Annual
Financial Report

of the

Rahway Valley
Sewerage Authority

For the Years Ended December 31, 2025 and 2024

Prepared By

Rahway Valley Sewerage Authority

Finance Department

RAHWAY VALLEY SEWERAGE AUTHORITY

INDEX

		PAGE NUMBER
FINANCIAL SECTION		
Independent Auditor's Report		1-4
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with Government Auditing Standards		5-6
Management Discussion and Analysis (Unaudited)		7-14
BASIC FINANCIAL STATEMENTS		
EXHIBITS		
"A"	Statements of Net Position - December 31, 2025 and 2024	15-16
"B"	Statements of Revenues, Expenses and Changes in Net Position for the Years Ended December 31, 2025 and 2024	17
"C"	Statements of Cash Flows for the Years Ended December 31, 2025 and 2024	18
Notes to Financial Statements - December 31, 2025 and 2024		19-47
SUPPLEMENTARY INFORMATION		
SCHEDULES		
"1"	Schedule of Revenues, Expenses and Changes in Net Position Reserved and Unreserved - Years Ended December 31, 2025 and 2024	48
"2"	Schedule of Cash Receipts, Cash Disbursements and Changes in Cash and Cash Equivalents - Unrestricted Accounts (Operating and Revenue Accounts) - Years Ended December 31, 2025 and 2024	49
"3"	Schedule of Cash Receipts, Cash Disbursements, Changes in Cash, Cash Equivalents and Investments - Restricted Accounts - Years Ended December 31, 2025 and 2024	50
"4"	Schedule of Operating Revenues and Costs Funded by Operating Revenues Compared to Budget for the Years Ended December 31, 2025 and 2024	51-52

		PAGE NUMBER
"R-1"	Schedule of Authority's Proportionate Share of the Net Pension Liability - Public Employees Retirement System - Last Ten Years	53
"R-2"	Schedule of Authority's Contributions - Public Employees Retirement System - Last Ten Years	54
"R-3"	Schedule Related to Accounting and Reporting for Pension (GASB 68) - Note to RSI III	55
"S-1"	Schedule of Authority's Proportionate Share of the Net OPEB Liability - State Health Benefits Local Government Retired Employees Plan - Last Ten Years	56
"S-2"	Schedule of Authority's Contributions - State Health Benefits Local Government Retired Employees Plan - Last Ten Years	57
"S-3"	Schedule Related to Accounting and Reporting for OPEB (GASB 75) - Note to RSI III	58
General Comments and Recommendations		59

FINANCIAL SECTION

SUPLEE, CLOONEY & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS
308 East Broad Street, Westfield, New Jersey 07090-2122
Telephone 908-789-9300 Fax 908-789-8535
E-mail info@scnco.com

INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Rahway Valley Sewerage Authority
Rahway, New Jersey 07065

Report on the Financial Statements

We have audited the accompanying financial statements of the Rahway Valley Sewerage Authority, which comprises the statements of net position as of December 31, 2025 and 2024 and the related statements of revenue, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Rahway Valley Sewerage Authority, for the years ended December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America , the audit requirements of and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial statements section of our report. We are required to be independent of the Rahway Valley Sewerage Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Rahway Valley Sewerage Authority's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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, *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 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 Rahway Valley Sewerage Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rahway Valley Sewerage Authority's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion analysis and the schedules related to accounting, reporting for pensions in Schedule R-1 through R-3, and the schedule related to accounting and reporting for postretirement benefits other than pensions (OPEB) in Schedule S-1 through S-3 are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to 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.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2026 on our consideration of the Rahway Valley Sewerage Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Rahway Valley Sewerage Authority's internal control over financial reporting and compliance.

Suplee, Clooney & Company

October 19, 2026

SUPLEE, CLOONEY & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS
308 East Broad Street, Westfield, New Jersey 07090-2122
Telephone 908-789-9300 Fax 908-789-8535
E-mail info@scnco.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Commissioners
Rahway Valley Sewerage Authority
Rahway, New Jersey 07065

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Rahway Valley Sewerage Authority as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise Rahway Valley Sewerage Authority's financial statements, and have issued our report thereon dated October 19, 2026.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Rahway Valley Sewerage Authority's 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 opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Rahway Valley Sewerage Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rahway Valley Sewerage Authority's internal control.

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

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

Compliance and Other Matters

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

Purpose of This Report

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



October 19, 2026

THIS PAGE INTENTIONALLY LEFT BLANK

MANAGEMENT DISCUSSION AND ANALYSIS

HowMANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2025 UNAUDITED

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplementary information.

OVERVIEW OF ANNUAL FINANCIAL REPORT

The MD&A represents management's examination and analysis of the Authority's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's budget, bond resolutions and other management tools were used for this analysis.

The Authority's audited financial statements are presented in conformity with generally accepted accounting principles as applied to governmental units. The basic financial statements include: Statements of Net Position; Statements of Revenues, Expenses and Changes in Net Position; Statements of Cash Flows; and Notes to Financial Statements.

The Statements of Net Position present the Assets, Liabilities, Deferred Inflows and Outflows of Resources and Total Net Position of the Authority on a historical cost basis. Over time, increases and decreases in the components of the Authority's Total Net Position are indicators of whether the financial position of the Authority is improving or deteriorating.

While the Statements of Net Position provide information about the nature and amount of resources and obligations at year-end, the Statements of Revenues, Expenses and Changes in Net Position present the results of the business activities over the course of the Fiscal Year and information as to how the net position changed during the year.

The Statements of Cash Flows present changes in cash and cash equivalents, resulting from operating, financing, and investing activities. These statements present cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The Notes to Financial Statements (Notes) provide required disclosures and other information that are essential to an understanding of material data provided in the basic financial statements. The Notes present information that include accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

AUTHORITY'S FINANCIAL REPORT

Condensed Statements of Net Position

Unrestricted assets of $12.1 million at December 31, 2025, consists principally of cash and cash equivalents of $11.7 million. The $220 thousand in receivables consist of a litigation settlement and funds due for food waste and discharge fees. Total current liabilities payable from unrestricted assets at December 31, 2025 of $2.0 million consists of accounts payable and accrued expenses.

Restricted assets of $16.9 million at December 31, 2025 consists of cash and cash equivalents and funds due from the I-Bank.

	December 31		
Assets	2025	2024	2023
Unrestricted assets	$ 12,077,517	$ 9,191,830	$ 8,060,044
Restricted assets	16,912,118	9,379,629	12,300,134
Capital assets, at cost	296,919,546	293,125,591	288,497,167
Accumulated depreciation	(158,313,105)	(148,638,442)	(138,986,353)
Settlement Receivable	3,192,992	3,329,892	-
Deferred outflow of resources	7,666,896	7,766,621	7,483,893
Total assets	$ 178,455,964	$ 174,155,121	$ 177,354,885
Current liabilities:			
Payable from unrestricted assets	$ 2,005,371	$ 2,022,499	$ 1,993,562
Payable from restricted assets	4,840,593	10,733,053	11,981,760
Total current liabilities	$ 6,845,964	$ 12,755,552	$ 13,975,322
Long-term debt, net of current maturities	95,372,716	89,501,912	96,983,566
Net pension liability	7,193,928	8,523,662	8,967,243
Net OPEB liability	17,037,635	16,958,785	14,476,358
Total noncurrent liabilities	$ 119,604,279	$ 114,984,359	$ 120,427,167
Total liabilities	$ 126,450,243	$ 127,739,911	$ 134,402,489
Deferred inflows of resources:			
Credits on debt refundings	$ -	$ 88,211	$ 303,216
Deferred bond premium	61,652	66,414	71,177
Pension related	1,172,364	533,930	723,080
OPEB related	6,759,251	6,588,914	8,891,694
Total Deferred inflows of resources	$ 7,993,267	$ 7,277,469	$ 9,989,167
Total net position	$ 44,012,454	$ 39,137,741	$ 32,963,229
Total liabilities, deferred inflows of resources, and total net position	$ 178,455,964	$ 174,155,121	$ 177,354,885

Condensed Statements of Net Position (Cont'd.)

The Authority's capital assets, at cost, at December 31, 2025 and 2024 amounted to $296.9 million and $293.1 million, respectively. Reference is made to the Authority's Capital Improvement Program (CIP). Net property, plant and equipment at December 31, 2025 and 2024 amounted to $138.6 million and $144.5 million, respectively.

Total liabilities of the Authority at December 31, 2025 and 2024 amounted to $126.5 million and $127.7 million, respectively, of which $100.0 million and $100.0 million, respectively, relate to debt obligations principally attributable to the funding of capital asset additions under the Authority's Year 2002 CIP. Additional temporary/interim financing was secured in 2023 from NJIB totaling $5.8 million to provide financing for the replacement of the Headworks Influent Bar Screen. This temporary financing was finalized in 2024. A second interim NJIB loan was finalized in 2025 totaling $7.5 million for the headworks HVAC upgrade. The Authority's debt obligations outstanding at December 31, 2025 and 2024 relate to financing under the New Jersey Infrastructure Bank (NJIB) Loan Program ($14.5 million) and the accreted value of Capital Appreciation Bonds ($85.4 million). In addition, Total Liabilities include a Net Pension Liability of $7.2 million and $8.5 million, and a net OPEB liability of $17.0 million and $16.9 million at December 31, 2025 and 2024, respectively.

Deferred inflows of resources at December 31, 2025 and 2024 of $8.0 million and $7.2 million, respectively, relate principally to credits on debt refundings as well as Pension and OPEB obligations.

Total Net Position of the Authority at December 31, 2025 and 2024 amounted to $44 million and $39 million, respectively. Net Position includes:

	2025	2024
Net Investment in Capital Assets	$47,166	$46,039
Restricted	12,185	12,444
Unrestricted, Appropriated	850	700
Unrestricted, Unappropriated	7,507	4,094
Unrestricted, Rate Stabilization Fund	800	700
Unrestricted, Net Pension Related	(8,016)	(8,510)
Unrestricted, Net OPEB Related	(16,481)	(16,328)
	$44,012	$39,138

An appropriation of $850 thousand of the Unrestricted Net Position in the year ended December 31, 2025 was made to fund a portion of the Year 2026 Operating Budget.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	Years Ended December 31		
	2025	2024	2023
Operating revenues	$ 35,235,531	$ 34,969,875	$ 31,031,346
Operating expenses:			
Costs of providing services	$ 14,627,240	$ 12,572,579	$ 12,810,999
General and administrative	3,911,673	3,935,757	3,856,924
Pension expense charge	(494,437)	(569,968)	(789,486)
OPEB expense adjustment	152,049	(165,844)	(558,147)
Total operating expenses, before depreciation	$ 18,196,525	$ 15,772,524	$ 15,320,290
Depreciation	9,674,664	9,652,089	9,621,324
Total operating expenses	$ 27,871,189	$ 25,424,613	$ 24,941,614
Operating income	$ 7,364,342	$ 9,545,262	$ 6,089,732
Nonoperating income/(expense), net:			
Interest expense, net	$ (4,117,572)	$ (4,293,633)	$ (4,394,606)
Other income, net	1,627,943	922,883	1,398,800
Net income (loss)	$ 4,874,713	$ 6,174,512	$ 3,093,926
Net Position:			
Beginning of year	$ 39,137,741	$ 32,963,229	$ 29,869,303
Net Position end of year	$ 44,012,454	$ 39,137,741	$ 32,963,229

Budgeted and realized member annual assessments included in operating revenues for the years ended December 31, 2025 and 2024, amounted to $33.3 million and $32.6 million, respectively. Member annual assessments represent approximately 94% and 93% of total operating revenues realized in each of the years ended December 31, 2025 and 2024, respectively.

Total operating expenses for the years ended December 31, 2025 and 2024 were $27,9 million and $25.4 million, respectively. Operating expenses consist principally of personnel related costs, utilities, residual disposal, maintenance, compliance monitoring and professional services.

Operating income, net of depreciation expense of $9.6 million in each of the Years 2025 and 2024, amounted to $7.4 million compared to $9.5 million, respectively.

Condensed Statements of Revenues, Expenses and Changes in Net Position (Cont'd.)

Interest expense in 2025 amounted to $4.1 million as compared to $4.3 million in 2024.

Net income in the Year 2025 was $4.9 million as compared to $6.2 million in the Year 2024.

Condensed Statements of Cash Flows

	Years Ended December 31		
	2025	2024	2023
Net cash provided by operating activities	$ 16,991,142	$ 18,350,182	$ 15,025,735
Net cash used in capital and financing activities	(14,010,475)	(13,677,823)	(14,880,007)
Net cash provided by investing activities	1,029,423	578,304	522,786
Net increase(decrease) in cash and cash equivalents	$ 3,930,091	$ 5,250,663	$ 668,514
Cash and cash equivalents:			
Beginning of year	16,613,433	11,362,770	10,694,256
End of year	$ 20,543,523	$ 16,613,433	$ 11,362,770

Net cash provided by operating activities amounted to $16.9 million and $18.3 million in the years ended December 31, 2025 and 2024, respectively.

Net cash used in capital/financing activities in the Years 2025 and 2024 relate principally to the funding of construction projects, and debt service payments. Payments for net capital asset additions in the Year 2025 were $3.0 million as compared to $4.6 million in 2024. Debt service payments amounted to $12.0 million and $11.6 million in the years ended December 31, 2025 and 2024, respectively.

Net cash provided by investing activities amounted $1.0 million and $578 thousand in the Years 2025 and 2024, respectively, and relates to interest income.

AUTHORITY OVERVIEW

General

The Rahway Valley Sewerage Authority and its predecessor, known as the Rahway Valley Joint Meeting, has provided for the disposal of sewage wastes collected in the Rahway Valley region since 1937. On October 20, 1928, a contract was entered into by the nine municipalities, that is, the Boroughs of Garwood, Kenilworth and Roselle Park, the City of Rahway, the Town of Westfield and the Townships of Clark, Cranford and Springfield all in Union County and the Township of Woodbridge in Middlesex County. The purpose of such contract, as amended on March 3, 1932 and August 31, 1936, was jointly to construct, maintain, rebuild, repair and operate trunk sewers and a sewage treatment plant within the Rahway Valley, such municipalities being united in a Joint Meeting pursuant to statute. The Rahway Valley Sewerage Authority was created by virtue of parallel ordinances adopted in 1951 by the governing bodies of the Member Municipalities. Scotch Plains and Mountainside became members in 1995 and 1999, respectively. The Authority has perpetual existence as a public body politic and corporate constituting a political subdivision of the State of New Jersey.

The Authority had 60 employees as of December 31, 2025, including its Executive Director and Secretary/Treasurer, of which 28 employees are represented by the United Steel Workers Union.

Service Agreement

The present Service Agreement includes the Boroughs of Garwood, Kenilworth, Mountainside and Roselle Park, the City of Rahway, the Town of Westfield, and the Townships of Clark, Cranford, Scotch Plains, Springfield and Woodbridge, Municipal Corporations of the State of New Jersey. Pursuant to the Service Agreement, the Authority prepares a statement of its Municipality Service Charges each Fiscal Year which includes all amounts required for payment during such Fiscal Year of Operating Expenses, Debt Service, Reserves and other requirements. The Authority then allocates the various amounts set forth in its statement of charges amongst the individual Municipalities principally on the basis of their proportional average daily share of the use of the System (flow, biochemical oxygen demand and total suspended solids). Each Municipality's share of the annual service charge is due and payable in two equal installments on April 1 and July 1 of each Fiscal Year. The obligations of each Municipality under the Service Agreement are not joint and several. A Municipality may sell or assign its unused authorized flow rights as may be determined by the Authority, in whole or in part, to a member Municipality or to a nonmember municipality subject, however, to a right of first refusal reserved to the member Municipalities.

The System

The Rahway Valley Sewerage Authority Service Area is located in Union and Middlesex Counties. The estimated population served is 250,000 with an additional 3,500 commercial and industrial facilities. The Authority owns and operates Trunk Sewer Lines varying in size from 36" to 72" diameter and four major Spur Lines varying in size from 15" to 36" in diameter. The construction of the 17.5-mile collection system was completed in 1930. The collection system flows by gravity to the Authority's treatment plant.

The treatment plant is located on the borders of Rahway and Woodbridge and was placed into operation in 1937. Upgrades and expansion over the past few years have resulted in a facility that now accommodates wet weather flows of up to 105 MGD. Gravity Relief Sewers were constructed to covey peak wet weather flows to the facility. One Combined Sewer Overflow was closed and another Combined Sewer Overflow was reconfigured as an emergency plant protection system. Tertiary treatment utilizing sand filters, an ultraviolet disinfection system and other treatment facility enhancements were added to improve the quality of the effluent discharged into the Arthur Kill in Carteret. The Authority disposes its anaerobic digested, dewatered, and dried sludge to third parties who use the material for beneficial use.

The Authority's Year 2002 Capital Improvement Program (CIP) included the following segments: (i) improvements to the wastewater treatment plant (WWTP), consisting of new influent pumping, grit and screenings removal, additional primary and secondary settling tanks, upgraded aeration system, filtration, UV disinfection, cascade aeration, effluent pumping, improved sludge thickening facilities and related appurtenances; (ii) a Gravity Relief Sewer (GRS); and (iii) a power generating sludge drying facility (Cogeneration Facility). The cost of the CIP was approximately $225 million of which 95% related to projects required under a Judicial Consent Order (JCO) that is discussed in the caption (Litigation Settlement related to the Capital Improvement Program). Reference is also made to the captions (Litigation and Related Matters) and (Commitments and Contingencies) concerning additional comments related to the Authority's Year 2002 CIP.

Municipality Service Charges

Budgeted and realized member municipality annual assessments for the years ended December 31, 2025, 2024 and 2023 (representing a substantial portion of operating income in each year) follow:

Municipality	2025	2024	2023
Woodbridge	$ 7,535,982	$ 7,330,756	$ 6,949,605
Rahway	6,635,311	6,388,743	5,665,456
Westfield	4,893,469	4,899,122	4,525,566
Cranford	3,704,193	3,471,434	3,037,987
Springfield	3,296,199	3,165,035	2,860,512
Clark	2,275,373	2,438,153	2,530,699
Scotch Plains	1,482,707	1,372,276	1,360,595
Kenilworth	1,212,465	1,297,306	1,217,834
Mountainside	844,860	850,746	850,318
Garwood	932,372	889,861	766,775
Roselle Park	468,569	492,194	428,553
	$33,281,500	$32,595,626	$30,193,900

Commitments and Contingencies

For purposes of temporary/interim financing during construction, the Authority issued a low-interest-bearing note to the NJIB in the amount of $5,215,700 and $7,500,000. The notes represents funding for improvements to the Authority's treatment system. Proceeds of these notes are held by the NJIB for the benefit of the Authority upon submission of approved construction cost requisitions. The Authority expects to permanently finance this notes prior to maturity through the NJIB financing program. Bonds are expected to be amortized on a level debt service basis for a period of not less than twenty years and not more than thirty years.

Contacting the Authority's Management

Questions concerning the Authority's annual financial report should be addressed to the Authority's Secretary/Treasurer at the Rahway Valley Sewerage Authority, 1050 East Hazelwood Avenue, Rahway, New Jersey 07065.

THIS PAGE INTENTIONALLY LEFT BLANK

BASIC FINANCIAL STATEMENTS

EXHIBIT A
SHEET #1

RAHWAY VALLEY SEWERAGE AUTHORITY

STATEMENTS OF NET POSITION
DECEMBER 31, 2025 AND 2024

	2025	2024
ASSETS		
Unrestricted Assets - Current:		
Cash and Cash Equivalents	$ 11,664,677	$ 8,797,249
Accounts Receivable	83,474	162,818
Prepaid Expenses	192,466	98,742
Settlement Receivable	136,900	133,021
Total Unrestricted Assets - Current	$ 12,077,517	$ 9,191,830
Restricted Assets:		
Cash and Cash Equivalents	$ 8,878,847	$ 7,816,184
Receivable from I-Bank	8,033,271	1,563,445
Total Restricted Assets - Current	$ 16,912,118	$ 9,379,629
Unrestricted Assets - Long Term:		
Property, Plant and Equipment, at Cost	$ 296,919,547	$ 293,125,591
Less: Accumulated Depreciation	158,313,105	148,638,442
Net Property, Plant and Equipment	$ 138,606,441	$ 144,487,149
Settlement Receivable	3,192,992	3,329,892
Total Unrestricted Assets - Long Term	$ 141,799,433	$ 147,817,041
TOTAL ASSETS	$ 170,789,068	$ 166,388,500
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related	$ 350,518	$ 547,381
OPEB Related	7,316,378	7,219,240
Total Deferred Outflows of Resources	$ 7,666,896	$ 7,766,621
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 178,455,964	$ 174,155,121

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT A
SHEET #2

RAHWAY VALLEY SEWERAGE AUTHORITY

STATEMENTS OF NET POSITION
DECEMBER 31, 2025 AND 2024

	2025	2024
LIABILITIES		
Current Liabilities Payable From Unrestricted Assets:		
Accounts Payable and Accrued Expenses	$ 2,005,371	$ 2,022,499
Total Current Liabilities Payable From Unrestricted Assets	$ 2,005,371	$ 2,022,499
Current Liabilities Payable From Restricted Assets:		
Accounts Payable	$ 718,564	$ 172,270
Accrued Interest Payable	21,219	51,216
Current Portion of Long-term Debt	10,509,567	10,509,567
Total Current Liabilities Payable From Restricted Assets	$ 11,249,350	$ 10,733,053
Non-current Liabilities:		
Total Long-Term Debt, Net of Current Maturities	$ 88,963,958	$ 89,501,912
Net Pension Liability	7,193,928	8,523,662
OPEB Liability	17,037,635	16,958,785
Total Non-current Liabilities	$ 113,195,521	$ 114,984,359
TOTAL LIABILITIES	$ 126,450,242	$ 127,739,911
DEFERRED INFLOWS OF RESOURCES		
Credits on Debt Refundings	$ -	$ 88,211
Pension Related	1,172,364	533,930
OPEB Related	6,759,251	6,588,914
Deferred Bond Premium	61,652	66,414
TOTAL DEFERRED INFLOWS OF RESOURCES	$ 7,993,267	$ 7,277,469
Net Position:		
Net Investment in Capital Assets	$ 47,166,187	$ 46,039,115
Restricted	12,185,860	12,443,494
Unrestricted	(15,339,593)	(19,344,868)
TOTAL NET POSITION	$ 44,012,454	$ 39,137,741
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 178,455,964	$ 174,155,121

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT B

RAHWAY VALLEY SEWERAGE AUTHORITY

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
Operating Revenues:		
Member Annual Assessments	$ 33,281,501	$ 32,595,626
Discharge, Permit and Other Fees	544,556	884,366
Sewer Connection Fees	707,867	875,118
Food Waste Fees	587,936	421,941
Other Income, Net	113,671	192,824
Total Operating Revenues	$ 35,235,531	$ 34,969,875
Operating Expenses:		
Costs of Providing Services	$ 14,627,240	$ 12,572,579
General and Administrative	3,911,673	3,935,757
Pension Expense Adjustment	(494,437)	(569,968)
OPEB Expense Adjustment	152,049	(165,844)
Depreciation	9,674,664	9,652,089
Total Operating Expenses	$ 27,871,188	$ 25,424,613
Operating Income	$ 7,364,343	$ 9,545,262
Nonoperating Revenues (Expenses):		
Interest Income - Unrestricted Funds	$ 707,687	$ 567,335
Interest Income - Restricted Funds	321,736	355,548
Grants	2,391	-
Other Income, Net	596,128	
Interest Expense, Net	(4,117,572)	(4,293,633)
Net Income (Loss)	$ 4,874,713	$ 6,174,512
Net Position, Beginning of Year	$ 39,137,741	$ 32,963,229
Net Position, End of Year	$ 44,012,454	$ 39,137,741

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT C

RAHWAY VALLEY SEWERAGE AUTHORITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
Cash Flows from Operating Activities:		
Receipts from Member Annual Assessments	$ 33,281,501	$ 32,595,626
Receipts for Discharge, Permit and Other Fees	1,307,850	1,743,030
Receipts for Food Waste Fees	611,853	426,440
Other Receipts	404,729	192,824
Payments to Suppliers	(12,489,557)	(10,905,534)
Payments to Employees	(6,207,625)	(5,702,204)
Grants	2,391	-
Net Cash Provided by Operating Activities	$ 16,911,142	$ 18,350,182
Cash Flows from Capital and Related Financing Activities:		
Purchase of Capital Assets	$ (3,075,432)	$ (4,680,500)
Principal Payments on Long-Term Debt	(12,062,605)	(11,617,860)
Proceeds from the NJIB Loan Program	1,030,174	3,652,255
Interest Paid on Bonds	(136,612)	(1,265,718)
Capital Litigation Settlement (Principal and Interest)	234,000	234,000
Net Cash Used in Capital and Financing Activities	$ (14,010,475)	$ (13,677,823)
Cash Flows from Investing Activities:		
Interest Received	$ 1,029,423	$ 578,304
Net Cash Provided by Investing Activities	$ 1,029,423	$ 578,304
Net Increase in Cash and Cash Equivalents	$ 3,930,090	$ 5,250,663
Cash and Cash Equivalents, Beginning of Year	16,613,433	11,362,770
Cash and Cash Equivalents, End of Year	$ 20,543,523	$ 16,613,433
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	$ 7,364,343	$ 9,545,262
Depreciation	9,674,664	9,652,089
Changes in Operating Assets and Liabilities:		
Accounts Receivable	79,344	(11,955)
Prepaid Expenses	(93,724)	(60,062)
Accounts Payable and Accrued Expenses	(38,022)	18,177
Deferred Revenues	-	(24,600)
Pension Expense	(494,437)	(568,968)
OPEB Expense	152,049	(165,844)
Other	266,925	(32,917)
Net Cash Provided by Operating Activities	$ 16,911,142	$ 18,350,182

The accompanying Notes to the Financial Statements are an integral part of this statement.

RAHWAY VALLEY SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

(1) GENERAL

The Rahway Valley Sewerage Authority (Authority) was created for the construction, operation and maintenance of a joint trunk sewer and wastewater treatment plant to serve municipalities in the Rahway Valley region. The Authority has a service agreement with its member municipalities which obligates each municipality to pay a share of the Authority's operating and capital expenditures, bond service and required reserve additions not met by other sources. Assessments to member municipalities are made in proportion to the contribution of each municipality's percentage share of the total average daily flow, suspended solids and biochemical oxygen demand from the municipality based on a forward moving average of the data for a five-year period. The Board of Commissioners is composed of eleven members, one each for the constituent municipalities.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles (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 most significant of the accounting policies are described below.

Cash Equivalents

Cash equivalents are stated at cost which approximates market. The Authority considers investments with maturities of three months or less to be cash equivalents.

Inventory

Inventory of spare parts and supplies is recorded as an expense when purchased and accordingly, is not included in the statements of net assets.

Vacation and Sick Leave

Authority employees are granted vacation in varying amounts and earn certain sick leave time. In the event of termination, an employee is reimbursed for accumulated vacation days and certain employees are eligible for the reimbursement of accumulated sick leave on a percentage basis. Accumulated unpaid vacation and sick leave is accrued when incurred.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity

The Authority's financial statements include the operations of the joint trunk sewer and wastewater treatment plant for which the Board of Commissioners of the Authority exercises financial accountability. The Authority is considered a joint venture of the participating governments. Board members are appointed to five-year terms by their respective municipalities. There are no additional entities required to be included in the reporting entity and the Authority is not included in any other reporting entity.

Basis of Accounting

The financial statements of the Authority have been prepared on the accrual basis and in accordance with generally accepted accounting principles applicable to enterprise funds of state and local governments. An Enterprise Fund is used to account for operations: (i) that are financed primarily through user charges, or (ii) where the governing body has decided that determination of net income is appropriate.

The accounting and financial reporting applied by the Authority is determined by its measurement focus. The financial statements are reported using the economic measurement focus and the accrual basis of accounting. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included in the Statements of Net Position. Net Position (totals assets and deferred outflows net of total liabilities and deferred inflows) are segregated into invested in capital assets, restricted and unrestricted components.

Revenue Recognition

Revenue from Contracts with Customers, Identifying Performance Obligations and Licensing. The update addresses the complexity and understandability of performance obligations and how an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Authority recognizes revenue from exchange transactions comprised of primarily member assessments user fees when the earnings process is complete and services have been performed. Such revenues are recognized over the Authority's fiscal year. Revenues largely represent a single performance obligation that is satisfied over the Authority's year.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting and Financial Reporting for Pensions

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68 "Accounting and Financial Reporting for Public Employees Pensions" which requires the State of New Jersey to calculate and allocate, for note disclosure purposes only, the unfunded net pension liability of Public Employees Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) of the participating municipality as of December 31, 2025. The statement does not alter the amounts of funds that must be budgeted for pension payments under existing state law.

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)

The Governmental Accounting Standards Board (GASB) has issued Statement no. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". This statement establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses for postemployment benefits other than pensions. It also requires the State of New Jersey to calculate and allocate to each participating member, for note disclosure purposes only, the OPEB net liability of New Jersey Health Benefits Local Government Retiree Plan (the Plan). The statement does not alter the amount of funds that must be budgeted for OPEB payment under existing state law.

Under GAAP, Authorities are required to recognize the OPEB liability in the Statements of Revenues, Expenses, Changes in Net Position (balance sheets) and Notes to the Financial Statements in accordance with GASB 75. The liability required to be displayed by GASB 75 is displayed as a separate line item in the Unrestricted Net Liabilities area of the balance sheet.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the Authority has two items that qualify for reporting in this category, deferred amounts related to pensions and OPEB.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has four items that qualify in this category: credits on debt refundings, deferred amounts related to pension, deferred amounts that relate to OPEB, and deferred bond premium.

Restricted Assets

In accordance with the Bond Resolution related to certain debt obligations of the Authority (see note 8), the Authority established a Construction Fund in which may be deposited the proceeds of Bonds or Notes issued to finance the costs of capital projects. The Authority shall apply the amounts on deposit in the Construction Fund for the payment of costs related to its capital asset plant facilities. The Authority may also apply the balance on deposit in the Construction Fund for the payment of the principal or redemption price or interest on its Bonds, as defined.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to the Construction Fund, the Authority established the following Special funds:

FUND	AMOUNT	USE FOR WHICH RESTRICTED
Revenue	Revenues received by the Authority from municipality service charges	Authorized operating expenses and transfers to the various accounts described below
Operating	Amount required to equal the Operating Fund Requirement - The Operating Fund Requirement is defined as the amount of money which is equal to the amount necessary for the payment of operating expenses for the current fiscal year (in accordance with the provisions of the Annual Budget which is in effect at the date of determination) and any additional operating expenses provided for in accordance with generally accepted accounting principles.	Operating expenses
Operating Reserve	Amount of money which is equal to 25% of the operating expenses estimated by the Authority for the next fiscal year	Operating expenses
Debt Service	Amount needed to equal the Debt Service Requirement (as defined in the bond resolution)	Debt obligations
Debt Service Reserve	Amount needed to increase the balance to equal the Debt Reserve Requirement (as defined in the bond resolution)	Compliance with a Supplemental Resolution or Series Certificate, if any
Subordinated Payment Obligations	Amount needed to pay Subordinated Payment Obligations payable during the twelve-month period beginning on the first calendar day of such month	Subordinated Payment Obligations, if any
Capital Replacement	Amount provided in the Annual Budget and designations	Capital asset costs associated with the System (as defined in the bond resolution)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND	AMOUNT	USE FOR WHICH RESTRICTED
Rebate	Amount subject to rebate to the United States Government pursuant to the provisions of the Internal Revenue Code	Amounts due to the United States Government
General	To the extent that any funds are available	None

The Debt Service Fund, Debt Service Reserve Fund, and the Subordinated Payment Obligations Fund shall be held by the Trustee; all other Funds shall be held by the Authority.

In addition to the foregoing, the Authority established the Building and Equipment Fund to disburse funds for capital expenditures. This fund is under the direct control of the Authority subject to restrictions required under debt obligation agreements.

Capitalized Interest

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of major capital assets that have a construction period of over one year is reflected in the capitalized value of the asset constructed.

Income Taxes

No provision for income taxes has been made as the Authority is exempt from Federal and State income taxes.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Equity is classified as net position and displayed in three components:

1) Invested in Capital Assets - consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt that are attributable to the acquisition, construction, or improvement of those assets.

2) Restricted - when constraints placed on net position are either a) externally imposed by creditors (such as the bond resolution), grantors, or laws or regulations of other governments or b) imposed by law.

3) Unrestricted - any other net position that does not meet the definition of "restricted" or "invested in capital assets."

Property, Plant and Equipment

Property, plant and equipment is stated at cost which includes construction costs and other expenditures related to construction. Depreciation is determined on a straight-line basis, for all plant and equipment. Depreciation is provided for over the following estimated useful lives:

Buildings and Improvements	20-40 years
Sewer Mains	30 years
Other Improvements	10-20 years
Machinery and Equipment	3-20 years
Vehicles	5 years

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment (continued)

Details of property, plant and equipment as of December 31, 2025 and 2024 are as follows:

	2025	2024
Land	$ 454,919	$ 454,919
Buildings and Improvements	160,948,628	160,948,628
Sewer Mains	17,752,868	17,752,868
Other Improvements	46,227,838	46,227,838
Machinery and Equipment	63,702,785	63,007,509
Vehicles	535,861	535,861
Construction in Progress	7,296,648	4,197,968
	296,919,547	293,125,591
Less: Accumulated Depreciation	158,313,105	148,638,442
Net Property, Plant and Equipment	$138,606,441	$144,487,149

(3) BUDGETARY PROCEDURES

The Authority follows these procedures in establishing the Operating Fund budget:

The annual budget for each fiscal year of the Authority is introduced by resolution passed by not less than a majority of the governing body. Copies are submitted to the Director of the Division of Local Government Services Director (Director) for approval prior to its adoption.

The budget must comply with the terms and provisions of loan agreements and is to be in such form and detail as to items of revenue, expenses and other contents as required by law or by rules and regulations of the Local Finance Board.

No authority budget can be finally adopted until the Director has approved the budget.

Public hearings are conducted to obtain citizen comments on the proposed budget.

Operating expense appropriations lapse at the close of the fiscal year to the extent that they have not been expended.

The level at which expenditures cannot exceed the budget is at the total budget level.

The budget may be increased after adoption when an item of revenue has been made available after the adoption date.

(4) CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are summarized as follows:

	Unrestricted	Restricted
December 31, 2025:		
Cash and Cash Equivalents	$11,664,677	$8,878,847
December 31, 2024:		
Cash and Cash Equivalents	$8,797,249	$7,816,184

Cash on deposit is partially insured by the Federal Deposit Insurance Corporation in the amount of $250,000 in each bank depository. Balances above the federal depository insurance amount are insured by the State of New Jersey Governmental Unit Deposit Protection Act (NJGUDPA).

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Authority does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2025, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk.

(5) INVESTMENTS

The Authority's investment policy principally permits the investing of funds in the following types of investments:

Bonds, debentures, notes or other evidence of indebtedness issued by any agency or instrumentality of the United States or by any corporation chartered by the United States to the extent that such obligations are guaranteed by the United States or by another such agency and Defeasance Securities.

Negotiable or nonnegotiable certificates of deposit issued by any bank, trust company, or national banking associations which certificates of deposits shall be continuously secured by obligations described in the first paragraph above.

Deposits in the NJ Cash Management Fund and other deposits defined in the Authority's Bond Resolution.

(6) OTHER RECEIVABLE

Under a Confidential Agreement of Settlement and General Release, the Authority settled a dispute with one of the parties in connection with the Authority's Cogeneration Facility. The agreement provides for a settlement of $4.4 million. The settlement amount was funded under a Funding Agreement and is being paid periodically over a period of twenty (20) years. Total payments to be received over the twenty-year period amount to $6,225,000.

In 2016, the Authority recorded a receivable in the amount of $4,400,000 reflecting the litigation settlement amount. Interest on the settlement payments are recorded as payments are received. In 2025 and 2024, the Authority received payments of $234,000 in each year in accordance with the funding schedule. These payments included interest that was realized in the amounts of $100,979 and $104,748 in the years ended December 31,2025 and 2024, respectively. The receivable balance of the settlement agreement at present value at December 31, 2025 and 2024 amounts to $3,329,892 and $3,462,913, respectively.

The total remaining payments to be received are scheduled as follows:

Period	Annual Amount	Total Amount
2026 to 2031	$234,000	$1,404,000
2032	265,000	265,000
2033	300,000	300,000
2034	500,000	500,000
2035	750,000	750,000
2036	900,000	900,000
		$4,119,000

(7) PROPERTY PLANT AND EQUIPMENT

Property, Plant and Equipment is summarized as follows:

	Balance Dec 31, 2024	Increase/ (Decrease)	Transfers/ (Decreases)	Balance Dec 31, 2025
Land	$ 454,919			$ 454,919
Buildings and Improvements	160,948,628		$ --	160,948,628
Sewer Mains	17,752,867			17,752,867
Other Improvements	46,227,838			46,227,838
Machinery and Equipment	63,007,509	22,880	672,397	63,702,785
Vehicles	535,861			535,861
Construction in Progress	4,197,969	3.771,076	(672,397)	7,296,647
	$293,125,591	$ 3,793,996	$ --	$296,919,546
Less: Accumulated Depreciation	148,638,442	9,674,664	--	158,313,105
Net Property, Plant and Equipment	$144,487,149	$(5,880,668)	$ --	$138,606,441

(8) DEBT OBLIGATIONS

	2025	2024
A summary of long-term debt follows:		
New Jersey Infrastructure Bank 2005 Obligations, due August 2026	-	2,778,039
New Jersey Infrastructure Bank 2015 A & B Obligations, due August 2034	876,485	966,979
New Jersey Infrastructure Bank 2021 A-1 Obligations, due August 2050	5,386,830	5,580,903
Sewer Revenue Bonds, 2005 (Capital Appreciation Bonds), due September 2035	80,494,510	85,469,860
New Jersey Infrastructure Bank 2023 Interim Trust Loan	5,215,700	5,215,700
New Jersey Infrastructure Bank 2025 Interim Trust Loan	7,500,000	--
Total Debt	$99,473,525	$100,011,479
Less Current Maturities	10,509,567	10,509,567
Total Long-Term Debt	$ 88,963,958	$ 89,501,912

(8) DEBT OBLIGATIONS (CONTINUED)

Aggregate long-term principal debt payment requirements over the next five years are as follows:

2026	4,100,809
2027	3,913,946
2028	3,726,034
2029	3,552,835
2030	3,388,008

Detail information regarding Debt Obligations at December 31, 2025 and 2024 follows:

New Jersey Infrastructure Bank (NJIB)

Total obligations payable to the NJIB at December 31, 2025 and 2024 amounted to $18.9 million and $14.5 million, respectively. A summary of the NJIB obligations follow:

A. In May 2015, the Authority issued $1.7 million NJIB Series 2015A-I obligations due in August 2034. These obligations represent funding for upgrades to the Digester Gas Treatment System and Chemical Feed System. Annual principal and interest payments under these obligations will average approximately $90 thousand through the year 2034. The annual interest rate on the outstanding principal amount of $310,000 of such obligations approximates 4.5% over the remaining term. No interest is due on the remaining principal amount of $566,485.

B. In June 2021, for purposes of permanent financing, the Authority issued $6.3 million NJIB Series 2021 A-1 obligations due in August 2050. These obligations represent the permanent financing for improvements to the Authority's Digester Covers and Gas Flares and the construction of a Food Waste Station. Annual principal and interest payments under these obligations will average approximately $245 thousand through August 2050. The annual interest rate on the outstanding principal amount of $1,400,000 approximates 3.1% over the remaining term. No interest is due on the remaining principal amount of $3,976,830.

C. In December 2023, for purposes of temporary/interim financing during construction, the Authority issued a low-interest-bearing note to the NJIB in the amount of $5,215,700. This note represents funding for improvements for the Authority's Bar Screen Replacement project. Proceeds of the note are held by the NJIB for the benefit of the Authority upon submission of approved construction cost requisitions. The Authority expects to permanently finance this note through the NJIB financing program. The bond is expected to be amortized on a level debt service basis for a period of not less than twenty years and not more than thirty years.

(8) DEBT OBLIGATIONS (CONTINUED)

New Jersey Infrastructure Bank (NJIB) (Continued)

D. In December 2025, for purposes of temporary/interim financing during construction, the Authority issued a low-interest-bearing note to the NJIB in the amount of $7,500,000. This note represents funding for improvements for the Authority's Headworks HVAC upgrade and Grit Tank Bridge replacement project. Proceeds of the note are held by the NJIB for the benefit of the Authority upon submission of approved construction cost requisitions. The Authority expects to permanently finance this note through the NJIB financing program. The bond is expected to be amortized on a level debt service basis for a period of not less than twenty years and not more than thirty years.

Sewer Revenue Bonds, 2005 – Capital Appreciation Bonds

In July 2005, the Authority issued Sewer Revenue Bonds (Capital Appreciation Bonds) Series 2005 obligations due in the year 2035. These obligations have an issue value of $34.7 million and a maturity value of $112.9 million. These bonds will be paid over a twelve-year period beginning in the year 2024 and ending in September 2035. These obligations represent additional permanent financing to fund the remaining cost of the Year 2002 Capital Improvement Program. Annual principal and interest payments under these obligations will amount to $9.0 million in the year 2025, and approximately $10.2 million in each year thereafter through the year 2035. Annual interest rates on these obligations range between 4.68% and 4.88%.

Interest on the Capital Appreciation Bonds is accreted in accordance with an Accreted Value Table. The accreted value of the Capital Appreciation Bonds outstanding at December 31, 2025 and 2024 amounted to $80.5 million and $85.4 million, respectively. These amounts include $50.1 million and $51.5 million of accreted interest at December 31, 2025 and 2024, respectively.

NJ Environmental Infrastructure Financing Program

In December 2023 the Authority applied for and was approved for interim financing by the NJ Environmental Infrastructure Financing Program for $5,215,700. This financing will fund the replacement of the Headworks Influent Bar Screen. At December 31, 2025 $4,354,667 has been drawn down and received.

In 2025 the Authority applied for and was approved for interim financing by the NJ Environmental Infrastructure Financing Program for $7,500,000. This financing will fund the replacement of the Headworks HVAC upgrade and Grit tank bridge replacement. At December 31, 2025 $327,762 has been drawn down and received.

Upon completion of the project, permanent financing will be obtained.

(9) CREDITS ON DEBT REFUNDINGS

The Credits on Debt Refunding's relate to "principal balance refunding credits" realized on NJIB debt obligations. The total savings in principal payments amount to $4,757,529. The Credits on Debt Refunding's will be amortized through the year 2025 on a straight-line basis. Amortization of $240,838 was recorded in the year 2025, which reduced interest expense. The unamortized balance of the Credits on Debt Refundings amounts to $-0- at December 31, 2025. The Credits on Debt Refundings are presented in the Statements of Net Position at December 31, 2025 and 2024 under the caption "Deferred Inflows of Resources".

(10) NET POSITION

The components of net position are as follows:

	December 31, 2025	December 31, 2024
Net Position:		
Net Investment in Capital Assets	$47,166,187	$46,039,115
Restricted:		
Building and Equipment Fund	3,332,228	4,353,975
Capital Replacement Fund	3,352,932	3,175,932
Operating Reserve Fund	4,903,000	4,462,500
Debt Service Fund	597,700	451,187
Total Restricted	$ 12,185,860	$ 12,443,494
Unrestricted:		
Appropriated Budget	$ 850,000	$ 700,000
Unappropriated	7,506,689	4,093,802
Rate Stabilization Fund	800,000	700,000
Net Pension Liability	(8,015,774)	(8,510,211)
Net OPEB Liability	(16,480,508)	(16,328,459)
Total Unrestricted	$(15,339,593)	$(19,344,868)
Total Net Position	$ 44,012,454	$ 39,137,741

(11) PENSION PLAN

All required full-time employees of the Authority are covered by the Public Employees' Retirement System which has been established by state statute and is administered by the New Jersey Division of Pensions and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate. The Division issues a publicly available financial report that includes financial statements and required supplementary information for the system. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or online at www.state.nj.ustreasury/pensions.

The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provision of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

The Defined Contribution Retirement Program (DCRP) was established under the provision of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 to provide coverage to elected and certain appointed officials and part-time employees, effective July 1, 2007. Part-time employees that earn an annual salary of at least $5,000 and work less than 35 hours per week are eligible to enroll in the New Jersey Defined Contribution Plan (DCRP). The DCRP is offered through the Prudential Retirement Insurance and Annuity Company. Employees contribute 5.5% of salary and the Authority contributes 3% of salary, for a total contribution of 8.5%. Membership is mandatory for such individuals with vesting occurring after one year of membership. The Authority has no employees enrolled in the DCRP.

Significant Legislation

Effective June 28, 2011, P.L. 2011, c. 78 enacted certain changes in the operations and benefit provisions of the PERS system.

Pension Plan Design Changes

Effective June 28, 2011, P.L. 2011, c. 78, new members of PERS, hired on or after June 28, 2011, will need 30 years of creditable service and have attained the age of 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1% for each month that the member is under age 65. New members will be eligible for a service retirement benefit at age 65.

(11) PENSION PLAN (CONTINUED)

Funding Changes

Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS was changed. The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended 30-year period and paid in level dollars. Beginning with the July 1, 2021 actuarial valuation (July 1, 2021 for PFRS), the UAAL will be amortized over a closed 30-year period until the remaining period reaches 20, when the amortization period will revert to an open-ended 20-year period.

COLA Suspension

The payment of automatic cost-of-living adjustment to current and future retirees and beneficiaries are suspended until reactivated as permitted by this law.

Vesting and Benefit Provisions

The vesting and benefit provisions of PERS are set by N.J.S.A. 43:15A and 43.3B. All benefits vest after ten years of service, except for post-retirement healthcare benefits that vest after 25 years of service.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Contribution Requirements

The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

Effective June 28, 2011, P.L. 2011, c. 78 provides for increases in the employee contribution rates: from 5.5% to 6.5% plus an additional 1% phased-in over 7 years beginning in the first year, meaning after 12 months, after the law's effective date for PERS.

Employers are required to contribute at an actuarially determined rate for PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

(11) PENSION PLAN (CONTINUED)

Contribution Requirements:

Three Year Trend Information for PERS

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2025	853,568	100%	853,568
2024	827,441	100%	827,441
2023	774,119	100%	774,119
2022	715,589	100%	715,589

DCRP Contributions

The Authority did not make DCRP contributions for the years ended December 31, 2025 and 2024.

(12) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68

Accounting and Financial Reporting for Pensions – GASB 68

The Governmental Accounting Standards Board (GASB) Statement No. 68 "Accounting and Financial Reporting for Public Employees Pensions" requires the State of New Jersey to calculate and allocate, for note disclosure purposes only, the unfunded net pension liability of Public Employees Retirement System (PERS) of the participating authority as of December 31, 2025. The statement does not alter the amounts of funds that must be budgeted for pension payments under existing state law.

Under accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, any unfunded net pension liability of the authority, allocated by the State of New Jersey, is not required to be reported in the financial statements as presented and any pension contributions required to be paid are raised in that year's budget and no liability is accrued at December 31, 2025.

At June 30, 2025, the State reported a net pension liability of $7,193,928 for the Authority's proportionate share of the total net pension liability. The total pension liability for the June 30, 2025 measurement date was determined by an actuarial valuation as of July 1, 2024, which was rolled forward to June 30, 2025. The Authority 's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2025, the Authority's proportion was 0.0584936413 percent, which was a decrease of 0.0042354804 percent from its proportion measured as of June 30, 2024.

(12) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68

Public Employees Retirement System (PERS)

For the year ended June 30, 2025, the State recognized an actuarially determined pension expense of $304,980 for the Authority's proportionate share of the total pension expense. The pension expense recognized in the Authority's financial statements based on the April 1, 2025 billing was $853,568.

At June 30, 2025, the State reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	$ 205,112	$ 7,688
Changes of assumptions	1,136	82,880
Net difference between projected and actual earnings on pension plan investments		599,879
Changes in proportion and differences between Authority contributions and proportionate share of contributions	144,270	481,917
	$ 350,518	$ 1,172,364

Other local amounts reported by the State as the Authority's proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the State's actuarially calculated pension expense as follows:

Year Ended June 30,	Amount
2026	$65,711
2027	(345,630)
2028	(282,129)
2029	(193,148)
2030	(66,650)
	($821,846)

(12) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68

Actuarial Assumptions

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

Inflation	
Price	2.75%
Wage	3.25%
Salary Increases	3.25-7.75% Based on Years of Service
Investment Rate of Return	7.00%

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.

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

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2025) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment 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 assets class included in PERS's target assets allocation as of June 30, 2025 asset are summarized in the following table:

(12) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68 (CONTINUED)

Assets Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	28.00%	8.55%
Non-U.S. Developed Market Equity	12.75%	8.77%
International Small Cap Equity	1.25%	8.77%
Emerging Market Equity	5.50%	10.30%
Private Equity	13.00%	12.00%
Real Estate	8.00%	10.78%
Real Assets	3.00%	7.90%
High Yield	4.50%	6.63%
Private Credit	8.00%	9.00%
Investment Grade Credit	7.00%	5.47%
Cash Equivalents	2.00%	3.61%
U.S. Treasury's	4.00%	3.61%
Risk Mitigation Strategies	3.00%	7.26%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2025. 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 will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

Sensitivity of the Authority's proportionate share of net pension liability to changes in the discount rate

The following presents the Authority's proportionate share of the net pension liability of the participating employers as of June 30, 2025 respectively, calculated using the discount rate as disclosed above as well as what the Authority's proportionate share of the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

(12) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68 (CONTINUED)

	June 30, 2025		
	1% Decrease 6.00%	At Current Discount Rate 7.00%	1% Increase 8.00%
Authority's proportionate share of the pension liability	$9,848,060	$7,193,928	$4,931,904

Special Funding Situation

In accordance with N.J.S.A. 43:16A-15, 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. For PERS, the legislation which legally obligates the State is found in Chapter 133, P.L. 2001. This special funding situation is due to the State paying the additional normal cost related to benefit improvements from Chapter 133. Previously, this additional normal cost was paid from the Benefit Enhancement Fund (BEF). As of June 30, 2025, there is no net pension liability associated with this special funding situation as there was no accumulated difference between the annual additional normal cost under the special funding situation and the actual State contribution through the valuation date.

The amounts contributed by the State on behalf of the Authority under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68, and the State is treated as a nonemployer contributing entity. Since the Authority does not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to disclose in the notes to the financial statements of the Authority related to this legislation.

The non-employer contributing entities' total proportionate share of the non-employer contribution that is associated with the Authority as of June 30, 2025 was 0.0588157322% which was a decrease of 0.0042032023% percent from its proportion measured as of June 30, 2024. The non-employer contributing entities' contribution and employer pension expense and related revenue for the years ended June 30, 2025 and June 30, 2024 $24,718 and $27,480 respectively.

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The report may be obtained at 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

(13) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – GASB 75

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses for postemployment benefits other than pensions. OPEB obligations are non-pension benefits that the Authority has contractually or otherwise agreed to provide employees once they have retired and, in most instances, will be for retirement health, prescription and dental insurance coverage.

Under current New Jersey budget and financial reporting requirements, the Authority is not required to fund any amounts in excess of their current costs on a pay-as-you-go basis or to accrue funds, create a trust or issue debt to finance their other post-employment benefit liability. Additionally, the Authority is not required to recognize any long-term obligations resulting from OPEB on their financial statements.

Plan Description and Benefits Provided

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The Plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*; therefore, assets are accumulated to pay associated benefits.

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

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

(13) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – GASB 75

Plan Description and Benefits Provided (Continued)

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A 52: 14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330.

The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

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

Total Net OPEB Liability

At June 30, 2025, the Plan reported a Liability of $17,037,635 for the Authority's proportionate share of the collective Net OPEB liability. The total Net OPEB Liability measured as of June 30, 2025 was determined by an actuarial valuation as of June 30, 2024, which was rolled forward to June 30, 2025.

The Authority's proportion of the Net OPEB Liability was based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2024 through June 30, 2025.

At June 30, 2025, the Authority's proportion was 0.102423 percent, which was an increase of 0.007710 percent from its proportion measured as of June 30, 2024.

For the year ended June 30, 2025, the State reported OPEB expense of $737,300. This OPEB expense was based on the OPEB plans June 30, 2025 measurement date.

At June 30, 2025, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

(13) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – GASB 75 (CONTINUED)

Total Net OPEB Liability (Continued)

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	$771,239	$2,040,585
Changes of assumptions	2,362,902	4,102,923
Net difference between projected and actual earnings on OPEB plan investments		12,556
Changes in proportion	3,670,699	603,187
	$6,804,840	$6,759,251

Other local amounts reported by the State as the Authority's proportionate share of deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the State's actuarially calculated OPEB (benefit)/expense as follows:

Year Ended June 30,	Amount
2026	($158,667)
2027	251,790
2028	(117,115)
2029	47,670
2030	401,074
Thereafter	(379,163)
	$45,589

(13) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – GASB 75 (CONTINUED)

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Salary Increases*:	
Public Employees Retirement System (PERS):	
Initial fiscal year applied	
Rate for all future years	3.25% to 7.75%
Police and Firemen's Retirement System (PFRS):	
Rate for all future years	4.00% to 17.50%

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

Mortality

Pre-Retirement Mortality

PERS	Pub-2016 "General" classification headcount weighted mortality with fully generational mortality improvement projections from the central year using scale MP-2021
PFRS	Pub-2016 "Safety" classification headcount weighted mortality with fully generational mortality improvement projections from the central year using scale MP-2021

Post-Retirement Mortality

Chapter 330 Retirees	Pub-2016 "Safety" classification headcount weighted mortality with fully generational mortality improvement projections from the central year using scale MP-2021
Other Retirees	Pub-2016 "General" classification headcount weighted mortality with fully generational mortality improvement projections from the central year using scale MP-2021

(13) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – GASB 75 (CONTINUED)

Actuarial Assumptions and Other Inputs (Continued)

Actuarial assumptions used in the July 1, 2024 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2021 to June 30, 2024.

100% of active members are considered to participate in the Plan upon retirement.

Discount Rate

The discount rate for June 30, 2025 was 5.20%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long- term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Health Care Trend Assumption

For Pre-Medicare medical benefits, the trend rate is initially 17.97% and decreases to a 4.50% long-term trend rate after nine years. For post-65 medical benefits PPO, the trend rate is increasing to 31.93% in fiscal year 2026 and decreases to 4.50% in fiscal year 2036 and later. For HMO, the trend rate is increasing to 33.77% in fiscal year 2026 and decreases to 4.50% in fiscal year 2036 and later. For prescription drug benefits, the initial trend rate is 19.00% and decreases to a 4.50% long-term trend rate after ten years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

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

The following presents the Net OPEB Liability associated with the Authority as of June 30, 2025, calculated using the discount rate as disclosed above as well as what the Net OPEB Liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1-percentage point higher than the current rate:

	1.00% Decrease (4.20%)	At Discount Rate (5.20%)	1.00% Increase (6.20%)
Authority's proportionate share of the Net OPEB Liability	$19,458,040	$17,037,635	$15,053,640

(13) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – GASB 75 (CONTINUED)

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in Healthcare Trends

The following presents the total Net OPEB Liability associated with the Authority as of June 30, 2025, calculated using the healthcare trend rate as disclosed above as well as what the Net OPEB Liability would be if it was calculated using a healthcare trend rate that is 1- percentage point lower or 1-percentage point higher than the current rate:

	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
Authority's proportionate share of the Net OPEB Liability	$14,686,280	$17,037,635	$19,991,490

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey State Health Benefits Local Government Retired Employees Plan. The report may be obtained at 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

(14) LITIGATION AND RELATED MATTERS

During the year 2009, litigation was commenced by the Authority in connection with the Authority's Cogeneration Facility (the "Facility"). The RVSA constructed the Facility on the basis that operating the Facility as the WWTP's primary power source would lower annual operating costs by over $1 million per year. It was determined that operating the Facility as designed actually imposed increases in operating costs to the Authority. On March 24, 2011 the RVSA filed a Demand for Arbitration asserting claims against various parties including the design engineer, the construction oversight manager, the general contractor, the supplier of the gas generators and other parties. A related action was commenced by the Authority on October 1, 2012 against parties with whom the Authority did not have an arbitration requirement. The Authority continued to investigate the extent to which it can mitigate its damages. Certain settlements were realized in 2017 on both the arbitration and litigation with several parties who had arbitration provisions in their contracts.

(14) LITIGATION AND RELATED MATTERS (CONTINUED)

Efforts to resolve the dispute were successful. Settlements with the third parties aggregated approximately $7.1 million of which $850 thousand was received in 2016. The remaining $6.2 million is being paid under the terms of a Funding Agreement with remaining payments as of December 31, 2025 as follows:

Period	Annual Amount	Total Amount
2026 to 2031	$234,000	$1,404,000
2032	265,000	265,000
2033	300,000	300,000
2034	500,000	500,000
2035	750,000	750,000
2036	900,000	900,000
		$4,119,000

Settlement payments of $234,000 were received in each of the years ended December 31, 2025 and 2024. Interest income is being recorded on the funding agreement as payments are received.

(15) Vacation and Sick Leave

Authority employees are granted vacation in varying amounts and earn certain sick leave time. In the event of termination, an employee is reimbursed for accumulated vacation days and certain employees are eligible for the reimbursement of accumulated sick leave on a percentage basis. The Authority uses a look-back period to estimate the amount of sick leave earned

Based upon the Authority's policies regarding compensated absences, there was an accrued liability of $345,800 and $312,936 at December 31, 2025 and 2024, respectively.

(16) COMMITMENTS AND CONTINGENCIES

In the ordinary conduct of its business, the Authority may be a party to litigation. At December 31, 2025, in the opinion of management based upon consultation with legal counsel, there were no matters pending or threatened which would have a material adverse effect on the financial position of the Authority.

(17) SUBSEQUENT EVENTS

The Authority has evaluated subsequent events occurring after the financial statement date through October 19, 2026, which is the date the financial statements were available to be issued. Based on this evaluation, the Authority has determined that no other subsequent events have occurred which require disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

SCHEDULE 1

RAHWAY VALLEY SEWERAGE AUTHORITY

SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION RESERVED AND UNRESERVED
YEARS ENDED DECEMBER 31, 2025 AND 2024

	OPERATING AND REVENUE FUNDS AND INVESTMENT IN CAPITAL ASSETS, NET	RATE STABILIZATION FUND	CAPITAL REPLACEMENT FUND	OPERATING RESERVE FUND	DEBT SERVICE FUND	TOTAL 2025	TOTAL 2024
Operating Revenues:							
Member Annual Assessments	$ 33,281,501	$	$	$	$	$ 33,281,501	$ 32,595,626
Discharge, Permit and Other Fees	544,556					544,556	884,366
Sewer Connection Fees	707,867					707,867	875,118
Food Waste Fees	587,936					587,936	421,941
Other Income, Net	113,671					113,671	192,824
Total Operating Revenues	$ 35,235,531	$ -	$ -	$ -	$ -	$ 35,235,531	$ 34,969,875
Operating Expenses:							
Costs of Providing Services	$ 14,627,240	$	$	$	$	$ 14,627,240	$ 12,572,579
General and Administrative	3,911,673					3,911,673	3,935,757
Pension Expense Charge	(494,437)					(494,437)	(569,968)
OPEB Expense Charge	152,049					152,049	(165,844)
Depreciation	9,674,664					9,674,664	9,652,089
Total Operating Expenses	$ 27,871,188	$ -	$ -	$ -	$ -	$ 27,871,188	$ 25,424,613
Operating Income	$ 7,364,343	$ -	$ -	$ -	$ -	$ 7,364,343	$ 9,545,262
Nonoperating Revenues (Expenses):							
Interest Income - Unrestricted Funds	$ 707,687	$	$	$	$	$ 707,687	$ 567,335
Interest Income - Restricted Funds	291,433				30,303	321,736	355,548
Grants	2,391					2,391	-
Other Income, Net	596,128					596,128	-
Interest Expense, Net	1,437,359				(5,554,931)	(4,117,572)	(4,293,633)
Income (Loss) Before Transfers	$ 10,399,341	$ -	$ -	$ -	$ (5,524,628)	$ 4,874,713	$ 6,174,512
Interfund Transactions, Net	$ (6,388,641)	$ 100,000	$ 177,000	$ 440,500	$ 5,671,141	$ -	$ -
Net Position, Beginning of Year	30,348,122	$ 700,000	$ 3,175,932	$ 4,462,500	$ 451,187	39,137,741	32,963,229
Net Position, End of Year	$ 34,358,822	$ 800,000	$ 3,352,932	$ 4,903,000	$ 597,700	$ 44,012,454	$ 39,137,741

SCHEDULE 2

RAHWAY VALLEY SEWERAGE AUTHORITY

SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN CASH AND CASH EQUIVALENTS -
UNRESTRICTED ACCOUNTS (OPERATING AND REVENUE ACCOUNTS)
YEARS ENDED DECEMBER 31, 2025 AND 2024

	TOTAL 2025	TOTAL 2024
Cash and Cash Equivalents, Beginning of Year	$ 8,797,249	$ 4,278,336
Cash Receipts:		
Member Annual Assessments	$ 33,281,501	$ 32,595,626
Discharge Fees	296,572	605,247
Permit Fees	247,984	262,665
Sewer Connection Fees	707,867	875,118
Food Waste Fees	587,936	426,440
Interest on Investments	1,029,423	598,367
Grants	2,391	-
Other, Net	113,671	192,823
Total Cash and Cash Equivalents Available	$ 45,064,594	$ 39,834,622
Cash Disbursements:		
Operations	$ 18,426,980	$ 16,565,400
Transfers to Restricted Funds	14,972,937	14,471,973
Total Cash Disbursements	$ 33,399,917	$ 31,037,373
Cash and Cash Equivalents, End of Year	$ 11,664,677	$ 8,797,249

SCHEDULE 3

RAHWAY VALLEY SEWERAGE AUTHORITY

SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS,
CHANGES IN CASH, CASH EQUIVALENTS AND INVESTMENTS-RESTRICTED ACCOUNTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	CAPITAL REPLACEMENT FUND	OPERATING RESERVE FUND	BUILDING AND EQUIPMENT FUND	CONSTRUCTION FUND	DEBT SERVICE FUND	TOTAL 2025	TOTAL 2024
Cash and Cash Equivalents, Beginning of Year	$ 2,176,932	$ 4,462,500	$ 891,062	$ 1,659	$ 284,029	$ 7,816,183	$ 7,084,435
Cash Receipts:							
Proceeds from the NJIB Loan Program			1,030,174			1,030,174	3,652,255
Grant Funds Received						-	-
Capital Litigation Settlement			234,000			234,000	234,000
Interest on Investments			10,673		30,303	40,976	42,496
Refunding Credits- IBank					440,524	440,524	
Transfers From Unrestricted Funds		440,500	2,370		11,796,501	12,239,370	14,471,973
Transfers From Other Funds, net	2,266,000		1,090,000			3,356,000	1,465,000
Total Cash Receipts	$ 4,442,932	$ 4,903,000	$ 3,258,279	$ 1,659	$ 12,551,357	$ 25,157,227	$ 26,950,159
Cash Disbursements:							
Payments of Bond Principal	$	$	$	$	$ 11,712,590	$ 11,712,590	$ 11,617,861
Payments of Bond Interest					219,847	219,847	1,370,615
Capital Assets			3,255,942			3,255,942	4,680,500
Transfers to Unrestricted Funds						-	-
Transfers to Other Funds	1,090,000					1,090,000	1,465,000
Total Cash Disbursements	1,090,000	-	3,255,942	-	11,932,437	16,278,379	19,133,976
Cash and Cash Equivalents, End of Year	$ 3,352,932	$ 4,903,000	$ 2,337	$ 1,659	$ 618,920	$ 8,878,848	$ 7,816,183

SCHEDULE 4
SHEET #1

RAHWAY VALLEY SEWERAGE AUTHORITY

SCHEDULE OF OPERATING REVENUES
AND COSTS FUNDED BY OPERATING
REVENUES COMPARED TO BUDGET
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025 BUDGET	2025 ACTUAL	2024 ACTUAL
Revenues:			
Member Annual Assessments:			
Township of Woodbridge	$ 7,535,982	$ 7,535,982	$ 7,330,756
City of Rahway	6,635,311	6,635,311	6,388,743
Town of Westfield	4,893,469	4,893,469	4,899,122
Township of Springfield	3,296,199	3,296,199	3,165,035
Township of Clark	2,275,373	2,275,373	2,438,153
Township of Cranford	3,704,193	3,704,193	3,471,434
Township of Scotch Plains	1,482,707	1,482,707	1,372,276
Borough of Kenilworth	1,212,465	1,212,465	1,297,306
Borough of Mountainside	844,860	844,860	850,746
Borough of Garwood	932,372	932,372	889,861
Borough of Roselle Park	468,569	468,569	492,194
Total Member Assessments	$ 33,281,500	$ 33,281,500	$ 32,595,626
Other Operating Income:			
Discharge Fees	$ 300,000	$ 296,572	$ 621,701
Food Waste Fees	150,000	587,936	421,941
Permit Fees	248,000	247,984	262,665
Sewer Connection Fees	16,000	707,867	875,118
Grants		2,391	
Claim Settlement	234,000	234,000	234,000
Other Income, Net	-	113,671	192,824
	-		
Total Other Operating Income	$ 948,000	$ 2,190,421	$ 2,608,249
Interest on Investments - Operating Fund	$ 60,000	$ 707,687	$ 567,335
TOTAL REVENUES	$ 34,289,500	$ 36,179,608	$ 35,771,210

RAHWAY VALLEY SEWERAGE AUTHORITY

SCHEDULE OF OPERATING REVENUES
AND COSTS FUNDED BY OPERATING
REVENUES COMPARED TO REVISED BUDGET
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025 BUDGET	2025 ACTUAL	2024 ACTUAL
Expenses:			
Costs of Providing Services:			
Labor	$ 3,910,300	$ 3,636,057	$ 3,336,148
Supervision	881,000	921,338	897,210
Fringe Benefits	2,513,500	2,154,338	1,853,953
Utilities	2,460,000	2,233,044	2,270,876
Residual Disposal	917,000	1,523,557	701,922
Maintenance	2,747,000	2,336,965	1,804,916
Compliance Monitoring	458,000	349,339	411,121
Chemicals and Fuels	886,000	875,378	882,759
Permit Fees	199,000	186,863	151,294
Other	415,600	410,360	262,380
Total Costs of Providing Services	$ 15,387,400	$ 14,627,240	$ 12,572,579
General and Administrative Expenses:			
Salaries and Wages	$ 1,708,700	$ 1,676,117	$ 1,501,482
Fringe Benefits	1,183,500	1,030,158	1,288,285
Professional Services	676,000	404,351	564,170
General Insurance	365,000	569,266	312,602
Information Technology	175,000	134,590	132,490
Other	116,400	97,191	136,728
Total General and Administrative Expenses	$ 4,224,600	$ 3,911,673	$ 3,935,757
Other Costs Funded by Revenues:			
Debt Service Bond Principal Payment	$ 12,337,000	$ 11,932,437	$ 12,988,476
Capital Replacement Fund Appropriation	2,500,000	2,500,000	2,000,000
Rate Stabilization Fund	100,000	100,000	300,000
Operating Reserve Compliance Requirement	440,500	440,500	363,625
Total Other Costs	$ 15,377,500	$ 14,972,937	$ 15,652,101
TOTAL COSTS	$ 34,989,500	$ 33,511,849	$ 32,160,437
Unreserved Retained Earnings Utilized	(700,000)	-	-
Net Total Appropriations	34,289,500	33,511,849	32,160,437
EXCESS OF REVENUES OVER COSTS	$ -	$ 2,667,759	$ 3,610,773

SCHEDULE "R-1"

RAHWAY VALLEY SEWERAGE AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

Measurement Date Ending June 30,	Authority's Proportion of the Net Pension Liability (Asset)	Authority's Proportionate Share of the Net Pension Liability (Asset)	Authority's Covered-Employee Payroll	Authority's Proportion of the Net Pension Liability (Asset) as a percentage of it's Covered-Employee Payroll	Plan Fiduciary Net Position as a percentage of the total Pension Liability
2016	0.0547099070%	16,203,505	3,956,545	409.54%	40.13%
2017	0.0574747310%	13,379,199	4,165,545	321.19%	48.10%
2018	0.0603872500%	11,889,949	4,247,984	279.90%	53.60%
2019	0.0598450444%	10,783,169	4,122,659	261.56%	56.27%
2020	0.0571180812%	9,314,465	4,529,516	205.64%	58.32%
2021	0.0611031582%	7,238,585	4,627,375	156.43%	42.18%
2022	0.0613869564%	9,264,137	4,839,411	191.43%	62.91%
2023	0.0619097736%	8,967,243	5,712,749	156.97%	65.23%
2024	0.0627291217%	8,523,662	5,734,840	148.63%	68.22%
2025	0.0584936413%	7,193,938	5,283,958	136.15%	71.84%

Note: Schedule is intended to show ten-year trend. Additional years will be reported as they become available.

SCHEDULE "R-2"

RAHWAY VALLEY SEWERAGE AUTHORITY
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

Year Ending December 31,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Authority's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2016	486,035	486,035	-0-	4,186,024	11.61%
2017	532,442	532,442	-0-	4,165,545	12.78%
2018	548,358	548,358	-0-	4,247,984	12.91%
2019	582,116	582,116	-0-	4,122,659	14.12%
2020	584,583	584,583	-0-	4,529,516	12.91%
2021	624,844	624,844	-0-	4,627,375	13.50%
2022	715,589	715,589	-0-	4,839,411	14.79%
2023	774,119	774,119	-0-	5,712,749	13.55%
2024	827,441	827,441	-0-	5,734,840	14.43%
2025	853,568	853,568	-0-	5,283,958	16.15%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

SCHEDULE "R-3"

RAHWAY VALLEY SEWERAGE AUTHORITY
SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSION (GASB 68)
NOTE TO RSI III
FOR THE YEAR ENDED DECEMBER 31, 2025

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms

None

Change in assumptions

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2025. 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 will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers.

SCHEDULE "S-1"

RAHWAY VALLEY SEWERAGE AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE OPEB LIABILITY
STATE HEALTH BENEFITS LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN
LAST TEN YEARS

Measurement Date Ending June 30,	Authority's Proportion of the Net OPEB Liability (Asset)	Authority's Proportionate Share of the Net OPEB Liability (Asset)	Authority's Covered-Employee Payroll	Authority's Proportion of the Net OPEB Liability (Asset) as a Percentage of it's Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.077204%	$ 15,761,806	$ 4,165,545	378.39%	1.03%
2018	0.082075%	12,858,377	4,247,984	302.69%	1.97%
2019	0.075113%	10,174,860	4,122,659	246.80%	1.98%
2020	0.084453%	15,156,453	4,529,516	334.62%	0.91%
2021	0.082427%	14,836,680	4,627,375	320.63%	0.28%
2022	0.083761%	13,527,063	4,839,411	279.52%	-0.36%
2023	0.096467%	14,476,358	5,712,749	253.40%	-0.79%
2024	0.096467%	16,958,785	5,734,840	295.72%	-0.88%
2025	0.094713%	17,037,635	5,283,958	322.44%	-1.12%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

SCHEDULE "S-2"

RAHWAY VALLEY SEWERAGE AUTHORITY
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
STATE HEALTH BENEFITS LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN
LAST TEN YEARS

Year Ending December 31,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Authority's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2017	$ 355,430	$ 355,430	-0-	$ 4,165,545	8.53%
2018	383,645	383,645	-0-	4,247,984	9.03%
2019	584,583	584,583	-0-	4,122,659	14.18%
2020	338,374	338,374	-0-	4,529,516	7.47%
2021	299,107	299,107	-0-	4,627,375	6.46%
2022	364,597	364,597	-0-	4,839,411	7.53%
2023	469,795	469,795	-0-	5,712,749	8.22%
2024	437,824	437,824	-0-	5,734,840	7.63%
2025	511,538	511,538	-0-	5,283,958	9.68%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

SCHEDULE "S-3"

RAHWAY VALLEY SEWERAGE AUTHORITY
SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR OPEB (GASB 75)
NOTE TO RSI III
FOR THE YEAR ENDED DECEMBER 31, 2025

STATE HEALTH BENEFITS LOCAL GOVERNMENT RETIREMENT EMPLOYEES PLAN

Change in benefit terms

None

Change in assumptions

The discount rate changed from 3.93% to 5.20% as of June 30, 2025.

RAHWAY VALLEY SEWERAGE AUTHORITY

DECEMBER 31, 2025

GENERAL COMMENTS AND RECOMMENDATIONS

NONE