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

SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

DECEMBER 31, 2025

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

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# INDEPENDENT AUDITORS' REPORT ON THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

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

## *Report on the Audit of the Schedules of Expenditures of Federal Awards and State Financial Assistance*

### *Opinion*

We have audited the accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance (the "Schedules") 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, for the year ended December 31, 2025, and the related notes to the Schedules.

In our opinion, the Schedules referred to above presents fairly, in all material respects, the expenditures of federal awards and state financial assistance of the Authority for the year ended December 31, 2025, in accordance with the basis of accounting described in Note B to the Schedules.

### *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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"); and New Jersey Department of the Treasury Circular 25-12-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid* (the "Circular"). Our responsibilities under those standards, the Uniform Guidance, and the Circular are further described in the *Auditors' Responsibilities for the Audit of the Schedule* 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 Schedules*

Management is responsible for the preparation and fair presentation of the Schedules in accordance with the basis of accounting described in Note B to the Schedules, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules that is free from material misstatement, whether due to fraud or error.



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**INDEPENDENT AUDITORS' REPORT ON THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (CONTINUED)**

***Auditors' Responsibilities for the Audit of the Schedules***

Our objectives are to obtain reasonable assurance about whether the Schedule as a whole is free from material misstatement, whether due to fraud or error, and 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*, the Uniform Guidance, and the Circular will always detect a material misstatement when it exists. 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 Schedules.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the Circular, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Schedules, 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 Schedule.
- 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 Schedule.

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.

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

October 28, 2026

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE CIRCULAR

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

### Report on Compliance for Each Major Federal and State Program

#### *Opinion on Each Major Federal and State Program*

We have audited the compliance 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, with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the New Jersey *State Grant Compliance Supplement*, as applicable, that could have a direct and material effect on each of the Authority's major federal and state programs for the year ended December 31, 2025. For state programs not addressed in the State Grant Compliance Supplement, applicable compliance requirements are determined from the related laws, regulations, and award agreements. The Authority's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2025.

#### *Basis for Opinion on Each Major Federal and State Program*

We conducted our audit of compliance 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 *("Government Auditing Standards");* the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"); and New Jersey Department of the Treasury Circular 25-12-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid* (the "Circular"). Our responsibilities under those standards, the Uniform Guidance, and the Circular are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE CIRCULAR (CONTINUED)**

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal and state programs.

***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. 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*, the Uniform Guidance, and the Circular will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than the risk of not detecting material noncompliance resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the Circular, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the Circular, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on Internal Control Over Compliance**

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

**Report on Internal Control Over Compliance (Continued)**

such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the Circular. Accordingly, this report is not suitable for any other purpose.

**Independent Auditors' Report on Schedules of Expenditures of Federal Awards and State Financial Assistance Required by Uniform Guidance and Circular 25-12-OMB**

We have audited the financial statements of the Authority as of and for the year ended December 31, 2025, and the related notes to financial statements, which comprise the Authority's basic financial statements. We issued our report thereon dated October 28, 2026, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by Uniform Guidance and Circular Letter 25-12-OMB and are 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 has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedules of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole in accordance with the basis of accounting described in Note B.

*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 EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2025

| Federal Department/Program Title/Project Title | Federal Assistance Listing Number | Pass-through Grant Number | Grant Period | Grant Award Amount | Current Year's Receipts | Current Year's Expenditures | Subrecipient Expenditures | Cumulative Expenditures |
|---|---|---|---|---|---|---|---|---|
| U.S. Department of Environmental Protection: | | | | | | | | |
| Passed through New Jersey Department of Environmental | | | | | | | | |
| Protection Division of Water Quality: | | | | | | | | |
| Construction Loan Program: | | | | | | | | |
| Affordability Clean Water - Water Meter and Meter Transmission Unit Replacement | 66.468 | S340439-04 | 3/30/21 - 12/31/26 | $ 1,955,044 | $ - | $ - | $ - | $ 672,895 |
| Affordability Drinking Water - Security Enhancements | 66.468 | 0102001-013 | 7/24/25 - 6/4/25 | 5,200,000 | - | 427,950 | - | 427,950 |
| Lead Line Replace Drinking Water - Phase 1 & Phase 2 | 66.468 | 0102001-011 | 4/11/24 - 7/1/27 | 28,200,000 | 599,118 | 1,287,494 | - | 1,349,734 |
| Subtotal Drinking Water State Revolving Fund Cluster | | | | 38,467,024 | 599,118 | 1,715,444 | - | 2,450,579 |
| Total U.S. Department of Environmental Protection | | | | 38,467,024 | 599,118 | 1,715,444 | - | 2,450,579 |
| Total Federal Expenditures | | | | $ 38,467,024 | $ 599,118 | $ 1,715,444 | $ - | $ 2,450,579 |

See notes to schedules of expenditures of federal awards and state financial assistance.

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

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
Year Ended December 31, 2025

| State Grant/Program Title/Project Title | Grant Number | Grant Period | Grant Award Amount | Current Year's Receipts | Current Year's Expenditures | Cumulative Expenditures |
|---|---|---|---|---|---|---|
| New Jersey Department of Environmental Protection: | | | | | | |
| Construction Loan Program: | | | | | | |
| Affordability Clean Water - Water Meter and Meter Transmission Unit Replacement | S340439-04 | 3/30/21 - 12/31/26 | $ 1,955,044 | $ - | $ - | $ - |
| Affordability Drinking Water - Security Enhancements | 0102001-013 | 7/24/25 - 6/4/25 | 5,200,000 | - | - | - |
| Lead Line Replace Drinking Water - Phase 1 & Phase 2 | 0102001-011 | 4/11/24 - 7/1/27 | 28,200,000 | 1,452,320 | 3,121,009 | 3,121,009 |
| Subtotal Drinking Water State Revolving Fund Cluster | | | 38,467,024 | 1,452,320 | 3,121,009 | 3,121,009 |
| Total New Jersey Department of Environmental Protection | | | 38,467,024 | 1,452,320 | 3,121,009 | 3,121,009 |
| Total State Expenditures | | | $ 38,467,024 | $ 1,452,320 | $ 3,121,009 | $ 3,121,009 |

See notes to schedules of expenditures of federal awards and state financial assistance.

**ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY**
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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

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## A. GENERAL

The accompanying Schedules of Expenditures of Federal Awards and of State Financial Assistance (collectively, the "Schedules") present the federal award and state financial assistance activity of the Atlantic City Municipal Utilities Authority (the "Authority"), a component unit of the City of Atlantic City, for the year ended December 31, 2025. The Schedules include awards received directly from federal and state agencies and awards passed through other governmental agencies. Federal awards passed through State agencies are reported as federal awards rather than state financial assistance.

## B. BASIS OF ACCOUNTING

The accompanying Schedules are presented using the accrual basis of accounting and are prepared in accordance with the applicable requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and New Jersey Department of the Treasury Circular 25-12-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid* (the "Circular"). Expenditures are recognized when the related liability is incurred under the terms and conditions of the applicable federal or state award and are subject to the applicable cost principles and award requirements. The accounting principles used in preparing the Schedules are consistent with those used in preparing the Authority's basic financial statements.

## C. COMMITMENTS AND CONTINGENCIES

Federal and state awarding agencies and pass-through entities retain the right to audit the Authority's federal award and state financial assistance programs and may disallow costs that do not comply with applicable laws, regulations and award terms. Management believes that the ultimate resolution of any such audits would not have a material effect on the Authority's financial statements or the Schedules.

The Authority has entered into contracts with vendors and contractors to provide goods and services in connection with its federal award and state financial assistance programs. The Authority is responsible for complying with the applicable terms and conditions of those contracts and the related federal and state awards.

## D. INDIRECT COST RATE

The Authority does not have a negotiated indirect cost rate and did not elect to use the 15 percent de minimis indirect cost rate under the Uniform Guidance for federal awards. Indirect costs charged to state awards, if any, are subject to the applicable state award terms and requirements.

## E. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports. State financial assistance is presented on the accrual basis described in Note B; differences from related state financial reports may arise from the timing of expenditures and reimbursements or differences in reporting requirements.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2025

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## Section I - Summary of Auditors' Results

*Basic Financial Statements*
Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weaknesses identified? ____yes __X__no
- Significant deficiencies identified? ____yes __X__none reported

Noncompliance material to financial statements noted? ____yes __X__no

*Schedule of Expenditures of Federal Awards*

Internal control over major programs:

- Material weaknesses identified? ____yes __X__no
- Significant deficiencies identified? ____yes __X__none reported

Type of auditors' report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? ____yes __X__no

Identification of major programs:

| Assistance Listing Number | Name of Federal Program |
|---|---|
| 66.468 | Drinking Water State Revolving Fund |

Dollar threshold used to determine Type A and Type B Federal Programs: $ 1,000,000

Auditee qualified as low-risk auditee – Federal? ____yes __X__no

## Section I - Summary of Auditors' Results (Continued)

*Schedule of Expenditures of State Financial Assistance*

Internal control over major state programs:

- Material weaknesses identified? ____yes __X__no
- Significant deficiencies identified? ____yes __X__none reported

Type of auditors' report issued on compliance for major state programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with Circular 25-12-OMB? ____yes __X__no

Identification of major state programs:

| Grant Number | Name of State Program |
|---|---|
| 0102001-011 | Drinking Water State Revolving Fund |

Dollar threshold used to determine Type A and Type B State Programs: $ 1,000,000

Auditee qualified as low-risk auditee – State? ____yes __X__no

## Section II – Financial Statement Findings

None reported.

## Section III – Findings and Questioned Costs Relating to Federal and State Awards

None reported.

**ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY**
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SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

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Not applicable.