Combining Financial Statements Together with Report of Independent Certified Public Accountants

New York City Water and Sewer System
A Component Unit of the City of New York

June 30, 2026 and 2025

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Members of the Joint Audit Committee of the
New York City Municipal Water Finance Authority and
New York City Water Board

Opinion

We have audited the accompanying combining financial statements of the New York City Municipal Water Finance Authority (the "Authority") and the New York City Water Board (the "Water Board"), which collectively comprise the New York City Water and Sewer System (the "System"), a component unit of the City of New York, which collectively comprise the combining statements of net position (deficit), and the related combining statements of revenues, expenses, and changes in net position (deficit) and combining statements of cash flows as of and for the years ended June 30, 2026 and 2025, and the related notes to the combining financial statements.

In our opinion, the accompanying combining financial statements present fairly, in all material respects, the financial position of the System as of June 30, 2026 and 2025, and the respective changes in its financial position and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the combining financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

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

In preparing the combining financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System'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.

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Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the combining financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combining financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combining 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 combining 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 System'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 combining financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System'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, the Schedule of Changes for Total OPEB Plan Liability and Related Ratios, the Schedule of the Authority's Proportionate Share of the Net Pension Liability, and the Schedule of the Authority's Pension Contributions be presented to supplement the basic combining financial statements. Such information is the responsibility of management and, although not a required part of the basic combining financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic combining financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with US GAAS. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's

responses to our inquiries, the basic combining financial statements, and other knowledge we obtained during our audit of the basic combining 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.

Grant Thornton LLP

New York, New York
October 8, 2026

The purpose of management's discussion and analysis ("MD&A") is to help readers understand what the combining financial statements and notes in this financial report say about the New York City Water and Sewer System's (the "System") financial health and how it changed since last year. It contains information drawn from other parts of the report, accompanied by explanations informed by staff and management's knowledge of the System's finances.

If you have questions about this report or require further information, contact:

New York City Water and Sewer System
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Overview of the Combining Financial Statements

WFA's financial report contains basic combining financial statements for the System, which is a joint operation consisting of two legally separate and independent entities: the New York City Water Board (the "Board") and the New York City Municipal Water Finance Authority (the "Authority"). These financial statements present each of the entity's finances separately and at a combining level.

The next section of this financial report contains notes to the financial statements, which delve deeper into the System's finances as reported in the combining financial statements. The information in the notes is as important to understanding the System's finances as the information in the combining financial statements. The System uses notes to (1) present information in greater detail than is possible within the combining financial statements themselves, (2) explain the nature of amounts reported in the combining financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the combining financial statements (such as certain contingencies).

The final section of this financial report contains Required Supplementary Information ("RSI") that provides further details on the System's Other Postemployment Benefits ("OPEB") liability and pension liability.

Types of Information in the Financial Statements

The System's combining financial statements use the economic resources measurement focus and accrual basis of accounting. In other words, they comprehensively report all types of financial statement elements:

- Assets—resources the System controls, from short-term assets like cash to long-term assets like water and sewer infrastructure.
- Liabilities—amounts the System owes, from short-term liabilities such as accounts payable to long-term liabilities such as outstanding bonds.
- Deferred outflows of resources and deferred inflows of resources—flows that occurred during the year, or in prior years, that will not be reported as expenses or revenues until the future year to which they are related.
- Revenues and expenses—inflows and outflows of economic resources, respectively, related to the current year.

More details about the measurement focuses and bases of accounting can be found in Note 2 to the combining financial statements, the summary of significant accounting policies, beginning on page 26.

Analysis of the System's Finances

Net Position (Deficit)

The following is a summary of the System's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (deficit) as of June 30, 2026, 2025, and 2024:

	2026	2025	2024	Variance 2026/2025	Variance 2025/2024
		(in thousands)			
Assets:					
Accounts receivable	$ 1,286,883	$ 1,208,876	$ 1,112,933	6.5%	8.6%
Other current assets	3,847,565	3,733,165	3,236,944	3.1%	15.3%
Residual interest in sold liens	80,325	99,940	69,080	-19.6%	44.7%
Capital assets	35,724,001	34,959,266	34,123,301	2.2%	2.4%
Total assets	40,938,774	40,001,247	38,542,258	2.3%	3.8%
Deferred outflows of resources:					
Unamortized asset retirement obligations	8,488	8,777	9,151	-3.3%	-4.1%
Deferred changes in net pension liability	58	75	84	-22.7%	-10.7%
Deferred changes in OPEB liability	844	1,133	1,424	-25.5%	-20.4%
Total deferred outflows of resources	9,390	9,985	10,659	-6.0%	-6.3%
Total assets and deferred outflows of resources	$ 40,948,164	$ 40,011,232	$ 38,552,917	2.3%	3.8%
Liabilities:					
Current liabilities	$ 1,431,059	$ 1,485,842	$ 1,306,927	-3.7%	13.7%
Long-term liabilities	36,385,958	35,658,066	34,865,246	2.0%	2.3%
Total liabilities	37,817,017	37,143,908	36,172,173	1.8%	2.7%
Deferred inflows of resources:					
Unamortized deferred bond refunding costs	391,836	314,384	246,087	24.6%	27.8%
Deferred changes in net pension liability	291	27	(23)	977.8%	-217.4%
Deferred changes in OPEB liability	1,015	1,090	672	-6.9%	62.2%
Total deferred inflows of resources	393,142	315,501	246,736	24.6%	27.9%
Net position (deficit):					
Net investment in capital assets	1,363,776	1,045,472	894,731	30.4%	16.8%
Restricted for debt service	2,110,296	2,167,132	1,929,493	-2.6%	12.3%
Restricted for operations and maintenance	368,282	345,571	333,555	6.6%	3.6%
Unrestricted (deficit)	(1,104,349)	(1,006,352)	(1,023,771)	9.7%	-1.7%
Total net position	2,738,005	2,551,823	2,134,008	7.3%	19.6%
Total liabilities, deferred inflows of resources, and net position	$ 40,948,164	$ 40,011,232	$ 38,552,917	2.3%	3.8%

As of June 30, 2026 and 2025, the System's net position—assets and deferred outflows of resources less liabilities and deferred inflows of resources—increased $186 million (7.3%) and $418 million (19.6%), respectively. The lower increase in fiscal year 2026 was primarily attributable to higher bad debt expense and higher operations and maintenance expenses and depreciation and amortization expenses. Despite these factors, operating revenues continued to exceed operating expenses, resulting in operating income of $1.11 billion in fiscal year 2026 compared with $1.35 billion in fiscal year 2025.

In addition to the System's positive operating income, total assets increased $938 million (2.3%) and $1.46 billion (3.8%) during fiscal years 2026 and 2025, respectively, primarily due to increases in capital assets, reflecting continued investment by the System in water supply, distribution, wastewater treatment, and sewage collection infrastructure. The increase in total assets was offset partly by increases in total liabilities of $673 million (1.8%) and $972 million (2.7%) during fiscal years 2026 and 2025, respectively, as a result of increases in long-term debt issued to finance the capital needs of the System.

The following sections explain in more detail the significant changes in certain assets, liabilities, and deferred outflows and inflows of resources that result in the System's net position.

Accounts Receivable

Accounts receivable comprises unbilled and billed amounts for water and sewer charges that have yet to be collected, unpaid interest and other penalties and fees, and allowance for uncollectable water and sewer charges.

2026-2025

In fiscal year 2026, accounts receivable, net, increased by $78.0 million (6.5%). The increase was primarily due to an increase in billed water and sewer charges, which increased $176 million from the prior year. In addition to a 3.7% rate increase, there was no lien sale in fiscal year 2026, so accounts which otherwise would have been part of the lien sale and removed from the System's receivables balance remained. These accounts also continued to accrue interest charges and penalties at the authorized rates of 6%, 9% and 16%. Consequently, the increase in the allowance for uncollectable amounts in fiscal year 2026 (a $110 million increase) was higher than in the previous fiscal year (a $34.4 million increase).

2025-2024

In fiscal year 2025, accounts receivable, net, increased by $96.0 million (8.6%). While gross accounts receivables increased by $130 million—in part due to an 8.5% rate increase—the growth was slower than in prior years as the System had a lien sale in fiscal year 2025. The 2025 lien sale was the first sale of water and sewer related liens since fiscal year 2020. As a result of the lien sale, the growth in allowance for uncollectable accounts also slowed, increasing $34.4 million between fiscal years 2025 and 2024.

Other Current Assets

Other current assets comprise restricted cash and cash equivalents, restricted investments, accrued interest and federal subsidy receivable, and receivable from the City.

2026-2025

In fiscal year 2026, other current assets increased by $114 million (3.1%). Restricted investments, including restricted cash and cash equivalents, increased by $104 million primarily due to increases in revenue fund and construction fund balances of $87.9 million and $155 million, respectively. Construction fund balances fluctuate due to the timing of bonds issuances and payments to the City for capital costs.

The increases in the revenue fund and construction fund balances were offset in part by a $145 million decrease in restricted assets held in the Authority's debt service reserve fund. In fiscal year 2026, the Authority refunded its remaining First Resolution bonds and consequently released all the funds held in the debt service reserve fund.

2025-2024

In fiscal year 2025, other current assets increased by $496 million (15.3%). Restricted investments, including restricted cash and cash equivalents, increased by $515 million primarily due to increases in revenue fund and construction fund balances. Construction fund balances fluctuate due to the timing of bonds issuances and payments to the City for capital costs.

The increase was offset slightly by a $26.8 million decrease in restricted assets held in the Authority's debt service reserve fund. The decline in the debt service reserve fund is largely due to a $19.6 million release of funds held in the reserve fund because of a reduction in the reserve requirement.

Capital Assets

The System's capital assets include water supply and wastewater treatment systems, water distribution and sewage collection systems, machinery and equipment, vehicles, buildings, as well as utility construction. The System issues debt to pay for the capital improvements and related costs. Costs related to the System's filtration avoidance determination, including land acquisition in the upstate watershed area, and certain costs associated with pollution remediation are financed with debt but are not recorded as assets in the combining financial statements of net position (deficit).

Refer to information discussed in detail in the Significant Capital Asset Activity section.

Long-Term Liabilities

Long-term liabilities comprise bonds and notes payable, pollution remediation obligations, revenue requirements payable by the Water Board to the Authority, net pension liability, total OPEB liability, and other long-term liabilities.

	2026	2025	2024	Variance 2026/2025	Variance 2025/2024
		(in thousands)			
Bonds and notes payable	$ 36,236,600	$ 35,537,408	$ 34,765,150	2.0%	2.2%
Pollution remediation obligation	123,132	95,757	77,069	28.6%	24.2%
Net pension liability	329	529	588	-37.8%	-10.0%
Total OPEB liability	2,265	2,373	2,989	-4.6%	-20.6%
Other long-term liabilities	23,632	21,999	19,450	7.4%	13.1%
Total long-term liabilities	$ 36,385,958	$ 35,658,066	$ 34,865,246	2.0%	2.3%

As of June 30, 2026 and 2025, long-term liabilities increased $728 million (2.0%) and $792 million (2.3%) primarily due to increases in bonds and notes payable, which is discussed in detail in the Significant Long-Term Financing Activity section.

Deferred Inflows of Resources

Deferred inflows of resources comprise unamortized deferred bond refunding costs, deferred changes in net pension liability, and deferred changes in total OPEB liability.

As of June 30, 2026 and 2025, deferred inflows of resources increased $77.6 million (24.6%) and $68.8 million (27.9%), respectively, primarily due to increases in unamortized deferred bond refunding costs resulting from the Authority's debt refunding activity. In fiscal years 2026 and 2025, the Authority recognized $134 million and $101 million, respectively, in deferred bond refunding costs before amortization. Further details on the Authority's refunding activity are discussed in the Significant Long-Term Financing Activity section.

Governmental Activities

The following summarizes the activities of the System for the years ended June 30, 2026, 2025, and 2024:

	2026	2025	2024	Variance 2026/2025	Variance 2025/2024
		(in thousands)			
Revenues:					
Operating revenues:					
Water and sewer revenues	$ 4,613,541	$ 4,534,631	$ 4,131,020	1.7%	9.8%
Bad debt expense	(110,361)	(34,376)	(126,487)	221.0%	-72.8%
Other operating revenues	288,761	320,823	257,188	-10.0%	24.7%
Total operating revenues	4,791,941	4,821,078	4,261,721	-0.6%	13.1%
Non-operating revenues:					
Capital subsidies/grants	147,720	147,323	145,355	0.3%	1.4%
Investment income	162,349	168,685	172,181	-3.8%	-2.0%
Capital contributions[1]	32,029	23,848	-	34.3%	- %
Total non-operating revenues	342,098	339,856	317,536	0.7%	7.0%
Total revenues	5,134,039	5,160,934	4,579,257	-0.5%	12.7%
Expenses:					
Operating expenses:					
Operations and maintenance	$ 2,286,190	$ 2,161,383	$ 1,952,826	5.8%	10.7%
Depreciation and amortization	1,197,897	1,109,560	992,055	8.0%	11.8%
General and administrative	44,881	45,636	45,122	-1.7%	1.1%
Other operating expenses	156,171	150,445	125,328	3.8%	20.0%
Total operating expenses	3,685,139	3,467,024	3,115,331	6.3%	11.3%
Non-operating expenses:					
Interest and cost of issuance expense	1,253,650	1,240,685	1,200,839	1.0%	3.3%
Gain on defeasance	(22,432)	(23,685)	(11,559)	-5.3%	104.9%
Net loss on retirement and impairment of capital assets	571	19,878	8,270	-97.1%	140.4%
Capital distributions	30,929	39,217	51,263	-21.1%	-23.5%
Total non-operating expenses	1,262,718	1,276,095	1,248,813	-1.0%	2.2%
Total expenses	4,947,857	4,743,119	4,364,144	4.3%	8.7%
Net income before capital contributions	186,182	417,815	215,113	-55.4%	94.2%
Capital contributions[1]	-	-	25,147	-%	-100.0%
Change in net position	186,182	417,815	240,260	-55.4%	73.9%
Net position, beginning of year	2,551,823	2,134,008	1,893,748	19.6%	12.7%
Net position, end of year	$ 2,738,005	$ 2,551,823	$ 2,134,008	7.3%	19.6%

[1] Due to the implementation of GASB Statement No. 103 ("GASB 103"), *Financial Reporting Model Improvements*, the presentation of the condensed combining statements of activities for fiscal years 2026 and 2025 differs from the presentation for fiscal year 2024. GASB Statement No. 100, *Accounting for Changes and Error Corrections*, requires that reporting periods earlier than those presented in the basic financial statements not be restated for changes in accounting principles in required supplementary information, which includes the MD&A. Therefore, the presentation for fiscal year 2024 is consistent with the presentation prior to the implementation of GASB 103.

Operating Revenues

Operating revenues comprise water supply and distribution revenues, sewer collection and treatment revenues, bad debt expense, and other operating revenues. The following further details other operating revenues for fiscal years 2026, 2025, and 2024, respectively.

	2026	2025	2024	Variance 2026/2025	Variance 2025/2024
		(in thousands)			
Upstate water fees	$ 111,908	$ 100,965	$ 98,850	10.8%	2.1%
Late payment fees	110,010	105,134	85,315	4.6%	23.2%
Change in residual interest in sold liens	(19,615)	30,860	5,575	-163.6%	453.5%
Connection fees and permits	21,995	22,138	18,490	-0.6%	19.7%
Service line protection program	64,463	61,726	48,958	4.4%	26.1%
Total other operating revenues	$ 288,761	$ 320,823	$ 257,188	-10.0%	24.7%

2026-2025

In fiscal year 2026, while water and sewer revenues from in-City customers, upstate water revenues, and late payment fees increased by $94.7 million (2.0%) because of a 3.7% rate increase for fiscal year 2026, an increase in the allowance for uncollectable receivables (as previously discussed under Accounts Receivable) resulted in higher bad debt expenses that largely offset the increase in water and sewer revenues. Additionally, there was a decrease of $50.5 million (-164%) in the change in residual interest in sold liens resulting from distributions to the System from the 2025-A tax lien trust, which was established for the 2025 lien sale. As a result of these changes, operating revenues were consistent with the prior year, decreasing slightly by $29.1 million (-0.6%).

2025-2024

In fiscal year 2025, operating revenues increased by $559 million (13.1%) primarily from increases in water and sewer revenues, increases in other operating revenues, and decreases in bad debt expense. Water and sewer revenues increased by $404 million (9.8%) due to a combination of (a) an 8.5% rate increase for fiscal year 2025, (b) collection enforcement activities undertaken by DEP's Bureau of Customer Service, and (c) the receipt of payments from customers facing the sale of a lien due to unpaid water and wastewater charges.

Other operating revenues increased $63.6 million (24.7%) primarily from a combination of (a) an increase in late payment fees of $19.8 million resulting from an increase in the average effective interest rate the Board was authorized to charge by the New York City Council, (b) an increase in the residual interest in sold liens of $25.3 million resulting from the fiscal year 2025 lien sale, and (c) an increase in amounts received for the service line protection program of $12.8 million, reflecting twelve months of the price increase for warranties that took effect on February 1, 2024.

Bad debt expense decreased by $92.1 million (-72.8%) primarily due to the payment of unpaid bills by customers to prevent their property from being included in the fiscal year 2025 lien sale.

Operating Expenses

Operating expenses comprise operations and maintenance expenses, general and administrative expenses, depreciation and amortization, and other operating expenses. Other operating expenses comprise pollution remediation expense, payments for watershed improvements, and program expenses.

2026-2025

In fiscal year 2026, operating expenses increased $218 million (6.3%) primarily due to increases in operations and maintenance expenses and depreciation and amortization. Operations and maintenance expenses increased $125 million (5.8%) as a result of (a) a $56 million increase in personnel services costs due to higher fringe benefits costs and additional headcount added for new agency programs, (b) a $45 million increase in other than personnel services costs due to rising chemical and energy costs and new agency programs, and (c) a $34 million increase in judgments and claims due to payouts to insurance companies for property damages sustained after watermain breaks.

Depreciation and amortization increased by $88 million (8.0%) as $1.53 billion in construction work in progress was placed into service.

2025-2024

In fiscal year 2025, operating expenses increased $352 million (11.3%) primarily from increases in operations and maintenances expenses, depreciation and amortization, and other operating expenses. Operations and maintenance expenses increased by $209 million (10.7%) primarily due to a $276 million rental payment made to the City, which was $131 million higher than in fiscal year 2024. Additionally, other than personnel services costs increased due to mandated work, rising cost of chemicals and materials, and introduction of new agency programs.

Depreciation and amortization increased by $118 million (11.8%) as $1.37 billion in construction work in progress was placed into service. Other operating expenses increased by $25.1 million (20.0%), primarily due to increases in program expenses and expenses related to the System's filtration avoidance determination.

Significant Capital Asset Activity

Capital assets as of June 30, 2026, 2025, and 2024, are detailed as follows:

	2026	2025	2024	Variance 2026/2025	Variance 2025/2024
		(in thousands)			
Non-depreciable assets:					
Utility construction in progress	$ 8,172,394	$ 7,744,421	$ 7,154,102	5.5%	8.3%
Depreciable assets:					
Utility plant in service:					
Water supply and distribution and wastewater treatment and sewage collection systems	43,995,239	42,651,211	41,551,667	3.2%	2.6%
Machinery and equipment	6,101,838	5,937,971	5,750,220	2.8%	3.3%
Vehicles	309,267	290,613	286,826	6.4%	1.3%
Buildings	35,821	35,821	35,821	-%	-%
Total utility plant in service	50,442,165	48,915,616	47,624,534	3.1%	2.7%
Less accumulated depreciation for:					
Water supply and distribution and wastewater treatment and sewage collection systems	18,454,643	17,568,735	16,808,148	5.0%	4.5%
Machinery and equipment	4,225,889	3,932,125	3,658,051	7.5%	7.5%
Vehicles	178,002	168,162	157,669	5.9%	6.7%
Buildings	32,024	31,749	31,467	0.9%	0.9%
Total accumulated depreciation	22,890,558	21,700,771	20,655,335	5.5%	5.1%
Total utility plant in service, net	27,551,607	27,214,845	26,969,199	1.2%	0.9 %
Total capital assets, net	$ 35,724,001	$ 34,959,266	$ 34,123,301	2.2%	2.4%

2026-2025

Total capital assets, net of depreciation, increased by $765 million (2.2%). Total gross additions to non-depreciable utility construction in progress were $1.96 billion, while a total of $1.53 billion of completed projects were moved from utility construction in progress into depreciable utility plant in service. During fiscal year 2026, the System completed $408 million of construction work on the Jamaica Water Pollution Control Plant, $57.5 million of improvements on existing buildings at the Hunts Point Wastewater Resource Recovery Facility, $21.9 million of architectural restorations on the Jerome Park Reservoir Gatehouses, $35.9 million of water main replacements in Queens, and $29.3 million of water main replacements and sewer rehabilitation work in Brooklyn.

2025-2024

Total capital assets, net of depreciation, increased by $836 million (2.4%). Total gross additions to non-depreciable utility construction in progress were $1.96 billion, while a total of $1.37 billion of completed projects were moved from utility construction in progress into depreciable utility plant in service. During fiscal year 2025, the System completed $141 million of construction work on the Wards Island settling system replacement project, $30.3 million of water main replacement at various locations in Queens, $25.2 million of water main replacement in Rockaway Beach Boulevard, and $55.2 million of centrifuges at the dewatering facility at Hunts Point.

Significant Long-Term Financing Activity

The debt program of the System includes commercial paper notes and long-term debt issued to the public, as well as bond anticipation notes ("BANs") and interest-subsidized bonds issued to the New York State Environmental Facilities Corporation ("EFC"). Commercial paper notes and BANs are interim financing instruments. In fiscal years 2026 and 2025, the System did not issue any commercial paper notes, relying instead on BANs and bond proceeds to reimburse the City for payments made for water and sewer capital projects. The System also issues refunding bonds to refinance higher cost debt and uses current revenues to defease debt.

2026-2025

As of June 30, 2026, the total outstanding debt of the System was $34.12 billion, which comprised variable rate bonds, fixed rate bonds, and BANs. The following table summarizes the debt program activities for the year ended June 30, 2026:

	Balance at June 30, 2025	Issued	Principal Retired	Principal Defeased	Balance at June 30, 2026
			(in thousands)		
First resolution bonds	$ 190,310	$ -	$ -	$ (190,310)	$ -
Second resolution bonds	33,069,634	4,512,239	(505,914)	(2,991,227)	34,084,732
Second resolution BANs	242,254	124,586	-	(330,892)	35,948
Total bonds payable (par value)	$ 33,502,198	$ 4,636,825	$ (505,914)	$ (3,512,429)	$ 34,120,680

During fiscal year 2026, the Authority issued $3.34 billion in water and sewer system revenue bonds to the public, including $1.60 billion in new money bonds and $1.74 billion in refunding bonds. Additionally, the Authority issued $1.09 billion in bonds to EFC, including $459 million in new money bonds and $631 million of refunding bonds. The Authority also drew down $125 million of proceeds from BANs issued to EFC.

The $2.37 billion in refunding bonds were issued to refund $2.51 billion of outstanding bonds. These refunding transactions resulted in a cumulative accounting gain of $134 million. This amount is deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt. The Authority reduced its aggregate debt service for principal and interest by $171 million and obtained an economic benefit (present value savings) of $120 million.

During fiscal year 2026, the Authority also legally defeased $459 million in outstanding bonds and executed an in-substance defeasance of $123 million using current resources.

2025-2024

As of June 30, 2025, the total outstanding debt of the System was $33.50 billion, which comprised variable rate bonds, fixed rate bonds, and BANs. The following table summarizes the debt program activities for the year ended June 30, 2025:

	Balance at June 30, 2024	Issued	Principal Retired	Principal Defeased	Balance at June 30, 2025
			(in thousands)		
First resolution bonds	$ 405,740	$ -	$ -	$ (215,430)	$ 190,310
Second resolution bonds	32,158,338	3,271,165	(523,669)	(1,836,200)	33,069,634
Second resolution BANs	10,948	231,306	-	-	242,254
Total bonds payable (par value)	$ 32,575,026	$ 3,502,471	$ (523,669)	$ (2,051,630)	$ 33,502,198

During fiscal year 2025, the System issued $3.27 billion of water and sewer system revenue bonds to the public, including $1.40 billion of refunding bonds and $1.87 billion of new money bonds. The System did not issue any bonds to EFC during fiscal year 2025. The System drew down $231 million of proceeds from BANs issued to EFC.

The $1.40 billion in refunding bonds were issued to refund $1.52 billion in outstanding bonds. These refundings resulted in an accounting gain of $102 million, reduced the System's aggregate debt service for principal and interest by $145 million, and produced an economic benefit (present value savings) of $96 million.

During fiscal year 2025, the System also legally defeased $241 million in outstanding bonds and executed an in-substance defeasance of $292 million using current resources.

Currently Known Facts, Decisions, or Conditions

The System is aware of the following development that is expected to have a significant impact on the System's future financial performance.

Approved Rate Increase

The Board approved a metered water rate increase of 6.0% that covers the period of July 1, 2026 to June 30, 2027, the System's fiscal year 2027.

* * * * * *

NEW YORK CITY WATER AND SEWER SYSTEM

COMBINING STATEMENTS OF NET POSITION (DEFICIT)

June 30, 2026

	New York City			
	Water Board	Municipal Water Finance Authority	Eliminations	Total
	(in thousands)			
Assets				
Current assets:				
Restricted cash and cash equivalents	$ 364,435	$ 3,339,382	$ -	$ 3,703,817
Restricted investments	18,269	10,487	-	28,756
Accounts receivable:				
Billed - less allowance for uncollectable water and sewer receivables of $887,696	898,098	-	-	898,098
Unbilled - less allowance for uncollectable water and sewer receivables of $36,117	388,785	-	-	388,785
Receivable from the City of New York	35,421	-	-	35,421
Accrued interest and federal subsidy receivable	778	78,720	-	79,498
Other assets	-	73	-	73
Total current assets	1,705,786	3,428,662	-	5,134,448
Non-current assets:				
Utility plant in service - less accumulated depreciation of $22,890,557	27,551,607	-	-	27,551,607
Utility plant construction	8,172,394	-	-	8,172,394
Total capital assets	35,724,001	-	-	35,724,001
Residual interest in sold liens	80,325	-	-	80,325
Revenue required to be billed by and received from the Water Board	-	8,395,723	(8,395,723)	-
Total non-current assets	35,804,326	8,395,723	(8,395,723)	35,804,326
Total assets	37,510,112	11,824,385	(8,395,723)	40,938,774
Deferred outflows of resources:				
Unamortized asset retirement obligations	8,488	-	-	8,488
Deferred changes in net pension liability	-	58	-	58
Deferred changes in OPEB liability	-	844	-	844
Total deferred outflows of resources	8,488	902	-	9,390
Total assets and deferred outflows of resources	**$ 37,518,600**	**$ 11,825,287**	**$ (8,395,723)**	**$ 40,948,164**

(Continued)

The accompanying notes are an integral part of this combining financial statement.

NEW YORK CITY WATER AND SEWER SYSTEM

COMBINING STATEMENTS OF NET POSITION (DEFICIT)

June 30, 2026

	New York City Water Board	New York City Municipal Water Finance Authority	Eliminations	Total
		(in thousands)		
Liabilities				
Current liabilities:				
Accounts payable	$ 11,811	$ 4,300	$ -	$ 16,111
Interest payable	-	63,761	-	63,761
Current portion of bonds and notes payable	-	450,349	-	450,349
Current portion of OPEB liability	-	100	-	100
Payable to the City of New York	-	729,770	-	729,770
Service credits on customer accounts	170,968	-	-	170,968
Total current liabilities	182,779	1,248,280	-	1,431,059
Long-term liabilities:				
Bonds and notes payable	-	36,236,600	-	36,236,600
Pollution remediation obligation	123,132	-	-	123,132
Revenue requirements payable to the Authority	8,395,723	-	(8,395,723)	-
Net pension liability	-	329	-	329
Total OPEB liability	-	2,265	-	2,265
Other long-term liability	19,199	4,433	-	23,632
Total long-term liabilities	8,538,054	36,243,627	(8,395,723)	36,385,958
Total liabilities	8,720,833	37,491,907	(8,395,723)	37,817,017
Deferred inflows of resources:				
Unamortized deferred bond refunding costs	-	391,836	-	391,836
Deferred changes in net pension liability	-	291	-	291
Deferred changes in OPEB liability	-	1,015	-	1,015
Total deferred inflows of resources	-	393,142	-	393,142
Net position (deficit):				
Net investment in capital assets	35,724,001	(34,360,225)	-	1,363,776
Restricted for debt service	-	2,110,296	-	2,110,296
Restricted for operations and maintenance	368,282	-	-	368,282
Unrestricted (deficit)	(7,294,516)	6,190,167	-	(1,104,349)
Total net position (deficit)	28,797,767	(26,059,762)	-	2,738,005
Total liabilities, deferred inflows of resources and net position (deficit)	**$ 37,518,600**	**$ 11,825,287**	**$ (8,395,723)**	**$ 40,948,164**

(Concluded)

The accompanying notes are an integral part of this combining financial statement.

NEW YORK CITY WATER AND SEWER SYSTEM

COMBINING STATEMENTS OF NET POSITION (DEFICIT)

June 30, 2025

	New York City			
	Water Board	Municipal Water Finance Authority	Eliminations	Total
		(in thousands)		
Assets				
Current assets:				
Restricted cash and cash equivalents	$ 200,096	$ 2,481,810	$ -	$ 2,681,906
Restricted investments	176,328	770,219	-	946,547
Accounts receivable:				
Billed - less allowance for uncollectable water and sewer receivables of $778,380	831,339	-	-	831,339
Unbilled - less allowance for uncollectable water and sewer receivables of $35,072	377,537	-	-	377,537
Receivable from the City of New York	72,145	-	-	72,145
Accrued interest and federal subsidy receivable	1,017	31,550	-	32,567
Total current assets	1,658,462	3,283,579	-	4,942,041
Non-current assets:				
Utility plant in service - less accumulated depreciation of $21,700,771	27,214,845	-	-	27,214,845
Utility plant construction	7,744,421	-	-	7,744,421
Total capital assets	34,959,266	-	-	34,959,266
Residual interest in sold liens	99,940	-		99,940
Revenue required to be billed by and received from the Water Board	-	8,848,311	(8,848,311)	-
Total non-current assets	35,059,206	8,848,311	(8,848,311)	35,059,206
Total assets	36,717,668	12,131,890	(8,848,311)	40,001,247
Deferred outflows of resources:				
Unamortized asset retirement obligations	8,777	-	-	8,777
Deferred changes in net pension liability	-	75	-	75
Deferred changes in OPEB liability	-	1,133	-	1,133
Total deferred outflows of resources	8,777	1,208	-	9,985
Total assets and deferred outflows of resources	**$ 36,726,445**	**$ 12,133,098**	**$ (8,848,311)**	**$ 40,011,232**

(Continued)

The accompanying notes are an integral part of this combining financial statement.

NEW YORK CITY WATER AND SEWER SYSTEM

COMBINING STATEMENTS OF NET POSITION (DEFICIT)

June 30, 2025

	New York City Water Board	New York City Municipal Water Finance Authority	Eliminations	Total
		(in thousands)		
Liabilities				
Current liabilities:				
Accounts payable	$ 11,242	$ 5,632	$ -	$ 16,874
Interest payable	-	62,147	-	62,147
Current portion of bonds and notes payable	-	621,189	-	621,189
Current portion of OPEB liability	-	105	-	105
Payable to the City of New York	-	656,981	-	656,981
Service credits on customer accounts	128,546	-	-	128,546
Total current liabilities	139,788	1,346,054	-	1,485,842
Long-term liabilities:				
Bonds and notes payable	-	35,537,408	-	35,537,408
Pollution remediation obligation	95,757	-	-	95,757
Revenue requirements payable to the Authority	8,848,311	-	(8,848,311)	-
Net pension liability	-	529	-	529
Total OPEB liability	-	2,373	-	2,373
Other long-term liability	18,726	3,273	-	21,999
Total long-term liabilities	8,962,794	35,543,583	(8,848,311)	35,658,066
Total liabilities	9,102,582	36,889,637	(8,848,311)	37,143,908
Deferred inflows of resources:				
Unamortized deferred bond refunding costs	-	314,384	-	314,384
Deferred changes in net pension liability	-	27	-	27
Deferred changes in OPEB liability	-	1,090	-	1,090
Total deferred inflows of resources	-	315,501	-	315,501
Net position (deficit):				
Net investment in capital assets	34,959,266	(33,913,794)	-	1,045,472
Restricted for debt service	-	2,167,132	-	2,167,132
Restricted for operations and maintenance	345,571	-	-	345,571
Unrestricted (deficit)	(7,680,974)	6,674,622	-	(1,006,352)
Total net position (deficit)	27,623,863	(25,072,040)	-	2,551,823
Total liabilities, deferred inflows of resources and net position (deficit)	**$ 36,726,445**	**$ 12,133,098**	**$ (8,848,311)**	**$ 40,011,232**

(Concluded)

The accompanying notes are an integral part of this combining financial statement.

NEW YORK CITY WATER AND SEWER SYSTEM

COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (DEFICIT)

For the year ended June 30, 2026

	New York City Water Board	New York City Municipal Water Finance Authority	Total
		(in thousands)	
Operating revenues:			
Water supply and distribution	$ 1,781,290	$ -	$ 1,781,290
Sewer collection and treatment	2,832,251	-	2,832,251
Bad debt expense	(110,361)	-	(110,361)
Other operating revenues	288,761	-	288,761
Total operating revenues	4,791,941	-	4,791,941
Operating expenses:			
Operations and maintenance	2,286,190	-	2,286,190
Depreciation and amortization	1,197,897	-	1,197,897
General and administrative	4,937	39,944	44,881
Other operating expenses	156,171	-	156,171
Total operating expenses	3,645,195	39,944	3,685,139
Operating income (loss)	1,146,746	(39,944)	1,106,802
Non-operating revenues (expenses):			
Interest expense	-	(1,230,199)	(1,230,199)
Gain on defeasance	-	22,432	22,432
Cost of issuance	-	(23,451)	(23,451)
Net loss on retirement and impairment of capital assets	(571)	-	(571)
Capital subsidies/grants	-	147,720	147,720
Capital distributions	(30,929)	-	(30,929)
Capital contributions	32,029	-	32,029
Investment income	26,629	135,720	162,349
Total non-operating revenues (expenses)	27,158	(947,778)	(920,620)
Change in net position (deficit)	1,173,904	(987,722)	186,182
Net position (deficit) - beginning of year	27,623,863	(25,072,040)	2,551,823
Net position (deficit) - end of year	**$ 28,797,767**	**$ (26,059,762)**	**$ 2,738,005**

The accompanying notes are an integral part of this combining financial statement.

NEW YORK CITY WATER AND SEWER SYSTEM

COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (DEFICIT)

For the year ended June 30, 2025

	New York City Water Board	New York City Municipal Water Finance Authority	Total
		(in thousands)	
Operating revenues:			
Water supply and distribution	$ 1,750,823	$ -	$ 1,750,823
Sewer collection and treatment	2,783,808	-	2,783,808
Bad debt expense	(34,376)	-	(34,376)
Other operating revenues	320,823	-	320,823
Total operating revenues	4,821,078	-	4,821,078
Operating expenses:			
Operations and maintenance	2,161,383	-	2,161,383
Depreciation and amortization	1,109,560	-	1,109,560
General and administrative	5,941	39,695	45,636
Other operating expenses	150,445	-	150,445
Total operating expenses	3,427,329	39,695	3,467,024
Operating income (loss)	1,393,749	(39,695)	1,354,054
Non-operating revenues (expenses):			
Interest expense	-	(1,226,053)	(1,226,053)
Gain on defeasance	-	23,685	23,685
Cost of issuance	-	(14,632)	(14,632)
Net loss on retirement and impairment of capital assets	(19,878)	-	(19,878)
Capital subsidies/grants	-	147,323	147,323
Capital distributions	(39,217)	-	(39,217)
Capital contributions	23,848	-	23,848
Investment income	28,126	140,559	168,685
Total non-operating revenues (expenses)	(7,121)	(929,118)	(936,239)
Change in net position (deficit)	1,386,628	(968,813)	417,815
Net position (deficit) - beginning of year	26,237,235	(24,103,227)	2,134,008
Net position (deficit)) - end of year	**$ 27,623,863**	**$ (25,072,040)**	**$ 2,551,823**

The accompanying notes are an integral part of this combining financial statement.

NEW YORK CITY WATER AND SEWER SYSTEM

COMBINING STATEMENTS OF CASH FLOWS

For the year ended June 30, 2026

	New York City Water Board	New York City Municipal Water Finance Authority	Total
		(in thousands)	
Cash flows from operating activities:			
Receipts from customers	$ 4,739,809	$ -	$ 4,739,809
Payments for operations and maintenance	(2,312,606)	-	(2,312,606)
Payments for administration	(4,899)	(39,925)	(44,824)
Net cash provided by (used in) operating activities	2,422,304	(39,925)	2,382,379
Cash flows from capital and related financing activities:			
Proceeds from issuing bonds, notes and other borrowings - net of issuance costs	-	4,860,844	4,860,844
Receipts from contribution made by other organization	292	-	292
Acquisition and construction of capital assets	-	(1,917,806)	(1,917,806)
Payments by the Water Board to the Authority	(2,443,183)	2,443,183	-
Repayments of bonds, notes and other borrowings	-	(4,043,603)	(4,043,603)
Interest paid on bonds, notes and other borrowings	-	(1,341,428)	(1,341,428)
Net cash (used in) provided by capital and related financial activities	(2,442,891)	1,190	(2,441,701)
Cash flows from investing activities:			
Sales and maturities of investments	1,141,323	2,513,241	3,654,564
Purchases of investments	(983,916)	(1,760,089)	(2,744,005)
Interest on investments	27,519	143,155	170,674
Net cash provided by investing activities	184,926	896,307	1,081,233
Net increase in restricted cash and cash equivalents	164,339	857,572	1,021,911
Restricted cash and cash equivalents - beginning of year	200,096	2,481,810	2,681,906
Restricted cash and cash equivalents - end of year	**$ 364,435**	**$ 3,339,382**	**$ 3,703,817**

The accompanying notes are an integral part of this combining financial statement.

NEW YORK CITY WATER AND SEWER SYSTEM

COMBINING STATEMENTS OF CASH FLOWS - CONTINUED

For the year ended June 30, 2026

	New York City		
	Water Board	Municipal Water Finance Authority	Total
		(in thousands)	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$ 1,146,746	$ (39,944)	$ 1,106,802
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Amortization	761	-	761
Depreciation	1,197,136	-	1,197,136
Other operating expenses paid for with bond proceeds	10,512	-	10,512
Pollution remediation expense	18,450	-	18,450
Changes in assets and liabilities:			
Pollution remediation liability	27,375	-	27,375
Receivables - net	(78,007)	(73)	(78,080)
Receivable from the City	36,724	-	36,724
Residual interest in sold liens	19,615	-	19,615
Pension	-	79	79
OPEB	-	101	101
Accounts payable	569	(88)	481
Refunds payable	42,423	-	42,423
Net cash provided by (used in) operating activities	**$ 2,422,304**	**$ (39,925)**	**$ 2,382,379**

Schedule of noncash investing, capital and related financing activities:

Decrease of $28 in fair value of the Water Board's investments at June 30, 2026.

Increase of $518 in fair value of the Municipal Water Finance Authority's investments at June 30, 2026.

Interest expense includes the amortization of net (premium) and discount in the amount of $201,146 at June 30, 2026.

Capital expenditures in the amount of $729,770 had been incurred but not paid at June 30, 2026.

The Water Board received federal, state, and other capital contributions of $31,737 in fiscal year 2026.

The accompanying notes are an integral part of this combining financial statement.

NEW YORK CITY WATER AND SEWER SYSTEM

COMBINING STATEMENTS OF CASH FLOWS

For the year ended June 30, 2025

	New York City		
	Water Board	Municipal Water Finance Authority	Total
		(in thousands)	
Cash flows from operating activities:			
Receipts from customers	$ 4,685,979	$ -	$ 4,685,979
Payments for operations and maintenance	(2,219,166)	-	(2,219,166)
Payments for administration	(6,132)	(39,518)	(45,650)
Net cash provided by (used in) operating activities	2,460,681	(39,518)	2,421,163
Cash flows from capital and related financing activities:			
Proceeds from issuing bonds, notes and other borrowings - net of issuance costs	-	3,762,987	3,762,987
Receipts from contribution made by other organization	292	-	292
Acquisition and construction of capital assets	-	(1,949,804)	(1,949,804)
Payments by the Water Board to the Authority	(2,462,634)	2,462,634	-
Repayments of bonds, notes and other borrowings	-	(2,577,371)	(2,577,371)
Interest paid on bonds, notes and other borrowings	-	(1,314,717)	(1,314,717)
Net cash provided by (used in) capital and related financial activities	(2,462,342)	383,729	(2,078,613)
Cash flows from investing activities:			
Sales and maturities of investments	331,602	367,932	699,534
Purchases of investments	(464,887)	(746,048)	(1,210,935)
Interest on investments	31,210	146,223	177,433
Net cash used in investing activities	(102,075)	(231,893)	(333,968)
Net increase (decrease) in restricted cash and cash equivalents	(103,736)	112,318	8,582
Restricted cash and cash equivalents - beginning of year	303,832	2,369,492	2,673,324
Restricted cash and cash equivalents - end of year	**$ 200,096**	**$ 2,481,810**	**$ 2,681,906**

The accompanying notes are an integral part of this combining financial statement.

NEW YORK CITY WATER AND SEWER SYSTEM

COMBINING STATEMENTS OF CASH FLOWS

For the year ended June 30, 2025

	New York City		
	Water Board	Municipal Water Finance Authority	Total
		(in thousands)	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$ 1,393,749	$ (39,695)	$ 1,354,054
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Amortization	695	-	695
Depreciation	1,108,865	-	1,108,865
Other operating expenses paid for with bond proceeds	36,141	-	36,141
Pollution remediation expense	7,233	-	7,233
Changes in assets and liabilities:			
Pollution remediation liability	18,688	-	18,688
Receivables - net	(95,943)	-	(95,943)
Receivable from the City	1,902	-	1,902
Residual interest in sold liens	(30,860)	-	(30,860)
Accrued expenses payable	-	-	-
Accounts payable	1,062	177	1,239
Refunds payable	19,149	-	19,149
Net cash provided by (used in) operating activities	**$ 2,460,681**	**$ (39,518)**	**$ 2,421,163**

Schedule of noncash investing, capital and related financing activities:

Increase of $624 in fair value of the Water Board's investments at June 30, 2025.

Increase of $7,098 in fair value of the Municipal Water Finance Authority's investments at June 30, 2025.

Interest expense includes the amortization of net (premium) and discount in the amount of $204,787 at June 30, 2025.

Capital expenditures in the amount of $656,981 had been incurred but not paid at June 30, 2025.

The Water Board received federal, state, and other capital contributions of $23,848 in fiscal year 2025.

The accompanying notes are an integral part of this combining financial statement.

NOTE 1 - ORGANIZATION

The New York City Water and Sewer System (the "System") provides water supply, treatment, and distribution, and sewage collection, treatment, and disposal for the citizenry of the City of New York (the "City"). The System, as presented in the accompanying combining financial statements, began operations on July 1, 1985, and is a joint operation consisting of two legally separate and independent entities: the New York City Municipal Water Finance Authority (the "Authority") and the New York City Water Board (the "Water Board"). The Authority is a public benefit corporation created in accordance with the New York City Municipal Water Finance Act (the "Act"), enacted into law as Chapter 513 of the laws of 1984 of the State of New York (the "State"), as amended by Chapter 514 of the laws of 1984 of the State of New York. The Water Board was created by Chapter 515 of the laws of 1984 of the State of New York. The Act empowers the Authority to issue debt to finance the cost of capital improvements to the System and to refund any outstanding bonds and general obligation bonds that the City issued for water and sewer purposes. The Act empowers the Water Board to lease the water and sewer infrastructure from the City and to set and collect water rates, fees, rents, and other charges for use of, or for services furnished, rendered, or made available by, the System to generate enough revenue to pay debt service on the Authority's debt and to place the System on a self-sustaining basis.

The Financing Agreement by and among the City of New York, the New York City Municipal Water Finance Authority, and the New York City Water Board dated July 1, 1985, provides that the Authority will issue bonds to finance the cost of capital improvements and related costs of the System. It also sets forth the funding priority for debt service costs of the Authority, operating costs of the System, and the rental payment to the City, if requested.

The physical operation and capital improvements of the System are performed by the City's Department of Environmental Protection ("DEP") subject to contractual agreements with the Authority and the Water Board.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

In accordance with Government Accounting Standards Board ("GASB") standards, the Water Board and the Authority are part of the same reporting entity since they are fiscally interdependent. The accompanying combining financial statements for the System therefore present the individual financial statements of the Water Board and the Authority as major funds. In addition, the combining financial statements present a total column, which represents the entity-wide financial statements of the System. Transactions and balances between the Water Board and the Authority are eliminated in the entity-wide combining financial statements.

Additionally, although legally separate from the City, the System is a component unit of the City and is included in the City's financial statements as a discretely presented component unit.

Basis of Presentation

The System's combining financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Cash Equivalents and Investments

All investments are reported at fair value except for money market funds that are reported at cost plus accrued interest. For purposes of the combining statement of cash flows and combining statement of net position (deficit), the System generally considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Restricted Assets

Proceeds from the issuance of debt and monies set aside for debt service and operation and maintenance of the System are classified as restricted cash and cash equivalents and restricted investments in the combining statements of net position (deficit). These restrictions are based on the requirements of the applicable bond resolutions.

Accounts Receivable

Accounts receivable consist primarily of unpaid charges for water and sewer services, whether billed or unbilled. Accounts receivable also include unpaid late payment interest charges, service fee charges, and other charges not directly related to the delivery of water and sewer services.

The System estimates an allowance for uncollectable accounts for both billed and unbilled receivables. Allowance for billed receivables is based on a percentage of the value of accounts that have not had fully paid off balances in the past two years. Allowance for unbilled receivables is based on a percentage of the value of all unbilled receivables. The percentages used for both allowances for billed and unbilled receivables are based on historical data on collectability.

Accounts receivable sold to the New York City Tax Lien Trusts are removed from the System's receivables balances.

Utility Plant

Utility plant acquired through purchase or in-house construction is recorded at cost, net of retirements. It is the Water Board's policy to capitalize assets with a cost of $50,000 or more and a useful life of three years or longer. Contributed utility plant is recorded at its estimated historical cost based on appraisals or other methods when historical cost information is not available, net of accumulated depreciation. Depreciation is computed using the straight-line method based upon estimated useful lives, as follows:

Assets	Years
Buildings	40-50
Water supply and wastewater treatment systems	15-50
Water distribution and sewage collection systems	15-99
Machinery and equipment	3-35
Vehicles	10

Maintenance and repairs of property are recorded as maintenance expense. Replacements and betterments are recorded as additions to utility plant. The System pays for certain improvements of assets that are not owned by the City or the System, as well as certain pollution remediation activities, through bond proceeds. These costs are reported as other operating expenses in the System's combining statement of revenues, expenses and changes in net position (deficit).

Lien Sales and Residual Interest in Sold Liens

The City periodically sells liens secured by unpaid water and sewer rents and surcharges, for which the Water Board receives the applicable sale proceeds. At the time of sale, the Water Board recognizes the proceeds as operating revenue and removes the related receivables. The Water Board maintains a residual interest in the liens, which represents the amount estimated to be received by the Water Board if liens held by the purchasing trusts generate cash flows above the amounts needed by the trusts to pay their operating costs, bondholders, and satisfy reserve requirements. As of June 30, 2026 and 2025, the Water Board had a receivable from the purchasing trusts of $80.3 million and $99.9 million, respectively.

Bond Premiums and Discounts

Bond premiums and discounts are capitalized and amortized over the life of the related debt using the effective yield method. Bond premiums and discounts are presented as additions or reductions to the face amount of the long-term bonds payable in the combining statement of net position (deficit). The amortized bond premiums and discounts are an offset to interest expenses in the combining statement of revenues, expenses, and changes in net position (deficit).

Bond Issuance Costs

Bond issuance costs are recognized as an expense in the period incurred, except for bond insurance premiums that are amortized over the life of the related bonds.

Unamortized Deferred Bond Refunding Costs

Deferred bond refunding costs represent the accounting gains or losses incurred in bond refundings. They are reported as “unamortized deferred bond refunding costs” in “Deferred Inflows of Resources” and are amortized over the lesser of the remaining life of the old debt or the life of the new debt. The amortized deferred bond refunding cost is an off set to interest expense in the combining statement of revenues, expenses and changes in net position (deficit).

Pensions

Net pension liabilities are required to be recognized and disclosed using the accrual basis of accounting. The Authority recognizes a net pension liability for New York City Employee Retirement System (“NYCERS”) Qualified Pension Plan (“Pension Plan”) in which it participates, which represents the Authority’s proportional share of excess total pension liability over the Pension Plan assets, actuarially calculated, of a cost-sharing multiple-employer plan, measured as of the fiscal year end.

Changes in net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources are recognized in pension expense, beginning in the current reporting period, over a period equal to the weighted-average remaining service life of all participants in the Pension Plan.

The change in the Authority’s proportion of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date is recognized in pension expense, beginning in the current reporting period, over a closed period equal to the average of the expected remaining service lives of all employees provided with a pension through the Pension Plan.

Any difference during the measurement period between the total amount of the Authority's contribution and the amount of the Authority's proportionate share of the total contributions from all employers and all nonemployee contributing entities is recognized in the Authority's pension expense, beginning in the current reporting period, over a closed period that is equal to the average of the expected remaining service lives of all employees provided with a pension through the Pension Plan.

Projected earnings on Pension Plan investments are recognized as a component (reduction) of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and are recognized in pension expense, beginning with the period in which the difference occurred, over a five-year period.

Other Postemployment Benefits Plan

Other Postemployment Benefits Plan ("OPEB Plan") liabilities are required to be recognized and disclosed using the accrual basis of accounting. The Authority recognizes a total OPEB liability as it only funds the pay-as-you-go amount necessary to provide benefits to current retirees and eligible beneficiaries/ dependents and does not accumulate assets in a trust or equivalent arrangement as defined in GASB Statement No. 75 ("GASB 75"), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Changes in the total OPEB liability due to changes of assumptions or inputs and differences between expected and actual experience are reported as deferred inflows of resources or deferred outflows of resources and are recognized in OPEB expense, beginning in the current reporting period, over a closed period equal to the average of the expected remaining service lives of all employees provided with OPEB Plan benefits.

Operating Revenues and Expenses

Operating revenues and expenses are any revenues and expenses that do not meet the definition of non-operating revenues and expenses. Operating revenues are those related to the provision of services to customers of the System. Operating revenues are reported net of allowances, discounts, and refunds, and are based on billing rates imposed by the Water Board and upon customers' water and sewer usage or, in some cases, characteristics of customer properties. The System records unbilled revenue at year end based on an estimate at June 30.

Operating expenses include, but are not limited to, costs incurred for maintenance, repair, and operations of the System, and administration costs of the Water Board and the Authority, and rental payments requested by the City.

Non-Operating Revenues and Expenses

Non-operating revenues and expenses are defined by GASB standards as: (a) subsidies received and provided, (b) contributions to permanent and term endowments, (c) revenues and expenses related to financing, (d) resources from the disposal of capital assets and inventory, and (e) investment income and expenses.

The System's non-operating revenues and expenses include, but are not limited to, investment income, capital contributions, subsidies received and provided, and interest expense.

The System received federal, state, and other capital contributions of $32.0 million and $23.8 million in fiscal years 2026 and 2025, respectively. Included in these amounts are contributions of $292 thousand in each fiscal year 2026 and 2025 from Westchester County (the "County") as compensation for the construction of a water conduit that supplies treated water to the County. The County payments are reported as capital contributions in the System's combining statements of revenues, expenses, and changes in net

position (deficit) and as receipts from contribution made by other organization in the System's combining statements of cash flows.

Revenues Received in Advance

Revenues received in advance of the period to which they relate are unearned and recorded as revenue when earned. Customer account credit balances are reported as a current liability (service credits on customer accounts) and are not included in accounts receivable.

Net Position

The System's net position is classified as invested in capital assets, restricted, or unrestricted. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by outstanding capital related debt (other than unspent bond proceeds). Restricted net position consists of amounts that are constrained by the System's creditors. Unrestricted net position consists of all other net position that are not included in net investment in capital assets or restricted net position.

Use of Estimates

The preparation of the combining financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires the System's management to make estimates and assumptions in determining the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosure of contingent liabilities as of the date of the combining financial statements, and the amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

New Accounting Standards Adopted

As a component unit of the City, the System implements new GASB standards in the same fiscal year as they are implemented by the City. The following are discussions of the standards requiring implementation in the current year:

- In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*, ("GASB 103"). GASB 103 improves components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing accountability. The requirements for GASB 103 are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The implementation of GASB 103 enhanced the information provided in management's discussion and analysis and resulted in a reclassification of capital contributions to nonoperating revenues in the statements of revenues, expenses, and changes in net position. The statement of revenues, expenses, and changes in net position for fiscal year 2025 has been restated to reflect this reclassification. The implementation had no impact on net position.

- In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, ("GASB 104"). GASB 104 requires certain types of capital assets to be disclosed separately in the capital assets note disclosures and requires additional disclosures for capital assets held for sale. The requirements for GASB 104 are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The implementation of GASB 104 did not have any impact on the System's combining financial statements as the System does not have any lease assets, assets held for sale, subscription assets, right-to-use assets resulting from public-private and public-public partnerships and availability payment arrangements, or other intangible assets.

Additionally, GASB has issued the following new standards that are not yet effective:

- In December 2025, GASB issued Statement No. 105, *Subsequent Events* ("GASB 105"). GASB 105 improves the financial reporting requirements for subsequent events. The requirements for GASB 105 are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. The System is evaluating the requirements of GASB 105 but does not expect the standard to have a significant impact on its financial statements.

NOTE 3 - DEPOSITS AND INVESTMENTS

Restricted Cash and Cash Equivalents

The System maintains deposits only at the depository banks designated by the New York City Banking Commission. Further, as required by the Water and Sewer System General Revenue Bond Resolution and the Water and Sewer System Second General Revenue Bond Resolution (the "resolutions"), every bank that holds the Authority's cash deposits is required to have its principal office in the State of New York and have capital stock, surplus, and undivided earnings aggregating at least $100 million.

As of June 30, 2026 and 2025, cash comprised bank deposits and there was no difference between the carrying amounts and bank balances. Restricted cash and cash equivalents comprised the following:

	2026	2025
	(in thousands)	
Restricted cash and cash equivalents:		
Cash	$ 14,976	$ 31,189
Cash equivalents	3,688,841	2,650,717
Total restricted cash and cash equivalents	$ 3,703,817	$ 2,681,906

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the custodian, the System may not be able to recover the value of its deposits or collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the System's name. As of June 30, 2026 and 2025, the System had $15.0 million and $31.2 million in deposits, respectively. All deposits were either covered by federal depository insurance or collateralized with securities held by a third-party custodian.

Investments

The System invests funds that are not immediately required for operations, debt service, or capital expenses. Funds held by the Authority are invested to the Authority's bond resolutions and in accordance with its investment guidelines, which restrict investments to obligations of, or guaranteed by, the United States of America, certain highly rated obligations of the State of New York, certain certificates of deposit and similar instruments issued by highly rated commercial banks, certain highly rated corporate securities or commercial paper securities, certain repurchase agreements with highly rated institutions, certain investment agreements with highly rated institutions, certain highly rated money market funds, and certain highly rated municipal obligations. All accounts held by the Water Board are invested in accordance with the Water Board's investment guidelines, which restrict investments to obligations of, or guaranteed by, the United States of America and certain repurchase agreements with highly rated institutions.

The System had the following investments on June 30, 2026 and 2025:

	2026			2025		
	Water Board	Municipal Water Finance Authority	Total	Water Board	Municipal Water Finance Authority	Total
			(in thousands)			
Restricted Investments:						
U.S. Agencies securities	$ -	$ 111,440	$ 111,440	$ -	$ 181,871	$ 181,871
U.S. Treasury securities	18,269	1,230,663	1,248,932	176,328	1,123,813	1,300,141
New York State instrumentalities	-	-	-	-	10,154	10,154
Money market funds	350,013	2,006,681	2,356,694	169,242	1,935,856	2,105,098
Forward Purchase Agreements	-	531	531	-	-	-
Total investments including cash equivalents	368,282	3,349,315	3,717,597	345,570	3,251,694	3,597,264
Less amounts reported as cash equivalents	(350,013)	(3,338,828)	(3,688,841)	(169,242)	(2,481,475)	(2,650,717)
Total restricted investments	$ 18,269	$ 10,487	$ 28,756	$ 176,328	$ 770,219	$ 946,547

Fair Value Hierarchy

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The System has the following recurring fair value measurements as of June 30, 2026 and 2025:

- U.S. Agencies securities of $111 million and $182 million, respectively, are valued using a matrix pricing model (Level 2 inputs).
- U.S. Treasury securities of $1.25 billion and $1.30 billion, respectively, are valued using a matrix pricing model (Level 2 inputs).
- New York State instrumentalities of $0 and $10.2 million, respectively, are valued using a matrix pricing model (Level 2 inputs).
- Money Market Funds of $2.36 billion and $2.11 billion, respectively, are valued using a matrix pricing model (Level 2 inputs).
- Forward Purchase Agreements of $0.5 million and $0, respectively, are valued using the market approach with observable inputs and using a matrix pricing technique (Level 2 inputs).

Credit Risk

Both the Water Board and the Authority have investment guidelines approved by their respective Board of Directors and policies in place designed to protect principal by limiting credit risk. This is accomplished through ratings, collateral, and diversification requirements that vary according to the type of investment. Investments held by the System on June 30, 2026 and 2025, include obligations guaranteed by the United States of America, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank, the Federal Mortgage Association, the Federal Agriculture Mortgage Corporation, and the Federal Farm Credit Bank. Also held by the Authority are direct obligations of agencies or public authorities of the State of New York, which at the time of purchase were rated in one of the two highest rating categories. In addition, the Authority has entered into investment agreements and a guaranteed investment contract with financial

institutions whose long-term debt obligations, or whose obligations under such an investment agreement or guaranteed investment contract, are guaranteed by a financial institution whose senior long-term debt obligations were rated in one of the two highest rating categories for comparable types of obligations by each rating agency at the time such agreement or contract was entered into.

Interest Rate Risk

Changes in interest rates impact fair value of investments. Investments by the System are not expected to be liquidated prior to maturity and investment agreements are generally not expected to be terminated prior to their expiration dates, thereby limiting exposure from rising interest rates.

The following is a segmented time distribution of the System's investments and cash equivalents as of June 30, 2026 and 2025:

	2026	2025
	(in thousands)	
Maturity Date:		
Under 6 months	$ 3,688,841	$ 3,406,023
Between 6 months and 1 year	28,225	183,782
Over 3 years	-	7,459
Over 4 years (Forward Purchase Agreement adj.)	531	-
Total restricted investments	$ 3,717,597	$ 3,597,264

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investments in a single issuer. The System's investment policy limits the amount the System may invest in any particular issuer. As of June 30, 2026, the System had 36.6% of its restricted investments in federally guaranteed securities and 63.4% in First American Obligation Money Market Funds.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the custodian, the System may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, or are held by either the counterparty or the counterparty's trust department or agent but not in the name of the government. None of the investments were registered in the System's name.

NOTE 4 - RESTRICTED ASSETS

As of June 30, 2026, and 2025, certain cash, investments, and accrued interest of the System were restricted as follows:

	2026	2025
	(in thousands)	
The Water Board		
Operations and maintenance reserve fund	$ 368,283	$ 345,571
Local water fund	14,401	30,843
Expense fund	12	10
Refund	8	-
Subtotal – The Water Board	382,704	376,424
The Authority		
Revenue fund	2,109,750	2,021,829
Construction fund	1,239,573	1,084,897
Debt service reserve fund	-	145,290
Arbitrage rebate fund	15	13
Debt service fund	531	-
Subtotal – The Authority	3,349,869	3,252,029
Total restricted assets	$ 3,732,573	$ 3,628,453

The operations and maintenance reserve fund is established as a depository to hold a reserve as required by the First Resolution. As of June 30th of each year, the reserve fund is required to hold one-sixth of the operating expenses as set forth in the following year's annual budget. It is funded through cash receipts from the Water Board.

The local water fund is established as the account to which all revenues are deposited. Its assets are subject to the payment priority set forth in the Resolutions.

The revenue fund is established as a depository to fund debt service, the Authority's expenses, debt service reserve requirements, and escrow accounts. It is funded through cash transfers from the Water Board.

The construction fund is established as a depository to pay all capital construction costs incurred by the City and reimbursed by the Authority. It is funded through the proceeds of commercial paper, bond, and note issuances.

The debt service reserve fund is established as a depository to hold the First Resolution bond maximum annual debt service requirement for the next or any future fiscal year. It is funded through revenue bond proceeds and the revenue fund.

The debt service fund is established as a depository to pay all principal and interest payments on the Authority's debt for the current fiscal year. It is funded through the revenue fund. On or prior to June 30th of each year, the balances remaining in the debt service fund are transferred to the revenue fund.

The arbitrage rebate fund is established as a depository to make arbitrage rebate payments owed to the Department of the Treasury of the United States of America. It is funded through the debt service fund and debt service reserve fund.

NOTE 5 - UTILITY PLANT

The following is a summary of utility plant activity for the fiscal years ended June 30, 2026 and 2025:

	Balance at June 30, 2024	Additions	Deletions	Balance at June 30, 2025	Additions	Deletions	Balance at June 30, 2026
				(in thousands)			
Non-depreciable assets:							
Utility construction in progress	$ 7,154,102	$ 1,964,708	$ (1,374,389)	$ 7,744,421	$ 1,962,442	$ (1,534,469)	$ 8,172,394
Depreciable assets:							
Utility plant in service:							
Water supply and distribution and wastewater treatment and sewage collection systems	41,551,667	1,162,021	(62,477)	42,651,211	1,350,362	(6,334)	43,995,239
Machinery and equipment	5,750,220	208,580	(20,829)	5,937,971	165,453	(1,586)	6,101,838
Vehicles	286,826	3,787	-	290,613	18,654	-	309,267
Buildings	35,821	-	-	35,821	-	-	35,821
Total utility plant in service	47,624,534	1,374,388	(83,306)	48,915,616	1,534,469	(7,920)	50,442,165
Less accumulated depreciation for:							
Water supply and distribution and wastewater treatment and sewage collection systems	16,808,148	809,335	(48,748)	17,568,735	891,671	(5,763)	18,454,643
Machinery and equipment	3,658,051	288,755	(14,681)	3,932,125	295,350	(1,586)	4,225,889
Vehicles	157,669	10,493	-	168,162	9,840	-	178,002
Buildings	31,467	282	-	31,749	275	-	32,024
Total accumulated depreciation	20,655,335	1,108,865	(63,429)	21,700,771	1,197,136	(7,349)	22,890,558
Total utility plant in service, net	26,969,199	265,523	(19,877)	27,214,845	337,333	(571)	27,551,607
Total capital assets, net	$ 34,123,301	$ 2,230,231	$ (1,394,266)	$ 34,959,266	$ 2,299,775	$ (1,535,040)	$ 35,724,001

NOTE 6 - AGREEMENT

The Water Board is a party to an Agreement of Lease (the “Agreement”) with the City, which transfers the water and sewer related property to the Water Board for the term of the Agreement. The Agreement term commenced on July 1, 1985, and continues until the later of the 40th anniversary of the commencement of the Agreement or the date on which all bonds, notes, or other obligations of the Authority are paid in full or provision for such payment has been made pursuant to the applicable debt instrument. The Agreement provides for payments to the City to cover the following:

a. An amount sufficient to pay the cost of administration, maintenance, repair, and operation of the Agreement property, which includes overhead costs incurred by the City that are attributable to the Agreement property, net of the amount of any federal, state, or other operating grants received by the City; and

b. An amount sufficient to reimburse the City for capital costs incurred by the City for the construction of capital improvements to the Agreement property that are not paid or reimbursed from any other source.

In addition to the payments described above, the Water Board pays rent to the City, if requested, each fiscal year in an amount not to exceed the greater of: (a) the principal and interest payable on general obligation bonds issued by the City for water and sewer purposes certified by the City to be paid within such fiscal year; or (b) 15% of principal and interest payable on the bonds of the Authority to be paid within such fiscal year. In fiscal year 2026, the City requested and the System paid $277 million. In fiscal year 2025, the City requested and the System paid $276 million.

A summary of operations and maintenance for the years ending June 30, 2026 and 2025, is as follows:

	2026	2025
	(in thousands)	
Water supply, treatment, transmission, and distribution	$ 683,084	$ 669,372
Sewer collection and treatment systems	906,573	848,337
City agency support costs	82,436	70,278
Fringe benefits	315,145	286,688
Judgments and claims	52,491	18,025
Reversal of prior year payables	(30,270)	(7,454)
Operations and maintenance before rental payments	2,009,459	1,885,246
Rental payments to the City	276,731	276,137
Total operations and maintenance expenses	$ 2,286,190	$ 2,161,383

NOTE 7 - PAYABLE TO AND RECEIVABLE FROM THE CITY

As of June 30, 2026 and 2025, any utility construction and other project expenses to be financed by Authority debt and recorded by the System that have not been reimbursed to the City are recorded as payable to the City. The Authority had a payable to the City of $730 million and $657 million as of June 30, 2026 and 2025, respectively, net of the amount of state, federal, and other capital grants recognized by the City.

As of June 30, 2026 and 2025, the Water Board had a receivable from the City of $35.4 million and $72.1 million, respectively, because of the difference between amounts reimbursed to the City for operations and maintenance expenses and actual expenses incurred by the City for operations and maintenance.

NOTE 8 - OTHER OPERATING EXPENSES

A summary of other operating expenses for the years ending June 30, 2026 and 2025, is as follows:

	2026	2025
	(in thousands)	
Pollution remediation	$ 45,824	$ 25,921
Payments for watershed improvements	10,512	36,141
Program expenses	99,835	88,383
Total other operating expenses	$ 156,171	$ 150,445

The City’s DEP manages both the System’s operations and its capital program. It also manages other projects with long-term benefits to the System that do not result in capital assets of the System but are paid for using the Authority’s bond proceeds. Such long-term benefit projects include payments for environmental protection, related improvement in the watershed areas, and pollution remediation projects throughout the System.

The System offers its residential customers the option to enroll into a protection program against any breakage on their water and sewer lines for a monthly fee. The fee is included in the participating customers' utility bills. This protection program is offered by American Water Resources.

The System also operates two core assistance programs available to eligible customers, the Home Water Assistance Program and the Multi-Family Water Assistance Program. Both programs were offered to customers in fiscal years 2026 and 2025. From time to time, the Water Board also offers one-time customer programs.

NOTE 9 - LONG-TERM LIABILITIES

Debt Program

The Authority issues debt to finance the capital needs of the System. The Authority's debt is issued under two bond resolutions, the Water and Sewer System General Revenue Bond Resolution (the "First Resolution") and the Water and Sewer System Second General Bond Resolution (the "Second Resolution," each a "Resolution"). Bonds and notes issued by the Authority are special obligations of the Authority payable solely from and secured by a pledge of and lien on the gross revenues of the System, subject to the priorities set forth in each Resolution, and from money and securities in any of the funds and accounts defined and established under each Resolution.

The Water Board is obligated to set rates and collect revenues sufficient to fund principal and interest requirements, as well as to meet certain debt service coverage and operating cost funding requirements. Each Resolution specifies certain events of default, such as failure to pay debt service, the Authority's filing of or otherwise seeking relief in bankruptcy court, and failure to comply with certain provisions of each Resolution and certain other government documents, that under certain conditions could, upon written request of the holders of not less than a majority in principal amount of the bonds outstanding under each Resolution, result in acceleration of debt service payments.

The debt program of the Authority includes commercial paper notes and long-term debt, as well as bond anticipation notes ("BANs") and interest-subsidized bonds issued to the New York State Environmental Facilities Corporation ("EFC"). In fiscal years 2026 and 2025, the Authority exclusively relied on proceeds from BANs and long-term bond issuances to reimburse the City for the System's capital expenditures. The Authority issues long-term debt to retire commercial paper notes and BANs. The Authority also periodically issues refunding bonds to refinance higher-coupon debt and uses current revenues to defease bonds.

As of June 30, 2026 and 2025, no Commercial Paper Notes were outstanding. As of June 30, 2026 and 2025, there was $35.95 million and $242 million of BANs outstanding, respectively. As of June 30, 2026 and 2025, the BANs principal balance of $68.3 million and $632 million, respectively, was available for future draw down.

Changes in Long-Term Debt

In fiscal years 2026 and 2025, long-term debt activity was as follows:

	Balance at June 30, 2025	Additions	Deletions	Balance at June 30, 2026	Due Within One Year
			(in thousands)		
First resolution bonds	$ 190,310	$ -	$ (190,310)	$ -	$ -
Second resolution bonds, issued to the public	27,332,790	3,422,850	(2,518,040)	28,237,600	226,200
Second resolution bonds, issued to EFC	5,386,844	1,089,389	(979,101)	5,497,132	213,201
Second resolution BANs, issued to EFC	242,254	124,586	(330,892)	35,948	10,948
Second resolution bonds, direct placement	350,000	-	-	350,000	-
Total before premium and discounts	33,502,198	4,636,825	(4,018,343)	34,120,680	450,349
Premium (discounts), net	2,656,399	293,258	(383,388)	2,566,269	-
Total long-term debt	$ 36,158,597	$ 4,930,083	$ (4,401,731)	$ 36,686,949	$ 450,349

In fiscal years 2025 and 2024, long-term debt activity was as follows:

	Balance at June 30, 2024	Additions	Deletions	Balance at June 30, 2025	Due Within One Year
			(in thousands)		
First resolution bonds	$ 405,740	$ -	$ (215,430)	$ 190,310	$ -
Second resolution bonds, issued to the public	25,836,655	3,271,165	(1,775,030)	27,332,790	270,555
Second resolution bonds, issued to EFC	5,971,683	-	(584,839)	5,386,844	224,665
Second resolution BANs, issued to EFC	10,948	231,306	-	242,254	125,969
Second resolution bonds, direct placement	350,000	-	-	350,000	-
Total before premium and discounts	32,575,026	3,502,471	(2,575,299)	33,502,198	621,189
Premium (discounts), net	2,724,741	263,093	(331,435)	2,656,399	-
Total long-term debt	$ 35,299,767	$ 3,765,564	$ (2,906,734)	$ 36,158,597	$ 621,189

Issuances

In fiscal year 2026, the Authority issued $3.34 billion in bonds to the public including $1.60 billion in new money bonds and $1.74 billion in refunding bonds. The Authority issued $1.09 billion in bonds to EFC in fiscal year 2026, including $459 million in new money bonds and $631 million in refunding bonds. The Authority also drew down $125 million of proceeds from BAN issued to EFC.

During fiscal year 2026, as further detailed in in the bullets below, the Authority issued $2.37 billion in bonds to refund $2.51 billion in outstanding bonds. These refunding bonds included $1.74 billion in refunding bonds sold to the public and $631 million in refunding water and sewer system revenue bonds sold to EFC. These refunding transactions resulted in a cumulative accounting gain of $134 million. This amount is deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt. The Authority reduced its aggregate debt service for principal and interest by $171 million and obtained an economic benefit (present value savings) of $120 million.

During fiscal year 2026, the Authority legally defeased $459 million in outstanding bonds and executed an in-substance defeasance of $123 million using current resources.

The following details the Authority's financing activity in fiscal year 2026:

On August 5, 2025, the Authority issued $707 million in tax-exempt fixed rate Second Resolution bonds, Fiscal 2026 Series 1, Series 2, Series 3 and Series 4 to the Environmental Facilities Corporation. The proceeds were used to fund capital projects and refund bonds and bond anticipation notes. The proceeds generated $136 million to fund capital projects, $259 million were used to refund the Authority's Fiscal 2016 Series 1 and Fiscal 2016 Series 2 bonds, and $331 million were used to refinance BANs.

On December 2, 2025, the Authority issued $1.03 billion in tax-exempt fixed rate Second Resolution bonds, Fiscal 2026 Series AA. The Authority used $627 million to fund capital projects of the System. A portion of the bonds also refunded the following Second Resolution bonds: $211 million in Fiscal 2018 EE bonds, $47 million in Fiscal 2020 DD bonds, $75 million of Fiscal 2021 CC bonds, $88 million in Fiscal 2022 BB bonds, and $50 million in Fiscal 2022 CC bonds. The bonds have a final maturity of 2055.

On February 5, 2026, the Authority issued $825 million in tax-exempt fixed rate Second Resolution bonds, Fiscal 2026 Series BB. The proceeds of the bonds were used to fund capital projects of the system. The bonds have a final maturity of 2056.

On February 5, 2026, the Authority also issued $175 million in tax-exempt adjustable-rate Second Resolution bonds, Fiscal 2026 Series CC. The proceeds of the bonds were used to fund capital projects of the system. The bonds have a final maturity of 2056.

On March 17, 2026, the Authority issued $383 million in bonds to EFC, Fiscal 2026 Series 5 and Fiscal 2026 Series 6. The proceeds were used to refund Fiscal 2016 Series 5 and Fiscal 2016 Series 6 outstanding bonds.

On April 7, 2026, the Authority issued $904 million in tax-exempt fixed rate Second Resolution bonds, Fiscal 2026 Series DD. The proceeds were used to refund the following Second Resolution bonds: $161 million in Fiscal 2007 Subseries CC-1 bonds, $201 million in Fiscal 2009 BB bonds, $68 million in Fiscal 2013 Series DD bonds, $59 million in Fiscal 2015 Series FF bonds, $29 million in Fiscal 2015 GG bonds, $52 million in Fiscal 2015 Series HH bonds, $245 million in Fiscal 2017 Subseries CC-1 bonds, as well as $190 million in General Resolution Fiscal 2016 Series A bonds. The bonds have a final maturity of 2046.

On April 7, 2026, the Authority remarketed $100 million in tax-exempt adjustable-rate Second Resolution Fiscal 2022 Series DD bonds into fixed-rate mode. Premium from the remarketing was used to defease $13 million of principal. The bonds have a final maturity of 2033.

On April 7, 2026, the Authority also issued $200 million in tax-exempt adjustable-rate Second Resolution bonds, Fiscal 2026 Series EE, and $204 million in tax-exempt adjustable-rate Second Resolution bonds, Fiscal 2026 Series FF. The proceeds were used to refund $403 million in Second General Resolution Fiscal 2010 Subseries AA-1 Build America Bonds. The bonds have a final maturity of 2041.

Index Rate Bonds

As of both June 30, 2026 and 2025, the Authority had outstanding $350 million in index rate bonds, which were purchased by banks through direct placement. The index rate bonds are adjustable rate bonds that pay interest based on a specified market index. The terms of the index rate bonds provide a 9% rate of interest, commencing on an identified step-up date, if such bonds are not converted or refunded prior to such date. Interest rates on the Authority's index rate bonds cannot exceed 9%. In fiscal years 2026 and 2025, interest rates on the Authority's index rate bonds averaged 2.97% and 3.52%.

Adjustable Rate Demand Bonds

As of June 30, 2026 and 2025, the Authority had $3.89 billion and $3.88 billion in adjustable rate demand bonds ("VRDBs") outstanding, respectively. VRDBs may be tendered at the option of their holders prior to their maturity. VRDBs are remarketed by remarketing agents on a daily or weekly basis. Interest rates determined by such remarketing agents for such periods represent the lowest rate of interest that would cause the VRDBs to have a market value equal to par. VRDBs interest rates cannot exceed 9%. In fiscal years 2026 and 2025, interest rates on the Authority's VRDBs averaged 2.46% and 2.86%, respectively.

The VRDBs are backed by either a Standby Bond Purchase Agreement ("SBPA") or a Letter of Credit ("LOC"), providing for the purchase of the VRDBs by a bank in the event they cannot be remarketed. In such cases, the interest rate on the VRDBs would typically increase and would be determined by reference to specified index rates plus a spread (in some cases, with a minimum rate), up to a maximum rate of 25%. No VRDBs were held by such banks during the fiscal years ended June 30, 2026 and 2025. SBPAs and LOCs may be terminated by the respective banks upon the occurrence of specified events of default. None of the SBPAs or LOCs supporting VRDBs provides for acceleration. However, in connection with such LOCs, the Authority has agreed that, following a specified period in which the LOC bank holds unremarketed VRDBs, the Authority will exchange such VRDBs for refunding bonds maturing within five years and providing for amortization during such period.

The Authority had the following VRDBs outstanding as of June 30, 2026:

Series	Outstanding Principal Amount	SBPA or LOC Provider	Expiration or Optional Termination by Provider
2017 BB-3	$ 39,500,000	Sumitomo Mitsui Banking Corporation	9/14/2026
2014 AA-1	125,000,000	JPMorgan Chase Bank, N.A.	9/17/2026
2014 AA-2	125,000,000	JPMorgan Chase Bank, N.A.	9/17/2026
2017 BB-1A	100,000,000	State Street Bank and Trust Company	10/5/2026
2017 BB-1B	100,000,000	State Street Bank and Trust Company	10/5/2026
2016 AA-1	100,000,000	Bank of America, N.A.	10/27/2026
2011 DD-2	75,000,000	JPMorgan Chase Bank, N.A.	11/12/2026
2007 CC-2	50,000,000	State Street Bank and Trust Company	1/20/2027
2014 AA-4	100,000,000	State Street Bank and Trust Company	1/20/2027
2017 BB-2	50,000,000	State Street Bank and Trust Company	1/20/2027
2011 FF-1	100,000,000	Bank of America, N.A.	3/15/2027
2019 BB	100,000,000	TD Bank, N.A.	4/27/2027
2011 DD-3A	50,000,000	US Bank, N.A.	9/30/2027
2011 DD-3B	50,000,000	State Street Bank and Trust Company	9/30/2027
2013 AA-1	50,000,000	PNC Bank, N.A.	10/1/2027
2016 AA-2	100,000,000	PNC Bank, N.A.	10/25/2027
2010 CC	200,000,000	State Street Bank and Trust Company	1/19/2028
2023 CC	200,000,000	Barclays Bank PLC	2/16/2028
2013 AA-2	150,000,000	Barclays Bank PLC	3/2/2028
2011 DD-1	100,000,000	TD Bank, N.A.	4/21/2028
2014 AA-3	100,000,000	TD Bank, N.A.	4/21/2028
2025 EE-2	125,000,000	The Bank of New York Mellon	5/12/2028
2015 BB-2	100,000,000	Mizuho Bank, Ltd	6/13/2028
2015 BB-3	100,000,000	Sumitomo Mitsui Banking Corporation	7/7/2028
2014 AA-5	100,435,000	Mizuho Bank, Ltd	8/18/2028
2014 AA-6	100,435,000	Mizuho Bank, Ltd	8/18/2028
2021 EE-1	100,000,000	US Bank, N.A.	8/21/2028
2023 BB-1	100,000,000	Mizuho Bank, Ltd	12/15/2028
2023 BB-2	100,000,000	Mizuho Bank, Ltd	12/15/2028
2015 BB-4	100,000,000	Barclays Bank, PLC	6/15/2029
2015 BB-1	100,000,000	Bank of America, N.A.	7/6/2029
2025 EE-1	100,000,000	TD Bank, N.A.	5/10/2030
2026 CC	175,000,000	TD Bank, N.A.	2/5/2031
2021 EE-2	225,500,000	State Street Bank and Trust Company	3/5/2031
2026 EE	200,000,000	Truist Bank	4/7/2031
2011 FF-2	100,000,000	JPMorgan Chase Bank, N.A.	5/27/2031
	$ 3,890,870,000		

The Authority had the following VRDBs outstanding as of June 30, 2025:

Series	Outstanding Principal Amount	SBPA or LOC Provider	Expiration or Optional Termination by Provider
2021 EE-2	$ 225,500,000	State Street Bank and Trust Company	3/6/2026
2009 BB-1	100,435,000	UBS AG, Stamford Branch	5/4/2026
2009 BB-2	100,435,000	UBS AG, Stamford Branch	5/4/2026
2011 FF-2	100,000,000	JPMorgan Chase Bank, N.A.	5/27/2026
2015 BB-4	100,000,000	Barclays Bank PLC	6/17/2026
2007 CC-1	160,500,000	Sumitomo Mitsui Banking Corporation	9/14/2026
2017 BB-3	39,500,000	Sumitomo Mitsui Banking Corporation	9/14/2026
2014 AA-1	125,000,000	JPMorgan Chase Bank, N.A.	9/17/2026
2014 AA-2	125,000,000	JPMorgan Chase Bank, N.A.	9/17/2026
2017 BB-1A	100,000,000	State Street Bank and Trust Company	10/5/2026
2017 BB-1B	100,000,000	State Street Bank and Trust Company	10/5/2026
2016 AA-1	100,000,000	Bank of America, N.A.	10/27/2026
2011 DD-2	75,000,000	JPMorgan Chase Bank, N.A.	11/12/2026
2007 CC-2	50,000,000	State Street Bank and Trust Company	1/20/2027
2014 AA-4	100,000,000	State Street Bank and Trust Company	1/20/2027
2017 BB-2	50,000,000	State Street Bank and Trust Company	1/20/2027
2011 FF-1	100,000,000	Bank of America, N.A.	3/15/2027
2019 BB	100,000,000	TD Bank, N.A.	4/27/2027
2011 DD-3A	50,000,000	US Bank, N.A.	9/30/2027
2011 DD-3B	50,000,000	State Street Bank and Trust Company	9/30/2027
2013 AA-1	50,000,000	PNC Bank, N.A.	10/1/2027
2016 AA-2	100,000,000	PNC Bank, N.A.	10/25/2027
2010 CC	200,000,000	State Street Bank and Trust Company	1/19/2028
2023 CC	200,000,000	Barclays Bank PLC	2/16/2028
2013 AA-2	150,000,000	Barclays Bank PLC	3/2/2028
2011 DD-1	100,000,000	TD Bank, N.A.	4/21/2028
2014 AA-3	100,000,000	TD Bank, N.A.	4/21/2028
2025 EE-2	125,000,000	The Bank of New York Mellon	5/12/2028
2015 BB-2	100,000,000	Mizuho Bank, Ltd	6/13/2028
2015 BB-3	100,000,000	Sumitomo Mitsui Banking Corporation	7/7/2028
2014 AA-5	100,435,000	Mizuho Bank, Ltd	8/18/2028
2014 AA-6	100,435,000	Mizuho Bank, Ltd	8/18/2028
2021 EE-1	100,000,000	US Bank, N.A.	8/21/2028
2023 BB-1	100,000,000	Mizuho Bank, Ltd	12/15/2028
2023 BB-2	100,000,000	Mizuho Bank, Ltd	12/15/2028
2015 BB-1	100,000,000	Bank of America, N.A.	7/6/2029
2025 EE-1	100,000,000	TD Bank, N.A.	5/10/2030
	$ 3,877,240,000		

Adjustable Rate Remarketed Securities℠

As of June 30, 2026 and 2025, the Authority had outstanding $204 million and $100 million, respectively, of Adjustable Rate Remarketed Securities℠. The Authority's Adjustable Rate Remarketed Securities℠ are adjustable rate bonds not supported by a credit or liquidity facility. Upon any failure to remarket tendered Adjustable Rate Remarketed Securities℠, such Adjustable Rate Remarketed Securities℠, if not purchased

by the Authority, will continue to be held by the tendering holders, and all of the Adjustable Rate Remarketed Securities[SM] of the applicable series will bear interest at an increased rate of 12%. In fiscal years 2026 and 2025, interest rates on the Authority's Adjustable Rate Remarketed Securities[SM] averaged 2.40% and 2.87%, respectively.

Debt Service Requirements

Debt service requirements to maturity, including amounts relating to BANs with maturities greater than one year at June 30, 2026, are as follows:

	Bonds		Bonds and Notes from Direct Borrowings and Direct Placements		
Year Ending June 30,	Principal	Interest[1]	Principal	Interest[1]	Total
2027	$ 226,200,000	$ 1,257,513,260	$ 224,148,862	$ 256,281,862	$ 1,964,143,984
2028	296,150,000	1,246,298,010	201,878,333	231,161,837	1,975,488,180
2029	284,455,000	1,231,490,510	200,792,500	221,150,373	1,937,888,383
2030	377,540,000	1,217,614,510	217,043,333	211,193,262	2,023,391,105
2031	368,550,000	1,198,997,435	277,388,333	225,573,058	2,070,608,826
2032-2036	3,317,720,000	5,606,983,375	1,315,078,000	835,310,389	11,075,091,764
2037-2041	4,772,520,000	4,691,870,228	1,092,435,000	591,017,312	11,147,842,540
2042-2046	6,984,580,000	3,404,387,103	1,169,009,000	371,846,829	11,929,822,932
2047-2051	7,169,895,000	1,815,585,468	984,065,000	166,374,338	10,135,919,806
2052-2056	4,439,990,000	628,887,882	201,241,193	18,893,035	5,289,012,110
Total	$ 28,237,600,000	$ 22,299,627,781	$ 5,883,079,554	$ 3,128,902,295	$ 59,549,209,630

[1] Projected interest expense for VRDBs and Adjustable Rate Remarketed Securities[SM] for fiscal year 2027 and thereafter is calculated using a weighted-average interest rate as of June 30, 2026, of 2.461%. Projected interest expense for direct placement index rate bonds for fiscal year 2027 and thereafter is calculated using a weighted-average interest rate as of June 30, 2026 of 2.969%. Interest rates on adjustable rate bonds are determined on a daily or weekly basis in accordance with the terms of such bonds.

Asset Retirement Obligations

Existing laws and regulations require the System to take specific action when retiring chemical and petroleum storage tanks. The System has 446 above and underground tanks with a capacity ranging from 10 to 100,000 gallons. The New York State Department of Conservation, under Title 6 of the New York Code, Rules and Regulations, requires that the System take specific steps to permanently take the tanks out of service, including the removal, transportation, and disposal of liquid, sludge, hazardous waste, piping, and the tanks themselves, and to take remedial actions on the area surrounding the tanks. Based on contract estimates and invoices for similar projects, the System's asset retirement obligations for storage tanks were $16.1 million and $15.7 million as of June 30, 2026, and 2025, respectively, with tanks having a remaining useful life ranging from zero to 39 years.

Pollution Remediation Obligations

The System reports pollution remediation obligations ("PROs") as required by GASB standards. The System's PROs may arise as a result of: (1) federal, state, and local laws and regulations; (2) violations of pollution-related permits or licenses; (3) a determination by the System that there is an imminent endangerment to public health and safety as a result of an existing pollution condition; (4) the System being named in a lawsuit to compel remediation or being identified by a regulator as a party responsible or potentially responsible for remediation; and/or (5) the System's voluntarily commencement of remediation. As of June 30, 2026 and 2025, the System reported $123 million and $95.8 million of liabilities for known PROs, respectively.

The System has estimated these amounts based on the current value of outlays expected to be incurred for pollution remediation, which it is currently obligated to perform. Actual future outlays will differ from the estimated amounts if the prices or techniques for remediation measures change or differ from estimates, if additional information about existing pollution conditions becomes known to the System in the future, and/or if applicable laws or regulations change.

Remediation outlays for certain pollution conditions currently known to the System are not included in the reported liabilities because they are not yet reasonably estimable. These include certain locations that the System has been informed have been designated under federal law as Superfund sites to address alleged hazardous substances, pollutants, or contaminants at these sites and for which the System may be named as a potentially responsible party for the remediation because there are the System's facilities operated at these locations.

Commitments and Contingencies

Construction

The System had contractual commitments of approximately $9.86 billion and $9.03 billion at June 30, 2026 and 2025, respectively, for water and sewer projects.

Risk Financing Activities

The System is self-insured and carries no commercial or insurance policies other than directors and officers insurance for the Authority. Any claims made against the System are resolved through the City's legal support and the amounts of the maximum liability for such judgments are described in the claims and litigation section below. The System is subject to claims for construction delays, property damage, personal injury, and judgments related to delays in construction deadlines under consent agreements.

Claims and Litigation

The Water Board is required to reimburse the City for any judgment or settlement paid by the City arising out of a tort claim to the extent that the City's liability is related to capital improvements and the operation or maintenance of the System. However, in no event shall the payment made to the City, in any fiscal year, exceed an amount equal to 5% of the aggregate revenues shown in the prior year's audited combining financial statements of the System.

In addition, the System is required to reimburse the City, to the extent requested by the City, for payment of any judgment or settlement arising out of a contract claim with respect to construction of capital improvements of the System. In addition, the City has agreed, subject to certain conditions, to indemnify the Authority, the Water Board, and their staffs against any and all liability in connection with any act done or omitted in the exercise of their powers, which is taken or omitted in good faith in pursuance of their purposes under the Act.

Currently, the City is a defendant in a significant number of lawsuits pertaining to the System. The litigation includes, but is not limited to, actions commenced and claims asserted against the City arising out of alleged torts, alleged breaches of contract, condemnation proceedings, and other alleged violations of law. As of June 30, 2026, the potential future liability attributable to the System for claims outstanding against the City was estimated to be $128 million. This amount is included in the estimated liability for unsettled claims, which is reported in the City's statement of net position (deficit). The potential future liability is the City's best estimate based on available information. The estimate may be revised as further information is obtained and as pending cases are litigated.

Arbitrage Rebate

To maintain the exemption from federal income tax of interest on bonds issued after January 1, 1986, the System will fund amounts required to be rebated to the federal government pursuant to Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"). The Code requires the payment to the United States Treasury of the excess amount earned on all non-purpose obligations over the amount that would have been earned if the gross proceeds of the issue were invested at a rate equal to the yield on the issue, together with any earnings attributable to such excess. Construction funds, debt service funds, or any other funds or accounts funded with proceeds of such bonds, including earnings, or pledged to or expected to be used to pay interest on such bonds, are subject to this requirement.

NOTE 10 - PENSION PLANS

Plan Description and Benefits

The Authority's eligible employees are provided with pension benefits through the New York City Employee Retirement System ("NYCERS") Qualified Pension Plan ("QPP" or "Pension Plan"). The Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan administered by NYCERS. The Pension Plan functions in accordance with existing State statutes and City laws that are the basis by which benefits terms and the Authority's and its members' contribution requirements are established and amended. NYCERS issues a publicly available financial report that can be obtained from NYCERS management at 335 Adams Street, Brooklyn, NY 11201 or at www.nycers.org.

The State Constitution provides that pension rights of public employees are contractual and shall not be diminished or impaired. In 1973, 1976, 1983, and 2012, significant amendments made to the State Retirement and Social Security Law modified certain benefits for employees joining the Pension Plan on or after the effective date of such amendments, creating membership tiers (each a "Tier"). Currently, there are several Tiers, referred to as Tier 1, Tier 2, Tier 3, Tier 4, and Tier 6. Members are assigned a Tier based on membership date. As of April 1, 2012, new members are assigned to Tier 6. The Authority does not have any members in Tier 1, Tier 2, or Tier 3.

The Pension Plan provides pension benefits to retired employees generally based on the salary, length of service, and Tier. The Pension Plan also provides automatic cost-of-living adjustments and other supplemental pension benefits to certain retirees and beneficiaries. Subject to certain conditions, members become fully vested as to benefits upon completion of five years of credited service. Upon termination of employment before retirement, certain members are entitled to refunds of their own contributions, including accumulated interest, less any outstanding loan balances. In the event of disability during employment, members may receive retirement allowances based on satisfaction of certain service requirements and other provisions. The Pension Plan also provides death benefits.

Contributions and Funding Policy

In general, Tier 4 members make basic contributions of 3.0% of salary regardless of age at membership. Additionally, Tier 4 members are not required to make any contributions after the 10th anniversary of their membership date or completion of 10 years of credited service. In general, Tier 6 members who joined between April 1, 2012, and March 31, 2013, contribute 3.0% of salary regardless of age at membership, while members who joined after April 1, 2013, contribute between 3.0% and 6.0% of salary, depending on salary level. Effective October 1, 2026, in accordance with Chapter 58 of the Laws of 2026, Tier 6 members will contribute between 3.0% and 5.75% of their salary, depending on salary level.

Employer contributions are actuarially determined annually to be an amount that, together with member contributions and investment income, provides the Pension Plan assets sufficient to pay benefits when due.

The actuarial determination uses the One-Year Lag Methodology under which the actuarial valuation date is used for calculating the employer contributions for the second following fiscal year. For example, the June 30, 2025, actuarial valuation was used for determining the fiscal year 2026 employer contributions. The aggregate statutory contribution due to the NYCERS Pension Plan from all participating employers for fiscal year 2026 and 2025 was $3.78 billion and $3.95 billion, respectively, and the amount of the Authority's contribution was $165 thousand and $158 thousand, respectively. It is the Authority's policy to fully fund each year's actuarially determined employer contribution.

Proportionate Share of the Collective Net Pension Liability

The Authority's net pension liabilities reported as of June 30, 2026 and 2025, were $0.3 million and $0.5 million, respectively. The Authority's portion of the collective net pension liability was based on projections of the Authority's long-term share of contributions to the Pension Plan relative to the projected contributions of all participating City governments and their component units, actuarially determined. At both June 30, 2026 and 2025, the Authority's proportion was 0.004%.

The net pension liabilities were measured as of those fiscal year-end dates. The total pension liabilities used to calculate those net pension liabilities were determined by actuarial valuations as of June 30, 2025 and 2024, and rolled forward to the measurement dates of June 30, 2026 and 2025.

Information about the Authority's net position and additions to and deductions from NYCERS Pension Plan fiduciary net position has been determined on the same basis as reported by NYCERS Pension Plan. For this purpose, benefits and refunds are recognized when due and payable in accordance with the Pension Plan, and investments are reported at fair value.

Pension Expense

For the years ended June 30, 2026 and 2025, the Authority recognized pension expense of $245 thousand and $158 thousand, respectively.

Deferred Outflows and Inflows of Resources

At June 30, 2026 and 2025, the Authority reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2026		2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 95,612	$ 44	$ 82,256	$ 1,043
Changes in assumptions	-	113	-	2,660
Net difference between projected and actual earnings on pension plan investments	-	309,422	-	45,816
Changes in proportion and difference between the Authority's contributions and proportionate share of contributions	(37,316)	(18,820)	(7,903)	(22,280)
Total	$ 58,296	$ 290,759	$ 74,623	$ 27,239

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2026 and 2025, will be recognized in pension expense as follows:

Fiscal Year Ended June 30,	2026	2025
2026	$ -	$ 154,523
2027	(85,557)	(51,532)
2028	(83,589)	(49,590)
2029	(47,476)	(14,293)
2030	(23,529)	8,276
2031	7,688	-

Actuarial Assumptions

Measurement of the total pension liability, on which net pension liability is based, requires the use of assumptions about numerous future events that affect the benefit payments that will be made to employees in retirement. The following table provides a brief description of the significant assumptions used in the actuarial valuation to determine the fiscal year 2026 total pension liability.

Item	Assumption
Valuation Date	June 30, 2025 (Lag)
Assumed Rate of Return on Investment	7.0% per annum, net of investment expenses
Post-Retirement Mortality	Tables adopted by the Board of Trustees during fiscal year 2019. Applies mortality improvement scale MP-2020 published by the Society of Actuaries
Active Service: Withdrawal, Death, Disability, and Retirement	Tables adopted by the Board of Trustees during fiscal year 2019. Applies mortality improvement scale MP-2020 published by the Society of Actuaries to active ordinary death mortality rates and pre-commencement mortality rates for deferred vesteds
Salary Increases	Tables adopted by the Board of Trustees during fiscal year 2019. In general, Merit and Promotion Increases plus assumed General Wage increases of 3.0% per year
Inflation	Consumer Price Index (CPI) of 2.5% per year
Assumed Cost-of-Living Adjustments	AutoCOLA – 1.5% per year; Escalation – 2.5% per year
Estimates of Certain Obligations	World Trade Center benefits and anticipated increases to pensioner benefits attributable to wage contract settlements

In accordance with the Administrative Code of the City of New York, the NYCERS Board of Trustees of the actuarially funded Pension Plan periodically reviews and adopts certain actuarial assumptions as proposed by the Chief Actuary of the New York City Retirement System (the “Actuary”) for use in the determination of Employer Contributions, which are also generally used to determine the total pension liability, as applicable.

Expected Rate of Return

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 the 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 real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Target Asset Allocation	Long-Term Expected Real Rate of Return
Asset class:		
U.S. public market equities	23.5%	6.7%
Developed public market equities	11.6	7.1
Emerging public market equities	4.9	8.4
Fixed income	31.0	3.0
Private equities	10.0	11.2
Private real estate	8.0	7.0
Infrastructure	4.5	6.3
Opportunistic fixed income	6.5	8.3
Total	100.0%	

Discount Rate

The discount rate used to measure the total pension liabilities of the Pension Plan as of June 30, 2026 and 2025, was 7.0% per annum. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates applicable to the current Tier for each member and that employer contributions will be made based on rates determined by the Actuary. Based on those assumptions, the Pension Plan fiduciary net position is projected to be available to make all projected future benefit payments of current active and non-active members. Therefore, the long-term expected rate of return on pension fund investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the Authority's proportionate share of the net pension liability using the discount rate of 7.0% for fiscal years 2026 and 2025, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.0%) or 1% higher (8.0%) than the rate used in the valuation.

June 30, 2026			June 30, 2025		
1.0% Decrease (6.0%)	Discount Rate (7.0%)	1.0% Increase (8.0%)	1.0% Decrease (6.0%)	Discount Rate (7.0%)	1.0% Increase (8.0%)
$ 864,855	$ 328,616	$ (126,048)	$ 1,002,454	$ 529,241	$ 130,288

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description and Benefits

The Authority's Other Postemployment Benefits Plan ("OPEB Plan") is administered by the New York City Office of Labor Relations and is a single-employer defined benefit plan. The OPEB Plan provides certain health and related benefits to eligible retirees of the Authority and their beneficiaries/dependents and consists of three programs: (1) the New York City Health Benefits Program; (2) the Welfare Fund Program; (3) the Medicare Part B Program. The Authority's policy is to follow the eligibility criteria applicable to City retirees and to provide benefits substantially the same as those provided to City retirees and eligible beneficiaries/dependents.

Members are not required to make contributions to the OPEB Plan, though retirees may elect basic health insurance programs and/or optional coverage that require contributions. Plan retiree participants who opt for other basic or enhanced coverage must contribute 100% of the incremental costs above the premiums for the benchmark plan. The OPEB Plan also reimburses covered retirees and eligible spouses 100% of the Medicare Part B premium rate applicable to a given year and there is no contribution to the welfare fund (the "Welfare Fund") that covers retirees for various health care benefits not provided through the basic coverage.

Effective January 1, 2026, the primary health plan for active employees, pre-Medicare retirees, and their dependents moved from the GHI/Anthem Comprehensive Benefits Plan ("CBP"), which had been insured via a minimum premium range, to the self-insured NYC Employees PPO Plan ("NYCE PPO").

Plan Membership

The following presents a summary of the Authority's census data used in the June 30, 2026 and 2025, OPEB actuarial valuations.

Group	2026	2025
Active plan members	10	9
Inactive plan members entitled to but not yet receiving benefits	2	2
Inactive plan members or beneficiaries currently receiving benefits	7	7
Total members	19	18

Funding Policy

The Authority's policy is to fund, on an annual basis, only the amount of the pay-as-you-go amount necessary to provide current benefits to retirees and eligible beneficiaries/dependents. For the years ended June 30, 2026 and 2025, the Authority had seven retirees receiving benefits and made pay-as-you-go contributions of $99.6 thousand and $115 thousand, respectively.

Total OPEB Liability

The Authority's total OPEB liabilities of $2.4 million and $2.5 million were measured as of June 30, 2026 and 2025, respectively, and were determined by actuarial valuations as of those dates using the entry age normal cost method. Under this method, the actuarial present value ("APV") of project benefits of each individual included in the valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age(s). The portion of this APV allocated to a valuation year is the normal cost. The portion of the APV not provided for at a valuation date by the APV of future employer normal costs is the total OPEB liability.

As of June 30, 2026, the covered employee payroll (annual payroll of active employees covered by the OPEB Plan) was $1.5 million and the ratio of the total OPEB liability to the covered employee payroll was 161.5%.

The following table shows the changes in the Authority's OPEB liability for fiscal years 2026 and 2025:

	2026	2025
Total OPEB liability – beginning of year	$ 2,478,426	$ 3,096,942
Service cost	68,872	71,757
Interest on the total OPEB liability	129,903	131,007
Difference between expected and actual experience	(87,890)	(515,301)
Changes in assumptions or other inputs	(125,425)	(191,013)
Actual benefit payments	(99,605)	(114,966)
Net changes	(114,145)	(618,516)
Total OPEB liability – end of year	$ 2,364,281	$ 2,478,426
Current portion of total OPEB liability	$ 99,605	$ 105,176
Long-term portion of total OPEB liability	2,264,676	2,373,250

All changes in the total OPEB liability as of June 30, 2026 and 2025, are being amortized over the future working lifetime of all plan participants for purposes of calculating the expense.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following table presents the Authority's total OPEB liability using the discount rate of 4.67% for fiscal year 2026 and 5.20% for fiscal year 2025, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the rates used in the valuation.

June 30, 2026			June 30, 2025		
1.0% Decrease (3.67%)	Discount Rate (4.67%)	1.0% Increase (5.67%)	1.0% Decrease (4.20%)	Discount Rate (5.20%)	1.0% Increase (6.20%)
$ 2,715,167	$ 2,364,281	$ 2,076,986	$ 2,808,012	$ 2,478,426	$ 2,206,142

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

The following table presents the Authority's total OPEB liability using the healthcare cost trend rate of 8.50% (Pre-Medicare Plans) and 5.25% (Medicare Plans) for fiscal year 2026 and 7.0% (Pre-Medicare Plans) and 5.0% (Medicare Plans) for fiscal year 2025, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the rates used in the valuation.

June 30, 2026			June 30, 2025		
1.0% Decrease (7.50%/4.25%)	Trend Rate (8.50%/5.25%)	1.0% Increase (9.50%/6.25%)	1.0% Decrease (6.0%/4.0%)	Trend Rate (7.0%/5.0%)	1.0% Increase (8.0%/6.0%)
$ 2,010,344	$ 2,364,281	$ 2,810,575	$ 2,142,251	$ 2,478,426	$ 2,895,488

OPEB Expense

The Authority's annual OPEB expense for the fiscal years 2026 and 2025 were as follows:

	2026	2025
Service cost	$ 68,872	$ 71,757
Interest on the total OPEB liability	129,903	131,007
Difference between expected and actual experience	160,667	160,608
Changes in assumptions or other inputs	(158,405)	(158,717)
Total OPEB expense	$ 201,037	$ 204,655

Deferred Outflows and Inflows of Resources Related to the OPEB Plan

As of June 30, 2026 and 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to the OPEB Plan from the following sources:

	2026		2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 804,532	$ 492,029	$ 1,079,298	$ 518,238
Changes of assumptions or other inputs	38,863	523,220	53,943	571,280
Total	$ 843,395	$ 1,015,249	$ 1,133,241	$ 1,089,518

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB Plan at June 30, 2026 and 2025, will be recognized in OPEB expense as follows:

Fiscal Year Ended June 30,	2026	2025
2026	$ -	$ 29,965
2027	3,419	31,122
2028	(9,964)	17,739
2029	(9,482)	18,221
2030	16,176	43,879
2031	(124,906)	(97,203)
2032	(27,703)	-
2033	(19,394)	-

Actuarial Assumptions

Measurement of the total OPEB liability requires the use of assumptions about numerous future events that affect the projected benefit costs of the OPEB Plan. The actuarial assumptions used in the fiscal years 2026 and 2025 OPEB Plan valuations are a combination of those used in the NYCERS Pension Plan valuation and those specific to the OPEB Plan valuation.

Amounts determined regarding the OPEB liability and expense of the Authority are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the types of benefits provided at the time of each valuation and the historical pattern of the sharing of benefit costs between the employer and employees to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in total OPEB liability, consistent with the long-term perspective of the calculations.

The following table provides a brief description of the significant assumptions used in fiscal year 2026 OPEB Plan valuation.

Item	Assumption
Valuation Date	June 30, 2025
Measurement Date	June 30, 2026
Discount Rate[1]	4.67% per annum for the June 30, 2026 measurement date 5.20% per annum for the June 30, 2025 measurement date
Actuarial Cost Method	Entry Age Normal cost method, level percent of pay calculated on an individual basis
Salary Increases	3.00% per annum, which includes an inflation rate of 2.50% and a general wage increase rate of 0.50%
Inflation	Consumer Price Index of 2.50% per year

[1] Since the OPEB Plan does not accumulate assets in a trust or equivalent arrangement as defined in GASB 75, rates are based solely on the Bond Buyer's 20-Bond GO Index.

Healthcare Cost Trend Rate ("HCCTR")

Healthcare cost trend rates are as follows:

Year Ending	Pre-Medicare Plans	Medicare Plans	Medicare Part B Premiums	Welfare Fund Contributions
2026	8.50%	5.25%	7.75%	3.50%
2027	8.25	5.15	7.50	3.50
2028	8.00	5.05	7.25	3.50
2029	7.75	4.95	7.00	3.50
2030	7.50	4.85	6.75	3.50
2031	7.25	4.75	6.50	3.50
2032	7.00	4.65	6.25	3.50
2033	6.75	4.60	6.00	3.50
2034	6.50	4.55	5.50	3.50
2035	6.00	4.50	5.00	3.50
2036	5.50	4.50	4.50	3.50
2037	5.00	4.50	4.50	3.50
2038 and later	4.50	4.50	4.50	3.50

Pre-Medicare and Medicare trend rates have been updated for the fiscal year 2026 valuation. Pre-Medicare and Medicare plan trends were developed using health trend information from various sources, including City premium trend experience, public sector benchmark surveys for other large plan sponsors, the Medicare Trustees' Report, and the SOA Getzen model. The Part B trend rates reflect the projections in the 2026 Medicare Trustees Report. The report projects Part B premium increases to average 6.6% annual from 2027-2035 compared to 7.3% in the 2025 report.

Dependent Coverage

Dependent coverage is assumed to terminate when a retiree dies.

Dependents

Child dependents of current retirees are assumed to receive coverage until age 26.

Male retirees are assumed to be four years older than their wives and female retirees are assumed to be two years younger than their husbands. Dependent assumptions based on distribution of coverage of recent retirees are shown in the following table:

Dependent Coverage Assumptions

Group	Percentage
Male:	
Single coverage	35%
Spouse	35
Child/no spouse	8
Spouse and child	22
Total	100%
Female:	
Single coverage	67%
Spouse	22
Child/no spouse	7
Spouse and child	4
Total	100%

Participation Rates

Actual elections are used for current retirees. Some current retirees not eligible for Medicare are assumed to change elections upon attaining age 65 based on the patterns of elections of Medicare-eligible retirees.

For current retirees who appear to be eligible for health coverage but have not made an election (“non-filers”), the valuation reflects single GHI coverage and Part B premium and benefits only, to approximate the obligation if these individuals were to file for coverage. For future retirees, the portion assumed not to file for future benefits, and therefore valued similarly, is 13% in 2026. Non-filers also include some participants who do not qualify for coverage because they were working less than 20 hours a week at termination.

Detailed assumptions for future retirees are presented below:

Plan Participation Assumptions

Plan	Percentage
Pre-Medicare:	
GHI	75%
HIP HMO	18
Other HMO	2
Waiver	5
Medicare:	
GHI	75
HIP HMO	16
Other HMO	5
Waiver	4
Post-Medicare Migration:	
Other HMO to GHI	-
HIP HMO to GHI	-
GHI to HIP HMO	-
GHI to Other HMO	-
HIP HMO to Other HMO	10
Pre-Medicare Waiver:	
To GHI at 65	-
To HIP HMO at 65	-
To Other HMO at 65	20

Disability on Medicare

For future disability retirements, Medicare is assumed to start 2.5 years after retirement for 38% of retirees.

Per Capita Claims Costs

The new NYCE PPO is self-insured while the HIP and many of the other HMOs are community-rated. Costs reflect age-adjusted premiums for all plans.

The initial monthly premium rates used in the valuations are shown in the following table:

Plan	Monthly Rates at Average Age 2026	2025
HIP HMO:		
Non-Medicare Single	$ 1,120.19	$ 998.55
Non-Medicare Family	2,744.48	2,446.47
Medicare	206.25	198.50
NYCE PPO (formerly GHI):		
Non-Medicare Single	977.88	1,072.33
Non-Medicare Family	2,565.08	2,818.16
Medicare	228.10	218.74
Other HMOs[1]:		
Non-Medicare Single	1,759.84	1,490.59
Non-Medicare Family	4,191.48	3,984.35
Medicare Single	224.78	288.76
Medicare Family	418.66	565.57

[1] Other HMO premiums represent the weighted average of the total premium for medical (not prescription drug) coverage, including retiree contributions, of the HMO plans (other than HIP) based on actual enrollment.

Additionally, the individual monthly rates at age 65 used in the valuations are shown in the following table:

Plan	Monthly Rates at Age 65 2026	2025
HIP HMO:		
Non-Medicare	$ 2,370.55	$ 2,113.14
Medicare	206.25	198.50
NYCE PPO (formerly GHI):		
Non-Medicare	1,853.10	2,302.65
GHI:		
Medicare	215.15	208.60
Other HMOs	Varies by system	

The NYCE PPO per capita claim costs were determined using the age and gender distribution used when setting the calendar year 2026 premium rates as provided by OLR along with the average contract size and single/family contract split based on enrollment data as of March 31, 2026.

Medicare Part B Premiums

Medicare Part B Premiums are as follows:

Calendar Year	Monthly Premium
2021	$ 146.97
2022	167.82
2023	164.90
2024	174.70
2025	185.00
2026	202.90

Medicare Part B premium reimbursement amounts have been updated to reflect the actual premium rates announced for calendar years through 2026. Due to recent cost-of-living increases in Social Security benefits, the portion of Medicare Part B participants protected by the hold-harmless provision continues to decrease. For calendar years 2025 and 2026, no participants were assumed to be protected by the hold-harmless provision and the monthly premium was set equal to the calendar years 2025 and 2026 announced amounts.

For the fiscal year 2026 OPEB Plan valuation, the annual premium used was $2,327.40, which is equal to 12 times the average of the calendar year 2025 and 2026 monthly premiums shown. An additional 12.5% load is added to the base Medicare Part B premium amounts each year to account for the income-related Medicare Part B premiums for high-income individuals.

90% of Medicare participants are assumed to claim reimbursement, based on historical data.

Welfare Fund

The Welfare Fund contribution reported as of the measurement date, June 30, 2026, including any reported retroactive amounts, was trended back to the valuation date, June 30, 2025, using the welfare trend assumption and used as the per capita cost for valuation purposes. Reported annual contribution amounts for the last three years are shown in Section V-b of the *June 30, 2026 GASB 74/75 Report for the City of New York and the New York City Health Benefits Program*. The report is published by the Actuary on its website www.nyc.gov/site/actuary/reports/reports.page. Welfare Fund rates are based on actual reported union Welfare Fund code for current retirees.

The weighted-average annual contribution rate used for future retirees is $1,739 for fiscal year 2026 and $1,736 for fiscal year 2025.

Age and Gender-Related Morbidity

The premiums are age and gender adjusted for NYCE PPO, HIP, and other HMOs. The assumed relative costs of coverage are consistent with information presented in the 2013 study, *Health Care Costs – From Birth to Death*, sponsored by the Society of Actuaries.

For non-Medicare costs, a sample of factors used are:

Age	Male	Female	Age	Male	Female
20	0.170	0.225	45	0.355	0.495
25	0.146	0.301	50	0.463	0.576
30	0.181	0.428	55	0.608	0.671
35	0.227	0.466	60	0.783	0.783
40	0.286	0.467	64	0.957	0.917

Children costs assume a factor of 0.229.

Medicare costs prior to age 65 assume an additional disability-related morbidity factor. A sample of factors used are:

Age	Male	Female	Age	Male	Female
20	0.323	0.422	65	0.919	0.867
25	0.278	0.565	70	0.946	0.885
30	0.346	0.804	75	1.032	0.953
35	0.432	0.876	80	1.122	1.029
40	0.545	0.878	85	1.217	1.116
45	0.676	0.929	90	1.287	1.169
50	0.883	1.082	95	1.304	1.113
55	1.159	1.260	99 and older	1.281	0.978
60	1.493	1.470			

COBRA Benefits

Employees and beneficiaries who enroll in COBRA coverage contribute 102% of the premium but the valuation includes an additional estimated cost above the value of their COBRA contribution because COBRA participants typically utilize services at a much higher rate than active participants.

The valuation assumes 15% of employees not eligible for OPEB elect COBRA coverage for 15 months based on experience of other large employers. A lump-sum COBRA cost of $1,675 was assumed for terminations during fiscal year 2026. This lump-sum amount is increased by the Pre-Medicare HCCTR for future years but is not adjusted for age-related morbidity.

NOTE 12 - SUBSEQUENT EVENTS

The System evaluated its June 30, 2026, combining financial statements for subsequent events through October 8, 2026, the date the combining financial statements were issued and noted the following:

On July 30, 2026, The Authority drew down $8.5 million in Fiscal 2022 Series 1C (WIIA/BB-215) BAN proceeds and $1.6 million in Fiscal 2022 Series 2 (WIIA/BB-215) BAN proceeds. The proceeds were used to fund capital projects of the System.

On August 1, 2026, the Standby Bond Purchase Agreement between the Authority and Sumitomo Mitsui Banking Corporation, under which liquidity support is provided for the Authority's Water and Sewer System Revenue Bonds, Adjustable-Rate Fiscal 2017 Series BB, Subseries BB-3, which was scheduled to expire on September 14, 2026, was replaced by a Standby Bond Purchase Agreement between the Authority and TD Bank, N.A. The new agreement is scheduled to expire on August 27, 2029.

On September 1, 2026, the Standby Bond Purchase Agreement between the Authority and JP Morgan Chase Bank, under which liquidity support is provided for the Authority's Water and Sewer System Second General Resolution Revenue Bonds, Adjustable-Rate Fiscal 2014, Series AA, Subseries AA-1 and Subseries AA-2, which was scheduled to expire on September 17, 2026, was extended to September 17, 2030.

On September 1, 2026, the Standby Bond Purchase Agreement between the Authority and JP Morgan Chase Bank, under which liquidity support is provided for the Authority's Water and Sewer System Second General Resolution Revenue Bonds, Adjustable-Rate Fiscal 2011, Series DD, Subseries DD-2, which was scheduled to expire on November 12, 2026, was extended to November 12, 2031.

On September 18, 2026, the Standby Bond Purchase Agreement between the Authority and State Street Bank and Trust Company, under which liquidity support is provided for the Authority's Water and Sewer System Second General Resolution Revenue Bonds, Adjustable-Rate Fiscal 2017 Subseries BB-1A and Subseries BB-1B, which was scheduled to expire on October 5, 2026, was extended to October 3, 2031.

On September 29, 2026, the Authority issued $21.1 million in fixed rate Second Resolution bonds, Fiscal 2027 Series 1. These bonds were issued as a taxable direct placement to EFC. Proceeds of the bonds were used to refinance two BANs, 2022 1C (WIIA/BB-215) and 2022 2C (WIIA/BB-215). The bonds have a final maturity of 2056.

On October 6, 2026, the Authority issued $291 million in fixed rate Second Resolution bonds, Fiscal 2027 Series AA. Proceeds of the bonds were used to refinance $233 million in Fiscal 2016 Series CC and $75 million in Fiscal 2016 Series DD bonds. The bonds have a final maturity of 2047.

On October 6, 2026, the Authority issued $150 million in variable rate Second Resolution bonds, Fiscal 2027 Series BB. Proceeds of the bonds were used to refinance $75.0 million in Fiscal 2021 Series CC, $50 million in Fiscal 2022 Series AA bonds and $24.9 million in Fiscal 2023 Series AA bonds. The bonds have a final maturity of 2051.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

New York City Water and Sewer System

SCHEDULE OF CHANGES FOR TOTAL OPEB PLAN LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
					($ in thousands)					
Total OPEB liability:										
Service cost	$ 69	$ 71	$ 69	$ 71	$ 112	$ 112	$ 97	$ 111	$ 94	$ 101
Interest	130	131	84	74	44	54	53	47	42	43
Differences between expected and actual experience	(88)	(515)	1,043	112	334	(114)	(43)	572	(106)	(96)
Changes of assumptions	(125)	(191)	(15)	67	(628)	(34)	33	(336)	35	(222)
Benefits payments	(100)	(115)	(108)	(71)	(19)	(19)	(21)	(23)	(20)	(15)
Cadillac tax repeal	-	-	-	-	-	-	(18)	-	-	-
Net changes in total OPEB liability	(114)	(619)	1,073	253	(157)	(1)	101	371	45	(189)
Total OPEB liability - beginning	2,478	3,097	2,024	1,771	1,928	1,929	1,828	1,457	1,412	1,601
Total OPEB liability - ending	$ 2,364	$ 2,478	$ 3,097	$ 2,024	$ 1,771	$ 1,928	$ 1,929	$ 1,828	$ 1,457	$ 1,412
Covered employee payroll	$ 1,464	$ 1,351	$ 1,227	$ 1,295	$ 1,156	$ 1,209	$ 1,187	$ 942	$ 859	$ 1,038
Total OPEB liability as a percentage of covered employee payroll	161.5%	183.4 %	252.2 %	156.3 %	153.2 %	159.4 %	162.4 %	193.9 %	169.6 %	135.9 %

Notes to the Schedule:

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

Year	Discount Rate
2026	4.67 %
2025	5.20
2024	4.21
2023	4.13
2022	4.09
2021	2.18
2020	2.66
2019	2.79
2018	2.98
2017	3.13

The Authority funds OPEB benefits on a pay-as-you-go basis and contributions are not actuarially determined. No assets are accumulated in a trust that meets the criteria of GASB codification P22.101 to pay related benefits for the OPEB Plan. Therefore, the required supplementary information related to actuarially determined contributions for the 10 most current fiscal years is not applicable.

New York City Water and Sewer System

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last 10 Fiscal Years

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
					($ in thousands)					
Authority's proportion of the net pension liability	0.004%	0.004%	0.004%	0.005%	0.005%	0.005%	0.002%	0.002%	0.003%	0.004%
Authority's proportionate share of the net pension liability	$ 329	$ 529	$ 589	$ 824	$ 1,014	$ 343	$ 422	$ 393	$ 516	$ 828
Authority's covered payroll	$ 1,464	$ 1,351	$ 1,227	$ 1,295	$ 1,156	$ 1,209	$ 1,187	$ 942	$ 859	$ 1,038
Authority's proportionate share of the net pension liability as percentage of its covered payroll	22.5%	39.2%	48.0%	63.6%	87.7%	28.4%	35.6%	41.7%	60.1%	79.8%
Plan fiduciary net position as percentage of the total pension liability	93.3%	87.7%	84.3%	82.2%	81.3%	93.1%	76.9%	78.8%	78.8%	74.8%

SCHEDULE OF THE AUTHORITY'S PENSION CONTRIBUTIONS

Last 10 Fiscal Years

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
					($ in thousands)					
Actuarially determined contribution	$ 165	$ 158	$ 128	$ 160	$ 214	$ 201	$ 75	$ 78	$ 111	$ 136
Contribution in relation to the actuarially determined contribution	$ (165)	$ (158)	$ (128)	$ (160)	$ (214)	$ (201)	$ (75)	$ (78)	$ (111)	$ (136)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's covered payroll										
Contribution as percentage of covered payroll	11.3%	11.7%	10.4%	12.4%	18.5%	16.6%	6.3%	8.3%	12.9%	13.1%