

**TOWN OF NEWSTEAD,
NEW YORK**

*Basic Financial Statements, Required
Supplementary Information and Supplementary
Information for the Year Ended December 31, 2025
and Independent Auditors' Reports*

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INDEPENDENT AUDITORS' REPORT

Honorable Town Board
Town of Newstead, New York:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Newstead, New York (the "Town"), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town, as of December 31, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* ("GAS"), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement issuance date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2026, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Brecher & Malecki LLC

March 30, 2026

TOWN OF NEWSTEAD, NEW YORK
Management's Discussion and Analysis
Year Ended December 31, 2025

As management of the Town of Newstead, New York (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2025. We encourage the reader to consider the information contained in this analysis in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$19,686,205 (*net position*). This consists of \$13,156,829 net investment in capital assets, \$708,484 restricted net position, and an unrestricted net position of \$5,820,892.
- The Town's net position increased by \$551,087 during the year ended December 31, 2025.
- At the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$5,774,735, an increase of \$601,285 in comparison with the prior year's fund balances of \$5,173,450. The increase was primarily attributed to sales tax and interest earnings in excess of budgetary amounts.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$1,771,419, or approximately 78.8 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the Town's discretion and constitutes approximately 71.0 percent of the General Fund's total fund balance of \$2,495,703.
- During the year ended December 31, 2025, the Town's serial bonds outstanding decreased \$407,433 as a result of scheduled principal payments.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements—The *government-wide financial statements* are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business.

The *statement of net position* presents information on all of the Town's assets, liabilities and deferred outflows/inflows of resources, with the difference between reported as *net position*. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are

reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused sick leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government support, public safety, health, transportation, economic assistance and opportunity, culture and recreation, home and community services, and interest and other fiscal charges. The Town does not engage in any business-type activities.

The government-wide financial statements can be found on pages 12-13 of this report.

Fund financial statements—A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town are considered governmental funds.

Governmental funds—*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Highway Fund, Water Districts Fund, Fire Protection District Fund, and Capital Projects Fund, which are considered major funds. Data from the remaining five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-41 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Town's net pension liability and budgetary comparison schedules for the General Fund, Highway Fund, Water Districts Fund and Fire Protection District Fund. Required Supplementary Information and a related note to the required supplementary information can be found on pages 42-48 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented as other supplementary information immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 49-50.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government’s financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$19,686,205 at December 31, 2025, as compared to \$19,135,118 at the close of the fiscal year ended December 31, 2024.

Table 1, shown below, presents a condensed statement of net position compared to the prior year.

Table 1—Condensed Statements of Net Position—Primary Government

| | Governmental Activities | |
|----------------------------------|-------------------------|----------------------|
| | December 31, | |
| | 2025 | 2024 |
| Current assets | \$ 7,156,880 | \$ 6,757,978 |
| Noncurrent assets | 27,610,722 | 28,134,385 |
| Total assets | <u>34,767,602</u> | <u>34,892,363</u> |
| Deferred outflows of resources | 425,125 | 689,345 |
| Current liabilities | 1,765,150 | 1,861,441 |
| Noncurrent liabilities | 5,951,407 | 6,388,074 |
| Total liabilities | <u>7,716,557</u> | <u>8,249,515</u> |
| Deferred inflows of resources | 7,789,965 | 8,197,075 |
| Net position: | | |
| Net investment in capital assets | 13,156,829 | 13,123,506 |
| Restricted | 708,484 | 602,531 |
| Unrestricted | 5,820,892 | 5,409,081 |
| Total net position | <u>\$ 19,686,205</u> | <u>\$ 19,135,118</u> |

The largest portion of the Town’s net position, \$13,156,829, reflects its investment in capital assets (e.g., land, infrastructure, buildings, building improvements, machinery and equipment, and right-to-use lease assets), net of accumulated depreciation/amortization and less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town’s net position, \$708,484, represents resources that are subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The remaining component of the Town’s net position, \$5,820,892 represents an unrestricted net position and may be used to meet the Town’s ongoing operations.

Table 2, as presented below, shows the changes in net position for the years ended December 31, 2025 and December 31, 2024.

Table 2—Condensed Statements of Changes in Net Position—Primary Government

| | Governmental Activities | |
|------------------------------------|-------------------------|----------------------|
| | Year Ended December 31, | |
| | 2025 | 2024 |
| Program revenues: | | |
| Charges for services | \$ 886,423 | \$ 877,741 |
| Operating grants and contributions | 11,049 | 9,471 |
| Capital grants and contributions | 137,256 | 139,582 |
| General revenues | <u>5,401,646</u> | <u>5,306,002</u> |
| Total revenues | <u>6,436,374</u> | <u>6,332,796</u> |
| Program expenses | <u>5,885,287</u> | <u>5,789,031</u> |
| Change in net position | 551,087 | 543,765 |
| Net position—beginning | <u>19,135,118</u> | <u>18,591,353</u> |
| Net position—ending | <u>\$ 19,686,205</u> | <u>\$ 19,135,118</u> |

Governmental activities—Governmental activities increased the Town’s net position by \$551,087. Overall revenues increased by 1.6 percent from the prior year. Property and other taxes reported the largest increases. Total expenses increased 1.7 percent from the year ended December 31, 2025, which is primarily attributed to an increase in transportation costs.

A summary of sources of revenues for the years ended December 31, 2025 and December 31, 2024 is presented below in Table 3.

Table 3—Summary of Sources of Revenues—Governmental Activities

| | Year Ended December 31, | | Increase/(Decrease) | |
|--|-------------------------|---------------------|---------------------|-------------|
| | 2025 | 2024 | Dollars | Percent (%) |
| Charges for services | \$ 886,423 | \$ 877,741 | \$ 8,682 | 1.0 |
| Operating grants and contributions | 11,049 | 9,471 | 1,578 | 16.7 |
| Capital grants and contributions | 137,256 | 139,582 | (2,326) | (1.7) |
| Property and other taxes | 4,643,708 | 4,399,584 | 244,124 | 5.5 |
| Use of money and property | 374,783 | 457,796 | (83,013) | (18.1) |
| Sale of property and compensation for loss | - | 24,964 | (24,964) | (100.0) |
| Miscellaneous | 167,585 | 113,645 | 53,940 | 47.5 |
| Unrestricted state aid | 215,570 | 310,013 | (94,443) | (30.5) |
| Total revenues | <u>\$ 6,436,374</u> | <u>\$ 6,332,796</u> | <u>\$ 103,578</u> | 1.6 |

The Town’s most significant sources of revenues includes property and other taxes, which accounts for \$4,643,708, or 72.1 percent of total revenues, and charges for services, which comprise \$886,423, or 13.8 percent of total revenues for the year ended December 31, 2025. Similarly, for the year ended December 31, 2024, the most significant sources of revenue were property and other taxes, which accounts for \$4,399,584, or 69.5 percent of total revenues, and charges for services, which comprise \$877,741, or 13.9 percent of total revenues.

A summary of program expenses for the years ended December 31, 2025 and December 31, 2024 is presented below in Table 4.

Table 4—Summary of Program Expenses—Governmental Activities

| | Year Ended December 31, | | Increase/(Decrease) | |
|-------------------------------------|-------------------------|---------------------|---------------------|-------------|
| | 2025 | 2024 | Dollars | Percent (%) |
| General government support | \$ 1,364,861 | \$ 1,303,631 | \$ 61,230 | 4.7 |
| Public safety | 1,231,230 | 1,265,372 | (34,142) | (2.7) |
| Health | 1,384 | 1,823 | (439) | (24.1) |
| Transportation | 1,557,830 | 1,284,328 | 273,502 | 21.3 |
| Economic assistance and opportunity | 1,164 | 2,431 | (1,267) | (52.1) |
| Culture and recreation | 611,924 | 876,804 | (264,880) | (30.2) |
| Home and community services | 1,006,407 | 938,573 | 67,834 | 7.2 |
| Interest and other fiscal charges | 110,487 | 116,069 | (5,582) | (4.8) |
| Total expenses | <u>\$ 5,885,287</u> | <u>\$ 5,789,031</u> | <u>\$ 96,256</u> | 1.7 |

The Town’s most significant expense items for the year ended December 31, 2025 are transportation of \$1,557,830, or 26.5 percent of total expenses, general government support of \$1,364,861, or 23.2 percent of total expenses, and public safety of \$1,231,230, or 20.9 percent of total expenses. For the year ended December 31, 2024, the most significant expenses were general government support of \$1,303,631, or 22.5 percent of total expenses, transportation of \$1,284,328, or 22.2 percent of total expenses, and public safety of \$1,265,372 or 21.9 percent of total expenses.

Financial Analysis of Governmental Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds—The focus of the Town’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not been limited to use for a particular purpose by an external party, the Town itself, or a group of individuals that has been delegated authority to assign resources for use for particular purposes by the Town Board.

At December 31, 2025, the Town’s governmental funds reported combined ending fund balances of \$5,774,735, an increase of \$601,285 from the prior year. With the exception of the Capital Projects Fund deficit, *unassigned fund balance* is \$1,771,419 as of December 31, 2025, which is available for spending at the Town’s discretion. The remainder of fund balance is either *nonspendable*, *restricted*, or *assigned* to indicate that it is: (1) not in spendable form, \$442,053, (2) restricted for particular purposes, \$708,484, or (3) assigned for particular purposes, \$4,123,080.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,771,419, while total fund balance increased to \$2,495,703. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures and transfers out. Unassigned fund balance represents

approximately 78.8 percent of General Fund expenditures and transfers out, while total fund balance represents 111.0 percent of that same amount.

The total fund balance of the Town's General Fund increased by \$169,780 during the current fiscal year. During the annual budget process, the Town anticipated utilizing \$666,594 of unrestricted fund balance (\$600,000 appropriated during the budget process and a \$66,594 carryover of prior year encumbrances). As a result of more than anticipated revenues related interest earnings and sales tax and less than anticipated culture and recreation costs, the Town's General Fund fund balance ended \$836,374 higher than anticipated with the original budget.

The total fund balance of the Town's Highway Fund increased \$215,293 during the current fiscal year. During the annual budget process, the Town anticipated utilizing \$761,515 of fund balance (\$100,000 appropriated during the budget process and a \$661,515 carryover of prior year encumbrances). As a result of less than anticipated transportation expenditures, the Town's Highway Fund fund balance ended \$976,808 higher than anticipated with the original budget.

The total fund balance of the Town's Water Districts Fund decreased \$10,710 during the current fiscal year. During the annual budget process, the Town anticipated utilizing \$49,461 of fund balance. As a result of less than anticipated spending in home and community services expenditures, the Town's Water Districts Fund fund balance ended \$38,751 higher than anticipated with the original budget.

The total fund balance of the Town's Fire Protection Fund increased \$50,781 during the current fiscal year. During the annual budget process, the Town anticipated utilizing \$40,000 of fund balance. As a result of an increase in interest earnings and revenues associated with the Town's LOSAP program the Town's Fire District Fund ended \$90,781 higher than anticipated with the original budget.

The Town's Capital Projects Fund ending fund balance was in a deficit position of \$1,270,301, primarily due to certain projects funded with short-term financing. During the year ended December 31, 2025, the Capital Projects Fund fund balance increased by \$146,314 as a result of budgeted transfers from the General Fund and Water Districts Fund. The fund balance deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal and interest payments on the bond anticipation notes.

General Fund Budgetary Highlights

The Town's General Fund budget generally contains budget amendments during the year. The budget is allowed to be amended upward (increased) for prior year's encumbrances since the funds were allocated under the previous year's budget, and the Town has appropriately assigned an equal amount of fund balance at year-end for this purpose. Furthermore, the budget is allowed to be amended upward (increased) for additional current year appropriations supported by an increase in budgeted revenues. A budgetary comparison schedule within the required supplementary information section of this report has been provided to demonstrate compliance with their budget.

A summary of the General Fund results of operations for the year ended December 31, 2025 is presented on the following page in Table 5.

Table 5—General Fund Budget

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|--|-------------------------|---------------------|-------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget</u> |
| Revenues and other financing sources | \$ 2,026,980 | \$ 2,036,937 | \$ 2,418,919 | \$ 381,982 |
| Expenditures and other financing uses | <u>2,693,574</u> | <u>2,703,531</u> | <u>2,249,139</u> | <u>454,392</u> |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses | <u>\$ (666,594)</u> | <u>\$ (666,594)</u> | <u>\$ 169,780</u> | <u>\$ 836,374</u> |

Original budget compared to final budget—During the year, the Town amended appropriations for various purposes. The primary increase was \$9,457 within culture and recreation expenditures. The increase was primarily due to Town park projects not originally budgeted for.

Final budget compared to actual results—The General Fund had a favorable variance from final budgetary appropriations of \$454,392 and a favorable variance from final budgetary revenues and other financing sources of \$381,982. The primary positive variance in appropriations was realized in culture and recreation due to less than anticipated costs related to repaving of the Town’s bike path. The primary positive revenue variances were realized in sales tax and interest earnings.

Capital and Right-to-Use Lease Asset and Debt Administration

Capital and right-to-use lease assets—The Town’s investment in capital assets for its governmental activities as of December 31, 2025, amounts to \$19,665,470 (net of accumulated depreciation/amortization). This investment in capital and right-to-use lease assets includes land, land improvements, buildings, building improvements, machinery and equipment, infrastructure, and right-to-use lease assets. Capital assets net of depreciation/amortization for the governmental activities at December 31, 2025 and 2024 are presented in Table 6 below.

Table 6—Summary of Capital Assets (Net of Depreciation/Amortization)

| | <u>December 31,</u> | |
|--------------------------|----------------------|----------------------|
| | <u>2025</u> | <u>2024</u> |
| Land | \$ 567,830 | \$ 582,400 |
| Construction in progress | 10,000 | - |
| Land improvements | 511,028 | 567,221 |
| Buildings | 3,382,608 | 3,536,232 |
| Building improvements | 639,272 | 651,565 |
| Machinery and equipment | 1,352,490 | 1,129,117 |
| Infrastructure | 13,112,284 | 13,604,746 |
| Right-to-use lease asset | <u>89,958</u> | <u>102,809</u> |
| Total | <u>\$ 19,665,470</u> | <u>\$ 20,174,090</u> |

Additional information on the Town’s capital and right-to-use lease assets can be found in Note 4 to the financial statements.

Long-term debt—At December 31, 2025, the Town had serial bonds outstanding of \$4,858,735, as compared to \$5,266,168 in the prior year. This amount represents bonded indebtedness backed by the full faith and credit of the Town. During the year ended December 31, 2025, the Town made scheduled principal payments of \$407,433.

The Town’s governmental activities also have recorded long-term liabilities for compensated absences, lease liability and the net pension liability.

A summary of the Town’s long-term liabilities at December 31, 2025 and December 31, 2024 is presented in Table 7 below.

Table 7—Summary of Long-Term Liabilities

| | December 31, | |
|-----------------------|---------------------|---------------------|
| | 2025 | 2024 |
| Serial bonds | \$ 4,858,735 | \$ 5,266,168 |
| Compensated absences | 320,247 | 270,521 |
| Lease liability | 104,242 | 114,821 |
| Net pension liability | 668,183 | 736,564 |
| Total | <u>\$ 5,951,407</u> | <u>\$ 6,388,074</u> |

Additional information on the Town’s long-term liabilities can be found in Note 11 to the financial statements.

Economic Factors

The unemployment rate, not seasonally adjusted, for the Buffalo-Niagara region during December 2025 was 4.1 percent. This compares to the New York State and national unemployment rate of 4.5 and 4.4 percent, respectively. These factors are considered in preparing the Town’s budget.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the Town’s finances and to show the Town’s accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Supervisor’s Office, Town of Newstead, 5 Clarence Center Road, P.O. Box 227, Akron, New York 14001.

BASIC FINANCIAL STATEMENTS

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TOWN OF NEWSTEAD, NEW YORK
Statement of Net Position
December 31, 2025

| | Primary Government |
|--|------------------------------------|
| | Governmental Activities |
| ASSETS | |
| Cash and cash equivalents | \$ 2,295,374 |
| Restricted cash and cash equivalents | 113,182 |
| Investments | 3,571,802 |
| Restricted investments | 615,638 |
| Receivables | 24,917 |
| Intergovernmental receivables | 430,669 |
| Lease receivable | 7,945,252 |
| Prepaid items | 105,298 |
| Capital assets not being depreciated/amortized | 577,830 |
| Capital assets, net of accumulated depreciation/amortization | 19,087,640 |
| Total assets | 34,767,602 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows—relating to pensions | 425,125 |
| Total deferred outflows of resources | 425,125 |
| LIABILITIES | |
| Accounts payable | 89,901 |
| Accrued liabilities | 109,249 |
| Bond anticipation notes payable | 1,566,000 |
| Noncurrent liabilities: | |
| Due within one year | 449,043 |
| Due within more than one year | 5,502,364 |
| Total liabilities | 7,716,557 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows—relating to leases | 7,608,497 |
| Deferred inflows—relating to pensions | 181,468 |
| Total deferred inflows of resources | 7,789,965 |
| NET POSITION | |
| Net investment in capital assets | 13,156,829 |
| Restricted for: | |
| Tax stabilization | 92,846 |
| LOSAP | 615,638 |
| Unrestricted | 5,820,892 |
| Total net position | \$ 19,686,205 |

The notes to the financial statements are an integral part of this statement.

TOWN OF NEWSTEAD, NEW YORK
Statement of Activities
Year Ended December 31, 2025

| Function/Program | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position |
|-------------------------------------|---------------------|---------------------------------|---|---|--|
| | | | | | Primary Governmental Activities |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| General government support | \$ 1,364,861 | \$ 67,696 | \$ 6,032 | \$ - | \$ (1,291,133) |
| Public safety | 1,231,230 | 100,658 | - | - | (1,130,572) |
| Health | 1,384 | - | - | - | (1,384) |
| Transportation | 1,557,830 | 562,645 | - | 137,256 | (857,929) |
| Economic assistance and opportunity | 1,164 | - | - | - | (1,164) |
| Culture and recreation | 611,924 | 25,425 | - | - | (586,499) |
| Home and community services | 1,006,407 | 129,999 | 5,017 | - | (871,391) |
| Interest and other fiscal charges | 110,487 | - | - | - | (110,487) |
| Total primary government | <u>\$ 5,885,287</u> | <u>\$ 886,423</u> | <u>\$ 11,049</u> | <u>\$ 137,256</u> | <u>(4,850,559)</u> |
| General revenues: | | | | | |
| | | | | | 3,308,953 |
| | | | | | 1,334,755 |
| | | | | | 374,783 |
| | | | | | 167,585 |
| | | | | | 215,570 |
| | | | | | <u>5,401,646</u> |
| | | | | | 551,087 |
| | | | | | 19,135,118 |
| | | | | | <u>\$ 19,686,205</u> |

The notes to the financial statements are an integral part of this statement.

TOWN OF NEWSTEAD, NEW YORK
Balance Sheet—Governmental Funds
December 31, 2025

| | Special Revenue | | | | | | Total Nonmajor Funds | Total Governmental Funds |
|--------------------------------------|----------------------|---------------------|--------------------|--------------------------------|---------------------|-------------------|----------------------------|--------------------------------|
| | General | Highway | Water Districts | Fire Protection District | Capital Projects | | | |
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 551,536 | \$ 1,135,363 | \$ 207,033 | \$ 454 | \$ 77,070 | \$ 323,918 | \$ 2,295,374 | |
| Restricted cash and cash equivalents | 27,863 | 64,983 | - | - | 20,336 | - | 113,182 | |
| Investments | 1,421,081 | 972,974 | 444,617 | 182,546 | 198,293 | 352,291 | 3,571,802 | |
| Restricted investments | - | - | - | 615,638 | - | - | 615,638 | |
| Receivables | 16,329 | - | - | - | - | 8,588 | 24,917 | |
| Intergovernmental receivables | 143,283 | 287,386 | - | - | - | - | 430,669 | |
| Lease receivable | 7,945,252 | - | - | - | - | - | 7,945,252 | |
| Prepaid items | 62,221 | 27,440 | - | - | - | 15,637 | 105,298 | |
| Total assets | <u>\$ 10,167,565</u> | <u>\$ 2,488,146</u> | <u>\$ 651,650</u> | <u>\$ 798,638</u> | <u>\$ 295,699</u> | <u>\$ 700,434</u> | <u>\$ 15,102,132</u> | |
| LIABILITIES | | | | | | | | |
| Accounts payable | \$ 53,511 | \$ 1,837 | \$ 132 | \$ - | \$ - | \$ 34,421 | \$ 89,901 | |
| Accrued liabilities | 9,854 | 10,212 | - | 32,963 | - | 9,970 | 62,999 | |
| Bond anticipation notes payable | - | - | - | - | 1,566,000 | - | 1,566,000 | |
| Total liabilities | <u>63,365</u> | <u>12,049</u> | <u>132</u> | <u>32,963</u> | <u>1,566,000</u> | <u>44,391</u> | <u>1,718,900</u> | |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | |
| Deferred inflows—relating to leases | 7,608,497 | - | - | - | - | - | 7,608,497 | |
| Total deferred inflows of resources | <u>7,608,497</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,608,497</u> | |
| FUND BALANCES (DEFICIT) | | | | | | | | |
| Nonspendable | 398,976 | 27,440 | - | - | - | 15,637 | 442,053 | |
| Restricted | 27,863 | 64,983 | - | 615,638 | - | - | 708,484 | |
| Assigned | 297,445 | 2,383,674 | 651,518 | 150,037 | - | 640,406 | 4,123,080 | |
| Unassigned | 1,771,419 | - | - | - | (1,270,301) | - | 501,118 | |
| Total fund balances (deficit) | <u>2,495,703</u> | <u>2,476,097</u> | <u>651,518</u> | <u>765,675</u> | <u>(1,270,301)</u> | <u>656,043</u> | <u>5,774,735</u> | |
| Total liabilities | | | | | | | | |

The notes to the financial statements are an integral part of this statement.

TOWN OF NEWSTEAD, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
December 31, 2025

Amounts reported for governmental activities in the statement of net position (page 12) are different because:

| | | |
|---|--------------------|---------------|
| Total fund balances (deficit)—governmental funds (page 14) | \$ | 5,774,735 |
| <p>Capital and right-to-use lease assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements. The cost of the assets is \$36,152,798 and the accumulated depreciation/amortization is \$16,487,328.</p> | | |
| | | 19,665,470 |
| <p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund statements:</p> | | |
| Deferred outflows related to employer contributions | | |
| Deferred outflows related to experience, changes of assumptions, investment earnings, and changes in proportion | 149,972 275,153 | |
| Deferred inflows of resources related to pension plans | (181,468) | 243,657 |
| <p>Net accrued interest expense for serial bonds and bond anticipation notes is not reported in the fund statements.</p> | | |
| | | (46,250) |
| <p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements. The effects of these items are:</p> | | |
| Serial bonds | \$ (4,858,735) | |
| Compensated absences | (320,247) | |
| Lease liability | (104,242) | |
| Net pension liability | (668,183) | (5,951,407) |
| Net position of governmental activities | | \$ 19,686,205 |

The notes to the financial statements are an integral part of this statement.

TOWN OF NEWSTEAD, NEW YORK
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)—Governmental Funds
Year Ended December 31, 2025

| | Special Revenue | | | | | | Total Nonmajor Funds | Total Governmental Funds |
|---|---------------------|---------------------|--------------------|--------------------------------|-----------------------|-------------------|----------------------------|--------------------------------|
| | General | Highway | Water Districts | Fire Protection District | Capital Projects | | | |
| REVENUES | | | | | | | | |
| Real property taxes | \$ 1,373,403 | \$ 133,484 | \$ 574,213 | \$ 675,709 | \$ - | \$ 535,222 | \$ 3,292,031 | |
| Real property tax items | 16,922 | - | - | - | - | - | 16,922 | |
| Non-property tax items | 327,212 | 900,000 | - | - | - | 107,543 | 1,334,755 | |
| Departmental income | 39,168 | - | 6,182 | - | - | 31,639 | 76,989 | |
| Intergovernmental charges | 34,855 | 561,134 | - | - | - | - | 595,989 | |
| Use of money and property | 232,105 | 68,565 | 26,936 | 11,588 | 10,006 | 25,583 | 374,783 | |
| Licenses and permits | 14,990 | - | - | - | - | 101,197 | 116,187 | |
| Fines and forfeitures | 97,258 | - | - | - | - | - | 97,258 | |
| Miscellaneous | 70,354 | 2,937 | 116 | 74,988 | 5,876 | 13,314 | 167,585 | |
| State aid | 209,188 | 137,256 | 5,017 | - | - | 8,950 | 360,411 | |
| Federal aid | 3,464 | - | - | - | - | - | 3,464 | |
| Total revenues | <u>2,418,919</u> | <u>1,803,376</u> | <u>612,464</u> | <u>762,285</u> | <u>15,882</u> | <u>823,448</u> | <u>6,436,374</u> | |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| General government support | 1,000,608 | - | - | - | - | 152 | 1,000,760 | |
| Public safety | 38,200 | - | - | 638,484 | - | 144,940 | 821,624 | |
| Health | 1,189 | - | - | - | - | - | 1,189 | |
| Transportation | 188,872 | 1,321,959 | - | - | - | - | 1,510,831 | |
| Economic assistance and opportunity | 1,000 | - | - | - | - | - | 1,000 | |
| Culture and recreation | 515,223 | - | - | - | - | - | 515,223 | |
| Home and community services | 17,793 | - | 96,563 | - | - | 550,077 | 664,433 | |
| Employee benefits | 339,927 | 266,124 | 140 | 73,020 | - | 98,452 | 777,663 | |
| Debt service: | | | | | | | | |
| Principal | 100,579 | - | 317,433 | - | - | - | 418,012 | |
| Interest and other fiscal charges | 18,248 | - | 97,038 | - | - | - | 115,286 | |
| Capital outlay | - | - | - | - | 9,068 | - | 9,068 | |
| Total expenditures | <u>2,221,639</u> | <u>1,588,083</u> | <u>511,174</u> | <u>711,504</u> | <u>9,068</u> | <u>793,621</u> | <u>5,835,089</u> | |
| Excess (deficiency) of revenues over expenditures | <u>197,280</u> | <u>215,293</u> | <u>101,290</u> | <u>50,781</u> | <u>6,814</u> | <u>29,827</u> | <u>601,285</u> | |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Transfers in | - | - | - | - | 139,500 | - | 139,500 | |
| Transfers out | (27,500) | - | (112,000) | - | - | - | (139,500) | |
| Total other financing sources (uses) | <u>(27,500)</u> | <u>-</u> | <u>(112,000)</u> | <u>-</u> | <u>139,500</u> | <u>-</u> | <u>-</u> | |
| Net change in fund balances (deficit) | 169,780 | 215,293 | (10,710) | 50,781 | 146,314 | 29,827 | 601,285 | |
| Fund balances (deficit)—beginning | 2,325,923 | 2,260,804 | 662,228 | 714,894 | (1,416,615) | 626,216 | 5,173,450 | |
| Fund balances (deficit)—ending | <u>\$ 2,495,703</u> | <u>\$ 2,476,097</u> | <u>\$ 651,518</u> | <u>\$ 765,675</u> | <u>\$ (1,270,301)</u> | <u>\$ 656,043</u> | <u>\$ 5,774,735</u> | |

The notes to the financial statements are an integral part of this statement.

TOWN OF NEWSTEAD, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances (Deficit)—Governmental Funds to the Government-wide Statement of Activities
Year Ended December 31, 2025

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Net change in fund balances (deficit)—total governmental funds (page 16) \$ 601,285

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which depreciation/amortization expense and loss on disposals exceeded capital outlays in the current period.

| | | |
|-----------------------------------|------------|-----------|
| Capital asset additions | \$ 598,678 | |
| Loss on disposal of assets | (125,061) | |
| Depreciation/amortization expense | (982,237) | (508,620) |

Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:

| | | |
|---|------------|--------|
| Direct pension contributions | \$ 192,144 | |
| Cost of benefits earned net of employee contributions | (106,807) | 85,337 |

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. 4,799

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:

| | | |
|--------------------------------|----------|---------|
| Repayment of serial bonds | 407,433 | |
| Change in compensated absences | (49,726) | |
| Repayment of lease liability | 10,579 | 368,286 |

Change in net position of governmental activities \$ 551,087

The notes to the financial statements are an integral part of this statement.

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TOWN OF NEWSTEAD, NEW YORK
Notes to the Financial Statements
Year Ended December 31, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Town of Newstead, New York (the “Town”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town’s accounting policies are described below.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all the nonfiduciary activities of the Town. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. The Town reports no business-type activities. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Town reports no component units or fiduciary activities.

Reporting Entity

The Town, which was established in 1823, is a unit of local government created by the State of New York. The Town operates under provisions of New York State law and with authority vested by those statutes. The five-member Town Board is the legislative body responsible for overall operations. The Supervisor serves as both Chief Executive Officer and Chief Fiscal Officer.

Independently elected officials of the Town consist of the following:

| | |
|--------------------|----------------------------|
| Supervisor | Town Clerk |
| Councilmembers (4) | Superintendent of Highways |
| Town Justices (2) | |

The Town is located in the County of Erie, New York. The Village of Akron operates within the boundaries of the Town. Public education is provided by two independent school districts within the Town.

The Town provides services for general government support, fire protection, safety inspection, highway maintenance, recreational programs, water maintenance, street lighting, and refuse and garbage collection.

All governmental activities and functions performed for the Town are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

Basis of Presentation—Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments and charges between the Town's various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of Presentation—Fund Financial Statements

The fund financial statements provide information about the Town's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Town reports the following major governmental funds:

- *General Fund*—The General Fund constitutes the primary operating fund of the Town and includes all operations not required to be recorded in other funds. The principal source of revenue for the General Fund is real property taxes.
- *Highway Fund*—The Highway Fund provides townwide and part-town highway services as set forth by the New York Highway Law. It is used to record all revenues and expenditures related to road maintenance and construction throughout the Town. The principal source of revenue for the Highway Fund is non-property tax items.
- *Water Districts Fund*—The Water Districts Fund is used to record all revenues and expenditures related to operation and maintenance of the Town's water districts. The principal source of revenue for the Water Districts Fund is real property taxes.
- *Fire Protection District Fund*—The Fire Protection District Fund is used to record all revenues and expenditures related to fire protection in the Town. The principal source of revenue for the Fire Protection District Fund is real property taxes.
- *Capital Projects Fund*—The Capital Projects Fund accounts for the acquisition and construction of the Town's major capital facilities, roads and infrastructure.

During the course of operations the Town has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pensions, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and lease acquisitions are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met and the amount is received during the period or within the period of availability. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and amount is received during the period of availability. All other revenue items are considered to be measurable and available only when cash is received by the Town.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents—The Town’s cash and cash equivalents consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition.

Restricted Cash and Cash Equivalents—Restricted cash and cash equivalents represent amounts to support restricted fund balance and unspent proceeds of debt. As of December 31, 2025, the General Fund, Highway Fund and Capital Projects Fund maintained restricted cash balances.

Investments—Investments represent short-term, highly liquid investments with original maturities of three months or greater from the date of acquisition. The Town’s investments consist of treasury bills and a certificate of deposit at December 31, 2025.

Restricted Investments—The Town’s restricted investments consist mainly of annuity contracts related to the Town’s Length of Service Award Program (“LOSAP”).

Intergovernmental Receivables—Receivables include amounts due from state and federal governments represent amounts owed to the Town to reimburse it for expenditures incurred pursuant

to state and federally funded programs. Receivables are recorded and revenues recognized as earned. Allowances are recorded when appropriate.

Lease Receivable—The Town is a lessor for a noncancellable lease of a cell tower land. The Town recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Prepaid Items—Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenses/expenditures when consumed rather than when purchased.

Capital and Right-to-Use Lease Assets—Capital and right-to-use lease assets, which include land, construction in progress, land improvements, buildings, building improvements, equipment, infrastructure, and right-to-use leased assets (e.g. roads, bridges, drainage systems and similar items) are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at estimated acquisition value of the item at the date of its donation. Right-to-use lease assets were initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs and are amortized on a straight-line basis over their useful lives.

Land and construction in progress are not depreciated/amortized. The other capital and right-to-use lease assets of the primary government are depreciated/amortized using the straight-line method over the following estimated useful lives:

| | <u>Years</u> |
|----------------------------|--------------|
| Land improvements | 20 |
| Buildings | 40 |
| Building improvements | 20 |
| Machinery | 5-13 |
| Infrastructure: | |
| Roads | 10 |
| Bridges and culverts | 25 |
| Sanitary sewer system | 30 |
| Water system | 50 |
| Right-to-use leased assets | 11 |

The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in the General Fund and other governmental funds are included in the appropriate functional category (i.e. the purchase of a new highway vehicle included as part of *expenditures—transportation*). At times, the amounts reported as *capital outlays* in the Capital

Projects Fund will also include non-capitalized, project-related costs (i.e. furnishings below the capitalization threshold).

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At December 31, 2025, the Town has one item that qualifies for reporting in this category. This item represents the effect of the net change in the Town’s proportion of the collective net pension liability, the difference during the measurement period between the Town’s contribution and its proportionate share of the total contribution to the pension system not included in the pension expense, and any contribution to the pension system made subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At December 31, 2025, the Town has two items that qualify for reporting in this category. The first item represents the effect of the net change in the Town’s proportion of the collective net pension liability and the difference during the measurement periods between the Town’s contributions and its proportionate share of total contributions to the pension systems not included in pension expense, and is reported on the government-wide statements. The second item is related to leases receivable and reported on the government-wide statements and on the balance sheet of governmental funds, is recognized at the commencement of the Town’s lease receivable and amortized over the life of the lease.

Net Position Flow Assumption—Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Fund Balance Flow Assumption—Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Town can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The Town Board is the highest level of decision-making authority for the Town that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation

imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as committed. The Town Supervisor may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenses/Expenditures

Program Revenues—Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues.

Property Taxes—The Erie County Legislature prepares the levy in late December of each year and jointly bills the Town levy and Erie County real property taxes. Property tax levies become a lien as of January 1st based on assessed property values as of that date.

Tax payments are due January 1st to March 15th without penalty; March 16th to April 30th a 7.5% penalty; and 1.5% added each month thereafter.

The tax roll is returned to the Erie County Commissioner of Finance after June 30th at which time all unpaid taxes and penalties are payable to that office. The Town retains their full tax levies for all unpaid items that are returned to the County. Thus, the Town is assured of receiving 100% of its tax levy. The County enforces all liens.

The Town also collects taxes for various school districts within Town limits. Collections of the school district taxes and remittances of them are accounted for by the Receiver of Taxes, independent of Town operations.

Compensated Absences—Certain Town employees are granted vacation and sick leave and earn compensatory absences in varying amounts. Pursuant to a contractual agreement, Highway Department employees are allowed to accumulate earned but unused vacation and sick pay benefits. Upon retirement certain eligible employees qualify for paid hospitalization insurance premiums based on fractional values of unused sick leave. Certain elected and appointed officials earn contributions toward medical benefits for a period of five years after they leave Town service.

Payment of compensated absences recorded in the government-wide financial statements is dependent on many factors; therefore, the timing of future payments is not readily determinable. However, management believes that sufficient resources will be available for the payment of compensated absences when such payments become due.

Pension Plans—The Town is mandated by New York State law to participate in the New York State Local Employees' Retirement System ("ERS"). For purposes of measuring the net pension liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans,

and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 6.

Service Awards—The Town has adopted a Length of Service Award Program (“LOSAP”) for firefighters that serve on a volunteer basis. The program is administered by an outside agency, with the Town as trustee. More information regarding service awards is included in Note 7.

Other

Estimates—The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues, expenditures, assets, liabilities, deferred outflows/inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements during the reported period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements—During the year ended December 31, 2025, the Town implemented GASB Statement No. 102, *Certain Risk Disclosures*. GASB Statement No. 102 provides users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. The implementation of GASB Statement No. 102 did not have a material impact on the Town’s financial position or results from operations.

Future Impacts of Accounting Pronouncements—The Town has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 103, *Financial Reporting Model Improvements*; and No. 104, *Disclosure of Certain Capital Assets*, effective for the year ending December 31, 2026; No. 105 *Subsequent Events*, effective for the year ending December 31, 2027. The Town is, therefore, unable to disclose the impact that adopting GASB Statements No. 103, 104, and 105 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

Legal Compliance—Budgets—The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to September 30th, the Town Supervisor files a “tentative” budget with the Town Clerk for the following fiscal year to commence on January 1st. This budget, which includes appropriations and estimated revenues, is then presented to the full Town Board by October 5th.
- The full Town Board reviews the tentative budget and may adjust same before approving a “preliminary” budget and calling for a public hearing, which is generally held in October.
- Following the public hearing, revisions may again be made by the Town Board before filing an adopted budget with Erie County by November 20th.
- During the fiscal year, the Town Board can legally amend the operating budgets and is empowered to implement supplemental appropriations. Budget amendments are required for the departmental budgetary control. All budget amendments and budget transfers in excess of \$1,000 require Town Board approval.

Deficit Fund Balances—At December 31, 2025, the Capital Projects Fund, a major fund, has a deficit fund balance of \$1,270,301. The primary reason for the deficit in this case is the issuance of bond anticipation notes (“BANs”), which do not qualify for treatment as a long-term liability. Accordingly, the BANs are reported as a fund liability in the Capital Projects Fund balance sheet rather than an other financing source on the statement of revenues, expenditures, and changes in fund balances. When the cash from the BANs is spent, expenditures are reported and fund balance is reduced. Because the BANs are the main source of resources for the fund, the result is an overall fund deficit. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal and interest payments on the BANs.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The Town’s investment policies are governed by State statutes. In addition, the Town has its own written investment policy. Town monies must be deposited in FDIC-insured commercial banks or trust companies located within New York State. The Supervisor is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The Town has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligation that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York.

Cash and cash equivalents at December 31, 2025, are as follows:

| | Governmental Funds |
|-------------------------------|-----------------------|
| Petty cash (uncollateralized) | \$ 400 |
| Deposits | <u>2,408,156</u> |
| Total | <u>\$ 2,408,556</u> |

Deposits—All deposits are carried at fair value and are classified by custodial credit risk at December 31, 2025 as follows:

| | Bank Balance | Carrying Amount |
|--|---------------------|---------------------|
| FDIC insured | \$ 376,263 | \$ 343,912 |
| Uninsured: | | |
| Collateral held by pledging bank's agent in the Town's name | <u>2,064,247</u> | <u>2,064,244</u> |
| Total | <u>\$ 2,440,510</u> | <u>\$ 2,408,156</u> |

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. At December 31, 2025, the Town’s deposits were

Restricted Cash and Cash Equivalents—The Town reported restricted cash, totaling \$368,375, within its governmental funds. These funds are restricted for future disbursements associated with tax stabilization within the General and Highway Funds and represent unspent proceeds of debt within the Capital Projects Fund.

Interest Rate Risk—In accordance with its investment policy, the Town manages exposures by limiting investments to low risk type investments governed by New York State statute.

Investments—Fair Value Measurements—Accounting standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below.

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments—As of December 31, 2025, the Town has treasury bills of \$2,971,802 and a certificate of deposit of \$600,000 valued using quoted market prices for identical assets in active markets (level 1 input).

Restricted Investments—The Town restricted investments consist of money market funds and mutual funds in the amount of \$615,638 for the administration of the Town’s defined contribution LOSAP program. The LOSAP investments of the Town at December 31, 2025 are considered level 1 inputs.

3. RECEIVABLES

Revenues accrued by the Town at December 31, 2025 consisted of the following:

Receivables—Represent amounts due from various sources. Receivables at December 31, 2025 are as follows:

| | | | |
|-------------------------------------|----|--------------|------------------|
| General Fund: | | | |
| Town Clerk fees and charges | \$ | 1,758 | |
| Court fines and fees | | 10,941 | |
| School taxes | | 1,091 | |
| Other | | <u>2,539</u> | \$ 16,329 |
| Nonmajor Funds: | | | |
| <i>Town Outside Village:</i> | | | |
| Town Clerk fees and charges | | | 6,864 |
| <i>Refuse and Garbage District:</i> | | | |
| Town Clerk fees and charges | | | 443 |
| <i>Sanitary Sewer District:</i> | | | |
| Sewer rents receivable | | | <u>1,281</u> |
| Total nonmajor funds | | | <u>8,588</u> |
| Total governmental funds | | | <u>\$ 24,917</u> |

Intergovernmental Receivables—Represent amounts due from other units of government, such as Federal, New York State, County of Erie or other local governments. Intergovernmental receivables at December 31, 2025 are as shown below:

| | | | |
|---------------------------|----|--------------|------------------|
| Governmental funds: | | | |
| General Fund: | | | |
| Erie County—sales tax | \$ | 141,703 | |
| Village of Akron | | <u>1,580</u> | \$ 143,283 |
| Highway Fund: | | | |
| Erie County—snow contract | | 286,068 | |
| Village of Akron | | <u>1,318</u> | <u>287,386</u> |
| Total governmental funds | | | <u>\$430,669</u> |

Leases Receivable—The Town recognizes the lease of cell tower land to a third party. The lease has an original maturity of seventy-five years, and the Town receives variable annual payments. The Town is a lessor for a noncancellable lease of cell tower land. The Town recognized \$15,043 in lease revenue and \$19,884 in interest revenue during the current fiscal year related to this lease. As of December 31, 2025, the Town’s receivable for lease payments was \$7,945,252. Also, the Town has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of December 31, 2025, the balance of the deferred inflow of resources was \$7,608,497.

4. CAPITAL AND RIGHT-TO-USE LEASE ASSETS

Capital and right-to-use lease asset activity for governmental activities for the year ended December 31, 2025 was as follows:

| | Balance 1/1/2025 | Increases | Decreases | Balance 12/31/2025 |
|--|----------------------|---------------------|-------------------|-----------------------|
| Capital assets, not being depreciated/amortized: | | | | |
| Land | \$ 582,400 | \$ - | \$ 14,570 | \$ 567,830 |
| Construction in progress | - | 10,000 | - | 10,000 |
| Total capital assets, not being depreciated/amortized | <u>582,400</u> | <u>10,000</u> | <u>14,570</u> | <u>577,830</u> |
| Capital assets, being depreciated/amortized: | | | | |
| Land improvements | 705,368 | - | 24,000 | 681,368 |
| Buildings | 6,156,266 | - | - | 6,156,266 |
| Building improvements | 1,408,985 | 81,326 | 67,616 | 1,422,695 |
| Machinery and equipment | 2,760,400 | 431,167 | 258,305 | 2,933,262 |
| Infrastructure | 24,136,909 | 76,185 | - | 24,213,094 |
| Right-to-use lease asset | 168,283 | - | - | 168,283 |
| Total capital assets, being depreciated/amortized | <u>35,336,211</u> | <u>588,678</u> | <u>349,921</u> | <u>35,574,968</u> |
| Less accumulated depreciation/amortization for: | | | | |
| Land improvements | 138,147 | 34,068 | 1,875 | 170,340 |
| Buildings | 2,620,034 | 153,624 | - | 2,773,658 |
| Building improvements | 757,420 | 67,068 | 41,065 | 783,423 |
| Machinery and equipment | 1,631,283 | 145,979 | 196,490 | 1,580,772 |
| Infrastructure | 10,532,163 | 568,647 | - | 11,100,810 |
| Right-to-use lease asset | 65,474 | 12,851 | - | 78,325 |
| Total accumulated depreciation/amortization | <u>15,744,521</u> | <u>982,237</u> | <u>239,430</u> | <u>16,487,328</u> |
| Total capital assets, being depreciated/amortized, net | <u>19,591,690</u> | <u>(393,559)</u> | <u>110,491</u> | <u>19,087,640</u> |
| Governmental activities capital assets, net | <u>\$ 20,174,090</u> | <u>\$ (383,559)</u> | <u>\$ 125,061</u> | <u>\$ 19,665,470</u> |

Depreciation expense was charged to the functions of governmental activities as follows:

| | |
|------------------------------|-------------------|
| Governmental activities: | |
| General governmental support | \$ 145,889 |
| Public safety | 274,572 |
| Transportation | 257,247 |
| Culture and recreation | 71,755 |
| Home and community services | 232,774 |
| Total | <u>\$ 982,237</u> |

5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds as of December 31, 2025, were as follows:

| | General Fund | Highway Fund | Fire Protection District Fund | Nonmajor Funds | Total Governmental Funds |
|------------------------------|-----------------|------------------|--|-------------------|--------------------------------|
| Salary and employee benefits | \$ 9,854 | \$ 10,212 | \$ - | \$ 9,970 | \$ 30,036 |
| LOSAP contribution | - | - | 32,963 | - | 32,963 |
| Total | <u>\$ 9,854</u> | <u>\$ 10,212</u> | <u>\$ 32,963</u> | <u>\$ 9,970</u> | <u>\$ 62,999</u> |

6. PENSION PLANS

Plan Description and Benefits Provided

New York State and Local Employees’ Retirement System (“ERS”)—The Town participates in the ERS. This cost-sharing multiple-employer public employee retirement system computes contribution retirements based on the New York State Retirement and Social Security Law (“NYSRSSL”). The ERS provides retirement benefits as well as death and disability benefits. The net position of the ERS is held in the New York State Common Retirement Fund (the “Fund”), which was established to hold all net assets and record changes in plan net position allocated to the ERS. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the ERS. The ERS benefits are established under the provisions of the New York State Retirement and Social Security Law (“NYSRSSL”). Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Town also participates in the Public Employees’ Group Life Insurance Plan (“GLIP”), which provides death benefits in the form of life insurance. The ERS is included in the State’s financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The ERS is noncontributory, except for employees who joined after July 27, 1976, who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute three percent (3%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during the Systems’ fiscal year ending March 31.

Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At December 31, 2025, the Town reported the liability on the following page for its proportionate share of the net pension liability for ERS. The net pension liability was measured as of March 31, 2025. The total pension liability used to calculate the net pension liability was determined by actuarial valuations as of April 1, 2024, with update procedures used to roll forward the total net pension liability to the measurement date. The Town’s proportion of the net pension liability was based on projections of the Town’s long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided to the Town.

| | |
|--|----------------|
| | <u>ERS</u> |
| Measurement date | March 31, 2025 |
| Net pension liability | \$ 668,183 |
| Town's portion of the Plan's total net pension liability | 0.0038971% |

For the year ended December 31, 2025, the Town recognized ERS pension expense of \$106,793. At December 31, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | | |
|---|--------------------|-------------------|
| | <u>ERS</u> | |
| | <u>Deferred</u> | <u>Deferred</u> |
| | <u>Outflows of</u> | <u>Inflows of</u> |
| | <u>Resources</u> | <u>Resources</u> |
| Differences between expected and actual experiences | \$ 165,848 | \$ 7,823 |
| Changes of assumptions | 28,022 | - |
| Net difference between projected and actual earnings on pension plan investments | 52,424 | - |
| Changes in proportion and differences between the Town's contributions and proportionate share of contributions | 28,859 | 173,645 |
| Town contributions subsequent to the measurement date | <u>149,972</u> | <u>-</u> |
| Total | <u>\$ 425,125</u> | <u>\$ 181,468</u> |

The Town's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ending December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|---------------------------------|------------|
| <u>Year Ending December 31,</u> | <u>ERS</u> |
| 2026 | \$ 74,497 |
| 2027 | 136,121 |
| 2028 | (93,757) |
| 2029 | (23,176) |

Actuarial Assumptions—The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension asset to the measurement date. The actuarial valuation used the actuarial assumptions presented on the following page.

| | <u>ERS</u> |
|----------------------------|----------------------------------|
| Measurement date | March 31, 2025 |
| Actuarial valuation date | April 1, 2024 |
| Interest rate | 5.9% |
| Salary scale | 4.4% |
| Decrement tables | April 1, 2015- March 31, 2020 |
| Inflation rate | 2.9% |
| Cost-of-living adjustments | 1.5% |

Annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2021. The actuarial assumptions used in the April 1, 2024 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below.

| | <u>ERS</u> | |
|---|--------------------------|---|
| | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
| | <u>March 31, 2025</u> | |
| Measurement date | | |
| Asset class: | | |
| Domestic equities | 25.0 % | 3.5 % |
| International equities | 14.0 | 6.6 |
| Private equity | 15.0 | 7.3 |
| Real estate | 12.0 | 5.0 |
| Opportunistics/Absolute return strategies | 3.0 | 5.3 |
| Credit | 4.0 | 5.4 |
| Real assets | 4.0 | 5.6 |
| Fixed income | 22.0 | 2.0 |
| Cash | 1.0 | 0.3 |
| Total | <u>100 %</u> | |

Discount Rate—The discount rate used to calculate the total pension liability was 5.9%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the ERS’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—
 The chart below presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 5.9%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (4.9%) or one percentage-point higher (6.9%) than the current assumption.

| <u>ERS</u> | <u>Decrease (4.9%)</u> | <u>Assumption (5.9%)</u> | <u>Increase (6.9%)</u> |
|--|----------------------------|------------------------------|----------------------------|
| Employer's proportionate share of the net pension liability/(asset) | \$ 1,933,806 | \$ 668,183 | \$ (388,613) |

Pension Plan Fiduciary Net Position—The components of the current-year net pension liability of the employers as of the valuation dates, were as follows:

| | <u>(Dollars in Thousands)</u> |
|---|-------------------------------|
| | <u>ERS</u> |
| Valuation date | April 1, 2024 |
| Employers' total pension liability | \$ 247,600,239 |
| Plan fiduciary net position | <u>230,454,512</u> |
| Employers' net pension liability | <u>\$ 17,145,727</u> |
| System fiduciary net position as a percentage of total pension liability | 93.1% |

7. LENGTH OF SERVICE AWARDS PROGRAM (“LOSAP”)

The Town established a defined contribution LOSAP plan for active volunteer firefighters of the Newstead Fire Company. The program took effect on January 1, 2003. The program was established pursuant to Article 11-A of the General Municipal Law. The program provides municipally-funded pension like benefits to facilitate the recruitment and retention of active volunteer firefighters. The Town is the sponsor of the program.

The Town financial statements are for the year ended December 31, 2025. However, the information contained in this note is based on information for the Length of Service Awards Program (“LOSAP”) as of December 31, 2024, which is the most recent plan year for which complete information is available.

Program Description

Participation, Vesting and Service Credit—Active volunteer firefighters who have reached the age of 18 and who have earned 1 year of firefighting service are eligible to participate in the program. Participants acquire a nonforfeitable right to a service award after being credited with 5 years of firefighting service, or upon attaining the program’s entitlement age, or becoming totally and permanently disabled or dying while an active member. The program’s entitlement age is age 65. In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates fifty points. Points are granted for the performance of certain activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for 5 years of firefighting service rendered prior to the establishment of the program.

Benefits—The annual contribution paid by the Town and credited to the account of a Participant who earned fifty points during a calendar year is currently \$480. Accordingly, payment is due annually upon earning the benefits and therefore, the Town does not recognize a liability for future payments. The maximum number of years of service credit a Participant may earn under the “Program” is 40 years. Each participant accrues an individual account balance which contains their accrued service award, and includes the total annual contributions earned by a participant plus a proportionate share of allocated investment income earned on the LOSAP Trust Fund plus an allocated share of interest paid into such fund on prior service contributions less any investment related expenses paid from such Trust Fund. A participant’s accrued service award is payable as soon as administratively possible after January 1 in the next succeeding calendar year after attaining entitlement age. In the case of total and permanent disability before attaining entitlement age the benefit is a lump sum payment equal to the accrued service awarded as of December 31 following the date the disability benefit is awarded and paid to the firefighter and including the contribution for the year the benefit is awarded if the firefighter earned a year of service credit during that year. In the case of death before attaining entitlement age, vested participants would receive a lump-sum payment to the vested Participant’s designated beneficiary equal to the vested Participant’s accrued service award as of December 31 following death and including the contribution for the year of death if the firefighter earned a year of service credit during that calendar year of death.

Fiduciary Investment and Control

Service credit is determined by the governing board of the sponsor, based on information certified to the governing board by each fire company having members who participate in the program. Each fire company must maintain all required records on forms prescribed by the governing board.

The LOSAP is administered by the governing board of the sponsor through recommendations from a Service Award Program Committee (“SAC”). The SAC consists of representatives from the Town of Newstead, the Village of Akron and the Newstead Fire Company. The Town has also retained and designated Penflex, Inc. to assist in the administration of the program. The designated program administrator’s functions include the payment of benefits.

Program assets are required to be held in trust by LOSAP legislation, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program. Penflex also serves as the trustee and Cadaret Grant acts as investment manager.

Authority to invest program assets is vested in the Town Board. Subject to restrictions in the program document, program assets are invested in accordance with a statutory “prudent person” standard and the Investment Policy Statement for the LOSAP as approved by the Board of Trustees.

The sponsor is required to retain an actuary to determine the amount of the sponsor’s contributions to the plan. The actuary retained by the sponsor for this purpose is Penflex, Inc. Portions of the information presented on the following page are derived from an actuarial report for the plan year ended December 31, 2024, and prepared by the actuary dated July 2, 2025.

Program Financial Condition

Assets and Liabilities

| | | | |
|--|-------------------|----|----------------|
| Actuarial present value of benefits awarded at December 31, 2024 | | \$ | 573,678 |
| Assets available for benefits at December 31, 2024: | <u>% of total</u> | | |
| Money market | 2.2% | \$ | 12,555 |
| Mutual funds | 92.1% | | 528,159 |
| Contribution receivable | 5.7% | | <u>32,964</u> |
| Total assets available for benefits | | \$ | <u>573,678</u> |

Receipts and Disbursements

| | | | |
|---|----|-----------------|----------------|
| Plan net assets, beginning of year | | \$ | 515,130 |
| Changes during the year: | | | |
| + Sponsor contributions | \$ | 18,019 | |
| +/- Change in sponsor contribution receivable | | 14,945 | |
| + Investment income earned | | 32,355 | |
| - Investment expense | | 72 | |
| +/- Changes in fair market value of investments | | 12,610 | |
| - Plan benefit withdrawals | | <u>(19,453)</u> | <u>58,548</u> |
| Plan net assets, end of year | | \$ | <u>573,678</u> |

The Town's contribution to the Program for the year ended December 31, 2025 was \$32,963.

During the year ended December 31, 2025, the Town accounted for amounts held for LOSAP within restricted investments of its Fire Protection Fund. The value of program assets was available as of December 31, 2025 and totaled \$615,638, which includes \$8,774 held in money market funds and \$606,864 in mutual funds.

8. RISK MANAGEMENT

The Town is exposed to various risks of loss related to damage and destruction of assets, vehicle liability, and injuries to employees, health insurance, workers' compensation and unemployment insurance. The Town purchases commercial insurance to cover such potential risks. The Town purchases insurance for: automobile, general liability, umbrella liability, commercial building, inland marine and public official's liability. Automobile insurance is limited to \$1 million per accident. The general liability insurance is limited to \$1 million per occurrence, and an aggregate \$3 million limit for products-completed operations hazards, errors and omissions liability. The umbrella liability insurance policy is limited to \$8 million per occurrence. All other policies have limits ranging from \$150,000 to \$16.6 million. The Town has not incurred claims over the respective coverage limits in any of the last three fiscal years.

9. LEASE LIABILITY

The Town is a lessee for a noncancellable lease of building space. The Town recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. At the commencement of a lease, the Town initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Town determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Town uses the interest rates charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Town generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease terms include the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Town is reasonably certain to exercise.

The Town monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position. The Town previously entered into a long-term lease agreement as the lessee for the use of building space. As of December 31, 2025, the value of the lease liabilities was \$104,242. The value of the right-to-use lease assets as of the end of the current fiscal year was \$168,283 and had accumulated amortization of \$78,325.

The future principal and interest payments as of December 31, 2025, were as follows:

| Fiscal Year Ending December 31, | Principal | Interest | Total |
|---------------------------------------|-------------------|------------------|-------------------|
| 2026 | \$ 11,535 | \$ 2,969 | \$ 14,504 |
| 2027 | 12,547 | 2,610 | 15,157 |
| 2028 | 13,620 | 2,219 | 15,839 |
| 2029 | 14,757 | 1,794 | 16,551 |
| 2030 | 15,961 | 1,335 | 17,296 |
| 2031-2035 | <u>35,822</u> | <u>1,142</u> | <u>36,964</u> |
| Total | <u>\$ 104,242</u> | <u>\$ 12,069</u> | <u>\$ 116,311</u> |

10. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANs”) are generally accounted for in the Capital Projects Fund. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvements projects may be renewed for periods equivalent to the life of the permanent financing, provided that annual reductions of principal are made. The following table includes a summary of the Town’s changes in short-term debt for the year ended December 31, 2025.

| Description: | Interest Rate | Maturity Date | Balance 1/1/2025 | Increases | Decreases | Balance 12/31/2025 |
|--------------------------|---------------|---------------|---------------------|---------------------|---------------------|---------------------|
| Capital Projects Fund: | | | | | | |
| Various capital purposes | 4.50% | 7/10/2025 | \$ 1,678,000 | \$ - | \$ 1,678,000 | \$ - |
| Various capital purposes | 4.25% | 7/9/2026 | - | 1,566,000 | - | 1,566,000 |
| Total | | | <u>\$ 1,678,000</u> | <u>\$ 1,566,000</u> | <u>\$ 1,678,000</u> | <u>\$ 1,566,000</u> |

11. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

The Town’s outstanding long-term liabilities include serial bonds, compensated absences, lease liability, and net pension liability. The serial bonds of the Town are secured by its general credit and revenue raising powers, as per State statute.

A summary of changes in the Town’s long-term liabilities at December 31, 2025 is presented below.

| | Balance 1/1/2025 | Additions | Reductions | Balance 12/31/2025 | Due Within One Year |
|------------------------|---------------------|------------------|-------------------|---------------------|---------------------|
| Serial bonds | \$ 5,266,168 | \$ - | \$ 407,433 | \$ 4,858,735 | \$ 415,844 |
| Compensated absences* | 270,521 | 49,726 | - | 320,247 | 21,664 |
| Lease liability | 114,821 | - | 10,579 | 104,242 | 11,535 |
| Net pension liability* | <u>736,564</u> | - | <u>68,381</u> | <u>668,183</u> | - |
| Total | <u>\$ 6,388,074</u> | <u>\$ 49,726</u> | <u>\$ 486,393</u> | <u>\$ 5,951,407</u> | <u>\$ 449,043</u> |

(*Additions/reductions to compensated absences and the net pension liability are shown net of reductions/additions.)

Serial Bonds—The Town issues general obligation bonds to provide funds for the acquisition, construction, and renovation of major capital facilities. Serial bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the Town. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with original maturities that range from 15 to 30 years.

Principal is paid annually, interest is paid semi-annually; these payments are recorded in the General Fund and Water Districts Fund. A summary of additions and payments for the year ended December 31, 2025 is shown below.

| Description | Year of Issue/ Maturity | Original Issue | Interest Rate (%) | Balance 1/1/2025 | Increases | Decreases | Balance 12/31/2025 | Due Within One Year |
|------------------------------|----------------------------|----------------|-------------------|---------------------|-------------|-------------------|---------------------|---------------------|
| General Fund: | | | | | | | | |
| Public Impr. Refunding | 2021-2035 | \$ 1,205,000 | 0.50-3.00 | \$ 930,000 | \$ - | \$ 90,000 | \$ 840,000 | \$ 90,000 |
| Special Districts: | | | | | | | | |
| Water Dist. No. 5 - NYS EFC | 2002-2032 | 3,000,000 | 0.00 | 853,965 | - | 101,925 | 752,040 | 103,302 |
| Water Dist. No. 10 - NYS EFC | 2008-2038 | 4,423,473 | 0.00 | 2,292,203 | - | 150,508 | 2,141,695 | 152,542 |
| Water Dist. No. 10 - NYS EFC | 2008-2038 | 2,132,616 | 4.27 | 1,190,000 | - | 65,000 | 1,125,000 | 70,000 |
| Total | | | | <u>\$ 5,266,168</u> | <u>\$ -</u> | <u>\$ 407,433</u> | <u>\$ 4,858,735</u> | <u>\$ 415,844</u> |

Compensated Absences—As explained in Note 1, certain Town employees are permitted to accumulate earned but unused vacation and sick benefits. Upon retirement, these employees are entitled to compensation for such unused benefits. The payment in cash or health care benefits depends upon individual options selected upon retirement in accordance with the contractual agreement. The annual budgets of the operating funds provide funding for these benefits as they become payable. The value of Town’s compensated absences liability at December 31, 2025 is \$320,247, of which \$21,664 has been included as due within one year. Since payment of compensated absences is dependent upon many factors, the timing of future payments is not readily determinable.

Lease Liability—The Town previously entered into a long-term lease agreement as the lessee for the use of building space. As of December 31, 2025, the value of the lease liability was \$104,242. Refer to Note 9 for additional information related to the Town’s lease liability.

Net Pension Liability—The Town reports a liability for its proportionate share of the net pension liability for the Employee Retirement System. The net pension liability is estimated to be \$668,183. Refer to Note 6 for additional information related to the Town’s net pension liability.

The following is a maturity schedule of the Town’s indebtedness:

| Year Ending December 31, | Serial Bonds | Compensated Absences | Lease Liability | Net Pension Liability | Total |
|--------------------------|---------------------|----------------------|-------------------|-----------------------|---------------------|
| 2026 | \$ 415,844 | \$ 21,664 | \$ 11,535 | \$ - | \$ 449,043 |
| 2027 | 419,256 | - | 12,547 | - | 431,803 |
| 2028 | 417,667 | - | 13,620 | - | 431,287 |
| 2029 | 426,078 | - | 14,757 | - | 440,835 |
| 2030 | 434,490 | - | 15,961 | - | 450,451 |
| 2031-2035 | 1,905,655 | - | 35,822 | - | 1,941,477 |
| 2036 and thereafter | 839,745 | 298,583 | - | 668,183 | 1,806,511 |
| Total | <u>\$ 4,858,735</u> | <u>\$ 320,247</u> | <u>\$ 104,242</u> | <u>\$ 668,183</u> | <u>\$ 5,951,407</u> |

Interest requirements on serial bonds payable are as follows:

| Year Ending December 31, | Serial Bond* | Lease | Total |
|-----------------------------|-------------------|------------------|-------------------|
| 2026 | \$ 59,296 | \$ 2,969 | \$ 62,265 |
| 2027 | 57,148 | 2,610 | 59,758 |
| 2028 | 54,089 | 2,219 | 56,308 |
| 2029 | 49,976 | 1,794 | 51,770 |
| 2030 | 45,559 | 1,335 | 46,894 |
| 2031-2035 | 149,306 | 1,142 | 150,448 |
| 2036-2040 | 20,960 | - | 20,960 |
| Total | <u>\$ 436,334</u> | <u>\$ 12,069</u> | <u>\$ 448,403</u> |

*Amount due includes net interest (less EFC subsidy and plus administrative fees) on bond series 2008.

12. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net Investment in Capital Assets**—This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation/amortization and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. A reconciliation of the Town’s governmental activities net investment in capital assets is presented below:

| | |
|--|----------------------|
| Capital assets, net of accumulated depreciation/amortization | \$ 19,665,470 |
| Related debt: | |
| Serial bonds | (4,858,735) |
| Bond anticipation notes | (1,566,000) |
| Lease liability | (104,242) |
| Add: unspent proceeds of related debt | 20,336 |
| Net investment in capital assets | <u>\$ 13,156,829</u> |

- **Restricted Net Position**—This category represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position**—This category represents net position of the Town not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the Town at December 31, 2025 is presented on the following page.

- **Prepaid Items**—Represents amounts prepaid to the retirement system and other vendors that are applicable to future accounting periods. The General Fund, Highway Fund and Town Outside Village Fund reported prepaid items of \$62,221, \$27,440 and \$15,637, respectively at December 31, 2025.
- **Long-Term Receivable – Leases**—Represents the year-end balance of the lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource. The General Fund reported long-term receivable for leases of \$336,755 at December 31, 2025.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as creditors, grants, contributors, or laws and regulations of other governments) through constitutional provisions or enabling legislation. As of December 31, 2025, the Town had the following restricted fund balance:

- **Restricted for Tax Stabilization**—According to General Municipal Law Section 6-e, this restriction must be used to finance certain unanticipated revenue losses or unanticipated expenditures chargeable to the “eligible portion of the annual budget,” and to lessen or prevent projected increases in excess of 2.5 percent of the amount of the real property tax levy needed to finance the eligible portion of the annual budget. The restriction may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. However, no amount may be appropriated for payment into a tax stabilization reserve fund that would cause the balance of the fund to exceed 10 percent of the eligible portion of the annual budget for the fiscal year for which the appropriation would be made. The General and Highway Funds have restricted \$27,863 and \$64,983 at December 31, 2025, respectively.
- **Restricted for LOSAP**—Represents monies, \$615,638, held in trust for the administration of the Town’s LOSAP.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the Town’s highest level of decision-making authority. As of December 31, 2025, the Town had no committed fund balance.

In the fund financial statements, assignments are not legally required segregations, but are subject to a purpose constraint that represents an intended use established by the Town Board. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. As of December 31, 2025, the Town reported fund balance assignments as shown below:

| | General Fund | Highway Fund | Water Districts Fund | Fire Protection District Fund | Nonmajor Governmental Funds | Total |
|--------------------------------|-------------------|---------------------|----------------------|-------------------------------|-----------------------------|---------------------|
| Subsequent year's expenditures | \$ 275,000 | \$ 390,000 | \$ 59,101 | \$ 25,000 | \$ 79,484 | \$ 828,585 |
| Encumbrances | 22,445 | - | - | - | - | 22,445 |
| Equipment | - | 255,193 | - | - | - | 255,193 |
| Specific use | - | 1,738,481 | 592,417 | 125,037 | 560,922 | 3,016,857 |
| Total | \$ 297,445 | \$ 2,383,674 | \$ 651,518 | \$ 150,037 | \$ 640,406 | \$ 4,123,080 |

- **Assigned to Subsequent Year’s Expenditures**—Represents available fund balance being appropriated to meet expenditure requirements in the 2026 fiscal year.
- **Assigned to Encumbrances**—Represents authorizations related to unperformed contracts or purchase orders for goods or services.
- **Assigned to Equipment**—Represents funds assigned for future equipment purchases.
- **Assigned to Specific Use**—Represents fund balance within the special revenue funds that is assigned for a specific purpose. The assignment’s purpose relates to each fund’s operations and represents amounts within funds that are not restricted or committed.

Unassigned fund balance represents the residual classification of the Town’s General Fund surplus and the Capital Projects Fund deficit.

If the Town must use funds for emergency expenditures the Board shall authorize the Supervisor to expend funds first from funds classified under GASB as nonspendable (if funds become available) then restricted funds. The use of committed and assigned funds as classified by GASB will occur after the exhaustion of available restricted funds. Finally, if no other fund balances are available, the Town will use unassigned fund balance.

13. INTERFUND BALANCES AND ACTIVITY

Interfund transfers are routine annual events for both the budget and accounting process and are necessary to present funds in their proper fund classification. Interfund transfers of the Town as of, and for the year ended December 31, 2025, are presented below.

| Fund | Transfers in | Transfers out |
|-----------------------|-------------------|-------------------|
| General Fund | \$ - | \$ 27,500 |
| Water Districts Fund | - | 112,000 |
| Capital Projects Fund | 139,500 | - |
| Total | <u>\$ 139,500</u> | <u>\$ 139,500</u> |

14. LABOR CONTRACTS

Certain Town employees are represented by one bargaining unit, Teamsters Local 264, with the balance governed by Town Board rules and regulations. The bargaining unit has a negotiated contract in place through December 31, 2026.

15. COMMITMENTS

Encumbrances—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year’s budget pursuant to state regulations. The Town considers encumbrances to be significant for amounts that are encumbered in excess of \$5,000.

Significant encumbrances as of December 31, 2025, are as listed below:

| <u>Fund</u> | <u>Purpose</u> | <u>Amount</u> |
|-------------|----------------|---------------|
| General | Glass Work | \$ 22,445 |

16. TAX ABATEMENTS

The Town is subject to tax abatements granted by the Erie County Industrial Development Agency ("ECIDA"). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements entered into by the ECIDA and include the abatement of state, county, local, and school Town taxes, in addition to other assistance. In the case of the Town, the abatements have resulted in reductions of property taxes, which the Town administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. Under the agreements entered into by ECIDA, the Town collected \$4,181 during 2025, in payments in lieu of taxes ("PILOT"), these collections were made in lieu of \$5,061 in property taxes.

17. CONTINGENCIES

Grants—In the normal course of operations, the Town receives grant funds from various Federal and State agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

Litigation—The Town is involved in litigation in the ordinary course of its operations. Various legal actions are pending against the Town. The outcome of these matters is not presently determinable, but in the opinion of management, the ultimate liability will not have a material adverse effect on the financial condition or results of operation of the Town.

Assessments—The Town is a defendant in various litigation under Article 7 of the Real Property Tax Law of the State of New York to review tax assessments. While the Town vigorously defends assessments, the likelihood of success is on a case by case basis, and is dependent upon various factors including market values and appraised amounts. No potential amount or potential range of loss is determinable. However, management believes that level of such potential loss, if any, would be immaterial and no provisions have been made with the financial statements.

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 30, 2026, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

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TOWN OF NEWSTEAD, NEW YORK
Schedule of the Town's Proportionate Share of the
Net Pension Liability/(Asset)—Employees' Retirement System
Last Ten Fiscal Years

| | Year Ended December 31, | | | | | | | | | |
|--|--------------------------------|-------------------|---------------------|---------------------|-----------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
| Measurement date | March 31, 2025 | March 31, 2024 | March 31, 2023 | March 31, 2022 | March 31, 2021 | March 31, 2020 | March 31, 2019 | March 31, 2018 | March 31, 2017 | March 31, 2016 |
| Town's proportion of the net pension liability/(asset) | 0.0038971% | 0.0050025% | 0.0048385% | 0.0039334% | 0.0039442% | 0.0037052% | 0.0034117% | 0.0032176% | 0.0033616% | 0.0035288% |
| Town's proportionate share of the net pension liability/(asset) | <u>\$ 668,183</u> | <u>\$ 736,564</u> | <u>\$ 1,037,560</u> | <u>\$ (321,540)</u> | <u>\$ 3,927</u> | <u>\$ 981,158</u> | <u>\$ 241,730</u> | <u>\$ 103,846</u> | <u>\$ 315,860</u> | <u>\$ 566,382</u> |
| Town's covered payroll | \$ 1,243,271 | \$ 1,048,917 | \$ 1,038,444 | \$ 1,054,512 | \$ 951,540 | \$ 961,600 | \$ 957,992 | \$ 940,792 | \$ 868,294 | \$ 875,235 |
| Town's proportionate share of the net pension liability/(asset) as a percentage of its covered payroll | 53.74% | 70.22% | 99.91% | (30.49%) | 0.41% | 102.03% | 25.23% | 11.04% | 36.38% | 64.71% |
| Plan fiduciary net position as a percentage of the total pension liability | 93.1% | 93.9% | 90.8% | 103.7% | 100.0% | 86.4% | 96.3% | 98.2% | 94.7% | 90.7% |

TOWN OF NEWSTEAD, NEW YORK
Schedule of the Town's Contribution—
Employees' Retirement System
Last Ten Fiscal Years

| | Year Ended December 31, | | | | | | | | | |
|--|-------------------------|--------------|--------------|--------------|------------|------------|------------|------------|------------|-------------|
| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
| Contractually required contribution | \$ 192,144 | \$ 160,640 | \$ 133,379 | \$ 132,041 | \$ 151,917 | \$ 138,922 | \$ 136,639 | \$ 132,784 | \$ 128,166 | \$ 165,411 |
| Contributions in relation to the contractually required contribution | (192,144) | (160,640) | (133,379) | (132,041) | (151,917) | (138,922) | (136,639) | (132,784) | (128,166) | (191,408) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (25,997) |
| Town's covered payroll | \$ 1,278,223 | \$ 1,209,923 | \$ 1,023,740 | \$ 1,035,367 | \$ 987,918 | \$ 937,953 | \$ 961,020 | \$ 951,836 | \$ 940,315 | \$ 875,235 |
| Contributions as a percentage of covered payroll | 15.0% | 13.3% | 13.0% | 12.8% | 15.4% | 14.8% | 14.2% | 14.0% | 13.6% | 18.9% |

TOWN OF NEWSTEAD, NEW YORK
Schedule of Revenues, Expenditures, and Changes in
Fund Balances—Budget and Actual—General Fund
Year Ended December 31, 2025

| | <u>Budgeted Amounts</u> | | <u>Actual</u> <u>Amounts</u> | <u>Variance with</u> <u>Final Budget</u> |
|--|-------------------------|---------------------|---------------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Real property taxes | \$ 1,371,809 | \$ 1,371,809 | \$ 1,373,403 | \$ 1,594 |
| Real property tax items | 14,300 | 14,300 | 16,922 | 2,622 |
| Non-property tax items | 240,000 | 240,000 | 327,212 | 87,212 |
| Departmental income | 19,850 | 19,850 | 39,168 | 19,318 |
| Intergovernmental charges | 20,000 | 20,000 | 34,855 | 14,855 |
| Use of money and property | 55,000 | 55,000 | 232,105 | 177,105 |
| Licenses and permits | 16,500 | 16,500 | 14,990 | (1,510) |
| Fines and forfeitures | 75,260 | 75,260 | 97,258 | 21,998 |
| Miscellaneous | 11,500 | 21,457 | 70,354 | 48,897 |
| State aid | 202,761 | 202,761 | 209,188 | 6,427 |
| Federal aid | - | - | 3,464 | 3,464 |
| Total revenues | <u>2,026,980</u> | <u>2,036,937</u> | <u>2,418,919</u> | <u>381,982</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government support | 1,068,966 | 1,068,164 | 1,000,608 | 67,556 |
| Public safety | 58,292 | 60,093 | 38,200 | 21,893 |
| Health | 2,300 | 2,300 | 1,189 | 1,111 |
| Transportation | 252,080 | 251,581 | 188,872 | 62,709 |
| Economic assistance and opportunity | 2,100 | 2,100 | 1,000 | 1,100 |
| Culture and recreation | 724,434 | 733,891 | 515,223 | 218,668 |
| Home and community services | 26,400 | 26,400 | 17,793 | 8,607 |
| Employee benefits | 412,675 | 412,675 | 339,927 | 72,748 |
| Debt service: | | | | |
| Principal | 100,579 | 100,579 | 100,579 | - |
| Interest and other fiscal charges | 18,248 | 18,248 | 18,248 | - |
| Total expenditures | <u>2,666,074</u> | <u>2,676,031</u> | <u>2,221,639</u> | <u>454,392</u> |
| Excess (deficiency) of revenues over expenditures | <u>(639,094)</u> | <u>(639,094)</u> | <u>197,280</u> | <u>836,374</u> |
| OTHER FINANCING USES | | | | |
| Transfers out | <u>(27,500)</u> | <u>(27,500)</u> | <u>(27,500)</u> | <u>-</u> |
| Total other financing uses | <u>(27,500)</u> | <u>(27,500)</u> | <u>(27,500)</u> | <u>-</u> |
| Net change in fund balances* | (666,594) | (666,594) | 169,780 | 836,374 |
| Fund balances—beginning | <u>2,325,923</u> | <u>2,325,923</u> | <u>2,325,923</u> | <u>-</u> |
| Fund balances—ending | <u>\$ 1,659,329</u> | <u>\$ 1,659,329</u> | <u>\$ 2,495,703</u> | <u>\$ 836,374</u> |

*The net change in fund balances was included in the budget as an appropriation (i.e. spenddown) of fund balance and re-appropriation of prior year encumbrances.

The note to the required supplementary information is an integral part of this schedule.

TOWN OF NEWSTEAD, NEW YORK
Schedule of Revenues, Expenditures, and Changes in
Fund Balances—Budget and Actual—Highway Fund
Year Ended December 31, 2025

| | <u>Budgeted Amounts</u> | | <u>Actual</u> <u>Amounts</u> | <u>Variance with</u> <u>Final Budget</u> |
|---|-------------------------|---------------------|---------------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Real property taxes | \$ 133,484 | \$ 133,484 | \$ 133,484 | \$ - |
| Non-property tax items | 900,000 | 900,000 | 900,000 | - |
| Intergovernmental charges | 555,737 | 555,737 | 561,134 | 5,397 |
| Use of money and property | 15,002 | 15,002 | 68,565 | 53,563 |
| Sale of property and compensation for loss | 15,000 | 15,000 | - | (15,000) |
| Miscellaneous | - | - | 2,937 | 2,937 |
| State aid | <u>130,000</u> | <u>130,000</u> | <u>137,256</u> | <u>7,256</u> |
| Total revenues | <u>1,749,223</u> | <u>1,749,223</u> | <u>1,803,376</u> | <u>54,153</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Transportation | 2,221,223 | 2,221,223 | 1,321,959 | 899,264 |
| Employee benefits | <u>289,515</u> | <u>289,515</u> | <u>266,124</u> | <u>23,391</u> |
| Total expenditures | <u>2,510,738</u> | <u>2,510,738</u> | <u>1,588,083</u> | <u>922,655</u> |
| Net change in fund balances* | (761,515) | (761,515) | 215,293 | 976,808 |
| Fund balances—beginning | <u>2,260,804</u> | <u>2,260,804</u> | <u>2,260,804</u> | <u>-</u> |
| Fund balances—ending | <u>\$ 1,499,289</u> | <u>\$ 1,499,289</u> | <u>\$ 2,476,097</u> | <u>\$ 976,808</u> |

*The net change in fund balances was included in the budget as an appropriation (i.e. spenddown) of fund balance and re-appropriation of prior year encumbrances.

The note to the required supplementary information is an integral part of this schedule.

TOWN OF NEWSTEAD, NEW YORK
Schedule of Revenues, Expenditures, and Changes in
Fund Balances—Budget and Actual—Water Districts Fund
Year Ended December 31, 2025

| | <u>Budgeted Amounts</u> | | <u>Actual</u> <u>Amounts</u> | <u>Variance with</u> <u>Final Budget</u> |
|---------------------------------------|-------------------------|-------------------|---------------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Real property taxes | \$ 574,213 | \$ 574,213 | \$ 574,213 | \$ - |
| Departmental income | 6,180 | 6,180 | 6,182 | 2 |
| Use of money and property | 7,455 | 7,455 | 26,936 | 19,481 |
| Miscellaneous | 120 | 120 | 116 | (4) |
| State aid | 5,017 | 5,017 | 5,017 | - |
| Total revenues | <u>592,985</u> | <u>592,985</u> | <u>612,464</u> | <u>19,479</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Home and community services | 115,471 | 115,471 | 96,563 | 18,908 |
| Employee benefits | 504 | 504 | 140 | 364 |
| Debt service: | | | | |
| Principal | 317,433 | 317,433 | 317,433 | - |
| Interest and other fiscal charges | 97,038 | 97,038 | 97,038 | - |
| Total expenditures | <u>530,446</u> | <u>530,446</u> | <u>511,174</u> | <u>19,272</u> |
| Excess of revenues over expenditures | <u>62,539</u> | <u>62,539</u> | <u>101,290</u> | <u>38,751</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 160,109 | 160,109 | 160,109 | - |
| Transfers out | <u>(272,109)</u> | <u>(272,109)</u> | <u>(272,109)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(112,000)</u> | <u>(112,000)</u> | <u>(112,000)</u> | <u>-</u> |
| Net change in fund balances* | (49,461) | (49,461) | (10,710) | 38,751 |
| Fund balances—beginning | <u>662,228</u> | <u>662,228</u> | <u>662,228</u> | <u>-</u> |
| Fund balances—ending | <u>\$ 612,767</u> | <u>\$ 612,767</u> | <u>\$ 651,518</u> | <u>\$ 38,751</u> |

*The net change in fund balances was included in the budget as an appropriation (i.e. spenddown) of fund balance.

The note to the required supplementary information is an integral part of this schedule.

TOWN OF NEWSTEAD, NEW YORK
Schedule of Revenues, Expenditures, and Changes in
Fund Balances—Budget and Actual—Fire Protection District Fund
Year Ended December 31, 2025

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|------------------------------|-------------------------|-------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Real property taxes | \$ 675,709 | \$ 675,709 | \$ 675,709 | \$ - |
| Use of money and property | 3,000 | 3,000 | 11,588 | 8,588 |
| Miscellaneous | <u>65</u> | <u>65</u> | <u>74,988</u> | <u>74,923</u> |
| Total revenues | <u>678,774</u> | <u>678,774</u> | <u>762,285</u> | <u>83,511</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | 639,284 | 640,334 | 638,484 | 1,850 |
| Employee benefits | <u>79,490</u> | <u>78,440</u> | <u>73,020</u> | <u>5,420</u> |
| Total expenditures | <u>718,774</u> | <u>718,774</u> | <u>711,504</u> | <u>7,270</u> |
| Net change in fund balances* | (40,000) | (40,000) | 50,781 | 90,781 |
| Fund balances—beginning | <u>714,894</u> | <u>714,894</u> | <u>714,894</u> | <u>-</u> |
| Fund balances—ending | <u>\$ 674,894</u> | <u>\$ 674,894</u> | <u>\$ 765,675</u> | <u>\$ 90,781</u> |

*The net change in fund balances was included in the budget as an appropriation (i.e. spenddown) of fund balance.

The note to the required supplementary information is an integral part of this schedule.

TOWN OF NEWSTEAD, NEW YORK
Note to the Required Supplementary Information
Year Ended December 31, 2025

1. BUDGETARY INFORMATION

Budgetary Basis of Accounting—Annual budgets are adopted on a basis consistent with generally accepted accounting principles in the United States of America for all governmental funds, with the exception of the Capital Projects Fund. The Capital Projects Fund are appropriated on a project-length basis; appropriations are approved through Town Board resolution at the project’s inception and lapse upon termination of the project.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations require the approval of the Town Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances.

Actual results of operations presented in accordance with GAAP and the Town’s accounting policies do not recognize encumbrances and restricted fund balance as expenditures until the period in which the actual goods or services are received and a liability is incurred. Encumbrances are only reported on the balance sheet of the governmental funds included within restricted, committed or assigned fund balance. Significant encumbrances are disclosed in the notes to the financial statements.

SUPPLEMENTARY INFORMATION

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TOWN OF NEWSTEAD, NEW YORK
Combining Balance Sheet—Nonmajor Governmental Funds
December 31, 2025

| | Special Revenue Funds | | | | | Total Nonmajor Funds |
|--|-------------------------------------|------------------------------|--|--|----------------------------|-------------------------------------|
| | Town Outside Village | Drainage District | Refuse and Garbage District | Sanitary Sewer District | Greenspace Fees | |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 87,999 | \$ 39,848 | \$ 89,067 | \$ 3,200 | \$ 103,804 | \$ 323,918 |
| Investments | 178,678 | 24,596 | 99,888 | - | 49,129 | 352,291 |
| Receivables | 6,864 | - | 443 | 1,281 | - | 8,588 |
| Prepaid items | 15,492 | 113 | 32 | - | - | 15,637 |
| Total assets | <u>\$ 289,033</u> | <u>\$ 64,557</u> | <u>\$ 189,430</u> | <u>\$ 4,481</u> | <u>\$ 152,933</u> | <u>\$ 700,434</u> |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 52 | \$ - | \$ 33,151 | \$ 1,218 | \$ - | \$ 34,421 |
| Accrued liabilities | 9,970 | - | - | - | - | 9,970 |
| Total liabilities | <u>10,022</u> | <u>-</u> | <u>33,151</u> | <u>1,218</u> | <u>-</u> | <u>44,391</u> |
| FUND BALANCES | | | | | | |
| Nonspendable | 15,492 | 113 | 32 | - | - | 15,637 |
| Assigned | <u>263,519</u> | <u>64,444</u> | <u>156,247</u> | <u>3,263</u> | <u>152,933</u> | <u>640,406</u> |
| Total fund balances | <u>279,011</u> | <u>64,557</u> | <u>156,279</u> | <u>3,263</u> | <u>152,933</u> | <u>656,043</u> |
| Total liabilities and fund balances | <u>\$ 289,033</u> | <u>\$ 64,557</u> | <u>\$ 189,430</u> | <u>\$ 4,481</u> | <u>\$ 152,933</u> | <u>\$ 700,434</u> |

TOWN OF NEWSTEAD, NEW YORK
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—
Nonmajor Governmental Funds
Year Ended December 31, 2025

| | Special Revenue Funds | | | | | Total Nonmajor Funds |
|-----------------------------|-------------------------------------|------------------------------|--|--|----------------------------|-------------------------------------|
| | Town Outside Village | Drainage District | Refuse and Garbage District | Sanitary Sewer District | Greenspace Fees | |
| REVENUES | | | | | | |
| Real property taxes | \$ - | \$ 83,020 | \$ 452,202 | \$ - | \$ - | \$ 535,222 |
| Non-property tax items | 107,543 | - | - | - | - | 107,543 |
| Departmental income | 9,900 | - | 5,619 | 16,120 | - | 31,639 |
| Use of money and property | 10,847 | 2,519 | 6,707 | 60 | 5,450 | 25,583 |
| Licenses and permits | 101,197 | - | - | - | - | 101,197 |
| Miscellaneous | 900 | - | 3,414 | - | 9,000 | 13,314 |
| State aid | 8,950 | - | - | - | - | 8,950 |
| Total revenues | <u>239,337</u> | <u>85,539</u> | <u>467,942</u> | <u>16,180</u> | <u>14,450</u> | <u>823,448</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government support | 152 | - | - | - | - | 152 |
| Public safety | 144,940 | - | - | - | - | 144,940 |
| Home and community services | 43,079 | 59,997 | 431,042 | 15,808 | 151 | 550,077 |
| Employee benefits | 94,099 | 3,912 | 441 | - | - | 98,452 |
| Total expenditures | <u>282,270</u> | <u>63,909</u> | <u>431,483</u> | <u>15,808</u> | <u>151</u> | <u>793,621</u> |
| Net change in fund balances | (42,933) | 21,630 | 36,459 | 372 | 14,299 | 29,827 |
| Fund balances—beginning | <u>321,944</u> | <u>42,927</u> | <u>119,820</u> | <u>2,891</u> | <u>138,634</u> | <u>626,216</u> |
| Fund balances—ending | <u>\$ 279,011</u> | <u>\$ 64,557</u> | <u>\$ 156,279</u> | <u>\$ 3,263</u> | <u>\$ 152,933</u> | <u>\$ 656,043</u> |

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

Honorable Town Board
Town of Newstead, New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Newstead, New York (the "Town") as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 30, 2026.

Report On Internal Control Over Financial Reporting

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

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

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

Report On Compliance and Other Matters

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

Purpose of this Report

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

Brescher & Malecki LLC

March 30, 2026