

**LEBANON BOROUGH SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE
BOROUGH OF LEBANON)
COUNTY OF HUNTERDON**

December 31, 2025

**LEBANON BOROUGH SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE BOROUGH OF LEBANON)**

For the Year Ended December 31, 2025

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LEBANON BOROUGH SEWERAGE AUTHORITY
(A Component Unit of the Borough of Lebanon)
Roster of Officials
Year Ended December 31, 2025

<u>Members of the Authority</u>	<u>Title</u>
Richard Burton	Chairperson
Gregory Crawford	Vice Chairperson
William Colantano	Member
Glen Chandler	Member
Benedict Valliere	Member
<u>Administration of the Authority</u>	<u>Title</u>
Anita Weingart	Secretary/Treasurer
Joseph Novak	General Counsel
Liberty Environmental Engineering	Engineer

See independent auditors' report.



Certified Public Accountants, PC

www.bkc-cpa.com

Independent Auditors' Report

Honorable Chairman and Members of
Lebanon Borough Sewerage Authority
Lebanon Borough, New Jersey

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Lebanon Borough Sewerage Authority, a component unit of the Borough of Lebanon, 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 Lebanon Borough 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 Lebanon Borough 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 Opinion

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 Lebanon Borough 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 Lebanon Borough 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 Lebanon Borough 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 Lebanon Borough 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 as identified 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 Assets. 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 April 30, 2026, on our consideration of the Lebanon Borough 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 Lebanon Borough Sewerage Authority's internal controls over financial reporting and compliance.



BKC, CPAs, PC

April 30, 2026
Flemington, New Jersey

Lebanon Borough Sewerage Authority

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Lebanon, New Jersey 08833
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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) FOR THE YEAR ENDING 2025

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

Financial Highlights

- The LBSA's total assets increased by about 12.49% over the course of this year's operations. The increase in unrestricted assets of 34.44% was offset by a decrease in capital assets, which decreased by 7.28%.
- The LBSA's total liabilities decreased by 18.05% compared to the prior year. The decrease is due primarily to a decrease in prepaid sewer rents.
- Operating expenses increased by 4.61%. The increase was a result of an increase in joint authority costs.
- Non-operating revenues increased by \$1,039 compared to the prior year. The increase was a result of miscellaneous revenue.
- Total net position at the end of 2025 was 13.64% more than the prior year.

Overview of Annual Financial Report

The financial statements report information about the LBSA using accrual accounting methods 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 statements include the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows, and Notes to the Financial Statements.

The Statements of Net Position presents the financial position of the Authority on an accrual basis. The Statements of Net Position presents information on all of the assets and liabilities of the LBSA; 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 LBSA is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Position present the result of the LBSA'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 Flows presents changes in cash and cash equivalents resulting from operational, financing and investing activities. This statement presents 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.

Budget and Rates

The LBSA members took into consideration the following factors when preparing the budget for 2025:

1. The ongoing maintenance of sewer lines and manholes.
2. The annual charges from Readington-Lebanon Sewer Authority for the treatment plant.
3. The general increase in costs for services and equipment.

With the above factors taken into consideration and the amount of surplus available, it was determined that the user rate and the connection fee would increase.

The connection fee for 2026 has been calculated at \$3,580.85 per unit and the sewer rate charge at \$626.00.

Financial Analysis

The attached comparative condensed financial schedules 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 to the Secretary/Treasurer at the LBSA office located at 6 High Street, Lebanon NJ 08833.

LEBANON BOROUGH SEWERAGE AUTHORITY
Management's Discussion and Analysis
Condensed Financial Schedule

Condensed Schedule of Net Position

Exhibit A

	December 31,		Increase (Decrease)
	2025	2024	
Current assets			
Unrestricted assets	\$ 560,034	\$ 416,554	\$ 143,480
Restricted assets	587,817	584,300	3,517
Capital assets, net	102,927	111,009	(8,082)
Total assets	<u>\$ 1,250,778</u>	<u>\$ 1,111,863</u>	<u>\$ 138,915</u>
Current liabilities			
Unrestricted	\$ 16,298	\$ 27,008	\$ (10,710)
Restricted	16,720	13,282	3,438
Total liabilities	<u>\$ 33,018</u>	<u>\$ 40,290</u>	<u>\$ (7,272)</u>
Net position			
Net investment in capital assets	\$ 102,927	\$ 111,009	\$ (8,082)
Restricted	571,097	571,018	79
Unrestricted	543,736	389,546	154,190
Total net position	<u>\$ 1,217,760</u>	<u>\$ 1,071,573</u>	<u>\$ 146,187</u>

Condensed Schedule of Revenues, Expenses and Changes in Net Position

Exhibit B

	December 31,		Increase (Decrease)
	2025	2024	
Operating revenues	\$ 926,178	\$ 763,146	\$ 163,032
Operating expenses	813,408	777,554	35,854
Operating income (loss)	112,770	(14,408)	127,178
Non-operating revenues (expenses)	33,417	32,378	1,039
Increase (decrease) in net position	146,187	17,970	128,217
Net position - Beginning of year	1,071,573	1,053,603	17,970
Net position - End of year	<u>\$ 1,217,760</u>	<u>\$ 1,071,573</u>	<u>\$ 146,187</u>

Basic Financial Statements

LEBANON BOROUGH SEWERAGE AUTHORITY
Statements of Net Position
December 31,

	2025	2024
Assets		
Current assets		
Cash and cash equivalents	\$ 212,853	\$ 173,342
Certificates of deposit	176,061	92,279
Accounts receivable	154,475	133,817
Interest receivable on certificates of deposit	16,645	17,116
Total current assets	560,034	416,554
Restricted assets		
Cash and cash equivalents	25,513	21,825
Certificates of deposit	562,304	562,475
Total restricted assets	587,817	584,300
Capital assets		
Capital assets	1,388,710	1,388,710
Less: accumulated depreciation	(1,285,783)	(1,277,701)
Net capital assets	102,927	111,009
Total assets	\$ 1,250,778	\$ 1,111,863

See accompanying notes to the financial statements.

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

	2025	2024
Liabilities		
Current liabilities		
Accounts payable	\$ 14,991	\$ 18,710
Customer overpayments	1,307	908
Prepaid sewer rents	-	7,390
Total current liabilities	16,298	27,008
Current liabilities (payable from restricted assets)		
Trust funds		
Reserve for developer's deposits	16,720	13,282
Total current liabilities (payable from restricted assets)	16,720	13,282
Total liabilities	33,018	40,290
Net position		
Net investment in capital assets	102,927	111,009
Restricted	571,097	571,018
Unrestricted	543,736	389,546
Total net position	1,217,760	1,071,573
Total liabilities and net position	\$ 1,250,778	\$ 1,111,863

See accompanying notes to the financial statements.

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

	2025	2024
Operating revenues		
Sewer charges	\$ 822,766	\$ 748,660
Interest income on delinquent accounts	15,744	13,956
Legal settlement	56,580	-
Miscellaneous	31,088	530
Total operating revenues	926,178	763,146
Operating expenses		
Administrative and general	268,478	271,731
Cost of providing services	536,848	468,608
Depreciation	8,082	37,215
Total operating expenses	813,408	777,554
Operating income (loss)	112,770	(14,408)
Non-operating revenues (expenses)		
Interest income	33,312	32,277
Miscellaneous	105	101
Total non-operating revenues (expenses)	33,417	32,378
Change in net position	146,187	17,970
Net position - beginning	1,071,573	1,053,603
Net position - ending	\$ 1,217,760	\$ 1,071,573

See accompanying notes to the financial statements.

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

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Cash received from customers	\$ 867,441	\$ 754,603
Other operating cash receipts	31,088	530
Cash payments to suppliers and employees	(809,045)	(751,756)
Net cash provided by (used for) operating activities	<u>89,484</u>	<u>3,377</u>
Cash flows from investing activities		
Purchase of certificates of deposit	(738,365)	(654,754)
Proceeds from redemption of certificates of deposit	654,754	529,119
Interest income	33,783	26,033
Net cash provided by (used for) investing activities	<u>(49,828)</u>	<u>(99,602)</u>
Cash flow from capital and related financing activities		
Proceeds from developer's deposits (net)	3,438	(214)
Miscellaneous	105	101
Net cash provided by (used for) capital and related financing activities	<u>3,543</u>	<u>(113)</u>
Net increase (decrease) in cash and cash equivalents	43,199	(96,338)
Cash and cash equivalents, beginning	<u>195,167</u>	<u>291,505</u>
Cash and cash equivalents, ending	<u>\$ 238,366</u>	<u>\$ 195,167</u>
Reconciliation of balance sheet		
Unrestricted cash and cash equivalents	\$ 212,853	\$ 173,342
Restricted cash and cash equivalents	25,513	21,825
Total cash	<u>\$ 238,366</u>	<u>\$ 195,167</u>

See accompanying notes to the financial statements.

LEBANON BOROUGH 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 income (loss) from operations	\$ 112,770	\$ (14,408)
Adjustments to reconcile income (loss) from operations to net cash provided by (used for) operating activities		
Depreciation	8,082	37,215
Change in assets and liabilities		
(Increase) decrease in accounts receivable	(20,658)	(14,231)
Increase (decrease) in accounts payable	(3,719)	(11,417)
Increase (decrease) in prepaid sewer rents	(7,390)	7,390
Increase (decrease) in customer overpayments	399	(1,172)
Net cash provided by (used for) operating activities	\$ 89,484	\$ 3,377

See accompanying notes to the financial statements.

Notes to the Financial Statements

LEBANON BOROUGH SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 1 - Reporting entity

The Authority (a component unit of the Borough of Lebanon) was created in accordance with the State Municipal Utilities Authorities Law (PL 1957, Chapter 183) by ordinance of the Borough of Lebanon on August 8, 1980 to construct and operate a sanitary sewer collection system in the Borough of Lebanon, Hunterdon County, New Jersey.

The Authority consists of five officials appointed by the Borough of Lebanon and is responsible for the fiscal control of the operations of the sewer system. Since the Authority issues its own financial statements, its financial activity is not included in the financial statements of the Borough of Lebanon.

Summary of significant accounting policies

The financial statements of the Lebanon Borough 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.

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.

LEBANON BOROUGH SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

Basis of accounting (continued)

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 Statements of Net Position date 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 New Jersey 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 is a component unit of the Borough of Lebanon and is not required to file tax returns. 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:

<u>Account</u>	<u>Use for which Restricted</u>
Reserve for State Unemployment	Required employee and employer contribution to State Unemployment Insurance Fund - Reimbursement Method
Reserve for Developer's Deposits	Funds required by the Authority to assure payment of performance
Reserve for Renewals & Replacements	Renewals and replacements funded by budget appropriations

Net position

Net position represents the difference between the summation of assets and the summation of liabilities. 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.

LEBANON BOROUGH SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

Net position (continued)

- *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.

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 on assets acquired with grants-in-aid is recorded as a reduction of contributed capital. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	40 years
Sewer mains and interceptors	40 years
Office equipment	5 years
Other equipment	5 - 15 years

Note 2 - Deposits and cash equivalents and investments

Cash and cash equivalents include petty cash and change funds. As of December 31, 2025 and 2024, the Authority had no investments.

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. N.J.S.A. 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey Governmental Units.

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 savings banks of which are federally insured.

LEBANON BOROUGH SEWERAGE AUTHORITY
Notes to the Financial Statements

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

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.

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	\$ 619,461	\$ 563,074
Deposits Insured by GUDPA	369,532	293,107
Total bank balances	\$ 988,993	\$ 856,181

The Authority’s carrying (Statements of Net Position) amounts were \$976,731 and \$849,921 for December 31, 2025 and 2024, respectively.

Note 3 - Authority revenues

Sewer charges are charged on a rate as approved annually by the governing body. Bills are payable in quarterly installments and delinquent accounts may be included as part of the Borough of Lebanon's annual tax sale.

Connection fees

The Authority receives payments for connection fees when new users connect to the sewer system. The Authority does not supply the user with supplies or services to make the physical connection and is therefore considered a non-exchange transaction. The Authority recognizes the revenue in the period that the user exercises their right to connect to the system.

Note 4 - Pension plans

Defined Contribution Retirement Program

The Defined Contribution Retirement Program (DCRP) was established under the provisions Ch. 92, PL 2007 and expanded under the provisions of Ch. 89, PL 2008 and Ch. 1, PL 2010 to provide eligible members with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage.

LEBANON BOROUGH SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 4 - Pension plans (continued)

Defined Contribution Retirement Program (continued)

Employees eligible to enroll in the program include the following: First, employees enrolled in the Public Employees Retirement System (PERS) on or after July 1, 2007, who earn salary in excess of maximum compensation limits. Also, employees otherwise eligible to enroll in the PERS who do not earn the minimum salary (\$9,300 for 2025) but who earn salary of at least \$5,000 annually are eligible to participate. The program administrator, Prudential Financial, makes information regarding the program available on its New Jersey Defined Contribution Program website: www.prudential.com/njdcrp.

Contribution requirements

The contribution policy for the DCRP is set by state statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Contribution rates for DCRP provide for employee contributions of 5.50% of annual contractual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for cost-of-living adjustments, non-contributory death benefits and post-retirement medical premiums. For the year ending December 31, 2025 and 2024, the Authority contributed \$1,050 and \$1,359, respectively.

Note 5 - Capital assets

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

<u>December 31, 2025</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Sewer distribution system	\$ 1,165,310	\$ -	\$ -	\$ 1,165,310
Nitzer Avenue improvements	100,015	-	-	100,015
Manhole upgrades	84,190	-	-	84,190
Office equipment	4,429	-	-	4,429
Other equipment	34,766	-	-	34,766
Total capital assets	1,388,710	-	-	1,388,710
Accumulated depreciation	(1,277,701)	(8,082)	-	(1,285,783)
Capital assets, net	<u>\$ 111,009</u>	<u>\$ (8,082)</u>	<u>\$ -</u>	<u>\$ 102,927</u>

<u>December 31, 2024</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Sewer distribution system	\$ 1,165,310	\$ -	\$ -	\$ 1,165,310
Nitzer Avenue improvements	100,015	-	-	100,015
Manhole upgrades	84,190	-	-	84,190
Office equipment	4,429	-	-	4,429
Other equipment	34,766	-	-	34,766
Total capital assets	1,388,710	-	-	1,388,710
Accumulated depreciation	(1,240,486)	(37,215)	-	(1,277,701)
Capital assets, net	<u>\$ 148,224</u>	<u>\$ (37,215)</u>	<u>\$ -</u>	<u>\$ 111,009</u>

LEBANON BOROUGH SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 6 - 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.

New Jersey Unemployment Compensation Insurance - The Authority has elected to fund its NJ Unemployment Compensation Insurance under the Benefit Reimbursement Method. Under this plan, the Authority is required to reimburse the NJ Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Authority is billed quarterly for amounts due to the State. The following is a summary of Authority contributions, interest earnings, employee contributions, reimbursements to the State for benefits paid, and the ending balance of the Authority’s unemployment trust fund:

Fiscal Year	Authority Deposits	Interest Earnings	Employee Deposits	Amount Reimbursed	Ending Balance
2025	\$ -	\$ -	\$ 79	\$ -	\$ 8,342
2024	-	-	117	-	8,263

As of December 31, 2025 and 2024, there are no amounts due to the State of New Jersey.

Note 7 - Compensated absences

The Authority does not have a policy allowing accrued unused vacation and sick pay.

Note 8 - 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 District 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 District 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 District is evaluating the effect of the pronouncement on financial reporting.

LEBANON BOROUGH SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 9 - Subsequent events

The Authority's Management has evaluated subsequent events through April 30, 2026, which is the date the financial statements were available to be issued and no additional items were noted for disclosure.

Supplementary Schedules

LEBANON BOROUGH SEWERAGE AUTHORITY
Schedule of Changes in Restricted Assets
For the Year Ended December 31, 2025

	Restricted Net Position				Total
	Trust Fund Developer's Deposits	State Unemployment Insurance	Renewals & Replacements	Total Restricted Net Position	
Balance at beginning of year	\$ 13,282	\$ 8,263	\$ 562,755	\$ 571,018	\$ 584,300
Additions					
Deposits received	10,380	79	-	79	10,459
Deductions					
Developers fees	6,942	-	-	-	6,942
Balance at end of year	<u>\$ 16,720</u>	<u>\$ 8,342</u>	<u>\$ 562,755</u>	<u>\$ 571,097</u>	<u>\$ 587,817</u>

See independent auditors' report.

LEBANON BOROUGH SEWERAGE AUTHORITY
Schedules of Budgetary Comparison Information
For the Years Ended

	December 31, 2025		December 31, 2024	
	Unaudited Budget	Actual	Unaudited Budget	Actual
Revenues				
Net position appropriated	\$ 32,842	\$ 32,842	\$ 23,779	\$ 23,779
Operating revenues				
User charges and fees	825,258	838,510	747,088	762,616
Legal settlement	-	56,580	-	-
Miscellaneous	-	31,088	-	530
Total operating revenues	<u>825,258</u>	<u>926,178</u>	<u>747,088</u>	<u>763,146</u>
Non-operating revenues				
Interest income	-	33,312	-	32,277
Miscellaneous	-	105	-	101
Total non-operating revenues	<u>-</u>	<u>33,417</u>	<u>-</u>	<u>32,378</u>
Total revenues	<u><u>\$ 858,100</u></u>	<u><u>\$ 992,437</u></u>	<u><u>\$ 770,867</u></u>	<u><u>\$ 819,303</u></u>
Expenses				
Administrative and general				
Salaries and wages	\$ 38,000	\$ 35,000	\$ 36,667	\$ 33,338
Employee benefits	5,300	3,868	5,410	3,752
Professional fees				
Legal	58,800	59,579	55,200	53,456
Engineering	87,000	86,789	104,470	102,938
Auditor	41,000	41,000	41,120	40,120
Other - Special projects	30,000	4,013	-	-
Insurance	9,000	7,820	9,000	8,236
Miscellaneous other expenses	13,000	14,809	13,000	15,791
Facilities costs	16,000	15,600	16,000	14,100
Total administrative and general	<u>298,100</u>	<u>268,478</u>	<u>280,867</u>	<u>271,731</u>

See independent auditors' report.

LEBANON BOROUGH SEWERAGE AUTHORITY
Schedules of Budgetary Comparison Information (continued)
For the Years Ended

	<u>December 31, 2025</u>		<u>December 31, 2024</u>	
	<u>Unaudited Budget</u>	<u>Actual</u>	<u>Unaudited Budget</u>	<u>Actual</u>
Expenses (continued)				
Cost of providing services				
Joint authority costs	\$ 540,000	\$ 535,949	\$ 465,000	\$ 461,374
Maintenance and repairs	20,000	899	25,000	7,234
Total cost of providing services	<u>560,000</u>	<u>536,848</u>	<u>490,000</u>	<u>468,608</u>
 Total expenses	 <u>\$ 858,100</u>	 <u>\$ 805,326</u>	 <u>\$ 770,867</u>	 <u>\$ 740,339</u>

See independent auditors' report.



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

Honorable Chairman and Members of the
Lebanon Borough Sewerage Authority
Lebanon Borough, Hunterdon County, 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 business-type activities of the Lebanon Borough Sewerage Authority, as of and for the year ended December 31, 2025, and the related Notes to the Financial Statements, which collectively comprise Lebanon Borough Sewerage Authority's Basic Financial Statements, and have issued our report thereon dated April 30, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lebanon Borough 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 Lebanon Borough Sewerage Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lebanon Borough 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lebanon Borough 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 tests disclosed no instances of noncompliance 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 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

April 30, 2026
Flemington, New Jersey

LEBANON BOROUGH SEWERAGE AUTHORITY
Schedule of Findings and Responses

General Comments and Recommendations

No findings or recommendations have been developed as a result of this audit.

Status of Prior Year's Audit Findings / Recommendations

There were no prior year findings or recommendations.

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.

Respectfully submitted,



BKC, CPAs, PC