READINGTON-LEBANON SEWERAGE AUTHORITY

COUNTY OF HUNTERDON

December 31, 2025

BKC
Certified Public Accountants, PC

READINGTON-LEBANON SEWERAGE AUTHORITY

For the Years Ended December 31, 2025 and 2024

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READINGTON-LEBANON SEWERAGE AUTHORITY
Roster of Officials
Year Ended December 31, 2025

Members of the Authority	Title
Richard Burton	Chairman
Jonathan Heller	Vice Chairman
Craig Villa	Secretary/Treasurer
James Pittenger	Member
William Colantano	Member
Adam Mueller	Member

Administration and Professionals of the Authority	Title
Michael Hajjar	Administrator
R3M Engineers	Engineer
Edward Buzak	Attorney

See independent auditor's report.

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Certified Public Accountants, PC
www.bkc-cpa.com

Independent Auditors' Report

Honorable Chairman and Members of
Readington-Lebanon Sewerage Authority
Whitehouse, Hunterdon County, New Jersey

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of Readington-Lebanon Sewerage Authority, in the County of Hunterdon, State of New Jersey, as of and for the years ended December 31, 2025 and 2024, and the related Notes to the Financial Statements, which collectively comprise Readington-Lebanon Sewerage Authority's Basic Financial Statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Readington-Lebanon Sewerage Authority, as of December 31, 2025 and December 31, 2024, and the respective changes in financial position thereof and for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with accounting 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Readington-Lebanon 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Readington-Lebanon Sewerage Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements that are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement 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 judgement and maintain professional skepticism throughout the audit.

- Identify and assess risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Readington-Lebanon 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Readington-Lebanon 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and Schedule of Budgetary Comparison Information, Schedules Related to Accounting and Reporting for Pensions, and Schedules Related to Accounting and Reporting for Other Postemployment Employee Benefits listed in the Table of Contents, be presented to supplement the Basic Financial Statements. Such information is the responsibility of Management and, although not a part of the Basic Financial Statements, is required by the Governmental Accounting Standards Board, who considers it an essential part of the financial reporting for placing the Basic Financial Statements in an appropriated operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquires of Management about the methods of preparing the information and comparing the information for consistency with Management's responses to our inquires, 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 Information

Management is responsible for the Other Information included in the annual report. The Other Information comprises the Roster of Officials and Schedule of Changes in Restricted Net Position. Our opinions on the Basic Financial Statements do not cover the Other Information and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the Basic Financial Statements, our responsibility is to read the Other Information and consider whether a material inconsistency exists between the Other Information and the Basic Financial Statements, or the Other Information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the Other Information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with the *Government Auditing Standards*, we have also issued our report dated October 21, 2026, on our consideration of the Readington-Lebanon 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 Readington-Lebanon Sewerage Authority's internal controls over financial reporting and compliance.

BKC, CPAs, PC

BKC, CPAs, PC

October 21, 2026
Flemington, New Jersey

Readington-Lebanon Sewerage Authority

Old Route 28, PO Box 136
Whitehouse, NJ 08888

Richard Burton
Chairman

Jonathan Heller
Vice-Chairman

Craig Villa
Secretary-Treasurer

Michael Hajjar
Administrator

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Management's Discussion and Analysis (MD&A)

This section of the Readington-Lebanon Sewerage Authority (the Authority) annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ending December 31, 2025. Please read it in conjunction with the Authority's condensed financial statements (Exhibits A and B), which follow this section.

Financial Highlights

1. The Authority's total assets and deferred outflows of resources increased 1.86% over the course of this year's operations as a result of operating revenues exceeding operating expenditures.
2. Deferred outflows of resources decreased compared to the prior year. This was attributable to the changes in proportion of the pension plan, and other postemployment benefits liability.
3. Current liabilities decreased by 22.41% compared to the prior year. This is the result of a decrease in the accounts payable.
4. During the year, the Authority's operating revenues increased by 16.03%. Operating revenues were realized as budgeted by the Authority.
5. Operating expenses increased by 8.34%. This is attributable to an increase in administrative and general expenses.
6. Net position increased by 3.43%. Net investment in capital assets decreased by 1.47% as increases in capital expenditures were offset by depreciation expense. Restricted net position increased by 12.72% as a result of an excess of budgeted contributions and interest over capital expenditures. Unrestricted net position increased by 15.69% as a result of operating revenues and exceeding operating expenditures.

Overview of Annual Financial Report

The financial statements report information about the Authority using the accrual accounting method as utilized by similar business activities in the private sector. However, rate-regulated accounting principles applicable to private sector utilities are not used by government utilities. The financial statement includes the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows, and Notes to the Financial Statements.

Overview of Annual Financial Report (continued)

The Statements of Net Position presents information on all of the Authority's assets and liabilities, with the difference reported as net position. Over time, increases and decreases in net position are one indicator of whether the financial position of the Authority is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Position presents the results of the Authority's activities over the course of the fiscal year and information as to how the net position changed during the year.

The Statements of Cash Flow presents changes in cash and cash equivalents resulting from operational, 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 the Financial Statements provide disclosures and other information that is essential to a full understanding of material data provided in the statements. Supplementary information comparing the budget to actual revenues and expenses as well as changes in restricted accounts is provided.

Financial Analysis

The attached comparative condensed financial statements serve as the key financial data and indicators for Management, monitoring and planning.

Availability of Financial Report

This report is prepared in compliance with State mandates and will be made available to residents, taxpayers and any interested person or entity upon request at the Authority's office located at 1A Old Highway 28, Whitehouse, NJ 08888.

Readington-Lebanon Sewerage Authority

READINGTON-LEBANON SEWERAGE AUTHORITY
Management's Discussion and Analysis
Condensed Financial Statements

Condensed Statement of Net Position — Exhibit A

	December 31, 2025	December 31, 2024	Increase (Decrease)
Assets			
Current assets			
Unrestricted assets	$ 5,113,453	$ 4,758,691	$ 354,762
Restricted assets	3,044,943	2,701,317	343,626
Capital assets, net	11,214,295	11,381,345	(167,050)
Total current assets	19,372,691	18,841,353	531,338
Deferred outflows of resources			
Deferred amount on pension liability	27,699	75,952	(48,253)
Deferred amount on other postemployment benefits liability	656,665	773,567	(116,902)
Total deferred outflows of resources	684,364	849,519	(165,155)
Total assets and deferred outflows of resources	$ 20,057,055	$ 19,690,872	$ 366,183
Liabilities			
Current liabilities	$ 92,061	$ 118,657	$ (26,596)
Non-current liabilities	2,030,905	2,254,785	(223,880)
Total liabilities	2,122,966	2,373,442	(250,476)
Deferred inflows of resources			
Deferred amount on pension liability	233,356	180,139	53,217
Deferred amount on other postemployment benefits liability	545,229	551,059	(5,830)
Total deferred inflows of resources	778,585	731,198	47,387
Net position			
Net investment in capital assets	11,214,295	11,381,345	(167,050)
Restricted	3,044,943	2,701,317	343,626
Unrestricted	2,896,266	2,503,570	392,696
Total net position	17,155,504	16,586,232	569,272
Total liabilities, deferred inflows of resources and net position	$ 20,057,055	$ 19,690,872	$ 366,183

See independent auditors' report.

Condensed Statement of Revenues, Expenses and Changes in Net Position — Exhibit B

	For the Year Ended December 31, 2025	2024	Increase (Decrease)
Operating revenues	$ 2,403,702	$ 2,071,537	$ 332,165
Operating expenses	1,941,373	1,791,984	149,389
Operating income	462,329	279,553	182,776
Non-operating revenues (expenses)			
Interest income	106,943	120,835	(13,892)
Total non-operating revenues (expenses)	106,943	120,835	(13,892)
Increase in net position	569,272	400,388	168,884
Net position - beginning of year	16,586,232	16,185,844	400,388
Net position - end of year	$ 17,155,504	$ 16,586,232	$ 569,272

See independent auditors' report.

READINGTON-LEBANON SEWERAGE AUTHORITY
Statements of Net Position
December 31,

	2025	2024
Assets		
Current assets		
Unrestricted		
Cash and cash equivalents	$ 5,113,453	$ 4,746,257
Accounts receivable	-	12,434
Restricted		
Cash and cash equivalents	3,044,943	2,701,317
Total current assets	8,158,396	7,460,008
Capital assets		
Capital assets not being depreciated	623,236	598,398
Capital assets being depreciated	22,002,817	21,794,338
Less: accumulated depreciation	(11,411,758)	(11,011,391)
Net capital assets	11,214,295	11,381,345
Total assets	19,372,691	18,841,353
Deferred outflows of resources		
Deferred amount on pension liability	27,699	75,952
Deferred amount on other postemployment benefits liability	656,665	773,567
Total deferred outflows of resources	684,364	849,519
Total assets and deferred outflows of resources	$ 20,057,055	$ 19,690,872

See accompanying notes to the financial statements.

READINGTON-LEBANON SEWERAGE AUTHORITY
Statements of Net Position (continued)
December 31,

	2025	2024
Liabilities		
Current liabilities		
Accounts payable	$ 48,562	$ 65,113
Unearned revenue	10,412	10,412
Payroll taxes and withholdings payable	13,308	13,572
Accrued vacation pay	19,779	29,560
Total current liabilities	92,061	118,657
Non-current liabilities (payable from unrestricted assets)		
Net pension liability	596,173	747,326
Net other postemployment benefits liability	1,434,732	1,507,459
Total non-current liabilities	2,030,905	2,254,785
Total liabilities	2,122,966	2,373,442
Deferred inflows of resources		
Deferred amount on pension liability	233,356	180,139
Deferred amount on other postemployment benefits liability	545,229	551,059
Total deferred inflows of resources	778,585	731,198
Net position		
Net investment in capital assets	11,214,295	11,381,345
Restricted	3,044,943	2,701,317
Unrestricted	2,896,266	2,503,570
Total net position	17,155,504	16,586,232
Total liabilities, deferred inflows of resources, and net position	$ 20,057,055	$ 19,690,872

See accompanying notes to the financial statements.

READINGTON-LEBANON SEWERAGE AUTHORITY
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31,

	2025	2024
Operating revenues		
User charges	$ 2,265,500	$ 1,912,350
Interest income	134,167	158,332
Other income	4,035	855
Total operating revenues	2,403,702	2,071,537
Operating expenses		
Cost of providing services	857,508	791,017
Administrative and general	653,498	583,957
Depreciation	430,367	417,010
Total operating expenses	1,941,373	1,791,984
Operating income (expense)	462,329	279,553
Non-operating revenues (expenses)		
Interest income	106,943	120,835
Total non-operating revenues (expenses)	106,943	120,835
Change in net position	569,272	400,388
Net position, beginning	16,586,232	16,185,844
Net position, ending	$ 17,155,504	$ 16,586,232

See accompanying notes to the financial statements.

READINGTON-LEBANON SEWERAGE AUTHORITY
Statements of Cash Flows
For the Years Ended December 31,

	2025	2024
Cash flows from operating activities		
Cash received from customers	$ 2,265,500	$ 1,912,350
Other operating cash receipts	138,202	159,187
Cash payments to suppliers and employees	(1,536,506)	(1,581,306)
Net cash provided by (used for) operating activities	867,196	490,231
Cash flow from capital and related financing activities		
Purchase of capital assets	(263,317)	(210,096)
Interest income	106,943	120,835
Net cash provided by (used for) capital and related financing activities	(156,374)	(89,261)
Net increase (decrease) in cash and cash equivalents	710,822	400,970
Cash and cash equivalents, beginning	7,447,574	7,046,604
Cash and cash equivalents, ending	$ 8,158,396	$ 7,447,574
Reconciliation of balance sheet		
Unrestricted cash and cash equivalents	$ 5,113,453	$ 4,746,257
Restricted cash and cash equivalents	3,044,943	2,701,317
Total cash and cash equivalents	$ 8,158,396	$ 7,447,574

See accompanying notes to the financial statements.

READINGTON-LEBANON SEWERAGE AUTHORITY
Statements of Cash Flows (continued)
For the Years Ended December 31,

	2025	2024
Reconciliation of income (loss) from operations to net cash provided by (used for) operating activities		
Operating income (loss)	$ 462,329	$ 279,553
Adjustments to reconcile income (loss) from operations to net cash provided by (used for) operating activities		
Depreciation	430,367	417,010
Change in assets and liabilities		
Increase (decrease) in accounts payable	(16,551)	(141,831)
Increase (decrease) in unearned income	-	10,412
(Increase) decrease in accounts receivable	12,434	(12,434)
Increase (decrease) in accrued vacation pay	(9,781)	3,444
Increase (decrease) in deferred inflow of resources	47,387	16,522
(Increase) decrease in deferred outflow of resources	165,155	(392,696)
Increase (decrease) in net pension liability	(151,153)	(209,577)
Increase (decrease) in net other postemployment benefits liability	(72,727)	520,479
Increase (decrease) in payroll taxes and withholdings payable	(264)	(651)
Net cash provided by (used for) operating activities	$ 867,196	$ 490,231

See accompanying notes to the financial statements.

Note 1 - Summary of significant accounting policies

The financial statements of the Readington-Lebanon Sewerage Authority (the Authority) have been prepared in conformity with 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 more significant accounting policies of the Authority's accounting policies are described below.

Reporting entity

The Authority was created to construct and operate a wastewater treatment system to serve Readington Township, Lebanon Borough, and the State of New Jersey for the Round Valley recreational area.

The Authority consists of six appointed officials and is responsible for the fiscal control of the operations of the sewer system. The various funds used by the Authority to control assets are authorized in the Bond Resolution adopted on August 8, 1984. The Bond Resolution restricts various transactions and requires certain transfers be made between funds. The Bond Resolution is on file in the Authority's office.

Basis of presentation - fund accounting

The operations of the Authority are recorded in a proprietary fund type. Proprietary funds are used to account for activities that are financed and operated in a manner similar to business enterprises and the intention is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis are to be financed or recovered primarily through user charges.

Basis of accounting

The Authority's financial statements are presented on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types. Under this method of accounting, revenues are recorded in the accounting period in which they are earned, and expenses are recorded as incurred.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities and deferred inflow or outflow of resources associated with the operations are included on the Statements of Net Position. The net position (i.e., total assets net of total liabilities) is segregated into invested capital assets, restricted and unrestricted components.

Note 1 - Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of American requires Management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent net assets and liabilities at the date of the Statements of Net Position and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, among other accounts. Actual results may differ from those estimates.

Budget and budgetary accounting

At least 60 days prior to the Authority's year-end (December 31), the Authority must file its operating budget with the Director of the Division of Local Government Services for approval. Within 45 days after receipt of the Authority's budget, the Director shall either approve or notify the Authority of the reasons for non-approval of the budget and to state the conditions upon which the approval will be granted. After approval, the Authority will formally adopt the budget. The budget is prepared based on the accounting principles and practices as prescribed by the Division of Local Government Services.

Income taxes

The Authority, under existing statute, is exempt from Federal and State income taxes. Accordingly, no provision for income taxes has been made in the financial statements.

Restricted assets

The Authority has restricted the below summarized accounts which may only be utilized for the purposes indicated:

Account	Use for which Restricted
Reserve for capital improvements	Construction and/or reconstruction of assets

Net position

Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. In the government-wide financial statements, net position is classified into the following three components:

- *Net investment in capital assets* - This component represents capital assets, less accumulated depreciation, and net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.

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

- *Unrestricted* - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

Note 1 - Summary of significant accounting policies (continued)

Capital assets

Capital assets are recorded as expenditures at the time of purchase and the related assets are capitalized at cost, which includes direct construction costs and other expenditures related to construction. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	25 - 75 years
Sewer mains and interceptors	75 years
Other equipment	5 - 15 years
Pumps and dewatering equipment	75 years
Vehicles	5 years

Deferred outflows/inflows of resources

In addition to assets, the Statements of Net 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. The Authority has one item that qualifies for reporting in this category, deferred amount on pension activity. In addition to liabilities, the Statements of Net 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 future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting in this category, deferred amount on pension activity.

Note 2 - Deposits, cash equivalents, and investments

Cash and cash equivalents include petty cash, change funds, cash and certificates of deposit in banks, and cash with the New Jersey Cash Management Fund.

New Jersey Governmental Units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey Governmental Units. In addition, other state statutes permit investments in obligations issued by local authorities and other state agencies. The State of New Jersey does not place any limit on the amount that the Authority may invest with any one issuer.

New Jersey Governmental Units are limited as to the types of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey Governmental Units.

Note 2 - Deposits, cash equivalents, and investments (continued)

N.J.S.A. 17:9-41 e.t. seq. establishes the requirements for the security of deposits of Governmental Units. The statute requires that no Governmental Unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks) and saving banks the deposits of which are federally insured.

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. The Authority does not have a policy for custodial credit risk. New Jersey statutes require cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Unit Deposit Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, the first $250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA.

However, GUDPA does not protect intermingled trust funds, employee salary withholdings, or funds that may pass to the Authority relative to the happening of a future condition.

Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above. The New Jersey Cash Management Fund is governed by regulations of the State Investment Council, who prescribe standards designed to ensure the quality of investments in order to minimize risk to the Fund participants.

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

	2025	2024
Deposits insured by the FDIC	$ 750,000	$ 750,000
Deposits insured by the GUDPA	2,194,982	1,952,982
Deposits with New Jersey Cash Management Fund	5,218,937	4,793,500
Total bank balances	$ 8,163,919	$ 7,496,482

The Authority's carrying (Statements of Net Position) amounts were $8,158,396 and $7,447,574 for December 31, 2025 and 2024, respectively.

Note 3 - Authority revenues

Sewer charges are based on an amount approved annually by the governing body and is based on the prior year sewer flows. The billing for the approved amount is allocated to three entities: Township of Readington, the Borough of Lebanon, and State of New Jersey for a recreation area. Bills are payable in monthly installments.

Note 4 - Pension plans

Public Employees' Retirement Systems (PERS)

Plan description

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

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

The following represents the membership Tiers for PERS:

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

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

Note 4 - Pension plans (continued)

Public Employees' Retirement Systems (PERS) (continued)

Allocation methodology and reconciliation to financial statements

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The employer allocation percentages presented in the Schedule of Employer Allocations and applied to amounts presented in the Schedule of Pension Amounts by Employer, are based on the ratio of the contributions of an individual employer to the total contributions to PERS during the measurement period July 1, 2024 through June 30, 2025. Employer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the Schedule of Pension Amounts by Employer may result in immaterial differences. Contributions from employers are recognized when due, based on statutory requirements.

Although the Division administers one cost-sharing, multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the disclosure of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the Schedule of Employer Allocations are applied to amounts presented in the Schedules of Pension Amounts by Employer. The allocation percentages for each group as of June 30, 2025, are based on the ratio of each employer's contributions to total employer contributions of the group for the State fiscal year ended June 30, 2025.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the state. The state's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for non-contributory group insurance benefits is based on actual claims paid. For state fiscal year 2025, the state's pension contribution was more than the actuarial determined amount.

Note 4 - Pension plans (continued)

Public Employees' Retirement Systems (PERS) (continued)

Contributions (continued)

The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, PL 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in state fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The Actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012, and will be adjusted by the rate of return on the actuarial value of assets.

The contribution rate was 7.50% of base salary effective July 1, 2019.

Two-year trend information for PERS:

	Annual Contribution	
Year Funded	Authority	Employee
2025	$ 74,839	$ 51,189
2024	88,297	46,810

Special funding situation

Under N.J.S.A. 43:15A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed that legally obligated the State if certain circumstances occurred. The legislation, which legally obligates the State, is Chapter 366, P.L. 2001 and Chapter 133, P.L. 2001. The amounts contributed on behalf of the local participating employers 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 non-employer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability, deferred outflows of resources, or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation. However, the Notes to the Financial Statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer. In addition, each local participating employer must recognize pension expense associated with the employer as well as revenue in an amount equal to the non-employer contributing entities' total proportionate share of the collective pension expense associated with the local participating employer.

During the fiscal year ended June 30, 2025, the State of New Jersey contributed $2,048 to the PERS for normal pension benefits on behalf of the Authority.

Note 4 - Pension plans (continued)

Public Employees' Retirement Systems (PERS) (continued)

Collective net pension liability and actuarial information

The components of the Authority's allocable share of the net pension liability for PERS as of December 31, 2025 and 2024, are as follows:

	2025	2024
Net pension liability	$ 596,173	$ 747,326
Proportionate share	0.0048474669%	0.0054998784%
Plan fiduciary net position as a percentage of the total pension liability	71.84%	68.22%

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 was rolled forward to June 30, 2025. This actuarial valuation used the following actuarial assumptions:

Inflation rate	
Price	2.75%
Wage	3.25%
Salary increases (based on years of service)	2.75% - 7.75%
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 expected 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.

Note 4 - Pensions plans (continued)

Public Employees' Retirement Systems (PERS) (continued)

Collective net pension liability and actuarial information (continued)

Long-term expected rate of return (continued)

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 real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2025, are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Rate of Return
U.S. equity	28.00%	8.55%
Non-U.S. developed markets equity	12.75%	8.77%
International small cap equity	1.25%	8.77%
Emerging markets equity	5.50%	10.30%
Private equity	13.00%	12.00%
Real 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. Treasuries	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 will be based on 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Sensitivity of the collective net pension liability to changes in the discount rate

The following presents the Authority's proportionate share of the collective net pension liability as of the Plan measurement date of June 30, 2025 and 2024 calculated using the discount rate as disclosed above, as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

Note 4 - Pensions plans (continued)
Public Employees' Retirement Systems (PERS) (continued)
Collective net pension liability and actuarial information (continued)
Sensitivity of the collective net pension liability to changes in the discount rate (continued)
Authority's proportionate share of the net pension liability

	2025
At current discount rate (7.00%)	$ 596,173
At a 1% lower rate (6.00%)	823,166
At a 1% higher rate (8.00%)	412,241

	2024
At current discount rate (7.00%)	$ 747,326
At a 1% lower rate (6.00%)	1,001,371
At a 1% higher rate (8.00%)	542,779

Collective deferred outflows of resources and deferred inflows of resources
At December 31, 2025 and 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 16,998	$ 637	$ 14,970	$ 1,990
Changes of assumptions	94	6,868	928	8,503
Net difference between projected and actual earnings on pension plan investments	-	49,713	-	34,651
Changes in proportion and differences between Authority contributions and proportionate share of contributions	10,607	176,138	60,054	134,995
Total	$ 27,699	$ 233,356	$ 75,952	$ 180,139

Note 4 - Pension plans (continued)

Public Employees' Retirement Systems (PERS) (continued)

Collective deferred outflows of resources and deferred inflows of resources (continued)

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended December 31, 2025 and 2024:

December 31, 2025	Beginning Balance	Net Change in Activity	Ending Balance
Deferred outflows of resources			
Differences between expected and actual experience	$ 14,970	$ 2,028	$ 16,998
Changes of assumptions	928	(834)	94
Deferred inflows of resources			
Differences between expected and actual experience	(1,990)	1,353	(637)
Changes of assumptions	(8,503)	1,635	(6,868)
Differences between projected and actual investment earnings on pension plan investments	(34,651)	(15,062)	(49,713)
Net changes in deferred outflows (inflows) of resources	$ (29,246)	$ (10,880)	$ (40,126)

December 31, 2024	Beginning Balance	Net Change in Activity	Ending Balance
Deferred outflows of resources			
Differences between expected and actual experience	$ 9,149	$ 5,821	$ 14,970
Changes of assumptions	2,102	(1,174)	928
Differences between projected and actual investment earnings on pension plan investments	4,407	(4,407)	-
Deferred inflows of resources			
Differences between expected and actual experience	(3,912)	1,922	(1,990)
Changes of assumptions	(57,992)	49,489	(8,503)
Differences between projected and actual investment earnings on pension plan investments	-	(34,651)	(34,651)
Net changes in deferred outflows (inflows) of resources	$ (46,246)	$ 17,000	$ (29,246)

Note 4 - Pension plans (continued)

Public Employees' Retirement Systems (PERS) (continued)

Collective deferred outflows of resources and deferred inflows of resources (continued)

Deferred outflows of resources and deferred inflows of resources related to pensions (excluding employer specific amounts, deferrals from the Authority's contributions subsequent to the measurement date, and deferrals from change on proportion) will occur in future periods for the year ending December 31, 2025 and 2024, are as follows:

	2025		2024
2026	$ 11,042	2025	$ (31,730)
2027	(23,047)	2026	24,551
2028	(17,784)	2027	(14,125)
2029	(10,410)	2028	(8,154)
2030	73	2029	212
Total	$ (40,126)	Total	$ (29,246)

Pension expense

The components of allocable pension expense, which exclude pension expense related to specific liabilities of individual employers, for the Authority for the year ended December 31, 2025 and 2024, are as follows:

	2025	2024
Service cost	$ 34,367	$ 36,120
Interest on total pension liability	126,713	134,921
Member contributions	(28,147)	(29,582)
Administrative expense	915	1,045
Other - Chapter 19 adjustment	-	(1,088)
Expected investment return net of investment expense	(81,403)	(81,502)
Pension expense related to specific liabilities of individual employers	(464)	(1,040)
Recognition of deferred inflows/outflows of resources		
Amortization of expected versus actual experience	3,864	4,111
Amortization of assumption changes or inputs	(5,898)	(32,974)
Amortization of projected versus actual investment earnings on pension plan investments (benefit)	(31,851)	(13,725)
Pension expense (benefit)	$ 18,096	$ 16,286

Note 5 - Capital assets

A summary of changes in capital assets and accumulated depreciation is as follows:

December 31, 2025	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, not being depreciated				
Land	$ 231,628	$ -	$ -	$ 231,628
Construction in progress	366,770	24,838	-	391,608
Total	598,398	24,838	-	623,236
Capital assets, being depreciated				
Plant	16,250,429	-	-	16,250,429
Building	3,342,487	-	-	3,342,487
Building improvements	1,227,850	158,072	15,500	1,370,422
Vehicles	57,890	-	-	57,890
Operating equipment	915,682	80,407	14,502	981,589
Total	21,794,338	238,479	30,002	22,002,817
Accumulated depreciation	(11,011,391)	(430,367)	(30,002)	(11,411,758)
Capital assets, being depreciated, net	10,782,947	(191,888)	-	10,591,059
Capital assets, net	$ 11,381,345	$ (167,050)	$ -	$ 11,214,295

December 31, 2024	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, not being depreciated				
Land	$ 231,628	$ -	$ -	$ 231,628
Construction in progress	235,424	131,346	-	366,770
Total	467,052	131,346	-	598,398
Capital assets, being depreciated				
Plant	16,250,429	-	-	16,250,429
Building	3,342,487	-	-	3,342,487
Building improvements	1,227,850	-	-	1,227,850
Vehicles	57,890	-	-	57,890
Operating equipment	836,932	78,750	-	915,682
Total	21,715,588	78,750	-	21,794,338
Accumulated depreciation	(10,594,381)	(417,010)	-	(11,011,391)
Capital assets, being depreciated, net	11,121,207	(338,260)	-	10,782,947
Capital assets, net	$ 11,588,259	$ (206,914)	$ -	$ 11,381,345

Note 6 - Long-term liabilities

Long-term liability activity for the years ended December 31, 2025 and 2024 is as follows:

December 31, 2025	Beginning Balance	Additions	Reductions	Ending Balance
PERS net pension liability	$ 747,326	$ -	$ 151,153	$ 596,173
Net OPEB liability	1,507,459	-	72,727	1,434,732
Total liability	$ 2,254,785	$ -	$ 223,880	$ 2,030,905

December 31, 2024	Beginning Balance	Additions	Reductions	Ending Balance
PERS net pension liability	$ 956,903	$ -	$ 209,577	$ 747,326
Net OPEB liability	986,980	520,479	-	1,507,459
Total liability	$ 1,943,883	$ 520,479	$ 209,577	$ 2,254,785

Note 7 - Accrued vacation payable

The Authority has allowed unused vacation time to be accumulated to a maximum of 120 days per employee. Up to one half of accumulated sick days may be paid upon disability or retirement or compensating time-off may be taken. If present employees were eligible for this benefit at December 31, 2025 and 2024, the liability to the Authority would be approximately $19,779 and $29,560, respectively.

Note 8 - Postretirement benefits

Plan description - The Authority contributes to the State Health Benefit Local Government Retired Employees Plan (the Plan), a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan administered by the State of New Jersey Division of Pensions and Benefits. 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* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information, please refer to the Division) financial report, which can be found at https://www.state.nj.us/treasury/pensions/financial-reports.shtml.

The Plan provides medical and prescription drug to retirees and their covered dependents. 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.

Note 8 - Post-retirement benefits (continued)

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 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 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 negotiation's agreement.

The Authority has adopted a resolution to participate in the Plan.

Funding policy - Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Postretirement medical benefits under the Plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

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.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Authority monthly. Premiums are funded entirely by the Authority and are based on the type of coverage selected by the employee. The Authority's contributions to the SHBP for post-retirement benefits for the years ended December 31, 2025 and 2024 were $39,437 and $41,697, respectively, which equaled the required benefit contribution for each year. There were two retired participants eligible at December 31, 2025 and 2024.

Allocation methodology

GASB Statement No. 75 requires participating employers to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are allocated to employers 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.

Note 8 - Post-retirement benefits (continued)

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 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 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 negotiation's agreement.

The Authority has adopted a resolution to participate in the Plan.

Funding policy - Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Postretirement medical benefits under the Plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

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.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Authority monthly. Premiums are funded entirely by the Authority and are based on the type of coverage selected by the employee. The Authority's contributions to the SHBP for post-retirement benefits for the years ended December 31, 2025 and 2024 were $39,437 and $41,697, respectively, which equaled the required benefit contribution for each year. There were two retired participants eligible at December 31, 2025 and 2024.

Allocation methodology

GASB Statement No. 75 requires participating employers to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are allocated to employers 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.

Note 8 - Post-retirement benefits (continued)

Components of net OPEB liability

The Authority's proportionate share of the net OPEB liability of the participating employers in the SHBP as of December 31, 2025 and 2024, were as follows:

	2025	2024
Net OPEB liability	$ 1,434,732	$ 1,507,459
Proportionate share	0.008625%	0.0084190%
Plan fiduciary net position as a percentage of the total OPEB liability	(1.12%)	(0.89%)

The net OPEB liability as of December 31, 2025, was determined by an actuarial valuation as of June 30, 2024, which was rolled forward to June 30, 2025. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. The actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Salary increases (based on years of service)

PERS

Rate for all future years 2.75% to 7.75%

Mortality:

PERS Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021

Actuarial assumptions used in the July 1, 2024 valuation were based on the results of the 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 and 2024 was 5.20% and 3.93%, respectively. This represents the Municipal Bond return rate as chosen by the state. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the Municipal Bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the Municipal Bond rate.

Note 8 - Post-retirement benefits (continued)

Sensitivity of net OPEB liability to changes in the discount rate

The following presents the collective net OPEB liability of the participating employers as of December 31, 2025 and 2024, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	2025	2024
At current discount rate (5.20% and 3.93%)	$ 1,434,732	$ 1,507,459
At a 1% lower rate (4.20% and 2.93%)	1,638,554	1,756,028
At a 1% higher rate (6.20 % and 4.93%)	1,267,664	1,308,378

Sensitivity of net OPEB liability to changes in the healthcare trend rate

The following presents the net OPEB liability as of December 31, 2025 and 2024, respectively, 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% point lower or 1% point higher than the current rate:

	2025	2024
Healthcare cost trend rate	$ 1,434,732	$ 1,507,459
At a 1% lower rate (1% decrease)	1,236,726	1,275,003
At a 1% higher rate (1% increase)	1,683,476	1,806,333

Collective deferred outflows of resources and deferred inflows of resources

At December 31, 2025 and 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 64,946	$ 171,837	$ 76,342	$ 255,415
Changes of assumptions	198,979	345,506	252,019	250,229
Net difference between projected and actual earnings on OPEB plan investments	-	1,057	-	682
Changes in proportion and differences between Authority contributions and proportionate share of contributions	392,740	26,829	445,206	44,733
Total	$ 656,665	$ 545,229	$ 773,567	$ 551,059

Note 8 - Postretirement benefits (continued)

Collective deferred outflows of resources and deferred inflows of resources (continued)

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended December 31, 2025 and 2024:

December 31, 2025	Beginning Balance	Net Change in Activity	Ending Balance
Deferred outflows of resources			
Differences between expected and actual experience	$ 76,342	$ (11,396)	$ 64,946
Changes of assumptions	252,019	(53,040)	198,979
Deferred inflows of resources			
Differences between expected and actual experience	(255,415)	83,578	(171,837)
Changes of assumptions	(250,229)	(95,277)	(345,506)
Differences between projected and actual investment earnings on OPEB plan investments	(682)	(375)	(1,057)
Net changes in deferred outflows (inflows) of resources	$ (177,965)	$ (76,510)	$ (254,475)

The amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the year ended December 31, 2025:

2026	$ (65,024)
2027	(30,460)
2028	(61,525)
2029	(47,648)
2030	(17,888)
Thereafter	(31,930
Total	$ (254,475)

Note 8 - Postretirement benefits (continued)

Collective deferred outflows of resources and deferred inflows of resources (continued)

December 31, 2024	Beginning Balance	Net Change in Activity	Ending Balance
Deferred outflows of resources			
Differences between expected and actual experience	$ 45,514	$ 30,828	$ 76,342
Changes of assumptions	127,851	124,168	252,019
Deferred inflows of resources			
Differences between expected and actual experience	(268,032)	12,617	(255,415)
Changes of assumptions	(278,988)	28,759	(250,229)
Differences between projected and actual investment earnings on OPEB plan investments	(163)	(519)	(682)
Net changes in deferred outflows (inflows) of resources	$ (373,818)	$ 195,853	$ (177,965)

The amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the year ended December 31, 2024:

2025	$ (94,628)
2026	(40,740)
2027	(7,001)
2028	(37,324)
2029	(23,779)
Thereafter	25,507
Total	$ (177,965)

The year of deferral for the differences between projected and actual investment earnings on OPEB plan investments was 2024 and 2025 and the amortization period was 5 years for each year. The year of deferral for the change of assumptions was 2024 and 2025 and the amortization period was 7.89 years and 8.28 years, respectively.

Changes in proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 7.89 years for the 2024 amounts and 8.28 years for 2025.

Note 8 - Postretirement benefits (continued)

OPEB (benefit) expense

The components of allocable OPEB (benefit) expense, which exclude OPEB (benefit) expense related to specific liabilities of individual employers, for the years ended December 31, 2025 and 2024, are as follows:

	2025	2024
Service cost	$ 59,348	$ 45,891
Interest on total OPEB liability	61,627	46,679
Expected investment return	580	423
Administrative expense	1,022	936
Changes in benefit terms	3,273	9,065
Current period recognition (amortization) of deferred inflows/outflows of resources		
Difference between expected and actual experience	(72,646)	(71,373)
Changes of assumptions	(47,281)	(49,102)
Differences between projected and actual investment earnings on OPEB plan investments	(304)	(87)
Total OPEB (benefit) expense	$ 5,619	$ (17,568)

Note 9 - Risk management

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

Property and Liability Insurance - Risks of losses from worker's compensation, property, automobile, liability, and public official's liability are covered by insurance with New Jersey Utilities Authorities Joint Insurance Fund, plus separate policies for employee bonds and official's liability. Significant losses are covered by commercial insurance and there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current or the three prior years.

Note 10 - Deferred compensation plan

The Authority has a deferred compensation plan available to all full-time employees who wish to participate. The Plan is fully funded by employee contributions and is administered by Lincoln National Insurance Company.

Note 11 - Recent accounting pronouncements not yet effective

The following is of recent accounting pronouncements which are not yet effective as of the year-end date of this report.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This statement is effective for reporting periods beginning after June 15, 2025. The Authority is evaluating the effect of the pronouncement on financial reporting.

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This statement is effective for reporting periods beginning after June 15, 2025. The Authority is evaluating the effect of the pronouncement on financial reporting.

In December 2025, GASB issued Statement No. 105, Subsequent Events. This statement is effective for reporting periods beginning after June 15, 2026. The Authority is evaluating the effect of the pronouncement on financial reporting.

Note 12 - Subsequent events

The Authority's Management has evaluated subsequent events through October 21, 2026, which is the date the financial statements were available to be issued and no additional items were noted for disclosure.

READINGTON-LEBANON SEWERAGE AUTHORITY
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Public Employee's Retirement System
Last Ten Years
Unaudited

	Years Ending December 31,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Authority's proportion of the net pension liability	0.0048474669%	0.0054998784%	0.0066064505%	0.0066068857%	0.0064138221%	0.0054060035%	0.0052979547%	0.0051907300%	0.0052108543%	0.0069261582%
Authority's proportion of the net pension liability	$ 596,173	$ 747,326	$ 956,903	$ 997,070	$ 767,913	$ 888,510	$ 961,252	$ 961,252	$ 1,022,029	$ 1,213,004
Authority's covered employee payroll	525,994	437,965	457,189	501,520	486,919	473,792	399,270	379,100	364,010	359,684
Authority's proportionate share of the net pension liability as a percentage of its covered employee payroll	113.34%	170.64%	209.30%	198.81%	157.71%	187.53%	240.75%	253.56%	280.77%	337.24%
Plan fiduciary net position as a percentage of the total pension liability	71.84%	68.22%	65.23%	62.91%	70.33%	58.32%	56.27%	53.60%	48.10%	40.14%

See independent auditor's report.

READINGTON-LEBANON SEWERAGE AUTHORITY
Schedule of the Authority Contributions
Public Employee's Retirement System
Last Ten Years
Unaudited

	Years Ending December 31,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contributions	$ 66,249	$ 74,838	$ 88,297	$ 83,316	$ 75,914	$ 59,604	$ 51,892	$ 51,631	$ 48,273	$ 61,531
Contributions in relation to the contractually required contribution	66,249	74,838	88,297	83,316	75,914	59,604	51,892	51,631	48,273	61,531
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's covered employee payroll	$ 525,994	$ 437,965	$ 457,189	$ 501,520	$ 486,919	$ 473,792	$ 399,270	$ 379,100	$ 364,010	$ 359,684
Contributions as a percentage of covered employee payroll	12.60%	17.09%	19.31%	16.61%	15.59%	12.58%	13.00%	13.62%	13.26%	17.11%

See independent auditor's report.

READINGTON-LEBANON SEWERAGE AUTHORITY
Schedule of the Authority's Proportionate Share of the Other Postemployment Employee Benefits Liability
Last Ten Years
Unaudited

	Years Ending December 31,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Authority's proportionate share of the other postemployment employee benefits liability (asset) - percentage	0.008625%	0.008419%	0.006577%	0.006588%	0.006632%	0.006718%	0.005365%	0.005794%	0.005719%	0.007373%
Authority's proportionate share of the other postemployment employee benefits liability (asset) - value	$ 1,434,732	$ 1,507,459	$ 986,980	$1,063,935	$1,193,745	$1,205,653	$ 726,747	$ 907,724	$1,167,579	$1,601,229
State's proportionate share of the other postemployment employee benefits liability (asset) associated with the Authority	(15,903)	(13,234)	(7,693)	(3,865)	3,335	11,076	14,655	18,221	12,196	11,088
Total	$1,418,829	$1,494,225	$ 979,287	$1,060,070	$1,197,080	$1,216,729	$ 741,402	$ 925,945	$1,179,775	$1,612,317
Authority's covered employee payroll other postemployment	$ 525,994	$ 437,965	$ 457,189	$ 501,520	$ 486,919	$ 473,792	$ 399,270	$ 379,100	$ 364,010	$ 359,684
Authority's proportionate share of the employee liability (asset) as a percentage of its covered employee payroll	36.66%	29.05%	46.32%	47.14%	40.79%	39.30%	54.94%	41.76%	31.18%	22.46%
Plan fiduciary net position as a percentage of the total other post employment employee benefits liability	-1.12%	-0.89%	-0.79%	-0.36%	0.28%	0.91%	1.98%	1.97%	1.03%	0.69%

See independent auditor's report.

READINGTON-LEBANON SEWERAGE AUTHORITY
Schedule of Authority's Contributions for Other Postemployment Benefits
Last Ten Years
Unaudited

	Years Ending December 31,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contributions	$ 39,437	$ 41,697	$ 29,442	$ 20,919	$ 18,111	$ 20,423	$ 22,101	$ 37,743	$ 42,027	$ 56,205
Contributions in relation to the contractually required contributio	39,437	41,697	29,442	20,919	18,111	20,423	22,101	37,743	42,027	56,205
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's covered employee payroll	$ 525,994	$ 437,965	$ 457,189	$ 501,520	$ 486,919	$ 473,792	$ 399,270	$ 379,100	$ 364,010	$ 359,684
Contributions as a percentage of covered employee payroll	7.50%	9.52%	6.44%	4.17%	3.72%	4.31%	5.54%	9.96%	11.55%	15.63%

See independent auditor's report.

READINGTON-LEBANON SEWERAGE AUTHORITY
Notes to the Required Supplementary Information
(Unaudited)
December 31, 2025

Note 1 - Changes in benefit term assumptions - pension
There were no changes in benefit terms.

Note 2 - Changes in assumptions - pension
The discount rate used to measure the total pension liability was 7.00% as of the June 30, 2025 Plan measurement date and 7.00% as of the June 30, 2024 Plan measurement date.

Note 3 - Changes in assumptions - other postretirement employee benefits
The other postretirement employee benefits discount rate increased from 3.93% in state fiscal year 2024 to 5.20% in state fiscal year 2025.

Note 4 - Changes in healthcare trend assumptions - other postretirement employee benefits
For pre-Medicare medical benefits, the trend rate is initially 9.50% and decreases to a 4.50% long-term trend rate in fiscal year 2036. For post-65 medical benefits PPO, the trend is initially 25.12% and decreases to 4.50% in fiscal year 2036. For post-65 medical benefits HMO, the trend is initially 29.65% and decreases to 4.50% in fiscal year 2036. For pre-Medicare prescription drug benefits, the initial trend rate is 19.00% and decreases to a 4.50% long-term trend rate in fiscal year 2036. For post-65 prescription drug benefits, the initial trend rate is 10.88% and decreases to a 4.50% long-term trend rate in fiscal year 2036. For employer group waiver plan prescription drug benefits, the initial trend rate is 20.85% and decreases to a 4.50% long-term trend rate in fiscal year 2036. For the Medicare Part B reimbursement, the trend rate is 5.00%.

Note 5 - Change in plan members covered - other postretirement employee benefits
There were 8 plan members covered in 2024 and in 2025 there were 8 plan members covered.

READINGTON-LEBANON SEWERAGE AUTHORITY
Schedule of Changes in Restricted Net Position
For the Year Ended December 31, 2025

	Net Position	
	Capital Improvement Fund	Total Net Position
Balance - beginning of year	$ 2,701,317	$ 2,701,317
Additions		
Budget transfer	500,000	500,000
Interest income	106,943	106,943
Total additions	606,943	606,943
Deductions		
Capital expenditures	263,317	263,317
Balance - end of year	$ 3,044,943	$ 3,044,943

See independent auditors' report.

READINGTON-LEBANON SEWERAGE AUTHORITY
Schedule of Budgetary Comparison Information
For the Years Ended,

	December 31, 2025		December 31, 2024	
	Unaudited Budget	Actual	Unaudited Budget	Actual
Revenues				
Net position appropriated	$ 125,000	$ 125,000	$ 125,000	$ 125,000
Operating revenues				
User charges and fees				
Readington Township	1,681,771	1,681,771	1,410,110	1,410,110
Lebanon Borough	535,949	535,949	461,374	461,374
Round Valley - State of NJ	47,780	47,780	40,866	40,866
Interest income	-	134,167	-	158,332
Other income	-	4,035	-	855
Total operating revenues	2,265,500	2,403,702	1,912,350	2,071,537
Non-operating revenues				
Interest income	-	106,943	-	120,835
Total non-operating revenues	-	106,943	-	120,835
Total revenues	$ 2,390,500	$ 2,635,645	$ 2,037,350	$ 2,317,372
Expenses				
Administrative and general				
Salaries and wages	$ 295,680	$ 268,311	$ 263,520	$ 232,445
PERS and other employee benefits	191,760	213,067	181,200	233,246
Pension expense (benefit) - GASB 68	-	12,345	-	(16,899)
Other postemployment benefits - GASB 75	-	21,857	-	(1,428)
Legal fees	8,500	4,158	8,500	1,542
Engineering fees	19,500	8,416	17,750	12,478
Auditing and accounting fees	22,000	25,570	20,500	25,112
Medical services	1,000	-	1,000	-
Trustee fees	1,000	-	1,000	-
Insurance	75,500	64,156	66,000	60,100
Education, seminars, conferences	5,000	2,290	5,000	5,340
Travel expenses and meals	3,000	974	5,000	78

See independent auditors' report.

READINGTON-LEBANON SEWERAGE AUTHORITY
Schedule of Budgetary Comparison Information (continued)
For the Years Ended,

	December 31, 2025		December 31, 2024	
	Budget	Actual	Budget	Actual
Expenses (continued)				
Administrative and general (continued)				
Dues and memberships	$ 7,000	$ 3,942	$ 6,000	$ 4,064
Office supplies and expenses	12,000	10,216	12,000	10,652
Public advertisements	1,800	943	1,800	728
Permits and licenses	23,000	17,253	23,000	16,499
Total administrative and general	666,740	653,498	612,270	583,957
Cost of providing services				
Salaries and wages	320,320	303,365	285,480	268,114
PERS and other employee benefits	207,740	69,136	196,300	57,620
Pension expense (benefit) - GASB 68	-	(29,921)	-	(19,813)
Other postemployment expense (benefits) - GASB 75	-	16,488	-	(27,132)
Communications	26,000	27,136	26,000	30,518
Utilities	165,500	129,182	165,500	105,563
Chemicals	56,000	50,812	58,000	42,120
Sludge disposal	193,000	135,790	193,000	102,041
Fuel	5,000	2,875	5,000	3,164
Uniforms	2,500	2,242	1,500	740
Laboratory	7,500	6,046	7,500	5,748
Outside lab service	39,000	27,801	39,000	29,222
Safety equipment	6,000	6,718	6,000	2,446
Maintenance outside services	50,000	28,060	42,000	50,561
Plant maintenance	35,000	36,562	37,000	35,222
Lawn care	19,000	5,500	19,000	14,472
Janitorial service	3,200	2,222	3,200	2,583
Instrument and meter calibration	3,000	1,020	2,600	2,734
Vehicle maintenance	5,000	3,306	5,000	1,779
Equipment replacement	50,000	16,857	54,000	44,581
Contingencies	20,000	100	20,000	30,805
Plant security	10,000	16,211	9,000	7,929
Total cost of providing services	1,223,760	857,508	1,175,080	791,017
Reserves and capital outlay				
Capital acquisition	500,000	500,000	250,000	250,000
Total expenses	$ 2,390,500	$ 2,011,006	$ 2,037,350	$ 1,624,974

See independent auditors' report.

BKC
Certified Public Accountants, PC
www.bkc-cpa.com

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Chairman and Members of the
Readington-Lebanon Sewerage Authority
Whitehouse, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of the Readington-Lebanon Sewerage Authority, as of and for the year ended December 31, 2025 and 2024, and the related Notes to the Financial Statements, which collectively comprise Readington-Lebanon Sewerage Authority's Basic Financial Statements, and have issued our report thereon dated October 21, 2026.

Internal Control Over Financial Reporting

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

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 and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify deficiencies in internal control that we consider to be material weaknesses. However material weaknesses or significant deficiencies may exist that were not identified.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal controls, described in the accompanying

Schedule of Findings and Questioned Costs as item 2025-01 that we consider to be significant deficiencies. However material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Readington-Lebanon Sewerage Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 auditing procedures disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Readington-Lebanon Sewerage Authority's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Authority's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 compliance. The report is an integral part of any 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.

BKC, CPAs, PC

BKC, CPAs, PC

October 21, 2026
Flemington, New Jersey

READINGTON-LEBANON SEWERAGE AUTHORITY
Schedule of Findings and Responses

General Comments and Recommendations

Finding 2025-01

Criteria
The Authority must make continuous efforts to ensure that the records and processes for all recordkeeping be maintained and performed in a complete and accurate manner.

Condition
The Authority records were not accurate.

Context
Recordkeeping was not maintained and performed in a complete and accurate manners. Records contained accounting entry errors.

Cause
Unknown.

Effect
Records were not accurate.

Recommendation
The Authority must make continuous efforts to ensure that the records and processes for all recordkeeping be maintained and performed in a complete and accurate manner.

Views of Responsible Officials and Planned Corrective Action (unaudited)
The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

Status of Prior Year's Audit Findings/Recommendations

A review was performed on the prior year recommendation and is repeated in this year's recommendations 2025-01.

****

We would be pleased to confer on questions that might arise with respect to any matters in this report.

We wish to express our appreciation for the assistance and courtesies rendered by the Authority officials and employees during the course of the examination.

BKC, CPAs, PC

BKC, CPAs, PC

RESOLUTION
26-38
AUDIT REVIEW

WHEREAS, N.J.S.A. 40A:5A-15 requires the governing body of each local authority to cause an annual audit of its accounts to be made, and

WHEREAS, the annual audit report for the fiscal year ended December 31, 2025 has been completed and filed with the Readington-Lebanon Sewerage Authority pursuant to N.J.S.A. 40 A:5A-15 and

WHEREAS, N.J.S.A. 40A:5A-17, requires the governing body of each authority to, within 45 days of receipt of the annual audit, certify by resolution to the Local Finance Board that each member thereof has personally reviewed the annual audit report, and specifically the sections of the audit report entitled **"General Comments", "Recommendations"** and **"Schedule of Findings and Responses",** and has evidenced same by group affidavit in the form prescribed by the Local Finance Board, and

WHEREAS, the members of the governing body have received the annual audit and have personally reviewed the annual audit, and have specifically reviewed the sections of the annual audit report entitled **"General Comments", "Recommendations"** and **"Schedule of Findings and Responses",** in accordance with N.J.S.A. 40A:5A-17,

NOW, THEREFORE BE IT RESOLVED that the governing body of the Readington-Lebanon Sewerage Authority hereby certifies to the Local Finance Board of the State of New Jersey that each governing body member has personally reviewed the annual audit report for the fiscal year ended December 31, 2025, and specifically has reviewed the sections of the audit report entitled **"General Comments", "Recommendations"** and **"Schedule of Findings and Responses",** and has evidenced same by group affidavit in the form prescribed by the Local Finance Board.

BE IT FURTHER RESOLVED that the secretary of the Authority is hereby directed to promptly submit to the Local Finance Board the aforesaid group affidavit, accompanied by a certified true copy of this resolution.

IT IS HEREBY CERTIFIED THAT THIS IS A TRUE COPY OF THE RESOLUTION PASSED AT THE MEETING HELD ON October 28th, 2029

Secretary/Treasurer
Craig Villa

10/28/26
Date

Resolution
Approval of Corrective Action Plan
26-42

WHEREAS, the Readington-Lebanon Sewerage Authority is in receipt of the 2025 Report of Audit for the period ending December 31, 2025; and

WHEREAS, the governing body of the Readington-Lebanon Sewerage Authority has reviewed and accepted the 2025 Report of Audit, and

WHEREAS, it is necessary to develop and submit to the Division of Local Government Services a Corrective Action Plan; and

WHEREAS, a Corrective Action Plan covering the findings and recommendations in the audit report has been submitted to the governing body; and

WHEREAS, the governing body has reviewed the Corrective Action Plan,

NOW, THEREFORE BE IT RESOLVED, that the governing body of the Readington-Lebanon Sewerage Authority hereby approves the Corrective Action Plan for the 2025 Audit as prepared and submitted.

BE IT FURTHER RESOLVED, that said Corrective Action Plan will be on file and available for public inspection at the offices of the Readington-Lebanon Sewerage Authority.

IT IS HEREBY CERTIFIED THAT THIS IS A TRUE COPY OF THE RESOLUTION PASSED AT THE MEETING HELD ON October 28, 2026

October 28, 2026
Date

Craig Villa
Secretary/Treasurer

	Recorded Vote			
Governing Body Member	Aye	Nay	Abstain	Absent
Richard Burton	✓			
Jonathan Heller	✓			
Craig Villa	✓			
Adam Mueller	✓			
Greg Crawford				✓
William Colantano	✓			

Readington-Lebanon Sewerage Authority

1A Old Highway 28, PO Box 136
Whitehouse, NJ 08888

Richard Burton
Chairman

Michael Hajjar
Vice-Chairman

Jonathan Heller
Administrator

Craig Villa
Secretary-Treasurer

908-534-6171
908-534-5688 Fax

CORRECTIVE ACTION PLAN (CAP)

Date:10/28/2026

Audit Finding Reference: 2025-01
Prepared By: Michael Hajjar
To Be Adopted By: RLSA Board of Commissioners as per Resolution 26-42

1. Immediate Review and Correction of Accounting Records

Corrective Action:
RLSA will review our accounts and records on an ongoing basis. Any errors will be identified and corrected immediately.

Michael Hajjar
Michael Hajjar

Administrator
Readington-Lebanon Sewerage Authority
1A Old Highway 28
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(908) 534-6171 Ext 1