

**MERCHANTVILLE – PENNSAUKEN
WATER COMMISSION
REPORT OF AUDIT
WITH SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2025 AND 2024**

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
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Merchantville-Pennsauken Water Commission

Roster of Officials
As of December 31, 2025

Commissioners

Joseph C. Scavuzzo
Shakir Ali
Frank Warwick
Patrick J. Brennan
Raymond Woods

Position

President
Vice President
Secretary
Treasurer
Assistant Secretary/Treasurer

Officers

John Killion
James Garaguso
Richard Spafford, PE
Margaret McHugh

Chief Operating Officer
Distribution Superintendent
Engineer
General Counsel

Consultants

Remington and Vernick Engineers, Inc.
Consulting Engineer Services (CES)
CME Associates
Parker McCay, P.A.
Obermayer Rebmann Maxwell & Hippel LLP
Connor Strong & Buckelew

Engineer
Engineer
Engineer
Bond Counsel
Bond Counsel
Insurance Broker

**THE MERCHANTVILLE-PENNSAUKEN
WATER COMMISSION**

PART I

FINANCIAL SECTION

**FOR THE YEARS ENDED
DECEMBER 31, 2025 AND 2024**

INDEPENDENT AUDITORS' REPORT

The Commissioners of
The Merchantville-Pennsauken Water Commission
Pennsauken, New Jersey

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Merchantville-Pennsauken Water Commission, in the County of Camden, State of New Jersey, a component unit of the Township of Pennsauken ("Commission"), as of and for the year ended December 31, 2025 and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Commission, as of December 31, 2025 and the changes in its financial position and cash flows thereof for the year 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey (Division). 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 Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Report on Prior Year Financial Statements

The financial statements of the Commission as of and for the year ended December 31, 2024, were audited by Bowman & Company LLP, whose owners became partners with PKF O'Connor Davies, LLP, and whose report, dated September 17, 2025, expressed an unmodified opinion on those financial statements. We were not engaged to audit, review, or apply any procedures to the 2024 financial statements of the Commission and, accordingly, we do not express an opinion or any other form of assurance on the 2024 financial statements as a whole.

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 Commission'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 generally accepted auditing standards and *Government Auditing Standards* 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, requirements of the Division and *Government Auditing Standards*, 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 Commission'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 Commission'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, schedule of changes in the Commission's total OPEB liability and related ratios, schedule of the Commission's proportionate share of the net pension liability and schedule of the Commission's pension contributions 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying 2025 supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 2025 basic financial statements. The 2025 supplementary information has been subjected to the auditing procedures applied in the audit of the 2025 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 2025 basic financial statements or to the 2025 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying 2025 supplementary schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The 2024 comparative information presented in Schedule 8 is presented for purposes of additional analysis and was derived from the supplementary information accompanying the Commission's basic financial statements as of and for the year ended December 31, 2024. Those financial statements were audited by Bowman & Company LLP, whose report dated September 17, 2025, expressed an unmodified opinion on those financial statements and stated that the accompanying supplementary schedules were fairly stated, in all material respects, in relation to the basic financial statements as a whole. Our opinion on the supplementary information is limited to the 2025 information and does not extend to the 2024 comparative information presented in Schedule 8.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2026, on our consideration of the Commission'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 Commission'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 Commission's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

PKF O'CONNOR DAVIES, LLP

Voorhees, New Jersey
August 24, 2026

**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**

INDEPENDENT AUDITORS' REPORT

The Commissioners of
The Merchantville-Pennsauken Water Commission
Pennsauken, New Jersey

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 as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey (Division), the financial statements of the business-type activities of the Merchantville-Pennsauken Water Commission, in the County of Camden, State of New Jersey, a component unit of the Township of Pennsauken (Commission), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated August 24, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission'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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Commission'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.

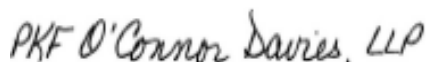
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission'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* and the audit requirements as prescribed by the Division.

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 Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Division in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink that reads "PKF O'Connor Davies, LLP". The signature is written in a cursive, slightly slanted style.

PKF O'CONNOR DAVIES, LLP

Voorhees, New Jersey
August 24, 2026

**THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
UNAUDITED**

The Merchantville-Pennsauken Water Commission ("Commission") was created under the provisions of Title 40 Chapter 62 of the Laws of New Jersey, as a public agency to acquire, construct, maintain, operate or improve works for the collection, treatment, or purification of water for the Borough of Merchantville and the Township of Pennsauken. The Commission also provides these services to certain areas within the Township of Cherry Hill and the City of Camden. This section of the Commission's annual financial report provides a discussion and analysis of the financial performance for the years ended December 31, 2025 and 2024. The entire annual financial report consists of five parts; Independent Auditors' Report, management's discussion and analysis, the basic financial statements, required supplementary information and supplementary schedules.

FINANCIAL HIGHLIGHTS

- **Total Assets** - Total assets as of December 31, 2025 were \$82,030,243.74. After adding deferred outflows of \$4,248,807.00 and deducting liabilities of \$29,256,667.27 and deferred inflows of \$9,703,272.79, net position equals \$47,319,110.68, an increase of \$7,797,635.62 from 2024.
- The Commission's current assets for the year ended December 31, 2025 totaling \$35,718,963.19 increased \$12,614,855.05 or 54.60% from the year ended December 31, 2024 primarily due to the issuance of 2025 interim financing through NJ IBank. Additionally, unrestricted investments increased due to a new certificate of deposit in the current year.
- The Commission's current liabilities for the year ended December 31, 2025 totaling \$2,776,692.70 decreased \$7,987,564.74 or 74.20% while long-term liabilities for the year ended December 31, 2025 totaling \$26,479,974.57 increased \$15,004,465.61 or 130.75% from the year ended December 31, 2024. These changes are primarily due to 2023 interim loans being permanently financed in the current year.
- **Total Operating Revenues** - Operating revenues for the year ended December 31, 2025 totaling \$13,565,605.29 increased \$237,215.36 or 1.78% from the year ended December 31, 2024 primarily due to an increase in sales to the general public.
- **Net Non-Operating Revenues (Expenses)** - Non-operating revenues, net of non-operating expenses, for the year ended December 31, 2025 totaled \$5,917,837.69, an increase of \$5,205,452.79 from the year ended December 31, 2024, primarily due to legal settlements.
- **Total Operating Expenses** - Operating expenses, before depreciation, for the year ended December 31, 2025 totaling \$10,324,838.88 were \$916,386.69 more than the \$9,408,452.19 for the year ended December 31, 2024 due primarily to increases in property maintenance and operating costs.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements report information about the Commission as a whole using accounting methods similar to those used by private-sector companies. The comparative statements of net position include all of the Commission's assets, deferred outflows, liabilities and deferred inflows. As the Commission follows the accrual method of accounting, the current year's revenues and expenses are accounted for in the comparative statements of revenues, expenses and changes in net position regardless of when cash is received or paid.

Net Position – the difference between the Commission's assets, deferred outflows of resources, liabilities and deferred inflows of resources – is a measure of the Commission's financial health or position.

The comparative statements of revenues, expenses and changes in net position provides a breakdown of the various areas of revenues and expenses encountered during the current year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
UNAUDITED

OVERVIEW OF THE FINANCIAL STATEMENTS (CONT'D)

The comparative statements of cash flows provide a breakdown of the various sources of cash flow, categorized into four areas: cash flows from operating activities, capital and related financing activities, non-capital financing activities, and investing activities.

A summary of the Commission's significant accounting policies is described in the "Notes to the Financial Statements" which is included in the audit described above.

FINANCIAL ANALYSIS OF THE COMMISSION

The Commission's total net position was \$47,319,110.68 on December 31, 2025. Total assets, deferred outflows of resources, total liabilities, deferred inflows of resources and total net position are detailed below.

A large portion, approximately 59%, of the Commission's net position represents its investment in capital assets, net of accumulated depreciation (i.e., water lines, wells, treatment plants, buildings, improvements and equipment); less the related debt outstanding used to acquire those capital assets. Although the Commission's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since the capital assets themselves cannot be used to liquidate liabilities.

The remaining portion of the Commission's net position is unrestricted.

Comparative Statements of Net Position
As of December 31, 2025, 2024 and 2023

	Dec. 31, 2025	Dec. 31, 2024	Dec. 31, 2023	Change from 2025 to 2024	
				Amount	Percentage
Assets					
Current Assets	\$ 35,718,963.19	\$ 23,104,108.14	\$ 26,263,230.00	\$ 12,614,855.05	54.60%
Lease Receivable	5,312,067.59	5,436,900.76	6,588,160.00	(124,833.17)	-2.30%
Capital Assets	39,456,352.95	38,135,048.07	33,451,297.53	1,321,304.88	3.46%
Total Assets	80,487,383.73	66,676,056.97	66,302,687.53	13,811,326.76	20.71%
Deferred Outflows of Resources	4,248,807.00	5,564,849.00	6,851,378.00	(1,316,042.00)	-23.65%
Liabilities					
Current Liabilities	2,776,692.70	10,764,257.44	2,501,544.20	(7,987,564.74)	-74.20%
Long-Term Liabilities	26,479,974.57	11,475,508.96	21,096,883.00	15,004,465.61	130.75%
Total Liabilities	29,256,667.27	22,239,766.40	23,598,427.20	7,016,900.87	31.55%
Deferred Inflows of Resources	9,703,272.79	10,479,664.51	12,248,871.80	(776,391.72)	-7.41%
Net Position					
Net Investment in Capital Assets	28,100,876.18	28,339,942.35	26,278,379.27	(239,066.17)	-0.84%
Unrestricted	19,218,234.50	11,181,532.71	11,028,387.26	8,036,701.79	71.87%
Total Net Position	\$ 47,319,110.68	\$ 39,521,475.06	\$ 37,306,766.53	\$ 7,797,635.62	19.73%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
UNAUDITED

FINANCIAL ANALYSIS OF THE COMMISSION (CONT'D)

Comparative Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2025, 2024 and 2023

	Dec. 31, 2025	Dec. 31, 2024	Dec. 31, 2023	<u>Change from 2025 to 2024</u>	
				<u>Amount</u>	<u>Percentage</u>
Operating Revenues:					
Service Charges	\$ 13,488,665.53	\$ 13,246,011.97	\$ 13,007,003.91	\$ 242,653.56	1.83%
Other Operating Revenues	76,939.76	82,377.96	53,592.00	(5,438.20)	-6.60%
Total Operating Revenues	13,565,605.29	13,328,389.93	13,060,595.91	237,215.36	1.78%
Operating Expenses:					
Administration	3,177,895.89	3,124,836.51	2,990,374.81	53,059.38	1.70%
Cost of Providing Services	7,146,942.99	6,283,615.68	5,582,051.19	863,327.31	13.74%
Depreciation	2,360,968.48	2,417,614.11	2,351,374.45	(56,645.63)	-2.34%
Total Operating Expenses	12,685,807.36	11,826,066.30	10,923,800.45	859,741.06	7.27%
Non-Operating Income (Loss)	5,917,837.69	712,384.90	456,219.19	5,205,452.79	730.71%
Contributed Capital	1,000,000.00	-	-	1,000,000.00	100.00%
Change in Net Position	7,797,635.62	2,214,708.53	2,593,014.65	5,582,927.09	252.08%
Net Position - Beginning	39,521,475.06	37,306,766.53	34,713,751.88	2,214,708.53	5.94%
Net Position - Ending	\$ 47,319,110.68	\$ 39,521,475.06	\$ 37,306,766.53	\$ 7,797,635.62	19.73%

OVERALL ANALYSIS

Overall, the Commission remains in a sound financial position in part due to its longevity (established in 1926) and the fact that its infrastructure was constructed and renewed over an extended period of time through the issuance of 10 separate bond issues dated from June 1926 to December 1964. The Commission's rate structure, while competitive in comparison to area water purveyors, has traditionally been established to provide for operating costs, debt service requirements and the provision for future capital needs. This approach to setting rates in combination with a manageable debt service history leaves the Commission in a sound financial position.

The Commission continues to provide management, operation and oversight of the Borough of Collingswood's water treatment stations and associated operations in accordance with a shared services arrangement that began in 2018. The Commission has the licensed personnel, background and expertise to operate and maintain the Borough's treatment stations, associated tanks and pumps that supply Collingswood's water.

BUDGET VARIANCES

The Commissioners have historically taken a conservative approach in preparing the budget due to the uncertainty in anticipating certain expenses such as repair and maintenance requirements that can create material fluctuations in the cost of operations from year to year. Actual operating and non-operating expenses and debt service costs, excluding the actuarially determined accrual for long-term pension and benefit costs, were \$10,434,469.09. These expenditures were \$72,439.91 less than were budgeted. Actual total operating and non-operating revenues of \$14,651,774.63 were \$1,366,134.63 more than the \$13,285,640.00 budgeted.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
UNAUDITED

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

During 2025, the Commission expended \$3,706,073.36 for capital activities.

The proposed five-year Capital Improvement Program included in the Commission's 2026 budget totals \$43,451,776.00. This five-year plan, in addition to the Commission's normal ongoing system renewals, contains certain major projects that are contingent upon the approval of the New Jersey Department of Environmental Protection Agency (NJDEP). Major line items making up a portion of the Capital Budget are:

1. Water Treatment Plant Improvements
2. Main Replacements
3. Tank Painting
4. Other Vehicles and Equipment

CONTACTING THE COMMISSION'S MANAGEMENT

This financial report is designed to provide Merchantville and Pennsauken residents, investors, customers and creditors, with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the public funds it receives. If you have any questions about this report or need additional financial information, contact the Chief Operating Officer, Merchantville-Pennsauken Water Commission, 6751 Westfield Avenue, Pennsauken, NJ 08110 or by phone at 856-663-0043.

BASIC FINANCIAL STATEMENTS

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

Comparative Statements of Net Position

As of December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 8,457,250.52	\$ 6,395,489.89
Investments	15,596,349.98	12,076,708.16
Customer Accounts Receivable (Net of an Allowance for Doubtful Accounts of \$65,000.00 for 2025 and 2024)	2,084,684.12	2,317,330.09
Unbilled Revenue	1,285,716.64	1,180,256.01
Current Portion of Legal Settlement	352,653.72	
NJIB Interim Loan Receivable	7,454,406.00	672,144.00
Accrued Interest Receivable	20,365.99	16,066.45
Current Portion of Lease Receivable	124,833.25	111,902.74
Inventory	342,702.97	334,210.80
Total Current Assets	<u>35,718,963.19</u>	<u>23,104,108.14</u>
Noncurrent Assets:		
Lease Receivable	5,312,067.59	5,436,900.76
Legal Settlement Receivable	1,542,860.01	
Capital Assets (Net of Accumulated Depreciation)	<u>39,456,352.95</u>	<u>38,135,048.07</u>
Total Noncurrent Assets	<u>46,311,280.55</u>	<u>43,571,948.83</u>
Total Assets	<u>82,030,243.74</u>	<u>66,676,056.97</u>
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	392,164.00	373,565.00
Related to OPEB	<u>3,856,643.00</u>	<u>5,191,284.00</u>
Total Deferred Outflows of Resources	<u>4,248,807.00</u>	<u>5,564,849.00</u>

(Continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

Comparative Statements of Net Position

As of December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
LIABILITIES		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable		
Other	\$ 928,266.91	\$ 638,912.11
Related to Pension	390,869.00	385,427.00
Accrued Expenses	244,632.53	185,325.70
Accrued Interest Payable	78,694.51	36,969.89
Customer Prepayments	130,247.75	124,732.48
Payroll Deductions Payable	27,298.10	27,837.52
Escrow Deposits	21,534.52	21,390.55
Current Portion of NJIB Loans Payable	554,445.04	8,944,937.42
Current Portion of Compensated Absences	11,342.34	9,362.77
Current Portion of OPEB Liability	389,362.00	389,362.00
Total Current Liabilities Payable from Unrestricted Assets	2,776,692.70	10,764,257.44
Long-term Liabilities:		
Unrestricted Liabilities:		
Compensated Absences	102,081.05	84,264.92
OPEB Liability	5,676,373.00	5,838,875.00
NJIB Loans Payable	16,988,667.52	1,510,812.04
Net Pension Liability	3,517,418.00	3,848,843.00
Accrued Liabilities - Related to Pension	195,435.00	192,714.00
Total Long-term Liabilities	26,479,974.57	11,475,508.96
Total Liabilities	29,256,667.27	22,239,766.40
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	454,467.00	457,445.00
Related to Connection Fees	299,433.87	290,776.65
Related to Leases	4,540,498.92	4,782,388.36
Related to OPEB	4,408,873.00	4,949,054.50
Total Deferred Inflows of Resources	9,703,272.79	10,479,664.51
NET POSITION		
Net Investment in Capital Assets	28,100,876.18	28,339,942.35
Unrestricted	19,218,234.50	11,181,532.71
Total Net Position	\$ 47,319,110.68	\$ 39,521,475.06

The accompanying Notes to Financial Statements are an integral part of these statements.

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
Comparative Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating Revenues:		
Metered Sales to General Public	\$ 11,800,200.00	\$ 11,261,470.72
Private Fire Protection	1,265,161.07	1,245,543.45
Public Fire Protection	103,576.00	100,672.00
Connection Fees	23,148.78	312,696.60
Late Charges	127,439.68	120,377.53
Tapping Fees	14,140.00	8,585.00
Shared Service Agreement	155,000.00	196,666.67
Miscellaneous Income	76,939.76	82,377.96
Total Operating Revenues	13,565,605.29	13,328,389.93
Operating Expenses:		
Administration:		
Salaries and Wages	1,158,153.48	1,177,772.54
Employee Benefits	874,282.73	847,335.58
Other Expenses	1,145,459.68	1,099,728.39
Cost of Providing Service:		
Salaries and Wages	1,971,535.08	1,816,886.61
Employee Benefits	1,426,461.29	1,382,494.89
Other Expenses	3,748,946.62	3,084,234.18
Depreciation	2,360,968.48	2,417,614.11
Total Operating Expenses	12,685,807.36	11,826,066.30
Operating Income	879,797.93	1,502,323.63
Non-operating Income (Expense):		
Investment Income	581,949.54	564,655.31
Interest on Debt	(112,613.63)	(54,723.51)
Cost of Issuance	(139,706.00)	
Net Legal Settlements	5,107,787.98	
Loss on Disposal of Capital Assets	(23,800.00)	
Tower Lease Income	302,328.88	
Lease Interest Income	201,890.92	202,453.10
Total Non-operating Income	5,917,837.69	712,384.90
Income Before Contributions	6,797,635.62	2,214,708.53
Contributed Capital	1,000,000.00	
Change in Net Position	7,797,635.62	2,214,708.53
Net Position - Beginning	39,521,475.06	37,306,766.53
Net Position - Ending	\$ 47,319,110.68	\$ 39,521,475.06

The accompanying Notes to Financial Statements are an integral part of these statements.

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

Comparative Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows Provided by Operating Activities:		
Receipts from Customers and Users	\$ 13,333,443.68	\$ 12,488,579.00
Payments to Employees	(5,124,057.80)	(4,757,395.91)
Payments to Suppliers	(4,554,236.84)	(4,199,442.11)
Other Operating Receipts	373,519.44	472,793.16
Net Cash Provided by Operating Activities	4,028,668.48	4,004,534.14
Cash Flows Used in Capital and Related Financing Activities:		
NJIB Drawdowns	1,600,727.00	6,040,951.00
Debt Issuance Costs	(97,386.20)	
Debt Service Principal	(331,035.09)	(269,189.00)
Debt Service Interest	(77,799.62)	(34,266.81)
Cash receipts from tower leases	374,233.02	373,608.96
Acquisitions of Capital Assets	(3,706,073.36)	(7,979,767.65)
Net Cash Used in Capital and Related Financing Activities	(2,237,334.25)	(1,868,663.50)
Cash Flows Provided by Non-Capital and Related Financing Activities:		
Net Legal Settlements	3,212,274.25	
Escrow Deposits	143.97	166.55
Net Cash Provided by Non-Capital and Related Financing Activities	3,212,418.22	166.55
Cash Flows Used in Investing Activities:		
Purchases of Investments	(15,596,349.98)	(12,076,708.16)
Receipts from the Maturity of Investments	12,076,708.16	9,566,252.00
Investment Income Receipts	577,650.00	562,734.86
Net Cash Used in Investing Activities	(2,941,991.82)	(1,947,721.30)
Change in Cash and Cash Equivalents	2,061,760.63	188,315.89
Cash and Cash Equivalents - Beginning	6,395,489.89	6,207,174.00
Cash and Cash Equivalents - Ending	\$ 8,457,250.52	\$ 6,395,489.89

(Continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

Comparative Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Reconciliation of Operating Income to Net Cash Flows		
Provided by Operating Activities:		
Operating Income	\$ 879,797.93	\$ 1,502,323.63
Adjustments to Reconcile Operating Income		
to Net Cash Provided by Operating Activities:		
Depreciation Expense	2,360,968.48	2,417,614.11
Changes in Assets, Deferred Outflows of Resources,		
Liabilities and Deferred Inflows of Resources:		
Customer Accounts Receivable	232,645.97	(119,883.09)
Unbilled Revenue	(105,460.63)	(158,256.01)
Other Accounts Receivable		64,786.00
Connection Fees	8,657.22	(162,641.15)
Inventory	(8,492.17)	(31,230.80)
Accounts Payable	289,354.80	45,799.03
Accrued Expenses	59,306.83	(30,047.77)
Payroll Deductions Payable	(539.42)	2,947.52
Customer Prepayments	5,515.27	8,976.48
Compensated Absences Payable	19,795.70	93,627.69
Pension Related Items	(344,839.00)	(312,006.00)
OPEB Related Items	631,957.50	682,524.50
Net Cash Provided by Operating Activities	<u>\$ 4,028,668.48</u>	<u>\$ 4,004,534.14</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

Notes to Financial Statements
For the Years Ended December 31, 2025 and 2024

Note 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Merchantville-Pennsauken Water Commission (the "Commission") have been prepared to conform with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

Reporting Entity

The Merchantville-Pennsauken Water Commission was established in 1926 pursuant to the provisions of Title 40, Chapter 62 of the Laws of New Jersey and is co-owned by the Borough of Merchantville and Township of Pennsauken. The Laws authorized the municipalities through the agency of a water commission to acquire, construct, maintain, operate or improve works for the collection, treatment, or purification of water.

The Commission's service area goes beyond Merchantville and Pennsauken, supplying water to areas in Cherry Hill Township and Camden City, as well.

The Commission consists of five members, with two members appointed by resolution of the Borough of Merchantville and three members by the Township of Pennsauken. The daily operations of the Commission are managed by the Chief Operating Officer.

Component Unit

In evaluating how to define the Commission for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit would be or is reported in a separate column in the financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and / or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to be the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Commission has no component units and is a component unit of the Township of Pennsauken. However, the Township of Pennsauken financial statements are prepared on the regulatory basis of accounting prescribed by the State of New Jersey and accordingly, the financial statements of the Commission do not appear in the Township's financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Basis of Presentation**

The financial statements of the Commission have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Commission is a single enterprise fund and maintains its records on the accrual basis of accounting. Enterprise Funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) 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 (iii) 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 recorded when earned and expenses are recorded when the related liability is incurred.

Reclassification of Prior Year Information

Certain prior amounts have been reclassified for consistency with current year presentation.

Basis of Accounting

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.

Revenues -- Exchange and Non-Exchange Transactions - 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 charges are recognized as revenue when services are provided. Connection fees are collected in advance and, accordingly, the Commission defers these revenues until the municipality issues a release for certificate of occupancy and determines that water distribution is being provided to the properties.

Non-exchange transactions, in which the Commission receives value without directly giving equal value in return, include grants, contributed capital, and donations. Revenue from grants, contributed capital, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Commission must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Commission on a reimbursement basis.

Expenses - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Budgets and Budgetary Accounting

The Commission must adopt an annual budget in accordance with N.J.A.C. 5:31-2. N.J.A.C. 5:31-2 requires the governing body to introduce the annual Commission budget at least 60 days prior to the end of the current year and to adopt the budget not later than the beginning of the Commission's year. The governing body may amend the budget at any point during the year. The budget is adopted on the accrual basis of accounting with provisions for cash payments for bond principal and capital outlays. Certain types of expenses are not included in the budget appropriations such as depreciation, pension expense, and other postemployment benefits (OPEB) expense.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Budgets and Budgetary Accounting (Cont'd)**

The legal level of budgetary control is established at the same level of detail shown on the Comparative Statements of Revenues, Expenses and Changes in Net Position (audit Exhibit B). All budget transfers and amendments to those accounts must be approved by resolution of the Commission as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended. The Commission did not adopt an amending budget resolution during the year.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds and cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey governmental units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey governmental units. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or bonds or other obligations of the school district of which the local unit is a part of or within which the school district is located, bonds or other obligations approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units, local government investment pools, deposits with the State of New Jersey Cash Management Fund and agreements for the purchase of fully collateralized securities with certain provisions. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. 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. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

Additionally, the Commission has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

Materials and Supplies Inventory

Materials and supplies inventory consists of pipes, mains, fittings and other supplies used in the renewal and repairs to the system and for new installations. Inventories are valued at cost on a first-in, first-out basis.

Accounts Receivable and Uncollectible Accounts

Management establishes reserves for uncollectible accounts based on reviews of aged receivables and other factors, such as bankruptcies, associated with the account.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Prepaid Expenses**

Prepaid expenses recorded on the financial statements represent payments made to vendors for services that will benefit periods beyond the applicable year end. The Commission had no prepaid expenses for the year ended December 31, 2025 and 2024.

Lease Receivable

Lease receivables recorded on the statements of net position represents a contract that conveys control of the right to use the Commission's (lessor) nonfinancial asset. At the commencement of the lease term, the lessor recognizes a lease receivable and a deferred inflow of resources. The lease receivable is measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

Capital Assets

Capital Assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Commission. Assets purchased prior to January 1, 1992 are stated at estimated cost. Assets purchased since are stated at actual cost.

Expenditures, which enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the capital asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. Costs incurred during construction of an asset are recorded as construction in progress. In the year that the project is completed, these costs are transferred to Capital Assets - Completed.

Lease assets are measured on the statements of net position at the amount of the initial measurement of the related lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

Subscription assets are measured on the statements of net position at the amount of the initial measurement of the related subscription liability, plus any payments associated with the arrangement made to the vendor at the commencement of the subscription term and capitalizable initial implementation costs.

Expenditures are capitalized when they meet the following requirements:

- 1) Cost of \$1,000 or more
- 2) Useful life of more than one year
- 3) Asset is not affected by consumption

Amortization and Depreciation

Amortization on lease and subscription assets and depreciation on other capital assets is computed using the straight-line method over the shorter of the lease term or the following useful lives:

	<u>Years</u>
Buildings	40
Services	20
Water Treatment and Pumping Equipment	20-30
Other Infrastructure	10-20
Meters and Equipment	5-10
Transportation Equipment	5
Office and Technological Equipment	5-7
Subscription Assets	5-10

Depreciation and amortization is calculated as of the month of acquisition.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Debt Premiums**

Debt premiums arising from the issuance of long-term debt are amortized over the life of the debt, in a systematic and rational method, from the issue date to maturity as a component of interest expense. Debt premiums are presented as an adjustment to the face amount of the debt.

Deferred Outflows and Deferred Inflows of Resources

The comparative statements of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net assets that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net assets 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 Governmental Accounting Standards Board (GASB) standards. The Commission is required to report the following as deferred outflows of resources and deferred inflows of resources: leases, connection fees received prior to providing water services, defined benefit pension plans and postemployment benefit plans.

Compensated Absences

Compensated absences are those absences for which employees will be paid, such as paid time off (PTO), sick leave, vacation leave, compensatory time, and certain types of sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Commission and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Commission and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

Customer Prepayments

Customer prepayments arise when assets are recognized before revenue recognition criteria have been satisfied and are recorded as a liability until the revenue is both measurable and the Commission is eligible to realize the revenue.

Pensions

For purposes of measuring the net pension (benefit) 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Net Position**

In accordance with the provisions of GASB Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*, the Commission has classified its net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation or amortization, 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 are included in this component of net position. If there are significant unspent related debt proceeds 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 is included in the same net position component as the unspent proceeds.

Restricted – Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Commission 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." This component includes net position that may be allocated for specific purposes by the Commission.

Income Taxes

The Commission operates as defined by Internal Revenue Code Section 115 and appropriately is exempt from income taxes under Section 115.

Operating and Non-Operating Revenues and Expenses

Operating revenues include all revenues derived from service charges (i.e., metered sales, which include water distribution revenues), connection fees and other revenue sources. Non-operating revenues principally consist of tower leases, receipts from legal settlements and interest income earned on various interest-bearing accounts.

Operating expenses include expenses associated with the operation, maintenance and repair of the treatment and distribution systems and general administrative expenses. Non-operating expenses principally include expenses attributable to the Commission's interest on funded debt and cost of debt issuance.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Impact of Recently Issued Accounting Policies**Recently Issued and Adopted Accounting Pronouncements**

Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. That objective is achieved by requiring a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue vulnerable to the risk of a substantial impact. The adoption of this Statement had no impact on the Commission's financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Impact of Recently Issued Accounting Policies (Cont'd)****Recently Issued Accounting Pronouncements**

The GASB has issued the following Statements which will become effective in future years as indicated below:

Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. That objective is achieved by improving the quality of the analysis of changes from the prior year, which will enhance the relevance of that information. They also will provide clarity regarding what information should be presented in MD&A. The Statement will become effective for the Commission in the year ending December 31, 2026. Management is currently evaluating the impact this Statement will have on the basic financial statements of the Commission.

Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement also requires additional disclosures for capital assets held for sale. That objective is achieved by improving financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments. The Statement will become effective for the Commission in the year ending December 31, 2026. Management is currently evaluating the impact this Statement will have on the basic financial statements of the Commission.

Statement No. 105, *Subsequent Events*, establishes guidance for the recognition and disclosure of events occurring after the financial statement date but before the financial statements are issued (or available to be issued). The Statement requires governments to distinguish between recognized subsequent events (those requiring adjustment to the financial statements) and nonrecognized subsequent events (those requiring disclosure only), and to disclose the date through which subsequent events were evaluated. The Statement will become effective for the Commission in the year ending December 31, 2027. Management is currently evaluating the impact this Statement will have on the basic financial statements of the Commission.

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**Compliance with finance related legal and contractual provisions**

Management of the Commission is unaware of any material violations of finance related legal and contractual provisions.

Note 3: DETAIL NOTES - ASSETS**Cash and Cash Equivalents**

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Commission's deposits might not be recovered. Although the Commission does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Commission in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds, salary withholdings or funds that may pass to the Commission relative to the happening of a future condition. If the Commission had any such funds, they would be shown as Uninsured and Uncollateralized in the schedule below.

As of December 31, 2025 and December 31, 2024, the Commission's bank balances were exposed to custodial credit risk as follows:

	<u>2025</u>	<u>2024</u>
Insured by FDIC	\$ 250,000.00	\$ 250,000.00
Insured by GUDPA	6,726,413.10	6,105,953.27
Uninsured & Uncollateralized	<u>21,534.47</u>	<u>67,070.25</u>
Total	<u>\$ 6,997,947.57</u>	<u>\$ 6,423,023.52</u>

Investments

New Jersey authorities are limited as to the types of investments and types of financial institutions they may utilize for investing. N.J.S.A. 40A:5-15.1 provides a list of permissible investments that may be purchased by New Jersey authorities. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or other obligations of the local unit or units within which the Commission is located, bonds or other obligations approved by the Division of Investment in the Department of Treasury for investment by authorities, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions. The Commission has no investment policy that would further limit its investment choices.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Commission 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 Commission, and are held by either the counterparty or the counterparty's trust department or agent but not in the Commission's name. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Commission has no investment policy to limit its exposure to custodial credit risk. All of the Commission's \$15,596,349.98 as of December 31, 2025, and \$12,076,708.16 as of December 31, 2024, investments in certificates of deposit are held in the name of the Commission.

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. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Commission's investment policy places no limit on the amount that the Commission may invest in any one issuer. All of the Commission's investments consist of certificates of deposit with maturities of more than two months at the time of purchase.

Note 3: DETAIL NOTES – ASSETS (CONT'D)**Investments (Cont'd)**

Concentration of Credit Risk (Cont'd) – As of December 31, 2025, the Commission had fifteen certificates of deposit valued at \$15,596,349.98 ranging from 3.75% to 4.15% and maturing between January 23, 2026 and November 8, 2026. Of the total value of certificates of deposit as of December 31, 2025, the entire balance was protected by FDIC or GUDPA. As of December 31, 2024 the Commission had thirteen certificates of deposit valued at \$12,076,708.16 ranging from 4.00% to 4.75% and maturing between January 23, 2025 and October 6, 2025. Of the total value of certificates of deposit as of December 31, 2024, the entire balance was protected by GUDPA.

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

<u>Investment</u>	<u>Maturity</u>	<u>Cost</u> <u>Dec. 31, 2025</u>	<u>Cost</u> <u>Dec. 31, 2024</u>
First Colonial CD	1/23/2025		\$ 240,918.01
First Colonial CD	2/3/2025		642,208.89
First Colonial CD	2/6/2025		1,141,962.65
First Colonial CD	8/23/2025		2,076,401.42
First Colonial CD	8/24/2025		1,142,674.10
First Colonial CD	8/28/2025		1,150,507.19
First Colonial CD	8/28/2025		742,600.10
First Colonial CD	8/28/2025		1,099,270.15
First Colonial CD	8/28/2025		1,099,270.15
First Colonial CD	9/11/2025		573,379.11
First Colonial CD	9/13/2025		923,428.09
First Colonial CD	10/6/2025		1,244,088.30
First Colonial CD	1/23/2026	\$ 251,101.79	
First Colonial CD	2/3/2026	264,384.69	
First Colonial CD	2/3/2026	405,247.76	
First Colonial CD	2/6/2026	1,202,832.48	
First Colonial CD	2/6/2026	1,188,564.41	
First Colonial CD	2/23/2026	2,162,211.01	
First Colonial CD	2/28/2026	1,198,053.18	
First Colonial CD	2/28/2026	773,288.88	
First Colonial CD	2/28/2026	1,144,698.71	
First Colonial CD	2/28/2026	1,144,698.71	
First Colonial CD	3/11/2026	596,554.73	
First Colonial CD	3/13/2026	960,752.47	
First Colonial CD	3/18/2026	1,009,644.33	
First Colonial CD	4/6/2026	1,294,316.83	
OceanFirst CD	11/8/2026	2,000,000.00	
		<u>\$ 15,596,349.98</u>	<u>\$ 12,076,708.16</u>

The Commission categorizes its fair value disclosures 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; Level 3 inputs are significant unobservable inputs. As of December 31, 2025 and 2024, the Commission's investments in certificates of deposit are recorded at cost, as all certificates of deposit had maturities of one year or less when purchased.

Note 3: DETAIL NOTES – ASSETS (CONT'D)**Investments (Cont'd)**

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Commission 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.

Credit Risk – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. As stated in Note 1, investments are purchased in accordance with N.J.S.A. 40A:5-15.1. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Commission has no investment policy that would further limit its exposure to credit risk.

Service Fees

The following is a three-year comparison of service charge billings and collections for all types of accounts maintained by the Commission:

<u>Year</u>	<u>Beginning Balance</u>	<u>Billings</u>	<u>Total Collections</u>	<u>Percentage of Collections</u>
2025	\$ 2,317,330.09	\$ 13,063,476.44	\$ 13,296,122.41	86.45%
2024	2,197,447.00	12,384,430.16	12,329,547.07	84.55%
2023	1,599,833.00	13,773,122.00	13,045,508.00	84.86%

Accounts Receivable

Customers of the Commission include residential and commercial accounts within the municipalities of Merchantville and Pennsauken and areas of Cherry Hill and Camden. In addition to the sale of water, the Commission bills commercial and municipal customers fixed fees for fire services and hydrants.

As of December 31, 2025 and 2024, the number of the Commission's accounts was as follows:

	<u>2025</u>	<u>2024</u>
Residential, Apartments, and Commercial Water Services	14,615	14,633
Senior Citizen Accounts	288	274
Fire Services	471	469
Fire Hydrants	242	242

Note 3: DETAIL NOTES – ASSETS (CONT'D)**Accounts Receivable (Cont'd)**

Concentration of credit risk associated with customer accounts receivable is limited due to the large number of small customer balances and the Commission's policy of discontinuing service when warranted and filing utility liens when necessary.

Aged accounts receivable at December 31, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Current (less than 30 days)	\$ 1,657,721.09	\$ 1,796,270.72
30 to 59 days	73,422.70	150,568.50
60 to 89 days	105,403.81	72,721.00
90 to 179 days	83,007.13	101,971.68
Over 180 days	168,018.99	192,710.84
	<u>2,087,573.72</u>	<u>2,314,242.74</u>
Accrued Interest on Delinquent Balances	62,110.40	68,087.35
	<u>2,149,684.12</u>	<u>2,382,330.09</u>
Less: Reserve for Allowance for Doubtful Accounts	65,000.00	65,000.00
	<u><u>\$ 2,084,684.12</u></u>	<u><u>\$ 2,317,330.09</u></u>

Leases Receivable

The Commission, as lessor, has entered into multiple agreements with various cellular service providers for the use of the Commission's water towers for transmitting and receiving wireless communications. The leases commenced between 2005 and 2022 and range between 20 and 30 years. The terms of each agreement include a fixed monthly payment with annual increases.

The Commission is reporting leases receivable of \$5,436,900.84 and \$5,548,803.50 at December 31, 2025 and December 31, 2024, respectively.

The Commission reported lease revenue of \$302,328.88 and interest revenue of \$201,890.92 related to lease payments received during the year ended December 31, 2025.

The leases as of December 31, 2025 are summarized as follows:

<u>Lease Description</u>	<u>Lease Receivable</u>	<u>Lease Revenue</u>	<u>Lease Interest Revenue</u>
Cell Towers	<u>\$ 5,436,900.84</u>	<u>\$ 302,328.88</u>	<u>\$ 201,890.92</u>

The Commission reported no lease revenue as a result of cancellations and interest revenue of \$202,453.10 related to lease payments received during the year ended December 31, 2024.

The leases as of December 31, 2024 are summarized as follows:

<u>Lease Description</u>	<u>Lease Receivable</u>	<u>Lease Revenue</u>	<u>Lease Interest Revenue</u>
Cell Towers	<u>\$ 5,548,803.50</u>	<u>\$ -</u>	<u>\$ 202,453.10</u>

Note 3: DETAIL NOTES – ASSETS (CONT'D)**Lease Receivable (Cont'd)**

The following schedule represents the remaining payments of principal and interest for the lease agreements:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 124,833.25	\$ 197,962.96	\$ 322,796.21
2027	138,489.86	193,573.35	332,063.21
2028	152,906.43	188,696.12	341,602.55
2029	168,118.47	183,303.95	351,422.42
2030	184,162.83	177,368.34	361,531.17
2031-2035	1,194,919.30	776,574.36	1,971,493.66
2036-2040	1,754,512.91	526,799.51	2,281,312.42
2041-2045	1,467,017.24	213,581.29	1,680,598.53
2046	251,940.55	10,029.83	261,970.38
Total	<u>\$ 5,436,900.84</u>	<u>\$ 2,467,889.71</u>	<u>\$ 7,904,790.55</u>

Note 3: DETAIL NOTES – ASSETS (CONT'D)**Capital Assets**

During the year ended December 31, 2025, the following changes in Capital Assets occurred:

	Balance Jan. 1, 2025	Additions	Deletions	Balance Dec. 31, 2025
Capital Assets not being Depreciated				
Land & Land Rights	\$ 300,856.57		\$ 23,800.00	\$ 277,056.57
Construction In Progress		\$ 2,049,642.42		2,049,642.42
City of Camden Water Allocation Rights	2,557,607.63			2,557,607.63
Total Capital Assets not being Depreciated	2,858,464.20	2,049,642.42	23,800.00	4,884,306.62
Capital Assets being Depreciated				
Intangible Plant	32,180.84			32,180.84
Source of Supply	5,065,359.90			5,065,359.90
Pumping Plant	2,267,185.72			2,267,185.72
Water Treatment Plant	4,461,754.43			4,461,754.43
Transmission and Distribution Plant	70,197,942.22	1,495,377.61		71,693,319.83
General Plant	5,158,200.81	161,053.33	185,568.00	5,133,686.14
Total Capital Assets being Depreciated	87,182,623.92	1,656,430.94	185,568.00	88,653,486.86
Total Capital Assets	90,041,088.12	3,706,073.36	209,368.00	93,537,793.48
Less: Accumulated Depreciation				
Intangible Plant	32,180.84			32,180.84
Source of Supply	4,485,673.22	65,072.73		4,550,745.95
Pumping Plant	2,152,916.76	55,745.75		2,208,662.51
Water Treatment Plant	4,391,013.14	44,487.35		4,435,500.49
Transmission and Distribution Plant	38,344,342.60	1,811,388.93		40,155,731.53
General Plant	2,499,913.49	384,273.72	185,568.00	2,698,619.21
Total Accumulated Depreciation	51,906,040.05	2,360,968.48	185,568.00	54,081,440.53
Capital Assets, Net	\$ 38,135,048.07	\$ 1,345,104.88	\$ 23,800.00	\$ 39,456,352.95

Note 3: DETAIL NOTES – ASSETS (CONT'D)**Capital Assets (Cont'd)**

During the year ended December 31, 2024, the following changes in Capital Assets occurred:

	Balance <u>Jan. 1, 2024</u>	<u>Additions</u>	<u>Transfers</u>	Balance <u>Dec. 31, 2024</u>
Capital Assets not being Depreciated				
Land & Land Rights	\$ 300,856.57			\$ 300,856.57
Construction In Progress	3,333,045.00	\$ 3,634,215.41	\$ (6,967,260.41)	
City of Camden Water Allocation Rights	2,557,607.63			2,557,607.63
Total Capital Assets not being Depreciated	6,191,509.20	3,634,215.41	(6,967,260.41)	2,858,464.20
Capital Assets being Depreciated				
Intangible Plant	32,180.84			32,180.84
Source of Supply	5,065,359.90			5,065,359.90
Pumping Plant	2,267,185.72			2,267,185.72
Water Treatment Plant	4,461,754.43			4,461,754.43
Transmission and Distribution Plant	59,855,052.92	3,375,628.89	6,967,260.41	70,197,942.22
General Plant	5,066,679.81	91,521.00		5,158,200.81
Total Capital Assets being Depreciated	76,748,213.62	3,467,149.89	6,967,260.41	87,182,623.92
Total Capital Assets	82,939,722.82	7,101,365.30	-	90,041,088.12
Less: Accumulated Depreciation				
Intangible Plant	32,180.84			32,180.84
Source of Supply	4,389,312.90	96,360.32		4,485,673.22
Pumping Plant	2,113,607.66	39,309.10		2,152,916.76
Water Treatment Plant	4,384,906.57	6,106.57		4,391,013.14
Transmission and Distribution Plant	36,256,433.34	2,087,909.26		38,344,342.60
General Plant	2,311,984.63	187,928.86		2,499,913.49
Total Accumulated Depreciation	49,488,425.29	2,417,614.11	-	51,906,040.05
Capital Assets, Net	\$ 33,451,297.53	\$ 4,683,750.54	\$ -	\$ 38,135,048.07

Note 4: DETAIL NOTES – LIABILITIES**Long-term Liabilities**

During the year ended December 31, 2025, the following changes occurred in long-term obligations:

	<u>Balance Jan. 1, 2025</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Dec. 31, 2025</u>	<u>Due Within One Year</u>
Loans Payable:					
Loan Principal	\$ 10,444,249.20	\$ 15,860,082.00	\$ (9,008,065.09)	\$ 17,296,266.11	\$ 554,445.04
Loan Premium	11,500.26	242,256.80	(6,910.61)	246,846.45	
Total Loans Payable	<u>\$ 10,455,749.46</u>	<u>\$ 16,102,338.80</u>	<u>\$ (9,014,975.70)</u>	<u>\$ 17,543,112.56</u>	<u>\$ 554,445.04</u>
Other Liabilities:					
Net Pension Liability	\$ 3,848,843.00	\$ 694,762.00	\$ (1,026,187.00)	\$ 3,517,418.00	
Net OPEB Liability	6,228,237.00	468,539.00	(631,041.00)	6,065,735.00	\$ 389,362.00
Other Liabilities -					
Related to Pension	192,714.00	195,435.00	(192,714.00)	195,435.00	
*Compensated Absences	93,627.69	19,795.70		113,423.39	11,342.34
Total Other Liabilities	<u>10,363,421.69</u>	<u>1,378,531.70</u>	<u>(1,849,942.00)</u>	<u>9,892,011.39</u>	<u>400,704.34</u>
Total Long Term Liabilities	<u>\$ 20,819,171.15</u>	<u>\$ 17,480,870.50</u>	<u>\$ (10,864,917.70)</u>	<u>\$ 27,435,123.95</u>	<u>\$ 955,149.38</u>

During the year ended December 31, 2024, the following changes occurred in long-term obligations:

	<u>Balance Jan. 1, 2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Dec. 31, 2024</u>	<u>Due Within One Year</u>
Loans Payable:					
Loan Principal	\$ 10,713,437.25		\$ (269,188.05)	\$ 10,444,249.20	\$ 8,944,937.42
Loan Premium	13,736.75		(2,236.49)	11,500.26	
Total Loans Payable	<u>\$ 10,727,174.00</u>	<u>\$ -</u>	<u>\$ (271,424.54)</u>	<u>\$ 10,455,749.46</u>	<u>\$ 8,944,937.42</u>
Other Liabilities:					
Net Pension Liability	\$ 4,002,407.00	\$ 830,102.00	\$ (983,666.00)	\$ 3,848,843.00	
Net OPEB Liability	6,451,833.00	494,938.00	(718,534.00)	6,228,237.00	\$ 389,362.00
Other Liabilities -					
Related to Pension	184,659.00	192,714.00	(184,659.00)	192,714.00	
*Compensated Absences		93,627.69		93,627.69	9,362.77
Total Other Liabilities	<u>10,638,899.00</u>	<u>1,611,381.69</u>	<u>(1,886,859.00)</u>	<u>10,363,421.69</u>	<u>398,724.77</u>
Total Long Term Liabilities	<u>\$ 21,366,073.00</u>	<u>\$ 1,611,382.69</u>	<u>\$ (2,158,283.54)</u>	<u>\$ 20,819,171.15</u>	<u>\$ 9,343,662.19</u>

*The change in the compensated absences liability is presented as a net change.

New Jersey Infrastructure Bank Loans

2007A Series - On November 8, 2007, the Commission settled on the issuance of \$1,285,507.00 in loans consisting of a \$650,000.00 New Jersey Environmental Infrastructure Trust "Trust Loan" and a \$635,507.00 New Jersey Environmental Infrastructure Trust "Fund Loan". The Trust Loan bears rates of interest ranging from 3.40% to 5.00%. The Fund Loan is non-interest bearing. The loans are due in semi-annual installments on February 1 and August 1, with a final maturity of August 1, 2027.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**New Jersey Infrastructure Bank Loans (Cont'd)**

2010B Series - On December 2, 2010, the Commission settled on the issuance of \$ 1,139,000.00 in loans consisting of a \$560,000.00 New Jersey Environmental Infrastructure Trust "Trust Loan" and a \$579,000.00 New Jersey Environmental Infrastructure Trust "Fund Loan". The Trust Loan bears rates of interest at 5.00%. The Fund Loan is non-interest bearing. The loans are due in semi-annual installments on February 1 and August 1, with a final maturity of August 1, 2030.

2014A Series – On May 21, 2014, the Commission settled on the issuance of \$2,558,250.00 in loans consisting of a \$630,000.00 New Jersey Environmental Infrastructure Trust "Trust Loan" and a \$1,928,250.00 New Jersey Environmental Infrastructure Trust "Fund Loan". The Trust Loan bears rates of interest at 5.00%. The Fund Loan is non-interest bearing. The loans are due in semi-annual installments on February 1 and August 1, with a final maturity of August 1, 2033.

2025 Series – On May 15, 2025, the Commission settled on the issuance of \$6,804,949.00 in loans consisting of a \$3,727,475.00 New Jersey Environmental Infrastructure Trust "Trust Loan" and a \$3,077,474.00 New Jersey Environmental Infrastructure Trust "Fund Loan". The Trust Loan bears rates of interest ranging from 3.71% to 5.00%. The Fund Loan is non-interest bearing. The total cost of the improvements to the National Highway Water Treatment Plant project was fully financed with an interim loan from the New Jersey Environmental Infrastructure Trust. Proceeds from these loans were used to retire the interim loan. In addition, the Commission received principal forgiveness in the amount of \$1,000,000.00. The loans are due in semi-annual installments on February 1 and August 1, with a final maturity of August 1, 2044.

Interim Loan – On June 25, 2025, the Commission closed on an interim loan from the New Jersey Infrastructure Bank in the amount of \$9,055,133.00. The interim loan will mature on June 30, 2030, or when the loan is permanently financed. The Commission will receive principal forgiveness for the first \$2 million of allowable project costs. The loan proceeds were used to fund the costs of the construction of GAC filters and an advanced oxidation system.

The following schedule reflects the Debt Service Requirements for the Commission's NJIB Loans:

<u>Year Ending December 31,</u>	<u>Interest Free Loan Principal</u>	<u>Loan Principal</u>	<u>Total Principal</u>	<u>Rates</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 309,445.04	\$ 245,000.00	\$ 554,445.04	3.00% - 5.00%	\$ 190,523.56	\$ 744,968.60
2027	297,803.02	260,000.00	557,803.02	3.00% - 5.00%	179,198.56	737,001.58
2028	282,339.45	220,000.00	502,339.45	3.00% - 5.00%	167,273.56	669,613.01
2029	282,339.45	225,000.00	507,339.45	3.00% - 5.00%	157,073.56	664,413.01
2030	282,339.72	9,290,133.00	9,572,472.72	3.00% - 5.00%	146,623.56	9,719,096.28
2031-2035	1,083,235.90	925,001.00	2,008,236.90	3.00% - 5.00%	583,924.02	2,592,160.92
2036-2040	789,095.90	1,128,507.00	1,917,602.90	3.71% - 5.00%	337,688.24	2,255,291.14
2041-2044	647,058.63	1,028,968.00	1,676,026.63	3.71%	96,158.56	1,772,185.19
	<u>\$ 3,973,657.11</u>	<u>\$ 13,322,609.00</u>	17,296,266.11		<u>\$ 1,858,463.62</u>	<u>\$ 19,154,729.73</u>
			(554,445.04)	Current Maturities		
			246,846.45	Premium on Loans		
			<u>\$ 16,988,667.52</u>	Long-Term Portion		

As described in Note 1, the Borough of Merchantville and the Township of Pennsauken created the Merchantville-Pennsauken Water Commission. Those municipalities act as guarantors of all Commission bonds and loans and include their proportionate share of Commission debt as liabilities on their respective annual debt statements. The computed municipalities' proportionate share of debt is in accordance with their respective ownership of the Commission as follows:

Borough of Merchantville	11.58%
Township of Pennsauken	<u>88.42%</u>
	<u>100.00%</u>

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans**

A substantial number of the Commission's employees participate in the Public Employees' Retirement System ("PERS") which is administered by the New Jersey Division of Pensions and Benefits. In addition, Commission employees may participate in the Defined Contribution Retirement Program ("DCRP"), which is a defined contribution pension plan. This Plan is administered by Empower for the New Jersey Division of Pensions and Benefits. Each Plan has a Board of Trustees that is primarily responsible for its administration. As a local participation employer of these pension plans, the Commission is referred to as "Employer" throughout this note. The Division issues a publicly available financial report that includes financial statements, required supplementary information and detailed information about the PERS plan's fiduciary net position which can be obtained by writing to or at the following website:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<http://www.state.nj.us/treasury/pensions/financial-reports.shtml>

General Information about the Pension Plans**Plan Descriptions**

Public Employees' Retirement System - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan, which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS' designated purpose is to provide retirement, death, and disability benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the Employer, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS' Board of Trustees is primarily responsible for the administration of the PERS.

Defined Contribution Retirement Program - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of P.L. 2007, c. 92 and P.L. 2007, c. 103, and expanded under the provisions of P.L. 2008, c. 89 and P.L. 2010, c. 1. The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are state or local officials who are elected or appointed on or after July 1, 2007; employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in New Jersey State Police Retirement System (SPRS) or the Police and Firemen's Retirement System (PFRS) after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000.00 annually; and employees otherwise eligible to enroll in PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****General Information about the Pension Plans (Cont'd)****Vesting and Benefit Provisions**

Public Employees' Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:15A. The PERS provides retirement, death and disability benefits. All benefits vest after 10 years of service.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
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 is 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 is 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 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years 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 the respective tier.

Defined Contribution Retirement Program - Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and nonforfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

Contributions

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Pursuant to the provisions of P.L. 2011, C. 78, the member contribution rate is currently 7.50% of base salary, effective July 1, 2018. The rate for members who are eligible for the Prosecutors Part of PERS (P.L. 2001, C. 366) is 10.0%. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****General Information about the Pension Plans (Cont'd)****Contributions (Cont'd)**

Public Employees' Retirement System (Cont'd) - Special Funding Situation Component - Under N.J.S.A. 43:15A, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. One of such legislations, which legally obligate the State, is Chapter 133, P.L. 2001. This legislation increased the accrual rate from 1/60 to 1/55. In addition, it lowered the age required for a veteran benefit equal to 1/55 of highest 12-month compensation for each year of service from 60 to 55. Chapter 133, P.L. 2001 also established the Benefit Enhancement Fund (BEF) to fund the additional annual employer normal contribution due to the State's increased benefits. If the assets in the BEF are insufficient to cover the normal contribution for the increased benefits for a valuation period, the State will pay such amount for both the State and local employers.

The Employer's contractually required contribution rate for the years ended December 31, 2025 and 2024 was 15.89% and 16.57% of the Employer's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2025, the Employer's contractually required contribution to the pension plan for the year ended December 31, 2025 was \$390,869.00, and was payable by April 1, 2026. For the prior year measurement date of June 30, 2024, the Employer's contractually required contribution to the pension plan for the year ended December 31, 2024 was \$385,427.00, and was paid by April 1, 2025.

Employee contributions to the plan for the years ended December 31, 2025 and 2024 were, \$184,481.86 and \$175,056.19, respectively.

The amount of contractually required contribution for the State of New Jersey's proportionate share, associated with the Employer, under Chapter 133, P.L. 2001, for the years ended December 31, 2025 and December 31, 2024 was 0.49% and 0.53% of the Employer's covered payroll.

Based on the most recent PERS measurement date of June 30, 2025, the State's contractually required contribution, under Chapter 133, P.L. 2001, on-behalf of the Employer, to the pension plan for the year ended December 31, 2025 was \$12,086.00, and is payable by April 1, 2026. For the prior year measurement date of June 30, 2024, the State's contractually required contribution, under Chapter 133, P.L. 2001, on-behalf of the Employer, to the pension plan for the year ended December 31, 2024 was \$12,409.00, and was paid by April 1, 2025.

Defined Contribution Retirement Program - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, Plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Employer contributes 3% of the employees' base salary, for each pay period.

For the year ended December 31, 2025, employee contributions totaled \$1,676.15. The Employer recognized pension expense of \$914.23 for the year ended December 31, 2025, which equaled the required contribution. There were no forfeitures during the year. For the year ended December 31, 2024, employee contributions totaled \$1,727.00. The Employer recognized pension expense of \$1,400.81 for the year ended December 31, 2024, which equaled the required contribution.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions****Public Employees' Retirement System**

Pension Liability - As of December 31, 2025, there is no net pension liability associated with the special funding situation under Chapter 133, P.L. 2001, as there was no accumulated difference between the annual additional normal cost and the actual State contribution through the valuation date. The Employer's proportionate share of the PERS net pension liability was \$3,517,418. The net pension liability was measured as of June 30, 2025 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2025. The Employer's proportion of the net pension liability was based on a projection of the Employer's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2025 measurement date, the Employer's proportion was .0286000311%, which was an increase of .0002748170% from its proportion measured as of June 30, 2024.

As of December 31, 2024, there is no net pension liability associated with the special funding situation under Chapter 133, P.L. 2001, as there was no accumulated difference between the annual additional normal cost and the actual State contribution through the valuation date. The Employer's proportionate share of the PERS net pension liability was \$3,848,843.00. The net pension liability was measured as of June 30, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2024. The Employer's proportion of the net pension liability was based on a projection of the Employer's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2024 measurement date, the Employer's proportion was .0283252141%, which was an increase of .0006926314% from its proportion measured as of June 30, 2023.

Pension (Benefit) Expense - For the years ended December 31, 2025 and December 31, 2024, the Employer recognized its proportionate share of the PERS pension expense of \$40,588.00 and \$57,310.00, respectively. These amounts were based on the Plan's June 30, 2025 and 2024 measurement dates, respectively.

For the years ended December 31, 2025 and December 31, 2024, the Employer has recognized as a revenue and an expenditure on-behalf payments made by the State for the State's proportionate share of the PERS pension expense, associated with the Employer, under Chapter 133, P.L. 2001, calculated by the Plan as of the June 30, 2025 and 2024 measurement date. The amounts recognized as revenue and expenditure in the financial statements were \$12,086.00 and \$12,409.00, respectively.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)****Public Employees' Retirement System (Cont'd)**

Deferred Outflows of Resources and Deferred Inflows of Resources - At December 31, 2025 and 2024, the Employer had deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>December 31, 2025</u>		<u>December 31, 2024</u>	
	<u>Measurement Date</u>		<u>Measurement Date</u>	
	<u>June 30, 2025</u>		<u>June 30, 2024</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 100,288.00	\$ 3,759.00	\$ 77,099.00	\$ 10,247.00
Changes of Assumptions	555.00	40,524.00	4,781.00	43,791.00
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	293,306.00	-	178,460.00
Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions	95,886.00	116,878.00	98,971.00	224,947.00
Commission's Contributions Subsequent to the Measurement Date	195,435.00	-	192,714.00	-
	<u>\$ 392,164.00</u>	<u>\$ 454,467.00</u>	<u>\$ 373,565.00</u>	<u>\$ 457,445.00</u>

Deferred outflows of resources in the amounts of \$195,435.00 and \$192,714.00 will be included as a reduction of the net pension liability during the years ending December 31, 2026 and 2025, respectively. These amounts are based on an estimated April 1, 2027 and April 1, 2026 contractually required contribution, prorated from the pension plan's measurement date of June 30, 2025 and 2024 to the Employer's year end of December 31, 2025 and 2024.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)****Public Employees' Retirement System (Cont'd)**

Deferred Outflows of Resources and Deferred Inflows of Resources - The Employer will amortize the other deferred outflows of resources and deferred inflows of resources related to pensions over the following number of years:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>		<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience			Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:			Year of Pension Plan Deferral:		
June 30, 2020	5.16	-	June 30, 2021	-	5.00
June 30, 2021	-	5.13	June 30, 2022	5.00	-
June 30, 2022	-	5.04	June 30, 2023	-	5.00
June 30, 2023	5.08	-	June 30, 2024	-	5.00
June 30, 2024	5.08	-	June 30, 2025	-	5.00
June 30, 2025	5.15	-			
Changes of Assumptions			Changes in Proportion		
Year of Pension Plan Deferral:			Year of Pension Plan Deferral:		
June 30, 2020	-	5.16	June 30, 2020	5.16	5.16
June 30, 2021	5.13	-	June 30, 2021	5.13	5.13
June 30, 2022	-	5.04	June 30, 2022	5.04	5.04
June 30, 2025	-	5.15	June 30, 2023	5.08	5.08
			June 30, 2024	5.08	5.08
			June 30, 2025	5.15	5.15

Other amounts included as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future periods as follows:

**Year Ending
December 31,**

2026	\$ (13,835.00)
2027	(116,204.00)
2028	(77,032.00)
2029	(52,227.00)
2030	1,560.00
	<u>\$ (257,738.00)</u>

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Actuarial Assumptions****Public Employees' Retirement System**

The net pension liability was measured as of June 30, 2025 and 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024 and 2023. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2025 and 2024. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	Measurement Date <u>June 30, 2025</u>	Measurement Date <u>June 30, 2024</u>
Inflation Rate:		
Price	2.75%	2.75%
Wage	3.25%	3.25%
Salary Increases:	3.25% - 7.75%	2.75% - 6.55%
	Based on Years of Service	Based on Years of Service
Investment Rate of Return	7.00%	7.00%
Period of Actuarial Experience		
Study upon which Actuarial		
Assumptions were Based	July 1, 2021 - June 30, 2024	July 1, 2018 - June 30, 2021

For the June 30, 2025 measurement date, pre-retirement mortality rates were based on the Pub-2016 General Below-Median Income Employee mortality table with an 86.3% adjustment for males and 97.6% adjustment for females, and with future improvement from the base year of 2016 on a generational basis. Post-retirement mortality rates were based on the Pub-2016 General Below-Median Income Healthy Retiree mortality table with a 93.3% adjustment for males and 99.5% adjustment for females, and with future improvement from the base year of 2016 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2016 Non-Safety Disabled Retiree mortality table with a 156.9% adjustment for males and 139.0% adjustment for females, and with future improvement from the base year of 2016 on a generational basis. Mortality improvement is based on Scale MP-2021.

For the June 30, 2024 measurement date, 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.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Actuarial Assumptions (Cont'd)****Public Employees' Retirement System (Cont'd)**

In accordance with State statute, the long-term expected rate of return on Plan investments (7.00% at June 30, 2025 and 2024) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension Plan investment expense and inflation) are developed for each major asset class. 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' target asset allocation as of June 30, 2025 and 2024 are summarized in the table below:

<u>Asset Class</u>	<u>Measurement Date</u> <u>June 30, 2025</u>		<u>Measurement Date</u> <u>June 30, 2024</u>	
	<u>Target</u> <u>Allocation</u>	<u>Long-Term</u> <u>Expected Real</u> <u>Rate of Return</u>	<u>Target</u> <u>Allocation</u>	<u>Long-Term</u> <u>Expected Real</u> <u>Rate of Return</u>
U.S. Equity	28.00%	8.55%	28.00%	8.63%
Non-U.S. Developed Markets Equity	12.75%	8.77%	12.75%	8.85%
International Small Cap Equity	1.25%	8.77%	1.25%	8.85%
Emerging Markets Equity	5.50%	10.30%	5.50%	10.66%
Private Equity	13.00%	12.00%	13.00%	12.40%
Real Estate	8.00%	10.78%	8.00%	10.95%
Real Assets	3.00%	7.90%	3.00%	8.20%
High Yield	4.50%	6.63%	4.50%	6.74%
Private Credit	8.00%	9.00%	8.00%	8.90%
Investment Grade Credit	7.00%	5.47%	7.00%	5.37%
Cash Equivalents	2.00%	3.61%	2.00%	3.57%
U.S. Treasuries	4.00%	3.61%	4.00%	3.57%
Risk Mitigation Strategies	3.00%	7.26%	3.00%	7.10%
	<u>100.00%</u>		<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of both June 30, 2025 and June 30, 2024. 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 nonemployer contributing entity would 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.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Actuarial Assumptions (Cont'd)****Public Employees' Retirement System (Cont'd)****Sensitivity of Proportionate Share of Net Pension Liability to Changes in the Discount Rate****Public Employees' Retirement System**

The following presents the Employer's proportionate share of the net pension liability as of the June 30, 2025 measurement date, calculated using a discount rate of 7.00%, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate used:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Commission's Proportionate Share of the Net Pension Liability	<u>\$ 4,815,136.00</u>	<u>\$ 3,517,418.00</u>	<u>\$ 2,411,418.00</u>

The following presents the Employer's proportionate share of the net pension liability as of the June 30, 2024 measurement date, calculated using a discount rate of 7.00%, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate used:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Commission's Proportionate Share of the Net Pension Liability	<u>\$ 5,114,166.00</u>	<u>\$ 3,848,843.00</u>	<u>\$ 2,772,060.00</u>

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Pension Plan Fiduciary Net Position****Public Employees' Retirement System**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension (benefit) expense, information about the respective fiduciary net position of the PERS and additions to/deductions from PERS' respective fiduciary net position have been determined on the same basis as they are reported by PERS. Accordingly, 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.

Postemployment Benefits Other Than Pensions (OPEB) – Commission Plan**General Information about the OPEB Plan****Plan Description and Benefits Provided**

The Commission provides benefits to employees and their spouses which are in addition to those received through the State Pension Fund who have retired and have 25 years (35 years for employees hired on or after May 1, 2008) of service with the Commission. The Commission provides medical, dental, vision and prescription coverage. These benefits are provided to all eligible retirees and their spouses at no cost to the retiree.

Employees Covered by Benefit Terms

At December 31, 2025 and 2024, the following employees were covered by the benefit terms:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	32	32
Inactive Employees Entitled to but Not Yet Receiving Benefit Payments		
Active Employees	44	44
	<u>76</u>	<u>76</u>

Contributions

Employees are not required to contribute to the plan.

Total OPEB Liability

The Commission's total OPEB liability of \$6,065,735 as of December 31, 2025 and \$6,228,237.00 as of December 31, 2024 was measured as of December 31, 2025 and 2024. The liabilities were determined by an actuarial valuation as of December 31, 2025 and 2024

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment Benefits Other Than Pensions (OPEB) – Commission Plan (Cont'd)****Actuarial Assumptions and Other Inputs**

The following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	N/A
Discount Rate	4.43% for 2025; 4.28% for 2024
Healthcare Cost Trend Rates	
Pre-Medicare	7.00%
Post-Medicare	5.00%
Retirees' Share of Benefit-Related Costs	Pursuant to Chapter 78

The discount rate was based on the S&P Municipal Bond 20-Year High Grade Rate Index which consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years as of December 31, 2025.

Mortality rates were based on RP-2014 combined mortality table for males and females as appropriate.

Assumptions were made that terminations of employment other than for death or retirement will occur in the future in accordance with the State of New Jersey PERS Local Government turnover/withdrawal experience.

Mortality rates and termination rates were based on standard tables either issued by the SOA or developed for the applicable grade of employee. The actuary has used his/her professional judgement in applying these assumptions to this plan.

Changes in the Total OPEB Liability

The following table shows the changes in the total OPEB liability for the years ended December 31, 2025 and 2024, respectively:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Balance at Beginning of Year	\$ 6,228,237.00	\$ 6,451,833.00
Changes for the Year:		
Service Cost	\$ 185,691.00	\$ 220,267.00
Interest Cost	282,848.00	274,671.00
Benefit Payments	(389,362.00)	(389,362.00)
Actuarial Assumption Changes	(241,679.00)	(303,227.00)
Differences Between Actual and Expected	-	(25,945.00)
Net Changes	<u>(162,502.00)</u>	<u>(223,596.00)</u>
Balance at End of Year	<u><u>\$ 6,065,735.00</u></u>	<u><u>\$ 6,228,237.00</u></u>

For 2018, the Commission changed their benefits to a High-Deductible Plan. The Discount Rate changed at December 31, 2025 from 4.28% to 4.43%, at December 31, 2024 from 4.00% to 4.28% and at December 31, 2023 from 4.31% to 4.00%.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment Benefits Other Than Pensions (OPEB) – Commission Plan (Cont'd)****Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated for using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	December 31, 2025		
	1.00% Decrease (3.43%)	Current Discount Rate (4.43%)	1.00% Increase (5.43%)
Total OPEB Liability	<u>\$ 6,940,590.33</u>	<u>\$ 6,065,735.00</u>	<u>\$ 5,346,084.20</u>

	December 31, 2024		
	1.00% Decrease (3.28%)	Current Discount Rate (4.28%)	1.00% Increase (5.28%)
Total OPEB Liability	<u>\$ 7,161,041.86</u>	<u>\$ 6,228,237.00</u>	<u>\$ 5,464,462.24</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate:

	December 31, 2025		
	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
Total OPEB Liability	<u>\$ 5,275,621.19</u>	<u>\$ 6,065,735.00</u>	<u>\$ 7,036,601.15</u>

	December 31, 2024		
	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
Total OPEB Liability	<u>\$ 5,388,280.70</u>	<u>\$ 6,228,237.00</u>	<u>\$ 7,266,561.12</u>

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment Benefits Other Than Pensions (OPEB) – Commission Plan (Cont'd)****OPEB (Benefit) Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the years ended December 31, 2025 and 2024, the Commission recognized OPEB expense of \$1,021,320.00 and \$1,071,887.00, respectively. At December 31, 2025 and 2024, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>December 31, 2025</u>		<u>December 31, 2024</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions or Other Inputs	\$ 2,463,724.00	\$ 1,833,734.00	\$ 3,289,659.00	\$ 2,220,066.50
Differences between Expected and Actual Experience	<u>1,392,919.00</u>	<u>2,575,139.00</u>	<u>1,901,625.00</u>	<u>2,728,988.00</u>
	<u>\$ 3,856,643.00</u>	<u>\$ 4,408,873.00</u>	<u>\$ 5,191,284.00</u>	<u>\$ 4,949,054.50</u>

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

<u>Year Ending December 31,</u>	
2026	\$ 552,780.50
2027	552,780.50
2028	(407,356.50)
2029	(135,009.50)
2030	(237,857.50)
Thereafter	<u>(877,567.50)</u>
	<u>\$ (552,230.00)</u>

Compensated Absences

The Commission accounts for compensated absences (e.g., employee's accrued leave) as directed by Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. The accrued liability for compensated absences at December 31, 2025 and December 31, 2024 is estimated to be \$113,423.39 and \$93,627.69.

Note 5: DETAIL NOTES – DEFERRED INFLOWS OF RESOURCES**Connection Fees**

The Commission receives payments for connection fees when new users connect to the water system. The Commission does not supply the user with supplies or services to make the physical connection and is therefore considered an exchange transaction. The Commission recognizes the revenue in the period that the municipality issues a certificate-of-occupancy release and determines that water distribution is being provided.

Leases

The Commission recognizes the revenue equally over the period of the lease agreement.

Note 6: COMMITMENTS**Commodity-Demand Water Purchase Agreement**

On November 4, 2004, the Commission entered into a bulk water purchase agreement with New Jersey-American Water Company for water supply to supplement its distribution system in the event of an emergency. The agreement was for a ten-year term with annual ten year renewals unless terminated under the terms of the agreement.

Currently, the Commission purchases 50 thousand gallons per day at an average annual cost of approximately sixty thousand dollars a year, the minimum under the agreement. Water purchases under the agreement were \$73,308.44 and \$69,051.63, respectively for the years ended December 31, 2025 and 2024.

Note 7: RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered through a joint insurance pool as described below. Settled claims from these risks have not exceeded coverage for the past several years.

The Commission is a member of New Jersey Utility Authorities Joint Insurance Fund (the "Fund"). The Fund provides the Commission with the following coverage:

Property and Physical Damage
Workers Compensation
Excess Liability
Boiler and Machinery
General and Automobile Liability
Public Officials Liability
Environmental Liability

Contributions to the Fund, including a reserve for contingencies, are payable in an annual premium and are based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations. The Commission's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and will reinsure through commercial insurance for claims in excess of \$500,000.00 for each insured event.

The Fund publishes its own financial report for the year ended December 31, 2025, which can be obtained from:

New Jersey Utility Authorities Joint Insurance Fund
9 Campus Drive, Suite 216
Parsippany, NJ 07054

Note 8: WATER ALLOCATION RIGHTS

On May 19, 2006, the Commission entered into an agreement with the City of Camden (the City) for the purchase of water allocation rights for \$2,522,512.00. The agreement was approved by the New Jersey Department of Environmental Protection and contains the following provisions:

Purchase of Water Allocation Rights

The Commission agreed to purchase the City's water allocation rights to pump 1,200,000 gallons of water per day from the Potomac-Raritan-Magothy aquifer to service the Commission's franchise area for quantities in excess of its current allocation.

Should the Commission be denied the use or access to the allocation of water, for any reason unrelated to the actions of either party, then a proportional reduction will be made to the initial agreed upon payments, not yet paid and no further payments will be required and any payments already made shall be converted to payments for the purchase of bulk water already delivered and not yet paid for or for water to be delivered in the future. If for any reason another governmental entity, either executive or judicial, or legal action shall prohibit the sale of the allocation, monies already paid shall not be returned and monies not yet paid will not be due.

Bulk Water Sale

The City will deliver and the Commission will purchase bulk potable drinking water for a period of thirty (30) years with the Commission having the option for two additional ten year terms. The purchase agreement will begin as soon thereafter that the parties have created the necessary infrastructure and facilities to respectively deliver and accept finished water and/or raw water for treatment.

The agreement provides for a minimum of fifty thousand gallons per day and a maximum of one million gallons per day. The initial cost of the treated water will be for \$2.25 per thousand gallons and will be increased from time to time in accordance with factors outlined in the agreement.

The water will be distributed through interconnections to be constructed by or on behalf of the Commission, including the obtainment of all land and/or easements necessary, at mutually agreed upon locations, without cost or expense to the City.

Treatment of Water

It was agreed that at some point during the term of the agreement that the City may treat raw water for the Commission which is delivered to the Morris-Delair treatment plant. Delivery of the raw water to the City will be the responsibility of the Commission and the cost of treatment will be eighty-nine cents per thousand gallons subject to certain increases and decreases.

Note 9: CONTINGENCIES

Litigation - The Commission is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the Commission, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

Note 10: LEGAL SETTLEMENTS

During the year ended December 31, 2025, the Commission recognized proceeds from legal settlements related to claims arising from water pollution. The Commission recognized net nonoperating revenue of \$5,107,787.98 in the accompanying statement of revenues, expenses, and changes in net position.

As of December 31, 2025, the Commission had received \$3,212,274.25, and \$1,895,513.73 remained as a receivable. The remaining amount is expected to be collected over the next 8 years. The amount recognized represents the Commission's settlement allocation after deductions for legal and administrative fees. The proceeds are unrestricted.

REQUIRED SUPPLEMENTARY INFORMATION

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
Required Supplementary Information
Schedule of Changes in the Commission's Total OPEB Liability and Related Ratios - Commission Plan
Last Nine Years

	Year Ended December 31,				
	2025	2024	2023	2022	2021
Total OPEB Liability					
Service Cost	\$ 185,691.00	\$ 220,267.00	\$ 220,267.00	\$ 199,977.00	\$ 343,466.00
Interest Cost	282,848.00	274,671.00	263,676.00	254,540.00	207,526.00
Benefit Payments	(389,362.00)	(389,362.00)	(360,556.00)	(360,556.00)	(315,206.00)
Actuarial Assumption Changes	(241,679.00)	(303,227.00)	611,209.00	(2,540,770.00)	(616,070.00)
Difference Between Expected and Actual Experience		(25,945.00)		(1,819,862.00)	
Changes of Benefit Terms					
Actuarial Demographic Gains					
Net Change in Total OPEB Liability	(162,502.00)	(223,596.00)	734,596.00	(4,266,671.00)	(380,284.00)
Total OPEB Liability - Beginning of Year	6,228,237.00	6,451,833.00	5,717,237.00	9,983,908.00	10,364,192.00
Total OPEB Liability - End of Year	<u>\$ 6,065,735.00</u>	<u>\$ 6,228,237.00</u>	<u>\$ 6,451,833.00</u>	<u>\$ 5,717,237.00</u>	<u>\$ 9,983,908.00</u>
Covered-Employee Payroll	\$ 2,420,666.00	\$ 2,098,444.00	\$ 2,098,444.00	\$ 2,146,237.00	\$ 2,098,444.00
Total OPEB Liability as a Percentage of Covered-Employee Payroll	250.58%	296.80%	307.46%	266.38%	475.78%
Year Ended December 31,					
	2020	2019	2018	2017	
Total OPEB Liability					
Service Cost	\$ 382,718.00	\$ 289,676.00	\$ 289,676.00	\$ 461,342.00	
Interest Cost	205,536.00	243,915.00	897,301.00	376,358.00	
Benefit Payments	(315,206.00)	(241,388.00)	(241,388.00)	(290,418.00)	
Actuarial Assumption Changes	1,000,121.00	1,131,332.00	(594,565.00)	6,342,637.00	
Difference Between Expected and Actual Experience	1,376,891.00		(14,937,381.00)		
Changes of Benefit Terms			(2,401,252.00)		
Actuarial Demographic Gains				4,218,866.00	
Net Change in Total OPEB Liability	2,650,060.00	1,423,535.00	(16,987,609.00)	11,108,785.00	
Total OPEB Liability - Beginning of Year	7,714,132.00	6,290,597.00	23,278,206.00	12,169,421.00	
Total OPEB Liability - End of Year	<u>\$ 10,364,192.00</u>	<u>\$ 7,714,132.00</u>	<u>\$ 6,290,597.00</u>	<u>\$ 23,278,206.00</u>	
Covered-Employee Payroll	\$ 2,243,557.00	\$ 2,169,407.00	\$ 2,092,530.00	\$ 1,993,786.00	
Total OPEB Liability as a Percentage of Covered-Employee Payroll	461.95%	355.59%	300.62%	1167.54%	

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
Required Supplementary Information
Schedule of the Commission's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS)
Last Ten Plan Years

	Measurement Date Ending June 30,				
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Commission's Proportion of the Net Pension Liability	0.0286000311%	0.0283252141%	0.0276325827%	0.0277641290%	0.0305132823%
Commission's Proportionate Share of the Net Pension Liability	\$ 3,517,418.00	\$ 3,848,843.00	\$ 4,002,407.00	\$ 4,189,989.00	\$ 3,614,756.00
Commission's Covered Payroll (Plan Measurement Period)	\$ 2,366,660.00	\$ 2,258,352.00	\$ 2,202,195.00	\$ 2,111,296.00	\$ 2,182,217.00
Commission's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	148.62%	170.43%	181.75%	198.46%	165.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.84%	68.22%	65.23%	62.91%	70.33%
	Measurement Date Ending June 30,				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Commission's Proportion of the Net Pension Liability	0.0303595350%	0.0293404344%	0.0282670679%	0.0283174574%	0.0276390081%
Commission's Proportionate Share of the Net Pension Liability	\$ 4,950,846.00	\$ 5,286,701.00	\$ 5,565,645.00	\$ 6,591,851.00	\$ 8,185,881.00
Commission's Covered Payroll (Plan Measurement Period)	\$ 2,193,040.00	\$ 2,134,303.00	\$ 2,036,344.00	\$ 1,975,951.00	\$ 1,913,336.00
Commission's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	225.75%	247.70%	273.32%	333.60%	427.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.32%	56.27%	53.60%	48.10%	40.14%

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

Required Supplementary Information
Schedule of the Commission's Pension Contributions
Public Employees' Retirement System (PERS)
Last Ten Years

	Year Ended December 31,				
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually Required Contribution	\$ 390,869.00	\$ 385,427.00	\$ 369,317.00	\$ 350,119.00	\$ 357,346.00
Contributions in Relation to the Contractually Required Contribution	<u>(390,869.00)</u>	<u>(385,427.00)</u>	<u>(369,317.00)</u>	<u>(350,119.00)</u>	<u>(357,346.00)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's Covered Payroll (Calendar Year)	\$ 2,459,754.00	\$ 2,326,503.00	\$ 2,271,759.00	\$ 2,146,237.00	\$ 2,098,444.00
Contributions as a Percentage of Commission's Covered Payroll	15.89%	16.57%	16.26%	16.31%	17.03%
	Year Ended December 31,				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contribution	\$ 332,118.00	\$ 285,396.00	\$ 281,166.00	\$ 262,331.00	\$ 245,541.00
Contributions in Relation to the Contractually Required Contribution	<u>(332,118.00)</u>	<u>(285,396.00)</u>	<u>(281,166.00)</u>	<u>(262,331.00)</u>	<u>(245,541.00)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's Covered Payroll (Calendar Year)	\$ 2,243,557.00	\$ 2,169,407.00	\$ 2,092,530.00	\$ 1,993,786.00	\$ 1,943,247.00
Contributions as a Percentage of Commission's Covered Payroll	14.80%	13.16%	13.44%	13.16%	12.64%

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

Notes to Required Supplementary Information
For the Year Ended December 31, 2025

Note 1: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - COMMISSION PLAN

Changes in Benefit Terms

None

Changes in Assumptions

The discount rate used as of December 31 measurement date is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2025	4.43%	2020	1.91%
2024	4.28%	2019	2.49%
2023	4.00%	2018	3.64%
2022	4.31%	2017	3.16%
2021	2.25%		

Note 2: POSTEMPLOYMENT BENEFITS - PENSION

Public Employees' Retirement System (PERS)

Changes in Benefit Terms

There were no changes in benefit terms during the current year applicable to the Commission. Although certain provisions of Chapter 97, P.L. 2024 and Chapter 56, P.L. 2024 affected specific County-related employee groups, including county fire instructors and county prosecutors, these provisions are not applicable to the Commission.

Changes in Assumptions

The discount rate used as of June 30 measurement date is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2025	7.00%	2020	7.00%
2024	7.00%	2019	6.28%
2023	7.00%	2018	5.66%
2022	7.00%	2017	5.00%
2021	7.00%	2016	3.98%

The long-term expected rate of return used as of June 30 measurement date is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2025	7.00%	2020	7.00%
2024	7.00%	2019	7.00%
2023	7.00%	2018	7.00%
2022	7.00%	2017	7.00%
2021	7.00%	2016	7.65%

SUPPLEMENTARY SCHEDULES

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

Schedule of Cash Receipts and Disbursements

For the Year Ended December 31, 2025

Cash, Cash Equivalents and Investments Jan. 1, 2025	\$ 18,472,198.05
Cash Receipts:	
Collection of Customer Accounts Receivable	13,171,389.93
Connection Fees	31,806.00
Other Operating Receipts	373,519.44
Net Legal Settlements	3,212,274.25
Escrow Receipts	143.97
Customer Prepayments	130,247.75
NJIB Drawdowns	1,600,727.00
Tower Lease and Lease Interest Income	374,233.02
Investment Income	577,650.00
	<u>37,944,189.41</u>
Total Cash Receipts and Investments Available	
Cash Disbursements:	
Budget Appropriations	8,511,353.86
Accounts Payable & Accrued Expenses	824,237.81
Inventory	342,702.97
Interest Payments on NJIB Loans	77,799.62
Principal Payments on NJIB Loans	331,035.09
Cost of Issuance	97,386.20
Capital Assets	3,706,073.36
	<u>13,890,588.91</u>
Total Cash Disbursements	
Cash, Cash Equivalents and Investments Dec. 31, 2025	<u>\$ 24,053,600.50</u>
Analysis of Balance:	
Cash & Cash Equivalents	\$ 8,457,250.52
Investments:	
Certificates of Deposit	<u>15,596,349.98</u>
	<u>\$ 24,053,600.50</u>

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

Schedule of Anticipated Budget Revenues, Operating Appropriations

Principal Payments and Non-Operating Appropriations Compared to Budget -- Non-GAAP Budgetary Basis

For the Year Ended December 31, 2025

	<u>Adopted Budget</u>	<u>Actual</u>	<u>Variance</u>
Budget Revenues:			
Operating Revenues:			
Service Charges			
Residential	\$ 11,206,319.00	\$ 11,800,200.00	\$ 593,881.00
Business / Commercial	1,223,518.00	1,265,161.07	41,643.07
Intergovernmental	100,672.00	103,576.00	2,904.00
Total Service Charges	12,530,509.00	13,168,937.07	638,428.07
Connection Fees	30,000.00	23,148.78	(6,851.22)
Other Operating Revenues:			
Late Charges	125,000.00	127,439.68	2,439.68
Collingswood Shared Services	155,208.00	155,000.00	(208.00)
Tapping Fees	3,000.00	14,140.00	11,140.00
Other Miscellaneous Income	29,800.00	76,939.76	47,139.76
Total Other Operating Revenues	313,008.00	373,519.44	60,511.44
Total Operating Revenues	12,873,517.00	13,565,605.29	692,088.29
Non-Operating Revenues:			
Tower Lease Income	312,123.00	504,219.80	192,096.80
Interest on Investments & Deposits	100,000.00	581,949.54	481,949.54
Total Non-Operating Revenues	412,123.00	1,086,169.34	674,046.34
Total Budget Revenues	13,285,640.00	14,651,774.63	1,366,134.63
Operating Appropriations:			
Administration:			
Salaries and Wages	1,251,000.00	1,158,153.48	92,846.52
Employee Benefits	821,000.00	760,585.02	60,414.98

(Continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

Schedule of Anticipated Budget Revenues, Operating Appropriations

Principal Payments and Non-Operating Appropriations Compared to Budget -- Non-GAAP Budgetary Basis

For the Year Ended December 31, 2025

	<u>Adopted Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Appropriations (Cont'd):			
Administration (Cont'd):			
Other Expenses:			
Insurance	\$ 200,000.00	\$ 208,229.32	\$ (8,229.32)
Professional / Outside Services	173,500.00	187,503.73	(14,003.73)
Tower Lease Revenue Expense	473,971.00	373,609.60	100,361.40
Information Technology Expense	90,000.00	101,008.92	(11,008.92)
Notices & Advertising	12,000.00	1,848.81	10,151.19
Office Expense	126,500.00	127,993.12	(1,493.12)
Operating Fees-DEP	55,000.00	50,944.43	4,055.57
Uniforms	11,000.00	10,705.84	294.16
Training & Development	12,000.00	11,194.17	805.83
Consumer Confidence Report	4,200.00	4,460.00	(260.00)
Employee & Community Relations	30,500.00	28,263.64	2,236.36
Bad Debt Write Offs	7,500.00		7,500.00
Payroll and Other Processing Fees	34,800.00	39,698.10	(4,898.10)
Total Other Expenses	1,230,971.00	1,145,459.68	85,511.32
Total Administration Department	3,302,971.00	3,064,198.18	238,772.82
Cost of Providing Service:			
Salaries and Wages	2,031,000.00	1,971,535.08	59,464.92
Fringe Benefits	1,339,900.00	1,240,954.50	98,945.50
Other Expenses:			
Electric, Gas & Utilities	819,000.00	1,014,107.69	(195,107.69)
Maintenance	1,408,000.00	2,160,628.74	(752,628.74)
Chemicals and Lab Expense	432,000.00	337,284.47	94,715.53
Vehicle Expense	50,000.00	55,521.09	(5,521.09)
Desk Phones & Internet	25,000.00	31,061.57	(6,061.57)
Purchase of Water	70,000.00	73,308.44	(3,308.44)
Communications	42,000.00	40,444.05	1,555.95
Fuel & Gas	50,000.00	30,014.16	19,985.84
Safety Equipment	16,000.00	6,576.41	9,423.59
Temporary Rental of Granular Activated Carbon System	216,000.00		216,000.00
Total Other Expenses	3,128,000.00	3,748,946.62	(620,946.62)
Total Cost of Providing Service	6,498,900.00	6,961,436.20	(462,536.20)

(Continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

Schedule of Anticipated Budget Revenues, Operating Appropriations

Principal Payments and Non-Operating Appropriations Compared to Budget -- Non-GAAP Budgetary Basis

For the Year Ended December 31, 2025

	<u>Adopted Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Appropriations (Cont'd):			
Total Principal Payments on Debt Service in Lieu of Depreciation	\$ 476,269.00	\$ 331,035.09	\$ 145,233.91
Total Operating Appropriations	10,278,140.00	10,356,669.47	(78,529.47)
Non-Operating Appropriations:			
Total Interest Payments on Debt	228,769.00	77,799.62	150,969.38
Total Appropriations	10,506,909.00	10,434,469.09	72,439.91
Excess Anticipated Budgeted Revenues Over Operating and Non-Operating Appropriations	\$ 2,778,731.00	\$ 4,217,305.54	\$ 1,438,574.54

(Continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
Schedule of Anticipated Revenues, Operating Appropriations and
Principal Payments Compared to Budget -- Non-GAAP Budgetary Basis
For the Year Ended December 31, 2025

Reconciliation of Excess Budget Revenues over Budget Appropriations to Operating Income

Excess Budget Revenues Over Budget Appropriations		\$ 4,217,305.54
Plus:		
Principal on Debt	\$ 331,035.09	
Interest on Debt	<u>77,799.62</u>	
		408,834.71
Less:		
Investment Income	581,949.54	
Tower Lease Income	302,328.88	
Lease Interest Income	201,890.92	
GASB 68 Adjustment	(332,753.00)	
GASB 75 Adjustment	631,957.50	
Depreciation	<u>2,360,968.48</u>	
		<u>3,746,342.32</u>
Operating Income (Exhibit B)		<u><u>\$ 879,797.93</u></u>

Analysis of Charges to Budget Appropriations

Cash Disbursed	\$ 8,511,353.86
Accounts Payable and Accrued Expenses	1,148,188.02
Compensated Absences	19,795.70
On-Behalf Payment of Non-Employer Special Funding Situation Pension Expense	12,086.00
Debt Principal	331,035.09
Debt Interest	77,799.62
Inventory	<u>334,210.80</u>
Total Charges to Budget Appropriations	<u><u>\$ 10,434,469.09</u></u>

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
Schedule of NJIB Loans Payable
For the Year Ended December 31, 2025

<u>Purpose</u>	<u>Original</u>		<u>Interest Rate</u>	<u>Maturities</u>		<u>Balance</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u>
	<u>Date</u>	<u>Amount</u>		<u>Date</u>	<u>Amount</u>	<u>Jan. 1, 2025</u>			<u>Dec. 31, 2025</u>
New Jersey Environmental Infrastructure Trust Loan, Series 2007A (Non-Interest Bearing)	11-8-07	\$ 635,507.00	N/A	2-1-2026	\$ 1,313.20				
				8-1-2026	29,792.39				
				2-1-2027	672.42				
				8-1-2027	19,791.15				
					<u>51,569.16</u>	\$ 83,956.31		\$ (32,387.15)	\$ 51,569.16
New Jersey Environmental Infrastructure Trust Loan, Series 2007A (Interest Bearing)	11-8-07	650,000.00	4.50%	8-1-2026	40,000.00				
			4.25%	8-1-2027	44,000.00				
					<u>84,000.00</u>	124,000.00		(40,000.00)	84,000.00
New Jersey Environmental Infrastructure Trust Loan, Series 2010B (Non-Interest Bearing)	12-2-10	579,000.00	N/A	2-1-2026	10,157.89				
				8-1-2026	20,315.78				
				2-1-2027	10,157.89				
				8-1-2027	20,315.78				
				2-1-2028	10,157.89				
				8-1-2028	20,315.78				
				2-1-2029	10,157.89				
				8-1-2029	20,315.78				
				2-1-2030	10,157.89				
				8-1-2030	20,316.05				
					<u>152,368.62</u>	182,842.29		(30,473.67)	152,368.62
New Jersey Environmental Infrastructure Trust Loan, Series 2010B (Interest Bearing)	12-2-10	560,000.00	5.00%	8-1-2026	32,000.00				
			5.00%	8-1-2027	37,000.00				
			5.00%	8-1-2028	36,000.00				
			5.00%	8-1-2029	36,000.00				
			5.00%	8-1-2030	41,000.00				
					<u>182,000.00</u>	214,000.00		(32,000.00)	182,000.00

(Continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
Schedule of NJIB Loans Payable
For the Year Ended December 31, 2025

<u>Purpose</u>	<u>Original</u>		<u>Interest Rate</u>	<u>Maturities</u>		<u>Balance</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u>
	<u>Date</u>	<u>Amount</u>		<u>Date</u>	<u>Amount</u>	<u>Jan. 1, 2025</u>			<u>Dec. 31, 2025</u>
New Jersey Environmental Infrastructure Trust Loan, Series 2014A (Non-Interest Bearing)	5-21-14	\$ 1,928,250.00	N/A	2-1-2026	\$ 32,682.20				
				8-1-2026	65,364.40				
				2-1-2027	32,682.20				
				8-1-2027	65,364.40				
				2-1-2028	32,682.20				
				8-1-2028	65,364.40				
				2-1-2029	32,682.20				
				8-1-2029	65,364.40				
				2-1-2030	32,682.20				
				8-1-2030	65,364.40				
				2-1-2031	32,682.20				
				8-1-2031	65,364.40				
				2-1-2032	32,682.20				
				8-1-2032	65,364.40				
				2-1-2033	32,682.20				
				8-1-2033	65,364.60				
					<u>784,373.00</u>	\$ 882,419.60		\$ (98,046.60)	\$ 784,373.00
New Jersey Environmental Infrastructure Trust Loan, Series 2014A (Interest Bearing)	5-21-14	630,000.00	3.00%	8-1-2026	35,000.00				
				8-1-2027	35,000.00				
				8-1-2028	40,000.00				
				8-1-2029	40,000.00				
				8-1-2030	40,000.00				
				8-1-2031	40,000.00				
				8-1-2032	15,001.00				
					<u>245,001.00</u>	280,001.00		(35,000.00)	245,001.00
New Jersey I-Bank Interim Loan	6-29-23	8,677,030.00				8,677,030.00		(8,677,030.00)	

(Continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
Schedule of NJIB Loans Payable
For the Year Ended December 31, 2025

<u>Purpose</u>	<u>Original</u>		<u>Interest</u> <u>Rate</u>	<u>Maturities</u>		<u>Balance</u> <u>Jan. 1, 2025</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2025</u>
	<u>Date</u>	<u>Amount</u>		<u>Date</u>	<u>Amount</u>				
New Jersey Environmental Infrastructure Trust Loan, Series 2025 (Interest Bearing)	5-15-25	\$ 3,727,475.00	5.00%	8-1-2026	\$ 130,000.00				
			5.00%	8-1-2027	135,000.00				
			5.00%	8-1-2028	140,000.00				
			5.00%	8-1-2029	145,000.00				
			5.00%	8-1-2030	150,000.00				
			5.00%	8-1-2031	155,000.00				
			5.00%	8-1-2032	165,000.00				
			5.00%	8-1-2033	175,000.00				
			5.00%	8-1-2034	185,000.00				
			5.00%	8-1-2035	190,000.00				
			5.00%	8-1-2036	200,000.00				
			5.00%	8-1-2037	210,000.00				
			5.00%	8-1-2038	215,000.00				
			3.71%	8-1-2039	265,115.00				
			3.71%	8-1-2040	238,392.00				
			3.71%	8-1-2041	246,366.00				
			3.71%	8-1-2042	259,135.00				
			3.71%	8-1-2043	266,628.00				
			3.71%	8-1-2044	256,839.00				
					<u>3,727,475.00</u>				
						\$ 3,727,475.00			\$ 3,727,475.00
New Jersey Environmental Infrastructure Trust Loan, Series 2025 (Non-Interest Bearing)	5-15-25	3,077,474.00	N/A	2-1-2026	31,563.84				
				8-1-2026	126,255.34				
				2-1-2027	31,563.84				
				8-1-2027	126,255.34				
				2-1-2028	31,563.84				
				8-1-2028	126,255.34				
				2-1-2029	31,563.84				
				8-1-2029	126,255.34				
				2-1-2030	31,563.84				
				8-1-2030	126,255.34				
				2-1-2031	31,563.84				
				8-1-2031	126,255.34				
				2-1-2032	31,563.84				
				8-1-2032	126,255.34				
				2-1-2033	31,563.84				
				8-1-2033	126,255.34				
				2-1-2034	31,563.84				
				8-1-2034	126,255.34				

(Continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
Schedule of NJIB Loans Payable
For the Year Ended December 31, 2025

Purpose	Original		Interest Rate	Maturities		Balance	Increased	Decreased	Balance
	Date	Amount		Date	Amount	Jan. 1, 2025			Dec. 31, 2025
New Jersey Environmental Infrastructure Trust Loan, Series 2025 (Non-Interest Bearing) (Cont'd)				2-1-2035	\$ 31,563.84				
				8-1-2035	126,255.34				
				2-1-2036	31,563.84				
				8-1-2036	126,255.34				
				2-1-2037	31,563.84				
				8-1-2037	126,255.34				
				2-1-2038	31,563.84				
				8-1-2038	126,255.34				
				2-1-2039	31,563.84				
				8-1-2039	126,255.34				
				2-1-2040	31,563.84				
				8-1-2040	126,255.34				
				2-1-2041	31,563.84				
				8-1-2041	126,255.34				
				2-1-2042	31,563.84				
				8-1-2042	126,255.34				
				2-1-2043	31,563.84				
				8-1-2043	126,255.34				
				2-1-2044	31,563.84				
				8-1-2044	142,037.25				
					<u>3,014,346.33</u>		3,077,474.00	(63,127.67)	3,014,346.33
New Jersey I-Bank Interim Loan	6-25-25	9,055,133.00	Various	6-30-30	9,055,133.00		9,055,133.00		9,055,133.00
Premium on Loans - Amortized						10,444,249.20	15,860,082.00	(9,008,065.09)	17,296,266.11
						11,500.26	242,256.80	(6,910.61)	246,846.45
						<u>\$ 10,455,749.46</u>	<u>\$ 16,102,338.80</u>	<u>\$ (9,014,975.70)</u>	<u>\$ 17,543,112.56</u>
Interim Loans Permanently Financed						\$ 6,804,949.00	\$ (6,804,949.00)		
Interim Loans Redeemed							(1,872,081.00)		
Disbursed							(331,035.09)		
Interim Financing						9,055,133.00			
Premium on Loans						242,256.80	(6,910.61)		
						<u>\$ 16,102,338.80</u>	<u>\$ (9,014,975.70)</u>		

Schedule 4**THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION**

Schedule of Customer Accounts Receivable

For the Year Ended December 31, 2025

Balance Jan. 1, 2025		\$ 2,382,330.09
Increased by:		
Metered Sales to General Public	\$ 11,694,739.37	
Private Fire Protection	1,265,161.07	
Public Fire Protection	<u>103,576.00</u>	
		<u>13,063,476.44</u>
		15,445,806.53
Decreased by:		
Collected in Prior Years	124,732.48	
Collected in Current Year	<u>13,171,389.93</u>	
		<u>13,296,122.41</u>
Balance Dec. 31, 2025		<u><u>\$ 2,149,684.12</u></u>

Schedule 5**THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION**

Schedule of Accrued Interest Receivable

For the Year Ended December 31, 2025

Balance Jan. 1, 2025	\$ 16,066.45
Increased by:	
Interest Earned	<u>581,949.54</u>
	598,015.99
Decreased by:	
Interest Collected	<u>577,650.00</u>
Balance Dec. 31, 2025	<u><u>\$ 20,365.99</u></u>

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

Schedule of Capital Assets
For the Year Ended December 31, 2025

<u>Description</u>	<u>Balance</u> <u>January 1, 2025</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>December 31, 2025</u>
Land and Land Rights	\$ 300,856.57		\$ 23,800.00	\$ 277,056.57
Construction in Progress		\$ 2,049,642.42		2,049,642.42
City of Camden Water Allocation	2,557,607.63			2,557,607.63
Intangible Plant:				
Organization Costs	32,180.84			32,180.84
Source of Supply:				
Structures and Improvements	169,881.92			169,881.92
Wells and Springs	1,706,832.12			1,706,832.12
SCADA Program	1,644,879.42			1,644,879.42
Water Mapping - SCADA	283,456.59			283,456.59
Water Re-use Preservation Project	1,103,914.91			1,103,914.91
Supply Mains	156,394.94			156,394.94
Pumping Plant:				
Structures and Improvements	1,832,162.48			1,832,162.48
Electric Plumbing Equipment	157,613.55			157,613.55
Diesel Pumping Equipment	83,325.27			83,325.27
Other Pumping Equipment	194,084.42			194,084.42
Water Treatment Plant:				
Structures and Improvements	1,371,276.01			1,371,276.01
Water Treatment Equipment	2,883,348.30			2,883,348.30
Transmission and Distribution Plant:				
Structures and Improvements	905,693.11	40,815.00		946,508.11
Camden Avenue Tank	2,187,192.35			2,187,192.35
Cherry Hill 1MG Tank	3,006,585.51			3,006,585.51
ASR Building - Browning Road	124,705.81			124,705.81
Manganese Filtration	2,108,895.61			2,108,895.61
National and Brown Lime Addition	399,737.88			399,737.88
Park Avenue Project	4,534,580.02			4,534,580.02
Park Avenue Lime Building	256,927.76			256,927.76
Park Avenue GAC	339,369.69	96,037.45		435,407.14
Service Wells and Motors	542,319.67			542,319.67
National Highway Well 2	43,235.10			43,235.10
National Highway GAC	7,963,789.24	35,000.00		7,998,789.24
Browning Road Well 1	280,215.00			280,215.00
Browning Road GAC	452,189.58			452,189.58
Tank Painting	7,180,690.65	158,425.84		7,339,116.49
Carbon Filter Project	8,856,762.91			8,856,762.91
CC TV Park	136,598.99	21,821.00		158,419.99
Valve Replacement	253,849.13			253,849.13
Distribution Reservoirs and Standpipes	2,830,658.29			2,830,658.29
Garden State Project	28,423.23			28,423.23
Transmission and Distribution Mains	7,361,025.23	235,961.26		7,596,986.49
Water Main Replacement	10,993,521.97	652,710.10		11,646,232.07
Services	1,983,003.52			1,983,003.52
Meters	6,539,734.23	131,073.75		6,670,807.98
Hydrants	888,237.74	123,533.21		1,011,770.95
General Plant:				
Administration Office	3,618,473.89	12,461.00		3,630,934.89
Structures and Improvements	49,336.60			49,336.60
Office Furniture and Equipment	169,447.81		14,262.00	155,185.81
Software	128,330.69			128,330.69
Excavation Equipment	211,397.20			211,397.20
Transportation Equipment	770,498.36	148,592.33	171,306.00	747,784.69
Tools Shop and Garage Equipment	88,294.00			88,294.00
Power Operated Equipment	122,422.26			122,422.26
Capitalized Interest	207,130.12			207,130.12
Total Capital Assets	\$ 90,041,088.12	\$ 3,706,073.36	\$ 209,368.00	\$ 93,537,793.48

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

Schedule of Accrued Interest Payable
For the Year Ended December 31, 2025

Balance Jan. 1, 2025	\$ 36,969.89
Increased by:	
Accrued Interest	<u>119,524.24</u>
	156,494.13
Decreased by:	
Cash Disbursed	<u>77,799.62</u>
Balance Dec. 31, 2025	<u><u>\$ 78,694.51</u></u>
Analysis of Interest Expense:	
Accrued	\$ 119,524.24
Premium on Bonds & Loans	<u>(6,910.61)</u>
Total Interest Expense	<u><u>\$ 112,613.63</u></u>

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

Comparative Statements of Revenues and Expenses
For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>	<u>Increase / (Decrease)</u>
Revenues:			
Operating Revenues:			
Metered Sales to General Public	\$ 11,800,200.00	\$ 11,261,470.72	\$ 538,729.28
Private Fire Protection	1,265,161.07	1,245,543.45	19,617.62
Public Fire Protection	103,576.00	100,672.00	2,904.00
Connection Fees	23,148.78	312,696.60	(289,547.82)
Late Charges	127,439.68	120,377.53	7,062.15
Tapping Fees	14,140.00	8,585.00	5,555.00
Shared Service Agreement	155,000.00	196,666.67	(41,666.67)
Miscellaneous Income	76,939.76	82,377.96	(5,438.20)
Total Operating Revenues	13,565,605.29	13,328,389.93	237,215.36
Non-Operating Revenues:			
Tower Lease Income	302,328.88		302,328.88
Lease Interest Income	201,890.92	202,453.10	(562.18)
Net Legal Settlements	5,107,787.98		5,107,787.98
Interest on Investments & Deposits	581,949.54	564,655.31	17,294.23
Total Non-Operating Revenues	6,193,957.32	767,108.41	5,426,848.91
Contributed Capital	1,000,000.00		1,000,000.00
Total Revenues	20,759,562.61	14,095,498.34	6,664,064.27
Operating Expenses:			
Salaries and Wages			
Administrative Salaries	1,158,153.48	1,177,772.54	(19,619.06)
Seasonal Salaries	28,687.25	32,954.44	(4,267.19)
Field Service Technicians	1,434,102.70	1,309,881.43	124,221.27
Service Salaries	162,189.26	148,878.60	13,310.66
Plant Operators Salaries	346,555.87	325,172.14	21,383.73
Total Salaries and Wages	3,129,688.56	2,994,659.15	135,029.41
Employee Benefits			
Health Benefits	1,185,973.69	1,070,470.89	115,502.80
Social Security Tax	223,108.49	221,376.01	1,732.48
Dental, Vision and Other Employee Benefits	108,541.75	114,087.89	(5,546.14)
Unemployment and Disability	13,269.99	11,416.87	1,853.12
Workers' Compensation Insurance	83,929.68	58,832.50	25,097.18
Post Employment Benefits Obligation			
Other than Pension	631,957.50	682,524.50	(50,567.00)
Public Employees' Retirement System	53,962.92	71,121.81	(17,158.89)
Total Employee Benefits	2,300,744.02	2,229,830.47	70,913.55

(Continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

Comparative Statements of Revenues and Expenses
For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>	<u>Increase / (Decrease)</u>
Operating Expenses (Cont'd):			
Other Administrative Expenses:			
Insurance	\$ 208,229.32	\$ 217,102.50	\$ (8,873.18)
Professional / Outside Services	199,657.94	80,344.50	119,313.44
Tower Lease Revenue Expense	373,609.60	473,043.43	(99,433.83)
Information Technology Expense	101,008.92	81,392.91	19,616.01
Notices & Advertising	1,848.81	8,758.82	(6,910.01)
Office Expense	8,481.36	8,192.13	289.23
Operating Fees-DEP	50,944.43	53,660.36	(2,715.93)
Uniforms	10,705.84	9,389.51	1,316.33
Training & Development	11,194.17	6,244.49	4,949.68
Consumer Confidence Report	4,460.00	4,100.00	360.00
Employee & Community Relations	28,263.64	36,204.31	(7,940.67)
Bad Debt Write Offs		2,751.68	(2,751.68)
Postage and Printing	84,933.19	62,157.50	22,775.69
Copier and Postage Meter Leases	12,510.34	12,749.10	(238.76)
Computer Supplies	22,068.23	16,605.61	5,462.62
Payroll and Other Processing Fees	27,543.89	27,031.54	512.35
Total Other Administrative Expenses	1,145,459.68	1,099,728.39	45,731.29
Other Cost of Providing Services Expenses:			
Chemicals and Supplies	231,742.27	183,154.84	48,587.43
CCMUA Charges	2,976.00	2,936.00	40.00
Electric & Gas Expense	1,011,131.69	809,774.39	201,357.30
Maintenance of Wells and Treatment Equipment	316,715.91	302,728.58	13,987.33
Maintenance on Mains and Services	493,115.20	611,038.93	(117,923.73)
Maintenance on Structures	486,655.26	368,782.79	117,872.47
Maintenance on Generators & Power Equipment	13,325.00	16,034.27	(2,709.27)
Maintenance on Control Panels	9,481.19	31,495.10	(22,013.91)
Maintenance on Pumping & Chemical Equipment	827,448.25	422,657.84	404,790.41
Purchase of Water	73,308.44	69,051.63	4,256.81
Lab Work	105,542.20	94,843.00	10,699.20
Meter Repair and Maintenance	13,887.93	915.00	12,972.93
Communications	71,505.62	50,571.49	20,934.13
Fuel & Gas	30,014.16	33,415.43	(3,401.27)
Safety Equipment	6,576.41	13,118.13	(6,541.72)
Vehicle Expense	55,521.09	73,716.76	(18,195.67)
Total Other Cost of Providing Services Expenses	3,748,946.62	3,084,234.18	664,712.44
Depreciation Expense	2,360,968.48	2,417,614.11	(56,645.63)
Total Operating Expenses	12,685,807.36	11,826,066.30	859,741.06
Non-Operating Appropriations:			
Cost of Issuance of Debt	139,706.00		139,706.00
Loss on Disposal	23,800.00		23,800.00
Total Interest Payments on Debt	112,613.63	54,723.51	57,890.12
Total Non-operating Appropriations	276,119.63	54,723.51	221,396.12
Total Appropriations	12,961,926.99	11,880,789.81	1,081,137.18
Change in Net Position	\$ 7,797,635.62	\$ 2,214,708.53	\$ 5,582,927.09

See Independent Auditors' Report

**The Merchantville-Pennsauken
Water Commission**

PART II

SINGLE AUDIT SECTION

**FOR THE YEAR ENDED
December 31, 2025**



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITORS' REPORT

The Commissioners of
The Merchantville-Pennsauken Water Commission
Pennsauken, New Jersey

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Merchantville-Pennsauken Water Commission's ("Commission"), in the County of Camden, State of New Jersey, a component unit of the Township of Pennsauken, compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Commission's major federal program for the fiscal year ended December 31, 2025. The Commission's major federal program is identified in the *Summary of Auditors' Results* section of the accompanying *Schedule of Findings and Questioned Costs*.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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). Our responsibilities under those standards, the Uniform Guidance, are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Commission 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 its major federal program. Our audit does not provide a legal determination of the Commission's compliance with the compliance requirements referred to above.

PKF O'CONNOR DAVIES LLP
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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 Commission's federal program.

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 Commission'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 auditing standards generally accepted in the United States of America; *Government Auditing Standards*; the Bureau of Authority Regulation, Department of Community Affairs, State of New Jersey; Uniform Guidance; will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that 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 judgement made by a reasonable user of the report on compliance about the Commission's compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* and the Uniform Guidance, 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 Commission'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 Commission'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, but not for the purpose of expressing an opinion on the effectiveness of the Commission'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 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, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Report on Internal Control Over Compliance (Cont'd)

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. Accordingly, this report is not suitable for any other purpose.

PKF O'Connor Davies, LLP
PKF O'CONNOR DAVIES, LLP

Voorhees, New Jersey
August 24, 2026

MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025

Federal Grantor/ Pass Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Additional Award Identification	Federal FAIN Number	Pass-through Entity ID Number	Program or Award Amount	Grant Period	
						From	To
U.S. Department of Environmental Protection							
Passed through the State Department of Environmental Protection							
Capitalization Grants for Drinking Water State Revolving Funds							
Infrastructure Bank Trust	66.468	N/A	N/A	0424001-004	\$ 4,838,515.00	2023	2025
Infrastructure Bank Trust	66.468	N/A	N/A	0424001-006	7,291,349.75	Open	

The accompanying Notes to Financial Statements and Notes to Schedule of Expenditures of Federal Awards are an integral part of this schedule.

MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2025

NJ I-Bank Loan Receivable December 31, 2024		Revenue Recognized	Cash Receipts	Passed- Through to Subrecipients	Adjustments	Disbursements or Expenditures	NJ I-Bank Loan Receivable December 31, 2025	
Unreimbursed Expenditures	Project Funds Balance						Unreimbursed Expenditures	Project Funds Balance
	\$ 336,072.00				\$ (336,072.00)			
		\$ 7,291,349.75	\$ 1,600,727.00		365,616.58	\$ 2,063,139.67	\$ 828,029.25	\$ 4,862,593.50
\$ -	\$ 336,072.00	\$ 7,291,349.75	\$ 1,600,727.00	\$ -	\$ 29,544.58	\$ 2,063,139.67	\$ 828,029.25	\$ 4,862,593.50

MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2025

Note 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "schedule") includes federal award activity of the Merchantville-Pennsauken Water Commission (hereafter referred to as the "Commission") under programs of the federal government for the year ended December 31, 2025. The Commission is defined in Note 1 to the Commission's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). All federal awards received directly from federal agencies, as well as federal financial assistance passed through other government agencies, are included on this schedule. Because this schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position and changes in net position of the Commission.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting. This basis of accounting is described in Note 1 to the Commission's basic financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. The expenditures reflected in the schedule are presented at the federal participation level; thus, any matching portion is not included.

Note 3: INDIRECT COST RATE

The Commission has elected not to use the 15-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Amounts reported in the accompanying schedule agree with amounts reported in the Commission's basic financial statements.

Note 5: RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports.

Note 6: MAJOR PROGRAMS

Major programs are identified in the *Summary of Auditor's Results* section of the *Schedule of Findings and Questioned Costs*.

**The Merchantville-Pennsauken
Water Commission**

PART III

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED

December 31, 2025

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2025

Financial Statements

Unmodified

 yes x no

yes x none reported

 yes x no

_____ yes x no

yes x none reported

Unmodified

yes x no

Name of Federal Program or Cluster

Capitalization Grants for Drinking Water State Revolving Funds

\$1,000,000.00

x	yes	no
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MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2025

Section 1- Summary of Auditors' Results (Cont'd)

Not Applicable

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified? _____ yes _____ no

Significant deficiency(ies) identified? _____ yes _____ none reported

Type of auditor's report issued on compliance for major programs

Any audit findings disclosed that are required to be reported in
accordance with New Jersey OMB Circular 25-12? _____ yes _____ no

Identification of major programs:

State Grant / Project #

Name of State Program

N/A

Dollar threshold used to determine Type A programs

Auditee qualified as low-risk auditee? _____ yes _____ no

MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2025

Section 2- Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements related to financial statements for which *Government Auditing Standards* and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, requires.

None.

MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2025

Section 3- Schedule of Federal Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, material instances of noncompliance, including questioned costs, and significant instances of abuse related to the audit of major Federal programs, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

None.

MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2025

Section 4- Schedule of State Financial Assistance Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, material instances of noncompliance, including questioned costs, and significant instances of abuse related to the audit of major State programs, as required by State of New Jersey OMB Circular 25-12.

Not applicable.

MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

Summary Schedule of Prior Year Audit Findings
and Questioned Costs as Prepared by Management

This section identifies the status of prior year findings related to the financial statements and federal awards and state financial assistance that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

FINANCIAL STATEMENT FINDINGS

None.

FEDERAL AWARDS

None.

APPRECIATION

We express our appreciation for the assistance and courtesies rendered by the Commission officials during the course of the audit.

PKF O'Connor Davies, LLP

PKF O'CONNOR DAVIES, LLP

Voorhees, NJ
August 24, 2026