27,990 | (3,510) | 9,427 |

**ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY**
**(A COMPONENT UNIT OF THE CITY OF ATLANTIC CITY)**

SCHEDULE OF APPROPRIATIONS COMPARED TO BUDGET (CONTINUED)
Years Ended December 31, 2024 and 2023

| | 2024 Budget (Unaudited) | 2024 Actual | Over/ (under) | 2023 Actual |
|---|---|---|---|---|
| Miscellaneous | | | | |
| Administrative fees | 70,000 | 52,598 | (17,402) | 51,462 |
| Advertisement | 4,000 | 3,576 | (424) | 2,282 |
| Books and periodicals | 3,500 | 933 | (2,567) | 2,175 |
| Computer equipment maintenance | 75,000 | 34,140 | (40,860) | 7,776 |
| Insurance deductibles | - | - | - | - |
| Membership dues | 15,000 | 9,872 | (5,128) | 10,885 |
| Miscellaneous | 16,500 | 6,123 | (10,377) | 5,308 |
| Municipal appropriation | 862,473 | 608,574 | (253,899) | 576,064 |
| Provision-Doubtful account | 5,000 | 23,421 | 18,421 | (12,786) |
| Furniture and Rentals | 1,500 | 328 | (1,172) | 150 |
| Software license fee | 105,000 | 97,756 | (7,244) | 86,255 |
| | 1,157,973 | 837,321 | (320,652) | 729,570 |
| Total general and administrative | 4,333,483 | 2,860,790 | (1,472,693) | 2,438,246 |
| Total cost of providing services and general and administrative expenses | 17,100,224 | 11,221,857 | (5,878,366) | 8,649,563 |
| Other costs funded by revenues | | | | |
| Debt service | | | | |
| Principal | 1,016,703 | 1,016,703 | - | 1,092,500 |
| Interest | 87,014 | 148,492 | 61,478 | 103,005 |
| | 1,103,717 | 1,165,196 | 61,478 | 1,195,505 |
| Total costs funded by operating revenues | $ 18,203,941 | $ 12,387,053 | $ (5,816,888) | $ 9,845,068 |

# REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

## SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY – PERS - LAST TEN YEARS

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Authority's proportion of the net pension liability | 0.0311017589% | 0.0379880019% | 0.0401382018% | 0.0467021111% | 0.0456340052% | 0.0426456957% | 0.0435266986% | 0.0508518420% | 0.0580285106% | 0.0598072559% |
| Authority's proportionate share of net pension liability | $ 4,226,121 | $ 5,502,324 | $ 6,057,407 | 5,532,565.00 | 7,441,713.00 | 7,684,107.00 | 8,570,190.00 | 11,837,496.00 | 17,186,380.00 | 13,425,530.00 |
| Authority's covered-employee payroll | 2,922,234 | 2,599,438 | 2,750,757 | 2,916,095.00 | 3,263,087.00 | 3,259,697.00 | 2,996,692.00 | 3,089,543.00 | 3,800,042.00 | 4,126,964.00 |
| Authority's proportionate share of net pension liability as a % of payroll | 144.62% | 211.67% | 220.21% | 189.73% | 228.06% | 235.73% | 285.99% | 383.15% | 452.27% | 325.31% |
| Total pension liability | $ 13,409,677 | $ 15,957,592 | $ 16,468,411 | 18,848,770.31 | 17,936,245.54 | 17,694,323.43 | 18,469,063.11 | 22,808,254.83 | 28,709,430.46 | 25,782,656.85 |
| Plan fiduciary net position | 9,147,982 | 10,408,879 | 10,411,004 | 13,316,205.11 | 10,494,532.69 | 10,010,216.01 | 9,898,873.12 | 10,970,758.83 | 11,523,050.02 | 12,357,126.37 |
| Plan fiduciary net position as a % of total pension liability | 68.22% | 65.23% | 63.22% | 70.65% | 58.51% | 56.57% | 53.60% | 48.10% | 40.14% | 47.93% |

Notes to the Required Supplementary Information
- There were no benefit changes.
- The discount rate changed from the measurement date of June 30, 2014, of 5.39% to 4.90% as of the measurement date of June 30, 2015.
- The discount rate changed from the measurement date of June 30, 2015, of 4.90% to 3.98% as of the measurement date of June 30, 2016.
- The discount rate changed from the measurement date of June 30, 2016, of 3.98% to 5.00% as of the measurement date of June 30, 2017.
- The discount rate changed from the measurement date of June 30, 2017, of 5.00% to 5.66% as of the measurement date of June 30, 2018.
- The discount rate changed from the measurement date of June 30, 2018, of 5.66% to 6.28% as of the measurement date of June 30, 2019.
- The discount rate changed from the measurement date of June 30, 2019, of 6.28% to 7.00% as of the measurement date of June 30, 2020.
- The discount rate of 7.00% as of the measurement date of June 30, 2021, was unchanged from the June 30, 2020, measurement date.
- The discount rate of 7.00% as of the measurement date of June 30, 2022, was unchanged from the June 30, 2021, measurement date.
- The discount rate of 7.00% as of the measurement date of June 30, 2023, was unchanged from the June 30, 2022, measurement date.
- The discount rate of 7.00% as of the measurement date of June 30, 2024, was unchanged from the June 30, 2023, measurement date.

**ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY**
**(A COMPONENT UNIT OF THE CITY OF ATLANTIC CITY)**

SCHEDULE OF CONTRIBUTIONS – PERS – LAST TEN YEARS

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 506,162 | $ 506,162 | $ 546,936 | $ 546,936 | $ 499,213 | $ 414,817 | $ 667,152 | $ 697,390 | $ 754,799 | $ 797,999 |
| Contributions in relation to the contractually required contribution | 506,162 | 506,162 | 546,936 | 546,936 | 499,213 | 414,817 | 667,152 | 697,390 | 754,799 | 797,999 |
| Authority's covered employee payroll | 2,922,234 | 2,599,438 | 2,750,757 | 2,916,095 | 3,263,087 | 3,259,697 | 2,996,692 | 3,089,543 | 3,800,042 | 4,126,964 |
| Contributions as a % of covered employee payroll | 17.32% | 19.47% | 19.88% | 18.76% | 15.30% | 12.73% | 22.26% | 22.57% | 19.86% | 19.34% |

## Changes in Benefit Terms

None.

## Changes in Assumptions

For 2024, the discount rate and long-term rate of return remained 7.00%. For 2023, the discount rate and long-term rate of return remained 7.00%. For 2022, the discount rate and long-term rate of return remained 7.00%. For 2021, the discount rate and long-term rate of return remained 7.00%. For 2020, the discount rate was 7.00% and the long-term expected rate of return remained at 7.00%. For 2019, the discount rate changed to 6.28% and the long-term expected rate of return remained at 7.00%. For 2018, the discount rate changed to 5.66% and the long-term expected rate of return was 7.00%. For 2017, the discount rate changed to 5.00%, the long-term expected rate of return changed to 7.50%, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014, experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale using a generational approach relative to future improvements in mortality rates starting from the base year of 2013. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at $118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(1, 7) pay limit was set at $265,000 for 2015, increasing 3.00% per annum, compounded annually.

## SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Last 9 Fiscal Years

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|---|
| Authority's proportion of the net OPEB liability | 0.107341% | 0.109622% | 0.104466% | 0.111797% | 0.114204% | 0.101045% | 0.108146% | 0.103892% | 0.112704% |
| Authority's proportionate share of net OPEB liability | $ 19,219,884 | $ 16,450,469 | $ 16,870,836 | $ 20,123,215 | $ 20,495,750 | $ 13,687,628 | $ 16,942,821 | $ 21,210,371 | $ 24,476,451 |
| Authority's covered payroll (plan measurement period) | 1,993,689 | 1,949,569 | 2,750,757 | 2,916,095 | 3,263,087 | 3,259,697 | 2,996,692 | 3,089,543 | 3,800,042 |
| Authority's proportionate share of the net OPEB liability as a percentage of covered-employee payroll | 964.04% | 843.80% | 613.32% | 690.07% | 628.11% | 419.90% | 565.38% | 792.24% | 558.16% |
| Plan fiduciary net position as a percentage of the total OPEB liability | -0.79% | -0.79% | 0.28% | 0.28% | 0.91% | 1.98% | 1.97% | 1.03% | 0.69% |

Note: In accordance with the Governmental Accounting Standards Board, the Authority is required to present ten years of detail in the above Schedule of Proportionate Share of OPEB Liability, however, only nine years of data are available at this time.

**ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY**
**(A COMPONENT UNIT OF THE CITY OF ATLANTIC CITY)**

SCHEDULE OF CONTRIBUTIONS - OPEB
Year Ended December 31, 2024

Last 9 Fiscal Years

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 1,993,689 | $ 1,949,569 | $ 1,782,249 | $ 1,875,411 | $ 1,868,907 | $ 1,938,400 | $ 2,219,784 | $ 2,212,776 | $ 2,225,116 |
| Contribution in relation to the contractually required contribution | (1,993,689) | (1,949,569) | (1,782,249) | (1,875,411) | (1,868,907) | (1,938,400) | (2,219,784) | (2,212,776) | (2,225,116) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Authority's covered payroll | $ 2,922,234 | $ 2,599,438 | $ 2,750,757 | $ 2,916,095 | $ 3,263,087 | $ 3,259,697 | $ 2,996,692 | $ 3,089,543 | $ 3,800,042 |
| Contributions as a percentage of the Authority's covered payroll | 68.22% | 75.00% | 64.79% | 64.31% | 57.27% | 59.47% | 74.07% | 71.62% | 58.56% |

Note: In accordance with the Governmental Accounting Standards Board, the Authority is required to present ten years of detail in the above Schedule of Contributions - OPEB, however, only nine years of data are available at this time.

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### Changes in Benefit Terms

None.

### Changes in Assumptions

The discount rate changed from 3.65% as of June 30, 2023, to 3.93% as of June 30, 2024.
The discount rate changed from 3.54% as of June 30, 2022, to 3.65% as of June 30, 2023.
The discount rate changed from 2.16% as of June 30, 2021, to 3.54% as of June 30, 2022.
The discount rate changed from 2.21% as of June 30, 2020, to 2.16% as of June 30, 2021.
The discount rate changed from 3.50% as of June 30, 2019, to 2.21% as of June 30, 2020.
The discount rate changed from 3.87% as of June 30, 2018, to 3.50% as of June 30, 2019.
The discount rate changed from 3.58% as of June 30, 2017, to 3.87% as of June 30, 2018.
The discount rate changed from 2.85% as of June 30, 2016, to 3.58% as of June 30, 2017.

**INDEPENDENT AUDITORS' 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***

To the Board of Directors
Atlantic City Municipal Utilities Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Atlantic City Municipal Utilities Authority (the "Authority"), a component unit of the City of Atlantic City, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which comprise the Authority's basic financial statements, and have issued our report thereon dated October 22, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the basic financial statements, we considered the Authority's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

**INDEPENDENT AUDITORS' 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)**

**Report on Compliance and Other Matters**

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

**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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mercadien, P.C.*
*Certified Public Accountants*

October 22, 2025

SCHEDULE OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS

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None reported.

## SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

None reported.