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

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

December 31, 2025

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

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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, 2025 and 2024, 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, 2025 and 2024, 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.

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 28, 2026, 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 28, 2026

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* provides 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 2025:

- Total assets and deferred outflows at year-end amounted to $143,936,588 exceeding liabilities and deferred inflows by $64,627,704 (i.e., net position). Total assets and Deferred Outflows of Resources increased by $40,823,747, and total net position grew by $11,767,048.
- Net pension liability under Government Accounting Standards Board (GASB) Statement 68 was $4,539,773 in 2025, an increase of $313,652 from 2024.
- Post-employment benefits other than pensions (OPEB) liability under GASB Statement 75 was $19,727,779 in 2024, an increase of $507,895.
- Issued two short-term notes through the New Jersey Infrastructure Bank—$21,913,801 for Phase 2 Galvanized Lead Service Line Replacement and $5,200,000 for Phase 1 Security Enhancements, issued by the New Jersey Infrastructure Bank (NJIB). Both notes include principal forgiveness upon project completion and long-term conversion.
- For the fiscal year 2025, the Authority treated approximately 3,117 million gallons of pumped water, compared with 3,380 million gallons in 2024.
- Operating revenues were $27,453,290 compared with $18,586,593 in 2024, an increase of $8,866,697.
- Operating expenses (excluding depreciation) were $2,099,269 more than last year.
- Operating income for the year was $10,658,930, an increase of $6,767,428 from 2024.
- Connection fee income was $246,407 compared with $215,234 in 2024.
- Actual investment income was $1,167,973, a $315,596 decrease from 2024.

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 increased to $35,690,850 in 2025, from $29,268,371 in 2024, an increase of $6,422,479. The increase was primarily due to higher balances in short-term investments, including proceeds received from a settlement during the year and recorded as miscellaneous income, as well as an increase in year-end cash and accounts receivable. These increases were partially offset by decreases in inventories and accrued interest receivable.

Total Restricted Assets- Restricted assets increased to $34,261,164 at December 31, 2025, from $9,427,650 at December 31, 2024, an increase of $24,833,514. The increase was primarily attributable to higher NJIB receivables related to project-financing draws for the Authority's capital improvement projects. Restricted investments remained unchanged from the prior year.

Net Capital Assets – Net capital assets totaled $64,681,524 at December 31, 2025, compared with $56,601,702 at December 31, 2024, an increase of $8,079,821. The increase was primarily attributable to capital asset additions and continued investment in construction in progress. These increases were partially offset by $3,556,659 in depreciation expense recognized during 2025.

Total Current Liabilities Payable from Unrestricted Assets - Current liabilities payable from unrestricted assets increased to $5,823,142 in 2025, from $3,639,939 in 2024, an increase of $2,183,203. The increase was primarily driven by higher year-end accounts payable, along with increases in employer pension contributions payable, unearned revenue, and short-term lease liabilities. These increases were partially offset by a decrease in prepaid user charges, while accrued payroll and taxes remained relatively stable.

Total Current Liabilities Payable from Restricted Assets - Current liabilities payable from restricted assets totaled $717,389 at December 31, 2025, compared with $1,035,746 in 2024, a decrease primarily due to a lower current portion of long-term debt. The decrease reflects the payoff of the 2005 NJEIT loan during 2025, partially offset by an increase in accrued interest payable.

Total Long-Term Liabilities Payable from Restricted Assets- Long-term liabilities increased significantly to $62,607,750 at December 31, 2025, from $35,200,469 in 2024, an increase of $27,407,281, reflecting substantial growth in long-term debt, net of current portion, primarily related to NJIB financing for capital projects. Increases in the net pension liability, OPEB liability, compensated absences, and long-term lease liabilities also contributed to the overall increase.

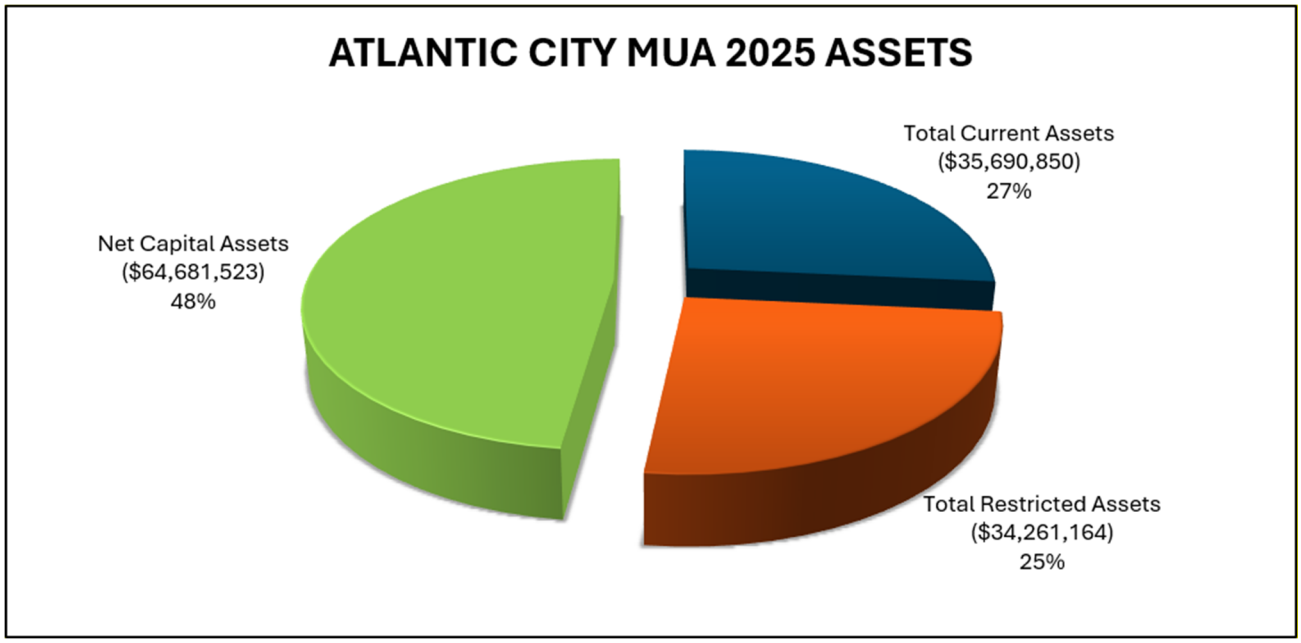
MANAGEMENT'S ANALYSIS OF FINANCIAL POSITION (CONTINUED)

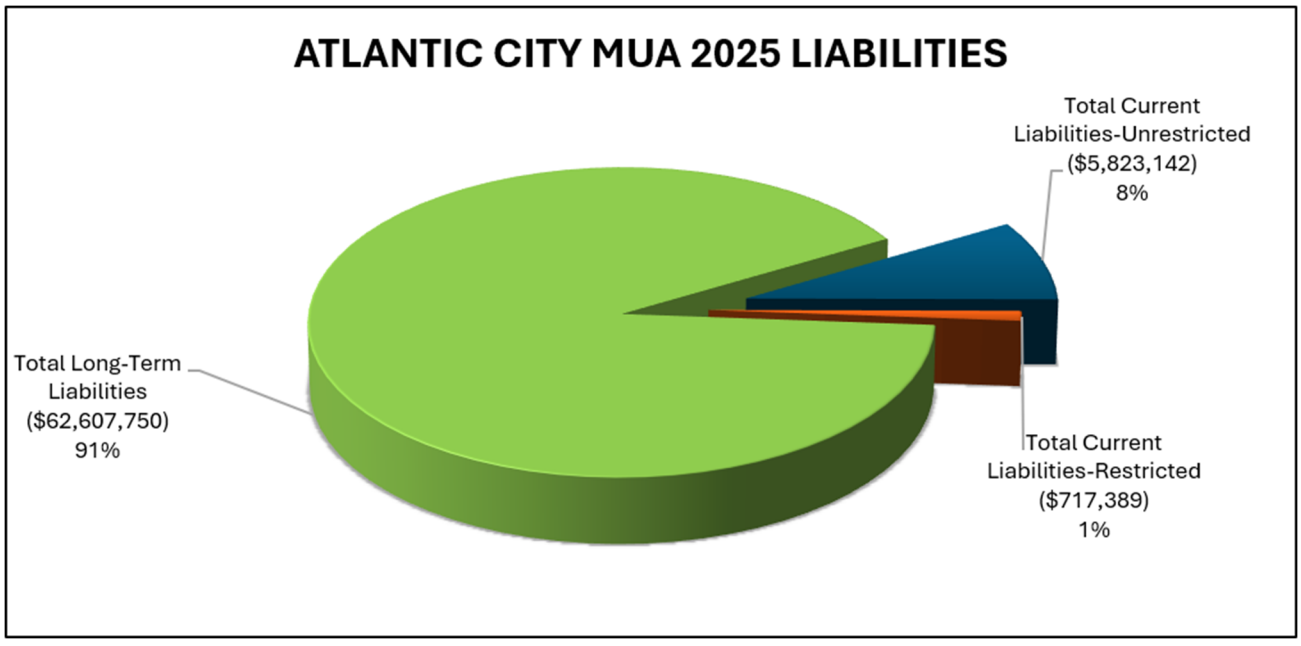
CONDENSED COMPARATIVE STATEMENT OF NET POSITION (CONTINUED)

	December 31, 2025	December 31, 2024	December 31, 2023	$ Change 2024-2025	% Change 2024-2025
Total Current Assets	$ 35,690,850	$ 29,268,371	$ 31,906,504	$ 3,784,346	11.9%
Total Restricted Assets	34,261,164	9,427,650	3,203,691	31,057,473	969.4%
Net Capital Assets	64,681,523	56,601,702	49,739,014	14,942,509	30.0%
Total Assets	134,633,537	95,297,723	84,849,209	39,335,814	41.3%
Related to Pensions	1,301,711	585,286	845,722	716,425	122.4%
Related to OPEB	8,001,340	7,229,832	6,521,677	771,508	10.7%
Total Deferred Outflows of Resources	9,303,051	7,815,118	7,367,399	1,487,933	19.0%
Total Current Liabilities - Unrestricted	5,823,142	3,639,939	2,933,476	2,183,203	60.0%
Total Current Liabilities - Restricted	717,389	1,035,746	1,029,535	(318,357)	-30.7%
Total Long-Term Liabilities	62,607,750	35,200,469	27,927,050	27,407,281	77.9%
Total Liabilities	69,148,281	39,876,154	31,890,061	29,272,127	73.4%
Related to Pensions	1,474,042	1,817,721	1,404,898	(343,679)	-18.9%
Related to OPEB	8,686,561	8,558,310	11,523,663	128,251	1.5%
Total Deferred Inflows of Resources	10,160,603	10,376,031	12,928,561	(215,428)	-2.1%
Net Investment in Capital Assets	58,302,125	51,614,244	44,326,761	6,687,881	13.0%
Restricted for Capital Projects and Debt Service	1,921,542	1,921,542	1,921,541	-	0.0%
Unrestricted	4,404,037	(675,130)	1,149,684	5,079,167	752.3%
Total Net Position	$ 64,627,704	$ 52,860,656	$ 47,397,986	$ 11,767,048	22.3%

MANAGEMENT'S ANALYSIS OF FINANCIAL POSITION (CONTINUED)

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, 2025	December 31, 2024
Total Operating Revenues	$27,453,290	$18,586,593
Net Cash Provided by Operating Activities	$15,451,975	$7,030,468
Net Operating Cash as a Percentage of Operating Revenue	56.3%	37.8%

2025 Net Cash Provided by Operating Activities as Compared to 2024

Net cash provided by operating activities increased by approximately $8.4 million, from $7.0 million in 2024 to $15.5 million in 2025. As a percentage of operating revenues, net cash provided by operating activities increased from 37.8% in 2024 to 56.3% in 2025. The increase was primarily attributable to PFAS settlement proceeds recorded as miscellaneous income, higher customer receipts resulting from the 2025 user charge rate increase, and lower payments to vendors and suppliers. These increases were partially offset by higher employee salaries and related benefit payments, reflecting annual salary increases and higher state health benefit costs.

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 2025 were $28,621,263 compared to $20,070,162 in 2024. Total revenues increased by 43%. Operating expenses for 2025 totaled $16,794,360 compared to $14,695,091 in 2024. Total operating expenses increased by 14%. Explanations of the fluctuations are as follows:

Operating Revenues - Operating revenues totaled $27,453,290 in 2025, an increase of $8,866,697 from $18,586,593 in 2024. The increase was primarily driven by the rate increase that took effect in 2025, as well as PFAS settlement proceeds recorded as miscellaneous income.

Connection Fee Income - Connection fee income for 2025 totaled $246,407, compared to $215,234 in 2024. The slight increase was primarily due to additional new construction in the city during 2025, such as new or renovated residential and commercial properties connecting to the Authority's water system, 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 2025 totaled $1,167,973, compared with $1,483,569 in 2024, a decrease of $315,596. The decrease was primarily attributable to lower interest rates earned on investments in 2025 compared with 2024.

Salaries Expense - Salaries expense totaled $4,664,908 in 2025, an increase of $720,119, or 18.3%, from $3,944,789 in 2024. The increase was primarily due to hiring additional personnel, salary adjustments, and scheduled annual contractual wage increases.

Employee Benefits - Employee benefits expense totaled $2,343,531 in 2025, an increase of $998,301, or 74.2%, from $1,345,230 in 2024. The change in reported employee benefits expense was primarily affected by non-cash pension and other postemployment benefit (OPEB) accounting adjustments recognized in accordance with GASB Statements No. 68 and No. 75, including adjustments related to pension and OPEB liabilities and deferred inflows and outflows. Excluding these non-cash adjustments, employee benefit costs totaled $3,144,078 in 2025, compared with $2,936,780 in 2024, an increase of approximately $207,298, or 7.1%. The increase in employee benefit costs was primarily attributable to rising health insurance costs, increased workers' compensation expenses, and other employee fringe benefits.

Repairs and Maintenance - Repairs and maintenance expenses for 2025 totaled $1,031,753, an increase of $497,148 from $534,605 in 2024. Necessary repairs and maintenance primarily drove this increase to the Authority's office building and overall system infrastructure.

Other Expenses - Other expenses totaled $5,197,510 in 2025, a decrease of $199,724, or 3.7%, from $5,397,233 in 2024. The net decrease was primarily attributable to a $575,156 reduction in the cost of replacing Granular Activated Carbon (GAC) filters used in the water treatment process. This decrease was partially offset by a $263,206 increase in electricity costs, along with fluctuations in other operating expenses, including chemicals and gas, gasoline, engineering fees, general insurance, other outside services, legal fees, and professional fees.

Depreciation Expense - Depreciation expenses for 2025 totaled $3,556,659 compared to $3,473,234 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 expense totaled $300,378 in 2025, an increase of $151,886, or 102.3%, from $148,492 in 2024. The increase was primarily attributable to accrued interest expense on two short-term notes issued through the New Jersey Infrastructure Bank (NJIB) for the Lead Line Replacement Phase 2 and Security Enhancement Phase 1 projects, including associated New Jersey Department of Environmental Protection (NJDEP) loan surcharge fees. The increase was partially offset by credits related to the Authority's 2009A and 2010A NJIB loans, which were de-obligated in 2016.

MANAGEMENT'S ANALYSIS OF RESULTS OF OPERATION (CONTINUED)

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

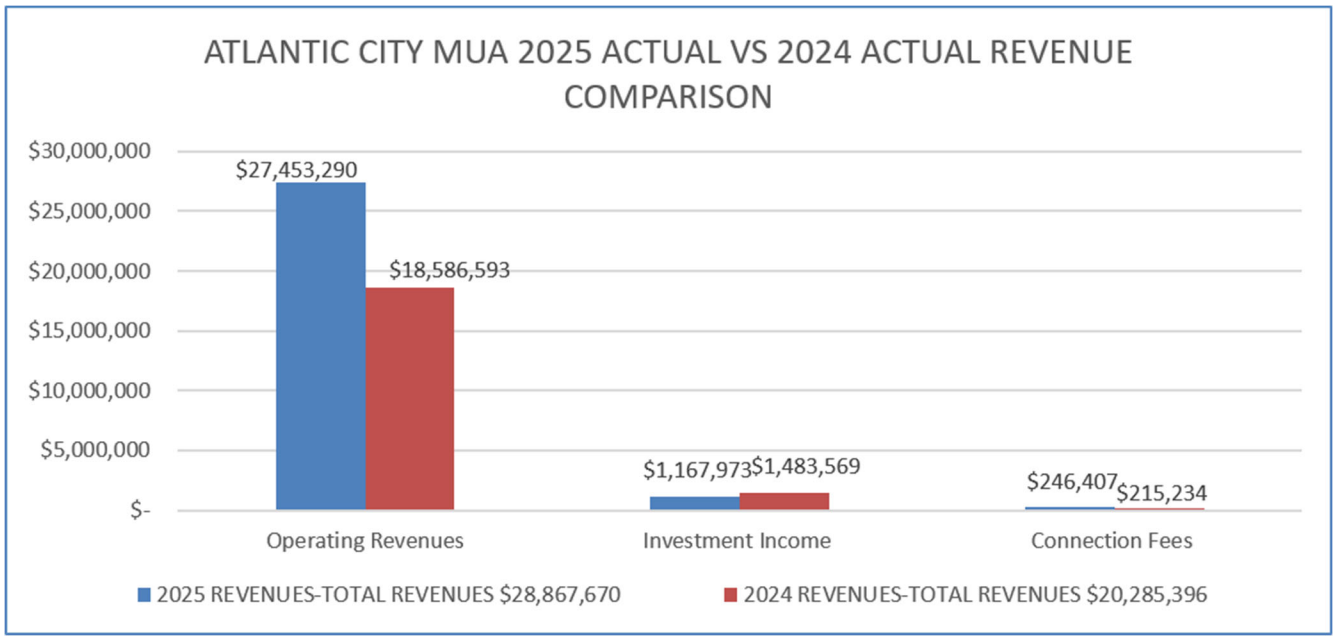
	December 31, 2025	December 31, 2024	December 31, 2023	$ Change 2024-2025	% Change 2024-2025
Total Operating Revenues	$ 27,453,290	$ 18,586,593	$18,316,101	$ 8,866,697	47.7%
Operating Expenses:					
Total Salaries Expense	(4,664,908)	(3,944,789)	(3,627,994)	720,119	18.3%
Total Employee Benefits	(2,343,532)	(1,345,230)	(669,700)	998,302	74.2%
Total Repairs and Maintenance	(1,031,753)	(534,605)	(444,184)	497,148	93.0%
Total Other Expenses	(5,197,508)	(5,397,233)	(3,907,684)	(199,725)	-3.7%
Depreciation	(3,556,659)	(3,473,234)	(3,287,802)	83,425	2.4%
Total Operating Expenses	(16,794,360)	(14,695,091)	(11,937,364)	2,099,269	14.3%
Non-Operating Revenues (Expenses):					
Connection Fees	246,407	215,234	91,278	31,173	14.5%
Investment Income	1,167,973	1,483,569	1,343,645	(315,596)	-21.3%
Bond Interest	(300,378)	(148,492)	(103,806)	151,886	102.3%
Gain on Disposal of Assets	(5,884)	20,858	10,865	(26,742)	100.0%
Total Non-Operating Revenues (Expenses)	1,108,118	1,571,169	1,341,982	(463,051)	38.58%
Changes in Net Position	11,767,048	5,462,671	7,720,719	6,304,377	115.4%
Net position, beginning of year	52,860,656	47,397,985	39,677,266	5,462,671	11.5%
Net position, end of year	$ 64,627,704	$ 52,860,656	$47,397,985	$11,767,048	22.3%

MANAGEMENT'S ANALYSIS OF RESULTS OF OPERATION (CONTINUED)

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

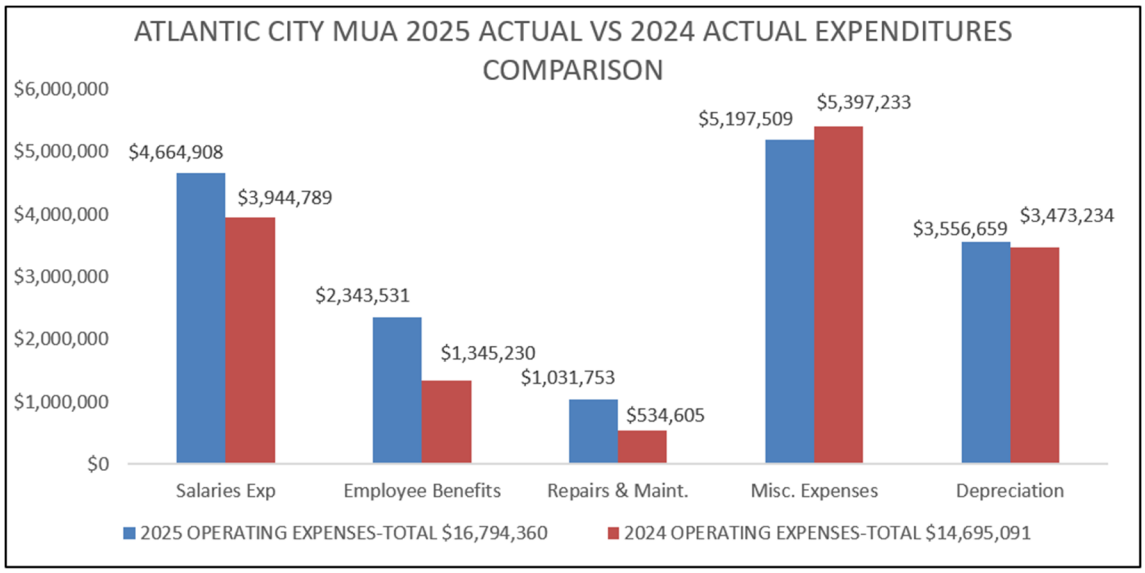
The following table shows the composition of operating expenses by major classification of expense for the last two years:

	December 31, 2025	%	December 31, 2024	%	December 31, 2023	%
Operating Expenses:						
Salaries Expense	$ 4,664,908	27.8%	$ 3,944,789	26.8%	$ 3,627,994	30.4%
Employee Benefits	2,343,532	14.0%	1,345,230	9.2%	669,700	5.6%
Repairs and Maintenance	1,031,753	6.1%	534,605	3.6%	444,184	3.7%
Other Expenses	5,197,508	30.9%	5,397,233	36.7%	3,907,684	32.7%
Depreciation	3,556,659	21.2%	3,473,234	23.6%	3,287,802	27.5%
Total	$16,794,360	100%	$14,695,091	100%	$11,937,364	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

Operating revenues for 2025 totaled $27,453,290, exceeding the amended budget of $20,341,948 by $7,111,342, or 35.0%. The favorable variance was primarily attributable to PFAS settlement proceeds received during the year and higher customer revenues resulting from the 12% user charge rate increase implemented in 2025.

Salaries expense totaled $4,664,908, which was $971,632, or 17.2%, below budget. The favorable variance was primarily attributable to senior operator and administrative positions remaining vacant for part or all of the year, as well as the timing of filling other vacant positions.

Employee benefits expense totaled $2,343,531, which was $2,494,963, or 51.6%, below the amended budget of $4,838,494. The favorable variance was primarily attributable to vacancies in budgeted positions, resulting in lower payroll-related benefit costs, as well as the impact of non-cash pension and other postemployment benefit (OPEB) accounting adjustments recognized in accordance with GASB Statement Nos. 68 and No. 75.

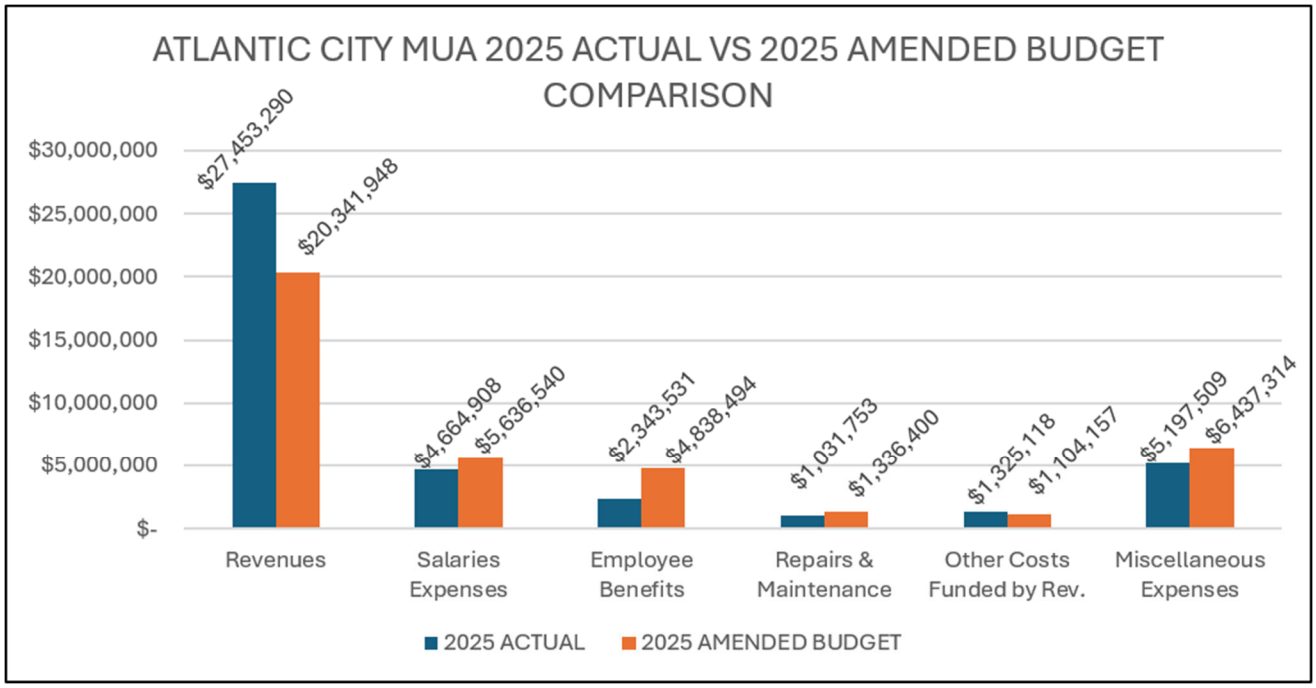
Repairs and maintenance expenses totaled $1,031,753, which was $304,647, or 22.8%, below budget. The favorable variance was primarily attributable to delays in completing scheduled repairs and maintenance projects, resulting in certain work being deferred beyond year-end.

Other costs funded by revenues totaled $1,325,118, exceeding the amended budget of $1,104,157 by $220,961, or 20.0%. The unfavorable variance was primarily attributable to accrued interest expense related to capital projects financed through NJIB short-term loans.

Miscellaneous expenses totaled $5,197,509, which was $1,239,805, or 19.3%, below budget. The favorable variance was primarily attributable to lower-than-anticipated spending in several operating cost categories, including chemicals, professional services, insurance, and granular activated carbon (GAC) filter replacement. These savings were partially offset by higher electricity costs during the year.

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 $11,441,711 during 2025, from $138,946,314 at December 31, 2024, to $150,388,025 at December 31, 2025. The increase was primarily attributable to continued investment in the Authority's capital improvement program. Treatment and distribution facilities increased by approximately $9.0 million, construction in progress increased by approximately $1.8 million, and equipment and vehicles increased by approximately $626,000. Furniture and fixtures increased by approximately $3,000. These changes reflect capital purchases, ongoing construction activities, and the transfer of certain project costs from construction in progress to treatment and distribution facilities as applicable.

Major construction-in-progress projects at December 31, 2025, included Lead Service Line Replacement – Phase 2, Security Enhancement – Phase 1, and various water main replacement projects. The Authority's five-year capital plan anticipates more than $200 million in capital improvements, to be financed through a combination of NJIB financing and the Authority's unrestricted net position. Future increases in user charge rates over the next three to four years are expected to be a primary source of funding for the associated debt service.

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

Capital Assets (Continued)

	December 31, 2025	December 31, 2024	December 31, 2023
Treatment and Distribution Facilities	$ 126,868,547	$ 117,867,783	$ 115,427,031
Land and Land Improvements	1,811,009	1,811,009	1,811,009
Equipment and Vehicles	8,339,932	7,713,447	7,237,227
Office Building	3,877,030	3,877,030	3,877,030
Furniture and Fixtures	527,864	524,629	482,401
Construction in Progress	8,963,643	7,152,416	488,631
Total Assets	$ 150,388,025	$ 138,946,314	$ 129,323,329

Long-Term Debt

At the end of the current fiscal year, the Authority had a total bonded debt outstanding of $2,739,252.

	2025	2024	2023
Revenue Bonds	$2,420,000	$2,996,000	$3,557,000
New Jersey Infrastructure Bank Loans	$ 319,252	$ 764,242	$1,169,527

In 2023, the Authority closed a $1,955,044 short-term loan with NJIB for the Meter Replacement Project, with $672,895 drawn for project costs. The project qualifies for SFY 2023 Clean Water Affordability financing, including 100% principal forgiveness on the first $2 million of eligible costs upon long-term conversion.

In 2024, the Authority closed a $6,286,199 short-term loan with NJIB for the Lead Line Replacement – Phase 1 Project and drew $62,240 to pay the NJDEP fee. The project qualifies for SFY 2024 Lead Service Line Replacement financing, including 50% principal forgiveness, 25% NJDEP interest-free financing, and 25% I-Bank AAA market-rate financing on the first $10 million of eligible project costs upon long-term conversion.

In 2025, the Authority closed two additional short-term NJIB loans: $28,200,000 for the Lead Line Replacement – Phase 2 Project and $5,200,000 for the Security Enhancement Project – Phase 1. The Lead Line Replacement – Phase 2 Project qualifies for SFY 2025 Drinking Water Affordability Lead Service Line Replacement (LSLR) financing and is eligible for 80% principal forgiveness, 10% NJDEP interest-free financing, and 10% I-Bank AAA market-rate financing on eligible project costs. The Security Enhancement Project – Phase 1 qualifies for SFY 2025 Drinking Water Affordability funding and is eligible for 100% principal forgiveness on the first $4 million of eligible costs, with costs above that amount financed through 75% NJDEP interest-free financing and 25% I-Bank AAA market-rate financing.

These loans are structured as short-term financing and are expected to be converted to long-term financing through NJIB bond issuances upon project completion.

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

OTHER SELECTED INFORMATION

Selected Data for Analysis	2025	2024	Change Amount	Change %
Employees at Year End (Excluding Board)	65	63	2.0	3.2
Number of Customers at Year End	8,199	8,199	-	0.0%
Water Pumped (Millions of Gallons)	3,117	3,380	(263.0)	-7.8%
Revenues per 1,000 Gallons Pumped	8.8	5.5	3.3	60.0%
Expenses per 1,000 Gallons Pumped:				
Expenses Excluding Depreciation	4.3	3.3	1.0	30.3%
Total Operating Expenses	5.4	4.3	1.1	25.6%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Factors and Customer Base
Over the past two decades, the Authority has experienced a gradual decline in water demand due to increased water conservation, shifting customer usage patterns, and changes in Atlantic City's residential, commercial, and hospitality sectors.

Water-efficient fixtures, including low-flow showerheads, high-efficiency toilets, and faucet aerators, have contributed to lower water consumption. In addition, changes in the City's customer base, including property closures and the removal of abandoned housing units, have also affected overall demand.

Atlantic City's economy remains closely tied to tourism, hospitality, and entertainment. While the casino industry continues to be an important part of the local economy, changing visitor patterns, online gaming, sports betting, and competition from other gaming markets may affect traditional casino activity and related water demand. The industry's future performance, along with broader economic conditions, may influence commercial water consumption and the Authority's customer base.

The City and County continue efforts to diversify the local economy through redevelopment, residential growth, education, and new entertainment opportunities. The expansion of Stockton University's Atlantic City campus, continued activity at Atlantic Cape Community College, and redevelopment of vacant properties provide opportunities for future growth in the Authority's customer base. However, the timing and extent of these developments remain uncertain, and their potential impact on water demand and operating revenues cannot be predicted with certainty.

The Authority's 2026 capital budget includes approximately $270 million in planned capital improvements to replace aging infrastructure, improve system reliability, and meet current and future regulatory requirements. These investments include treatment plant improvements, lead service line replacement, meter replacement, and other critical system upgrades. The meter replacement project is intended to support accurate water consumption measurement, improve billing accuracy, and enhance the Authority's ability to monitor customer usage. The scale and timing of these capital improvements,

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

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

together with potential changes in construction costs, financing costs, regulatory requirements, and available grant funding, may affect the Authority's future financial position and rate-setting decisions.

The Authority will continue pursuing grants, low-interest financing, and other funding opportunities to support these projects while maintaining responsible rates for customers. Future water demand, customer growth, operating costs, and the availability of external funding remain subject to economic and other uncertainties. Accordingly, the Authority will continue to monitor these factors and evaluate its capital and financial plans to support the long-term reliability and sustainability of its water system.

2026 Budget

The 2026 Proposed Budget is fully funded and provides for the continuation of all major programs of the Atlantic City Municipal Utilities Authority. As outlined in the Revenue Schedule (F-2), service charges from industrial customers are projected to increase by 13.7%, driven by a proposed 10% annual rate increase, the implementation of an excess usage rate anticipated for 2026, and a slight increase in usage resulting from improved consumption tracking through meter replacement initiatives. Other Non-Operating Revenue from miscellaneous fees is projected to increase by $4,948, or 69.3%, due primarily to anticipated as increase in receipts from the sale of scrapped materials compared to the prior budget year. Total Net Operating Appropriations, as presented in the Appropriations Schedule (F-4), are projected to increase by 10.3%, primarily due to higher expenses across various categories. Fringe benefits for Administration and Cost of Providing Services are expected to rise by 17.2% and 27.4%, respectively, due to increased State Health Benefits costs. Salaries associated with the Cost of Providing Services are projected to increase by 14.6%, reflecting annual cost-of-living adjustments and the addition of new positions included in the Authority's updated organizational chart. Miscellaneous Administration expenses are anticipated to increase by 13.4% due to additional software procurement and higher annual maintenance costs. Utility expenses for Administration and Cost of Providing Services are projected to increase by 35.2% and 43.2%, respectively, primarily due to anticipated increases in electricity supply costs. Professional Services expenses are expected to decrease by 27.8% as a result of reduced water licensing service costs, while Repairs and Maintenance expenses are projected to increase by 22.4%, largely due to additional vehicle leasing requirements. Principal and Interest debt payments will decline following the full repayment of the 2005 NJIB loan, and Municipal Appropriation is projected to increase by 11.4%, reflecting the overall growth in total operating expenditures.

2026 Rates

The 2026 Proposed Budget is fully funded and provides for the continuation of all major programs of the Atlantic City Municipal Utilities Authority. The 2026 water rate increase has been structured to ensure that projected revenues are sufficient to meet the Authority's anticipated appropriations while supporting ongoing operational and capital needs. The Authority proposes a 10% increase in both the flat and excess rates across all customer classes, consistent with the recommendations of the 2024 Water Rate Study. For residential customers, the quarterly flat rate will increase from $80.75 to $89.00, representing an increase of $8.25 per quarter. Residential customers who exceed the quarterly allotment of 2,500 cubic feet will be charged an excess rate of $4.918 per 100 cubic feet. The 2026

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

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

Rates (Continued)

Budget also includes a proposed $6.00 quarterly discount for eligible customers who qualify for the municipal senior freeze program or the senior citizen property tax deduction program. The proposed rate adjustment is expected to generate approximately $1,870,600 in additional revenue in 2026. These additional revenues are necessary to support the Authority's capital improvement program, including investments to rehabilitate aging infrastructure, comply with evolving Federal and State PFAS regulations, and maintain compliance with the Water Quality Accountability Act (WQAA). The 2026 Budget incorporates the recommendations of the Authority's comprehensive Water Rate Study and establishes a sustainable framework for long-term financial planning. As identified in the rate study, future rate adjustments will serve as the primary funding source for debt service associated with future capital projects. To minimize the financial impact on customers, the Authority will continue to pursue supplemental funding opportunities, including grants, low-interest loans, and principal forgiveness programs available through Federal and State sources, including the New Jersey Infrastructure Bank (NJIB). Priority capital projects targeted for funding include the rehabilitation of the Pleasantville Water Treatment Plant and the Lead Pipe Removal Project, both of which are critical components of the Authority's long-term infrastructure improvement strategy.

Legislation with Potential Impact on the Authority

PFAS:

The New Jersey Department of Environmental Protection (NJDEP) adopted PFAS regulations on June 1, 2020, establishing maximum contaminant levels (MCLs) for regulated per- and polyfluoroalkyl substances (PFAS) in drinking water. PFAS contamination in the Authority's water supply resulted from historical testing of firefighting foams by the Federal Aviation Administration (FAA) at its Technical Center in Pomona. Over several decades, residual contaminants entered the groundwater supply, creating challenges for the Authority in maintaining compliance with the PFAS limits established by NJDEP.

To address this issue, the Authority worked closely with engineering consultants to develop and implement interim treatment solutions designed to protect customers and maintain compliance with State drinking water standards. The Authority purchased 50,000 pounds of Virgin Filtrasorb 400 Granular Activated Carbon (GAC) to replace the existing carbon in five filter beds at the Pleasantville Water Treatment Plant (PWTP). In addition, the Authority installed three pairs of carbon vessels at three wells near the FAA Technical Center that had the highest PFAS concentrations. These treatment measures have been successful in achieving compliance with NJDEP requirements and have resulted in undetectable levels of PFAS in the Authority's finished water. The Authority's efforts have also received state and national recognition for innovative engineering design and implementation. The Authority continues to monitor PFAS levels and replace carbon media as needed while planning for a permanent long-term treatment solution.

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

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

Based on recommendations from the Authority's engineering consultant, rehabilitation of the PWTP remains the most practical and cost-effective long-term solution to maintain PFAS levels below detection limits throughout the water system. The estimated cost of the PWTP rehabilitation project is $120 million, including a 20% allowance for engineering and project administration. In 2025, the Authority received settlement proceeds from responsible parties related to PFAS contamination. These funds will be dedicated toward PFAS treatment improvements and will help offset a portion of the costs associated with implementing the Authority's long-term PFAS treatment strategy.

The Authority continues to actively pursue additional funding opportunities, including New Jersey Infrastructure Bank (NJIB) financing, principal forgiveness programs, and other State and Federal funding sources to support this critical infrastructure investment. The Authority remains committed to protecting public health, providing safe and reliable drinking water, meeting all State and Federal regulatory requirements, and implementing a sustainable solution to address PFAS concerns for the future.

Lead Service Line Replacement:

New Jersey enacted P.L. 2021, Ch. 183 in July 2021, requiring all community water systems to identify and replace lead service lines within their service areas within ten years. The Authority continues to advance compliance with this mandate 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 distribution system. The Authority is actively working to replace all identified lead and galvanized service lines through a comprehensive multi-phase replacement strategy.

In 2024, the Authority secured a $6,286,199 short-term loan to fund Phase 1 of the LSLR Program, which includes the replacement of 237 lead service lines. This project qualifies for State Fiscal Year 2024 LSLR financing through the New Jersey Infrastructure Bank (NJIB), including principal forgiveness and low-interest financing assistance to help reduce the financial impact of the project.

In 2025, the Authority closed an additional short-term NJIB loan totaling $28,200,000 for the Lead Service Line Replacement – Phase 2 Project. This project includes the replacement of approximately 1,000 additional lead and galvanized service lines and qualifies for State Fiscal Year 2025 Drinking Water Affordability LSLR financing. The project is eligible for 80% principal forgiveness, 10% NJDEP interest-free financing, and 10% I-Bank AAA market-rate financing on eligible project costs. These favorable financing terms will significantly assist the Authority in advancing this critical infrastructure initiative while minimizing costs to customers.

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

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

In 2026, the Authority will continue implementation of the LSLR Program through Phase 3, which will address additional lead and galvanized service lines identified within the Authority's service area. Phase 3 is anticipated to be financed through the NJIB program and is expected to qualify for similar principal forgiveness and low-interest financing opportunities available under the State's Drinking Water Affordability Program. The continued implementation of this multi-phase replacement program is essential to reducing potential lead exposure, improving the reliability of the Authority's water distribution system, and achieving full compliance with the State's requirement to replace all lead service lines by the 2031 deadline. The Authority will continue identifying unknown service line materials and advancing future replacement phases to ensure all eligible service lines are addressed within the required timeframe.

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, 2025	December 31, 2024
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash and cash equivalents	$ 4,129,375	$ 2,974,030
Accounts receivable, net of allowance for doubtful accounts of $131,911 and $134,719, respectively	1,178,365	940,914
Investments	29,681,382	24,498,672
Inventories	522,490	670,000
Prepaid expenses	127,890	126,312
Accrued interest receivable	51,348	58,443
Total Current Assets	35,690,850	29,268,371
Noncurrent Assets		
Restricted Assets		
Investments	1,921,542	1,921,542
Receivable - NJIB	32,339,622	7,506,108
Total Restricted Assets	34,261,164	9,427,650
Capital Assets		
Land and land improvements	1,811,009	1,811,009
Construction in progress	8,963,643	7,152,416
Other capital assets, net of depreciation	53,298,239	47,160,952
Right-of-Use Asset	608,632	477,325
Total Capital Assets	64,681,523	56,601,702
Total Noncurrent Assets	98,942,687	66,029,352
Total Assets	134,633,537	95,297,723
Deferred Outflows of Resources:		
Related to pensions	1,301,711	585,286
Related to other post-employment benefits	8,001,340	7,229,832
Total Deferred Outflows of Resources	9,303,051	7,815,118
Total Assets and Deferred Outflows of Resources	$ 143,936,588	$ 103,112,841

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

STATEMENTS OF NET POSITION (CONTINUED)

	December 31, 2025	December 31, 2024
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities Payable from Unrestricted Assets		
Accounts payable	$ 3,886,303	$ 1,902,960
Employer pension contributions payable	504,474	423,208
Accrued payroll and payroll liabilities	48,882	43,159
Prepaid user charges	164,613	180,345
Unearned revenue	1,071,413	1,000,862
Short-Term Liability Lease	147,457	89,405
Total Current Liabilities Payable from Unrestricted Assets	5,823,142	3,639,939
Current Liabilities Payable from Restricted Assets		
Accrued interest payable	16,090	12,070
Current portion of long-term debt	701,299	1,023,676
Total Current Liabilities Payable from Restricted Assets	717,389	1,035,746
Noncurrent Liabilities		
Compensated absences	465,042	380,474
Long-term debt, net of current portion	37,392,997	10,980,495
Net pension liability	4,539,773	4,226,121
Net OPEB liability	19,727,779	19,219,884
Long-term Liability Lease	482,159	393,495
Total Noncurrent Liabilities	62,607,750	35,200,469
Total Liabilities	69,148,281	39,876,154
Deferred Inflows of Resources		
Related to pensions	1,474,042	1,817,721
Related to other post-employment benefits	8,686,561	8,558,310
Total Deferred Inflows of Resources	10,160,603	10,376,031
Net Position (Deficit)		
Net investment in capital assets	58,302,125	51,614,244
Restricted for capital projects and debt service	1,921,542	1,921,542
Unrestricted net position (deficit)	4,404,037	(675,130)
Total Net Position	64,627,704	52,860,656
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 143,936,588	$ 103,112,841

See notes to financial statements.

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,	
	2025	2024
Operating Revenues		
User charges	$ 20,576,854	$ 18,435,990
Rental income	2,500	2,500
Miscellaneous	6,873,936	148,103
Total Operating Revenues	27,453,290	18,586,593
Operating Expenses		
Cost of providing services	9,908,088	8,361,067
General and administrative	3,329,613	2,860,790
Depreciation	3,556,659	3,473,234
Total Operating Expenses	16,794,360	14,695,091
Operating Income	10,658,930	3,891,502
Non-Operating Revenues (Expenses), Net		
Connection fee	246,407	215,234
Investment income	1,167,973	1,483,569
Bond interest expense	(300,378)	(148,492)
(Loss) / Gain on disposal of assets	(5,884)	20,858
Total Non-Operating Revenues (Expenses), Net	1,108,118	1,571,169
Changes in net position	11,767,048	5,462,671
Net position, beginning of year	52,860,656	47,397,985
Net position, end of year	$ 64,627,704	$ 52,860,656

See notes to financial statements.

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

STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipt from customers	$ 20,394,222	$ 18,714,081
Receipt from others	6,876,436	150,603
Payments to employees and related benefits	(7,718,696)	(6,315,262)
Payments to suppliers and vendors for goods and services	(4,099,987)	(5,518,954)
Net cash from operating activities	15,451,975	7,030,468
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(11,261,993)	(9,738,752)
Receipts from sale of capital assets	(4,806)	21,936
Receipts from NJIB	2,051,438	-
Connection fees	246,407	215,234
Interest paid on debt	(296,358)	(149,254)
Principal paid on debt	(1,023,676)	(1,016,703)
Net cash from capital and related financing activities	(10,288,988)	(10,667,539)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	1,175,068	1,506,837
Transferred to investments	(5,182,710)	2,057,476
Net cash from investing activities	(4,007,642)	3,564,313
Net change in cash and cash equivalents	1,155,345	(72,758)
Cash and cash equivalents, beginning of year	2,974,030	3,046,788
Cash and cash equivalents, end of year	$ 4,129,375	$ 2,974,030
Reconciliation of operating income to net cash from operating activities		
Operating income	$ 10,658,930	$ 3,891,502
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation	3,556,659	3,473,234
Allowance for (recovery of) doubtful accounts	(2,807)	23,421
GASB 68 adjustment	(746,452)	(602,945)
GASB 75 adjustment	(135,362)	(904,093)
Changes in assets and liabilities		
Accounts receivable	(234,644)	341,303
Inventories	147,510	118,241
Prepaid expenses	(1,578)	1,666
Accounts payable	1,983,343	764,773
Accrued payroll and payroll liabilities	5,723	(61,090)
Unearned income	70,551	7,263
Prepaid user charges	(15,732)	(93,892)
Compensated absences	84,568	71,085
Net cash from operating activities	$ 15,451,975	$ 7,030,468

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 was $1,103,717 and $1,103,717, as of December 31, 2025 and 2024, 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 was $667,825 at December 31, 2025 and 2024, respectively.

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, represent 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, represent 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 is 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, 2025 and 2024, 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, 2025 and 2024, the Authority's bank balances were insured or exposed to credit risk as follows:

	December 31,	
	2025	2024
Insured by FDIC	$ 500,000	$ 500,000
Collateralized in the Authority's name under GUDPA	4,493,812	4,031,472
Total	$ 4,993,812	$ 4,531,472

D. ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

	December 31,	
	2025	2024
Municipal liens	$ 138,854	$ 141,809
Approximate uncollectible %	95%	95%
Total Allowance	$ 131,911	$ 134,719

E. INVESTMENTS

As of December 31, 2025 and 2024, the Authority had the following investments and maturities:

Investment	Maturity Date	Interest Rate	Moody's IS&P Credit Rating	2025 Fair Value	2024 Fair Value
Federated treasury obligations	N/A	N/A	N/A	$ 22,404,369	$ 17,596,696
NJCMF	N/A	N/A	N/A	9,198,555	8,823,518
				$ 31,602,924	$ 26,420,214

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 $522,490 and $670,000 as of December 31, 2025 and 2024, respectively.

G. RESTRICTED ASSETS

Restricted investments consist of the following:

	December 31, 2025	December 31, 2024
Debt service fund	$ 1,103,717	$ 1,103,717
Debt service reserve fund	667,825	667,825
Bond redemption and improvement fund	150,000	150,000
	$ 1,921,542	$ 1,921,542

H. CAPITAL ASSETS

Capital asset balances and activities for the year ended December 31, 2025, were as follows:

	Balance January 1, 2025	Additions	Reclass/ Reductions	Balance December 31, 2025
Capital assets not being depreciated				
Land and land improvements	$ 1,811,009	$ -	$ -	$ 1,811,009
Construction in progress	7,152,416	8,703,348	6,892,121	8,963,643
Capital assets not being depreciated	8,963,425	8,703,348	6,892,121	10,774,652
Capital assets being depreciated				
Treatment and distribution facilities	117,867,783	9,000,370	(394)	126,868,547
Equipment and vehicles	7,713,447	700,756	74,271	8,339,932
Office building	3,877,030	-	-	3,877,030
Furniture and fixtures	524,629	5,735	2,500	527,864
Capital assets being depreciated	129,982,889	9,706,861	76,377	139,613,373
Accumulated depreciation	(82,821,937)	(3,541,253)	48,056	(86,315,134)
Capital assets, net of depreciation	47,160,952	6,165,608	124,433	53,298,239
Total capital assets, net	$ 56,124,377	$ 14,868,956	$ 7,016,554	$ 64,072,891

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

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, 2025 and 2024, was $0 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, 2025 and 2024, was $0 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, 2025 and 2024, 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, 2025 and 2024, 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, 2025 and 2024, 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, 2025 and 2024, 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, 2025 and 2024, 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, 2025 and 2024, 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
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
	$ 2,739,251	$ 107,286	$ 2,846,537

	Balance December 31, 2024	Increase/ Adjustment	Decrease/ Adjustment	Balance December 31, 2025	Due Within One Year
Revenue bonds	$ 2,996,000	$ -	$ 576,000	$ 2,420,000	$ 586,000
NJIB	7,984,495	27,436,178	447,676	34,972,997	115,299
Totals	$ 10,980,495	$ 27,436,178	$ 1,023,676	$ 37,392,997	$ 701,299

	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

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 Phase 1 of the Authority's Lead Service Line Replacement Program, which includes the replacement of approximately 237 lead service lines. The construction loan is expected to be permanently financed with long-term bonds.

I. LONG-TERM DEBT (CONTINUED)

Construction Notes Payable – NJ Infrastructure Bank (Continued)

In June 2025, the Authority secured a short-term loan from the NJIB for $21,913,801 for Phase 2 of the Lead Service Line Replacement Program. The financing is expected to include principal forgiveness and interest-free and market-rate loan components upon long-term conversion. The construction loan is expected to be permanently financed with long-term bonds.

In June 2025, the Authority secured a short-term loan from the NJIB for $5,200,000 for security enhancements to the water treatment plant, distribution system, and source-area structures. The project is eligible for $4,000,000 of principal forgiveness at long-term financing. 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, 2025 and 2024. In August 2026, the Authority had completed an arbitrage rebate calculation and owed $58,077.63 to the IRS, which was paid in October 2026.

K. NET POSITION

Net position consists of the following:

	December 31, 2025	December 31, 2024
Net investment in capital assets		
Capital assets	$ 64,072,891	$ 56,124,377
Receivable - NJIB	32,339,622	7,506,108
Debt	(38,094,296)	(12,004,171)
Accrued interest	(16,092)	(12,070)
	58,302,125	51,614,244
Restricted for capital projects and debt service		
Restricted investments	1,921,542	1,921,542
Unrestricted net position (deficit)	4,404,037	(675,130)
Total net position	$ 64,627,704	$ 52,860,656

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

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, 2024 through June 30, 2025. 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

L. PENSION PLAN (CONTINUED)

Allocation Methodology (Continued)

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, 2025 and 2024, 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, 2025 and 2024.

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, 2025 and 2024, the Authority's contractually required contribution to the PERS plan was $504,474 and $423,208, respectively.

Components of Net Pension Liability

At December 31, 2025 and 2024, the Authority's proportionate share of the PERS net pension liability was $4,539,773 and $4,226,121, respectively. The December 31, 2025 and 2024, net pension liability was determined by an actuarial valuation as of July 1, 2024 and July 1, 2023, which was rolled forward to June 30, 2025 and June 30, 2024, respectively. The Authority's December 31, 2025, proportion measured as of June 30, 2024, was 0.036912771%, which was an increase of 0.0058110121% from its proportion measured as of June 30, 2024, of 0.0311017589%.

At December 31, 2025 and 2024, the Authority's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2025 and June 30, 2024, measurement dates was ($243,199) and ($144,234), respectively.

L. PENSION PLAN (CONTINUED)

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, 2025 and 2024:

	December 31, 2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 129,437	$ 4,851
Changes in assumptions	717	52,302
Net difference between projected and actual investment earnings on pension plan investments	-	378,557
Changes in proportion	667,083	1,038,332
Authority contributions subsequent to the measurement date	504,474	-
	$ 1,301,711	$ 1,474,042

	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	423,208	-
	$ 585,286	$ 1,817,721

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
2026	$ (1,395,977)
2027	335,670
2028	130,070
2029	209,298
2030	44,134
	$ (676,805)

L. PENSION PLAN (CONTINUED)

Actuarial Assumptions

The collective total pension liability for the June 30, 2025 and June 30, 2024, measurement date was determined by an actuarial valuation as of July 1, 2024 and July 1, 2023, which was rolled forward to June 30, 2025 and June 30, 2024, respectively. This actuarial valuation used the following actuarial assumptions:

2025	
Inflation: Price	2.75%
Inflation: Wage	3.25%
Salary Increases (based on years of service):	3.25% - 7.75%
Investment rate of return	7.00%

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%

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, 2024, valuation were based on the results of an actuarial experience study for the period July 1, 2021 to June 30, 2024.

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, 2025 and 2024), 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, 2025 and 2024, are summarized in the following tables:

	2025	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equity	28.00%	8.55%
Non-U.S. developed markets equity	12.75%	8.77%
International Small Cap Equity	1.25%	8.77%
Emerging markets equity	5.50%	10.30%
Private equity	13.00%	12.00%
Real assets	3.00%	7.90%
Real estate	8.00%	10.78%
High yield	4.50%	6.63%
Private credit	8.00%	9.00%
Investment grade credit	7.00%	5.47%
Cash equivalents	2.00%	3.61%
U.S. Treasuries	4.00%	3.61%
Risk mitigation strategies	3.00%	7.26%
	100.00%	

	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%	

L. PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2025 and 2024, 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, 2025 and 2024, 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, 2025		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Authority's proportionate share of net pension liability	$ 6,268,292	$ 4,539,773	$ 3,139,158

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

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, 2025 and 2024, were $2,365,985 and $1,993,689, respectively.

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

Net OPEB Liability

At December 31, 2025, the Authority reported a liability of $19,727,779 for its proportionate share of the net pension liability. The net OPEB liability was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2024, which was rolled forward to June 30, 2025. For the June 30, 2025, measurement date, the Authority's proportionate share of the OPEB Plan liability was 0.118595%.

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%.

The components of the collective net OPEB liability of the OPEB Plan as of June 30, 2025 and 2024, are as follows:

	June 30, 2025	June 30, 2024
Total OPEB liability	$ 19,509,110	$ 19,051,157
Plan Fiduciary Net Position	(218,669)	(168,727)
Net OPEB Liability	$ 19,727,779	$ 19,219,884
Plan Fiduciary Net Position as a % of total OPEB liability	-1.12%	-0.89%

Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2025, was determined by an actuarial valuation as of July 1, 2024, which was rolled forward to June 30, 2025. 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, 2025 and 2024, was 5.20% 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, 2025 and 2024:

At June 30, 2025		
At 1% Decrease (4.20%)	At Current Discount Rate (5.20%)	At 1% Increase (6.20%)
$ 22,530,349	$ 19,727,779	$ 17,430,562

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

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, 2025 and 2024:

At June 30, 2025		
At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
$ 17,005,164	$ 19,727,779	$ 23,148,035

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

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB
For the years ended December 31, 2025 and 2024, the Authority recognized OPEB expense of ($2,065,418) and ($1,017,667), respectively. At December 31, 2025 and 2024, 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)

	2025		2024	
	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	$ 893,013	$ 2,362,781	$ 973,351	$ 3,256,509
Changes in assumptions	2,735,990	4,750,751	3,213,201	3,190,379
Net difference between projected and actual earnings on OPEB plan investments	-	14,538	-	8,700
Changes in proportion	3,386,812	1,558,491	2,038,820	2,102,722
Employee health benefits contributions made subsequent to the measurement date	985,525	-	1,004,460	-
Total	$ 8,001,340	$ 8,686,561	$ 7,229,832	$ 8,558,310

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

Years ending December 31,	Total
2026	$ (731,496)
2027	(363,572)
2028	(391,549)
2029	(439,150)
2030	(297,983)
Thereafter	(1,275,317)
	$ (3,499,067)

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 2025 or 2024.

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 $225 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, 2025, the total life-to-date actual costs incurred/spent was $5,535,253 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, 2025 and 2024, the total PRO before any recoveries equaled $39,495,490 and $39,711,890, 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 2025, accrued for as part of PRO) of $135,000. Total life-to-date actual costs incurred are $5,535,253.

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, 2025, 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)

The 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. 103, *Financial Reporting Model Improvements.* This Statement is required to be adopted by the Authority for the year ending December 31, 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 ending December 31, 2026. The Authority has not determined the effect of Statement No. 104 on the financial statements.

The GASB has issued Statement No. 105, *Subsequent Events.* This Statement is required to be adopted by the Authority for the year ending December 31, 2027. The Authority has not determined the effect of Statement No. 105 on the financial statements.

U. ROUNDING

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

V. SUBSEQUENT EVENTS

Effective October 2026, the Authority withdrew from the State Health Benefits Plan for Post-Employment Benefits Other than Pensions and transitioned to NJ Solutions Hiff (Active and Retirees under 65) and Metropolitan Hiff (Retirees over 65 or on Medicare).

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, 2025, with Summarized Totals for 2024

	Year Ended December 31, 2025						
	General Fund	Debt Service Fund	Debt Service Reserve Fund	Bond Redemption and Improvement Fund	Net Investment in Capital Assets	2025 Total	2024 Summarized Total
Operating Revenues							
User charges	$ 20,576,854	$ -	$ -	$ -	$ -	$ 20,576,854	$ 18,435,990
Rental income	2,500	-	-	-	-	2,500	2,500
Miscellaneous	6,873,936	-	-	-	-	6,873,936	148,103
Total Revenues	27,453,290	-	-	-	-	27,453,290	18,586,593
Operating Expenses							
Cost of providing services	9,908,088	-	-	-	-	9,908,088	8,361,067
General and administrative	3,329,613	-	-	-	-	3,329,613	2,860,790
Depreciation	-	-	-	-	3,556,659	3,556,659	3,473,234
Operating income (loss)	14,215,589	-	-	-	(3,556,659)	10,658,930	3,891,502
Non-operating revenues (expenses)							
Connection fees	246,407	-	-	-	-	246,407	215,234
Investment income	1,167,973	-	-	-	-	1,167,973	1,483,569
Bond interest	(300,378)	-	-	-	-	(300,378)	(148,492)
Bond payments	(1,023,676)	-	-	-	1,023,676	-	-
Gain on disposal of assets	(5,884)	-	-	-	-	(5,884)	20,858
	84,442	-	-	-	1,023,676	1,108,118	1,571,169
Net increase (decrease) before transfers	14,300,031	-	-	-	(2,532,983)	11,767,048	5,462,671
Transfers between funds	(9,220,864)	-	-	-	9,220,864	-	-
Net increase (decrease) in net position	5,079,167	-	-	-	6,687,881	11,767,048	5,462,671
Net position (deficit), beginning of year	(675,130)	1,103,717	667,825	150,000	51,614,244	52,860,656	47,397,984
Net position (deficit), end of year	$ 4,404,037	$ 1,103,717	$ 667,825	$ 150,000	$ 58,302,125	$ 64,627,704	$ 52,860,655
Analysis of net position (deficit), end of year							
Net investment in capital assets	$ -	$ -	$ -	$ -	$ 58,302,125	$ 58,302,125	$ 51,614,244
Restricted for capital projects and debt service	-	1,103,717	667,825	150,000	-	1,921,542	1,921,542
Unrestricted	4,404,037	-	-	-	-	4,404,037	(675,130)
	$ 4,404,037	$ 1,103,717	$ 667,825	$ 150,000	$ 58,302,125	$ 64,627,704	$ 52,860,656

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, 2025 and 2024

	2025 Budget (Unaudited)	2025 Actual	Over/ (under)	2024 Actual
Revenues				
User charges	$ 20,278,536	$ 20,576,854	$ 298,318	$ 18,435,990
Rental income	2,500	2,500	-	2,500
Miscellaneous	60,912	6,873,936	6,813,024	216,863
Investment	100,000	1,177,508	1,077,508	1,506,837
	20,441,948	28,630,798	8,188,850	20,162,190
Cost of providing services				
Personnel expenses				
Salaries - regular	3,933,579	3,097,616	(835,963)	2,587,786
Salaries - overtime	305,000	276,813	(28,187)	294,448
	4,238,579	3,374,429	(864,150)	2,882,234
Employee benefits				
Health benefits	2,757,222	1,685,175	(1,072,047)	942,922
Pension	483,000	(161,332)	(644,332)	(87,379)
Social Security	363,978	234,151	(129,827)	207,168
Unemployment	29,596	25,798	(3,798)	23,001
Workers' compensation	250,000	153,595	(96,405)	154,806
	3,883,796	1,937,387	(1,946,409)	1,240,518
Plant				
Chemicals and gases	1,000,000	841,698	(158,302)	1,416,853
Fuel oil	20,000	10,635	(9,365)	3,726
Gasoline	60,000	47,283	(12,717)	40,878
Miscellaneous	74,000	77,877	3,877	59,931
	1,154,000	977,493	(176,507)	1,521,388
Utilities				
Electricity	1,134,500	1,136,582	2,082	874,026
Gas	15,000	7,798	(7,202)	4,850
Sewerage	2,000	1,265	(735)	1,265
Telephone	21,000	9,136	(11,864)	11,434
	1,172,500	1,154,781	(17,719)	891,575
Taxes				
Real estate	164,000	163,839	(161)	159,466
State water	38,500	23,979	(14,521)	26,325
	202,500	187,818	(14,682)	185,791

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, 2025 and 2024

	2025 Budget (Unaudited)	2025 Actual	Over/ (under)	2024 Actual
Repairs and maintenance				
Building and grounds	240,000	225,614	(14,386)	149,550
Electrical	41,000	29,228	(11,772)	39,671
Machinery and equipment	123,000	118,472	(4,528)	71,523
Miscellaneous	15,000	12,032	(2,968)	6,664
Motor vehicle	356,800	320,380	(36,420)	86,105
Plumbing	25,000	7,059	(17,941)	16,275
Street opening	400,000	231,422	(168,578)	99,498
Uniforms	87,000	60,446	(26,554)	37,330
	1,287,800	1,004,653	(283,147)	506,614
Rental				
Construction equipment	8,200	1,598	(6,602)	-
Other	50,000	29,435	(20,565)	10,600
	58,200	31,033	(27,167)	10,600
Outside services				
Advertising	5,000	86	(4,914)	76
Engineering fees	251,000	279,525	28,525	182,411
General insurance	385,000	355,010	(29,990)	362,759
Laboratory	130,000	84,179	(45,821)	88,244
New Jersey Department of Environmental Protection	90,000	34,845	(55,155)	36,852
Other	856,500	443,207	(413,293)	424,907
	1,717,500	1,196,852	(520,648)	1,095,248
Training, travel and education				
Employee travel	1,000	86	(914)	10
Training	40,500	23,952	(16,548)	22,449
	41,500	24,038	(17,462)	22,459
Dues and subscriptions				
Books and publications	2,000	-	(2,000)	22
Dues	5,000	3,114	(1,886)	1,747
	7,000	3,114	(3,886)	1,768
Office supplies				
Office	6,500	6,236	(264)	2,320
Miscellaneous	9,500	9,234	(266)	520
Postage	1,500	80	(1,420)	34
Printing	1,000	940	(60)	-
	18,500	16,490	(2,010)	2,873
Total cost of providing services	13,781,875	9,908,088	(3,873,787)	8,361,068

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, 2025 and 2024

	2025 Budget (Unaudited)	2025 Actual	Over/ (under)	2024 Actual
General and administrative				
Personnel expenses				
Salaries - regular	1,352,461	1,247,658	(104,803)	1,019,842
Salaries - overtime	2,000	726	(1,274)	644
Board salaries	43,500	42,095	(1,405)	42,070
	1,397,961	1,290,479	(107,482)	1,062,556
Employee benefits				
Health benefits	625,317	380,243	(245,074)	74,745
Pension	205,000	(81,867)	(286,867)	(56,855)
Social security	111,381	94,723	(16,658)	76,167
Unemployment	13,000	13,045	45	10,655
	954,698	406,144	(548,554)	104,712
Operations				
Data processing	18,500	13,234	(5,266)	14,129
Janitorial	23,000	18,688	(4,312)	15,571
Office	18,000	18,063	63	17,492
Outside services	30,000	23,155	(6,845)	20,811
Postage	35,000	27,463	(7,537)	27,027
Printing	11,000	15,027	4,027	5,019
Professional fees	490,000	410,855	(79,145)	622,138
Telephone	50,000	45,375	(4,625)	31,882
Training	20,000	6,269	(13,731)	11,325
Travel	1,500	40	(1,460)	85
Utilities	75,500	64,642	(10,858)	62,733
	772,500	642,811	(129,689)	828,210
Repairs and maintenance				
Building and grounds	16,000	9,031	(6,969)	8,614
Machinery and equipment	16,000	9,412	(6,588)	7,223
Miscellaneous	1,000	-	(1,000)	-
Motor vehicle	15,600	8,657	(6,943)	12,154
	48,600	27,100	(21,500)	27,990

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, 2025 and 2024

	2025 Budget (Unaudited)	2025 Actual	Over/ (under)	2024 Actual
Miscellaneous				
Administrative fees	70,000	60,545	(9,455)	52,598
Advertisement	4,000	2,711	(1,289)	3,576
Books and periodicals	3,500	1,347	(2,153)	933
Computer equipment maintenance	75,000	55,834	(19,166)	34,140
Insurance deductibles	20,000	10,302	(9,698)	-
Membership dues	10,000	8,993	(1,007)	9,872
Miscellaneous	15,000	6,377	(8,623)	6,123
Municipal appropriation	918,114	662,060	(256,054)	608,574
Provision-Doubtful account	5,000	(2,807)	(7,807)	23,421
Furniture and Rentals	1,500	-	(1,500)	328
Software license fee	171,000	157,717	(13,283)	97,756
	1,293,114	963,079	(330,035)	837,321
Total general and administrative	4,466,873	3,329,613	(1,137,260)	2,860,790
Total cost of providing services and general and administrative expenses	18,248,748	13,237,701	(5,011,047)	11,221,857
Other costs funded by revenues				
Debt service				
Principal	1,036,647	1,036,647	-	1,016,703
Interest	67,510	288,471	220,961	148,492
	1,104,157	1,325,118	220,961	1,165,196
Total costs funded by operating revenues	$ 19,352,905	$ 14,562,819	$ (4,790,086)	$ 12,387,053

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Authority's proportion of the net pension liability	0.0369127710%	0.0311017589%	0.0379880019%	0.0401382018%	0.0467021111%	0.0456340052%	0.0426456957%	0.0435266986%	0.0508518420%	0.0580285106%
Authority's proportionate share of net pension liability	$ 4,539,773	$ 4,226,121	$ 5,502,324	$ 6,057,407	$ 5,532,565	$ 7,441,713	$ 7,684,107	$ 8,570,190	$ 11,837,496	$ 17,186,380
Authority's covered-employee payroll	3,878,022	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
Authority's proportionate share of net pension liability as a % of payroll	117.06%	144.62%	211.67%	220.21%	189.73%	228.06%	235.73%	285.99%	383.15%	452.27%
Total pension liability	$ 16,261,076	$ 13,409,677	$ 15,957,592	$ 16,468,411	$ 18,848,770	$ 17,936,246	$ 17,694,323	$ 18,469,063	$ 22,808,255	$ 28,709,430
Plan fiduciary net position	11,721,303	9,147,982	10,408,879	10,411,004	13,316,205	10,494,533	10,010,216	9,898,873	10,970,759	11,523,050
Plan fiduciary net position as a % of total pension liability	72.08%	68.22%	65.23%	63.22%	70.65%	58.51%	56.57%	53.60%	48.10%	40.14%

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.
- The discount rate of 7.00% as of the measurement date of June 30, 2025, was unchanged from the June 30, 2024, measurement date.

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

SCHEDULE OF CONTRIBUTIONS – PERS – LAST TEN YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 504,477	$ 506,162	$ 506,162	$ 546,936	$ 546,936	$ 499,213	$ 414,817	$ 667,152	$ 697,390	$ 754,799
Contributions in relation to the contractually required contribution	504,477	506,162	506,162	546,936	546,936	499,213	414,817	667,152	697,390	754,799
Authority's covered-employee payroll	3,878,022	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 % of covered-employee payroll	13.01%	17.32%	19.47%	19.88%	18.76%	15.30%	12.73%	22.26%	22.57%	19.86%

See independent auditors' report.

Changes in Benefit Terms

None.

Changes in Assumptions

For 2025, the discount rate and long-term rate of return remained 7.00%. 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.

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

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Authority's proportion of the net OPEB liability	0.118595%	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	$ 19,727,779	$ 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)	2,365,985	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	833.81%	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	-1.12%	-0.79%	-0.79%	0.28%	0.28%	0.91%	1.98%	1.97%	1.03%	0.69%

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

SCHEDULE OF CONTRIBUTIONS - OPEB
Year Ended December 31, 2025

Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 2,365,985	$ 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	(2,365,985)	(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	$ 3,878,022	$ 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	61.01%	68.22%	75.00%	64.79%	64.31%	57.27%	59.47%	74.07%	71.62%	58.56%

Changes in Benefit Terms

None.

Changes in Assumptions

The discount rate changed from 3.93% as of June 30, 2024, to 5.20% as of June 30, 2025.
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, 2025, and the related notes to the financial statements, which comprise the Authority's basic financial statements, and have issued our report thereon dated October 28, 2026.

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.

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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 28, 2026

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

SCHEDULE OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None reported.

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

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

None reported.